

EONMETALL GROUP BERHAD

(Company No. 631617 D)

(Incorporated in Malaysia)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2020

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2019**

	Three Months Ended		Period Ended	
	31-Mar-20 RM'000	31-Mar-19 RM'000	31-Mar-20 RM'000	31-Mar-19 RM'000
Continuing Operations				
Revenue	<u>21,490</u>	<u>18,982</u>	<u>21,490</u>	<u>18,982</u>
Operating profit/(loss)	3,314	2,118	3,314	2,118
Interest expense	(1,809)	(1,743)	(1,809)	(1,743)
Interest income	-	3	-	3
Share of loss in joint venture	-	-	-	-
Profit/(Loss) before tax	<u>1,505</u>	<u>378</u>	<u>1,505</u>	<u>378</u>
Tax expense	(233)	(126)	(233)	(126)
Profit/(Loss) after tax from continuing operations	<u>1,272</u>	<u>252</u>	<u>1,272</u>	<u>252</u>
Other comprehensive income/(loss)	-	19	-	19
Total comprehensive income/(loss)	<u>1,272</u>	<u>271</u>	<u>1,272</u>	<u>271</u>
Profit/(Loss) after tax attributable to:				
Owners of parent	1,272	255	1,272	255
Non-controlling interests	-	(3)	-	(3)
	<u>1,272</u>	<u>252</u>	<u>1,272</u>	<u>252</u>
Total comprehensive income/(loss) attributable to:				
Owners of parent	1,758	307	1,279	307
Non-controlling interests	(486)	(36)	(7)	(36)
	<u>1,272</u>	<u>271</u>	<u>1,272</u>	<u>271</u>
Earnings/(Loss) per share attributable to owners of the Company				
Basic earnings/(loss) per share (sen)	<u>0.69</u>	<u>0.14</u>	<u>0.69</u>	<u>0.14</u>
Diluted earnings/(loss) per share (sen)	<u>0.69</u>	<u>0.14</u>	<u>0.69</u>	<u>0.14</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 2019.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2020

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2019

	Unaudited 31-Mar-20 RM'000	Audited 31-Dec-19 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	227,740	231,532
Right of use assets	888	972
Investment in associates / joint venture	11	11
Deferred tax assets	1,625	1,625
Trade and other receivables	7,464	8,080
	<u>237,727</u>	<u>242,221</u>
Current assets		
Trade and other receivables	76,177	73,628
Inventories	110,920	94,322
Current tax assets	723	728
Cash and cash equivalents	23,585	16,987
Derivative assets	-	68
	<u>211,405</u>	<u>185,732</u>
TOTAL ASSETS	<u>449,133</u>	<u>427,953</u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the parent		
Share capital	99,801	99,801
Treasury share, at cost	(1,761)	(1,761)
Property revaluation reserve	67,176	67,176
Translation reserve	(2,267)	(1,805)
Retained earnings	80,306	79,062
	<u>243,255</u>	<u>242,473</u>
Non-controlling interests	479	487
TOTAL EQUITY	<u>243,734</u>	<u>242,960</u>
LIABILITIES		
Non-current liabilities		
Loans and borrowings	51,117	35,619
Lease creditors	564	646
Deferred tax liabilities	6,597	10,149
	<u>58,277</u>	<u>46,414</u>
Current liabilities		
Trade and other payables	22,469	22,776
Loans and borrowings	124,258	115,395
Lease creditors	353	358
Current tax liabilities	42	50
	<u>147,122</u>	<u>138,579</u>
TOTAL LIABILITIES	<u>205,400</u>	<u>184,993</u>
TOTAL EQUITY AND LIABILITIES	<u>449,133</u>	<u>427,953</u>
Net assets per share (RM)	<u>1.32</u>	<u>1.32</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 2019.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2020

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 31 MARCH 2020

	←————— <i>Non-distributable</i> —————→				<i>Distributable</i>	Total attributable to owner of the parent	Non- controlling interest	Total equity
	Share capital	Treasury shares	Property revaluation reserve	Exchange translation reserve	Retained earnings			
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Balance as at 1 January 2019	99,801	(1,601)	-	(1,717)	75,509	171,992	650	172,642
Profit for the year	-	-	-	-	255	255	(3)	252
Foreign currency translations	-	-	-	53	-	53	(32)	21
Total comprehensive loss for the period	-	-	-	53	255	308	(35)	273
Purchase of treasury shares	-	(79)	-	-	-	(79)	-	(79)
Balance as at 31 March 2019	99,801	(1,680)	-	(1,664)	75,764	172,221	615	172,836
Balance as at 1 January 2020	99,801	(1,761)	67,176	(1,805)	78,994	242,405	486	242,891
Profit for the year	-	-	-	-	1,272	1,272	-	1,272
Foreign currency translations	-	-	-	(462)	40	(422)	(7)	(429)
Realisation of revaluation reserve	-	-	-	-	-	-	-	-
Total comprehensive income for the year	-	-	-	(462)	1,312	850	(7)	843
Purchase of treasury shares	-	-	-	-	-	-	-	-
Balance as at 31 March 2020	99,801	(1,761)	67,176	(2,267)	80,306	243,255	479	243,734

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 2019.

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QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE FIRST QUARTER ENDED 31 MARCH 2020

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2020

	Period ended	
	31-Mar-20 RM'000	31-Mar-19 RM'000
Cash flows from operating activities		
Profit before tax from continuing operations	1,505	378
Adjustments for:		
Depreciation of property, plant and equipment	1,903	1,594
Depreciation of right-of-use-assets	84	-
Interest expense	1,809	1,743
Interest income	(5)	(3)
Reversal of impairment loss on trade receivable	(142)	(416)
Loss/(Gain) on disposal of plant and equipment	-	2
Unrealised (gain)/loss on foreign exchange	(1,517)	171
Operating profit before changes in working capital	3,637	3,469
Changes in working capital:		
Inventories	(16,599)	1,902
Trade and other receivables	(273)	(1,997)
Trade and other payables	(307)	7,477
Cash (used in)/generated from operations	(13,542)	10,851
Tax paid	(3,787)	(276)
Tax refunded	-	184
Net cash (used in)/generated from operating activities	(17,329)	10,759
Cash flows from investing activities		
Purchase of property, plant and equipment	-	(4,208)
Purchase of investment property	-	-
Interest received	5	3
Proceeds from disposal of plant and equipment	-	1
Net cash used in investing activities	5	(4,204)
Cash flows from financing activities		
Drawdown of short term borrowings	54,522	37,276
Proceeds from term loans	27,147	10,296
Repayment of short term borrowings	(49,313)	(44,688)
Repayment of term loans	(6,729)	(512)
Repayment of hire purchase creditors	(58)	(7)
Purchase of treasury shares	-	(79)
Dividend paid to shareholders of the Company	-	-
Interest paid	(1,809)	(1,743)
Net cash (used in)/generated from financing activities	23,760	543
Net (decrease)/increase in cash and cash equivalents	6,436	7,098
Effect of exchange rate changes	(429)	25
Cash and cash equivalents at beginning of year	7,659	5,125
Cash and cash equivalents at end of financial year	13,666	12,248

Notes:

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

Cash & bank balances	23,585	22,818
Bank overdrafts	(9,919)	(10,570)
	13,666	12,248

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2020

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 2019. 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 2019.

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 2019 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 2020

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 Improvements to MFRS Standards 2015 – 2017 Cycle
Amendments to MFRS 11	Annual Improvements to MFRS Standards 2015 – 2017 Cycle
Amendments to MFRS 112	Annual Improvements to MFRS Standards 2015 – 2017 Cycle
Amendments to MFRS 123	Annual Improvements to MFRS Standards 2015 – 2017 Cycle
Amendments to MFRS 119	Pan Amendments, Curtailment or Settlement

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2020

2. Significant Accounting Policies (cont'd)

The Group had adopted the above Amendments to Standards, with a date of initial application of 1 January 2020. The adoption of the above pronouncements did not have any impact on the financial statements of the Group.

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

The following 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 to the Conceptual Framework in Lease MFRS Standards	1 January 2020
Amendments to MFRS 3 Definition of a Business	1 January 2020
Amendments to MFRS 101 and MFRS 108 Definition of Material	1 January 2020
Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform	1 January 2020
MFRS 17 Insurance Contracts	1 January 2021
Amendments to MFRS 101 Classification of Liabilities as Current or Non-Current	1 January 2022
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred

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**SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2020**

3. Auditors' report on preceding annual financial statements

The auditors' report on the financial statements for the year ended 31 December 2019 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.

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 period ended 31 March 2020

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 PERIOD ENDED 31 MARCH 2020****9. Segment revenue and results**

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

Period-to-date ended 31-March 2020	Machinery and equipment RM'000	Steel product and trading activity RM'000	Property investment holding and others RM'000	Total RM'000
Total revenue	2,208	45,995	513	48,716
Inter-segment revenue	-	(26,856)	(370)	(27,226)
External revenue	2,208	19,139	143	21,490
Interest income	2	3	-	5
Interest expense	789	833	188	1,809
Depreciation and amortisation	181	1,015	707	1,903
Share of results of associates	-	-	-	-
Segment profit/(loss)	(659)	3,398	(1,234)	1,505
Period-to-date ended 31-March 2019				
Total revenue	3,444	27,932	503	31,879
Inter-segment revenue	(3,120)	(9,407)	(370)	(12,897)
External revenue	324	18,525	133	18,982
Interest income	1	2	-	3
Interest expense	940	803	-	1,743
Depreciation and amortisation	157	983	454	1,594
Share of results of associates	-	-	-	-
Segment (loss)/profit	(1,963)	3,433	(1,092)	378

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

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

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**SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2020**

11. Changes in the composition of the Group

There were no changes in the composition of the Group during the current quarter under review.

12. Changes in contingent liabilities or contingent assets

	As at 31.03.2020 RM'000	As at 31.12.2019 RM'000
Corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	<u>323,190</u>	<u>269,190</u>

13. Capital commitments

As at the date of this announcement, the Group has no material capital commitments.

14. 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 period ended 31 March 2020.

	Period ended 31.03.2019 RM'000
Rental of premises	-
Sales of Goods	91
Purchase of goods	<u>361</u>

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 31 MARCH 2020

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

15. Review of performance

The Group's revenue for the first quarter ended 31 March 2020 increased by RM2.5 million from RM19.0 million to RM21.5 million as compared to the preceding year corresponding quarter. The increase was mainly attributed to the increase of revenue from machinery and equipment segment during the current quarter.

The Group's profit before tax ("PBT") was RM1.5 million, as compared to PBT of RM0.4 million recorded in preceding year corresponding quarter. The performance of each business segment for the first quarter as compared to the preceding year corresponding quarter is presented as follows:-

(a) **Machinery and equipment segment**

This segment recorded revenue of RM2.2 million for the current quarter as compared to RM0.3 million achieved in the previous year corresponding quarter, representing an increase of RM1.9 million equivalent to 6.30 times. Loss before tax ("LBT") was RM0.7 million, an improvement of RM1.3 million equivalent to 0.68 times as compared to LBT of RM2.0 million achieved during the corresponding quarter in preceding year. This is in-line with the higher revenue generated.

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

The revenue for the current quarter was RM19.1 million, representing an increase of RM0.6 million from RM18.5 million reported in the preceding year corresponding quarter. PBT was registered at RM3.40 million, comparative to PBT of RM3.4 million recorded in the previous year corresponding quarter. This is in line with the comparative 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 LBT of RM1.2 million, an increase of RM0.1 million or 9.1% as compared to LBT of RM1.1 million in the corresponding quarter in preceding year. The LBT is mainly attributed to loss on bio-coal related business and license fee on Constructor brand racking.

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**SELECTED EXPLANATORY NOTES
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16. Variation of results against preceding quarter

	Current quarter ended 31.03.2020 RM'000	Immediate preceding quarter ended 31.12.2019 RM'000
Revenue	21,490	18,982
Profit/(Loss) before tax	<u>1,505</u>	<u>378</u>

The Group recorded a current quarter PBT of RM1.5 million, representing an increase of RM1.2 million from PBT of RM0.4 million in the preceding quarter. This is attributed by lower cost of production incurred by the steel product and trading activity segment, and higher margin from the machinery equipment segment.

17. Commentary of prospects

The COVID-19 pandemic has to certain extent disrupted our operations during the shutdown of our business during Movement Control Order (MCO). The Group at this juncture does not anticipate major impact to the operations and market demands due to our diversification of product ranges and markets. The impact of the COVID-19 economic disruption is still not fully quantifiable and may continue to impose global uncertainties. Therefore, the Group shall be cautious in our business approach for the foreseeable future.

18. 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 PERIOD ENDED 31 MARCH 2020****19. 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 31.03.2020 RM'000	Corresponding preceding quarter ended 31.03.2019 RM'000	Cumulative period ended 31.03.2020 RM'000	Corresponding preceding period ended 31.03.2019 RM'000
Impairment loss on other receivables	-	-	-	-
Interest expenses	1,809	1,743	1,809	1,743
Depreciation of property, plant and equipment	1,903	1,594	1,903	1,594
(Gain)/Loss on disposal of property, plant and equipment	-	2	-	2
Realised (gain)/loss on foreign exchange	156	390	156	390
Rental income	-	(75)	-	(75)
Reversal of impairment loss on trade receivables	(142)	(416)	(142)	(416)
Other income	-	(1)	-	(1)
Interest Income	(5)	(3)	(5)	(3)
Unrealised (gain)/loss on foreign exchange	(1,517)	171	(1,517)	171

20. Taxation

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31.03.2020 RM'000	Corresponding preceding quarter ended 31.03.2019 RM'000	Cumulative period ended 31.03.2020 RM'000	Corresponding preceding period ended 31.03.2019 RM'000
Current tax expense	(143)	(126)	(143)	(126)
Over/(under) provision in prior years	(90)	-	(90)	-
	<u>(233)</u>	<u>(126)</u>	<u>(233)</u>	<u>(126)</u>

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**SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 31 MARCH 2020**

21. Status of corporate proposal announced

There was no corporate proposal announced and not completed as at the date of this announcement.

22. Group borrowings

The Group's borrowings for the financial period ended 31 March 2020 are as follows:-

	Payable within 12 months RM'000	Payable after 12 months RM'000
RM denominated borrowings		
<u>Secured</u>		
Term loans	13,883	51,117
Hire purchases	-	-
	13,883	51,117
<u>Unsecured</u>		
Bank overdrafts	9,919	-
Bankers' acceptances	83,906	-
Revolving credit	16,550	-
	110,375	-
Total borrowings	124,258	51,117

The Group's borrowings for the financial period ended 31 March 2019 are as follows:-

	Payable within 12 months RM'000	Payable after 12 months RM'000
RM denominated borrowings		
<u>Secured</u>		
Term loans	7,726	37,156
Hire purchases	31	28
	7,757	37,184
<u>Unsecured</u>		
Bank overdrafts	10,570	-
Bankers' acceptances	61,520	-
Revolving credit	15,250	-
	87,340	-
Total borrowings	95,097	37,184

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**SELECTED EXPLANATORY NOTES
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23. Changes in material litigation

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

24. Dividend

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

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

Acquisitions

During the financial period ended 31 March 2020, no asset was acquired by the group (Financial period ended 31 March 2019: RM4.2 million).

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**SELECTED EXPLANATORY NOTES
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The earnings per share was computed based on the net profit divided by the weighted average number of shares in issue net of treasury shares:

	Individual Quarter		Cumulative Quarter	
	Current quarter ended 31.03.2020	Corresponding preceding quarter ended 31.03.2019	Cumulative period ended 31.03.2020	Corresponding preceding period ended 31.03.2019
(Loss)/profit after tax attributable to owners of the Company (RM'000)	1,272	255	1,272	255
Basic: Weighted average number of shares in issue ('000)	182,094	185,561	182,094	185,561
Basic earnings per share (sen)	<u>0.69</u>	<u>0.14</u>	<u>0.69</u>	<u>0.14</u>
Diluted: Diluted earnings per share (sen)	<u>0.69</u>	<u>0.14</u>	<u>0.69</u>	<u>0.14</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 June 2020