

EONMETALL GROUP BERHAD

(Company No. 631617 D)

(Incorporated in Malaysia)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020

(The figures have not been audited)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 30 JUNE 2020**

	Three Months Ended		Period Ended	
	30-Jun-20 RM'000	30-Jun-19 RM'000	30-Jun-20 RM'000	30-Jun-19 RM'000
Continuing Operations				
Revenue	17,857	37,213	39,347	56,195
Operating profit/(loss)	2,314	3,291	5,624	5,409
Interest expense	(2,051)	(1,679)	(3,861)	(3,422)
Interest income	4	4	9	7
Share of loss in joint venture	-	(11)	-	(11)
Profit/(Loss) before tax	267	1,605	1,772	1,983
Tax expense	(206)	(390)	(439)	(516)
Profit/(Loss) after tax from continuing operations	61	1,215	1,333	1,467
Other comprehensive income/(loss)	-	67,203	-	67,222
Total comprehensive income/(loss)	61	68,418	1,333	68,689
Profit/(Loss) after tax attributable to:				
Owners of parent	28	1,217	1,300	1,472
Non-controlling interests	33	(2)	33	(5)
	61	1,215	1,333	1,467
Total comprehensive income/(loss) attributable to:				
Owners of parent	(52)	68,456	1,227	68,763
Non-controlling interests	113	(38)	106	(74)
	61	68,418	1,333	68,689
Earnings/(Loss) per share attributable to owners of the Company				
Basic earnings/(loss) per share (sen)	0.02	0.66	0.70	0.79
Diluted earnings/(loss) per share (sen)	0.02	0.66	0.70	0.79

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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(Incorporated in Malaysia)

QUARTERLY REPORT ON CONSOLIDATED RESULTS FOR THE SECOND QUARTER ENDED 30 JUNE 2020
(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	Unaudited 30-Jun-20 RM'000	Audited 31-Dec-19 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	179,085	174,823
Investment properties	56,418	56,709
Right of use assets	804	972
Investment in associates / joint venture	11	11
Deferred tax assets	2,008	1,625
Trade and other receivables	-	8,080
	<u>238,326</u>	<u>242,220</u>
Current assets		
Trade and other receivables	75,590	73,628
Inventories	115,873	94,322
Current tax assets	823	728
Cash and cash equivalents	14,187	16,987
Derivative assets	-	68
	<u>206,473</u>	<u>185,732</u>
TOTAL ASSETS	<u>444,799</u>	<u>427,952</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	66,979	67,176
Translation reserve	(2,049)	(1,805)
Retained earnings	80,362	79,062
	<u>243,332</u>	<u>242,473</u>
Non-controlling interests	592	486
TOTAL EQUITY	<u>243,924</u>	<u>242,959</u>
LIABILITIES		
Non-current liabilities		
Loans and borrowings	46,938	35,619
Lease creditors	489	646
Deferred tax liabilities	10,549	10,149
	<u>57,976</u>	<u>46,414</u>
Current liabilities		
Trade and other payables	13,706	22,776
Loans and borrowings	128,798	115,395
Lease creditors	345	358
Current tax liabilities	50	50
	<u>142,899</u>	<u>138,579</u>
TOTAL LIABILITIES	<u>200,875</u>	<u>184,993</u>
TOTAL EQUITY AND LIABILITIES	<u>444,799</u>	<u>427,952</u>
Net assets per share (RM)	<u>1.31</u>	<u>1.31</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 SECOND QUARTER ENDED 30 JUNE 2020

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2020

	← Non-distributable →				Distributable	Total 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)	-	(1,716)	75,509	171,992	650	172,642
Adjustment from adoption of MFRS 9	-	-	-	-	-	-	-	-
Restated balance as at 1 January 2019	99,801	(1,601)	-	(1,716)	75,509	171,992	650	172,642
Profit for the year	-	-	-	-	1,472	1,472	(5)	1,467
Foreign currency translations	-	-	-	(38)	-	(38)	(69)	(107)
Other comprehensive income for the period	-	-	67,329	-	-	67,329	-	67,329
Total comprehensive loss for the period	-	-	67,329	(38)	1,472	68,763	(74)	68,689
Purchase of treasury shares	-	(136)	-	-	-	(136)	-	(136)
Balance as at 30 June 2019	99,801	(1,737)	67,329	(1,754)	76,981	240,619	576	241,195
Balance as at 1 January 2020	99,801	(1,761)	67,176	(1,805)	79,062	242,473	486	242,959
Profit for the year	-	-	-	-	1,300	1,300	33	1,333
Foreign currency translations	-	-	-	(244)	-	(244)	73	(171)
Realisation of revaluation reserve	-	-	(197)	-	-	(197)	-	(197)
Total comprehensive income for the year	-	-	(197)	(244)	1,300	859	106	965
Purchase of treasury shares	-	-	-	-	-	-	-	-
Balance as at 30 June 2020	99,801	(1,761)	66,979	(2,049)	80,362	243,332	592	243,924

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 SECOND QUARTER ENDED 30 JUNE 2020

(The figures have not been audited)

CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2020

	Period ended	
	30-Jun-20 RM'000	30-Jun-19 RM'000
Cash flows from operating activities		
Profit before tax from continuing operations	1,772	1,983
Adjustments for:		
Depreciation of property, plant and equipment	3,687	3,879
Depreciation of investment property	218	-
Depreciation of right-of-use-assets	168	-
Interest expense	3,861	3,422
Interest income	(9)	(7)
Other comprehensive income for the period		
Impairment loss on Fixed Assets	-	-
Inventories written down	9	4,312
Share of loss on joint venture	-	11
Reversal of impairment loss on trade receivable	(161)	(7,810)
Loss on disposal of a subsidiary	-	5
Loss/(Gain) on disposal of plant and equipment	26	2
Unrealised (gain)/loss on foreign exchange	(1,389)	(188)
Operating profit before changes in working capital	8,182	5,609
Changes in working capital:		
Inventories	(21,560)	(5,997)
Trade and other receivables	7,275	(8,573)
Trade and other payables	(8,680)	17,241
Cash (used in)/generated from operations	(14,783)	8,280
Tax paid	(517)	(669)
Tax refunded		233
Net cash (used in)/generated from operating activities	(15,300)	7,844
Cash flows from investing activities		
Purchase of property, plant and equipment	(8,108)	(5,789)
Interest received	9	7
Proceeds from disposal of plant and equipment	9	1
Proceeds from derivative assets	68	-
Net cash used in investing activities	(8,022)	(5,781)
Cash flows from financing activities		
Drawdown of short term borrowings	94,124	85,019
Proceeds from term loans	19,286	13,728
Repayment of short term borrowings	(82,366)	(91,116)
Repayment of term loans	(4,782)	(2,456)
Repayment of hire purchase creditors	-	(15)
Repayment of right-of-use assets	(170)	-
Purchase of treasury shares	-	(136)
Interest paid	(3,861)	(3,422)
Net cash (used in)/generated from financing activities	22,231	1,602
Net (decrease)/increase in cash and cash equivalents	(1,091)	3,665
Effect of exchange rate changes	(171)	(107)
Cash and cash equivalents at beginning of year	7,659	5,125
Cash and cash equivalents at end of financial year	6,398	8,683

Notes:

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

Cash & bank balances	14,187	20,056
Bank overdrafts	(7,789)	(11,373)
	6,398	8,683

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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 complied 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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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	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 30 JUNE 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 during 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 30 June 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 30 JUNE 2020****9. Segment revenue and results**

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

Year-to-date ended 30-June 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	11,859	105,962	929	118,750
Inter-segment revenue	(8,060)	(70,603)	(740)	(79,403)
External revenue	<u>3,799</u>	<u>35,359</u>	<u>189</u>	<u>39,347</u>
Interest income	(3)	(6)	-	(9)
Interest expense	1,840	1,577	444	3,861
Depreciation and amortisation	326	2,712	1,035	4,073
Share of loss of an associate and a joint venture, net of tax	-	-	-	-
Segment profit/(loss)	<u>(2,651)</u>	<u>6,544</u>	<u>(2,121)</u>	<u>1,772</u>
Year-to-date ended 30 June 2019				
Total revenue	21,797	72,641	1,012	95,450
Inter-segment revenue	(3,120)	(35,395)	(740)	(39,255)
External revenue	<u>18,677</u>	<u>37,246</u>	<u>272</u>	<u>56,195</u>
Interest income	2	5	-	7
Interest expense	1,756	1,547	119	3,422
Depreciation and amortisation	324	2,633	922	3,879
Share of loss of an associate and a joint venture, net of tax	-	-	11	11
Segment profit/(loss)	<u>4,181</u>	<u>237</u>	<u>(2,435)</u>	<u>1,983</u>

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 30 JUNE 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 30.06.2020 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 30 June 2020.

	Period ended 30.06.2019 RM'000
Rental of premises	-
Sales of Goods	108
Purchase of goods	<u>627</u>

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 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 second quarter ended 30 June 2020 decreased by RM19.3 million from RM37.2 million down to RM17.9 million as compared to the preceding year corresponding quarter. The decrease was mainly attributed to the government of Malaysia issuing a Federal Government Gazette on 18 March 2020, imposing a Movement Control Order ('MCO') effective from 18th March 2020 to 31st March 2020 and subsequently extended until 9th June 2020 under conditional MCO ("CMCO"). This has curtailed production activity across the group.

The Group's profit before tax ("PBT") was RM0.3 million, as compared to RM1.6 million recorded in preceding year corresponding quarter. The performance of each business segment for the second quarter as compared to the preceding year corresponding quarter is presented as follows:-

(a) Machinery and equipment segment

This segment recorded revenue of RM1.6 million for the current quarter as compared to RM18.4 million achieved in the previous year corresponding quarter, representing a decrease of RM16.8 million equivalent to 0.91 times. Loss before tax ("LBT") was RM2.0 million, a decrease of RM8.1 million equivalent to 1.27 times as compared to PBT of RM6.1 million achieved during the corresponding quarter in preceding year. This is in line with lower revenue generated in addition to higher inter-company sales for the Group's expansion. The Group also incurred higher administrative and finance cost during MCO and CMCO, and a reversal of trade debtors impairment of RM7.4 million incurred during the preceding year corresponding quarter.

(b) Steel product and trading activity segment

The revenue for the current quarter was RM16.2 million, representing a decrease of RM2.5 million from RM18.7 million reported in the preceding year corresponding quarter. PBT was registered at RM3.1 million, compared to LBT of RM3.2 million recorded in the previous year corresponding quarter. The improved PBT is mainly attributed by lower cost of production and lower expenses incurred for marketing and promotion activities.

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SELECTED EXPLANATORY NOTES TO THE INTERIM FINANCIAL REPORT FOR THE PERIOD ENDED 30 JUNE 2020

15. Review of performance (cont'd)

(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 RM0.9 million, a decrease of RM0.4 million or 30.77% as compared to LBT of RM1.3 million in the corresponding quarter in preceding year. This LBT is mainly attributed by depreciation of bio-coal related business. The reduced LBT is due to lower license fee incurred on Constructor brand racking.

16. Variation of results against preceding quarter

	Current quarter ended 30.06.2020 RM'000	Immediate preceding quarter ended 31.03.2020 RM'000
Revenue	17,857	21,490
Profit before tax	<u>267</u>	<u>1,505</u>

The Group recorded a current quarter PBT of RM0.3 million, representing a decrease of RM1.2 million from PBT of RM1.5 million in the preceding quarter. The decrease was mainly due to the curtailment of business operation during the MCO and CMCO imposed. Besides, the group also incurred Forex loss as compared to Forex gain of RM1.4 million during preceding quarter.

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. Besides, the group is also anticipating higher orders from its steel product and trading activity segment and the machinery and equipment segment. However, 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
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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 30.06.2020 RM'000	Corresponding preceding quarter ended 30.06.2019 RM'000	Cumulative period ended 30.06.2020 RM'000	Corresponding preceding period ended 30.06.2019 RM'000
Interest expenses	2,052	1,679	3,861	3,422
Inventories written down	9	4,312	9	4,312
Depreciation of property, plant and equipment	2,052	2,285	3,687	3,879
Depreciation of investment property	218	-	218	-
(Gain)/Loss on disposal of property, plant and equipment	26	-	26	2
(Gain)/Loss on disposal of subsidiary	-	5	-	5
Realised (gain)/loss on foreign exchange	(121)	52	35	442
Rental income	-	(75)	-	(150)
Reversal of impairment loss on trade receivables	(19)	(7,394)	(161)	(7,810)
Other income	(254)	-	(254)	(1)
Interest Income	(4)	(4)	(9)	(7)
Unrealised (gain)/loss on foreign exchange	128	(359)	(1,389)	(188)

EONMETALL GROUP BERHAD**(Company No. 631617-D)****(Incorporated in Malaysia)****SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
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	Individual Quarter		Cumulative Quarter	
	Current quarter ended 30.06.2020 RM'000	Corresponding preceding quarter ended 30.06.2019 RM'000	Cumulative period ended 30.06.2020 RM'000	Corresponding preceding period ended 30.06.2019 RM'000
Current tax expense	(206)	(390)	(349)	(516)
Over/(under) provision in prior years	-	-	(89)	-
	<u>(206)</u>	<u>(390)</u>	<u>(439)</u>	<u>(516)</u>

21. Status of corporate proposal announced

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

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**SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2020****22. Group borrowings**

The Group's borrowings for the financial period ended 30 June 2020 are as follows:-

	Payable within 12 months RM'000	Payable after 12 months RM'000
RM denominated borrowings		
<u>Secured</u>		
Term loans	15,127	46,938
Hire purchases	-	-
	15,127	46,938
<u>Unsecured</u>		
Bank overdrafts	7,789	-
Bankers' acceptances	88,732	-
Revolving credit	17,150	-
	113,671	-
Total borrowings	128,798	46,938

The Group's borrowings for the financial period ended 30 June 2019 are as follows:-

	Payable within 12 months RM'000	Payable after 12 months RM'000
RM denominated borrowings		
<u>Secured</u>		
Term loans	8,183	38,186
Hire purchases	31	20
	8,214	38,206
<u>Unsecured</u>		
Bank overdrafts	11,373	-
Bankers' acceptances	62,835	-
Revolving credit	15,250	-
	89,458	-
Total borrowings	97,672	38,206

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**SELECTED EXPLANATORY NOTES
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22. Changes in material litigation

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

23. Dividend

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

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

Acquisitions

During the financial period ended 30 June 2020, the group acquired asset was with a cost of RM8.11 million (Financial period ended 30 June 2019: RM5.8 million).

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EONMETALL GROUP BERHAD**(Company No. 631617-D)****(Incorporated in Malaysia)****SELECTED EXPLANATORY NOTES
TO THE INTERIM FINANCIAL REPORT
FOR THE PERIOD ENDED 30 JUNE 2020****26. Earnings per share**

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 30.06.2020	Corresponding preceding quarter ended 30.06.2019	Cumulative period ended 30.06.2020	Corresponding preceding period ended 30.06.2019
Profit after tax attributable to owners of the Company (RM'000)	28	1,217	1,300	1,472
Basic: Weighted average number of shares in issue ('000)	185,192	185,370	185,192	185,465
Basic earnings per share (sen)	<u>0.02</u>	<u>0.66</u>	<u>0.70</u>	<u>0.79</u>
Diluted: Diluted earnings per share (sen)	<u>0.02</u>	<u>0.66</u>	<u>0.70</u>	<u>0.79</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 August 2020