

**HIAP TECK VENTURE BERHAD**  
**(Company No:421340-U)**  
**(Incorporated in Malaysia)**

**Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for 4th quarter from 1 May 2019 to 31 July 2019**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/07/2019	31/07/2018	31/07/2019	31/07/2018
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	309,875	325,320	1,186,607	1,127,859
Cost of Sales	(280,571)	(291,064)	(1,081,388)	(983,908)
Gross Profit	29,304	34,256	105,219	143,951
Other Income	4,089	12,561	15,462	29,563
Operating Expenses	(9,617)	(9,497)	(42,754)	(51,625)
Other Expenses	-	(2,149)	-	(2,149)
Profit from Operations	23,776	35,171	77,927	119,740
Finance Costs	(6,168)	(6,219)	(25,522)	(22,305)
Share of profit / (loss) of equity accounted investees, net of tax	18,084	(42,347)	(13,256)	(49,069)
<b>Profit / (Loss) Before Tax</b>	35,692	(13,395)	39,149	48,366
Income tax	(5,758)	(6,890)	(14,332)	(21,177)
<b>Profit / (Loss) for the Period</b>	29,934	(20,285)	24,817	27,189
<b>Other Comprehensive Loss</b>				
Net loss on available-for-sale financial assets - fair value changes	(136)	(11)	(272)	(141)
Foreign currency translation	(569)	(1,169)	64	131
	(705)	(1,180)	(208)	(10)
<b>Total Comprehensive Income/(Loss)</b>	29,229	(21,465)	24,609	27,179
<b>Profit / (Loss) Attributable to:</b>				
Owners of the parent	29,564	(19,975)	25,303	27,946
Non-Controlling Interests	370	(310)	(486)	(757)
	29,934	(20,285)	24,817	27,189
<b>Total Comprehensive Income / (Loss) Attributable to:</b>				
Owners of the parent	28,859	(20,708)	25,095	27,936
Non-Controlling Interests	370	(757)	(486)	(757)
	29,229	(21,465)	24,609	27,179
Earning /(Loss) Per Share (EPS)				
(a) Basic (sen)	2.21	(1.50)	1.89	2.12
(b) Diluted (sen)	1.89	N/A	1.67	N/A

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 2018 and the accompanying explanatory notes attached to the interim financial statements.

**HIAP TECK VENTURE BERHAD**  
**(Company No:421340-U)**  
**(Incorporated in Malaysia)**

**Condensed Consolidated Statements of Financial Position as at 31 July 2019**

	<b>31/07/2019</b> <b>(Unaudited)</b>	<b>31/7/2018</b> <b>(Audited)</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	249,637	253,694
Mining exploration & evaluation asset	21,237	21,332
Investment properties	8,945	9,162
Investment in joint venture	417,291	-
Available-for-sale financial assets	1,093	1,366
Deferred tax assets	-	434
Trade and other receivables (Amount due from joint venture)	-	427,228
	<u>698,203</u>	<u>713,216</u>
<b>Current assets</b>		
Inventories	438,776	394,836
Trade and other receivables	217,913	288,792
Amount due from joint venture	43,040	68,582
Tax recoverable	11,114	2,671
Available-for-sale financial assets	1,509	10,718
Cash and cash equivalents	178,921	59,635
	<u>891,273</u>	<u>825,234</u>
<b>Total assets</b>	<b><u>1,589,476</u></b>	<b><u>1,538,450</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	672,099	668,527
Treasury shares	(7,499)	(7,499)
Warrant reserve	30,341	30,341
Foreign reserve	(142)	(206)
Share option reserve	5,663	5,347
Fair value adjustment reserve	(1,516)	(1,244)
Equity component of RCUIDS, net of tax	33,883	30,796
Retained profits	130,210	111,172
	<u>863,039</u>	<u>837,234</u>
Non-Controlling Interests	(1,247)	(761)
<b>Total equity</b>	<b><u>861,792</u></b>	<b><u>836,473</u></b>
<b>Non-current liabilities</b>		
Borrowings	19,062	20,543
Deferred tax liabilities	37,963	37,281
	<u>57,025</u>	<u>57,824</u>
<b>Current liabilities</b>		
Borrowings	607,004	591,549
Trade and other payables	61,829	45,702
Tax payable	1,826	6,902
	<u>670,659</u>	<u>644,153</u>
<b>Total liabilities</b>	<b><u>727,684</u></b>	<b><u>701,977</u></b>
<b>Total equity and liabilities</b>	<b><u>1,589,476</u></b>	<b><u>1,538,450</u></b>
Net assets per share attributable to owners of the parent (RM)	0.64	0.63

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 July 2018 and the accompanying explanatory notes attached to the interim financial statement.

**HIAP TECK VENTURE BERHAD**  
**(Company No:421340-U)**  
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**Condensed Consolidated Statements of Cash Flows for the year ended 31 July 2019**

	<b>Current Year To-date 31/07/2019 RM'000</b>	<b>Preceding Year Corresponding Period 31/07/2018 RM'000</b>
<b><u>Operating Activities</u></b>		
Profit Before Tax	39,149	48,366
Adjustments for:		
Amortisation of mining exploration and evaluation assets	743	56
Dividend income	(84)	(54)
Depreciation of investment property	217	208
Depreciation of property, plant and equipment	9,603	12,326
Equity-settled share based payments	-	1,923
ESOS employee reserves	744	-
Finance income:		
Available-for-sale financial assets	(289)	(363)
Deposits	(1,956)	(1,137)
Joint venture	(2,584)	(29,564)
Gain on disposal of property, plant and equipment	(5,240)	(2,068)
Interest expense	25,522	22,305
Net overdue interest income	(1,119)	(760)
Net unrealised foreign exchange losses	327	4,178
Property, plant and equipment written off	9	7
Allowance / (Reversal of) for doubtful debts	568	(110)
Write down of inventories to net realisable value	1,353	5,404
Share of loss of equity accounted investees, net of tax	13,256	49,069
Operating profit before changes in working capital	80,219	109,786
Net changes in current assets	49,560	(159,878)
Net changes in current liabilities	16,128	5,095
Cash generated from / (used in) operations	145,907	(44,997)
Interest paid	(24,354)	(27,007)
Net overdue interest income received	1,119	760
Taxes paid, net of taxes refunded	(20,077)	(27,341)
<b>Net cash generated from / (used in) operating activities</b>	<b>102,595</b>	<b>(98,585)</b>
<b><u>Investing Activities</u></b>		
Additional investment in joint venture	(135,802)	-
Additions to mining exploration and evaluation asset	(648)	(904)
Finance income:		
Available-for-sale financial assets	289	363
Deposits	1,956	1,137
Dividend income	84	-
Investment in available-for-sale financial assets	9,209	(6,027)
Proceeds from disposal of property, plant and equipment	10,318	4,902
Purchase of property, plant and equipment	(11,119)	(18,566)
Proceeds from disposal of investment in JV	135,711	-
Advances to joint venture	-	(68,312)
<b>Net cash generated from / (used in) investing activities</b>	<b>9,998</b>	<b>(87,407)</b>
<b><u>Financing Activities</u></b>		
Dividends paid	(6,694)	-
Drawdown of borrowings	17,379	163,070
Proceed from Issuance of RCUIDS	(4,572)	-
<b>Net cash generated from financing activities</b>	<b>6,113</b>	<b>163,070</b>
Net Change in Cash and Cash Equivalents	118,706	(22,922)
Effect of exchange rate changes	580	(793)
Cash and Cash Equivalents at beginning of year	59,635	83,350
Cash and Cash Equivalents at end of year	<b>178,921</b>	<b>59,635</b>

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 July 2018 and the accompanying explanatory notes attached to the interim financial statements.

HIAP TECK VENTURE BERHAD  
(Company No:421340-U)  
(Incorporated in Malaysia)

Condensed Consolidated Statements of Changes in Equity for the year ended 31 July 2019

	-----> Attributable to equity holders of the parent ----->											
	-----> Non-distributable ----->										<----->	<----->
	Share Capital RM'000	Treasury Shares RM'000	Share Premium RM'000	Warrant Reserve RM'000	Foreign Reserve RM'000	Share Option Reserve RM'000	Fair Value Adjustment Reserve RM'000	Equity Component of RCUIDS, net of tax RM'000	Retained Profits RM'000	Total RM'000	Minority Interests RM'000	Total Equity RM'000
<b>As at end of current quarter ended 31 July 2019</b>												
Opening balance as at 1 August 2018	668,527	(7,499)	-	30,341	(206)	5,347	(1,244)	30,796	111,172	837,234	(761)	836,473
<b>Total comprehensive income</b>	-	-	-	-	64	-	(272)	-	25,303	25,095	(486)	24,609
<b>Transactions with owners</b>												
Issuance of ordinary shares pursuant to:- - Conversion of RCUIDS	3,572	-	-	-	-	-	-	(3,572)	-	-	-	-
ESOS fair value adjustments	-	-	-	-	-	316	-	-	429	745	-	745
RCUIDS DTA adjustments	-	-	-	-	-	-	-	6,659	-	6,659	-	6,659
Final dividend for the financial year ended 31 July 2018 (Single tier of 0.5 sen)	-	-	-	-	-	-	-	-	(6,694)	(6,694)	-	(6,694)
<b>Transactions with owners</b>	<b>3,572</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>316</b>	<b>-</b>	<b>3,087</b>	<b>(6,265)</b>	<b>710</b>	<b>-</b>	<b>710</b>
<b>Closing balance as at 31 July 2019</b>	<b>672,099</b>	<b>(7,499)</b>	<b>-</b>	<b>30,341</b>	<b>(142)</b>	<b>5,663</b>	<b>(1,516)</b>	<b>33,883</b>	<b>130,210</b>	<b>863,039</b>	<b>(1,247)</b>	<b>861,792</b>
<b>As at preceding year corresponding quarter ended 31 July 2018</b>												
Opening balance as at 1 August 2017	654,864	(7,499)	-	30,341	(337)	4,639	(1,103)	44,459	82,011	807,375	(4)	807,371
<b>Total comprehensive income</b>	-	-	-	-	131	-	(141)	-	27,946	27,936	(757)	27,179
<b>Transactions with owners</b>												
Issuance of ordinary shares pursuant to:- - Conversion of RCUIDS	13,663	-	-	-	-	-	-	(13,663)	-	-	-	-
ESOS employee expenses	-	-	-	-	-	1,923	-	-	-	1,923	-	1,923
ESOS fair value adjustments	-	-	-	-	-	(1,215)	-	-	1,215	-	-	-
<b>Transactions with owners</b>	<b>13,663</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>708</b>	<b>-</b>	<b>(13,663)</b>	<b>1,215</b>	<b>1,923</b>	<b>-</b>	<b>1,923</b>
<b>Closing balance as at 31 July 2018</b>	<b>668,527</b>	<b>(7,499)</b>	<b>-</b>	<b>30,341</b>	<b>(206)</b>	<b>5,347</b>	<b>(1,244)</b>	<b>30,796</b>	<b>111,172</b>	<b>837,234</b>	<b>(761)</b>	<b>836,473</b>

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 July 2018 and the accompanying explanatory notes attached to the interim financial statements.

**HIAP TECK VENTURE BERHAD**  
**(Company No: 421340-U)**

Notes to the Quarterly Report – 31 July 2019

**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 2018. 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 2018.

**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 2018.

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

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

- MFRS 16, *Leases*
- IC Interpretation 23, *Uncertainty over Income Tax Treatments*
- Amendments to MFRS 3, *Business Combinations (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 9, *Financial Instruments – Prepayment Features with Negative Compensation*
- Amendments to MFRS 11, *Joint Arrangements (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 112, *Income Taxes (Annual Improvements to MFRS Standards 2015-2017 Cycle)*

## **2. Significant Accounting Policies (cont'd)**

### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019 (cont'd)**

- Amendments to MFRS 119, *Employee Benefits (Plan Amendment, Curtailment or Settlement)*
- Amendments to MFRS 123, *Borrowing Costs (Annual Improvements to MFRS Standards 2015-2017 Cycle)*
- Amendments to MFRS 128, *Investments in Associates and Joint Ventures – Long-term Interests in Associates and Joint Ventures*

### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2020**

- Amendments to MFRS 3, *Business Combinations – Definition of a Business*
- Amendments to MFRS 101, *Presentation of Financial Statements and MFRS 108, Accounting Policies, Changes in Accounting Estimates and Errors – Definition of Material*

### **MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2021**

- MFRS 17, *Insurance Contracts*

### **MFRSs, Interpretations and amendments effective for annual periods beginning or after a date yet to be confirmed**

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

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

## **3. Audit qualification**

There were no audit qualifications on the annual financial statements of the Group for the year ended 31 July 2018.

## **4. Seasonal or cyclical factors**

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

## **5. Material unusual items**

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

## 6. Material changes in estimates

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

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

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

- a) As at quarter ended 31 July 2019, a total of 5,492,000 buy-back shares were held as treasury shares and carried at cost.

## 8. Dividend paid

A single tier final dividend of 0.5 sen per ordinary share in respect of the financial year ended 31 July 2018 was approved by the shareholders on the 22nd Annual General Meeting of the Company held on 17 December 2018. A total amount of RM6,693,533.80 was paid on 25 January 2019 to depositors registered in the Record of Depositors at the close of business on 15 January 2019.

## 9. Segment information

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

	12 months ended 31 July 2019						
	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>
<b>SALES</b>							
- External sales	616,603	568,774	-	22	1,208	-	<b>1,186,607</b>
- Intersegment sales	-	46,663	88,418	2,524	-	(137,605)	-
<b>Total sales</b>	<b>616,603</b>	<b>615,437</b>	<b>88,418</b>	<b>2,546</b>	<b>1,208</b>	<b>(137,605)</b>	<b>1,186,607</b>
<b>RESULTS</b>							
Finance income	701	1,398	2,694	35	-	-	4,828
Finance costs	10,090	11,619	3,628	-	185	-	25,522
Depreciation & amortisation	600	6,481	1,839	351	1,289	-	10,560
Share of loss of joint venture	-	-	-	-	-	-	(13,256)
Segment profit/(loss)	1,991	52,218	(2,312)	217	291	(13,256)	39,149

## 10. Valuation of property, plant and equipment

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

## 11. Significant events

For the quarter under review, all the shareholders' loan of ESSB has been fully converted into equity. For the same period, the cash consideration of RMB225.6 million received by Hiap Teck from Jianlong on the 20% disposal of shareholdings in ESSB has been reinvested into ESSB as new capital injection. Subsequent to both these exercises, the shareholdings of Hiap Teck, Jianlong and Chinaco Investment Pte. Ltd. remained at 35%:60%:5% respectively.

## 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 2019 are as follow:

Unsecured Contingent Liabilities :-	Group	
	31.07.2019 RM'000	31.07.2018 RM'000
In respect of indemnity provided for bank guarantees issued	6,525	7,345
In respect of corporate guarantees issued to a joint venture	-	8,250
<b>Total</b>	<b>6,525</b>	<b>15,595</b>

## 14. Capital commitments

The Group has no significant capital commitment as at 31 July 2019.

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## 15. Related party transactions

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

	<b>Group</b>	
	<b>Current year quarter</b>	<b>Current year-to- date</b>
	<b>31.07.2019</b>	<b>31.07.2019</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchases of steel products by certain wholly owned subsidiaries of the Group from JK Ji Seng Sdn.Bhd.	80,427	232,745

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.

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**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 2019.

	Individual Quarter		Changes		Cumulative Quarter		Changes	
	Current Year	Preceding Year	Amount	%	Current Year	Preceding Year	Amount	%
	Quarter	Corresponding Quarter			To-date	Corresponding Period		
	31/07/2019	31/07/2018	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	309,875	325,320	(15,445)	-5%	1,186,607	1,127,859	58,748	5%
<b>Gross Profit</b>	29,304	34,256	(4,952)	-14%	105,219	143,951	(38,732)	-27%
<b>Profit from Operations</b>	23,776	35,171	(11,395)	-32%	77,927	119,740	(41,813)	-35%
<b>Profit / (Loss) Before Tax</b>	35,692	(13,395)	49,087	366%	39,149	48,366	(9,217)	-19%
<b>Profit / (Loss) for the Period</b>	29,934	(20,285)	50,219	248%	24,817	27,189	(2,372)	-9%
<b>Profit / (Loss) Attributable to:</b>								
Owners of the parent	29,564	(19,975)	49,539	248%	25,303	27,946	(2,643)	-9%
Non-Controlling Interests	370	(310)	680	219%	(486)	(757)	271	36%
	29,934	(20,285)	50,219	248%	24,817	27,189	(2,372)	-9%

For the current quarter under review, Group revenue decreased by 5% to RM309.88 million over the preceding year corresponding quarter revenue of RM325.32 million attributable to lower sales from Manufacturing segment due to lower steel price.

The Trading division reported 16% increase in revenue to RM183.37 million as compared to RM157.61 million in the preceding year corresponding quarter, whilst the Manufacturing division recorded 23% decrease in revenue to RM134.05 million as compared to the preceding year corresponding quarter revenue of RM173.95 million.

The Group registered a Profit from Operations of RM23.78 million for the current quarter as compared to RM35.17 million in the preceding year corresponding quarter due to compressed margins attributable to steel prices for the quarter under review.

For the quarter under review, the Group recorded a Profit before Tax of RM35.69 million as compared to Loss before Tax of RM13.40 million in the preceding year corresponding quarter. This significant variation was mainly due to the share of profit of JV entity of RM18.08 million for the current quarter as compared to the share of loss of JV entity of RM42.35 million in the preceding year corresponding quarter. The main contributor to the profit of JV entity was due to a reversal of impairment loss of RM50 million which was provided previously. This reversal of impairment loss was done subsequent to annual impairment assessment performed by external auditors.

## 17. Comparison with immediate preceding quarter's results

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

	Individual Quarter		Changes	
	Current Year Quarter 31/07/2019	Immediate Preceding Quarter 30/04/2019	Amount	%
	RM'000	RM'000	RM'000	%
<b>Revenue</b>	309,875	296,677	13,198	4%
<b>Gross Profit</b>	29,304	24,081	5,223	22%
<b>Profit from Operations</b>	23,776	15,366	8,410	55%
<b>Profit/(Loss) Before Tax</b>	35,692	(6,728)	42,420	630%
<b>Profit/(Loss) for the Period</b>	29,934	(9,396)	39,330	419%
<b>Profit/(Loss) Attributable to:</b>				
Owners of the parent	29,564	(9,179)	38,743	422%
Non-Controlling Interests	370	(217)	587	271%
	29,934	(9,396)	39,330	419%

For the current quarter under review, Group revenue increased by 4% to RM309.88 million from RM296.68 million in the immediate preceding quarter due to higher sale volume.

Profit from Operations in the current quarter increased by 55% to RM23.78 million as compared to RM15.37 million in the immediate preceding quarter attributed by improved margins.

The Group registered a Profit before Tax of RM35.69 million in Q4 FY2019 as compared to a Loss before Tax of RM6.73 million in Q3 FY2019 due to share of profit of JV entity of RM18.08 million for the current quarter as compared to the share of loss of JV entity of RM16.52 million in the immediate preceding quarter. The key contributor to the profit of JV entity was due to the reversal of impairment loss of RM50 million. The JV entity is currently operating at full capacity with the construction of its 55MW power generation plant due for completion in October 2019, which will help to further reduce production cost.

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## **18. Prospects**

In 2019 and 2020, global steel demand is expected to continue to grow moderately in tandem with a slowing global economy. Uncertainty over the trade environment and volatility in the financial markets could pose downside risks to this forecast.

ASEAN-6 apparent steel consumption recovered in 2018 growing by 5% year-on-year to reach 80 million MT. World Steel Association (WSA) expects the region's apparent steel consumption, supported by infrastructure development to be able to maintain its near-term demand growth which is projected at 5.6% and 5.5% per annum for 2019 and 2020 respectively, making it one of the top performing regions in the world in terms of steel consumption year-on-year growth rate.

In Malaysia, the apparent steel consumption (ASC) registered a growth rate of 3.5% from 9.44 million MT to 9.80 million MT during 2018. Consumption of long products registered a much smaller growth of 0.15% when compared to flat products growth of 7.97%. Overall, long products consumption still dominate over flat products at a ratio of 55:45 vis-a-vis last year's 57:43. Construction sector by far remains the foremost consumption channel, constituting about 70% of total usage.

The construction sector in Malaysia, however, only registered moderate growth of 4.2% in 2018 sustained mainly by the civil engineering sub-sector which saw a steady progress of large petrochemical, transportation, and utility projects. The reinstatement of infrastructure projects such as East Coast Rail Link (ECRL) and mega development Bandar Malaysia would provide optimism to the local steel industry towards the final quarter of 2019 and year 2020. Steel being the raw material used in construction sector is expected to rely on the progress of these infrastructure projects.

The Group is cautiously optimistic on the local steel demand growth, as the industry is working closely with the Government in reviewing and formulating new policies and incentives that will drive the iron and steel industry way forward. The Group is committed to continuous enhancement on efficiency, productivity and technical competency and further expand its products range, and also focusing on procurement and pricing strategies to uphold its leadership in the sector.

## **19. Variance of actual and forecast profit**

Not applicable.

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## 20. Tax

	Group	
	Current year quarter 31.07.2019	Current year-to- date 31.07.2019
	RM'000	RM'000
Income tax	(2,948)	6,557
Deferred tax	8,706	7,775
	5,758	14,332

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

## 21. Status of corporate proposal

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

## 22. Borrowings

The Group's borrowings as at 31 July 2019 are as follows:

	Long Term RM'000	Short Term RM'000	Total RM'000
<u>Secured:</u>			
Bankers' Acceptances	-	546,202	546,202
Hire Purchase	3,092	802	3,894
Revolving credit	-	60,000	60,000
<u>Unsecured:</u>			
RCUIDS	15,970	-	15,970
Term Loan	-	-	-
	<u>19,062</u>	<u>607,004</u>	<u>626,066</u>

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

As at 31 July 2019, the Company has extended corporate guarantees amounting to RM610.10 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.

### 23. Borrowings (cont'd)

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

### 24. Material litigation

There is no material litigation for the quarter under review.

### 25. Dividend

The Board of Directors is pleased to propose a Single Tier Final Dividend of 0.5 sen per share for the financial year ended 31 July 2019, subject to shareholders’ approval at the forthcoming Annual General Meeting.

### 26. 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.

	<b>Current Year Quarter 31.07.2019</b>	<b>Current Year- to-date 31.07.2019</b>
Profit attributable to owners of the parent (RM'000)	29,564	25,303
Weighted average number of ordinary shares in issue ('000)	1,335,972	1,335,972
<b>Basic Earnings per share (sen)</b>	<b>2.21</b>	<b>1.89</b>

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## 26. Earnings per share (“EPS”)

### b) Diluted EPS

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

	<b>Current Year Quarter 31.07.2019</b>	<b>Current Year- to-date 31.07.2019</b>
Profit attributable to owners of the parent (basis) (RM'000)	29,565	25,304
Interest expense on RCUIDS, net of tax (RM'000)	205	888
Profit attributable to owners of the parent (diluted) (RM'000)	29,769	26,191
Weighted average number of ordinary shares in issue (basis) ('000)	1,335,972	1,335,972
Effect of conversion of RCUIDS	236,826	236,826
Weighted average number of ordinary shares in issue (diluted) ('000)	1,572,798	1,572,798
<b>Basic Earnings per share (sen)</b>	<b>1.89</b>	<b>1.67</b>

## 27. Profit from operations

	<b>Current Year Quarter 31.07.2019 RM'000</b>	<b>Current Year-to-date 31.07.2019 RM'000</b>
<b><i>Profit for the year is arrived at after charging:</i></b>		
Amortisation of mining exploration and evaluation assets	327	743
Depreciation of property, plant and equipment	281	9,603
Depreciation of investment property	61	217
Finance costs	6,168	25,522
<b><i>and after crediting/(charging):</i></b>		
Gain on disposal of property, plant and equipment	2,835	5,258
Finance income:		
Available-for-sale financial assets	-	289
Deposits	633	1,956
Joint venture	-	2,584
Net foreign exchange gain / (loss)		
Realised	748	1,211
Unrealised	(2,360)	(327)
Rental income	(211)	949

**27. Authorisation for Issue**

The Interim Financial Statements were authorised for issue by the Board of Directors on 27<sup>th</sup> September 2019.

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