

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 2021 to 31 July 2021

| | Individual Quarter | | Cumulative Quarter | |
|---|----------------------|--------------------------------------|----------------------|-------------------------------------|
| | Current Year Quarter | Preceding Year Corresponding Quarter | Current Year To-date | Preceding Year Corresponding Period |
| | 31/07/2021 | 31/07/2020 | 31/07/2021 | 31/07/2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 164,830 | 210,215 | 1,081,939 | 932,873 |
| Cost of Sales | (130,849) | (199,996) | (912,041) | (877,323) |
| Gross Profit | 33,981 | 10,219 | 169,898 | 55,550 |
| Other Income | 2,249 | 1,461 | 6,460 | 5,006 |
| Operating Expenses | (14,586) | (4,949) | (44,598) | (34,765) |
| Profit from Operations | 21,644 | 6,731 | 131,760 | 25,791 |
| Finance Costs | (3,006) | (4,622) | (13,177) | (20,940) |
| Share of profit of equity-accounted investees, net of tax | 49,451 | 10,203 | 76,007 | 3,838 |
| Profit Before Tax | 68,089 | 12,312 | 194,590 | 8,689 |
| Tax expense | (7,618) | (1,948) | (31,073) | (4,088) |
| Profit for the Period | 60,471 | 10,364 | 163,517 | 4,601 |
| Other Comprehensive Income / (Loss) | | | | |
| Fair value (loss) / profit on other investments | (49) | (109) | 55 | (365) |
| Foreign currency translation differences for foreign operations | (65) | 58 | (67) | (160) |
| | (114) | (51) | (12) | (525) |
| Total Comprehensive Income | 60,357 | 10,313 | 163,505 | 4,076 |
| Profit Attributable to: | | | | |
| Owners of the parent | 60,484 | 10,292 | 163,427 | 4,287 |
| Non-Controlling Interests | (13) | 72 | 90 | 314 |
| | 60,471 | 10,364 | 163,517 | 4,601 |
| Total Comprehensive Income Attributable to: | | | | |
| Owners of the parent | 60,370 | 10,241 | 163,415 | 3,762 |
| Non-Controlling Interests | (13) | 72 | 90 | 314 |
| | 60,357 | 10,313 | 163,505 | 4,076 |
| Earnings Per Share (EPS) | | | | |
| (a) Basic (sen) | 4.26 | 0.76 | 11.52 | 0.32 |
| (b) Diluted (sen) | 3.82 | 0.69 | 10.07 | 0.32 |

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 2020 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 2021

| | 31/07/2021 | 31/07/2020 |
|--|-------------------------|-------------------------|
| | (Unaudited) | (Audited) |
| | RM'000 | RM'000 |
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 260,478 | 272,532 |
| Right-of-Use assets | 300 | 484 |
| Investment properties | 8,511 | 8,728 |
| Investment in joint venture | 497,137 | 421,130 |
| Other investments | 783 | 729 |
| Deferred tax assets | 73 | - |
| | <u>767,282</u> | <u>703,603</u> |
| Current assets | | |
| Inventories | 450,139 | 354,194 |
| Trade and other receivables | 209,123 | 196,258 |
| Derivative assets | 155 | - |
| Current tax assets | 4,997 | 13,474 |
| Deposits with licensed banks | 18,133 | 21,874 |
| Cash and cash equivalents | 158,498 | 145,197 |
| | <u>841,045</u> | <u>730,997</u> |
| Total assets | <u>1,608,327</u> | <u>1,434,600</u> |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Share capital | 865,088 | 680,166 |
| Treasury shares | (7,499) | (7,499) |
| Warrant reserves | - | 30,341 |
| Translation reserves | (369) | (302) |
| Share option reserves | 6,407 | 5,401 |
| Fair value reserves | (1,826) | (1,881) |
| RCUIDS reserves | - | 27,752 |
| Retained earnings | 264,923 | 128,065 |
| | <u>1,126,724</u> | <u>862,043</u> |
| Non-Controlling Interests | (843) | (933) |
| Total equity | <u>1,125,881</u> | <u>861,110</u> |
| Non-current liabilities | | |
| Lease liabilities | 123 | 315 |
| Deferred tax liabilities | 17,723 | 36,446 |
| | <u>17,846</u> | <u>36,761</u> |
| Current liabilities | | |
| Loans and borrowings | 411,101 | 506,261 |
| Trade and other payables | 50,922 | 28,942 |
| Lease liabilities | 192 | 181 |
| Derivative liabilities | - | 1 |
| Contract liabilities | 782 | 1,341 |
| Current tax payable | 1,603 | 3 |
| | <u>464,600</u> | <u>536,729</u> |
| Total liabilities | <u>482,446</u> | <u>573,490</u> |
| Total equity and liabilities | <u>1,608,327</u> | <u>1,434,600</u> |
| Net assets per share attributable to owners of the parent (RM) | 0.65 | 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 2020 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 2021

| | Current Year To-date 31/07/2021 RM'000 | Preceding Year Corresponding Period 31/07/2020 RM'000 |
|---|---|--|
| <u>Operating Activities</u> | | |
| Profit Before Tax | 194,590 | 8,689 |
| Adjustments for: | | |
| Dividend income | (22) | (33) |
| Depreciation of investment properties | 218 | 217 |
| Depreciation of property, plant and equipment | 13,200 | 13,746 |
| Depreciation of right-of use assets | 184 | 184 |
| ESOS employee reserves | 1,006 | - |
| Finance income: | | |
| Other investments | (213) | (44) |
| Deposits with licensed banks | (1,073) | (2,179) |
| Gain on disposal of property, plant and equipment | (2,119) | (35) |
| Finance costs | 13,177 | 20,940 |
| Net overdue interest income | (509) | (527) |
| Net unrealised foreign exchange loss/(gain) | 324 | (487) |
| Property, plant and equipment written off | 37 | 330 |
| Impairment loss on trade receivables | 838 | 688 |
| Write-down of inventories to net realisable value | 5,771 | 5,010 |
| Share of profit of equity-accounted joint venture, net of tax | (76,007) | (3,838) |
| Operating profit before changes in working capital | 149,402 | 42,661 |
| Net changes in current assets | (115,488) | 142,784 |
| Net changes in current liabilities | 21,492 | (31,588) |
| Net changes in reserves | 8,121 | - |
| Cash generated from operations | 63,527 | 153,857 |
| Interest paid | (24,320) | (25,719) |
| Net overdue interest income | 509 | 527 |
| Net income tax paid | (21,449) | (7,852) |
| Net cash generated from operating activities | 18,267 | 120,813 |
| <u>Investing Activities</u> | | |
| Dividend income | 22 | 33 |
| Finance income: | | |
| Other investments | 213 | 44 |
| Deposits with licensed banks | 1,073 | 2,179 |
| Decrease / (Increase) in other investments | 3,741 | (20,366) |
| Net cash inflow on acquisition of subsidiary | - | 39 |
| Proceeds from disposal of property, plant and equipment | 4,510 | 1,140 |
| Purchase of property, plant and equipment | (3,678) | (16,391) |
| Net cash generated from / (used in) investing activities | 5,881 | (33,322) |
| <u>Financing Activities</u> | | |
| Dividend paid | (4,174) | (6,694) |
| Payment of lease liabilities | (201) | (201) |
| Repayment of borrowings | (83,997) | (114,998) |
| Proceed from issuance of ESOS | 1,742 | - |
| Proceed from exercised of Warrants | 76,226 | - |
| Net cash used in financing activities | (10,404) | (121,893) |
| Net Decrease in Cash and Cash Equivalents | 13,744 | (34,402) |
| Effect of exchange rate changes | (443) | 678 |
| Cash and Cash Equivalents at beginning of period | 145,197 | 178,921 |
| Cash and Cash Equivalents at end of period | 158,498 | 145,197 |

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 July 2020 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 Changes in Equity for the period ended 31 July 2021

| | Attributable to equity holders of the parent | | | | | | | | Total RM'000 | Non- controlling Interests RM'000 | 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 | | | |
| As at end of current quarter ended 31 July 2021 | | | | | | | | | | | |
| Opening balance as at 1 August 2020 | 680,166 | (7,499) | 30,341 | (302) | 5,401 | (1,881) | 27,752 | 128,065 | 862,043 | (933) | 861,110 |
| Total comprehensive income | - | - | - | (67) | - | 55 | - | 163,427 | 163,415 | 90 | 163,505 |
| Transactions with owners | | | | | | | | | | | |
| Issuance of ordinary shares pursuant to:- | | | | | | | | | | | |
| - Conversion of RCUIDS | 106,774 | - | - | - | - | - | (106,774) | (63,020) | (63,020) | - | (63,020) |
| - Exercise of warrants | 76,226 | - | (16,221) | - | - | - | - | 21,343 | 81,348 | - | 81,348 |
| - Share options exercised | 1,922 | - | - | - | (579) | - | - | 399 | 1,742 | - | 1,742 |
| RCUIDS DTA adjustments | - | - | - | - | - | - | 79,022 | - | 79,022 | - | 79,022 |
| Equity-settled share based payments | - | - | - | - | 1,888 | - | - | - | 1,888 | - | 1,888 |
| Shares option forfeited | - | - | - | - | (303) | - | - | 303 | - | - | - |
| Warrants expired | - | - | (14,120) | - | - | - | - | 18,580 | 4,460 | - | 4,460 |
| Final dividend for the financial year ended 31 July 2020 (Single tier of 0.3 sen) | - | - | - | - | - | - | - | (4,174) | (4,174) | - | (4,174) |
| Transactions with owners | 184,922 | - | (30,341) | - | 1,006 | - | (27,752) | (26,569) | 101,266 | - | 101,266 |
| Closing balance as at 31 July 2021 | 865,088 | (7,499) | - | (369) | 6,407 | (1,826) | - | 264,923 | 1,126,724 | (843) | 1,125,881 |
| As at preceding year corresponding 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) | - | - | - | - |
| Shares option forfeited | - | - | - | - | (262) | - | - | 262 | - | - | - |
| 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 | - | - | - | (262) | - | (6,131) | (6,432) | (4,758) | - | (4,758) |
| Closing balance as at 31 July 2020 | 680,166 | (7,499) | 30,341 | (302) | 5,401 | (1,881) | 27,752 | 128,065 | 862,043 | (933) | 861,110 |

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 July 2020 and the accompanying explanatory notes attached to the interim financial statements.

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

Notes to the Quarterly Report – 31 July 2021

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 2020. 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 2020.

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 2020.

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

MFRSs, interpretations and amendments effective for annual periods beginning on or after 1 January 2021

- Amendments to MFRS 9, *Financial Instruments*, MFRS 139, *Financial Instruments: Recognition and Measurement*, MFRS 7, *Financial Instruments: Disclosures*, MFRS 4, *Insurance Contracts* and MFRS 16, *Leases – Interest Rate Benchmark Reform – Phase 2*

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*.

MFRSs, interpretations and amendments effective for annual periods beginning on 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 an Investor and its Associate or Joint Venture*.

The Group does not plan to apply MFRS 17, *Insurance Contracts* that is effective for the annual periods beginning on 1 January 2023 as it is not applicable to the Group.

The initial application of the abovementioned accounting standards, interpretations and amendments are not expected to have any material financial impact to the current period and prior period financial statements of the Group.

3. Audit qualification

There were no audit qualifications on the annual financial statements of the Group for the year ended 31 July 2020.

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) Conversion of 170,704,813 Five (5) - Year 5% Redeemable Convertible Unsecured Islamic Debt Securities (“RCUIDS”) to 170,704,813 new ordinary shares on the basis of one (1) RCUIDS for every one (1) ordinary share and the RCUIDS had since expired on 23 June 2021.
- b) Issuance of 152,451,739 new ordinary shares pursuant to the exercise of 152,451,739 warrants at the exercise price of RM0.50 per share and the Warrants B had since expired on 23 June 2021.
- c) Issuance of 3,844,390 new ordinary shares of RM0.50 each pursuant to exercise of 3,844,390 Employees’ Share Option Scheme.
- d) As at quarter ended 31 July 2021, a total of 5,492,000 buy-back shares were held as treasury shares and carried at cost.

8. Dividend paid

A single tier dividend of 0.3 sen per ordinary share in respect of the financial year ended 31 July 2020 was approved by shareholders at the 24th Annual General Meeting of the Company held on 17 December 2020. A total amount of RM4,174,068.62 was paid on 25 January 2021 to depositors registered in the Record of Depositors at the close of business on 4 January 2021.

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9. Segment information

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

| | ← 12 months ended 31 July 2021 → | | | | | | |
|----------------------------------|----------------------------------|-----------------------|-------------------------------|---------------------|----------------------------|------------------------|-------------------------|
| | 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 | 550,507 | 528,601 | - | - | 2,831 | - | 1,081,939 |
| - Intersegment sales | - | 4,473 | 52,955 | 2,768 | - | (60,196) | - |
| Total sales | <u>550,507</u> | <u>533,074</u> | <u>52,955</u> | <u>2,768</u> | <u>2,831</u> | <u>(60,196)</u> | <u>1,081,939</u> |
| RESULTS | | | | | | | |
| Finance income | 463 | 802 | 1 | 20 | - | - | 1,286 |
| Finance costs | 8,189 | 4,423 | 565 | - | - | - | 13,177 |
| Depreciation & amortisation | 771 | 9,575 | 1,848 | 383 | 1,025 | - | 13,602 |
| Share of profit of joint venture | - | - | - | - | - | - | 76,007 |
| Segment profit | <u>33,353</u> | <u>92,049</u> | <u>(8,811)</u> | <u>264</u> | <u>1,728</u> | <u>76,007</u> | <u>194,590</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. Subsequent events

There were no material events subsequent to the end of the interim period up to the date of this report except the following:

On 8 September 2021, the company's wholly-owned subsidiary Hiap Teck Hardware Sdn. Bhd. has entered into Sales and Purchase Agreement with Klangreality Consortium Sdn. Bhd. to acquire a piece of freehold vacant land, duly converted to medium industry, known as Lot T01 located at Mukim Jeram, Daerah Kuala Langat, Negeri Selangor to be known as Kapar 2 International Industrial Park ("KIIP 2") ("Said Lot"), free from encumbrances and with vacant possession for a total cash consideration of RM48,612,615.44 ("Purchase Consideration") ("Proposed Acquisition").

Hiap Teck Venture Berhad, the Company, is currently engaged in discussions with Lembaga Hasil Dalam Negeri ("LHDN") on certain audit findings for the Years of Assessment ("YA") from 2013 to 2019 involving additional tax assessments and penalties of up to RM13.5 million. Based on legal advice obtained, Management has been advised that HTVB has merits in maintaining its stand on the audit issues raised by LHDN. This matter is ongoing and has yet to be concluded at the time of the issuance of this quarterly report.

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.

13. Changes in contingent liabilities and assets

The contingent liabilities as at 31 July 2021 are as follow:

| Unsecured Contingent Liabilities :- | Group | |
|---|----------------------|----------------------|
| | 31.07.2021 RM'000 | 31.07.2020 RM'000 |
| In respect of indemnity provided for bank guarantees issued | 6,825 | 6,825 |
| Total | 6,825 | 6,825 |
| | | |

14. Capital commitments

The Group has no significant capital commitment as at 31 July 2021.

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 31.07.2021 RM'000 | Current year- to-date 31.07.2021 RM'000 |
| | Purchases of steel products by certain wholly owned subsidiaries of the Group from JK Ji Seng Sdn.Bhd. | 39,732 |
| | | |

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 2021.

| | Individual Quarter | | Changes | | Cumulative Quarter | | Changes | |
|--------------------------------|----------------------|--------------------------------------|----------|-------|----------------------|-------------------------------------|---------|-------|
| | Current Year Quarter | Preceding Year Corresponding Quarter | Amount | % | Current Year To-date | Preceding Year Corresponding Period | Amount | % |
| | 31/07/2021 | 31/07/2020 | | | 31/07/2021 | 31/07/2020 | | |
| | RM'000 | RM'000 | RM'000 | % | RM'000 | RM'000 | RM'000 | % |
| Revenue | 164,830 | 210,215 | (45,385) | -22% | 1,081,939 | 932,873 | 149,066 | 16% |
| Gross Profit | 33,981 | 10,219 | 23,762 | 233% | 169,898 | 55,550 | 114,348 | 206% |
| Profit from Operations | 21,644 | 6,731 | 14,913 | 222% | 131,760 | 25,791 | 105,969 | 411% |
| Profit Before Tax | 68,089 | 12,312 | 55,777 | 453% | 194,590 | 8,689 | 185,901 | 2139% |
| Profit for the Period | 60,471 | 10,364 | 50,107 | 483% | 163,517 | 4,601 | 158,916 | 3454% |
| Profit Attributable to: | | | | | | | | |
| Owners of the parent | 60,484 | 10,292 | 50,192 | 488% | 163,427 | 4,287 | 159,140 | 3712% |
| Non-Controlling Interests | (13) | 72 | (85) | -118% | 90 | 314 | (224) | -71% |
| | 60,471 | 10,364 | 50,107 | 483% | 163,517 | 4,601 | 158,916 | 3454% |

For the current Fourth Quarter of Financial Year 2021 (“4Q2021”) under review, the Group and its operating subsidiaries had a shortened operating period with the imposition of Full Movement Control Order (“FMCO”) by the government on 1 June 2021. The Group only operated for a month in May 2021, while the Group’s JV entity operated for two months, in May and July 2021.

The Group resumed operations on 16 August 2021 upon meeting the 80% target vaccination rate for the Group’s total employees.

As a result of the shortened operating period, revenue decreased in the current 4Q2021 to RM164.83 million from RM210.22 million in the preceding year’s corresponding quarter (“4Q2020”).

The Trading division reported a 21% decrease in revenue to RM100.05 million as compared to RM126.44 million in the preceding year's corresponding quarter, whilst the Manufacturing division reported a 23% decrease in revenue to RM64.31 million as compared to the preceding year corresponding quarter revenue of RM83.13 million.

With improved margins in line with higher steel prices, the Group registered a Profit from Operations of RM21.64 million for the current quarter as compared to RM6.73 million in the preceding year’s corresponding quarter.

On the whole, the Group recorded a Profit before Tax of RM68.09 million in 4Q2021 as compared to RM12.31 million in the preceding year's corresponding quarter. The strong performance was achieved not only from the much-improved results from the Group’s downstream operating subsidiaries but also from the sharp turnaround of the JV entity. The JV entity contributed a profit of RM49.45 million to the Group

for the quarter under review as compared to RM10.20 million in the preceding year's corresponding quarter. The JV entity's much improved performance can be attributable to higher steel prices, costs savings arising from the 55MW power plant completed in October 2019, the completion of its first 100,000 MT coke oven plant in June 2021 and the reversal of impairment loss of another RM66.15 million which was provided in previous years. This reversal of impairment loss was done subsequent to annual impairment assessment performed by external auditors to reflect the sustainability of its operations and profitability.

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 | Immediate Preceding Quarter | Amount | % |
| | 31/07/2021 | 30/04/2021 | | |
| | RM'000 | RM'000 | RM'000 | % |
| Revenue | 164,830 | 329,643 | (164,813) | -50% |
| Gross Profit | 33,981 | 72,619 | (38,638) | -53% |
| Profit from Operations | 21,644 | 63,533 | (41,889) | -66% |
| Profit Before Tax | 68,089 | 80,161 | (12,072) | -15% |
| Profit for the Period | 60,471 | 65,868 | (5,397) | -8% |
| Profit Attributable to: | | | | |
| Owners of the parent | 60,484 | 65,925 | (5,441) | -8% |
| Non-Controlling Interests | (13) | (57) | 44 | 77% |
| | 60,471 | 65,868 | (5,397) | -8% |

For 4Q2021, Group revenue decreased by 50% to RM164.83 million from RM329.64 million in the immediate preceding quarter ("3Q2021") due to lower sales volume for both the Trading and Manufacturing divisions attributable to the FMCO.

Profit from Operations in the current quarter decreased by 66% to RM21.64 million as compared to RM63.53 million in the immediate preceding quarter

Despite the shortened operating period during the quarter, the Group achieved a commendable Profit before Tax of RM68.09 million in 4Q2021 as compared to RM80.16 million in 3Q2021, primarily due to sustained margins and higher share of profit from JV entity of RM49.45 million in the quarter under review as compared RM19.81 million in the immediate preceding quarter. The performance of the JV entity in the current quarter included another write-back of impairment loss of RM66.15 million.

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18. Prospects

The global economy contracted 3.5% in 2020 while the steel sector ended the year with only a 0.2% contraction as China, the world largest consumer country of steel, emerged out of lockdown ahead of other countries and its economy quickly rebounded with the government's implementation of various measures to stimulate the economy.

The World Steel Association ("Worldsteel") Short Range Outlook (SRO) for 2021 and 2022, projected steel demand to grow by 5.8% in 2021 to reach 1,874.0 million MT, and a further 2.7% in 2022 to reach 1,924.6 million MT. Apparent steel consumption in Malaysia is forecasted to grow at 3.2% in 2021 to 7.03 million MT.

In 2021, the Malaysian economy started off well with growth of 16.1% in the second quarter (1Q 2021: -0.5%) with the construction sector growing 40.3% in 2Q 2021 (1Q2021: -10.4%). However, with the imposition of the FMCO in June 2021, economic activities have been muted with Bank Negara Malaysia ("BNM") revising its full year forecast down to between 3.0% and 4.0% for 2021. Nevertheless, the re-opening of the economy since August 2021, the gradual normalization of economic activities would support a recovery in the fourth quarter of this year and accelerating into 2022, although downside risk still exists amidst the possibility of further COVID-19 waves of new virus variants.

Despite all the challenges, the Group recorded its highest profits ever with a Profit after Tax of RM163.5 million for FY2021. Management is also positive on the Group's performance in the coming quarter due to the longer operating period, as the Group resumed operations on 16 August 2021, the continued strength of steel prices and the expected recovery from the re-opening of the economy.

The JV entity's continued investment in plant and equipment to enhance cost efficiencies will further improve contributions to the Group. In its latest project development, the JV entity has completed the first 100,000 MT of its planned 400,000 MT coke oven plant in June 2021. The second 100,000 MT will complete in October 2021 with the next 200,000 MT targeted to complete by the second quarter of 2022. The coke oven plant will significantly reduce the JV entity's production costs and improve its profitability. Moving forward, the JV also sees exciting opportunities as China continues to pursue its carbon emissions targets and production restrictions, and relying more on imports for general purpose items.

19. Variance of actual and forecast profit

Not applicable.

20. Tax

| | Group | |
|--------------|--|---|
| | Current year quarter 31.07.2021 | Current year-to- date 31.07.2021 |
| | RM'000 | RM'000 |
| | Income tax | 7,997 |
| Deferred tax | (379) | (452) |
| | 7,618 | 31,073 |
| | | |

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

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 2021 are as follows:

| | Short Term RM'000 | Total RM'000 |
|---|------------------------------|-------------------------|
| <u>Secured:</u> Bankers' Acceptances | 411,101 | 411,101 |
| | 411,101 | 411,101 |
| | | |

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

As at 31 July 2021, the Company has extended corporate guarantees amounting to RM411.10 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”) were fully converted on 23 June 2021 and as such, there is no outstanding balance as at reporting date.

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 1.0 sen per share for the financial year ended 31 July 2021, 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 31.07.2021 | Current Year to-date 31.07.2021 |
|--|--|--|
| Profit attributable to owners of the parent (RM'000) | 60,484 | 163,427 |
| Weighted average number of ordinary shares in issue ('000) | 1,418,528 | 1,418,528 |
| Basic earnings per share (sen) | 4.26 | 11.52 |

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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 during the year, excluding treasury shares held by the Company and the remaining RCUIDS at the opening of the quarter and financial year under review.

| | Current Year Quarter 31.07.2021 | Current Year- to-date 31.07.2021 |
|--|--|---|
| Profit attributable to owners of the parent (basis) (RM'000) | 60,484 | 163,427 |
| Interest expense on RCUIDS, net of tax (RM'000) | 71 | 429 |
| Profit attributable to owners of the parent (diluted) (RM'000) | 60,555 | 163,857 |
| Weighted average number of ordinary shares in issue (basis) ('000) | 1,418,528 | 1,418,528 |
| Effect of treasury shares held | (5,492) | (5,492) |
| Effect of conversion of RCUIDS | 170,705 | 213,548 |
| Weighted average number of ordinary shares in issue (diluted) ('000) | 1,583,741 | 1,626,584 |
| Diluted earnings per share (sen) | 3.82 | 10.07 |

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26. Profit from operations

| | Current Year Quarter 31.07.2021 RM'000 | Current Year- to-date 31.07.2021 RM'000 |
|---|---|--|
| <i>Profit for the period is arrived at after charging:</i> | | |
| Depreciation of property, plant and equipment | 3,323 | 13,200 |
| Depreciation of investment properties | 54 | 218 |
| Depreciation of right-of-use assets | 46 | 184 |
| Finance costs | 3,006 | 13,177 |
| Write-down of inventories to net realisable value | (405) | 5,771 |
| Property, plant and equipment written off | 14 | 37 |
| <i>and after crediting / (charging):</i> | | |
| Gain on disposal of property, plant and equipment | 812 | 2,119 |
| Finance income: | | |
| Other investments | 56 | 213 |
| Deposits with licensed banks | 249 | 1,073 |
| Net foreign exchange gain / (loss) | | |
| Realised | 346 | 575 |
| Unrealised | 166 | (324) |
| Net overdue interest income | 36 | 509 |
| Rental income | 240 | 959 |
| Impairment loss on trade receivables | (996) | (838) |
| Share of profit of equity-accounted joint venture, net of tax | 49,451 | 76,007 |
| | | |

27. Authorisation for Issue

The Interim Financial Statements were authorised for issue by the Board of Directors on 29 September 2021.

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