<u>Quarterly report on consolidated results for the third financial quarter ended 31 March 2018</u>

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 has adopted since 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 adoption of the above did not have any material impact on the Group's financial statements to-date.

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.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

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

Preliminary review indicates 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. The Group has in the preceding quarter conducted detailed impact assessment on the two new standards coming into effect in the next financial year from 1 July 2018:

- MFRS 9
  The application of MFRS 9 is not expected to result in any material change to the Group's classification and measurement of its financial assets and liabilities; nor in its hedge accounting practices that are aligned with its risk management practices- compared to the requirements under MFRS139. The new "Expected Credit Loss" (ECL) model increases the scope for credit impairment with the additions of forward looking information and estimates. Given that the Group's credit risks are mainly concentrated in short-term trade receivables, the Group shall apply allowable practical-expedient in ECL provision based on a supportable "overdue-days matrix". Barring any unforeseeable development of adverse conditions which may negatively affect credit outlook, the adoption of the ECL model is not expected to result in material increase in credit impairment for the initial application period as well as on retrospective adjustments.

- MFRS 15
  The application of MFRS 15 is not expected to result in any material change to the timing and quantum of revenue recognition of the Group for the initial application period and the comparative retrospective period. The Group's steel businesses' nature of sales are mainly spot and/or near-term based on generic simplified contracts with single point fulfilment at fixed prices – which generally do not give rise to any contract assets or liabilities. The Group's engineering business entails customized contracts, usually with multi-point deliverables and milestone payments which may cut across multiple reporting periods and give rise to contract assets or liabilities. These contracts usually do not entail complications like distinguishable allocation of goods and services, separate warranties, packaged after-sales-service, or long-term financing features – which may result in revenue recognition differences under MFRS 15. Moreover, the existing engineering construction contracts are expected to complete within the current financial year.

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.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

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 which are reviewed quarterly are still within budgeted sums. 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
Revised Project's Profits/(Loss) budget:	(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	(71,607)	(12,333)	(83,940)
Current financial year-to-date 2018			
1st financial quarter ended 30/09/17	-	-	-
2nd financial quarter ended 31/12/17	-	-	-
3rd financial quarter ended 31/03/18	-	-	-
	(78,668)	(12,175)	(90,843)
Recognised Project's LAD for the period:			
Financial year ended 30/6/17	(8,392)	-	(8,392)
Total recognised losses	(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	(10,685)	(3,262)	(13,947)
Current financial year-to-date 2018			
1st financial quarter ended 30/09/17	4,209	1,112	5,321
2nd financial quarter ended 31/12/17	2,980	570	3,550
3rd financial quarter ended 31/03/18	3,032	616	3,648
	(7,525)	(964)	(8,489)
Loss Provision made on Project's LAD:			
Financial year ended 30/6/17	(8,392)	-	(8,392)
Recognised loss in provision	(15,917)	(964)	(16,881)
Percentage of completion based on cost incurred as at 31/03/18	90%	92%	

Both construction contracts are expected to conclude in the remaining financial year, barring any delay attributable to the Clients.

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.

	31/03/2018	30/06/2017
Total interest bearing debts in RM'million	271.8	280.3
Adjusted Equity in RM'million	397.4	387.9
Absolute Gearing Ratio	0.68	0.72

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A6 **Debts and equity securities** (continued)

For the current financial quarter, the Group's engineering subsidiary pared down its unsecured borrowing (incepted to finance its onerous projects) by RM9 million leaving a balance outstanding of RM26.3 million. The Group's other debt securities are mainly represented by the Cold Rolled subsidiary's debenture (around RM56.6 million) and the Steel Tube subsidiary's debenture (around RM18.9 million), whilst the remaining interest bearing debts are mostly unsecured suppliers' trade credits (totaling RM169.7 million) extended to the steel subsidiaries (see Note B10). Total trade facilities & credits drawn at the end of the current quarter at RM176.1 million is only marginally lower compared to RM177.2 million as at 30 June 2017.

Debt covenants where applicable are in full compliance for the current financial quarter ended 31 March 2018.

A7 **Dividends paid**

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

A8 **Segmental reporting**

The Group's 'year-to-date' segmental information based on the nature-of-business 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	200,838	407,319	16,030	9,027	2,652	635,866
Inter segment	(1,291)	(22,409)	-	(9,027)	(2,559)	(35,286)
External revenue	199,547	384,910	16,030	-	93	600,580
Pre-tax profit/(losses)	17,794	11,462	(4,354)	(12,325)	1,422	13,999
Segment assets	188,919	461,676	10,594	107,012	2,536	770,737

Reconciliation of segment assets to total assets is as follows:

	RM'000
Segment assets	770,737
Deferred tax assets	1,750
Derivative financial asset	32
Tax recoverable	249
	772,768

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Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A8 **Segmental reporting** (continued)

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 9% is significantly higher than the Cold Rolled Segment's at 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. The Engineering Segment continued to record losses in the current financial year due to its engineering subsidiary's operation overheads and interest obligation (as opposed to its onerous contracts' losses which have been fully provided in the preceding financial year).

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 31 March 2018:

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)	-	31.7	-
as Assets (hedge accounted)	-	-	-
as Liabilities (not hedge accounted)	-	(33.8)	-
as Liabilities (hedge accounted)	-	(8,727.5)	-
Total	-	(8,729.6)	-

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**

Investment in the Power Associate

Mperial Power Ltd ("Mperial') ceased to be an associate following a wholly owned subsidiary of the Company, Melewar Steel Engineering Sdn Bhd ("MSE")'s disposal of the remaining 49% of the issued and paid up share capital of Mperial to the controlling shareholder, E Power Pte Ltd on 7 February 2018 (see Note A12).

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 RM31.5 million as at the point of disposal on 7 February 2018 are as follows:

	As at 07/02/2018 RM'000	As at 30/06/2017 RM'000
Unrecognised share of losses b/f	(28,948)	(189,707)
Share of Net (Loss)/Profit	(2,535)	147,443
Share of Other Comprehensive (Loss)/Income	(63)	13,316
Unrecognised share of losses c/f at closing of the period	(31,546)	(28,948)

A12 **Significant events and transactions**

Disposal of the Power Associate

The Company through its wholly owned subsidiary has on 7 February 2018 ('disposal date') disposed its entire holdings of 49 ordinary shares representing 49% of the issued and paid-up capital of Mperial Power Ltd (Mperial) to the controlling shareholder E Power Pte Ltd for a total consideration of USD1 (RM3.91). The rationale for the disposal is for the Group to exit its associate holding in the Power business which is being divested. Mperial Group's shareholders' funds on disposal date is around negative RM56.5 million. The pro-forma impact arising from the completion of Mperial's divestment of SIPCO 2 for USD10 million would be insufficient to reverse the deficit shareholders' funds position of Mperial Group; and would be inadequate to eliminate the Group's unrecognised share of the Power Associate's accumulated losses. (See Note A11). The disposal (of the remaining 49% associate interest in Mperial) is immaterial to the Company and the Group's financials for the current reporting period.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A13 **Subsequent material events**

There were no significant events or transactions for the current quarter affecting the Group's financial position and performance of its entities

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

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

A15 **Contingent liabilities**

There were no contingent liabilities for the current financial quarter.

A16 **Capital commitments**

At the end of the current reporting quarter, the Group's Cold Rolled subsidiary has an outstanding capital commitment balance of around RM1.16 million for the supply and installation of new motor-drives for its 'rolling mill'; whilst, its Steel Tube subsidiary has an outstanding capital commitment balance of around RM0.6 million for plant-equipment. The said capital commitments will be payable over established milestones running into financial year 2019.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

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 (3rd quarter)		Changes		Cumulative Period		Changes	
	Current Year Quarter 31/03/2018	Preceding Year Corresponding Quarter 31/03/2017			Current Year To-date 31/03/2018	Preceding Year Corresponding Period 31/03/2017		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	211,082	205,266	5,816	3%	600,580	575,750	24,830	4%
Operating Profit/(loss)	5,647	(8,274)	13,921	-168%	22,467	(41,420)	63,887	-154%
Profit/(Loss) Before Interest and Tax	5,647	(8,659)	14,306	-165%	21,638	(41,805)	63,443	-152%
Profit/(Loss) Before Tax	3,606	(11,887)	15,493	-130%	13,999	(49,748)	63,747	-128%
Profit/(Loss) After Tax	2,010	(15,372)	17,382	-113%	8,448	(59,519)	67,967	-114%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	880	(17,501)	18,381	-105%	4,134	(68,372)	72,506	-106%

The Group’s revenue for the third financial quarter ended 31 March 2018 is 3% higher at RM211.1 million as compared to RM205.3 million achieved in the preceding year’s corresponding quarter. At segment level, the revenue contribution from both the Cold Rolled and Steel Tube segments has increased by 12% and 5% respectively for the current financial quarter compared to the preceding year’s corresponding quarter. The overall steel segments’ higher revenue is attributed to higher average unit selling price by around 15% due to the run-up in raw steel prices whilst the sales volume in-comparison is relatively lower by 6% for the current financial quarter. The engineering segment’s revenue contribution is also significantly lower by 72% due to the tail end of its construction contract.

The Group recorded a pre-tax profit of RM3.6 million for the current financial quarter compared to a pre-tax loss of RM11.9 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 RM2.8 million. Nevertheless, compared to the preceding financial quarter, the steel segments’ pre-tax profit is lower by 36% as a result of a weaker gross margin spread (down by 28%) for the current financial quarter.

Despite a weaker performance of the Steel Tube segment due to lower sales volume and higher unit conversion cost from lower production volume, the Group managed to register an after-tax profit of RM2.0 million for the current quarter, of-which is a significant turnaround in comparison with the preceding year’s corresponding quarter after-tax loss of RM15.4 million.

The Group recorded a higher EBITDA of RM10.7 million compared to the preceding year’s corresponding quarter’s LBITDA of RM3.3 million.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

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 31/3/2018	Immediate Preceding Quarter 31/12/2017	Changes	
	RM'000	RM'000	RM'000	%
Revenue	211,082	203,198	7,884	4%
Operating Profit	5,647	7,826	(2,179)	-28%
Profit Before Interest and Tax	5,647	6,997	(1,350)	-19%
Profit Before Tax	3,606	4,262	(656)	-15%
Profit After Tax	2,010	2,825	(815)	-29%
Profit Attributable to Ordinary Equity Holders of the Parent	880	1,325	(445)	-34%

The Group's revenue for the current third quarter at RM211.1 million is 4% higher compared to the immediate preceding quarter's at RM203.2 million, due to higher contributions from both its Steel Tube and Cold Rolled segments (up by 8% and 2% respectively). The Steel segments' overall revenue for the current financial quarter has increased by 4% as a result of higher average unit selling price also by around 4%.

The Group registered a lower pre-tax profit of RM3.6 million compared with the immediate preceding quarter's pre-tax profit of RM4.3 million. The lower pre-tax profit for the current financial quarter is mainly due to a lower margin contribution from the Cold Rolled segment (down by 18% compared to the immediate preceding quarter). Consequently, at the post-tax level, the Group recorded a lower net profit of RM2.0 million for the current quarter as compared to a net profit of RM2.8 million in the immediate preceding quarter.

The Group recorded a lower EBITDA of RM10.7 million compared to the immediate preceding quarter's EBITDA of RM12.8 million.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

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 GDP growth for the 1st fiscal quarter of 2018 was lower at 5.4%, but would likely spike-up again in the 2nd fiscal quarter in-conjunction with the 14th General Election (GE). The unprecedented outcome of the 14th GE casts a plethora of uncertainties amidst post-election revelations and the rolling out of promised manifesto in the first hundred days at office for the new government. Whilst the equity and the forex market took a beating in the aftermath of the election, the economic outlook of the country for the remaining fiscal year would likely remain robust with the revitalized consumer sentiment, buoyant export-commodity prices, coupled with improving current account and trade balances.

Unfretted by antitrade measures undertaken by the USA, regional steel outlook in the current quarter generally remains positive with raw steel prices holding high- largely attributed to China's robust economy. The domestic steel industry on the other hand has been facing severe margins / earnings squeeze in current and recent past quarters due to heightened cost pressure and unfair foreign competition amid a generally soft-market. The weaker performance of the Group for the current financial quarter compared with the preceding financial year's comparative quarter reflects the difficult business and market environment in-which it currently operates. Whilst the new government has begun to rollout measures to alleviate 'cost-of-living' pressure on the general masses which will also boost domestic consumption, the ramifications of the aforementioned on the domestic steel industry and the Group's steel businesses remains uncertain. An increase in minimum wage pushes up production cost is unfavorable; the scrapping of the GST releases working capital is favorable; and a return to the old Sales and Service Tax regime which in the past did not cover steel materials can be favorable. The new government's call to review all mega-projects by the previous administration may lead to cancellation or scale-back which would negatively impact steel demand. Nevertheless, the new government has espoused priority for the economy and the continuity of pro-business policies which should augur positively for the domestic steel sector if executed well. In the immediate-term, the Group will continue to work closely with the authorities to address unfair pricing of competing Cold Rolled Coil (CRC) imports, and to ensure competing imports are not at the detriment of the domestic manufacturers.

The Group's engineering subsidiary's onerous construction contracts are at their tail-end and should be concluded by the end of the current financial year, barring any delay attributable to the clients. The wrap-up of these onerous projects will also entail 'commercial' close with the clients on variations and unscheduled works incurred that had contributed to the cost overrun, and any positive settlement arising thereof will serve towards recovery of past losses. In this regard, the subsidiary has submitted a total of RM74 million in unscheduled claims to the client which have yet to be recognised. The Group is not expecting any significant contribution from the engineering subsidiary apart from its overheads and debt-service costs as no new projects have been taken upon since.

In view of the above, business outlook and prospects for the Group for the remaining financial year remains cautious given the myriad of challenges. Nevertheless, the Group hopes to sustain a positive performance from its steel segments for the remaining financial year, barring any severe external shocks. Any positive settlement of variation claims upon the conclusion of its engineering construction contracts would greatly improve outlook for the Group.

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 third financial quarter ended 31 March 2018

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 profit/(loss) before tax:

	Current year quarter 31/03/2018 RM'000	Preceding year corresponding quarter 31/03/2017 RM'000	Current year to-date 31/03/2018 RM'000	Preceding year corresponding period 31/03/2017 RM'000
Depreciation and amortisation	(5,015)	(4,930)	(15,004)	(14,780)
Interest expenses	(2,356)	(3,544)	(8,818)	(8,769)
Interest income	315	316	1,179	826
Loss provision reversed/(made) onerous contract	-	2,701	-	(25,030)
Foreign exchange gain/(loss)	7,104	4,502	17,528	(8,707)
FX forward (loss)/gain	(6,721)	(5,097)	(16,416)	7,403

B6 **Taxation**

Taxation comprises:

	Current year quarter 31/03/2018 RM'000	Preceding year corresponding quarter 31/03/2017 RM'000	Current year to date 31/03/2018 RM'000	Preceding year corresponding period 31/03/2017 RM'000
Current tax expense				
Current period	(1,452)	(2,317)	(4,573)	(6,928)
Over/(under) provision in prior year	124	(98)	124	(98)
Deferred tax income				
Current period	(268)	(1,070)	(1,102)	(2,745)
	(1,596)	(3,485)	(5,551)	(9,771)

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 third financial quarter ended 31 March 2018

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

B9 **Status of corporate proposals**

The Company had 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 ("Rights Issue"). The proposed fund raising exercise aims to raise a minimum of RM10.8 million and a maximum of RM44.41 million for the subscription of the Company's entitlement under Mycron's proposed rights issue, the repayment of borrowings and/or general working capital.

The shareholders of the Company had approved the above in an Extraordinary General Meeting held on 20 April 2018. The Company is currently working on the abridged prospectus as the next milestone, whilst the controlling shareholders of the Company are working on the exemption of 'mandatory general offer' application with the security commission.

B10 **Group borrowings and debt securities**

The Group's borrowings, denominated entirely in Ringgit Malaysia from lending institutions as at 31 March 2018 undertaken by its Steel and Engineering subsidiaries, are as follows:

	RM'000
Short-term borrowings	
Unsecured	4,001
Secured	95,621
	99,622
Long-term borrowings	
Secured	2,488
Total borrowings	102,110

Cash-flow movement in-relation to 'changes in liabilities arising from financing activities' on a year-to-date basis is outlined below:

	RM'000
Total Borrowings' opening balance at 1 July 2017	113,515
Inflow from drawdown	120,552
Outflow on repayment	(135,588)
Non-cash movement	3,631
Closing balance at 31 March 2018	102,110

The Group's Engineering subsidiary has pared down its short-term borrowing to RM26.3 million to partly finance the completion of its onerous projects for the current financial year. 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.

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 0.26 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 RM117.6 million and RM52.1 million respectively as at 31 March 2018. Inclusive of these interest bearing trade credits, the Group's absolute gearing ratio as at 31 March 2018 is around 0.68 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.

Details on outstanding derivative FX forward contracts for both the non-designated and designated for hedge accounting as at 31 March 2018 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	1,006	31.7	-

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	525	2,068	-	33.8

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	52,150	210,737	-	8,727.5	Matching	52,150	n.a.	8,727.5	-

Besides the above unrealised positions, the Group has recorded a total realised net loss of around RM7.7 million from its FX Forward Contracts incepted for hedging purposes over the current financial year.

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 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.

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 reach RM40 million. As at the close of the current financial quarter, the amount owing by the subsidiary to client for such advances and guaranteed by the Company stands at RM35 million. On the flipside, the engineering subsidiary has filed unscheduled variation claims against the client for RM74 million.

The Company has also issued a corporate guarantee of RM28.2 million on loan facilities amounting to RM26.3 million taken by the engineering subsidiary to finance the completion of the said onerous projects. The engineering subsidiary's net recovery (if any) from its unscheduled variation claims against the client could partly serve to meet the loans' repayment obligation. In addition, the Company is currently working on the fund raising exercise (see Note B9) which could potentially raise a maximum allocation of RM24 million to cover those loan repayment.

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.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

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

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

	As at 31/03/2018 RM'000	As at 30/06/2017 RM'000
Total retained earnings/(accumulated losses) of the Company and its subsidiaries:		
- Realised	88,381	73,049
- Unrealised	(31,793)	(30,671)
	56,588	42,378
Add: Consolidation adjustments	(87,787)	(77,711)
Total accumulated losses as per consolidated accounts	(31,199)	(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.

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 31/03/2018	Preceding year corresponding quarter 31/03/2017	Current year to date 31/03/2018	Preceding year corresponding period 31/03/2017
Profit/(Loss) attributable to owners of the Company (RM'000)	880	(17,501)	4,134	(68,372)
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)	**0.39**	**(7.76)**	**1.83**	**(30.32)**

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

Quarterly report on consolidated results for the third financial quarter ended 31 March 2018

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 2018