Quarterly report on consolidated results for the third financial quarter ended 31 March 2017

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

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 third financial quarter ended 31 March 2017

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

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 reviewed and revised its budgeted costs-to-completion on onerous construction contracts resulting in the need to make additional loss recognition of RM20.2m on those projects 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:			
30/9/2016	(18,753)	(921)	(19,674)
31/12/2016	(61,915)	(4,764)	(66,679)
31/3/2017	(78,668)	(8,260)	(86,928)
Recognised Project's Profits/(Loss) for the period inclusive of provisions:			
Preceding 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)
3rd financial quarter ended 31/03/2017	(16,753)	(3,496)	(20,249)
Current financial year-to-date 2017	(71,607)	(8,418)	(80,025)
Total	(78,668)	(8,260)	(86,928)
Loss Provision reversed/(made) for the period:			
Preceding Financial year ended 30/6/16	(7,061)	-	(7,061)
1st financial quarter ended 30/9/2016	(11,692)	-	(11,692)
2nd financial quarter ended 31/12/2016	(14,808)	(1,231)	(16,039)
3rd financial quarter ended 31/03/2017	2,107	594	2,701
Current financial year-to-date 2017	(24,393)	(637)	(25,030)
Total	(31,454)	(637)	(32,091)
Percentage of completion based on cost incurred as at 31/03/2017	60%	92%	

Quarterly report on consolidated results for the third financial quarter ended 31 March 2017

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A5 **Changes in estimates** (continued)

As disclosed in the preceding quarter, the Board has commissioned a Special Audit on the aforementioned Project 1 in view of its significant onerous loss condition. The conclusion of the findings which was duly announced on 12 May 2017, revealed that the onerous project was significantly underbid due to applied budgetary assumptions based on available information at the point of bidding which were subsequently found to be inconsistent with the crystallized conditions and site-conditions which were previously unknown. The Board has since the last quarter sought to address the project's shortfalls and conclusiveness in the cost-budgeting from its subsidiary. The current quarter's sizable additional budgeted cost-to-completion of RM16.7 million reflects the project management's fresh insights on previously unbudgeted costs as the project progresses nearer towards completion.

The management of the Engineering subsidiary disclosed that it has reasonable grounds to seek claims and variation-orders on a significant portion of those cost overruns which resulted in the onerous loss condition for both the mentioned projects. However, the quantum, certainty, and timing of such claims and variation-orders cannot be ascertained at this juncture.

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.

	31/03/2017	30/06/2016
Total interest bearing debts in RM'million	299.6	191.1
Adjusted Equity in RM'million	384.0	439.9
Gearing Ratio	0.78	0.43

Over the current reporting quarter, the Group's Engineering subsidiary incepted an unsecured outstanding debt of RM28.7 million to finance its onerous projects. The Group's other debt securities are mainly represented by the Cold Rolled subsidiary's debenture (around RM78.2 million) and the Steel Tube subsidiary's debenture (around RM24.7 million), whilst the remaining interest bearing debts are mostly unsecured suppliers' trade credits extended to the steel subsidiaries (see Note B10). The higher absolute gearing for the current quarter ended can also be attributed to the larger trade credits drawn to finance higher inventory carrying value of RM181.9m (as compared to RM96.7 million as at 30 June 2016) due to higher average inventory cost per tonne by about 19% and higher volume by around 58%.

Debt covenants where applicable are in full compliance for the current financial quarter ended 31 March 2017.

A7 **Dividends paid**

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

Quarterly report on consolidated results for the third financial quarter ended 31 March 2017

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

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	197,014	360,083	36,330	8,221	6,725	608,373
Inter segment	(1,018)	(21,452)	-	(8,221)	(1,932)	(32,623)
External revenue	195,996	338,631	36,330	-	4,793	575,750
Pre-tax profit/(losses)	29,063	15,080	(85,210)	(9,512)	831	(49,748)
Segment assets	173,474	466,299	11,060	106,160	2,584	759,577

Reconciliation of segment assets to total assets is as follows:

	RM'000
Segment assets	759,577
Amount owing by an associate	10,031
Deferred tax assets	2,634
Derivative financial asset	482
Tax recoverable	220
	772,944

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.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2017

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A10 **Fair value measurement** (continued)

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 March 2017:

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 (not hedge accounted)	-	182.4	-
as Assets (hedge accounted)	-	299.1	-
as Liabilities (not hedge accounted)	-	(18.5)	-
as Liabilities (hedge accounted)	-	(462.0)	-
Total	-	1.0	-

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") and Siam Power Phase 2 Company Ltd ("Siam Power 2") – hereinafter referred to as the 'Power Associate' or the 'Power Group.'

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 RM200.9 million at the close of the current quarter are as follows:

	As at 31/3/2017 RM'000	As at 30/6/2016 RM'000
Unrecognised share of losses b/f	(189,707)	(84,844)
Share of Net Loss	(44,433)	(100,767)
Share of Other Comprehensive Loss	(37,355)	-
Share of Reserve	70,622	-
Unrecognised share of losses c/f at closing of the period	(200,873)	(189,707)

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Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

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

Investment in the Power Associate (continued)

It was disclosed in the last quarter that Mperial has on 5 September 2016 entered into a 'Transaction Agreement' with an external foreign party "A" 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 RM42.9 million). The transaction is reported to have been completed on 1 April 2017 after the close of the current reporting period.

Mperial also reported that it has transferred its remaining 20% equity stake in Siam Power to E Power Pte Ltd, the controlling shareholder of Mperial, in settlement of amount owing to it of RM10 million.

It was also reported in the last quarter that Mperial has on 12 January 2017 entered into a 'Share Purchase Agreement' with an external foreign party "B" to dispose its entire stake in Siam Power 2. This Agreement was terminated on 6 March 2017 due to lapses in certain condition precedent. This paved way for a new sale agreement secured in the subsequent financial quarter, as disclosed in Note A13.

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.

Details of the Group's unrecognised share of JNL's losses for the current financial quarter amounting to RM288 thousand at the close of the current quarter are as follows:

	As at 31/03/2017 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 Loss	(38)	(275)
Share of Other Comprehensive (Loss)/Income	(7)	32
Unrecognised share of losses c/f at closing of the period	(288)	(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.

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Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A13 **Subsequent material events**

As mentioned in Note A11, Mperial concluded the disposal of its 78.4% stake in Siam Power to an external foreign party "A" on 1 April 2017.

On 26 April 2017, Mperial concluded a 'Share Purchase Agreement' with another external foreign party "C" (the 'Buyer') to dispose its entire stake in Siam Power 2 for a minimum consideration of THB250 million (RM32.1 million) with maximum adjustment by another THB100 million (RM12.85 million) depending on the successful extension of the performance guarantee's deadline from the Electricity Generating Authority of Thailand (EGAT) under the second phase 90MW development. (See Note A15). The terms of Agreement included a provision for the Buyer to deliver the needed performance securities to EGAT in-substitution of those securities currently provided by the Company. An earnest deposit of USD120,000 (RM0.53 million) has since been received by Mperial. This Agreement is expected to conclude within the next eight months.

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

There are no changes to the composition of the Group during the current financial quarter, except for those within the Associate and its subsidiaries as disclosed in Note A11.

A15 **Contingent liabilities**

The Company has since mid-2011 pledged certain investment properties and deposits for a Standby Letter of Credit in support of a performance guarantee of THB384.8 million (RM49.4 million) by the Power Associate's SIPCO 2 to deliver power supply to EGAT under the second phase's 90MW development by 1 July 2018. The remaining time period to the said deadline is technically insufficient for due compliance. As at the date of this report, the associate's application to extend the performance deadline by another 10 months to 1 May 2019 is pending issuance of the approval. The upliftment of the Company's pledged securities under the said performance guarantee hinges on the successful completion of the 'Share Purchase Agreement' -which entails the substitution of performance securities by the Buyer as disclosed in Note A13.

A16 **Capital commitments**

At the end of the current reporting quarter, the Group's in-direct Cold Rolled subsidiary has an outstanding capital commitment of around USD1 million (RM4.4 million) for the supply and installation of new motor-drives for its 'rolling mill'. The said capital commitment will be payable over six milestones running into calendar year 2018, and will be debt-financed up to 90% of the said commitment sum.

<u>Quarterly report on consolidated results for the third financial quarter ended 31 March 2017</u>

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

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

For the third quarter ended 31 March 2017, the Group registered a 35% higher total revenue of RM205.3 million as compared to RM151.8 million achieved in the preceding year's corresponding quarter. The increase in revenue is mainly attributed to the higher contribution from the Engineering subsidiary amounting to RM16.4 million as compared to the preceding year's corresponding quarter of RM8.5 million. In comparison with the preceding year's corresponding quarter, both the sales volume and the average unit selling price for the Cold Rolled and Steel Tube subsidiaries are up by 1% and 17%; and 31% and 16% respectively for the current quarter.

The Group suffered a loss before tax of RM11.9 million for the current quarter as compared to a profit before tax of RM7.9 million in the preceding year's corresponding quarter mainly due to its Engineering subsidiary's losses. The Steel Tube subsidiary delivered a strong performance for the current quarter with pre-tax profit contribution of RM7.9 million (preceding year's corresponding quarter pre-tax profit at RM1.1 million), mainly due to higher sales volume and better pricing spreads for the current quarter. However the better performance of the steel tube operation is significantly negated by its Engineering subsidiary's pre-tax loss contribution of RM22.8 million for the current quarter (preceding year's corresponding quarter pre-tax profit of RM0.3 million) arising from additional realized and provisional losses on onerous contracts (as disclosed in Notes A5). Consequently, the Group registered an after-tax loss of RM15.4 million for the current quarter, of-which is a significant setback in comparison with the preceding year's corresponding quarter profit-after-tax of RM6.1 million.

The Group recorded a LBITDA of RM3.3 million compared to the preceding year's corresponding quarter's EBITDA of RM15.8 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 RM205.3 million is 12% higher compared to the immediate preceding quarter's at RM182.9 million. The higher revenue is mainly attributed to the higher contributions from the Engineering of RM16 million and higher average selling prices in both the Cold Rolled and Steel Tube subsidiaries (up by around 17% and 9% respectively) for the current quarter.

The Group registered a pre-tax loss of RM11.9 million compared with the immediate preceding quarter's pre-tax loss of RM36.8 million. The lower pre-tax loss is mainly due to a lower pre-tax loss contribution from its Engineering subsidiary (from a pre-tax loss of RM49.4 million in the immediate preceding quarter down to RM22.8 million in the current quarter), which arose from realised and provisional losses on onerous contracts (as disclosed in Notes A5 and B5). At the post-tax level, the Group recorded a net loss of RM15.4 million for the current quarter as compared to a net loss of RM39.7 million in the immediate preceding quarter.

The Group recorded a LBITDA of RM3.3 million compared to the immediate preceding quarter's LBITDA of RM29.3 million.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2017

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

B3 Prospects for the remaining financial year

The Country's economic outlook for the balance three months of the current financial year would likely continue to be subdued as cost-push inflation takes its toll on domestic consumer confidence and business margin.

Specific to the Steel industry, competition would likely remain stiff in a soft market environment as the sharp run-up in iron ore and coking coal prices since December 2016 have begun to drop-off sharply towards the end of the current reporting quarter. The extent and magnitude of these declines for the remaining period would determine the level of disruption in the market and the consequential impact on the Group's steel margins. Whilst the Group's cold rolled coil and steel tube operations would likely see sustained business momentum for the remaining financial year, it has to contend with anticipated slower sales in the 4th quarter in-conjunction with the coming Ramadan and Hari-Raya period.

The Group's engineering business suffered three consecutive quarters of substantial losses as its subsidiary recognised losses on its onerous construction contracts ahead of their completion. Barring any further unbudgeted cost-to-completion for these projects and the discharge of contractual obligations thereof, the Group is not expecting any further large negative contribution from the engineering subsidiary apart from its overheads and debt-service costs for the remaining financial year. Since the start of the current financial year, the engineering subsidiary has not taken on any new engagements but stayed focused on fulfilling its contractual obligations on existing projects.

Whilst it is possible that the Group's steel businesses' performance may eclipse its engineering's shortfall in the last quarter of the current financial year, this would unlikely will be sufficient 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.

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

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

	Current year quarter 31/03/2017 RM'000	Preceding year corresponding quarter 31/03/2016 RM'000	Current year to date 31/03/2017 RM'000	Preceding year corresponding period 31/03/2016 RM'000
Depreciation and amortisation	(4,930)	(5,027)	(14,780)	(15,058)
Interest expenses	(3,544)	(2,984)	(8,769)	(9,780)
Interest income	316	175	826	556
Loss provision reversed/(made) for onerous contract	2,701	-	(25,030)	-
Foreign exchange (loss)/gain	4,502	10,050	(8,707)	1,864
FX forward gain/(loss)	(5,097)	(10,013)	7,403	(2,708)

Quarterly report on consolidated results for the third financial quarter ended 31 March 2017

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

B6 **Taxation**

Taxation comprises:

	Current year quarter 31/03/2017 RM'000	Preceding year corresponding quarter 31/03/2016 RM'000	Current year to date 31/03/2017 RM'000	Preceding year corresponding period 31/03/2016 RM'000
Current tax expense				
Current period	(2,317)	(575)	(6,928)	(2,131)
Under provision in prior year	(98)	(160)	(98)	(160)
Deferred tax income				
Current period	(1,070)	(1,079)	(2,745)	(3,001)
	(3,485)	(1,814)	(9,771)	(5,292)

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.

B10 **Group borrowings and debt securities**

The Group's borrowings denominated entirely in Ringgit Malaysia from lending institutions as at 31 March 2017 undertaken by its Steel (secured) and Engineering subsidiaries (unsecured) are as follows:

	RM'000
Short-term borrowings	
Secured	97,953
Unsecured	28,670
	126,623
Long-term borrowings	
Secured	5,591
Total borrowings	132,214
	========

Quarterly report on consolidated results for the third financial quarter ended 31 March 2017

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

B10 **Group borrowings and debt securities** (continued)

Based on the above borrowings, the Group's gearing ratio is around 0.34 times. Besides the said 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 RM109.9 million and RM57.5 million respectively as at 31 March 2017. Inclusive of these interest bearing trade credits, the Group's absolute gearing ratio as at 31 March 2017 is around 0.78 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 March 2017 are outline below:

Non-designated

FX Forward Contracts (SGD/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	370	1,157	-	18.5

FX Forward Contracts (USD/RM) as non-designated hedging instrument				
	Notional Value '000		Fair Value RM'000	
Maturity	Long USD	Short RM	Financial Asset	Financial Liability
Less than 1 year	1,989	8,652	182.4	-

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	30,804	136,739	299.1	462.0	Matching	30,804	n.a.	462.0	299.1

Besides the above unrealised positions, the Group has recorded a total realised net gain of around RM7.4 million from its FX Forward Contracts incepted for hedging purposes over the current financial year.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2017

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

B11 **Outstanding derivatives** (continued)

(i) Risk associated with the derivatives

Counter-Party Risk

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 Company has in March 2016 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. In the current quarter on 14 March 2017, the Engineering subsidiary entered into a supplementary agreement with the client for funding assistance (on the cost overruns beyond the contract sum) to complete the project with direct payments to selected sub-contractors and suppliers. The Company has on 16 March 2017 issued an additional corporate guarantee to the client as a condition for the aforementioned funding, estimated to be reach RM40 million.

The Company has since reviewed the position of its corporate guarantees and is of the opinion that the likelihood of any call on the same remains remote as the Engineering subsidiary is committed to fulfilling its contractual obligations. To fund the projects' deficit and overrun, the Engineering subsidiary has taken loan facilities amounting to RM33.2 million to finance the completion of the onerous projects. To secure the loan, the Company has given a corporate guarantee of RM28.2 million in the preceding financial quarter. The Engineering subsidiary shall work on a combination of back-charge claims on sub-contractors and variation claims on the clients to recover the cost overruns and to repay those debt financing undertaken. The potential economic outflow relating to those mentioned corporate guarantees are duly reflected in the loss recognised on the onerous project and in the Group's consolidated results.

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

B13 **Realised and unrealised losses disclosure**

	As at 31/03/2017 RM'000	As at 30/06/2016 RM'000
Total (accumulated losses)/retained earnings of the Company and its subsidiaries:		
- Realised	27,630	72,401
- Unrealised	(37,858)	(37,714)
	(10,228)	34,687
Add: Consolidation adjustments	(15,345)	9,542
Total (accumulated losses)/retained earnings as per consolidated accounts	(25,573)	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.

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

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

	Current year quarter 31/03/2017	Preceding year corresponding quarter 31/03/2016	Current year to date 31/03/2017	Preceding year corresponding period 31/03/2016
(Loss)/Profit attributable to owners of the Company (RM'000)	(17,501)	4,246	(68,372)	9,200
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)	**(7.76)**	**1.88**	**(30.32)**	**4.08**

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

Quarterly report on consolidated results for the third financial quarter ended 31 March 2017

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

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
30 May 2017