

HIAP TECK VENTURE BERHAD
(Company No:421340-U)
(Incorporated in Malaysia)

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for 1st quarter from 1 August 2017 to 31 October 2017

| | Individual Quarter | | Cumulative Quarter | |
|--|----------------------|--------------------------------------|----------------------|-------------------------------------|
| | Current Year Quarter | Preceding Year Corresponding Quarter | Current Year To-date | Preceding Year Corresponding Period |
| | 31/10/2017 | 31/10/2016 | 31/10/2017 | 31/10/2016 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Revenue | 258,490 | 279,123 | 258,490 | 279,123 |
| Cost of Sales | (214,968) | (241,240) | (214,968) | (241,240) |
| Gross Profit | 43,522 | 37,883 | 43,522 | 37,883 |
| Other Income | 8,646 | 14,477 | 8,646 | 14,477 |
| Operating Expenses | (12,151) | (13,118) | (12,151) | (13,118) |
| Other Expenses | - | (232) | - | (232) |
| Profit from Operations | 40,017 | 39,010 | 40,017 | 39,010 |
| Finance Costs | (5,052) | (8,395) | (5,052) | (8,395) |
| Share of loss of equity accounted investees, net of tax | (11,926) | (25,241) | (11,926) | (25,241) |
| Profit/(Loss) Before Tax | 23,039 | 5,374 | 23,039 | 5,374 |
| Income tax | (7,138) | (6,509) | (7,138) | (6,509) |
| Profit/(Loss) for the Period | 15,901 | (1,135) | 15,901 | (1,135) |
| Other Comprehensive Income | | | | |
| Net loss on available-for-sale financial assets - fair value changes | (152) | 234 | (152) | 234 |
| Foreign currency translation | (152) | (74) | (152) | (74) |
| | (304) | 160 | (304) | 160 |
| Total Comprehensive Income | 15,597 | (975) | 15,597 | (975) |
| Profit/(Loss) Attributable to: | | | | |
| Owners of the parent | 16,038 | (958) | 16,038 | (958) |
| Minority Interest | (137) | (177) | (137) | (177) |
| | 15,901 | (1,135) | 15,901 | (1,135) |
| Total Comprehensive Income Attributable to: | | | | |
| Owners of the parent | 15,734 | (798) | 15,734 | (798) |
| Minority Interest | (137) | (177) | (137) | (177) |
| | 15,597 | (975) | 15,597 | (975) |
| Earnings / (Loss) Per Share (EPS) | | | | |
| (a) Basic (sen) | 1.23 | (0.07) | 1.23 | (0.07) |
| (b) Diluted (sen) | N/A | N/A | N/A | N/A |

The Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the year ended 31 July 2017 and the accompanying explanatory notes attached to the interim financial statements.

HIAP TECK VENTURE BERHAD
(Company No:421340-U)
(Incorporated in Malaysia)

Condensed Consolidated Statements of Financial Position as at 31 October 2017

| | 31/10/2017 (Unaudited) | 31/7/2017 (Audited) |
|--|---|--------------------------------------|
| | RM'000 | RM'000 |
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 250,520 | 252,358 |
| Mining exploration & evaluation asset | 20,928 | 20,484 |
| Investment properties | 7,279 | 7,318 |
| Investment in joint venture | - | - |
| Available-for-sale - financial assets | 1,354 | 1,507 |
| Deferred tax assets | 554 | 554 |
| Trade and other receivables (Amount due from joint venture) | 90,935 | 90,935 |
| | <u>371,570</u> | <u>373,156</u> |
| Current assets | | |
| Inventories | 347,595 | 323,847 |
| Trade and other receivables | 596,645 | 564,402 |
| Tax recoverable | 2,240 | 2,348 |
| Available-for-sale - financial assets | 7,742 | 4,691 |
| Cash and cash equivalents | 96,557 | 83,350 |
| | <u>1,050,779</u> | <u>978,638</u> |
| Total assets | <u>1,422,349</u> | <u>1,351,794</u> |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Share capital | 657,935 | 654,864 |
| Treasury shares | (7,499) | (7,499) |
| Warrant reserve | 30,341 | 30,341 |
| Foreign reserve | (489) | (337) |
| Share option reserve | 4,638 | 4,638 |
| Fair value adjustment reserve | (1,255) | (1,103) |
| Equity component of RCUIDS, net of tax | 41,388 | 44,459 |
| Retained profits | 98,050 | 82,012 |
| | <u>823,109</u> | <u>807,375</u> |
| Minority Interest | (141) | (4) |
| Total equity | <u>822,968</u> | <u>807,371</u> |
| Non-current liabilities | | |
| Borrowings | 25,635 | 25,245 |
| Deferred tax liabilities | 36,408 | 36,527 |
| | <u>62,043</u> | <u>61,772</u> |
| Current liabilities | | |
| Borrowings | 467,437 | 428,427 |
| Trade and other payables | 56,155 | 40,607 |
| Tax payable | 13,746 | 13,617 |
| | <u>537,338</u> | <u>482,651</u> |
| Total liabilities | <u>599,381</u> | <u>544,423</u> |
| Total equity and liabilities | <u>1,422,349</u> | <u>1,351,794</u> |
| Net assets per share attributable to owners of the parent (RM) | 0.63 | 0.62 |

The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the year ended 31 July 2017 and the accompanying explanatory notes attached to the interim financial statement.

HIAP TECK VENTURE BERHAD
(Company No:421340-U)
(Incorporated in Malaysia)

Condensed Consolidated Statements of Cash Flows for the period ended 31 October 2017

| | Current Year To-date 31/10/2017 RM'000 | Preceding Year Corresponding Period 31/10/2016 RM'000 |
|---|---|--|
| <u>Operating Activities</u> | | |
| Profit/(Loss) Before Tax | 23,039 | 5,374 |
| Adjustments for: | | |
| Depreciation of investment property | 39 | 39 |
| Depreciation of property, plant and equipment | 3,077 | 4,085 |
| Equity-settled share based payments | - | 112 |
| Gain on disposal of property, plant and equipment | (2,070) | (2,815) |
| Loss on disposal of an associate company | - | 2 |
| Interest expense | 5,052 | 8,395 |
| Finance income: | | |
| Available-for-sale financial assets | (194) | (612) |
| Deposits | (150) | (1,145) |
| Joint venture | (7,352) | (7,190) |
| Net overdue interest income | (49) | (132) |
| Net unrealised foreign exchange (gain) / loss | 1,728 | (1,990) |
| Property, plant and equipment written off | - | 44 |
| Write down on slow moving inventories | 815 | 3,020 |
| Share of loss of equity accounted investees, net of tax | 11,926 | 25,241 |
| Operating profit before changes in working capital | 35,861 | 32,428 |
| Net change in current assets | (63,252) | (41,657) |
| Net change in current liabilities | 15,548 | (25,971) |
| Cash (used in) / from operations | (11,843) | (35,200) |
| Interest paid | (4,836) | (9,856) |
| Net overdue interest income received | 49 | 132 |
| Taxes paid, net of taxes refunded | (7,019) | (6,043) |
| Net cash (used in) / from operating activities | (23,649) | (50,967) |
| <u>Investing Activities</u> | | |
| Finance income: | | |
| Available-for-sale financial assets | 194 | 612 |
| Deposits | 150 | 1,145 |
| Investment in available-for-sale financial assets | (3,051) | (41,620) |
| Proceeds from disposal of property, plant and equipment | 3,106 | 3,720 |
| Purchase of property, plant and equipment | (2,276) | (2,752) |
| Proceeds from withdrawal of available-for-sale financial assets | - | 473 |
| Additions to mining exploration and evaluation asset | (444) | (158) |
| Advances to joint venture | - | (20,004) |
| Net cash used in investing activities | (2,321) | (58,584) |
| <u>Financing Activities</u> | | |
| Drawdown/(repayment) of borrowings | 39,109 | 63,291 |
| Net cash from financing activities | 39,109 | 63,291 |
| Net Change in Cash and Cash Equivalents | 13,139 | (46,260) |
| Effect of exchange rate changes | 68 | (73) |
| Cash and Cash Equivalents at beginning of period | 83,350 | 241,492 |
| Cash and Cash Equivalents at end of period | <u>96,557</u> | <u>195,159</u> |

The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the year ended 31 July 2017 and the accompanying explanatory notes attached to the interim financial statements.

Condensed Consolidated Statements of Changes in Equity for the period ended 31 October 2017

| | ----- Attributable to equity holders of the parent ----- | | | | | | | | | | Total RM'000 | Minority Interests RM'000 | Total Equity RM'000 | |
|---|--|------------------------------|----------------------------|------------------------------|------------------------------|--------------------------------------|---|---|--|-------------------------------|-----------------|---------------------------------|---------------------------|--|
| | ----- Non-distributable ----- | | | | | | | -----<Distributable--> | | | | | | |
| | Share Capital RM'000 | Treasury Shares RM'000 | Share Premium RM'000 | Warrant Reserve RM'000 | Foreign Reserve RM'000 | Share Option Reserve RM'000 | Fair Value Adjustment Reserve RM'000 | Equity Component of Redeemable Convertible Secured Bonds, net of tax RM'000 | Equity Component of RCUIDS, net of tax RM'000 | Retained Profits RM'000 | | | | |
| As at end of current quarter ended 31 October 2017 | | | | | | | | | | | | | | |
| Opening balance as at 1 August 2017 | 654,864 | (7,499) | - | 30,341 | (337) | 4,638 | (1,103) | - | 44,459 | 82,012 | 807,375 | (4) | 807,371 | |
| Total comprehensive income | - | - | - | - | (152) | - | (152) | - | - | 16,038 | 15,734 | (137) | 15,597 | |
| Transactions with owners | | | | | | | | | | | | | | |
| Issuance of ordinary shares pursuant to:- - Conversion of RCUIDS | 3,071 | - | - | - | - | - | - | - | (3,071) | - | - | - | - | |
| Transactions with owners | 3,071 | - | - | - | - | - | - | - | (3,071) | - | - | - | - | |
| Closing balance as at 31 October 2017 | 657,935 | (7,499) | - | 30,341 | (489) | 4,638 | (1,255) | - | 41,388 | 98,050 | 823,109 | (141) | 822,968 | |
| As at preceding year corresponding quarter ended 31 October 2016 | | | | | | | | | | | | | | |
| Opening balance as at 1 August 2016 | 644,358 | (7,496) | - | 48,800 | (282) | 4,190 | (1,701) | (353) | 54,965 | 170,383 | 912,864 | 180 | 913,044 | |
| Total comprehensive income | - | - | - | - | (74) | - | 234 | - | - | (958) | (798) | (177) | (975) | |
| Transactions with owners | | | | | | | | | | | | | | |
| Equity-settled share based payment | - | - | - | - | - | 112 | - | - | - | - | 112 | - | 112 | |
| Transactions with owners | - | - | - | - | - | 112 | - | - | - | - | 112 | - | 112 | |
| Closing balance as at 31 October 2016 | 644,358 | (7,496) | - | 48,800 | (356) | 4,302 | (1,467) | (353) | 54,965 | 169,425 | 912,178 | 3 | 912,181 | |

The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the year ended 31 July 2017 and the accompanying explanatory notes attached to the interim financial statements.

HIAP TECK VENTURE BERHAD
(Company No: 421340-U)

Notes to the Quarterly Report – 31 October 2017

**PART A : EXPLANATORY NOTES AS PER MALAYSIAN FINANCIAL REPORTING
STANDARDS (“MFRS”) 134, INTERIM FINANCIAL REPORTING**

1. Basis of preparation

These interim financial statements are unaudited and have been prepared in accordance with MFRS 134 “Interim Financial Reporting” issued by Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Listing Requirement of Bursa Malaysia Securities Berhad.

The interim financial report should be read in conjunction with the Company’s annual audited financial statements for the year ended 31 July 2017. These explanatory notes attached to the interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 31 July 2017.

2. Significant Accounting Policies

This interim financial report has been prepared based on accounting policies and methods of computation which are consistent with those adopted in the annual audited financial statements for the year ended 31 July 2017.

The Group has not adopted the following standards and interpretations that have been issued but not yet effective:

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2017

- Amendments to MFRS 107, Statement of Cash Flows – Disclosure Initiative
- Amendments to MFRS 112, Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses

2. Significant Accounting Policies (cont'd)

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2018

- MFRS 9, Financial Instruments (2014)
- MFRS 15, Revenue from Contracts with Customers
- Clarifications to MFRS 15, Revenue from Contracts with Customers
- IC Interpretation 22, Foreign Currency Transactions and Advance Consideration
- Amendments to MFRS 1, First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 2, Share-based Payment – Classification and Measurement of Share-based Payment Transactions
- Amendments to MFRS 128, Investments in Associates and Joint Ventures (Annual Improvements to MFRS Standards 2014-2016 Cycle)
- Amendments to MFRS 140, Investment Property – Transfers of Investment Property

MFRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2019

- MFRS 16, *Leases*

MFRSs, Interpretations and amendments effective for a date yet to be confirmed

- Amendments to MFRS 10, Consolidated Financial Statements and MFRS 128, Investments in Associates and Joint Ventures – Sale or Contribution of Assets between an Investor and its Associate or Joint Venture

The initial application of the abovementioned accounting standards, amendments or interpretations are not expected to have any material impacts to the financial statements of the Group and the Company.

3. Audit qualification

There were no audit qualifications on the annual financial statements of the Group for the year ended 31 July 2017.

4. Seasonal or cyclical factors

The Group's business operations are not materially affected by any major seasonal factors except during Hari Raya, Christmas and Chinese New Year festive seasons where business activities generally slow down.

5. Material unusual items

There were no items of an unusual nature or amount affecting assets, liabilities, equity, net income or cash flows during the quarter.

6. Material changes in estimates

There were no material changes in estimates of amount reported in prior interim period that have material impact in the current quarter under review.

7. Issuances, cancellation, repurchase, resale and repayment of debt and equity securities

There were no other issuance, cancellation, repurchase, resale and repayment of debt and equity securities for the current quarter under review except the following:

- a) Issuance of 6,142,200 new ordinary shares arising from the conversion of RCUIDS for the current quarter under review.
- b) As at quarter ended 31 October 2017, a total of 5,492,000 buy-back shares were held as treasury shares and carried at cost.

8. Dividend paid

No dividend has been paid during the quarter under review.

9. Segment information

The Group's activities are identified into the following business segments:

| | 3 months ended 31 October 2017 | | | | | | |
|--------------------------------|--------------------------------|----------------|-------------------------|----------------|--------------------|-----------------|----------------|
| | Trading | Manufacturing | Property and Investment | Transportation | Mining exploration | Elimination | Group |
| | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> | <u>RM'000</u> |
| SALES | | | | | | | |
| - External sales | 122,236 | 136,242 | 12 | - | - | - | 258,490 |
| - Intersegment sales | - | 5,430 | 3,074 | 764 | - | (9,268) | - |
| Total sales | 122,236 | 141,672 | 3,086 | 764 | - | (9,268) | 258,490 |
| RESULTS | | | | | | | |
| Finance income | 83 | 228 | 7,370 | 15 | - | - | 7,696 |
| Finance costs | 1,948 | 2,114 | 990 | - | - | - | 5,052 |
| Depreciation & amortisation | 208 | 2,283 | 478 | 89 | 58 | - | 3,116 |
| Share of loss of joint venture | - | - | - | - | - | - | (11,926) |
| Segment profit/(loss) | 9,547 | 19,579 | 5,670 | 173 | (4) | (11,926) | 23,039 |

10. Valuation of property, plant and equipment

The valuations of property, plant and equipment have been brought forward without amendments from the previous annual report.

11. Significant events

There were no material events subsequent to the end of the interim period up to the date of this report.

12. Changes in the composition of the Group

There were no significant changes in the composition of the Group as at the date of this report.

13. Changes in contingent liabilities and assets

The contingent liabilities as at 31 October 2017 are as follow:

| Unsecured Contingent Liabilities :- | Group | |
|--|----------------------|----------------------|
| | 31.10.2017 RM'000 | 31.10.2016 RM'000 |
| In respect of indemnity provided for bank guarantees issued | 6,510 | 6,739 |
| In respect of corporate guarantees issued to a joint venture | 8,250 | 9,516 |
| Total | 14,760 | 16,255 |
| | | |

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14. Capital commitments

Share of capital commitments of the joint venture as at 31 October 2017 are as follow:

| | RM'000 |
|-----------------------------|---------------|
| <u>Capital expenditure:</u> | |
| Approved and contracted for | 19,883 |
| | <hr/> |
| | 19,883 |

15. Related party transactions

Related party transactions for the quarter under review in which certain Directors have direct/indirect interest are as follows:

| | Group | |
|--|---------------------------------|----------------------------------|
| | Current year quarter | Current year-to- date |
| | 31.10.2017 | 31.10.2017 |
| | RM'000 | RM'000 |
| Purchases of steel products by certain wholly owned subsidiaries of the Group from JK Ji Seng Sdn.Bhd. | 74,444 | 74,444 |
| | | |

These transactions have been entered into in the normal course of business and at arm's length basis and on terms no more favourable to the related party than those generally available to the public and are not detrimental to minority shareholders.

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**PART B: ADDITIONAL INFORMATION REQUIRED BY THE BURSA MALAYSIA
SECURITIES BERHAD LISTING REQUIREMENTS**

16. Review of performance

Table 1: Financial review for current quarter and financial year to date for the quarter ended 31 October 2017.

| | Individual Quarter | | Changes | | Cumulative Quarter | | Changes | |
|---------------------------------------|------------------------------------|--|---------------|--------------|------------------------------------|---|---------------|--------------|
| | Current Year Quarter 31/10/2017 | Preceding Year Corresponding Quarter 31/10/2016 | Amount | % | Current Year To-date 31/10/2017 | Preceding Year Corresponding Period 31/10/2016 | Amount | % |
| | RM'000 | RM'000 | RM'000 | % | RM'000 | RM'000 | RM'000 | % |
| Revenue | 258,490 | 279,123 | (20,633) | -7% | 258,490 | 279,123 | (20,633) | -7% |
| Profit from Operations | 40,017 | 39,010 | 1,007 | 3% | 40,017 | 39,010 | 1,007 | 3% |
| Profit/(Loss) Before Tax | 23,039 | 5,374 | 17,665 | 329% | 23,039 | 5,374 | 17,665 | 329% |
| Profit/(Loss) for the Period | 15,901 | (1,135) | 17,036 | 1501% | 15,901 | (1,135) | 17,036 | 1501% |
| Profit/(Loss) Attributable to: | | | | | | | | |
| Owners of the parent | 16,038 | (958) | 16,996 | 1774% | 16,038 | (958) | 16,996 | 1774% |
| Minority Interest | (137) | (177) | 40 | 23% | (137) | (177) | 40 | 23% |
| | 15,901 | (1,135) | 17,036 | 1501% | 15,901 | (1,135) | 17,036 | 1501% |

The Group reported revenue of RM258.49 million for Q1 FY2018, representing a decrease of 7% over the preceding year corresponding quarter's revenue of RM279.12 million. The decrease was due to lower sales volume for both the Trading and Manufacturing divisions as compared to preceding year corresponding quarter.

The Trading division reported lower revenue of RM122.24 million as compared to RM136.48 million in the preceding year corresponding quarter. Besides, the Manufacturing division also reported slightly lower revenues as compared to the preceding year corresponding quarter. The Manufacturing division reported revenue of RM136.24 million as compared to RM142.59 million in the preceding year corresponding quarter.

The Group registered a Profit from Operations of RM40.02 million for Q1 FY2018 compared to RM39.01 million in the preceding year corresponding quarter. The slight increase was mainly due to the higher margin contributed by both the Trading and Manufacturing division attributed by higher steel prices.

16. Review of performance (cont'd)

For the quarter under review, the Group registered a profit before tax of RM23.04 million, which is 329% higher as compared to RM5.37 million in the preceding year corresponding quarter. The better results mainly due to lower finance costs and the lower share of loss from JV.

17. Comparison with immediate preceding quarter's results

Table 2: Financial review for current quarter compared with immediate preceding quarter

| | Individual Quarter | | Changes | |
|---------------------------------------|------------------------------------|---|---------|-----------|
| | Current Year Quarter 31/10/2017 | Immediate Preceding Quarter 31/07/2017 | Amount | % |
| | RM'000 | RM'000 | RM'000 | % |
| Revenue | 258,490 | 228,280 | 30,210 | 13.23% |
| Profit from Operations | 40,017 | 20,976 | 19,041 | 90.78% |
| Profit/(Loss) Before Tax | 23,039 | (139,416) | 162,455 | 116.53% |
| Profit/(Loss) for the Period | 15,901 | (137,869) | 153,770 | 111.53% |
| Profit/(Loss) Attributable to: | | | | |
| Owners of the parent | 16,038 | (137,867) | 153,905 | 111.63% |
| Minority Interest | (137) | (2) | (135) | -6750.00% |
| | 15,901 | (137,869) | 153,770 | 111.53% |

For the quarter under review, the Group's revenue increased by 13% from RM228.28 million in the immediate preceding quarter to RM258.49 million, mainly due to higher selling price for the steel products as compared to the immediate preceding quarter.

The Group reported a Profit before Tax of RM23.04 million in Q1 FY2018 as compared to a Loss of (RM139.42 million) in Q4 FY2017 due to the higher share of loss of JV of (RM154.99 million) in Q4FY2017. The higher share of loss of JV of (RM154.99 million) was mainly due to an impairment loss on assets recorded by the JV in the immediate preceding quarter.

18. Prospects

Steel demand in ASEAN-6 surprisingly retreated in the first half of 2017, after registering a strong year-on-year (y-o-y) growth of 11.4% in 2016. The total consumption in the six countries namely Vietnam, Thailand, Indonesia, Malaysia, Philippines and Singapore have dropped by 6.1% y-o-y to 36 million tonnes for the six-month period. However, the steel consumption in ASEAN-6 is expected to pick up in the second half of the year.

The decline in steel demand in ASEAN-6 was mainly attributed by the slowing down in the consumption of two biggest steel consuming countries in the region namely Vietnam and Thailand. The decline in steel demand in Thailand and Vietnam are mainly due to destocking activities, slower economic growth and slow uptake in public investment projects.

Steel demand in Malaysia for 1H 2017 declined by 7.7% y-o-y was mainly due to a slowdown in demand for long products. The steel demand in Malaysia is expected to recover in the second half of the year and register a positive growth rate supported by the country's strong economic growth. Malaysia economy grew at a faster pace of 6.2% in the third quarter of 2017 compared to 5.8% in the second quarter of 2017.

The stronger pace of growth was propelled by both sustained domestic demand and improved external sector. Higher economic activities in the services, manufacturing and agriculture sectors were the key engines that drove the economy in the third quarter.

The construction sector again will be the main driver in boosting the steel consumption in Malaysia. The construction sector is expected to grow 8% in 2017 and forecast to post a robust growth for the next three years, as more government infrastructure projects are to be implemented as announced in the 11th Malaysian Plan (2016 to 2020) and Budget 2017. Among key infrastructure projects are the East Coast Rail Line (ECRL), the Kuala Lumpur-Singapore High-Speed Rail (HSR), Mass Rapid Transit Line 2 and 3 (MRT), Light Rail Transit Line 2 and 3 (LRT), the Pan Borneo Highway, the Merdeka PNB 118 skyscraper, and the Refinery and Petrochemicals Integrated Development project in Johor.

The continuing efforts by Chinese Government and its plans to cut production capacity will help stabilise the world steel prices which will definitely benefit the local steel industry players.

The Group remains positive on the outlook of steel industry with the above essential drivers. The Group is committed to continuous improvement on productivity and technical competency while expanding its products range, and will also focus on procurement and pricing strategies as well as working capital management to drive its costs leadership in the sector.

19. Variance of actual and forecast profit

Not applicable.

20. Tax

| | Group | |
|--------------|---------------------------------|----------------------------------|
| | Current year quarter | Current year-to- date |
| | 31.10.2017 | 31.10.2017 |
| | RM'000 | RM'000 |
| Income tax | 7,256 | 7,256 |
| Deferred tax | (118) | (118) |
| | 7,138 | 7,138 |
| | | |

The Group's effective tax rate was higher than the statutory income tax rate of 24% mainly due to share of loss of joint venture which resulted in lower profit before tax at Group level. The Group's effective tax rate was approximate the statutory income tax rate should the calculation exclude the share of loss of the joint venture.

21. Status of corporate proposal

There was no corporate proposal as at the date of this announcement.

22. Borrowings

The Group's borrowings as at 31 October 2017 are as follows:

| | Long Term RM'000 | Short Term RM'000 | Total RM'000 |
|----------------------|-----------------------------|------------------------------|-------------------------|
| <u>Secured:</u> | | | |
| Bankers' Acceptances | - | 390,517 | 390,517 |
| Revolving credit | - | 60,000 | 60,000 |
| <u>Unsecured:</u> | | | |
| RCUIDS | 25,635 | - | 25,635 |
| Term Loan | - | 16,920 | 16,920 |
| | <u>25,635</u> | <u>467,437</u> | <u>493,072</u> |

Bankers' Acceptances and revolving credit are secured by corporate guarantees of the Company.

As at 31 October 2017, the Company has extended corporate guarantees amounting to RM450.52 million to financial institutions for banking facilities granted to certain subsidiaries. The financial impact of the guarantees is not material as the subsidiaries concerned are in positive financial standings to meet their obligations as and when they fall due.

22. Borrowings (cont'd)

The redeemable convertible unsecured Islamic debt securities (“RCUIDS”) are constituted by a Trust Deed entered into between the Company and the trustee on 10 May 2016.

23. Material litigation

There is no material litigation for the quarter under review.

24. Dividend

The Board of Directors does not recommend any dividend for the period under review.

25. Earnings per share (“EPS”)

a) Basic EPS

The basic Earnings per share is calculated by dividing the Group’s net profit attributable to ordinary equity holders for the period by the weighted average number of ordinary shares in issue.

| | Current Year Quarter 31.10.2017 | Current Year to-date 31.10.2017 |
|--|--|--|
| Profit attributable to owners of the parent (RM'000) | 16,038 | 16,038 |
| Weighted average number of ordinary shares in issue ('000) | 1,309,067 | 1,309,067 |
| Basic Earnings per share (sen) | 1.23 | 1.23 |
| | | |

b) Diluted EPS

The diluted earnings per share is calculated by dividing the Group’s net profit attributable to ordinary equity holders for the period by the weighted average number of ordinary shares that would have been in issue upon full exercise of the remaining options under ESOS, warrants and redeemable convertible secured bonds, adjusted for the number of such ordinary shares that would have been issued at fair value.

No diluted earnings per share is disclosed as there was no effect on earnings per share for the current period as the exercise price for option under ESOS and warrants and conversion price of redeemable convertible secured bonds were higher than the average market price.

26. Realised and unrealised profit disclosure

| | Current Year Quarter 31.10.2017 RM'000 | Immediate Preceding Quarter 30.07.2017 RM'000 |
|---|---|--|
| Total retained earnings of the Company and its subsidiaries | | |
| - Realised | 234,041 | 204,291 |
| - Unrealised | (2,667) | (820) |
| | 231,374 | 203,471 |
| Total share of accumulated losses of the joint venture | | |
| - Realised | (390,950) | (321,895) |
| - Unrealised | (22,028) | (59,068) |
| Less: Consolidation adjustments | 279,654 | 259,503 |
| Total retained profits | 98,050 | 82,011 |
| | | |

27. Profit from operations

| | Current Year Quarter 31.10.2017 RM'000 | Current Year-to-date 31.10.2017 RM'000 |
|--|---|---|
| <i>Profit for the year is arrived at after charging:</i> | | |
| Depreciation of property, plant and equipment | 3,077 | 3,077 |
| Depreciation of investment property | 39 | 39 |
| Provision for slow moving inventories | 815 | 815 |
| Finance costs | 5,052 | 5,052 |
| <i>and after crediting/(charging):</i> | | |
| Gain on disposal of property, plant and equipment | 2,070 | 2,070 |
| Finance income: | | |
| Available-for-sale financial assets | 194 | 194 |
| Deposits | 150 | 150 |
| Joint venture | 7,352 | 7,352 |
| Net foreign exchange gain/(loss) | | |
| Realised | 125 | 125 |
| Unrealised | (1,728) | (1,728) |
| Rental income | 94 | 94 |

28. Authorisation for Issue

The Interim Financial Statements were authorised for issue by the Board of Directors on 15th December 2017.