Condensed Consolidated Statements of Profit or Loss for the second financial quarter ended 31 December 2018

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	Individual Quarter		Cumulative Quarters	
			(6 months)	(6 months)
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To date	Preceding Year Corresponding Period
	31/12/18	31/12/17	31/12/18	31/12/17
	RM'000	RM'000	RM'000	RM'000
Revenue	188,851	203,198	385,426	389,498
Cost of sales	(181,620)	(184,553)	(364,019)	(351,673)
Gross profit	7,231	18,645	21,407	37,825
Operating expenses	(12,216)	(11,546)	(23,668)	(21,882)
Other operating income	130	144	210	148
Net foreign currency (loss)/gain	(123)	583	(335)	729
Operating (loss)/profit	(4,978)	7,826	(2,386)	16,820
Impairment loss on goodwill	-	(832)	-	(832)
Gain on derecognition of an associate	-	83	-	83
Impairment loss on trade receivables	-	-	(107)	-
Impairment loss on amount owing by an associate	-	(80)	-	(80)
Finance income	347	525	589	864
Finance cost	(1,683)	(3,260)	(3,283)	(6,462)
(Loss)/Profit before tax	(6,314)	4,262	(5,187)	10,393
Tax credit/(expense)	1,101	(1,437)	(952)	(3,955)
(Loss)/Profit for the period	(5,213)	2,825	(6,139)	6,438
Attributable to:				
Owners of the Company	(4,096)	1,325	(5,485)	3,254
Non-controlling interests	(1,117)	1,500	(654)	3,184
	(5,213)	2,825	(6,139)	6,438
(Loss)/Earnings per share attributable to owners of the Company (sen):				
- Basic	(1.27)	0.56	(1.70)	1.38
- Diluted	N/A	N/A	N/A	N/A

Condensed Consolidated Statements of Comprehensive Income for the second financial quarter ended 31 December 2018

(The figures have not been audited)

	Individual Quarter		Cumulative Quarters	
			(6 months)	(6 months)
	Current Year Quarter 31/12/18	Preceding Year Corresponding Quarter 31/12/17	Current Year To date 31/12/18	Preceding Year Corresponding Period 31/12/17
	RM'000	RM'000	RM'000	RM'000
(Loss)/Profit for the period	(5,213)	2,825	(6,139)	6,438
Other comprehensive (loss)/income:				
Item that may be reclassified subsequently to profit or loss:				
Foreign currency translation reserve:				
- Currency translation differences	35	22	16	22
Items that will not be reclassified subsequently to profit or loss:				
Asset revaluation reserve:				
- deferred tax effects on reclassification of asset use	-	-	1,124	-
Total comprehensive (loss)/income for the period	**(5,178)**	**2,847**	**(4,999)**	**6,460**
Attributable to:				
Owners of the Company	(4,061)	1,347	(4,345)	3,276
Non-controlling interests	(1,117)	1,500	(654)	3,184
	(5,178)	2,847	(4,999)	6,460

Condensed Consolidated Statements of Financial Position as at 31 December 2018

(The figures have not been audited)

	As at 31/12/18 RM'000	As at 30/06/18 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	366,838	382,900
Investment properties	11,800	-
Deferred tax assets	1,258	1,515
	379,896	384,415
Current assets		
Inventories	161,463	205,363
Trade receivables	80,755	113,443
Other receivables, deposits and prepayments	14,110	15,705
Derivative financial asset	63	3,341
Tax recoverable	19	23
Time deposits	60,916	40,386
Cash and bank balances	22,088	13,041
Non-current asset held-for-sale	1,374	1,879
	340,788	393,181
Less:		
Current liabilities		
Trade payables	127,004	184,889
Other payables and provisions	68,749	66,855
Derivative financial liability	449	3
Short-term borrowings	80,478	90,736
Tax payable	1,171	721
	277,851	343,204
Net current assets	62,937	49,977
Non-current liabilities		
Trade and other payables	226	1,867
Long-term borrowings	20,709	28,573
Deferred tax liabilities	41,550	45,385
	62,485	75,825
Net assets	380,348	358,567
Capital and reserves attributable to owners of the Company		
Share capital	250,208	226,996
Other non-distributable capital reserves	61,619	56,911
Accumulated losses	(41,486)	(36,001)
	270,341	247,906
Non-controlling interests	110,007	110,661
Total equity	380,348	358,567
Net assets per share attributable to owners of the Company (RM)	0.75	1.10

Condensed Consolidated Statements of Cash Flows for the second financial quarter ended 31 December 2018

(The figures have not been audited)

	(6 months)	(6 months)
	31/12/18	31/12/17
	RM'000	RM'000
Profit before tax:	(5,187)	10,393
Adjustments for:		
- Impairment loss on goodwill	-	832
- Gain on equity interests	-	(83)
- Net unrealised gain on foreign exchange	(177)	(562)
- Property, plant and equipment write-offs	473	62
- Impairment loss on trade receivables	107	-
- Impairment loss on amount owing by an associate	-	80
- Depreciation and amortisation	10,177	9,989
- Loss provision reversed for onerous contract	(952)	-
- Interest income	(589)	(864)
- Interest expense	3,283	6,462
- Other non-cash items	(59)	18
Operating profit before changes in working capital	7,076	26,327
Changes in working capital:		
- Inventories	43,900	29,925
- Trade and other receivables	35,152	(9,949)
- Trade and other payables	(51,140)	(1,349)
Tax paid (net)	(2,952)	(3,755)
Net cash generated from operating activities	32,036	41,199
Investing activities:		
- Purchase of property, plant and equipment	(7,094)	(2,372)
- Proceeds from disposal of property, plant and equipment	304	51
- Proceeds from disposal of non-current asset held-for-sale	505	-
- Net cash inflow from the acquisition of a subsidiary	-	4
- Net repayment from associate companies	-	3,020
- Other net receipts from investing activities	588	619
Net cash (used in)/generated from investing activities	(5,697)	1,322
Financing activities:		
- Interest paid	(3,297)	(4,783)
- Proceeds from issuance of rights shares with warrants	26,780	-
- Proceeds from borrowings	114,260	46,442
- Repayment of borrowings	(134,521)	(65,448)
Net cash generated from/(used in) financing activities	3,222	(23,789)
Net change in cash & cash equivalents	29,561	18,732
Cash & cash equivalents at the beginning of the financial year	53,427	68,081
Currency translation differences	16	21
Cash & cash equivalents at the end of the financial period	83,004	86,834

MELEWAR INDUSTRIAL GROUP BERHAD (8444-W)

Quarterly report on consolidated results for the second financial quarter ended 31 December 2018

Condensed Consolidated Statements of Changes in Equity for the second financial quarter ended 31 December 2018

(The figures have not been audited)

	Attributable to owners of the Company						Non-controlling Interests	Equity
	Non-distributable capital reserves							
	Share Capital RM'000	Asset Revaluation Reserve RM'000	Warrant Reserve RM'000	Other Reserves RM'000	Accumulated Losses RM'000	Total RM'000	Total RM'000	Total RM'000
6 months ended 31 December 2018								
At 1 July 2018	226,996	56,888	-	23	(36,001)	247,906	110,661	358,567
Total comprehensive income for the period	-	1,124	-	16	(5,485)	(4,345)	(654)	(4,999)
Transaction with owners:								
Rights shares with warrants	23,212	-	3,568	-	-	26,780	-	26,780
At 31 December 2018	250,208	58,012	3,568	39	(41,486)	270,341	110,007	380,348
6 months ended 31 December 2017								
At 1 July 2017	226,996	50,292	-	(15)	(35,333)	241,940	105,593	347,533
Total comprehensive income for the period	-	-	-	22	3,254	3,276	3,184	6,460
At 31 December 2017	226,996	50,292	-	7	(32,079)	245,216	108,777	353,993

Quarterly report on consolidated results for the second financial quarter ended 31 December 2018

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 2018 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 financial year ended 30 June 2018.

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 2018, except for the following new amendments to the MFRS ("standards") effective from 1 January 2018 which the Group has only adopted since the commencement of the current financial year:

- Amendments to MFRS 140 'Classification on 'Change in Use' – Assets transferred to, or from, Investment Properties' (effective from 1 January 2018) clarify that to transfer to, or from investment properties there must be a change in use. A change in use would involve an assessment of whether a property meets, or has ceased to meet, the definition of investment property. The change must be supported by evidence that the change in use has occurred and a change in management's intention in isolation is not sufficient to support a transfer of property. The amendments also clarify the same principle applies to assets under construction.
- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' which 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' in replacement of MFRS 139 "Financial Instruments: Recognition and Measurement".
- MFRS 15 'Revenue from contracts with customers' in replacement of MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations.

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

- MFRS 9
  The application of MFRS 9 did not 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 inclusion of forward looking information and estimates. Given that the Group's credit risks are mainly concentrated in short-term trade receivables, the Group applied allowable practical-expedient in ECL provision based on a supportable "overdue-days matrix". The adoption of the ECL model did not increase credit impairment on initial application that would render the opening loss allowances determined under MFRS 9 on 1 July 2018 different from the ending impairment allowance under MFRS139 on 30 June 2018.

Quarterly report on consolidated results for the second financial quarter ended 31 December 2018

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

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

- MFRS 15
  The application of MFRS 15 did not result in any change to the timing and quantum of revenue recognition of the Group – compared to the requirements under MFRS 118 and 111. The Group's steel products conform to industry standards and specifications, and are sold mainly on spot and/or short-term-forward contracts with single point fulfilment at predetermined prices which under normal circumstances do not give rise to any contract assets or liabilities. The sales contract for "goods" is generally separated from "services", and these do not entail any financing feature beyond short credit periods customary to the industry. The Group's engineering business entails customised 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. The Group elected to adopt the "cumulative effect method" for outstanding contracts at the date of initial application, and no opening adjustment resulted from the aforementioned.

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.

- 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) which provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.
- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Venture' (effective from 1 January 2019)
- Amendments to MFRS 9 'Prepayment features with negative compensation' (effective 1 January 2019)
- Annual Improvements to MFRSs 2015 – 2017 Cycle:
  - Amendments to MFRS 3 'Business Combinations' (effective from 1 January 2019)
  - Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019)
  - Amendments to MFRS 123 'Borrowing Costs' (effective from 1 January 2019)
  - Amendments to MFRS 119 on Employee Benefits - 'Plan amendment, curtailment or settlement' (effective 1 January 2019)

The initial adoption of the above pronouncements- including MFRS 16 as summarised below- in the next financial year is not expected to have any significant impact on the financial statements of the Group.

MFRS 16 eliminates the classification of leases either by finance lease (on balance sheet) or operating lease (off balance sheet) and requires the lessee to recognise both the "rights" and "obligations" of the underlying lease on balance sheet. The "rights" is depreciated in accordance with the principles in MFRS116 whilst the lease liability is accreted over time with interest expense recognised in profit or loss. The Group would apply 'practical expedient option' on transition to MFRS 16 on contracts previously identified as leases under MFRS117 (i.e. such as rental contracts) and those entered into on or after initial application on 1 July 2019. In this regard, the Group currently does not have any off-balance-sheet lease contracts other than some non-cancellable operation lease on the rental of factories' land and buildings with annual rental obligations amounting to around RM3.8 million. The initial recognition of these under MFRS 16 in the next financial year is not expected to have significant impact on the Group's financial statements other than presentation on balance-sheet and disclosures.

Quarterly report on consolidated results for the second financial quarter ended 31 December 2018

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 2018 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 effects on the financial results during the current financial quarter. The Group's Engineering subsidiary's onerous construction contracts' estimated cost-to-completion are within the last revised 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
Last Revised Project's Profits/(Loss) budget as at:			
30/06/18 (No change @ 31 Dec 2018)	(75,756)	(13,597)	(89,353)
Recognised Project's Profits/(Loss) for the period:			
Cummulative Past Financial Years (FY16, 17 & 18)	(67,364)	(13,597)	(80,961)
Current Financial Year to-date @ 31 Dec 2018	-	-	-
	(67,364)	(13,597)	(80,961)
Recognised Project's LAD / DLP for the period:			
Cummulative Past Financial Years (FY16, 17 & 18)	(11,689)	(1,685)	(13,374)
Current Financial Year to-date @ 31 Dec 2018	-	-	-
Total recognised losses	(79,053)	(15,282)	(94,335)
Loss Provision reversed/(made) for the period:			
Cummulative Past Financial Years (FY16, 17 & 18)	(671)	(607)	(1,278)
Current Financial Year to-date @ 31 Dec 2018	437	515	952
	(234)	(92)	(326)
Loss Provision made on Project's LAD / DLP:			
Cummulative Past Financial Years (FY16, 17 & 18)	(11,689)	(1,685)	(13,374)
Current Financial Year to-date @ 31 Dec 2018	-	-	-
Recognised loss in provision	(11,923)	(1,777)	(13,700)

	Project # 1	Project # 2
% of completion based on cost as at 31/12/18	99.7%	99.3%

Quarterly report on consolidated results for the second financial quarter ended 31 December 2018

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A5 **Changes in estimates** (continued)

Project #1
Project # 1 has been completed with the Client's signed-off for phase 1 in May 2018 (in the preceding financial year) and for phase 2 in August 2018 (in the preceding quarter). Both phases are currently in their respective Defects Liability Period (DLP) shortened to eight months (expiring in Feb 2019 and May 2019 respectively) – where a total provision of RM3.2 million based on reliable estimates of probable economic outflows in meeting its DLP obligations was made in the preceding financial year.

At the close of the current financial quarter, the Engineering subsidiary has yet to reach any commercial-closure on the project's unscheduled variation claims amounting to RM74 million with the client. Correspondingly at the close of the current financial quarter, the Engineering subsidiary owes the client RM40.7 million for advances made on the project which is not due for repayment until after the final contract sum determination. The client has in the current financial quarter engaged an independent assessor to determine the aforementioned, and the Engineering subsidiary is hopeful for a commercial closure before the end of the current financial year.

Project # 2
The project reached physical completion at the turn of the current financial quarter but has encountered throughput performance shortfall for its phase 2 line during initial test runs, and specialist consultants have been engaged to address the issue. Preliminary study indicates a probable need to upgrade the conveyor drive-motors if extended run-in time does not solve the problem. The current monsoon season prevents final project "testing and commissioning" until towards the 4th financial quarter, which should accord sufficient time for the Engineering subsidiary to address the aforementioned issue. Further provisions could not be reliably estimated for the current financial quarter.

A6 **Debts and equity securities**

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

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

	31/12/2018	30/06/2018
Total interest bearing debts in RM'million	138.1	147.3
Adjusted Equity in RM'million	420.6	402.4
Absolute Gearing Ratio	0.33	0.37

Of the total interest bearing debts as at 31 December 2018, around RM100.4 million is represented by the respective debenture at its Steel Tube and Cold Rolled subsidiaries, whilst RM36.9 million is represented by unsecured interest-bearing supplier's credit also at the respective operating subsidiaries. (See Note B10).

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

Quarterly report on consolidated results for the second financial quarter ended 31 December 2018

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 '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	141,636	256,294	1,673	5,707	1,775	407,085
Inter segment	(1,526)	(12,914)	(144)	(5,325)	(1,750)	(21,659)
External revenue	140,110	243,380	1,529	382	25	385,426
Pre-tax profit/(losses)	8,849	(6,117)	(1,494)	(6,971)	546	(5,187)
Segment assets	219,166	394,819	9,402	92,681	3,276	719,344

Reconciliation of segment assets to total assets is as follows:

	RM'000
Segment assets	719,344
Deferred tax assets	1,258
Derivative financial asset	63
Tax recoverable	19
	720,684

A9 **Valuation of Property, Plant and Equipment (PPE)**

The valuation of PPE has been brought forward from the audited financial statements for the financial year ended 30 June 2018 and adjusted for depreciation where applicable to reflect the current period's ending net carrying value.

At the start of the current financial year, one of the factory property of the Group has been reclassified from PPE to 'Investment Property' arising from change in 'own use' to 'external rental'. Consequential adjustment on the property's deferred tax in revaluation reserve resulted in a positive write-back of RM1.1 million in 'Other Comprehensive Income' in the preceding 1st financial quarter.

Quarterly report on consolidated results for the second financial quarter ended 31 December 2018

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A10 **Fair value measurement**

Except for the financial instruments disclosed below which are fair valued, 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 are categorised into the following fair value hierarchy and are represented in the table below as at 31 December 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)	-	1.6	-
as Assets (hedge accounted)	-	61.8	-
as Liabilities (not hedge accounted)	-	(5.0)	-
as Liabilities (hedge accounted)	-	(443.7)	-
Total	-	(385.3)	-

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

A11 **Significant events and transactions**

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

A12 **Subsequent material events**

(i) Disposal of a Leasehold Land and Building located at Alor Gajah, Melaka

A subsidiary of the Company, Melewar Steel Mills Sdn Bhd ("MSM"), had entered into a conditional sale and purchase agreement with a buyer on 26 December 2017 to dispose of a leasehold land and building with disused machinery and equipment with a carrying book value of RM1,373,822 located at Alor Gajah, Melaka for a cash consideration of RM1,400,000. The disposal was completed on 11 January 2019 upon the receipt of the balance purchase price from the buyer.

(ii) Mycron Steel Berhad's ("Mycron") Rights Issue with Warrant

The Company has fully subscribed for its entitlement of renounceable rights issue of 40,410,044 new ordinary shares in Mycron ("Mycron Shares") ("Rights Shares") at 30 sens per rights share (on the basis of 1 Rights Share for every 5 Mycron Shares held) together with 20,205,022 free detachable warrants (on the basis of 1 Warrant for every 2 Rights Shares subscribed) for a total outlay of RM12,123,013 which were listed on 31 January 2019 in the Main Market under the "Industrial Products & Services" sector of Bursa Malaysia. The Company funded the subscription with the balance of its Rights Proceeds of RM 11,093,962 (see Note B9) and internal funds amounting to RM1,029,051.

Arising from the subscription, the Company's shareholding percentage in Mycron Steel Bhd has increased from 71.26% to 74.13%.

Quarterly report on consolidated results for the second financial quarter ended 31 December 2018

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A13 **Changes in the composition of the Group**

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

A14 **Contingent liabilities**

There were no contingent liabilities for the current financial quarter.

A15 **Capital commitments**

At the end of the current reporting quarter, the Group's Cold Rolled subsidiary has an outstanding capital commitment balance of around RM26.4 million. From this amount, RM8.3 million has been committed for the construction of a new Acid Regeneration Plant, RM17.9 million for the revamp of Continuous Pickling Line, and the remaining RM0.2 million for production-line motors replacement. The Group's Steel Tube subsidiary has an outstanding capital commitment balance of around RM2.1 million for plant-equipment. These capital commitments will be payable over established milestones running into financial years 2019 and 2020.

Quarterly report on consolidated results for the second financial quarter ended 31 December 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 (2nd quarter)		Changes		Cumulative Period		Changes	
	Current Year Quarter 31/12/2018	Preceding Year Corresponding Quarter 31/12/2017			Current Year To-date 31/12/2018	Preceding Year Corresponding Period 31/12/2017		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	188,851	203,198	(14,347)	-7%	385,426	389,498	(4,072)	-1%
Operating Profit	(4,978)	7,826	(12,804)	-164%	(2,386)	16,820	(19,206)	-114%
(Loss)/Profit Before Interest and Tax	(4,978)	6,997	(11,975)	-171%	(2,493)	15,991	(18,484)	-116%
(Loss)/Profit Before Tax	(6,314)	4,262	(10,576)	-248%	(5,187)	10,393	(15,580)	-150%
(Loss)/Profit After Tax	(5,213)	2,825	(8,038)	-285%	(6,139)	6,438	(12,577)	-195%
Loss Attributable to Ordinary Equity Holders of the Parent	(4,096)	1,325	(5,421)	-409%	(5,485)	3,254	(8,739)	-269%

The Group's revenue for the second financial quarter ended 31 December 2018 is 7% lower at RM188.9 million as compared to RM203.2 million achieved in the preceding year's corresponding quarter. At segment level, the revenue contribution from both the Steel Tube and Cold Rolled segments have decreased by 1% and 7% 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 4% due to the run-up in raw steel prices despite lower sales volume by 9% for the current financial quarter. The Engineering segment's revenue contribution is significantly lower by 88% due to the tail end of its construction contracts and in the absence of any new engagements in the last twelve months.

The Group recorded a pre-tax loss of RM6.3 million for the current financial quarter compared to a pre-tax profit of RM4.3 million in the preceding year's corresponding quarter. This is mainly attributed to sharply weaker performance in both the Cold Rolled and Steel Tube segments due to lower volume and margins - which knocked off bottom-line by RM8.7 million and RM3 million respectively, compared to the preceding year's corresponding quarter's pre-tax profit of RM4.1 million and RM5.5 million respectively. Pre-tax loss from the Engineering segment for the current financial quarter remains flat against the comparative period. At the post-tax level, the Group recorded an after-tax loss of RM5.2 million for the current financial quarter compared to the preceding year's corresponding quarter after-tax profit of RM2.8 million.

The Group recorded a lower EBITDA of RM0.2 million compared to the preceding year's corresponding quarter's EBITDA of RM12.8 million.

Quarterly report on consolidated results for the second financial quarter ended 31 December 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 31/12/2018	Immediate Preceding Quarter 30/9/2018	Changes	
	RM'000	RM'000	RM'000	%
Revenue	188,851	196,575	(7,724)	-4%
Operating (loss)/Profit	(4,978)	2,592	(7,570)	-292%
(Loss)/Profit Before Interest and Tax	(4,978)	2,485	(7,463)	-300%
(Loss)/Profit Before Tax	(6,314)	1,127	(7,441)	-660%
Loss After Tax	(5,213)	(926)	(4,287)	463%
Loss Attributable to Ordinary Equity Holders of the Parent	(4,096)	(1,389)	(2,707)	195%

The Group's revenue for the current financial quarter at RM188.9 million is 4% lower compared to the immediate preceding quarter's at RM196.6 million, due to lower contribution from its Steel Tube segment (down 17%) but higher contribution from its Cold Rolled segment (up 5%). The Steel Tube segment recorded lower sales volume (down 17%) and lower gross margin; whilst the Cold Rolled segment recorded higher sales volume (up 6%) but negative gross margin compared with the preceding quarter. The Engineering segment's revenue contribution to the Group remains negligible.

The Group registered a pre-tax loss of RM6.3 million compared with the immediate preceding quarter's pre-tax profit of RM1.1 million. The negative performance for the current financial quarter is mainly due to the sharply lower pre-tax profit contribution by the Steel Tube segment (down 58%) whilst the Cold Rolled segment's pre-tax loss amount has more than doubled compared to the preceding financial quarter. Pre-tax loss contribution from the Engineering segment remains flat at around RM 1 million. Consequently, the Group recorded a higher post-tax loss of RM5.2 million for the current quarter as compared to a post-tax loss of RM0.9 million in the immediate preceding quarter.

The Group recorded a lower EBITDA of RM0.2 million compared to the immediate preceding quarter's EBITDA of RM7.6 million.

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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 for the 4th fiscal quarter (which correspond to the Group's 2nd financial quarter) grew at 4.7% year-on-year (better than the last two quarters at 4.4% and 4.5% respectively) mainly due to private consumption growth. Growth in net exports and private investments were moderate, whilst public investments contracted for the last five consecutive quarters. This is reflected in the business and market sentiments which remain weak on the back of soft primary export commodities' prices; fallout from the protracted trade war between the world's two largest economies; fiscal pruning and consolidation under the new government; and generally heightened external geo-political risks.

Over the current and into the next financial quarter, the domestic steel industry faces triple threats from a weak market, product dumping from abroad, and rising cost. Demand for steel products in general has slowed significantly in tandem with the soft economy, halted mega-projects, and major overhang in the property sector. Effected steel protectionism elsewhere has given impetus for certain steel products to be dumped into the country, directly hurting certain segments of the domestic steel value-chain. On top of that, the steel industry has to endure higher electric tariff, higher gas prices, and higher minimum wage in an already difficult business environment. The Group's steel segments' negative performance for the current 2nd financial quarter compared with the positive preceding quarter and the positive preceding financial year's comparative quarter reflects the deteriorated business and market environment in-which it currently operates. To address unfair competition from imports, the Group's steel subsidiaries are actively engaging the Authorities to seek remedial and countervailing measures, and are participating with the Malaysia Steel Council to develop a White Paper on the way forward for the industry and possibly reshape the nation's iron & steel policy. The Group is optimistic that appropriate measures would be rolled out in due course.

The commercial-closure milestones of the Group's Engineering subsidiary's two onerous projects have dragged. Whilst the Group is optimistic that the commercial-closure of Project #1 with the client would conclude within the current financial year in-conjunction with the expiry of the project's defects-liability-period, the commercial-closure for Project #2 would likely flow into the next financial year with the recent technical set-back encountered in the project.

The Group's prospect outlook for the remaining financial year has turned from cautious to negative - especially for the next financial quarter which coincides with the Chinese New Year festive period and lower sales. Any rebound in the domestic market; rollout of countervailing steel trade measures; events triggering write-back of projects' provisions; or recognition of project's variation claims filed, may turn the tide towards a better outlook for the remaining financial year.

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

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

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

B5 **Profit before tax**

The following expenses have been charged in arriving at profit before tax:

	Current year quarter 31/12/2018 RM'000	Preceding year corresponding quarter 31/12/2017 RM'000	Current year to-date 31/12/2018 RM'000	Preceding year corresponding period 31/12/2017 RM'000
Depreciation and amortisation	(5,123)	(5,005)	(10,177)	(9,989)
Interest expenses	(1,683)	(3,260)	(3,283)	(6,462)
Interest income	347	525	589	864
Loss provision reversed on onerous contracts	289	-	952	-
FX differences (loss)/gain	385	8,179	(3,545)	10,424
FX derivatives gain/(loss)	(507)	(7,596)	3,211	(9,695)

B6 **Taxation**

Taxation comprises:

	Current year quarter 31/12/2018 RM'000	Preceding year corresponding quarter 31/12/2017 RM'000	Current year to date 31/12/2018 RM'000	Preceding year corresponding period 31/12/2017 RM'000
Current tax expense				
Current period	(785)	(1,277)	(3,406)	(3,121)
Deferred tax income/ (expense)				
Current period	1,886	(160)	2,454	(834)
	1,101	(1,437)	(952)	(3,955)

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.

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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.

The Company raised RM26,778,979 from its Rights Issue with free-warrant exercise in the preceding financial quarter on 24 August 2018, and had utilised RM15,685,017 in that same quarter. There was no further utilisation of the Rights Proceeds in the current financial quarter.

Cumulative summary on the utilisation of the Rights Proceeds as at the date of this report are as follows:

	RM'000		
Areas of Approved Utilization	Proposed Use	Actual Used	Balance to Use
a) Subscription of entitlement under Mycron's Rights Issue	11,094	0	11,094
b) Repayment of MIE's borrowings and/or general working capital	14,985	14,700	0
c) Estimated expenses in relation to the Rights Issue exercise	700	985	0
	26,779	15,685	11,094

Footnotes

a) The Company has provided an undertaking to Mycron Steel Bhd to meet the minimum subscription level to raise a minimum amount not less than RM10.8 million. The Company may subscribe up to its entire entitlement and if such sums exceed the unutilised Rights Proceeds of RM11,093,962 the Company may utilise its internally generate funds to fund the balance of the subscription amount. The Company had on 8 November 2018 announced an extension of time until 31 January 2019 to utilise this Proceed to subscribe for Mycron's Rights.

b) The Company extended RM14.7 million to the MIE (the Engineering subsidiary) for the repayment of its high-cost borrowings in-part.

c) The actual expenses exceeded the approved estimate by around RM285 thousands, and this difference was adjusted against the sum extended to MIE for its loan repayment.

The Group's 71.26% owned listed subsidiary, Mycron Steel Bhd had on 6 December 2018 announced the price fixing of its proposed renounceable Rights Issue (with free-warrants) at 30 sens per Rights share with the book closure date on 31 December 2018. See Note A12 (ii).

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

B10 **Group borrowings and debt securities**

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

	RM'000
Short-term borrowings	
Secured	80,478
Long-term borrowings	
Secured	20,709
Total borrowings	101,187

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 2018	119,309
Inflow from drawdown	114,260
Outflow on repayment	(134,521)
Non-cash movement	2,139
Closing balance at 31 December 2018	101,187

Based on the above borrowings, the Group's gearing ratio is around 0.24 times. The Group's Steel Tube subsidiary also draw on interest-bearing trade credits from its raw-coil suppliers with an outstanding amounts of RM36.9 million as at 31 December 2018. Inclusive of these interest bearing trade credits, the Group's absolute gearing ratio as at 31 December 2018 is around 0.33 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.

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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 31 December 2018 are outlined 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	1,003	1.6	2.5

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	1,350	5,605	-	2.5

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	29,672	123,474	61.8	443.7	Matching	29,672	n.a.	443.7	61.8

Besides the above unrealised positions, the Group has recorded a total realised net gain of around RM3.6 million from its FX Forward Contracts as hedging instruments with corresponding realised net loss of around RM4.1 million from its hedged items 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.

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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 had on 16 March 2017 issued a corporate guarantee to the Engineering subsidiary's client as a condition for partly funding the project's cost overrun (where the current outstanding sum totals to RM40.7 million). This amount owing to the client is due for repayment over twelve equal monthly instalment upon completion of the project and upon finalisation of the contract's variation cost (which would be determined at commercial closure). The Engineering subsidiary plans to cover this liability with the unscheduled variation claims amounting to RM74 million filed against the client. See Note A5.

The potential economic outflow in-relation to the abovementioned corporate guarantee is duly reflected in the Group's consolidated results with the full recognition of those onerous projects' losses in the past.

B13 **Material litigation**

The Group does not have any on-going 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.

B14 **Dividends**

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

B15 (**Loss)/Earnings per share**

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

	Current year quarter 31/12/2018	Preceding year corresponding quarter 31/12/2017	Current year to date 31/12/2018	Preceding year corresponding period 31/12/2017
(Loss)/Profit attributable to owners of the Company (RM'000)	(4,096)	1,325	(5,485)	3,254
Weighted average number of ordinary shares in issue ('000)	322,975	235,242	322,975	235,242
Basic (loss)/earnings per share (sen)	**(1.27)**	**0.56***	**(1.70)**	**1.38***

***** Basic EPS for the comparative quarter and period which was previously stated at 0.58 and 1.44 sens has been restated for the effects of the 'Rights Issue with free Warrant' concluded in the preceding financial quarter.

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

B15 (**Loss)/Earnings per share** (continued)

(ii) Diluted loss per ordinary share

No diluted loss per share is presented as the issued and listed warrants are in an anti-dilutive position given that its exercisable price (at 40 sens) is above the market price of the listed mother share at the close of the current financial quarter.

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
27 February 2019