Quarterly report on consolidated results for the fourth financial quarter ended 30 June 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 fourth financial quarter ended 30 June 2017

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A1 **Basis of Preparation & Significant Accounting Policies** (continued)

In the preparation of the Group's unaudited financial statements for the current financial ended 30 June 2017 on a going-concern basis, the management has taken steps to assess and satisfy the Board that the Company and the Group have the abilities to discharge their financial obligations when due in the next twelve months, in-view of the significant net loss of RM67.8 million recorded by the Group for the current financial year.

The Group's significant loss is attributed to its wholly owned Engineering subsidiary which recorded a net loss of RM100 million in the current financial year. The Engineering subsidiary's loss is primarily due to two onerous construction contracts currently undertaken (see Note A5). The Company has given a corporate guarantee on the subsidiary's due performance on one of the said onerous projects (see Note B12) -which contributed to around 80% of the subsidiary's losses over the current financial year. The Engineering subsidiary with a deficit shareholders fund and a net current liability position at the close of the current financial year has to rely on external borrowings (see Note A6) and clients' advance (see Note B12) in-addition to the Company's financial support to fulfil its contractual obligations on those onerous projects. The Company does not have any external borrowings and has adequate net realisable assets to support the Engineering subsidiary's financial obligations in the next twelve months where required. The Company has also after the close of the current financial period, announced a proposed fund raising exercise (see Note A13). The Group's other businesses are ring-fenced from the abovementioned and are generally unaffected.

The Board is reasonably satisfied that the Company and the Group have adequate resources to meet their financial obligations when due in the next twelve months.

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.

Quarterly report on consolidated results for the fourth financial quarter ended 30 June 2017

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A5 **Changes in estimates**

The Group's wholly owned Engineering subsidiary had in the three preceding quarters revised its budgeted costs-to-completion on onerous construction contracts which resulted in the need to make additional loss recognition for each of those quarters. The current fourth financial quarter ended 30 June 2017 is no exception as changes in estimates due to unforeseen cost developments and crystallised contractual obligation necessitate additional loss recognition on those projects totaling RM12.3 million as outlined in the table 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)
30/6/2017	(87,060)	(12,175)	(99,235)
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)
4th Financial quarter ended 30/06/17	(8,392)	(3,915)	(12,307)
Current financial year-to-date 2017	(79,999)	(12,333)	(92,332)
Total	(87,060)	(12,175)	(99,235)
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
4th Financial quarter ended 30/06/17	5,316	(2,625)	2,691
Current financial year-to-date 2017	(19,077)	(3,262)	(22,339)
Total	(26,138)	(3,262)	(29,400)
Percentage of completion based on cost incurred as at 30/06/2017	77.4%	73.2%	

For the onerous Project-1, the Engineering subsidiary has to technically recognize a Liquidated Ascertained Damage (LAD) liability provision of RM8.3 million (being 10% of the contract sum) for the current financial quarter as the project's contracted completion deadline on 30 June 2017 lapsed. The management is of the opinion that the lapse is attributable to the client, due to certain development work-order delays and limited outage window period for integration works and milestone testing without interrupting its on-going plant operations. The management is confident of completing Project-1 within the 1st half of the next financial year and would seek nullification of the said LAD. As at the close of the current financial quarter the Engineering subsidiary has submitted unscheduled claims amounting to RM7.7 million to the client which remained unapproved and unaccounted. As at the release date of this quarterly financial report, total submitted unscheduled claims to the client have increased to RM36.6 million.

Quarterly report on consolidated results for the fourth financial quarter ended 30 June 2017

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A5 **Changes in estimates** (continued)

For the onerous Project-2, the Engineering subsidiary has revised the project budget loss upwards by another RM6.08 million on-which the Client has consented to a positive Variation Order claim of RM2.17 million. The management is confident of meeting the project's completion deadline set in the next financial year on 30 October 2017 for phase 1 and 30 December 2017 for phase 2 respectively. Should these completion deadlines be breached without the client's indulgence, the engineering subsidiary will have to recognise an LAD provision amounting to RM1.3 million being 5% of the contract sum in the next financial year.

The Board has reported in the preceding quarters that a Special Audit was commissioned to investigate the huge variation in estimates particularly for Project-1. The conclusion of the findings was duly announced on 12 May 2017 which surmised that the 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 crystallised conditions and site-conditions which were previously unknown. The Board has since sought to address any internal controls shortfalls and bring conclusiveness to the cost-budgeting from the Engineering subsidiary.

The Board views the significant losses arising from the wide divergence between budgetary estimates and reality as highly unacceptable. All new engagement and prospecting activities under the Engineering subsidiary have since been suspended as resources are focused on fulfilling its contractual obligations on the two mentioned projects. Financing for the completion of these onerous projects are being met through external borrowings (see Note A6) and client advances (see Note B12) with the balance funding gaps from the Company as the last resort. The Engineering subsidiary will pursue rightful unscheduled claims and variation-orders from the clients to all possible extent in mitigating the aforementioned.

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.

	30/06/2017	30/06/2016
Total interest bearing debts in RM'million	280.2	191.1
Adjusted Equity in RM'million	387.0	439.9
Gearing Ratio	0.72	0.43

Over the current and preceding reporting quarter, the Group's Engineering subsidiary incepted an unsecured outstanding debt of RM30.6 million to finance its onerous projects. The Group's other debt securities are mainly represented by the Cold Rolled subsidiary's debenture (around RM55.3 million) and the Steel Tube subsidiary's debenture (around RM27.4 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 is attributed to the larger trade credits drawn to finance higher inventory carrying value of RM177.6 million (as compared to RM96.7 million as at 30 June 2016) due to higher average inventory cost per tonne by about 21% and higher volume by around 52%.

Debt covenants where applicable are in full compliance for the current financial quarter ended 30 June 2017.

Quarterly report on consolidated results for the fourth financial quarter ended 30 June 2017

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

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	266,828	482,111	48,089	10,957	7,672	815,657
Inter segment	(1,603)	(27,611)	-	(10,957)	(2,701)	(42,872)
External revenue	265,225	454,500	48,089	-	4,971	772,785
Pre-tax profit/(losses)	36,849	19,392	(99,418)	(12,709)	735	(55,151)
Segment assets	176,636	455,651	9,080	113,025	2,520	756,912

Reconciliation of segment assets to total assets is as follows:

	RM'000
Segment assets	756,912
Amount owing by an associate	9,625
Deferred tax assets	2,149
Derivative financial asset	142
Tax recoverable	249
	769,077

The businesses of the Group are carried out entirely in Malaysia. The Engineering segment's material losses are duly discussed in Notes A5, B1, and B2. "Pre-tax Profit to Segment Assets Employed" percentage for the Steel Tube Segment at 20.8% is significantly higher than the Cold Rolled Segment's at 4.2% partly due to the fact that the Steel Tube Segment does not own the factories' land and building (fair valued at around RM100 million as at 30 June 2017) which are rented from the Company and sister company categorised under Investment Holding for a monthly rental sum of RM455,400 which is eliminated in the segmental reporting.

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

In conjunction with the current financial year ended 30 June 2017, the Group's property, plant and equipment were revalued by an independent firm of professional valuers based on open market value. Arising from the said revaluation, the surpluses net deferred tax amounting to RM8.8 million was credited to the asset revaluation reserve under Other Comprehensive Income, while the deficits plus impairment charge on planned assets write-off totaling RM2.1 million was charged to Profit or Loss as an impairment loss/write down after netting any prior corresponding revaluation gains.

Quarterly report on consolidated results for the fourth financial quarter ended 30 June 2017

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

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 30 June 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)	-	5.6	-
as Assets (hedge accounted)	-	136.5	-
as Liabilities (not hedge accounted)	-	(109.7)	-
as Liabilities (hedge accounted)	-	(2,927.2)	-
Total	-	(2,894.8)	-

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 still retains a 49% interest in Mperial Power Ltd ("Mperial') being the holding company for Siam Power Phase 2 Company Ltd ("Siam Power 2") – hereinafter referred to as the 'Power Associate' or the 'Power Group.'

Mperial has in the current quarter completed the disposal of its entire 78.4% equity stake in Siam Power Generation Public Company Ltd ("Siam Power 1') inclusive of its bank debts to an external foreign party "A" for a total net consideration of THB334 million (approximately RM42.9 million). As a result of the sale and de-recognition of Siam Power, Mperial recorded a net gain of RM473.2 million for the current quarter.

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- such those for the current quarter.

Quarterly report on consolidated results for the fourth financial quarter ended 30 June 2017

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

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

Investment in the Power Associate (continued)

The Group's unrecognised share of the Power Associate's losses- amounting to RM29 million after netting its disposal gain from Siam Power 1 at the close of the current quarter- are derived as follows:

	As at 30/6/2017 RM'000	As at 30/6/2016 RM'000
Unrecognised share of losses b/f	(189,707)	(84,844)
Share of Net Profit/(Loss)	147,384	(100,767)
Share of Other Comprehensive Income/(Loss)	13,316	(4,096)
Unrecognised share of losses c/f at closing of the period	(29,007)	(189,707)

In the current quarter on 26 April 2017, Mperial concluded a 'Share Purchase Agreement' with another external foreign party "B" (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 (refer to Note A15). An earnest deposit of USD120,000 (RM0.53 million) has since been received by Mperial. At the close of the current financial year, the share-sale has not been completed. Latest update on this matter is disclosed in Note A13 on "subsequent material events".

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 RM400 thousand at the close of the current quarter are as follows:

	As at 30/06/2017 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	(145)	(275)
Share of Other Comprehensive (Loss)/Income	(12)	32
Unrecognised share of losses c/f at closing of the period	(400)	(243)

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Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

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 A5 and the divestment progress by the Power Associate as disclosed in Note A11.

A13 **Subsequent material events**

On matters relating to Contingent Liabilities (Note A15), the following material events occurred after the close of the current financial year which would relief the said contingent liability:

i. On 14 July 2017, the contracted buyer for Siam Power 2 issued a bank guarantee of THB384.8 million through Siam Power 2 to the Electricity Generating Authority of Thailand (EGAT) in substitution of those assets currently pledged by the Company. As at the release date of this quarterly report, the Company's pledged assets and obligations under the Standby Letter of Credit issued by the Bank is pending release and administrative discharge.

ii. On 22 August 2017, EGAT issued its official approval for the extension on the phase-2 90MW performance deadline from 1 July 2018 to 1 May 2019 -thus giving sufficient time for the buyer to fulfil its performance obligation on-which it has given the security pledged. This also paves way for the new buyer to complete its acquisition of Siam Power 2 as disclosed in Note A11.

On another matter, the Company has on 23 August 2017 announced a proposed renounceable Rights Issue of 1-for-1 shares held with free detachable Warrants of 1-for-2 Rights Shares subscribed. The proposed fund raising exercise (the 'Exercise') aims to raise a minimum of RM11.5 million which (after netting related expenditures) would be used to subscribe for its minimum entitlement under the proposed Rights issue of its 71.26% held Mycron Steel Bhd. The Exercise may raise a maximum of RM45 million upon full subscription, and under such a scenario the additions would be used to take-up its maximum entitlement under the proposed Rights issue of Mycron Steel Bhd (e.g. another RM9.4 million) with the balance (RM24 million) going towards the repayment of its wholly owned Engineering subsidiary's borrowings (see Note A6 and B10). Around the same time, the Group's listed steel subsidiary Mycron Steel Bhd also announced a proposed renounceable Rights Issue of 1-for-5 shares held with free detachable Warrants of 1-for-2 Rights Shares subscribed. The proposed fund raising exercise aims to raise a minimum of RM10.8 million and a maximum of RM28.3 million to fund the steel businesses' capital expenditure program and working capital.

Besides the above, there were no other material events occurring between 1 July 2017 and the date of this announcement that warrant adjustments or disclosure to the financial statements for the quarter ended 30 June 2017.

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.

Quarterly report on consolidated results for the fourth financial quarter ended 30 June 2017

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

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 (RM48.6 million) by the Power Associate's SIPCO 2 to deliver power supply to Electricity Generating Authority of Thailand (EGAT) under the second phase's 90MW development by 1 July 2018 (hereinafter referred to as 'performance deadline'). As disclosed in Note A11, the associate company has in the current quarter contracted to dispose its entire equity interest in Siam Power 2 where the buyer is required to pledge performance security to EGAT in substitution of those currently provided by the Company. At the close of the current financial year, the share sale has not been completed and the performance deadline has not been extended. The Company has a contingent liability equivalent to the performance guarantee to redeem its pledged securities.

Latest development on this matter is disclosed in Note A13 "subsequent material events".

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 USD0.85 million (RM3.65 million) for the supply and installation of new motor-drives for its 'rolling mill'. The said capital commitment will be payable over five milestones running into calendar year 2018.

Quarterly report on consolidated results for the fourth financial quarter ended 30 June 2017

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**

	Individual Period (4th quarter)		Changes		Cumulative Period		Changes	
	Current Year Quarter 30/6/2017	Preceding Year Corresponding Quarter 30/6/2016			Current Year To-date 30/6/2017	Preceding Year Corresponding Period 30/6/2016		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	197,035	173,357	23,678	14%	772,785	606,810	165,975	27%
Operating Profit/(Loss)	848	16,246	(15,398)	-95%	(40,572)	43,848	(84,420)	-193%
(Loss)/Profit Before Interest and Tax	(1,831)	7,272	(9,103)	-125%	(43,636)	34,694	(78,330)	-226%
(Loss)/Profit Before Tax	(5,403)	4,867	(10,270)	-211%	(55,151)	23,065	(78,216)	-339%
(Loss)/Profit After Tax	(8,294)	1,953	(10,247)	-525%	(67,813)	14,859	(82,672)	-556%
(Loss)/Profit Attributable to Ordinary Equity Holders of the Parent	(10,435)	(966)	(9,469)	980%	(78,807)	8,234	(87,041)	-1057%

For the fourth quarter ended 30 June 2017, the Group registered a 14% higher total revenue of RM197 million as compared to RM173 million achieved in the preceding year's corresponding quarter. The increase in revenue is mainly attributed to higher contributions from both the Cold Rolled subsidiary (up by RM19.5 million) and the Steel Tube subsidiary (up by RM18.1 million) for the current quarter as compared to the preceding year's corresponding quarter. In comparison with the preceding year's corresponding quarter, the average unit selling price for the Cold Rolled subsidiary for the current quarter is up by 45%, whilst the Steel Tube subsidiary's average unit selling price and sales volume are up by 14% and 19%, respectively.

The Group suffered a loss before tax of RM5.4 million for the current quarter as compared to a profit before tax of RM4.9 million in the preceding year's corresponding quarter mainly due to its Engineering subsidiary's higher losses by RM4.9 million (i.e. loss before tax of RM14.2 million for the current quarter as compared to a loss before tax of RM9.3 million in preceding year's corresponding quarter) arising from additional realised and provisional losses on onerous contracts (as disclosed in Notes A5). The early Ramadan and Hari Raya festive period which saddled the current quarter has also affected the performance of the Cold Rolled subsidiary and as a result it has contributed to a lower profit of RM5.3 million (profit before tax of RM4.3 million in the current quarter as compared to a profit before tax of RM9.6 million in preceding year's corresponding quarter), due to lower sales volume and higher unit conversion cost for the current quarter. Consequently, the Group registered an after-tax loss of RM8.3 million for the current quarter, of-which is a significant setback in comparison with the preceding year's corresponding quarter profit-after-tax of RM2 million.

The Group recorded an EBITDA of RM5.8 million compared to the preceding year's corresponding quarter's EBITDA of RM21 million.

Quarterly report on consolidated results for the fourth financial quarter ended 30 June 2017

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

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

	Current Quarter 30/6/2017	Immediate Preceding Quarter 31/3/2017	Changes	
	RM'000	RM'000	RM'000	%
Revenue	197,035	205,266	(8,231)	-4%
Operating Profit/(Loss)	848	(8,274)	9,122	-110%
Loss Before Interest and Tax	(1,831)	(8,659)	6,828	-79%
Loss Before Tax	(5,403)	(11,887)	6,484	-55%
Loss After Tax	(8,294)	(15,372)	7,078	-46%
Loss Attributable to Ordinary Equity Holders of the Parent	(10,435)	(17,501)	7,066	-40%

The Group’s revenue for the current fourth quarter at RM197 million is 4% lower compared to the immediate preceding quarter’s at RM205.3 million which is mainly attributed to the lower contributions from the Engineering subsidiary (lower by RM4.6 million) and Cold Rolled subsidiary (down by RM6.9 million). The lower revenue from the Cold Rolled subsidiary for the current quarter is mainly attributed to the overall slower sales in June 2017 due to the early Ramadan and Hari Raya festive period.

The Group registered a pre-tax loss of RM5.4 million compared with the immediate preceding quarter’s pre-tax loss of RM11.9 million. The lower pre-tax loss is mainly due to a lower pre-tax loss contribution from its Engineering subsidiary (i.e. from a pre-tax loss of RM22.5 million in the immediate preceding quarter to RM14.2 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 RM8.3 million for the current quarter as compared to a net loss of RM15.4 million in the immediate preceding quarter.

The Group recorded an EBITDA of RM5.8 million compared to the immediate preceding quarter’s LBITDA of RM3.3 million.

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

B3 Prospects for the Next financial year

The Country's strong headline GDP growth for the 1st half of 2017 was in-tandem with all-time high inflation rates fuelled by prolonged weak currency and rising cost. Eroded purchasing power parity against all major and regional currencies has become rather permanent, and this does not bode well for its economy as wealth are destroyed, whilst costlier everything suppresses demand, savings, capital investments, and economic returns. The Country's economic prospect for the next financial year would like stay fragile as structural issues besieging the nation remained largely intact and have manifested. Disruption risks from regional geopolitical tension and impending domestic general election further add to its downside risk.

Specific to the domestic Steel industry, it faced challenges in rising costs, soft demand, and sharp swings in raw steel prices during the current financial year. Despite the difficult conditions, the overall sentiment of the domestic steel industry for the current financial year has been cautiously positive as up-stream's frailties no longer burden the entire steel value chain. China's control of its excess steel capacity has boosted regional steel prices and earned positive re-rating of the industry; but the tighter capacity has also resulted in quicker respond to slowdown or rise in demand with sharper swings in raw steel prices. In this regard, market consensus on a likely economic slowdown in China by the next financial year may result in a sharp tumble from current high raw steel prices. Even though the Group's business performance is not directly correlated to raw steel price movement, any sharp downswings may negatively affect margins due to overarching industrial-buying behaviour. The contrary would apply if the current buoyant raw steel price continues its' bull-run into the most part of next financial year.

The Group's Engineering business has performed disastrously for the current financial year arising from two onerous engineering construction projects undertaken by its wholly owned engineering subsidiary (see Note A5). These projects are at the advance stages of completion, and the management is confident that all cost-to-completion budget and losses are adequately provided for in the current financial year. The Group is not expecting any further large negative contribution from the Engineering subsidiary apart from its overheads and debt-service costs for the next financial year as no new projects have been taken upon since, whilst the existing onerous projects should be completed in the 1st half of the next financial year. Nevertheless, the Company's issued guarantees for the Engineering subsidiary (see Note B12) will continue to be a burden to bear in the next financial year.

The Group's Power business in Thailand is being unwound with its Associate's disposal of equity interests in the power investments. At the close of the current financial year the disposal of equity interest in the Phase 1's 160MW power plant in Rayong Thailand has been completed, whilst the disposal of equity interest's holding the rights and obligations to deliver the Phase 2's 90MW power to the Electric Generation Authority of Thailand (EGAT) is pending completion. As a "subsequent material event" (see Note A13), the Phase 2 buyer has delivered the required security to EGAT in replacement of the security pledge by the Company which should lead to technical discharge by the 1st half of the next financial year. The Group expects the unwinding of the power business including the remaining associate shareholdings to be fully completed in the next financial year.

With the expected closure of outstanding issues in the engineering and power businesses in the next financial, the Group's prospects for the next financial year should be comparatively better as any positive performance from its steel businesses would not be obscured on consolidation. Any successful claims or variation orders against the client or nullification of LAD on those mentioned onerous engineering projects should add to the upside of the Group's prospects. Nevertheless, the continuing financial burden of the Engineering subsidiary on the Company in the near-term puts a dent on the Group's prospects for the next financial year.

Quarterly report on consolidated results for the fourth financial quarter ended 30 June 2017

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

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 30/06/2017 RM'000	Preceding year corresponding quarter 30/06/2016 RM'000	Current year to-date 30/06/2017 RM'000	Preceding year corresponding period 30/06/2016 RM'000
Depreciation and amortisation	(4,998)	(4,596)	(19,778)	(19,654)
Interest expenses	(4,047)	(2,634)	(12,816)	(12,414)
Interest income	475	229	1,301	785
Loss provision reversed/(made) for onerous contract	2,691	(7,061)	(22,339)	(7,061)
Foreign exchange gain/(loss)	4,339	(1,442)	(4,368)	422
FX forward (loss)/gain	(4,403)	1,507	3,000	(1,201)

B6 **Taxation**

Taxation comprises:

	Current year quarter 30/06/2017 RM'000	Preceding year corresponding quarter 30/06/2016 RM'000	Current year to date 30/06/2017 RM'000	Preceding year corresponding period 30/06/2016 RM'000
Current tax expense				
Current period	(2,247)	(1,539)	(9,175)	(3,670)
Under provision in prior year	-	227	(98)	67
Deferred tax income				
Current period	(644)	(1,602)	(3,389)	(4,603)
	(2,891)	(2,914)	(12,662)	(8,206)

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.

Quarterly report on consolidated results for the fourth financial quarter ended 30 June 2017

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

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 30 June 2017 undertaken by its Steel (secured) and Engineering subsidiaries (unsecured) are as follows:

	RM'000
Short-term borrowings	
Secured	78,610
Long-term borrowings	
Secured	4,298
Unsecured	30,607
	34,905
Total borrowings	113,515

The unsecured long-term borrowing of RM30.6 million is incepted by the Group's Engineering subsidiary to partly finance the completion of its onerous projects. The remaining borrowings are mainly short-term trade financing incepted by the indirect steel subsidiaries secured via respective debentures with fixed and floating charges.

Based on the above borrowings, the Group's gearing ratio is around 0.29 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 RM112.5 million and RM54.2 million respectively as at 30 June 2017. Inclusive of these interest bearing trade credits, the Group's absolute gearing ratio as at 30 June 2017 is around 0.72 times.

B11 **Outstanding derivatives**

The Group has 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 USD exposure at the range of 80% to 90% 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.

Quarterly report on consolidated results for the fourth financial quarter ended 30 June 2017

PART B - EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENT – 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 30 June 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	300	942	5.6	3.0

Non-designated

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	1,495	6,535	-	106.7

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	35,353	155,542	136.5	2,927.2	Matching	35,353	n.a.	2,927.2	136.5

Besides the above unrealized positions, the Group has recorded a total realized net gain of around RM5.9 million from its FX Forward Contracts incepted for hedging purposes over the current financial year.

(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 the 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.

Quarterly report on consolidated results for the fourth financial quarter ended 30 June 2017

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

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 preceding 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. As at the close of the current financial year, the amount owing by the subsidiary to Client for such advance and guaranteed by the Company stands at RM634,190.

The Company has also issued a corporate guarantee of RM28.2 million on loan facilities amounting to RM33.2 million taken by the Engineering subsidiary to finance the completion of the said onerous projects. The Engineering subsidiary is working on a combination of back-charge claims on sub-contractors and unscheduled variation claims from the clients to cover those cost overruns and project losses in-order to meet repayment obligation on those loans. The Company has also announced a proposed fund raising exercise which could potentially raise a maximum allocation of RM24 million towards repayment of those loan taken by the Engineering subsidiary. (See Note A13 and B10).

The potential economic outflow relating to the abovementioned corporate guarantees are duly reflected in the Group's consolidated results with the full recognition of those onerous projects' losses.

B13 **Realised and unrealised profits/(losses) disclosure**

	As at 30/06/2017 RM'000	As at 30/06/2016 RM'000
Total (accumulated losses)/retained earnings of the Company and its subsidiaries:		
- Realised	72,230	61,690
- Unrealised	(30,682)	(27,003)
	41,548	34,687
Add: Consolidation adjustments	(77,468)	9,542
Total (accumulated losses)/retained earnings as per consolidated accounts	(35,920)	44,229

Quarterly report on consolidated results for the fourth financial quarter ended 30 June 2017

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

B14 **Material litigation**

During the current financial quarter, the Engineering subsidiary have received letters of demand from two independent contractors engaged for the onerous contract Project-1 for payment disputes relating to goods and services rendered amounting to RM4.1 million. The mentioned disputes are expected to be resolved in the next financial period and are unlikely 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.

Except as disclosed above, 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 30/06/2017	Preceding year corresponding quarter 30/06/2016	Current year to date 30/06/2017	Preceding year corresponding period 30/06/2016
(Loss)/Profit attributable to owners of the Company (RM'000)	(10,435)	(966)	(78,807)	8,234
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)	**(4.62)**	**(0.43)**	**(34.94)**	**3.65**

(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
29 August 2017