

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

**Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for 4th quarter from 1 May 2018 to 31 July 2018**

	Individual Quarter		Cumulative Quarter	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To-date	Preceding Year Corresponding Period
	31/07/2018	31/07/2017	31/07/2018	31/07/2017
	RM'000	RM'000	RM'000	RM'000
<b>Revenue</b>	325,320	228,280	1,127,859	1,073,657
Cost of Sales	(291,064)	(199,532)	(983,908)	(895,420)
Gross Profit	34,256	28,748	143,951	178,237
Other Income	12,561	15,938	29,563	55,420
Operating Expenses	(9,497)	(14,158)	(51,625)	(50,656)
Other Expenses	(2,149)	(9,552)	(2,149)	(12,244)
Profit from Operations	35,171	20,976	119,740	170,757
Finance Costs	(6,219)	(5,407)	(22,305)	(30,255)
Share of loss of equity accounted investees, net of tax	(42,347)	(154,985)	(49,069)	(215,322)
<b>(Loss)/Profit Before Tax</b>	<b>(13,395)</b>	<b>(139,416)</b>	<b>48,366</b>	<b>(74,820)</b>
Income tax	(6,890)	1,547	(21,177)	(28,341)
<b>(Loss)/Profit for the Period</b>	<b>(20,285)</b>	<b>(137,869)</b>	<b>27,189</b>	<b>(103,161)</b>
<b>Other Comprehensive (Loss)/Income</b>				
Net loss on available-for-sale financial assets - fair value changes	(11)	(66)	(141)	598
Foreign currency translation	(1,169)	(17)	131	(55)
	(1,180)	(83)	(10)	543
<b>Total Comprehensive (Loss)/Income</b>	<b>(21,465)</b>	<b>(137,952)</b>	<b>27,179</b>	<b>(102,618)</b>
<b>(Loss)/Profit Attributable to:</b>				
Owners of the parent	(19,975)	(137,867)	27,946	(102,977)
Minority Interest	(310)	(2)	(757)	(184)
	(20,285)	(137,869)	27,189	(103,161)
<b>Total Comprehensive (Loss)/Income Attributable to:</b>				
Owners of the parent	(20,708)	(137,950)	27,936	(102,434)
Minority Interest	(757)	(2)	(757)	(184)
	(21,465)	(137,952)	27,179	(102,618)
(Losses)/Earnings Per Share (LPS/EPS)				
(a) Basic (sen)	(1.50)	(10.65)	2.12	(8.00)
(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 July 2018**

	<b>31/07/2018</b> <b>(Unaudited)</b>	<b>31/7/2017</b> <b>(Audited)</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	253,694	252,358
Mining exploration & evaluation asset	21,331	20,484
Investment properties	9,162	7,318
Investment in joint venture	-	-
Available-for-sale - financial assets	1,366	1,507
Deferred tax assets	434	554
Trade and other receivables (Amount due from joint venture)	427,227	90,935
	<u>713,214</u>	<u>373,156</u>
<b>Current assets</b>		
Inventories	371,239	323,847
Trade and other receivables	380,973	564,402
Tax recoverable	2,671	2,348
Available-for-sale - financial assets	12,693	4,691
Cash and cash equivalents	57,660	83,350
	<u>825,236</u>	<u>978,638</u>
<b>Total assets</b>	<b><u>1,538,450</u></b>	<b><u>1,351,794</u></b>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	668,527	654,864
Treasury shares	(7,499)	(7,499)
Warrant reserve	30,341	30,341
Foreign reserve	(206)	(337)
Share option reserve	5,346	4,638
Fair value adjustment reserve	(1,244)	(1,103)
Equity component of RCUIDS, net of tax	30,796	44,459
Retained profits	111,173	82,012
	<u>837,234</u>	<u>807,375</u>
Minority Interest	(761)	(4)
<b>Total equity</b>	<b><u>836,473</u></b>	<b><u>807,371</u></b>
<b>Non-current liabilities</b>		
Borrowings	20,543	25,245
Deferred tax liabilities	37,281	36,527
	<u>57,824</u>	<u>61,772</u>
<b>Current liabilities</b>		
Borrowings	591,549	428,427
Trade and other payables	45,464	40,607
Tax payable	7,140	13,617
	<u>644,153</u>	<u>482,651</u>
<b>Total liabilities</b>	<b><u>701,977</u></b>	<b><u>544,423</u></b>
<b>Total equity and liabilities</b>	<b><u>1,538,450</u></b>	<b><u>1,351,794</u></b>
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 year ended 31 July 2018**

	<b>Current Year To-date 31/07/2018 RM'000</b>	<b>Preceding Year Corresponding Period 31/07/2017 RM'000</b>
<b><u>Operating Activities</u></b>		
Profit Before Tax	48,366	(74,820)
Adjustments for:		
Allowance for doubtful debts	-	2,193
Bad debts recovered	(468)	-
Dividend income	-	(33)
Depreciation of investment property	158	158
Depreciation of property, plant and equipment	11,178	14,362
Equity-settled share based payments	-	448
ESOS employee reserves	1,923	-
Loss on redemption on Convertible Bonds	-	9,457
Gain on disposal of property, plant and equipment	(2,510)	(6,803)
Loss on disposal of an associate company	-	2
Interest expense	22,305	30,255
Finance income:		
Available-for-sale financial assets	(1,115)	(1,084)
Deposits	(544)	(2,939)
Joint venture	(29,564)	(28,997)
Net overdue interest income	(272)	(485)
Net unrealised foreign exchange loss / (gain)	4,178	(1,744)
Property, plant and equipment written off	6	47
Write down on slow moving inventories	5,404	7,483
Share of loss of equity accounted investees, net of tax	49,069	215,322
Operating profit before changes in working capital	108,114	162,822
Net change in current assets	(136,985)	(31,833)
Net change in current liabilities	(1,213)	(34,971)
Cash (used in) / from operations	(30,084)	96,018
Interest paid	(21,029)	(31,415)
Net overdue interest income received	272	485
Taxes paid, net of taxes refunded	(27,103)	(24,732)
<b>Net cash (used in) / from operating activities</b>	<b>(77,944)</b>	<b>40,356</b>
<b><u>Investing Activities</u></b>		
Finance income:		
Available-for-sale financial assets	1,115	1,084
Deposits	544	2,939
Jointly venture entity	-	28,997
Dividend income	-	33
Investment in available-for-sale financial assets	(8,002)	-
Proceeds from disposal of property, plant and equipment	4,956	10,940
Purchase of property, plant and equipment	(10,898)	(14,418)
Proceeds from disposal of an associate company	-	473
Proceeds from withdrawal of available-for-sale financial assets	-	498
Additions to mining exploration and evaluation asset	(847)	(887)
Advances to joint venture	(91,732)	(54,656)
<b>Net cash used in investing activities</b>	<b>(104,864)</b>	<b>(24,997)</b>
<b><u>Financing Activities</u></b>		
Dividends paid	-	(3,853)
Convertible secured bonds redeemed	(2,730)	(147,000)
Purchase of treasury shares	-	(3)
Drawdown/(repayment) of borrowings	159,799	(22,865)
<b>Net cash from / (used in) financing activities</b>	<b>157,069</b>	<b>(173,721)</b>
Net Change in Cash and Cash Equivalents	(25,739)	(158,362)
Effect of exchange rate changes	49	220
Cash and Cash Equivalents at beginning of period	83,350	241,492
Cash and Cash Equivalents at end of period	<b>57,660</b>	<b>83,350</b>

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.

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

Condensed Consolidated Statements of Changes in Equity for the year ended 31 July 2018

	←----- Attributable to equity holders of the parent ----->											
	←----- Non-distributable ----->						<-Distributable->					
	Share Capital RM'000	Treasury Shares 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	Total RM'000	Minority Interests RM'000	Total Equity RM'000
<b>As at end of current quarter ended 31 July 2018</b>												
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
<b>Total comprehensive income</b>	-	-	-	131	-	(141)	-	-	27,946	27,936	(757)	27,179
<b>Transactions with owners</b>												
Issuance of ordinary shares pursuant to:- - Conversion of RCUIDS	13,663	-	-	-	-	-	-	(13,663)	-	-	-	-
ESOS employee expenses	-	-	-	-	1,923	-	-	-	-	1,923	-	1,923
ESOS fair value adjustments	-	-	-	-	(1,215)	-	-	-	1,215	-	-	-
<b>Transactions with owners</b>	<b>13,663</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>708</b>	<b>-</b>	<b>-</b>	<b>(13,663)</b>	<b>1,215</b>	<b>1,923</b>	<b>-</b>	<b>1,923</b>
<b>Closing balance as at 31 July 2018</b>	<b>668,527</b>	<b>(7,499)</b>	<b>30,341</b>	<b>(206)</b>	<b>5,346</b>	<b>(1,244)</b>	<b>-</b>	<b>30,796</b>	<b>111,173</b>	<b>837,234</b>	<b>(761)</b>	<b>836,473</b>
<b>As at preceding year corresponding quarter ended 31 July 2017</b>												
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
<b>Total comprehensive income</b>	-	-	-	(55)	-	598	-	-	(102,977)	(102,434)	(184)	(102,618)
<b>Transactions with owners</b>												
Issuance of ordinary shares pursuant to:- - Conversion of RCUIDS	10,506	-	-	-	-	-	-	(10,506)	-	-	-	-
Convertible secured bonds redeemed	-	-	-	-	-	-	353	-	-	353	-	353
Purchase of treasury shares	-	(3)	-	-	-	-	-	-	-	(3)	-	(3)
Warrants expired	-	-	(18,459)	-	-	-	-	-	18,459	-	-	-
Equity-settled share based payment	-	-	-	-	448	-	-	-	-	448	-	448
Final dividend for the financial year ended 31 July 2016 (Single tier of 0.6%)	-	-	-	-	-	-	-	-	(3,853)	(3,853)	-	(3,853)
<b>Transactions with owners</b>	<b>10,506</b>	<b>(3)</b>	<b>(18,459)</b>	<b>-</b>	<b>448</b>	<b>-</b>	<b>353</b>	<b>(10,506)</b>	<b>14,606</b>	<b>(3,055)</b>	<b>-</b>	<b>(3,055)</b>
<b>Closing balance as at 31 July 2017</b>	<b>654,864</b>	<b>(7,499)</b>	<b>30,341</b>	<b>(337)</b>	<b>4,638</b>	<b>(1,103)</b>	<b>-</b>	<b>44,459</b>	<b>82,012</b>	<b>807,375</b>	<b>(4)</b>	<b>807,371</b>

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 July 2018

**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 1,373,700 new ordinary shares arising from the conversion of RCUIDS for the current quarter under review.
- b) As at quarter ended 31 July 2018, 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:

	12 months ended 31 July 2018						
	Trading	Manufac-	Property	Transport-	Mining	Elimina-	Group
	RM'000	turing	and	ation	explor-	tion	RM'000
	RM'000	RM'000	Investment	RM'000	ation	RM'000	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>SALES</b>							
- External sales	529,426	598,351	30	2	50	-	1,127,859
- Intersegment sales	-	20,933	75,600	2,665	-	(99,198)	-
<b>Total sales</b>	<b>529,426</b>	<b>619,284</b>	<b>75,630</b>	<b>2,667</b>	<b>50</b>	<b>(99,198)</b>	<b>1,127,859</b>
<b>RESULTS</b>							
Finance income	511	1,062	29,602	48	-	-	31,223
Finance costs	8,636	9,725	3,944	-	-	-	22,305
Depreciation & amortisation	345	8,906	1,905	49	131	-	11,336
Share of profit of joint venture	-	-	-	-	-	-	(49,069)
Segment profit/(loss)	20,899	55,234	21,363	344	(405)	(49,069)	48,366

## 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 July 2018 are as follow:

Unsecured Contingent Liabilities :-	Group	
	31.07.2018 RM'000	31.07.2017 RM'000
In respect of indemnity provided for bank guarantees issued	7,345	6,510
In respect of corporate guarantees issued to a joint venture	9,085	10,319
<b>Total</b>	<b>16,430</b>	<b>16,829</b>

---- the rest of the page is intentionally left blank ----



#### 14. Capital commitments

Share of capital commitments of the joint venture as at 31 July 2018 are as follow:

	<b>RM'000</b>
<u>Capital expenditure:</u>	
Approved and contracted for	86,070
	<u>86,070</u>

#### 15. Related party transactions

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

	<b>Group</b>	
	<b>Current year quarter</b>	<b>Current year-to- date</b>
	<b>31.07.2018</b>	<b>31.07.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Purchases of steel products by certain wholly owned subsidiaries of the Group from JK Ji Seng Sdn.Bhd.	47,847	246,627

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.

---- the rest of the page is intentionally left blank ----

**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 July 2018.

	Individual Quarter		Changes		Cumulative Quarter		Changes	
	Current Year Quarter	Preceding Year Corresponding Quarter	Amount	%	Current Year To-date	Preceding Year Corresponding Period	Amount	%
	31/07/2018	31/07/2017			31/07/2018	31/07/2017		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
<b>Revenue</b>	325,320	228,280	97,040	43%	1,127,859	1,073,657	54,202	5%
<b>Gross Profit</b>	34,256	28,748	5,508	19%	143,951	178,237	(34,286)	-19%
<b>Profit from Operations</b>	35,171	20,976	14,195	68%	119,740	170,757	(51,017)	-30%
<b>(Loss)/Profit Before Tax</b>	(13,395)	(139,416)	126,021	90%	48,366	(74,820)	123,186	165%
<b>(Loss)/Profit for the Period</b>	(20,285)	(137,869)	117,584	85%	27,189	(103,161)	130,350	126%
<b>(Loss)/Profit Attributable to:</b>								
Owners of the parent	(19,975)	(137,867)	117,892	86%	27,946	(102,977)	130,923	127%
Minority Interest	(310)	(2)	(308)	-15400%	(757)	(184)	(573)	-311%
	<u>(20,285)</u>	<u>(137,869)</u>	117,584	85%	<u>27,189</u>	<u>(103,161)</u>	130,350	126%

For the current quarter under review, Group revenue increased by 43% to RM325.32 million over the preceding year corresponding quarter revenue of RM228.28 million with higher sales across all divisions.

The Trading division reported a 58% increase in revenue to RM157.61 million as compared to RM99.44 million in the preceding year corresponding quarter, whilst the Manufacturing division recorded a 28% increase in revenue to RM173.95 million as compared to the preceding year corresponding quarter revenue of RM135.56 million.

In line with the improved performance, the Group registered a Profit from Operations of RM35.17 million for the current quarter as compared to RM20.98 million in the preceding year corresponding quarter representing an increase of 68%.

However, as a result of the share of loss at JV of RM42.35 million, attributable to higher unrealized foreign exchange losses and additional costs associated with the resumption of production at entity level, the Group posted a Loss Before Tax of RM13.40 million for the current quarter under review. The JV entity, Eastern Steel Sdn Bhd (“ESSB”), successfully resumed production on 16 July 2018.

For the full financial year, the Group recorded a Profit from Operations of RM119.74 million and managed to turn around with a Profit Before Tax of RM48.37 million as compared to a Loss Before Tax of RM74.82 in the preceding financial year.

## 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 31/07/2018	Immediate Preceding Quarter 30/04/2018	Amount	%
	RM'000	RM'000	RM'000	%
<b>Revenue</b>	325,320	241,567	83,753	35%
<b>Gross Profit</b>	34,256	31,001	3,255	10%
<b>Profit from Operations</b>	35,171	23,315	11,856	51%
<b>(Loss)/Profit Before Tax</b>	(13,395)	4,707	(18,102)	-385%
<b>(Loss)/Profit for the Period</b>	(20,285)	1,165	(21,450)	-1841%
<b>(Loss)/Profit Attributable to:</b>				
Owners of the parent	(19,975)	1,335	(21,310)	-1596%
Minority Interest	(310)	(170)	(140)	-82%
	(20,285)	1,165	(21,450)	-1841%

For the current quarter under review, Group revenue increased by 35% to RM325.32 million from RM241.57 million in the immediate preceding quarter due to higher sales volume across both the Trading and Manufacturing divisions.

Profit from Operations in the current quarter increased by 51% to RM35.17 million as compared to RM23.32 million in the immediate preceding quarter.

However, the Group registered a Loss before Tax of RM13.40 million in Q4 FY2018 as compared to a Profit before Tax of RM4.71 million in Q3 FY2018 due principally to the higher share of loss of JV entity of RM42.35 million for the current quarter as compared to the share of loss of JV entity of RM13.39 million in the immediate preceding quarter. The higher share of loss of JV entity for the current quarter was principally due to higher unrealized foreign exchange losses and the additional costs incurred to resume production at the entity level.

## **18. Prospects**

The outlook for the global iron and steel industry in 2018 and 2019 is cautiously optimistic. The World Steel Association forecasts global steel demand to reach 1,616 million MT in 2018, an increase of 1.8% over 2017.

In 2017, as a percentage of global steel consumption, ASEAN-6 consumed 73.8 million MT, which represent 4.6% of the world's steel consumption. It is forecasted that the steel demand for the ASEAN-6 will reach 80 million MT in 2019.

It is observed that the ASEAN-6 countries which represent a key market for future iron and steel demand growth, namely, Vietnam, Indonesia and Philippines have attracted increased foreign direct investments from large global steel companies.

For Malaysia, after a 7.9% year on year drop in steel demand in 2017, total steel consumption in Malaysia dipped below 10 million MT to 9.4 million MT. Steel demand in Malaysia for the year 2018 is expected to remain soft and challenging with limited growth. The construction sector for both public and private are expected to come under pressure in line with the review of some of the mega infrastructure projects by the Government. The on-going trade war between the US and China has also created global economic uncertainty which may disrupt the steel supply-demand chain especially in the export markets.

The Group's JV entity, ESSB, had on 16 July, 2018 successfully resumed production and is currently operating at full capacity. The Group is confident that ESSB will contribute positively to its future performance by tapping on the demands for its products in Malaysia and the regional growth markets of the Asean-6 countries.

## **19. Variance of actual and forecast profit**

Not applicable.

## 20. Tax

	<b>Group</b>	
	<b>Current year quarter</b>	<b>Current year-to-date</b>
	<b>31.07.2018</b>	<b>31.07.2018</b>
	<b>RM'000</b>	<b>RM'000</b>
Income tax	4,982	20,302
Deferred tax	1,908	875
	6,890	21,177

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 July 2018 are as follows:

	<b>Long Term</b>	<b>Short Term</b>	<b>Total</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
<u>Secured:</u>			
Bankers' Acceptances	-	474,566	474,566
Revolving credit	-	60,000	60,000
<u>Unsecured:</u>			
RCUIDS	20,543	-	20,543
Term Loan	-	56,983	56,983
	<u>20,543</u>	<u>591,549</u>	<u>612,092</u>

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

As at 31 July 2018, the Company has extended corporate guarantees amounting to RM534.57 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.

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 is pleased to propose a Single Tier Final Dividend of 0.5 sen per share for the financial year ended 31 July 2018, subject to shareholders' approval at the forthcoming Annual General Meeting.

### 25. Earnings/(Losses) per share ("EPS/LPS")

#### a) Basic EPS/LPS

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

	<b>Current Year Quarter 31.07.2018</b>	<b>Current Year to-date 31.07.2018</b>
(Loss)/Profit attributable to owners of the parent (RM'000)	(19,975)	27,946
Weighted average number of ordinary shares in issue ('000)	1,331,533	1,321,062
<b>Basic (Losses)/Earnings per share (sen)</b>	<b>(1.50)</b>	<b>2.12</b>

#### b) Diluted EPS/LPS

The diluted earnings/(losses) per share is calculated by dividing the Group's net profit/(loss) 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

	<b>Current Year Quarter 31.07.2018 RM'000</b>	<b>Immediate Preceding Quarter 30.04.2018 RM'000</b>
Total retained earnings of the Company and its subsidiaries		
- Realised	285,375	268,580
- Unrealised	(5,502)	(10,736)
	279,873	257,844
Total share of accumulated losses of the joint venture		
- Realised	(482,593)	(457,013)
- Unrealised	35,858	49,239
	278,035	279,862
Less: Consolidation adjustments	278,035	279,862
Total retained profits	111,173	129,932

## 27. Profit from operations

	<b>Current Year Quarter 31.07.2018 RM'000</b>	<b>Current Year-to-date 31.07.2018 RM'000</b>
<b><i>Profit for the year is arrived at after charging:</i></b>		
Depreciation of property, plant and equipment	2,470	11,178
Depreciation of investment property	39	158
Provision for slow moving inventories	1,783	5,404
Finance costs	6,219	22,305
<b><i>and after crediting/(charging):</i></b>		
Gain on disposal of property, plant and equipment	301	2,510
Finance income:		
Available-for-sale financial assets	394	1,115
Deposits	206	544
Joint venture	7,622	29,564
Net foreign exchange gain/(loss)		
Realised	(74)	(2,918)
Unrealised	2,857	(4,178)
Rental income	156	502

## 28. Authorisation for Issue

The Interim Financial Statements were authorised for issue by the Board of Directors on 27<sup>th</sup> September 2018.