

EONMETALL GROUP BERHAD

(Company No. 631617 D)

(Incorporated in Malaysia)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2019

	Three Months Ended		Year Ended	
	31-Dec-19 RM'000	31-Dec-18 RM'000	31-Dec-19 RM'000	31-Dec-18 RM'000
Continuing Operations				
Revenue	<u>45,431</u>	<u>25,681</u>	<u>120,968</u>	<u>115,789</u>
Operating profit/(loss)	5,722	(5,516)	9,579	9,077
Interest expense	(1,438)	(1,942)	(6,771)	(5,906)
Interest income	4	7	18	25
Share of loss of an associate and a joint venture, net of tax	(39)	-	(50)	(1)
Profit/(Loss) before tax	<u>4,249</u>	<u>(7,451)</u>	<u>2,776</u>	<u>3,195</u>
Tax expense	1,343	1,470	540	(106)
Profit/(Loss) after tax from continuing operations	<u>5,592</u>	<u>(5,981)</u>	<u>3,316</u>	<u>3,089</u>
Other comprehensive income/(loss)	127	(61)	67,093	136
Total comprehensive income/(loss)	<u>5,719</u>	<u>(6,042)</u>	<u>70,409</u>	<u>3,225</u>
Profit/(Loss) after tax attributable to:				
Owners of parent	5,602	(5,975)	3,332	3,100
Non-controlling interests	(10)	(6)	(16)	(11)
	<u>5,592</u>	<u>(5,981)</u>	<u>3,316</u>	<u>3,089</u>
Total comprehensive income/(loss) attributable to:				
Owners of parent	5,716	(5,993)	70,573	2,809
Non-controlling interests	3	(49)	(164)	416
	<u>5,719</u>	<u>(6,042)</u>	<u>70,409</u>	<u>3,225</u>
Earnings per share attributable to owners of the Company				
Basic earnings per share (sen)	<u>3.03</u>	<u>(3.22)</u>	<u>1.80</u>	<u>1.66</u>
Diluted earnings per share (sen)	<u>3.03</u>	<u>(3.22)</u>	<u>1.80</u>	<u>1.66</u>

The condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements and the audited financial statements for the year ended 31 December 2018.

EONMETALL GROUP BERHAD

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2019

	Unaudited 31-Dec-19 RM'000	Audited 31-Dec-18 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	232,676	137,929
Right of use assets	972	-
Investment in associates / joint venture	11	414
Deferred tax assets	1,625	1,625
Trade and other receivables	8,080	7,637
	<u>243,364</u>	<u>147,605</u>
Current assets		
Trade and other receivables	71,346	61,757
Contract assets	1,138	1,138
Inventories	94,321	95,072
Current tax assets	728	443
Cash and cash equivalents	16,987	16,695
	<u>184,520</u>	<u>175,105</u>
TOTAL ASSETS	<u>427,884</u>	<u>322,710</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	99,801	99,801
Treasury share, at cost	(1,761)	(1,601)
Property revaluation reserve	67,176	-
Translation reserve	(1,805)	(1,717)
Retained earnings	78,994	75,509
	<u>242,405</u>	<u>171,992</u>
Non-controlling interests	486	650
TOTAL EQUITY	<u>242,891</u>	<u>172,642</u>
LIABILITIES		
Non-current liabilities		
Loans and borrowings	35,619	29,494
Lease creditors	646	-
Deferred tax liabilities	10,149	632
	<u>46,414</u>	<u>30,126</u>
Current liabilities		
Trade and other payables	22,776	18,470
Loans and borrowings	115,395	101,422
Lease creditors	358	-
Current tax liabilities	50	50
	<u>138,579</u>	<u>119,942</u>
TOTAL LIABILITIES	<u>184,993</u>	<u>150,068</u>
TOTAL EQUITY AND LIABILITIES	<u>427,884</u>	<u>322,710</u>
Net assets per share (RM)	<u>1.31</u>	<u>0.95</u>

The condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements and audited financial statements for the year ended 31 December 2018.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE YEAR ENDED 31 DECEMBER 2019

	←	<i>Non-distributable</i>		→	<i>Distributable</i>		Total	Non-	Total equity
	Share capital	Treasury shares	Property revaluation reserve	Exchange translation reserve	Retained earnings	attributable to owner of the parent	controlling interest		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 31 December 2017, as per previously reported	99,801	(7)	-	(1,426)	87,176	185,544	234	185,778	
Adjustment from adoption of MFRS 9	-	-	-	-	(14,767)	(14,767)	-	(14,767)	
Restated balance as at 1 January 2018	99,801	(7)	-	(1,426)	72,409	170,777	234	171,011	
Profit for the year	-	-	-	-	3,100	3,100	(11)	3,089	
Foreign currency translations	-	-	-	(291)	-	(291)	(61)	(352)	
Acquired shares in a subsidiary from the non-controlling interest	-	-	-	-	-	-	488	488	
Total comprehensive (loss)/income for the year	-	-	-	(291)	3,100	2,809	416	3,225	
Purchase of treasury shares	-	(1,594)	-	-	-	(1,594)	-	(1,594)	
Balance as at 31 December 2018	99,801	(1,601)	-	(1,717)	75,509	171,992	650	172,642	
Balance as at 1 January 2019	99,801	(1,601)	-	(1,717)	75,509	171,992	650	172,642	
Profit for the year	-	-	-	-	3,332	3,332	(16)	3,316	
Foreign currency translations	-	-	-	(88)	-	(88)	(148)	(236)	
Other comprehensive income for the year	-	-	67,329	-	-	67,329	-	67,329	
Realisation of revaluation reserve	-	-	(153)	-	153	-	-	-	
Total comprehensive income/(loss) for the year	-	-	67,176	(88)	3,485	70,573	(164)	70,409	
Purchase of treasury shares	-	(160)	-	-	-	(160)	-	(160)	
Balance as at 31 December 2019	99,801	(1,761)	67,176	(1,805)	78,994	242,405	486	242,891	

The condensed consolidated statement of changes in equity should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements and audited financial statements for the year ended 31 December 2018.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2019

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE YEAR ENDED 31 DECEMBER 2019

	Year ended	
	31-Dec-19 RM'000	31-Dec-18 RM'000
Cash flows from operating activities		
Profit before tax from continuing operations	2,776	3,195
Adjustments for:		
Depreciation of property, plant and equipment	8,072	5,722
Amortisation on right of use assets	290	-
Depreciation of investment property	-	437
Interest expense	6,771	5,906
Interest income	(18)	(25)
Impairment loss on trade receivables	688	879
Impairment loss on other receivables	-	356
Impairment loss on other investments	97	-
Impairment loss on goodwill	-	2
Inventories written down	5,052	461
Inventories written off	25	324
Share of loss of an associate and a joint venture, net of tax	50	1
Reversal of impairment loss on trade receivable	(8,044)	(449)
Loss on disposal of plant and equipment	4	-
Property, plant and equipment written off	-	17
Unrealised loss/(gain) on foreign exchange	(178)	(1,597)
Operating profit before changes in working capital	15,585	15,229
Changes in working capital:		
Inventories	(4,326)	(21,319)
Trade and other receivables	(2,494)	(18,848)
Trade and other payables	4,302	3,833
Cash generated from/(used in) operations	13,067	(21,105)
Tax paid	(1,233)	(1,925)
Tax refunded	1,055	8
Net cash generated from/(used in) operating activities	12,889	(23,022)
Cash flows from investing activities		
Purchase of property, plant and equipment	(25,589)	(10,345)
Capitalised right of use assets	(1,218)	-
Investment in other investments	(50)	(419)
Purchase of investment property	-	(71)
Acquisition of subsidiary, net of cash outflow acquired	-	495
Interest received	18	25
Proceeds from disposal of plant and equipment	2	110
Proceeds from ceased of investment in an associate	305	-
Net cash used in investing activities	(26,532)	(10,205)
Cash flows from financing activities		
Drawdown of short term borrowings	197,486	174,611
Proceeds from term loans	18,106	29,998
Repayment of short term borrowings	(187,544)	(152,953)
Repayment of term loans	(5,641)	(5,151)
Repayment of hire purchase creditors	(31)	(36)
Recognition of lease creditor	968	-
Purchase of treasury shares	(160)	(1,594)
Dividend paid to shareholders of the Company	-	(4,707)
Interest paid	(6,771)	(5,906)
Net cash generated from financing activities	16,413	34,262
Net increase in cash and cash equivalents	2,770	1,035
Effect of exchange rate changes	(236)	(347)
Cash and cash equivalents at beginning of financial year	5,125	4,437
Cash and cash equivalents at end of financial year	7,659	5,125

Note A

Notes:

Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise :

Cash & bank balances	16,987	16,695
Bank overdrafts	<u>(9,328)</u>	<u>(11,570)</u>
	<u>7,659</u>	<u>5,125</u>

A) Acquisition of a subsidiary

On 23 August 2018, the company had acquired 51% equity interest, representing 510,000 ordinary shares in Eonmetall China Sdn. Bhd. (Formerly known as Grand Hill Assets Sdn. Bhd.) for a total consideration of RM510,000.00.

Assets acquired and liabilities assumed

The identifiable assets and liabilities of Eonmetall China Sdn Bhd as at the date of acquisition were:

<u>Assets</u>	<u>RM</u>
Trade and other receivables	1
Cash and cash equivalents	<u>1,004,984</u>
	<u>1,004,985</u>
<u>Liabilities</u>	
Other payables	<u>(9,456)</u>
	<u>(9,456)</u>
Net assets acquired	995,529
Non-controlling interests measured at their share of the fair value of net assets	(487,809)
Goodwill arising from acquisition	<u>2,280</u>
Total purchase consideration	<u>510,000</u>
Less: Cash and cash equivalent	<u>(1,004,984)</u>
Net cash inflow on acquisition	<u>(494,984)</u>

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The condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements and audited financial statements for the year ended 31 December 2018.

EONMETALL GROUP BERHAD

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

A. DISCLOSURE REQUIREMENTS PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARDS (“MFRS”) 134 INTERIM FINANCIAL REPORTING

1. Basis of preparation

The condensed consolidated interim financial report is unaudited and has been prepared in compliance with MFRS 134, Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). These condensed consolidated interim financial statements also comply with IAS 34 Interim Financial Reporting issued by the International Accounting Standards Board.

The interim financial report should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2018. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2018.

2. Significant Accounting Policies

The significant accounting policies and methods of computation applied in the unaudited condensed financial statements are consistent with those adopted in the most recent annual financial statements for the year ended 31 December 2018 except for the adoption of the following MFRSs and Amendment to MFRSs and Interpretation:-

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 JANUARY 2019

MFRS 16	Lease
IC Interpretation 23	Uncertainty over Income Tax Treatments
Amendments to MFRS 128	Long-term Interests in Associates and Joint Ventures
Amendments to MFRS 9	Prepayment Features with Negative Compensation
Amendments to MFRS 3	Annual Improvement to MFRS Standards 2015 – 2017 Cycle
Amendments to MFRS 11	Annual Improvement to MFRS Standards 2015 – 2017 Cycle
Amendments to MFRS 112	Annual Improvement to MFRS Standards 2015 – 2017 Cycle
Amendments to MFRS 123	Annual Improvement to MFRS Standards 2015 – 2017 Cycle
Amendments to MFRS 119	Plan Amendment, Curtailment or Settlement

The Group had adopted the above Amendments to Standards, with a date of initial application of 1 January 2019. The adoption of the above pronouncements did not have any impact on the financial statements of the Group.

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

2. Significant Accounting Policies (cont'd)

New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 JANUARY 2020

The followings are accounting standards, amendments and interpretations of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ('MASB') but have not been early adopted by the Group and the Company.

Description		Effective for financial periods beginning on or after
Amendments to References	Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 101 and MFRS 108	Definition of Material Amendments to References to the Conceptual Framework in MFRS Standards	1 January 2020
Amendments to MFRS 3	Definition of a Business	1 January 2020
MFRS 17	Insurance Contracts	1 January 2021
Amendments to MFRS 10 and MFRS 128	Sale or Contribution of Assets between an Investor and its Associates or Joint Venture	Deferred

3. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2018 was not qualified.

4. Seasonality of operations

The business operations of the Group were not significantly affected by any seasonal or cyclical factors.

5. Unusual items due to their nature, size or incidence

There were no unusual items affecting assets, liabilities, equity, net income or cash flows during the current financial year-to-date.

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

6. Material changes in estimates

There were no changes in estimates that have a material effect in the current financial year-to-date.

7. Issuances and repayment of debt and equity securities

There were no issuance, resale, repayment of debt and equity securities and share cancellations for the current financial year ended 31 December 2019 and period up to the date of this announcement save for the following:

On 01 March 2019, the Company announced the repurchase of 63,000 treasury shares for RM0.382 per treasury shares.

On 04 March 2019, the Company announced the repurchase of 25,000 ordinary shares for RM0.380 per shares.

On 05 March 2019, the Company announced the repurchase of 6,000 ordinary shares for RM0.385 per shares.

On 06 March 2019, the Company announced the repurchase of 70,000 ordinary shares for RM0.385 per shares.

On 08 March 2019, the Company announced the repurchase of 40,000 ordinary shares for RM0.384 per shares.

On 03 June 2019, the Company announced the repurchase of 160,000 ordinary shares for RM0.357 per shares.

On 08 July 2019, the Company announced the repurchase of 53,000 ordinary shares for RM0.365 per shares.

On 11 July 2019, the Company announced the repurchase of 14,500 ordinary shares for RM0.365 per shares.

8. Dividends paid

No dividend was paid by the Company during the current quarter under review.

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**SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019****9. Segment revenue and results**

Segmental reporting for the financial year-to-date is as below:-

Year-to-date ended 31-December 2019	Machinery and equipment RM'000	Steel product and trading activity RM'000	Property investment holding and others RM'000	Total RM'000
Total revenue	38,474	185,129	2,109	225,712
Inter-segment revenue	(3,686)	(99,578)	(1,480)	(104,744)
External revenue	34,788	85,551	629	120,968
Interest income	5	13	-	18
Interest expense	3,433	3,244	77	6,771
Depreciation and amortisation	687	5,475	2,200	8,362
Share of loss of an associate and a joint venture, net of tax	-	-	50	50
Segment profit/(loss)	3,265	3,546	(4,035)	2,776
Year-to-date ended 31-December 2018				
Total revenue	59,422	125,860	8,152	193,434
Inter-segment revenue	(11,449)	(59,028)	(7,168)	(77,645)
External revenue	47,973	66,832	984	115,789
Interest income	6	19	-	25
Interest expense	2,825	3,081	-	5,906
Depreciation and amortisation	630	4,426	1,103	6,159
Share of loss of an associate and a joint venture, net of tax	-	-	1	1
Segment profit/(loss)	4,987	1,777	(3,569)	3,195

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

10. Valuation of property, plant and equipment and investment properties

The valuation of property, plant and equipment were brought forward without any amendments from the preceding annual financial statements, except for the followings:

During the financial year ended 31 December 2019, a revaluation exercise was carried out by the Group on land and buildings classified as property, plant and equipment. The revaluation resulted in a property revaluation surplus, net of deferred tax at value of RM67.18 million being included as property revaluation reserve. The valuations were carried out by professional independent valuer, C H Williams Talhar & Wong Sdn. Bhd and the valuation reports were dated on 30 June 2019.

11. Material events subsequent to the end of the reporting period

There were no material events subsequent to the end of the year under review which has not been reflected in this interim financial report.

12. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter under review and financial year to date except for the followings:

On 03 January 2019, the Group announced the incorporation of a subsidiary known as Shaanxi Longxing Steel Co., Ltd. (“Shaanxi Longxing”) in the People’s Republic of China. The Company’s investment in Shaanxi Longxing is held through its 51% owned subsidiary, Eonmetall China Sdn. Bhd. (“ECA”). Shaanxi Longxing was incorporated with registered/authorized capital of USD20,000,000 with principal business activities of production, sales, import and export of steel products, machinery and equipment.

On 11 March 2019, the Group announced the incorporation of a subsidiary known as Constructor ANZ Limited (“CAL”) in the New Zealand. The Company’s investment in CAL is held through its 100% owned subsidiary, Constructor Asia Sdn. Bhd. (“CSA”). The paid-up capital of CAL is one (1) New Zealand Dollar (“NZD”) represented by 1 share of NZD1. CAL’S intended nature of business is in the sales and distribution of steel storage racking systems.

On 15 May 2019, the Group announced the disposal of entire 93.33% stake in Eonmetall Investments Zambia Limited (“EIZL”) for a cash consideration of Ringgit Malaysia Two (RM2.00) only as stipulated in the share sale agreement (“SSA”) entered into by its wholly owned subsidiary, Eonmetall International Limited (“EIL”) with Grand East Metal (Kulim) Sdn. Bhd. Following completion of the disposal on 15 May 2019, EIZL ceased to be sub-subsidiary of the Group.

On 5 July 2019, the Group announced the incorporation of a subsidiary known as Eonmetall Land Sdn. Bhd. (“ELSB”). The initial paid-up share capital of ELSB is RM1 comprised of 1 ordinary share. ELSB intended business activity is in investment holding.

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

12. Changes in the composition of the Group (Con't)

On 8 July 2019, Eonmetall Steel Industries Ethiopia PLC (“ESIF”), a 50% shareholding owned by Eonmetall International Limited (“EIL”), which is a wholly-owned subsidiary of the Group received an approval for the company strike-off.

On 6 August 2019, Eonmetall Steel Company FZCO (“ESCF”), a 50% shareholding owned by Eonmetall International Limited (“EIL”), which is a wholly-owned subsidiary of the Group received an approval for the company strike-off.

13. Changes in contingent liabilities or contingent assets

	As at 31.12.2019 RM'000	As at 31.12.2018 RM'000
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	<u>269,190</u>	<u>243,990</u>

14. Capital commitments

	Year ended 31.12.2019 RM'000
Capital expenditure in respect of purchase of property, plant and equipment: Contracted but not provided for	<u>51,935</u>

15. Related Party Transactions

Below are transactions with companies in which a Director/his spouse and persons connected to them having controlling interests during the financial year ended 31 December 2019.

	Year ended 31.12.2019 RM'000
Rental of premises	300
Sales of goods	810
Purchase of goods	<u>2,713</u>

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE YEAR ENDED 31 DECEMBER 2019

B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENT OF BURSA MALAYSIA SECURITIES BERHAD

16. Review of performance

The Group's revenue for the fourth quarter ended 31 December 2019 increased by RM19.7 million from RM25.7 million to RM45.4 million as compared to the preceding year corresponding quarter. The increase was mainly attributed to the increase of revenue from both machinery and equipment segment and steel products and trading activity segment during the current quarter.

The Group's profit before tax ("PBT") was RM4.3 million, as compared to loss before tax ("LBT") of RM7.4 million recorded in preceding year corresponding quarter. The performance of each business segment for the fourth quarter as compared to the preceding year corresponding quarter is presented as follows:-

(a) **Machinery and equipment segment**

This segment recorded revenue of RM15.1 million for the current quarter as compared to RM3.8 million achieved in the previous year corresponding quarter, representing an increase of RM11.3 million equivalent to 2.97 times. PBT was RM1.7 million, an increase of RM4.7 million equivalent to 1.57 times as compared to LBT of RM3.0 million achieved during the corresponding quarter in preceding year. The increase is from higher revenue generated.

(b) **Steel product and trading activity segment**

The revenue for the current quarter was RM30.2 million, representing an increase of RM8.4 million from RM21.8 million reported in the preceding year corresponding quarter. PBT was registered at RM2.5 million, an increase of 1.69 times compared to LBT of RM3.6 million recorded in the previous year corresponding quarter. The increase of PBT is mainly due to higher revenue generated.

(c) **Property, investment holding and other segment**

This segment represents trading of non-steel products, other manufacturing and services income derived from the Group's properties offset against operating expenses from all other segments. This segment recorded PBT of RM0.1 million, an increase of RM0.9 million or 1.13 times as compared to LBT of RM0.8 million in the corresponding quarter in preceding year. The PBT is mainly attributed by deposits received forfeited.

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**SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019**

17. Variation of results against preceding quarter

	Current quarter ended 31.12.2019 RM'000	Immediate preceding quarter ended 30.09.2019 RM'000
Revenue	45,431	19,342
Profit/(Loss) before tax	<u>4,249</u>	<u>(3,456)</u>

The Group recorded a current quarter PBT of RM4.2 million, representing an increase of RM7.7 million from LBT of RM3.5 million in the preceding quarter mainly due to higher revenue generated from both machinery and equipment segment and steel products and trading activity segment.

18. Commentary of prospects

Notwithstanding the current global business environment, the Board of Directors of Eonmetall anticipates the performance of the Group for the current financial year to be encouraging given the increase in demand for racking and machinery.

19. Profit forecast

The Group did not publish any profit forecast in a public documents in the current financial quarter.

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**SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE YEAR ENDED 31 DECEMBER 2019****20. Notes to the Condensed Consolidated Statement of Comprehensive Income**

Save as disclosed below and included in the consolidated income statements, there were no other items applicable to be disclosed pursuant to item 16 of Appendix 9B of the Main Market Listing Requirements of Bursa Securities:

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31.12.2019 RM'000	Corresponding preceding quarter ended 31.12.2018 RM'000	Cumulative period ended 31.12.2019 RM'000	Corresponding preceding period ended 31.12.2018 RM'000
Impairment loss on trade receivables	688	879	688	879
Impairment loss on other receivables	-	290	-	356
Investment loss on other investment	(2)	-	97	-
Interest expenses	1,438	1,942	6,771	5,906
Inventories written down	(674)	373	5,052	461
Inventories written off	-	-	25	324
Depreciation of property, plant and equipment	2,089	1,290	8,072	5,722
Depreciation of investment property	-	110	-	437
Amortisation on right of use assets	290	-	290	-
(Gain)/Loss on disposal of property, plant and equipment	-	(6)	4	-
Realised (gain)/loss on foreign exchange	113	(84)	443	1,239
Property, plant and equipment written off	-	-	-	17
Rental income	(75)	(75)	(300)	(300)
Reversal of impairment loss on trade receivables	(234)	(327)	(8,044)	(449)
Other income	-	(6)	(1)	(18)
Interest Income	(4)	(7)	(18)	(25)
Unrealised loss/(gain) on foreign exchange	459	(420)	(178)	(1,597)

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**SELECTED EXPLANATORY NOTES
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	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31.12.2019 RM'000	Corresponding preceding quarter ended 31.12.2018 RM'000	Cumulative period ended 31.12.2019 RM'000	Corresponding preceding period ended 31.12.2018 RM'000
Current tax				
Current tax expense	405	(188)	(239)	(869)
Overprovision in prior years	505	1,531	346	636
	<u>910</u>	<u>1,343</u>	<u>107</u>	<u>(233)</u>
Deferred tax				
Relating to origination and reversal of temporary differences.	160	117	160	117
Under provision in prior years	273	10	273	10
	<u>433</u>	<u>127</u>	<u>433</u>	<u>127</u>
Total tax expense/ (income)	<u>1,343</u>	<u>1,470</u>	<u>540</u>	<u>(106)</u>

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22. Status of corporate proposal announced

There was no corporate proposal announced and not completed as at the date of this announcement save as disclosed below:

- (a) On 10 July 2019, the Company announced the proposed joint-venture between Eonmetall Land Sdn. Bhd. (“Eonmetall Land”), a wholly-owned subsidiary of the Company, with Kapar Holding Sdn. Bhd., and Kapar Land Sdn. Bhd. to acquire a parcel of land measuring 420.59 acres (approximately 170.2067 hectares or 18,320,900.40 square feet) (“Land”) via Sinaran Seribumi Sdn. Bhd. (“Sinaran”) as Joint-Venture Company (“Proposed Joint-Venture”) and Proposed Provision of Financial Assistance for the Proposed Joint-Venture.
- (b) On 30 December 2019, the Company announced that the total quantum of the financial commitment from Eonmetall Land to Sinaran is revised to RM40.0 million from RM38.0 million previously. The revision to the financial commitment reflects additional financial assistance to Sinaran to include funding for, in addition to Eonmetall Land’s share of costs for its apportioned 100 acres of the Land, its share of attending costs of acquisition. Eonmetall Land’s share of the attending costs of acquisition is estimated at about RM2.0 million. As such, the Proposed Provision of Financial Assistance by EGB through Eonmetall Land to Sinaran is increased to RM40.0 million.
- (c) On 7 February 2020, the Company issued a circular on Proposed Provision of Financial Assistance together with a notice for extraordinary general meeting (“EGM”) to the shareholders of the Company. The Proposed Provision of Financial Assistance was duly passed by way of poll at the EGM held on 24 February 2020.

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**SELECTED EXPLANATORY NOTES
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The Group's borrowings for the financial year ended 31 December 2019 are as follows:-

	Payable within 12 months RM'000	Payable after 12 months RM'000
RM denominated borrowings		
<u>Secured</u>		
Term loans	11,943	35,619
	11,943	35,619
<u>Unsecured</u>		
Bank overdrafts	9,328	-
Bankers' acceptances	78,874	-
Revolving credit	15,250	-
	103,452	-
Total borrowings	115,395	35,619

The Group's borrowings for the financial year ended 31 December 2018 are as follows:-

	Payable within 12 months RM'000	Payable after 12 months RM'000
RM denominated borrowings		
<u>Secured</u>		
Term loans	5,639	29,459
Hire purchases	31	35
	5,670	29,494
<u>Unsecured</u>		
Bank overdrafts	11,570	-
Bankers' acceptances	65,932	-
Revolving credit	15,250	-
Trust Receipt	3,000	-
	95,752	-
Total borrowings	101,422	29,494

Eonmetall Industries Sdn. Bhd., Eonmetall Systems Sdn. Bhd. and Eonmetall Technology Sdn. Bhd. have breached the covenant of Bankers' Acceptance and Revolving Credit as they did not fulfill the requirements to maintain a minimum Debt to EBITDA of not exceeding 8.0 times and Debt Service Cover Ratio of not less than 1.2 times. The balance of the said Bankers' Acceptance and Revolving Credit of 9.19 million was presented as current liabilities as at 31 December 2019. The Bank has the absolute discretion to revise or recall banking facilities in the event of break of covenant.

Subsequent to year end, Eonmetall Systems Sdn. Bhd. and Eonmetall Technology Sdn. Bhd. have fully settled the outstanding balances of Bankers' Acceptance and Revolving Credit. Since then, there are no breach of the loan covenant for these two subsidiaries.

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**SELECTED EXPLANATORY NOTES
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24. Changes in material litigation

There was no material litigation as at the date of the interim financial statements.

25. Dividend

The Board of Directors does not recommend any dividend for the current financial period.

26. Property, plant and equipment (“PPE”)

Acquisitions

During the financial year ended 31 December 2019, the Group acquired assets with a cost of RM25.5 million (Financial year ended 31 December 2018: RM10.4 million).

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**SELECTED EXPLANATORY NOTES
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FOR THE YEAR ENDED 31 DECEMBER 2019****27. Earnings per share**

The earnings per share was computed based on the net profit/(loss) divided by the weighted average number of shares in issue net of treasury shares:

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31.12.2019	Corresponding preceding quarter ended 31.12.2018	Cumulative period ended 31.12.2019	Corresponding preceding period ended 31.12.2018
Profit/(Loss) after tax attributable to owners of the Company (RM'000)	5,602	(5,975)	3,332	3,100
Basic: Weighted average number of shares in issue ('000)	185,192	185,623	185,328	186,323
Basic earnings per share (sen)	<u>3.03</u>	<u>(3.22)</u>	<u>1.80</u>	<u>1.66</u>
Diluted: Diluted earnings per share (sen)	<u>3.03</u>	<u>(3.22)</u>	<u>1.80</u>	<u>1.66</u>

The Group does not have any dilutive potential ordinary shares as the market price of the shares was lower than the exercise price. As a result, these share options are anti-dilutive in nature and have not been considered in the computation of diluted earnings per share.

By order of the Board

Yeoh Cheng Chye
Managing Director & Chief Executive Officer
25th February 2020