Quarterly report on consolidated results for the third financial quarter ended 31 March 2019

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.

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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 third financial quarter ended 31 March 2019

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**

The Group's Engineering subsidiary applies critical estimates and judgement in accounting for its construction contracts. Updates on the subsidiary's construction contracts and changes in estimates made during the current financial quarter are outlined below.

Project #1
Project # 1 was completed with the Client's signed-off for phase 1 in May 2018 (the preceding financial year) and for phase 2 in August 2018 (the 1st quarter of the current financial year). Over the current financial quarter, the Defect Liability Period (DLP) for phase 1 expired on February 2019 without any material claims. DLP provisions made in the preceding financial year totaling RM3.2 million would be reviewed for adjustment upon expiry of phase 2's DLP in May 2019 (the next financial quarter).

The Engineering subsidiary has yet to reach any commercial-closure with the client on the project's unscheduled variation claims amounting to RM74 million at the end of the current financial quarter. Correspondingly, project advances owing to the client amounting to RM40.6 million is not due for repayment until determination of the latter. Refer to Note A12, on material subsequent event relating to this matter.

Project #2
Over the current financial quarter, the Engineering subsidiary increased the cost budget and corresponding losses on its last uncompleted onerous construction contract by RM4.25 million due to client's back-charges and additional cost estimates arising from engineering complications. The subsidiary has rescheduled to push back the planned completion of the project by the current financial year end. Past provisions made for LAD (Liquidated Ascertained Damages) amounting to RM1.3 million and DLP of RM0.38 million would likely be adjusted only in the next financial year in tandem with the eventual contractual closure.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2019

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A5 **Changes in estimates** (continued)

all in RM'000	Onerous Construction Contracts		
	Project # 1	Project # 2	Total
Original project's profits/(loss) budget	9,000	1,500	10,500
Recognised project's profits/(loss):			
Cummulative past financial years (FY16, 17 & 18)	(67,364)	(13,597)	(80,961)
Current financial year-to-date @ 31 Mar 2019	-	(4,249)	(4,249)
	(67,364)	(17,846)	(85,210)
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 Mar 2019	-	-	-
Total recognised losses	(79,053)	(19,531)	(98,584)
Project's loss provision reversed/(made):			
Cummulative past financial y'ears (FY16, 17 & 18)	(671)	(607)	(1,278)
Current financial year to-date @ 31 Mar 2019	551	42	593
	(120)	(565)	(685)
Project's LAD & DLP reversed/(made):			
Cummulative past financial years (FY16, 17 & 18)	(11,689)	(1,685)	(13,374)
Current financial year-to-date @ 31 Mar 2019	-	-	-
Losses recognised in provision	(11,809)	(2,250)	(14,059)

	Project # 1	Project # 2
Stage of completion based on cost as at 31/03/19	Completed	96.8%

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.

	31/03/2019	30/06/2018
Total interest bearing debts in RM'million	112.8	147.3
Adjusted Equity in RM'million	408.3	402.4
Absolute Gearing Ratio	0.28	0.37

Of the total interest bearing debts as at 31 March 2019, around RM101.8 million is represented by the respective debenture at its Steel Tube and Cold Rolled subsidiaries, whilst RM10.3 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 March 2019, except for the Cold Rolled subsidiary's Debt Service Cover Ratio due to its operating loss position. The subsidiary shall seek waiver indulgence on the said covenant ratio for the current financial year.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2019

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	198,244	365,137	1,450	8,832	2,144	575,807
Inter segment	(2,050)	(21,330)	(192)	(8,259)	(2,063)	(33,894)
External revenue	196,194	343,807	1,258	573	81	541,913
Pre-tax profit/(losses)	9,573	(11,222)	(6,442)	(10,185)	264	(18,012)
Segment assets	194,294	344,746	9,240	87,013	2,030	637,323

Reconciliation of segment assets to total assets is as follows:

	RM'000
Segment assets	637,323
Deferred tax assets	1,286
Derivative financial asset	90
Tax recoverable	234
	638,933

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 1st quarter of the current financial year.

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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 March 2019:

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)	-	6.7	-
as Assets (hedge accounted)	-	83.1	-
as Liabilities (not hedge accounted)	-	(88.6)	-
as Liabilities (hedge accounted)	-	(609.4)	-
Total	-	(608.2)	-

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**

(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 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 RM11,093,962 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%.

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Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A12 **Subsequent material events**

On 15 April 2019, the Engineering subsidiary entered into a Second Supplemental Agreement ("2nd SA") with the client of Project #1 for commercial closure wherein the subsidiary surrender its rights on those unscheduled variation claims (amounting to RM74 million) in-return of the client dropping its claims on project advances made on behalf of the subsidiary (amounting to RM40.6 million), and on LAD rights (amounting to RM8.4 million) for late project delivery. Considering that the latter two sums have been accounted into the project's losses whilst the former sum has not been taken-up, the accounting of the 2nd SA in the next financial quarter will result in a positive contribution of RM49 million to the subsidiary and the Group.

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

There were no changes to the composition of the Group during the current financial quarter other than the increase in the Company's shareholding percentage in Mycron Steel Bhd as disclosed in Note A11(ii).

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 RM23.8 million. From this amount, RM7.5 million has been committed for the construction of a new Acid Regeneration Plant, RM16.3 million for the revamp of Continuous Pickling Line. The Group's Steel Tube subsidiary has an outstanding capital commitment balance of around RM1.8 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 third financial quarter ended 31 March 2019

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 31/03/2019	Preceding Year Corresponding Quarter 31/3/2018			Current Year To-date 31/03/2019	Preceding Year Corresponding Period 31/3/2018		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	156,487	211,082	(54,595)	-26%	541,913	600,580	(58,667)	-10%
Operating (Loss)/Profit	(11,583)	5,647	(17,230)	-305%	(13,969)	22,467	(36,436)	-162%
(Loss)/Profit Before Interest and Tax	(11,526)	5,647	(17,173)	-304%	(14,019)	21,638	(35,657)	-165%
(Loss)/Profit Before Tax	(12,825)	3,606	(16,431)	-456%	(18,012)	13,999	(32,011)	-229%
(Loss)/Profit After Tax	(11,244)	2,010	(13,254)	-659%	(17,383)	8,448	(25,831)	-306%
(Loss)/Profit Attributable to Ordinary Equity Holders of the Parent	(10,031)	880	(10,911)	-1240%	(15,516)	4,134	(19,650)	-475%

The Group's revenue for the third financial quarter ended 31 March 2019 is 26% lower at RM156.5 million compared to RM211 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 19% and 27% respectively for the current financial quarter compared to the preceding year's corresponding quarter. The overall steel segments' lower revenue is attributed to significantly lower sales volume by 21% and lower average unit selling price by around 2% for the current financial quarter. The Engineering segment's revenue contribution drop by 106% 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 RM12.8 million for the current financial quarter compared to a pre-tax profit of RM3.6 million in the preceding year's corresponding quarter. This is mainly attributed to a much weaker performance recorded in both the Cold Rolled and Steel Tube segments due to lower volume and margins -which knocked off bottom-line by RM8.5 million and RM4.6 million respectively, compared to the preceding year's corresponding quarter's pre-tax profit of RM3.4 million and RM5.3 million respectively. Pre-tax loss from the Engineering segment for the current financial quarter has also contributed negatively to the bottom line by an additional RM3.3 million as a result of additional loss recognition made of RM4.25 million on Project#2 for the current financial quarter (see Note A5). At the post-tax level, the Group recorded an after-tax loss of RM11.2 million for the current financial quarter compared to the preceding year's corresponding quarter after-tax profit of RM2 million.

The Group recorded a negative EBITDA of RM6.4 million for the current financial quarter compared to the preceding year's corresponding quarter's positive EBITDA of RM10.7 million.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2019

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 31/03/2019	Immediate Preceding Quarter 31/12/2018	Changes	
	RM'000	RM'000	RM'000	%
Revenue	156,487	188,851	(32,364)	-17%
Operating loss	(11,583)	(4,978)	(6,605)	133%
Loss Before Interest and Tax	(11,526)	(4,978)	(6,548)	132%
Loss Before Tax	(12,825)	(6,314)	(6,511)	103%
Loss After Tax	(11,244)	(5,213)	(6,031)	116%
Loss Attributable to Ordinary Equity Holders of the Parent	(10,031)	(4,096)	(5,935)	145%

The Group's revenue for the current financial quarter at RM156.5 million is 17% lower compared to the immediate preceding quarter's at RM188.9 million, mainly due to lower contribution from both its Cold Rolled and Steel Tube segments (down by 19% and 12%, respectively). Both the Cold Rolled and Steel Tube segments recorded lower sales volume (down by 15% and 10%, respectively) with lower gross margin compared with the immediate preceding quarter.

The Group registered a pre-tax loss of RM12.8 million compared with the immediate preceding quarter's pre-tax loss of RM6.3 million. The negative performance for the current financial quarter is mainly due to the pre-tax loss contribution from the Engineering segment of RM4.9 million for the current financial quarter resulting from additional loss recognition made of RM4.25 million (see Note A5) for the current financial quarter. The Steel Tube segment suffered a decline in pre-tax profit contribution of RM1.9 million (down by 72%) from a pre-tax profit of RM2.6 million to RM0.7 million in the current financial quarter whilst the Cold Rolled segment's pre-tax loss has increased by RM0.5 million from a pre-tax loss of RM4.6 million in the immediate preceding quarter to a pre-tax loss of RM5.1 million in the current financial quarter. Consequently, the Group recorded a higher post-tax loss of RM11.2 million for the current quarter as compared to a post-tax loss of RM5.2 million in the immediate preceding quarter.

The Group recorded a negative EBITDA of RM6.4 million for the current financial quarter compared to the immediate preceding quarter's EBITDA of RM0.2 million.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2019

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 1st fiscal quarter for 2019 (which correspond to the Group's 3rd financial quarter) grew at a commendable pace of 4.5% year-on-year on the back of significant global economic headwind and downward pressure on the domestic economy. Further escalation of the year-long trade war between the world's two largest economies following the breakdown of trade-talks sent global markets into a tail-spin. At the home-front, the exit of the Norwegian wealth fund and the potential exclusion from the FTSE Russell's World Government Bond Index add anxiety to the already skittish market sentiment riled by the depressed equity and property markets; lackluster corporate performances; slow reforms; and the persistently weak Ringgit.

The domestic steel industry will likely continue to face a challenging market environment in the next financial quarter. As such, the Group's steel segments' performance in the next and the last financial quarter saddling the seasonally low Ramadan festive period would likely stay subdued in-tandem with the anticipated slower economic growth. The Cold-Rolled segment's loss performance for the current financial quarter had worsen with the continued dumping of foreign cold-roll-coil (CRC) into the domestic market. However the year-long effort by the Cold-Rolled subsidiary to address unfair trade practices from foreign manufacturers, eventually culminated to the initiation of anti-dumping duty investigation on 29 March 2019 by the authorities. On 8 May 2019, the authorities revised anti-dumping duties on specific CRC exporters of width up to 1,300 mm from China, Korea, and Vietnam at various rates. Extension of the anti-dumping duties on CRC of width above 1,300 mm is expected by July 2019. Whilst the anti-dumping duty rates on certain producers may still seem inadequate, the overall development should be positive for the CRC subsidiary moving into the next financial year. Besides the aforementioned, the current state of lower inflationary pressure, and the recent interest rate cut should ease cost pressure on the steel operations in the immediate term. Over the medium and longer term, the recently announced revival of the Light Rail Transit Line 3, the East Coast Rail Line, and the Bandar Malaysia project; and the potential spillover development surrounding these projects – add a positive tone to an otherwise gloomy outlook. The Group's Steel Tube and the Cold-Rolled segments' performance could potentially benefit from these projects over their development periods, if the country's 'buy Malaysian first' directive is consistently applied.

Whilst tail-end challenges continued to plague the Engineering subsidiary's last outstanding onerous construction project in the current financial quarter, the commercial closure of the other project in May 2019 (see Note A12) will result in a positive contribution of around RM49 million to the Group's bottom-line in next financial quarter. As such, despite the Group's year-to-date net loss position and its cautious outlook for the remaining financial period due to heightened external risks and mounting uncertainties, the Group may likely conclude the current financial year in a net gain position.

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 2019

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

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

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

	Current year quarter 31/03/2019 RM’000	Preceding year corresponding quarter 31/03/2018 RM’000	Current year to-date 31/03/2019 RM’000	Preceding year corresponding period 31/03/2018 RM’000
Depreciation and amortisation	(5,144)	(5,015)	(15,321)	(15,004)
Interest expenses	(1,845)	(2,356)	(5,128)	(8,818)
Interest income	546	315	1,135	1,179
Loss recognised for onerous contracts	(4,608)	-	(3,656)	-
FX differences gain/(loss)	1,458	7,104	(2,088)	17,528
FX derivatives (loss)/gain	(1,519)	(6,721)	1,692	(16,416)

B6 **Taxation**

Taxation comprises:

	Current year quarter 31/03/2019 RM’000	Preceding year corresponding quarter 31/03/2018 RM’000	Current year to date 31/03/2019 RM’000	Preceding year corresponding period 31/03/2018 RM’000
Current tax expense				
Current period	(474)	(1,452)	(3,880)	(4,573)
Overprovision in prior year	108	124	108	124
Deferred tax income/ (expense)				
Current period	1,947	(268)	4,401	(1,102)
	1,581	(1,596)	629	(5,551)

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 2019

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

B9 **Status of corporate proposals**

There are no outstanding corporate proposals as at the date of this announcement.

B10 **Group borrowings and debt securities**

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

	RM'000
Short-term borrowings	
Secured	82,418
Long-term borrowings	
Secured	20,090
Total borrowings	102,508

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	164,021
Outflow on repayment	(183,099)
Non-cash movement	2,277
Closing balance at 31 March 2019	102,508

Based on the above borrowings, the Group's gearing ratio is around 0.25 times. The Group's Steel Tube subsidiary also draw on interest-bearing trade credits from its raw-coil suppliers with an outstanding amount of RM10.3 million as at 31 March 2019. Inclusive of these interest bearing trade credits, the Group's absolute gearing ratio as at 31 March 2019 is around 0.28 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 March 2019 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	6.7	0.2

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	-	88.4

Designated

FX Forward Contracts as designated hedging Instrument					Forward purchase of raw material and/or a/c payable as hedge items				
	Notional Value '000		Fair Value RM'000			Notional Value '000		Fair Value RM'000	
Maturity	Long USD	Short RM	Financial Asset	Financial Liability	Maturity	Short USD	n.a.	Financial Asset	Financial Liability
Less than 1 year	35,410	145,451	83.1	609.4	Matching	35,410	n.a.	609.4	83.1

Besides the above unrealised positions, the Group has recorded a total realised net gain of around RM2.3 million from its FX Forward Contracts as hedging instruments with corresponding realised net loss of around RM2.9 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 in support of the client's agreement to partially fund the project's cost overrun (where a sum totaling RM40.6 million has since been advanced). Subsequent to the close of the current financial quarter on 15 April 2019, the said corporate guarantee has been returned to the Company upon closure of the matter with the signing of the Second Supplemental Agreement (see Note A12).

B13 **Material litigation**

On 28 March 2019, MMC Tepat Teknik Sdn Bhd (a subcontractor for design & engineering works for the Engineering subsidiary's Project#1) has issued notice to the subsidiary to pay for the collective adjudication sum won of RM2.68 million pursuant to section 466 of the Companies Act 2016. The Engineering subsidiary has since met up with the claimant for settlement discussions but futile, and has in the subsequent period on 17 May 2019 initiated its contractual rights for arbitration to fend-off winding-up proceedings by the said subcontractor. The disputed outstanding sum to the subcontractor has been duly recognised in its project costs previously.

Besides the above, the Group did not engaged in any material litigation, either as a plaintiff or defendant, claims or arbitration which have a material effect on the financial position of the Group and the Board is not aware of any proceedings pending or threatened against the Group or of any other facts likely to give rise to any proceedings which may materially and/or adversely affect the financial position and business of the Group as at the date of this announcement.

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 31/03/2019	Preceding year corresponding quarter 31/03/2018	Current year to date 31/03/2019	Preceding year corresponding period 31/03/2018
(Loss)/Profit attributable to owners of the Company (RM'000)	(10,031)	880	(15,516)	4,134
Weighted average number of ordinary shares in issue ('000)	359,418	235,242	334,945	235,242
Basic (loss)/earnings per share (sen)	**(2.79)**	**0.37***	**(4.63)**	**1.76***

***** Basic EPS for the comparative quarter and period which was previously stated at 0.39 and 1.83 sens respectively has been restated for the effects of the 'Rights Issue with free Warrant' concluded in the first 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
28 May 2019