Quarterly report on consolidated results for the second financial quarter ended 31 December 2016

EXPLANATORY NOTES:

A1 **Basis of Preparation & Significant Accounting Policies**

This Quarterly Report is unaudited and has been prepared in accordance with the Malaysian Financial Reporting Standard ("MFRS") 134 - Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") and Paragraph 9.22 and Appendix 9B of the Bursa Malaysia Securities Berhad ("Bursa Malaysia") Listing Requirements. In addition, the financial statements comply with IFRS as issued by IASB. The report should be read in conjunction with the Group's audited financial statements for the financial year ended 30 June 2016 which was prepared in accordance with the MFRS.

The explanatory notes attached to the unaudited interim financial statements 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 last financial year ended 30 June 2016.

The significant accounting policies and methods adopted for this unaudited interim financial report are consistent with those adopted for the audited financial statements for the financial year ended 30 June 2016, except for the following new amendments to the MRFS ("standards") effective from 1 January 2016 which the Group shall apply where applicable commencing from the 1st quarter of the current financial year:

- Amendments to MFRS 11 'Joint arrangements' which requires an investor to apply the principles of MFRS 3 'Business Combination' when it acquires an interest in a joint operation that constitutes a business

- Amendments to MFRS 116 'Property, plant and equipment' and MFRS 138 'Intangible assets' which clarify that the use of revenue-based methods to calculate the depreciation of an item of property, plant and equipment, or to calculate the consumption of the economic benefits embodied in an intangible asset unless demonstrated to be highly correlated – is not appropriate.

The adoption of the above did not have any financial impact on this quarterly report.

The Group has not adopted the following new standards, amendments to standards and interpretations that have been issued but not yet effective for the current financial year.

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative' (effective from 1 January 2017)
- Amendments to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses' (effective from 1 January 2017)
- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement". The complete version of MFRS 9 was issued in November 2014.
- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations.
- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

The Group is of the opinion that the abovementioned new standards, amendments to standards and interpretations are unlikely to have any material financial impact to the Group upon their initial application when effective.

Quarterly report on consolidated results for the second financial quarter ended 31 December 2016

EXPLANATORY NOTES:

A2 Audit qualification

The audit report of the Group in respect of the financial statements for the financial year ended 30 June 2016 was not subject to any audit qualification.

A3 Seasonality or cyclicality of operations

The business of the Group and the Company is generally neither cyclical nor seasonal except for decreased activities during the Ramadan and Chinese New Year festive months.

A4 Unusual items

There are no unusual items affecting assets, liabilities, equity, net income or cash flows attributable to its nature, size or incidence during the current financial quarter other than from the 'change in estimate' affecting net income as disclosed in Note A5 below.

A5 Changes in estimates

For the current financial quarter, the Group's wholly owned Engineering subsidiary has revised its budgeted costs on onerous construction contracts resulting in the need to make additional loss recognition of RM47.3m ahead of their completion. Details of these are outlined below:

all in RM'000	Onerous Construction Contracts		
	Project 1	Project 2	Total
Original Project's Profits/ (Loss) budget	9,000	1,500	10,500
Revised Project's Profits/(Loss) budget as at:			
30/6/2016	(7,061)	259	(6,802)
30/9/2016	(18,753)	(921)	(19,674)
31/12/2016	(61,915)	(4,764)	(66,679)
Recognised Project's Profits/(Loss) for the period:			
Financial year ended 30/6/16	(7,061)	158	(6,903)
1st financial quarter ended 30/9/2016	(11,655)	(788)	(12,443)
2nd financial quarter ended 31/12/2016	(43,199)	(4,134)	(47,333)
	(61,915)	(4,764)	(66,679)
Percentage of completion based on cost incurred as at 31/12/2016	46%	74%	

For the identified "Project 1" above, the changes in estimates on the project's costs budget since its inception have been unreasonably large in negative variances. Initial assessment revealed significant costs underestimation. To ascertain the fact of the matter and the workings of underlying internal controls, the Directors have commissioned for a Special Audit on the aforementioned Project 1. Subsequent findings by the appointed external firm shall be disclosed where appropriate. It is anticipated that the findings will be concluded within 60 days from the date of this Interim Report.

Quarterly report on consolidated results for the second financial quarter ended 31 December 2016

EXPLANATORY NOTES:

A5 **Changes in estimates** (continued)

The management of the Engineering subsidiary has disclosed that it has reasonable grounds to seek claims and variation-orders on a significant portion of those cost overruns of-which the resultant losses have been recognized for both the mentioned projects. However, the quantum, certainty, and timing of such claims and variation-orders cannot be ascertained at this juncture to affect the additional loss recognition on those onerous contracts for the current financial quarter.

A6 **Debts and equity securities**

There are no issuances, cancellations, repurchases, or resale of the Company's equity securities during the current financial quarter.

The Group has a policy to maintain its Gearing Ratio (measured as interest bearing debts over equity adjusted for the exclusion of intangibles) at below 1.25 times.

	31/12/2016	30/06/2016
Total interest bearing debts in RM'million	199.8	191.1
Adjusted Equity in RM'million	398.3	439.9
Gearing Ratio	0.50	0.43

The Group's debt securities are mainly represented by the Cold Rolled subsidiary's debenture (around RM88.9 million) and the Steel Tube subsidiary's debenture (around RM26.3 million), whilst the remaining interest bearing debts are mostly unsecured suppliers' trade credits extended to the respective operating subsidiaries (see Note B10). The Engineering subsidiary has for the current financial quarter incepted and drawn-down RM16.3million in external debt borrowings to finance its working capital. The steel operating subsidiaries complied with their respective Gearing Ratio covenants for the current financial quarter ended 31 December 2016.

A7 **Dividends paid**

No dividend was declared or paid in the current financial quarter.

A8 **Segmental reporting**

The Group's segmental information on a 'year-to-date' basis by business segments is as follows:

	Steel Tube	Cold Rolled	Engineering	Investment Holding	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
Total revenue	130,746	227,646	19,913	5,427	5,783	389,515
Inter segment	(600)	(11,771)	-	(5,427)	(1,233)	(19,031)
External revenue	130,146	215,875	19,913	-	4,550	370,484
Pre-tax profit/(losses)	19,378	11,178	(62,713)	(6,175)	471	(37,861)
Segment assets	128,892	417,029	7,739	107,366	5,903	666,929

Quarterly report on consolidated results for the second financial quarter ended 31 December 2016

EXPLANATORY NOTES:

A8 **Segmental reporting** (continued)

Reconciliation of segment assets to total assets is as follows:

	RM'000
Segment assets	666,929
Amount owing by an associate	9,847
Deferred tax assets	2,732
Derivative financial asset	7,067
Tax recoverable	254
	686,829

The businesses of the Group are carried out entirely in Malaysia.

A9 **Valuation of property, plant and equipment**

The valuation of property, plant and equipment has been brought forward from the audited financial statements for the financial year ended 30 June 2016 and adjusted for depreciation where applicable to reflect the current period's ending net carrying value.

A10 **Fair value measurement**

Except for the financial instruments disclosed below which are fair valued by valuation methods, the carrying value of short-term maturity financial instruments like cash deposits and bank balances, receivables, and short-term borrowings and payables approximate their fair values.

Financial instruments subjected to fair valuation methods are categorised into the following fair value hierarchy and are represented in the table below as at 31 December 2016:

Level 1: based on unadjusted quoted prices in active markets for identical assets and liabilities
Level 2: based on observable inputs not included within level 1
Level 3: based on unobservable inputs

Recurring fair value measurement	Fair Value RM'000		
Foreign Currency Forwards	Level 1	Level 2	Level 3
as Assets (hedge accounted)	-	7,067.1	-
as Liabilities (not hedge accounted)	-	(29.4)	-
Total	-	7,037.7	-

The Foreign Currency Forwards are fair valued by way of marking-to-market using reference bank's published forward rates.

A11 **Investment in Associates**

Investment in the Power Associate

The Company through a wholly owned subsidiary retains a 49% interest in Mperial Power Ltd ("Mperial') being the holding company for Siam Power Generation Public Company Ltd ("Siam Power"), Siam Power Phase 2 Company Ltd ("Siam Power 2"), Siam Power Phase 3 Company Ltd ("Siam Power 3"), and MPower TT Ltd – hereinafter referred to as the 'Power Associate' or the 'Power Group.'

EXPLANATORY NOTES:

A11 **Investment in Power Associate** (continued)

Investment in the Power Associate (continued)

The Power Group is an immaterial associate of MIG Group considering its' carrying investment value has been reduced to zero with its share of the said associate's losses since end-September 2014. The Group's continuing share of the Associate's subsequent losses is not recognised but is recorded for future set-off against any arising share of gains. Details on the Group's unrecognised share of the Power Associate's losses amounting to RM252.1 million as at the close of the current quarter are as follows:

	As at 31/12/2016 RM'000	As at 30/6/2016 RM'000
Unrecognised share of losses b/f	(189,707)	(84,844)
Share of Net Loss	(35,214)	(100,767)
Share of Other Comprehensive Loss	(27,213)	(4,096)
Unrecognised share of losses c/f at closing of the period	(252,134)	(189,707)

Mperial has on 5 September 2016 entered into a 'Transaction Agreement' with an external foreign party to dispose 78.4% equity stake in Siam Power inclusive of its bank debts to the latter for a total net consideration of THB334 million (approximately RM41.8million). An earnest deposit and partial payment totalling THB230 million (approximately RM28.8 million) has been received by Mperial, and the transaction is expected to complete within a 12 months period. As at the close of the current financial quarter, the transaction is still within the expected period to completion.

As a subsequent event, Mperial has on 12 January 2017 entered into a 'Share Purchase Agreement' with another external foreign party to dispose its entire stake in Siam Power 2 for a total consideration THB269.9 million (approximately RM33.8 million) subject to relevant conditions precedent which would also lead to the purchaser providing the necessary security to replace and uplift those assets pledged by the Company as disclosed in Note B12. The transaction is expected to complete within a 12 months period.

Investment in Jack Nathan Limited ("JNL")

The Group's 45% equity interest in JNL, a private limited company incorporated in the United Kingdom ("UK") is held through its wholly owned subsidiary Melewar Imperial Limited, a company incorporated in Labuan, Malaysia. JNL's scope of business is in the trading of building tools and materials in Amersham, UK. As at the close of the current financial quarter, the share of losses are not recognised by the Group but are recorded for future set-off against any arising share of future gains.

Quarterly report on consolidated results for the second financial quarter ended 31 December 2016

EXPLANATORY NOTES:

A11 **Investment in Power Associate** (continued)

Investment in Jack Nathan Limited ("JNL") (continued)

Details of the Group's unrecognised share of JNL's losses for the current financial quarter amounting to RM209 thousand as at the close of the current quarter are as follows:

	As at 31/12/2016 RM'000	As at 30/6/2016 RM'000
Carrying value at date of investment	-	0
Unrecognised share of losses b/f	(243)	-
Share of Net Profit/(Loss)	38	(275)
Share of Other Comprehensive Income/(Loss)	(4)	32
Unrecognised share of losses c/f at closing of the period	(209)	(243)

A12 **Significant events and transactions**

There are no significant events or transactions for the current quarter affecting the Group's financial position and performance of its entities other than the 'change in estimates' by its Engineering subsidiary on its costs to completion for onerous construction contracts as disclosed in Note 5A.

A13 **Subsequent material events**

There are no material events occurring between 1 January 2017 and the issuance date of this interim financial report that warrant any adjustment for the current quarter ended 31 December 2016.

A14 **Changes in the composition of the Group**

There are no changes to the composition of the Group during the current financial quarter.

A15 **Contingent liabilities or contingent assets**

There are no contingent liabilities or contingent assets as at the end of the current reporting quarter.

A16 **Capital commitments**

There are no material capital commitments whether provided not already provided for in the financial statements at the end of the reporting quarter.

Quarterly report on consolidated results for the second financial quarter ended 31 December 2016

EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENTS – PART A OF APPENDIX 9B)

B1 **Review of the performance of the Company and its principal subsidiaries**

For the second quarter ended 31 December 2016, the Group registered a 25% higher total revenue of RM182.9 million as compared to RM146.9 million achieved in the preceding year's corresponding quarter. Both the Cold Rolled and Steel Tube subsidiaries recorded a higher sales volume (up by 15% and 26%, respectively) and better average unit selling price (up by 7% and 5%, respectively) for the current quarter in comparison with the preceding year's corresponding quarter.

The Group suffered a loss before tax of RM36.8 million for the current quarter as compared to a profit before tax of RM7 million in the preceding year's corresponding quarter mainly due to its Engineering subsidiary's loss. The Steel Tube subsidiary delivered a strong performance for the current quarter with pre-tax profit contribution of RM10.6 million (preceding year's corresponding quarter pre-tax profit at RM2.6 million), mainly due to higher sales volume and unit selling price for the current quarter. However the better performance of the steel tube operations is significantly negated by its Engineering subsidiary's pre-tax loss contribution of RM49.4 million for the current quarter (preceding year's corresponding quarter pre-tax loss of RM0.4 million) arising from additional loss-provision and realized losses on onerous contracts (as disclosed in Notes A5 and B5). Consequently, the Group registered an after-tax loss of RM39.7 million for the current quarter, of-which is a significant setback in comparison with the preceding year's corresponding quarter profit-after-tax of RM4.9 million.

The Group recorded a LBITDA of RM29.3 million compared to the preceding year's corresponding quarter's EBITDA of RM15.1 million.

B2 **Material change in the loss before tax as compared to the immediate preceding quarter**

The Group's revenue for the current second quarter at RM182.9 million is 2.5% lower compared to the immediate preceding quarter's at RM187.6 million despite the Ramadan and Hari Raya festive period saddling the immediate preceding quarter. The lower revenue is mainly attributed to the reduced contribution from the Engineering subsidiary by around RM20 million, but mitigated by a higher sales volume from the Steel Tube subsidiary (up by 26%) for the current quarter.

The Group registered a pre-tax loss of RM36.8 million compared with the immediate preceding quarter's pre-tax loss of RM1.1 million. The significant pre-tax loss is mainly due to its Engineering subsidiary's significant pre-tax loss contribution of RM49.4 million for the current quarter (immediate preceding quarter pre-tax loss of RM13.5 million) arising from additional loss-provision and realized losses on onerous contracts (as disclosed in Notes A5 and B5). The Group's steel operations' pre-tax profit contribution for the current quarter was also lower compared to the immediate preceding quarter mainly due to a lower spread between selling price and raw material cost in the Cold Rolled subsidiary. At the post-tax level, the Group recorded a net loss of RM39.7 million for the current quarter compared to a net loss of RM4.5 million in the immediate preceding quarter.

The Group recorded a LBITDA of RM29.3 million compared to the immediate preceding quarter's EBITDA of RM6 million.

Quarterly report on consolidated results for the second financial quarter ended 31 December 2016

EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENTS – PART A OF APPENDIX 9B)

B3 **Prospects for the remaining financial year**

For the next six months of the remaining financial year, the Country's economic outlook would likely continue to be subdued in the trough as the prolonged lows of the Ringgit and escalated costs become the new norm. Whilst the new 'supplementary foreign currency exchange administration rules' issued by Bank Negara Malaysia in December 2016 has managed to mitigate further declines in the Ringgit (which witnessed another 8% drop to historical new lows in the current quarter), little else could be done to reverse the tide of net outflows and overall negative sentiments.

Specific to Steel industry, iron-ore and coking-coal used in the upstream production of raw-steel saw sharp increases ranging 45% and 30% respectively in the current quarter –which translates to higher raw-coil material costs for the Group's steel manufacturing. This uptrend continued into January and February 2017 reaching new heights and sparking concerns whether such prices are driven by demand-supply fundamentals or speculators. Market-analyses have it that Trump's plan on rebuilding America's infrastructure, and China's curbing of inefficient/ excess steel production will likely keep steel and its raw production materials' prices high in the near to mid-term. Whilst this may be bullish for upstream miners and raw-steel producers, midstream steel manufacturers like the Group's cold-rolled coil and steel tube operations are generally indifferent since their performance largely hinges on successfully managing manufacturing margins and fair competition. Nevertheless, volatility in raw steel prices induces volatility pressure on manufacturing margins, and affects purchasing behavior of downstream steel users.

The Group's engineering business suffered significant losses for the current quarter as the Engineering subsidiary recognized additional expected losses on onerous construction contracts ahead of their completion. (Refer to Note A5). For the remaining financial year, the Engineering subsidiary will focus on completing the aforementioned construction contracts within the budgeted losses and unlikely to take on further engagements. Barring any further overrun on budgeted cost-to-completion for these projects and the discharge of contractual obligations thereof, the Group is not expecting further material negative contribution from the Engineering subsidiary apart from its overheads and debt-service costs for the remaining financial year.

Whilst it is possible that the Group's steel businesses' performance may eclipse its engineering business' performance in the 2nd half of the remaining financial year, this would unlikely be enough to surpass the Group's current year-to-date losses. In this regard, the Group's prospect outlook for the remaining financial year remains at negative.

B4 **Variance of actual profit from forecast profit**

The Group did not issue any profit forecast or profit guarantee.

Quarterly report on consolidated results for the second financial quarter ended 31 December 2016

EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENTS – PART A OF APPENDIX 9B)

B5 **(Loss)/Profit before tax**

The following expenses have been charged in arriving at (loss)/profit before tax:

	Current year quarter 31/12/2016 RM'000	Preceding year corresponding quarter 31/12/2015 RM'000	Current year to date 31/12/2016 RM'000	Preceding year corresponding period 31/12/2015 RM'000
Depreciation and amortisation	(4,933)	(5,046)	(9,850)	(10,031)
Interest expenses	(2,871)	(3,308)	(5,225)	(6,796)
Interest income	280	180	510	381
Loss provision for onerous contract	(14,808)	-	(26,500)	-
Foreign exchange (loss)/gain	(8,731)	3,159	(13,209)	(8,186)
FX forward gain/(loss)	8,345	(3,163)	12,500	7,305

B6 **Taxation**

Taxation comprises:

	Current year quarter 31/12/2016 RM'000	Preceding year corresponding quarter 31/12/2015 RM'000	Current year to date 31/12/2016 RM'000	Preceding year corresponding period 31/12/2015 RM'000
Current tax expense				
Current period	(2,927)	(1,095)	(4,611)	(1,556)
Deferred tax income				
Current period	43	(967)	(1,675)	(1,922)
	(2,884)	(2,062)	(6,286)	(3,478)

B7 **Profit on sale of unquoted investments and / or properties**

The Group did not engage in any sale of unquoted investments and / or properties in the current financial quarter.

B8 **Purchase or disposal of quoted securities**

There are no purchases or disposals of quoted securities in the current financial quarter.

B9 **Status of corporate proposals**

There are no outstanding corporate proposals as at the date of this announcement.

Quarterly report on consolidated results for the second financial quarter ended 31 December 2016

EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENTS – PART A OF APPENDIX 9B)

B10 **Group borrowings and debt securities**

The Group's borrowings denominated entirely in Ringgit Malaysia from lending institutions as at 31 December 2016 undertaken by its Steel (secured) and Engineering subsidiaries (unsecured) are as follows:

	RM'000
Short-term borrowings	
Secured	109,810
Unsecured	16,313
	126,123
Long-term borrowings	
Secured	5,604
Total borrowings	131,727

Besides the above borrowings, the Group's Cold Rolled subsidiary and the Steel Tube subsidiary also draw on interest-bearing trade credits from their respective raw-coil suppliers with outstanding amounts of RM55 million and RM13.1 million respectively as at 31 December 2016. Inclusive of this, the Group's net gearing ratio as at 31 December 2016 is around 0.50 times.

B11 **Outstanding derivatives**

The Group's steel segments have entered into forward foreign currency exchange contracts ("FX forwards") to manage its foreign currency exchange exposure arising from purchases of raw materials denominated in US Dollar ("USD") and certain sales denominated in Singapore Dollar ("SGD"). In this regard, the Group covers its foreign exchange exposure at a range between 80% to 90% of its exposure depending on the length of the forward period and the availability of FX facilities.

The Group designates eligible hedge relations on FX forwards incepted to cover its USD and / or SGD exposure for the purpose of hedge accounting. These are designated as fair value hedges with the arising mark-to-market foreign currency fair value gain/ (loss) of both the hedging instruments (i.e. FX Forwards) and the hedged items (i.e. forward purchases of raw material and/ or accounts payables in USD or accounts receivables in SGD) being charged to the Statement of Profit or Loss.

Details on outstanding derivative FX forward contracts for both the non-designated and designated for hedge accounting as at 31 December 2016 are outline below:

Non-designated

FX Forward Contracts (SDG/RM) as non-designated hedging instrument				
	Notional Value '000		Fair Value RM'000	
Maturity	Short SGD	Long RM	Financial Asset	Financial Liability
Less than 1 year	450	1,369	-	29.4

<u>Quarterly report on consolidated results for the second financial quarter ended 31 December 2016</u>

EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENTS – PART A OF APPENDIX 9B)

B11 **Outstanding derivatives** (continued)

Details on outstanding derivative FX forward contracts for both the non-designated and designated for hedge accounting as at 31 December 2016 are outline below: (continued)

Designated

FX Forward Contracts as designated hedging Instrument					Forward purchase of raw material and/or a/c payable as hedge items				
	Notional Value '000		Fair Value RM'000			Notional Value '000		Fair Value RM'000	
Maturity	Long USD	Short RM	Financial Asset	Financial Liability	Maturity	Short USD	n.a.	Financial Asset	Financial Liability
Less than 1 year	34,945	150,371	7,067.1	-	Matching	34,945	n.a.	-	7,067.1

Besides the above unrealised positions, the Group has recorded a total realised net gain of around RM5.5 million from its FX Forward Contracts incepted for hedging purposes over the current financial year.

(i) Risk associated with the derivatives

<u>Counter-Party Risk</u>
The Forward FX contracts are entered into with domestic licensed financial institutions which have extended FX lines to the Group. The associated Counter-Party risk is negligible.

(ii) Cash requirements of the derivatives

There is no cash movement from the Group to the counterparties when the Forward FX contracts are incepted. Upon maturity of the Forward FX contracts, domestic currency is exchanged for the foreign currency to meet its obligations.

(iii) Policies in place for mitigating or controlling the risk associated with the derivatives

The Group uses derivative financial instruments to hedge specific risk exposures of the underlying hedge items and does not enter into derivative financial instruments for speculative purposes. The Group monitors the fluctuations in foreign currency exchange rates closely with an objective to minimise potential adverse effects on the financial performance of the Group. The Board of Directors regularly reviews the risk and approves the policy for managing the risk.

B12 **Off balance sheet financial instruments and commitments**

The Group's off-balance sheet financial obligations entail bank guarantees issued amounting to RM674,000 being security for the inbound supply of services and utilities; and a standby-letter-of-credit of around RM48.2 million for the power Phase 2 project (where the project's delivery deadline has been extended to June 2018) for due performance by its associate. As a subsequent event, the associate has on 12 January 2017 entered into a share sale agreement to dispose its equity interest in the Phase 2 project with the buyer agreeing to provide security to replace the aforementioned standby-letter-of-credit as part of the contractual closure. (Refer to Note A11).

Quarterly report on consolidated results for the second financial quarter ended 31 December 2016

EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENTS – PART A OF APPENDIX 9B)

B12 **Off balance sheet financial instruments and commitments** (continued)

The Company has also issued a corporate guarantee for the due performance of its wholly owned Engineering subsidiary to its client for a construction contract valued at RM83 million - which has since the preceding financial year been determined to be onerous. The Company has since reviewed the position of its corporate guarantee and is of the opinion that the likelihood of any call on the same remains unlikely as the Engineering subsidiary is committed to fulfilling its contractual obligations to its client with full loss provision been made to complete the project (as disclosed in Note A5). Relating to that, the Engineering subsidiary has taken a loan facility of RM28.2 million to finance the completion of the aforementioned; of-which, the Company has given a corporate guarantee of an equivalent sum to the third party lender in the current financial quarter. In the issuance of the aforementioned corporate guarantee, the Company took comfort from the Engineering subsidiary's representation that a substantial portion of the project's cost overrun could be recovered through back-claims and variation orders.

B13 **Realised and unrealised losses disclosure**

	As at 31/12/2016 RM'000	As at 30/06/2016 RM'000
Total (accumulated losses)/retained earnings of the Company and its subsidiaries:		
- Realised	(191,233)	(152,927)
- Unrealised	(29,679)	(37,714)
	(220,912)	(190,641)
Add: Consolidation adjustments	212,840	234,870
Total (accumulated losses)/retained earnings as per consolidated accounts	(8,072)	44,229

B14 **Material litigation**

The Group did not engaged in any material litigation, either as a plaintiff or defendant, claims or arbitration which have a material effect on the financial position of the Group and the Board is not aware of any proceedings pending or threatened against the Group or of any other facts likely to give rise to any proceedings which may materially and/or adversely affect the financial position and business of the Group as at the date of this announcement.

B15 **Dividends**

The Company did not declare or pay any interim dividend in the current financial quarter.

Quarterly report on consolidated results for the second financial quarter ended 31 December 2016

EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENTS – PART A OF APPENDIX 9B)

B16 **(Loss)/Earnings per share**

(i) Basic (loss)/earnings per ordinary share

	Current year quarter 31/12/2016	Preceding year corresponding quarter 31/12/2015	Current year to date 31/12/2016	Preceding year corresponding period 31/12/2015
(Loss)/Profit attributable to owners of the Company (RM'000)	(42,778)	3,475	(50,871)	4,954
Weighted average number of ordinary shares in issue (net of treasury shares) ('000)	225,523	225,523	225,523	225,523
Basic (loss)/earnings per share (sen)	**(18.97)**	**1.54**	**(22.56)**	**2.20**

(ii) Diluted (loss)/earnings per ordinary share
This is not applicable to the Group.

.

This interim financial report has been authorised for issue by the Board of Directors on the date set-forth below.

By order of the Board
LILY YIN KAM MAY (MAICSA 0878038)
Secretary
Kuala Lumpur
22 February 2017