Quarterly report on consolidated results for the first financial quarter ended 30 September 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 2017 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 2017.

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 2017, except for the following new amendments to the MRFS ("standards") effective from 1 January 2017 which the Group shall apply where applicable commencing from the 1st quarter of the current financial year:

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative which introduced additional disclosure on changes in liabilities arising from financing activities

- Amendments to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses' which clarify the requirements for recognizing deferred tax asset on unrealized losses arising from deductible temporary difference on asset carried at fair value.

The application 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.

- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.
- 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.
- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

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 first financial quarter ended 30 September 2017

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A2 **Audit qualification**

The audit report of the Group in respect of the annual financial statements for the financial year ended 30 June 2017 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.

A5 **Changes in estimates**

There are no changes in estimates that have any material effect on the financial results during the current financial quarter. The Group's Engineering subsidiary's onerous construction contracts' estimated cost-to-completion are still within budgeted sums which were last revised at the preceding financial year-end. Details of these construction contracts and the movement in provisions 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
Last Revised Project's Profits/(Loss) budget as at: 30/06/2017	(87,060)	(12,175)	(99,235)
Recognised Project's Profits/(Loss) for the period:			
Financial year ended 30/6/16	(7,061)	158	(6,903)
Financial year ended 30/6/17	(79,999)	(12,333)	(92,332)
1st financial quarter ended 30/09/2017	-	-	-
Total	(87,060)	(12,175)	(99,235)
Loss Provision reversed/(made) for the period:			
Financial year ended 30/6/16	(7,061)	-	(7,061)
Financial year ended 30/6/17	(19,077)	(3,262)	(22,339)
1st financial quarter ended 30/09/2017	4,209	1,112	5,321
Total	(21,929)	(2,150)	(24,079)
Percentage of completion based on cost incurred as at 30/09/2017	83%	82%	

Quarterly report on consolidated results for the first financial quarter ended 30 September 2017

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

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.

	30/09/2017	30/06/2017
Total interest bearing debts in RM'million	183.0	280.3
Adjusted Equity in RM'million	392.1	387.9
Gearing Ratio	0.47	0.72

Over the current financial quarter, the Group's Engineering subsidiary has further drawn RM2.2 million on unsecured debt to finance its onerous projects - bring its total outstanding unsecured debt borrowings to RM33.7 million. The Group's other debt securities are mainly represented by the Cold Rolled subsidiary's debenture (around RM49.1 million) and the Steel Tube subsidiary's debenture (around RM18.1 million), whilst the remaining interest bearing debts are mostly unsecured suppliers' trade credits extended to the steel subsidiaries (see Note B10). The lower absolute gearing for the current quarter ended is attributed to the lower trade facilities & credits drawn to finance lower inventory carrying value of RM112.5 million (as compared to RM177.2 million as at 30 June 2017).

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

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	66,356	121,029	6,865	2,875	671	197,796
Inter segment	(321)	(7,674)	-	(2,875)	(626)	(11,496)
External revenue	66,035	113,355	6,865	-	45	186,300
Pre-tax profit/(losses)	6,961	3,939	(1,525)	(3,602)	358	6,131
Segment assets	138,813	395,360	8,356	113,419	2,427	658,375

Quarterly report on consolidated results for the first financial quarter ended 30 September 2017

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A8 **Segmental reporting** (continued)

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

Reconciliation of segment assets to total assets is as follows:

	RM'000
Segment assets	658,375
Amount owing by associates	9,672
Deferred tax assets	2,069
Derivative financial asset	37
Tax recoverable	203
	670,356

The businesses of the Group are carried out entirely in Malaysia. "Pre-tax Profit to Segment Assets Employed" percentage for the Steel Tube Segment at 5% is significantly higher than the Cold Rolled Segment's at 1% 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**

The valuation of property, plant and equipment has been brought forward from the audited financial statements for the financial year ended 30 June 2017 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 30 September 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)	-	-	-
as Assets (hedge accounted)	-	36.6	-
as Liabilities (not hedge accounted)	-	(8.5)	-
as Liabilities (hedge accounted)	-	(2,240.0)	-
Total	-	(2,211.9)	-

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

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Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A11 **Investment in Associates**

(i) 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.'

The Power Group is an immaterial associate of MIG Group based on its' carrying investment value which 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.

Details of the Group's unrecognised share of the Power Associate's losses amounting to RM30.4 million at the close of the current quarter are as follows:

	As at 30/09/2017 RM'000	As at 30/06/2017 RM'000
Unrecognised share of losses b/f	(28,948)	(189,707)
Share of Net (Loss)/Profit	(1,416)	147,443
Share of Other Comprehensive Income	8	13,316
Unrecognised share of losses c/f at closing of the period	(30,356)	(28,948)

It was reported in the 4th financial quarter of the preceding financial year that Mperial entered into an share-sale agreement with a Buyer to dispose its entire stake in Siam Power 2 for a minimum consideration of THB250 million (RM32.1 million) plus another THB100 million (RM12.85 million) for the extension of the performance guarantee's deadline to 1 May 2019 for the completion of the second phase 90MW development (refer to Note A15) from the Electricity Generating Authority of Thailand ("EGAT") -which was duly obtained in the current financial quarter.

As part of the share-sale agreement's condition precedent, the Buyer has in the current financial quarter issued a bank guarantee of THB384.8 million through Siam Power 2 to EGAT in substitution of those assets currently pledged by the Company in support of the said performance guarantee. At the close of the current financial quarter, the share-sale is pending completion whilst the Company's pledged assets are also pending administrative discharge.

(ii) 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 first financial quarter ended 30 September 2017

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A11 **Investment in Associates** (continued)

(ii) 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 RM480 thousand at the close of the current quarter are as follows:

	As at 30/09/2017 RM'000	As at 30/06/2017 RM'000
Unrecognised share of losses b/f	(400)	(243)
Share of Net Loss	(76)	(145)
Share of Other Comprehensive (Loss)/Income	(5)	(12)
Unrecognised share of losses c/f at closing of the period	(481)	(400)

A12 **Significant events and transactions**

(i) 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.

(ii) A previously reported contingent liability with regards to the Company's pledged investment properties and deposits for a Standby Letter of Credit since mid-2011 in support of a performance guarantee of THB384.8 million (RM48.7 million) by the Power Associate's Siam Power 2 to deliver power supply to Electricity Generating Authority of Thailand ("EGAT") under the second phase's 90MW development by 30 June 2018 (hereinafter referred to as 'performance deadline') has been de-categorised as a contingent liability due to significant developments in the current financial quarter (see Note A11(i)) where the performance deadline has been extended to 1 May 2019 and the Siam Power 2 Buyer has issued security pledge to replace those issued by the Company.

A13 **Subsequent material events**

(i) Melewar Imperial Limited ("MIL"), a wholly owned subsidiary of the Company had on 17 October 2017 acquired 55 Ordinary Shares representing the balance 55% of the issued and paid up share capital of its associate company Jack Nathan Limited ("JNL") for a total consideration of GBP18,000 (RM101,075). Following the said acquisition JNL becomes a wholly owned subsidiary of MIL.

Quarterly report on consolidated results for the first financial quarter ended 30 September 2017

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A13 **Subsequent material events** (continued)

(ii) On 20 November 2017 the Company announced that it has entered into a conditional agreement to dispose a factory leased land and buildings on Lot 53, Persiaran Selangor, Shah Alam (currently encumbered as security-pledge for the SBLC mentioned in Note A12(ii)) to its 71.26% indirectly held steel tube subsidiary Melewar Steel Tube Sdn Bhd ("MST") for a total consideration of RM26 million. The proposed disposal is not deemed as a 'related party transaction' under Bursa Malaysia's listing rules; and will not have any impact on the Group's net assets, earnings, or earnings per share for the period (as the disposal is at its carrying fair value to a party within the Group). The subject property is currently rented to MST for monthly rental sum of RM126,500, and the disposal will result in a loss of a source of rental income to the Company. The Company plans to utilise the disposal proceeds for its working capital and to meet possible financial obligations arising from corporate guarantees issued by the Company for the benefit of its wholly owned Engineering subsidiary (see Note B12).

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

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**

There are no contingent liabilities for the current financial quarter. (Refer to Note A12(ii))

A16 **Capital commitments**

At the end of the current reporting quarter, the Group's in-direct Cold Rolled subsidiary has a balance outstanding capital commitment of around USD0.71 million (RM3.0 million) for the supply and installation of new motor-drives for its 'rolling mill'. The said capital commitment will be payable over four remaining milestones running into calendar year 2018.

Quarterly report on consolidated results for the first financial quarter ended 30 September 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 30/09/2017	Preceding Year Corresponding Quarter 30/09/2016			Current Year To-date 30/09/2017	Preceding Year Corresponding Period 30/09/2016		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	186,300	187,603	(1,303)	-1%	186,300	187,603	(1,303)	-1%
Operating Profit	8,994	1,065	7,929	745%	8,994	1,065	7,929	745%
Profit/(Loss) Before Interest and Tax	8,994	1,065	7,929	745%	8,994	1,065	7,929	745%
Profit/(Loss) Before Tax	6,131	(1,059)	7,190	-679%	6,131	(1,059)	7,190	-679%
Profit/(Loss) After Tax	3,613	(4,461)	8,074	-181%	3,613	(4,461)	8,074	-181%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	1,929	(8,093)	10,022	-124%	1,929	(8,093)	10,022	-124%

The Group’s revenue for the first financial quarter ended 30 September 2017 is relatively flat compared to the preceding year’s corresponding quarter. At segment level comparison against the preceding year’s corresponding quarter, the Engineering segment’s revenue is lower by 66% whilst its Cold Rolled and Steel Tube segments are up 4% and 16% respectively. The steel segments’ higher revenue is attributed to higher average unit selling price by around 22% due to the run-up in raw steel prices.

The Group recorded a pre-tax profit of RM6.1 million for the current financial quarter compared to a pre-tax loss of RM1.1 million in the preceding year’s corresponding quarter in the absence of further material losses from the Engineering segment given that full loss provisions on its’ onerous construction contracts have been made in the preceding financial year. The Group’s pre-tax profit for the current financial quarter is contributed mainly by the steel segments’ pre-tax profits of RM10.9 million. Nevertheless, the steel segments’ pre-tax profit for the current financial quarter is lower by 29% compared to the preceding financial quarter mainly due to weaker gross margin spread of its Cold Rolled segment.

Despite a weaker performance of the Cold Rolled segment attributed to lower sales volume and higher unit conversion cost from lower production volume, the Group managed to register an after-tax profit of RM3.6 million for the current quarter, of-which is a significant turnaround in comparison with the preceding year’s corresponding quarter after-tax loss of RM4.5 million.

The Group recorded a higher EBITDA of RM14.0 million compared to the preceding year’s corresponding quarter’s EBITDA of RM6.0 million.

<u>Quarterly report on consolidated results for the first financial quarter ended 30 September 2017</u>

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 30/09/2017	Immediate Preceding Quarter 30/06/2017	Changes	
	RM'000	RM'000	RM'000	%
Revenue	186,300	197,035	(10,735)	-5%
Operating Profit	8,994	795	8,199	1031%
Profit/(Loss) Before Interest and Tax	8,994	(1,847)	10,841	-587%
Profit/(Loss) Before Tax	6,131	(5,419)	11,550	-213%
Profit/(Loss) After Tax	3,613	(7,465)	11,078	-148%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	1,929	(9,849)	11,778	-120%

The Group's revenue for the current first quarter at RM186.3 million is 5.4% lower compared to the immediate preceding quarter's at RM197 million, due to lower contributions from its Engineering segment (lower by 42% due to the tail-end of its construction projects) as well as from its Steel segments (down by 3% due to a mix of lower sales volume and lower unit selling price). The Steel segments' revenue for the current financial quarter was affected by a lower unit selling price (of around 6%) at the Cold Rolled segment, and lower sales volume (of around 6%) at the Steel Tube segment.

The Group registered a pre-tax profit of RM6.1 million compared with the immediate preceding quarter's pre-tax loss of RM5.4 million. The significant turnaround for the current financial quarter is mainly due to the lower pre-tax loss contribution from its Engineering segment (i.e. pre-tax loss of RM1.5 million in the current quarter compared to a pre-tax loss of RM14.2 million in the immediate preceding quarter) as a result of full loss provision on its onerous contracts made in the preceding financial year. At the post-tax level, the Group recorded a net profit of RM3.6 million for the current quarter as compared to a net loss of RM7.5 million in the immediate preceding quarter.

The Group recorded a higher EBITDA of RM14.0 million compared to the immediate preceding quarter's EBITDA of RM5.8 million.

Quarterly report on consolidated results for the first financial quarter ended 30 September 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 reported a robust 5.7% and a blistering 6.2% GDP growth for the 1st half and the 3rd quarter of 2017 respectively driven by strong private consumption and investment growth, which somehow seem disconnected with the economic sentiments on the ground. Key indicators surrounding its foreign reserves, current account balance, household & government debt-to-GDP are also reported to be turning the corner. The nation's fiscal Budget for 2018 aims for sustained growth above 5% coupled with the narrowing of budget deficit.

The overall sentiments of the steel industry remain buoyant with the strong run-up in steel prices amidst a cautious market. China's robust economy and demand for steel has pushed up regional HRC prices by nearly 38% towards Sept 2017 from the lows in May 2017 even-though iron-ore prices have declined by around 13% over the same period. This has benefited upstream raw steel and HRC producers, and has enable those with extended Cold Rolled Coil (CRC) manufacturing to be highly competitive in the export markets. As a result, inflows of Cold Rolled Coils from Japan, India, and low-production-cost ASEAN countries such as Vietnam have picked up significantly in the current financial quarter – cutting into domestic cold-rollers' market share. On top of that, upward trending HRC prices also narrowed the spread with CRC prices due to lagging effects. As a result, the current financial quarter ended 30 September 2017 has proven to be rather challenging for the Group's steel businesses- especially for its Cold Rolled segment. The Steel Tube segment which uses both HRC and CRC as raw materials at the ratio of around 85:15 also faced intense pressure on margins on a quarter-on-quarter comparison. The expected slowdown in the construction sector will further add to the challenges in domestic steel tube and pipes market in later periods. In this regard, the Group has begun to diversify its steel tube and pipe markets abroad in the recent past, and will likely see intensified effort to develop on export markets.

The Group's Engineering subsidiary's two onerous construction contracts' cost-to-completion as at the close of the current financial quarter are within the budgeted sums last revised at the close of the preceding financial, and these contracts should be completed in the scheduled quarters over the remaining 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 as no new projects have been taken upon since financial year ended 2016. Nevertheless, the Company's issued guarantees for the Engineering subsidiary (see Note B12) have become burdens to bear, but these are expected to be materially mitigated with the Engineering subsidiary's planned variation claims and back charges against its clients on the projects' cost overrun. In this regard, RM36.6 million worth of unscheduled claims were submitted to the clients in the current financial quarter. However, such claims are not recognised until duly accepted by the clients.

With the expected closure of those onerous construction contracts of the engineering subsidiary in the next few quarters, the Group's prospects outlook for the remaining financial year would largely hinge on the performance of its steel businesses. On this, business outlook on the steel segments has turned from positive to cautious with expected increase in volatility risk and pressure on margins.

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 first financial quarter ended 30 September 2017

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

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

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

	Current year quarter 30/09/2017 RM'000	Preceding year corresponding quarter 30/09/2016 RM'000	Current year to-date 30/09/2017 RM'000	Preceding year corresponding period 30/09/2016 RM'000
Depreciation and amortisation	(4,984)	(4,917)	(4,984)	(4,917)
Interest expenses	(3,202)	(2,354)	(3,202)	(2,354)
Interest income	339	230	339	230
Loss provision reversed/(made) for onerous contract	-	(11,692)	-	(11,692)
Foreign exchange gain/(loss)	2,245	(4,478)	2,245	(4,478)
FX forward (loss)/gain	(2,099)	4,155	(2,099)	4,155

B6 **Taxation**

Taxation comprises:

	Current year quarter 30/09/2017 RM'000	Preceding year corresponding quarter 30/09/2016 RM'000	Current year to date 30/09/2017 RM'000	Preceding year corresponding period 30/09/2016 RM'000
Current tax expense				
Current period	(1,844)	(1,684)	(1,844)	(1,684)
Deferred tax income				
Current period	(674)	(1,718)	(674)	(1,718)
	(2,518)	(3,402)	(2,518)	(3,402)

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 first financial quarter ended 30 September 2017

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

B9 **Status of corporate proposals**

On the proposed renounceable "Rights Issue of 1-for-1 shares held with free detachable Warrants of 1-for-2 Rights Shares subscribed" duly announced on 23 August 2017 (see Note A12(i)), the due date for the issuance of circular to shareholders in relation to the above by 22 October 2017 has been duly extended to 22 December 2017 with the due approval of the authority.

B10 **Group borrowings and debt securities**

The Group's borrowings denominated entirely in Ringgit Malaysia from lending institutions as at 30 September 2017 undertaken by its Steel and Engineering subsidiaries are as follows:

	RM'000
Short-term borrowings	
Unsecured	3,847
Secured	93,046
	96,893
Long-term borrowings	
Secured	4,233
Total borrowings	101,126

The Group's Engineering subsidiary incepted a short-term borrowing of RM33.7 million to partly finance the completion of its onerous projects. The remaining borrowings are mainly short-term trade financing incepted by the indirect steel subsidiaries to finance raw materials procurement which are secured via their respective debentures with fixed and floating charges.

Based on the above borrowings, the Group's gearing ratio is around 0.26 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 RM62.4 million and RM19.5 million respectively as at 30 September 2017. Inclusive of these interest bearing trade credits, the Group's absolute gearing ratio as at 30 September 2017 is around 0.47 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 first financial quarter ended 30 September 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 September 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	330	1,036	-	8.5

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	-	-	-	-

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	38,568	166,258	36.6	2,240.0	Matching	38,568	n.a.	2,240.0	36.6

Besides the above unrealised positions, the Group has recorded a total realised net gain of around RM0.1 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.

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 financial year 2016 been determined to be onerous. 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 RM32.5 million.

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 30/09/2017 RM'000	As at 30/06/2017 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	78,442	73,049
- Unrealised	(31,444)	(30,671)
	46,998	42,378
Add: Consolidation adjustments	(80,402)	(77,711)
Total accumulated losses as per consolidated accounts	(33,404)	(35,333)

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.

Quarterly report on consolidated results for the first financial quarter ended 30 September 2017

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

B15 **Dividends**

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

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

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

	Current year quarter 30/09/2017	Preceding year corresponding quarter 30/09/2016	Current year to date 30/09/2017	Preceding year corresponding period 30/09/2016
Profit/(Loss) attributable to owners of the Company (RM'000)	1,929	(8,093)	1,929	(8,093)
Weighted average number of ordinary shares in issue (net of treasury shares) ('000)	225,523	225,523	225,523	225,523
Basic earnings/(loss) per share (sen)	**0.86**	**(3.59)**	**0.86**	**(3,59)**

(ii) Diluted earnings/(loss) 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
28 November 2017