Quarterly report on consolidated results for the fourth financial quarter ended 30 June 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 which entails opening adjustments as opposed to restating prior reporting period presented.

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.

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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 subjected 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**

Except for the significant write-back on an onerous construction contract by the Engineering subsidiary (see Note A5, Project #1 below) which resulted in current financial quarter's abnormal profits, there are no other 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 (now at tail-end stage) and changes in estimates made during the current financial quarter are outlined below.

Project #1

Project #1 was duly completed with the Client's signed-off for phase 1 on May 2018 in the preceding financial year and for phase 2 on August 2018 in the 1st quarter of the current financial year. The Defect Liability Period (DLP) for both phases expired in February and May 2019 respectively resulting in a net write-back of DLP provisions of RM3.23 million in the current financial quarter.

The Engineering subsidiary had entered into commercial-settlement agreement with the client on 15 April 2019, wherein the engineering subsidiary would relinquish its unscheduled variation claims of RM74 million and the balance retention sum of RM2.09 million against the client, in-return for the client to fully relinquishing its claims on advances made of RM40.61 million and its rights on Liquidated Ascertained Damages (LAD) claim of RM8.39 million. Given that the unscheduled variation claims against the client has never been recognised, the aforementioned settlement resulted in a net write-back of RM46.9 million on the project over the current financial quarter.

The combined write-back resulted in a positive adjustment of around RM50.1 million for the current financial quarter/year, reducing the total recognised loss for the project from RM79 million to RM28.9 million.

Project #2

As at the end of the current financial quarter, Project #2 has not reached contractual completion as the Client's sign-off has yet to be obtained for both phases of the project. The subsidiary reported that the project is physically completed with numerous trial and commercial runs been made by the Client on the conveyor-loader system for the export of silica sand.

A5 **Changes in estimates** (continued)

No further adjustment to the project's cost budget was made in the current financial quarter, since the preceding quarter's increase of RM 4.25 million. Percentage-of-Completion for the project based on 'cost incurred' as at the end of the current period is around 97.7% compared with the preceding quarter's at 96.8% (preceding financial year at 96%).

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 ended @ 30 June 2019	57	(4,249)	(4,192)
	(67,307)	(17,846)	(85,153)
Recognised project's LAD & DLP for the period:			
Cummulative past financial years (FY16, 17 & 18)	(11,689)	(1,685)	(13,374)
Current financial year ended @ 30 June 2019	11,615	-	11,615
	(74)	(1,685)	(1,759)
Net gain on waiver of amount owing to Client	38,518	-	38,518
Total recognised losses	(28,863)	(19,531)	(48,394)
Project's loss provision reversed/(made):			
Cummulative past financial y'ears (FY16, 17 & 18)	(671)	(607)	(1,278)
Current financial year ended @ 30 June 2019	671	198	869
	-	(409)	(409)
Project's LAD & DLP reversed/(made):			
Cummulative past financial years (FY16, 17 & 18)	(11,689)	(1,685)	(13,374)
Current financial year ended @ 30 June 2019	11,689	-	11,689
Losses recognised in provision	-	(2,094)	(2,094)
Percentage completion based on cost @ 30/06/2019	100.0%	97.7%	

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 Company's issuance and listing of 133,894,895 new shares and corresponding 66,947,418 free detachable warrants pursuant to a Rights Issue was concluded in the 1st financial quarter.

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

	30/06/2019	30/06/2018
Total interest bearing debts in RM'million	119.6	147.3
Adjusted Equity in RM'million	471.6	402.4
Absolute Gearing Ratio	0.25	0.37

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Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

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

Of the total interest bearing debts as at 30 June 2019, around RM109.4 million is represented by the respective debenture at its Steel Tube and Cold Rolled subsidiaries, whilst RM9.5 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 30 June 2019, except for the Cold Rolled subsidiary's Debt Service Cover Ratio due to its operating loss position. The subsidiary has obtained waiver indulgence on the said covenant ratio for the current financial year.

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	259,695	462,959	1,848	11,704	1,865	738,071
Inter segment	(2,470)	(28,170)	(192)	(10,940)	(2,292)	(44,064)
External revenue	257,225	434,789	1,656	764	(427)	694,007
Pre-tax profit/(losses)	11,851	(12,681)	43,091	(12,421)	(167)	29,673
Segment assets	191,673	434,457	7,112	95,465	1,364	730,071

Reconciliation of segment assets to total assets is as follows:

	RM'000
Segment assets	730,071
Deferred tax assets	1,284
Derivative financial asset	800
Tax recoverable	290
	732,445

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Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

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

In conjunction with the current financial year ended 30 June 2019, the Group's property, plant and equipment were revalued by an independent firm of professional valuers based on open market value. Arising from the said revaluation, the surpluses net deferred tax amounting to RM12.5 million was credited to the asset revaluation reserve under Other Comprehensive Income and fair value gain amounting to RM0.7 million was credited to Profit or Loss, while the deficits (net impairment charge on planned assets write-off) totaling RM1.9 million was charged to Profit or Loss as an impairment loss/write down after netting any prior corresponding revaluation gains in the current financial quarter.

At the start of the current financial year, one of the factory property of the Group has been reclassified from PPE to 'Investment Property' due to change in use from 'own' to 'external rental'.

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 30 June 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)	-	0.3	-
as Assets (hedge accounted)	-	799.6	-
as Liabilities (not hedge accounted)	-	(15.2)	-
as Liabilities (hedge accounted)	-	(214.8)	-
Total	-	569.9	-

The Level 2 category comprises of Foreign Currency Forwards which are fair valued by way of marking-to-market using reference bank's published forward rates.

A11 **Significant events and transactions**

Besides the Engineering subsidiary's commercial closure on one of its onerous construction contract which resulted in significant reversal of past recognised losses in the current financial quarter (see Note A5, Project #1), there were no other significant events or transactions for the current quarter affecting the Group's financial position and performance of its entities.

Quarterly report on consolidated results for the fourth financial quarter ended 30 June 2019

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A12 **Subsequent material events**

There are no known material subsequent events up-till the date of this report which may affect the Group's financial position and performance of its entities.

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 RM20.7 million. From this amount, RM6.1 million has been committed for the construction of a new Acid Regeneration Plant, RM14.6 million for the revamp of Continuous Pickling Line. The Group's Steel Tube subsidiary has an outstanding capital commitment balance of around RM0.9 million for plant-equipment. These capital commitments will be payable over established milestones running into financial year 2020.

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

B1 **Review of the performance of the Company and its principal subsidiaries**

	Individual Period (4th quarter)		Changes		Cumulative Period		Changes	
	Current Year Quarter 30/06/2019	Preceding Year Corresponding Quarter 30/6/2018			Current Year To-date 30/06/2019	Preceding Year Corresponding Period 30/6/2018		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	152,094	215,513	(63,419)	-29%	694,007	816,093	(122,086)	-15%
Operating Profit/(Loss)	50,308	8,137	42,171	518%	36,339	30,604	5,735	19%
Profit/(Loss) Before Interest and Tax	49,007	(1,250)	50,257	4021%	34,988	20,388	14,600	72%
Profit/(Loss) Before Tax	47,685	(2,755)	50,440	1831%	29,673	11,244	18,429	164%
Profit/(Loss) After Tax	44,891	(4,426)	49,317	1114%	27,508	4,022	23,486	584%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	46,201	(4,802)	51,003	1062%	30,685	(668)	31,353	4694%

The Group's revenue for the fourth financial quarter ended 30 June 2019 is 29% lower at RM152.1 million as compared to RM215.5 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 drastically declined by 16% and 32% respectively for the current financial quarter compared to the preceding year's corresponding quarter. The overall steel segments' lower revenue is attributed to significantly reduced sales volume by 22% as well as achieving lower average selling price by around 4% for the current financial quarter. The Engineering segment's revenue contribution has also dropped by 95% 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 profit of RM47.7 million for the current financial quarter compared to a pre-tax loss of RM2.8 million in the preceding year's corresponding quarter. Despite the significantly weaker performance recorded in both the Cold Rolled and Steel Tube segments due to lower volume and margins - which reduced the bottom-line in both segments by around RM2.3 million each - the sharp rise in profits over the current financial quarter is attributed to the Engineering segment's write-back of RM50.1 million on past recognised losses on one of its onerous construction contracts pursuant to the commercial settlement with its client along with the lapse of the project's defects-liability-period (see Note A5, Project #1). In addition, the current financial quarter has negligible impairment losses in trade and other receivables compared to the preceding year corresponding quarter's impairment of RM8 million. At the post-tax level, the Group recorded an after-tax profit of RM44.9 million for the current financial quarter compared to the preceding year's corresponding quarter after-tax losses of RM4.4 million.

The Group recorded a higher EBITDA of RM55.3 million for the current financial quarter compared to the preceding year's corresponding quarter's EBITDA of RM12.9 million.

Quarterly report on consolidated results for the fourth financial quarter ended 30 June 2019

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

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

	Current Quarter 30/06/2019	Immediate Preceding Quarter 31/03/2019	Changes	
	RM'000	RM'000	RM'000	%
Revenue	152,094	156,487	(4,393)	-3%
Operating Profit/(Loss)	50,308	(11,583)	61,891	534%
Profit/(Loss) Before Interest and Tax	49,007	(11,526)	60,533	525%
Profit/(Loss) Before Tax	47,685	(12,825)	60,510	472%
Profit/(Loss) After Tax	44,891	(11,244)	56,135	499%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	46,201	(10,031)	56,232	561%

The Group's revenue for the current financial quarter at RM152.1 million is 3% lower compared to the immediate preceding quarter's at RM156.5 million, mainly due to lower contribution from its Cold Rolled segment (down by RM9.5 million) partially mitigated by a better performance from its Steel Tube segment (up by RM4.9 million). The overall steel performance recorded a lower sales volume (down by 2%) and lower average selling price (down by 1%) for the current financial quarter compared with the immediate preceding quarter.

The Group registered a pre-tax profit of RM47.7 million compared with the immediate preceding quarter's pre-tax loss of RM12.8 million. The better performance for the current financial quarter is mainly due to a large pre-tax profit contribution of RM49 million from the Engineering segment arising from its write-back of RM50.1 million on past recognised losses on one of its onerous construction contracts pursuant to the commercial settlement with the client along with the lapse of the project's defects-liability period. (See Note A5, Project #1). The steel segment has also recorded a combined pre-tax profit of RM0.8 million for the current financial quarter compared to a pre-tax losses of RM4.4 million in the immediate preceding quarter. Consequently, the Group recorded a sharply higher post-tax profit of RM44.9 million for the current quarter as compared to a post-tax loss of RM11.2 million in the immediate preceding quarter.

The Group recorded a positive EBITDA of RM55.3 million for the current financial quarter compared to the immediate preceding quarter's negative EBITDA of RM6.4 million.

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

B3 Prospects for the next financial year

The Country's GDP for the 2nd fiscal quarter for 2019 (which correspond to the Group's 4th financial quarter) grew at a higher pace of 4.9% year-on-year (4.5% last quarter) driven largely by domestic consumption on the backdrop of global economic slowdown tied to the deepened protracted trade war between the world's two largest economies, coupled with the ramifications from numerous geopolitical flashpoints. Moving into the next financial year, these external threats would likely further manifest in-tandem with sustained sanctions, trade-protectionism, and hardline policies. At the home-front, those sectors entwined in the global supply chain and export-commodities will likely continue to bear the brunt of slowdown, whilst spillover effects from assets/ investment relocation into the country -as reported on the recent historic-high FDI inflows- may provide some uplift. However, the overall net impact still poses significant downside risk from the very least a slower growth. Sentiment remains weak as reflected in the sliding private investment trend in-tandem with the soft financial markets, anemic Ringgit, and subdued corporate performances.

The domestic steel industry generally had performed badly for the 2018/19 period due to the consequential effects from the rise in external trade-protectionism, and the 'adjustment and consolidation' dip following the vanguard change in the last general election. The active few domestic Cold Rollers –including the Group's Cold Rolled subsidiary – suffered major losses as the rise of protectionism in the West diverted Asian's cold-rolled-coils dumping into vulnerable and unprotected markets such as Malaysia. The domestic steel tube sector- including the Group's steel tube subsidiary- was somewhat shielded by prevailed tariff but suffered from the post-election dip as major projects were halted for review coupled with other spending cuts. Outlook and performance only turned better in the current 4th financial quarter as the authorities' effort to address the foreign cold-rolled-coil (CRC) dumping into the domestic market begun to gain traction; coupled with the revival of the renegotiated Light Rail Transit Line 3, the East Coast Rail Line (ECRL), and the Bandar Malaysia project – which could significantly boost steel demand over the next 4 to 6 years. The country's embrace of China's belt-and-road initiative with the Chinese as joint owner and operator of the ECRL project is expected to spur significant developments along the served areas. The Group's Steel Tube and the Cold-Rolled segments' performance could potentially benefit from these projects over their development cycles, if the country's 'buy Malaysian first' directive is consistently applied.

The Group's strong profit performance for the current financial year is solely attributed to its Engineering subsidiary's partial write-back of major losses previously recognized (particularly in financial year 2017) on one its onerous construction contract pursuant to its commercial settlement with the client in the current financial quarter. (See Note 5A, Project #1). Moving into the next financial year, there will not be any similar scale recovery by the Engineering subsidiary on its last outstanding onerous construction contract. In the absence of any new engagement contract over the current financial year or next, the Group's performance in the next financial year is unlikely to be materially driven by its Engineering subsidiary.

Considering the above, the Group's prospect for the next financial year would largely hinge on its steel subsidiaries' performance. In that regard, the Group's outlook for the next financial year remains 'cautious' considering the gestation period of those mentioned impetus infrastructural projects which may well go beyond twelve months. Barring any severe external shocks or material deterioration in the domestic economy, the Group is hopeful to continue to deliver a positive performance for the next 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/(Loss) before tax**

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

	Current year quarter 30/06/2019 RM'000	Preceding year corresponding quarter 30/06/2018 RM'000	Current year to-date 30/06/2019 RM'000	Preceding year corresponding period 30/06/2018 RM'000
Depreciation and amortisation	(5,034)	(4,776)	(20,355)	(19,780)
Interest expenses	(1,776)	(1,848)	(6,904)	(10,666)
Interest income	454	343	1,589	1,522
Write back of loss provision for onerous contract	50,311	21,152	50,862	21,152
Loss reversed/(recognised) for onerous contract	156	(6,405)	(4,051)	(6,405)
FX differences (loss)/gain	(1,421)	(7,212)	(3,509)	10,316
FX derivatives gain/(loss)	1,524	6,833	3,216	(9,583)

B6 **Taxation**

Taxation comprises:

	Current year quarter 30/06/2019 RM'000	Preceding year corresponding quarter 30/06/2018 RM'000	Current year to date 30/06/2019 RM'000	Preceding year corresponding period 30/06/2018 RM'000
Current tax expense				
Current year	(424)	(1,340)	(4,304)	(5,913)
Over provision in prior year	5	(83)	113	41
Deferred tax expense				
Current year	(2,375)	(248)	2,026	(1,350)
	(2,794)	(1,671)	(2,165)	(7,222)

Arising from the new tax law in 2019 which limits the carrying forward period on tax losses and reinvestment allowance to 7 years, the Group has assessed its carrying unabsorbed tax losses and allowances, and has deferred recognition of allowable deferred-tax-asset where appropriate for the current period. No impairment of carrying deferred-tax-asset was deemed necessary at this juncture.

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.

Quarterly report on consolidated results for the fourth financial quarter ended 30 June 2019

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

B8 **Purchase or disposal of quoted securities**

There are no purchases or disposals of quoted securities in the current financial quarter.

B9 **Status of corporate proposals**

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

B10 **Group borrowings and debt securities**

The Group's borrowings, denominated entirely in Ringgit Malaysia from lending institutions as at 30 June 2019 undertaken by its Steel subsidiaries are as follows:

	RM'000
Short-term borrowings	
Secured	88,464
Long-term borrowings	
Secured	21,675
Total borrowings	110,139

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	227,401
Outflow on repayment	(239,822)
Non-cash movement	3,251
Closing balance at 30 June 2019	110,139

Based on the above borrowings, the Group's gearing ratio is around 0.23 times. The Group's Steel Tube subsidiary also draw on interest-bearing trade credits from its raw-coil suppliers with an outstanding amount of RM9.5 million as at 30 June 2019. Inclusive of these interest bearing trade credits, the Group's absolute gearing ratio as at 30 June 2019 is around 0.25 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.

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

B11 **Outstanding derivatives** (continued)

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 30 June 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	360	1,095	0.3	15.2

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	-	-	-	-

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	35,007	144,694	799.6	214.8	Matching	35,007	n.a.	214.8	799.6

Besides the above unrealised positions, the Group has recorded a total realised net gain of around RM2.6 million from its FX Forward Contracts as hedging instruments with corresponding realised net loss of around RM3.1 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.

Quarterly report on consolidated results for the fourth financial quarter ended 30 June 2019

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

B11 **Outstanding derivatives** (continued)

(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 does not have any off balance sheet financial instruments and commitments at the close of the current financial quarter.

At the Company's steel subsidiaries' level, off balance sheet financial instruments comprised of bank guarantees issued for inbound supply of goods and services amounting to RM3.7 million; and corporate guarantees issued to lenders for borrowings extended amounting to RM104.1 million as at 30 June 2019.

B13 **Material litigation**

Material litigations listed below are mainly confined to the Engineering subsidiary arising from its contractual dispute with its suppliers/ contractors engaged in those onerous construction contracts. The contractual liabilities in relation to items (i) and (ii) below have already been recognised in the project losses, and any litigation wins may lessen book liability.

i. MMC Tepat Teknik Sdn Bhd (a subcontractor for design & engineering works for the Engineering subsidiary's Project#1) has in early 2019 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, which led to the initiation of winding-up proceedings. As a subsequent event on 5 August 2019, the Engineering subsidiary entered into a settlement agreement with subcontractor for a full and final settlement sum of RM1.8 million.

ii. Archco Rigidon (M) Sdn Bhd (a subcontractor for painting works for the Engineering subsidiary's Project #2) has initiated legal recovery for outstanding billings owed of RM0.3 million, and has since 16 August 2019 obtained judgement against the Engineering subsidiary. The plaintiff is currently attempting to enforce the judgement through a garnishee order. The subsidiary is currently working on an out-of-court settlement with the plaintiff.

In the course of the Engineering subsidiary's winding-down of work and business activities, it has begun to trim its workforce. Amongst the affected employees, one senior individual of 78 years of age with 12 years of service with the entity has initiated legal action to claim retrenchment benefits, and this matter has been referred to the Industrial Court in August 2019. The exact amount being claimed remains uncertain, and the entity remains doubtful on the probability of an obligation.

Quarterly report on consolidated results for the fourth financial quarter ended 30 June 2019

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

B13 **Material litigation** (continued)

Besides the above, the Group did not engaged in any other 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 **Earnings/(Loss) per share**

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

	Current year quarter 30/06/2019	Preceding year corresponding quarter 30/06/2018	Current year to date 30/06/2019	Preceding year corresponding period 30/06/2018
Profit/(Loss) attributable to owners of the Company (RM'000)	46,201	(4,802)	30,685	(668)
Weighted average number of ordinary shares in issue ('000)	359,418	235,242	341,047	235,242
Basic earnings /(loss) per share (sen)	**12.85**	**(2.04)***	**9.00**	**(0.28)***

***** Basic EPS for the comparative quarter and year which was previously stated at (2.13) and (0.30) sens has been restated for the effects of the 'Rights Issue with free Warrant' concluded in the first financial quarter.

(ii) Diluted loss per ordinary share

No diluted loss per share is presented given that the issued and listed warrants are in an anti-dilutive position since 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 August 2019