



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 2016 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 an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2016.

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 2016, except for the following new amendments to the MFRS (standards) effective from 1 January 2016 which the Group shall apply where applicable commencing from the 1st quarter of the current financial year:

- Amendments to MFRS 11 - Joint arrangements which requires an investor to apply the principles of MFRS 3 - Business Combination when it acquires an interest in a joint operation that constitutes a business
- Amendments to MFRS 116 - Property, plant and equipment and MFRS 138 - Intangible assets which clarify that the use of revenue-based methods to calculate the depreciation of an item of property, plant and equipment, or to calculate the consumption of the economic benefits embodied in an intangible asset unless demonstrated to be highly correlated is not appropriate.

The application of the above did not have any financial impact on this quarterly report.

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.

- Amendments to MFRS 107 - Statement of Cash Flows & Disclosure Initiative (effective from 1 January 2017)
- Amendments to MFRS 112 - Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses (effective from 1 January 2017)
- MFRS 9 - Financial Instruments (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement". The complete version of MFRS 9 was issued in November 2014.
- MFRS 15 - Revenue from contracts with customers (effective from 1 January 2018) replaces MFRS 118 - Revenue and MFRS 111 - Construction contracts and related interpretations.
- MFRS 16 - Leases (effective from 1 January 2019) supersedes MFRS 117 - Leases and the related interpretations.

The Group is of the opinion that the abovementioned new standards, amendments to standards and interpretations are unlikely to have any material financial impact to the Group upon their initial application when effective.



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A2 Declaration of audit qualification

The audit report of the Group and the Company in respect of the annual financial statements for the financial year ended 30 June 2016 was not subject to any audit qualification.

A3 Seasonality or cyclicity of operations

The business of the Group is generally neither cyclical nor seasonal except for decreased activities during the Ramadan and Chinese New Year festive months.

A4 Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

A5 Changes in estimates

In the current financial quarter, there were no changes in estimates that had a material effect on the financial results.

A6 Debts and equity securities

Other than the disposal of 400,000 treasury shares as outlined below, there were no issuances, cancellations, repurchases, or resale of equity securities during the current financial quarter.

| | Treasury Shares | | Contribution to Paid-in Capital (RM) |
|-------------------------|-----------------|-----------|--------------------------------------|
| | Number | Sen/share | |
| Opening 1 Oct 2016 | 550,000 | 36.79 | 251,142 |
| disposal on 24 Oct 2016 | (200,000) | 110.00 | 144,992 |
| disposal on 27 Oct 2017 | (200,000) | 116.50 | 157,919 |
| Closing 31 Dec 2016 | 150,000 | 36.79 | 554,053 |

The Group has a policy to maintain its Gearing Ratio (measured as interest bearing debts over shareholders equity adjusted for the exclusion of intangibles) at below 1.5 times.

| | 31 Dec 2016 | 30 Jun 2016 |
|--|-------------|-------------|
| Total interest bearing debts in RM million | 183.5 | 191.1 |
| Adjusted Shareholders funds in RM million | 335.9 | 315.4 |
| Gearing Ratio | 0.55 | 0.61 |

Of the total interest bearing debts as at 31 December 2016, around RM115.4m is represented by the respective debenture at its two main operating subsidiaries, whilst the balance is represented by interest-bearing unsecured supplier credit also at the respective operating subsidiaries. (See Note B10). The operating subsidiaries complied with their respective Gearing Ratio covenants for the current financial quarter ended 31 December 2016.

A7 Dividend paid

During the financial quarter, there was no dividend paid by the Company.



Part A - EXPLANTORY NOTES PURSUANT TO MFRS 134

A8 Segmental reporting

The Group's year-to-date segmental information by business segments is as follows:

| | <u>Cold Rolled</u> RMø000 | <u>Steel Tube</u> RMø000 | <u>Others</u> RMø000 | <u>Total</u> RMø000 |
|-------------------|------------------------------|-----------------------------|-------------------------|------------------------|
| <u>Revenue</u> | | | | |
| Total revenue | 227,646 | 130,746 | 5,660 | 364,052 |
| Inter segment | (11,771) | - | (4,089) | (15,860) |
| External revenue | <u>215,875</u> | <u>130,746</u> | <u>1,571</u> | <u>348,192</u> |
| | | | | |
| Pre-tax profit | <u>9,963</u> | <u>15,995</u> | <u>181</u> | <u>26,139</u> |
| | | | | |
| Segment assets | <u>432,437</u> | <u>151,104</u> | <u>3,582</u> | <u>587,123</u> |
| | | | | |
| | RMø000 | | | |
| Segment assets | 587,123 | | | |
| Derivative assets | 7,067 | | | |
| Tax recoverable | <u>254</u> | | | |
| | <u>594,444</u> | | | |

The businesses of the Group are carried out entirely in Malaysia.

A9 Valuation of property, plant and equipment

The valuation of property, plant and equipment has been brought forward from the audited financial statements for the financial year ended 30 June 2016 and adjusted for the current financial year's depreciation where appropriate to reflect the current period's ending net carrying value.



Part A - EXPLANTORY NOTES PURSUANT TO MFRS 134

A10 Fair Value Measurement

Except for the financial instruments disclosed below which are fair valued by valuation methods, 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 methods are categorised into the following fair value hierarchy and are represented in the table below as at 31 December 2016:

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

Foreign Currency Forwards
 as Assets (not hedge accounted)
 as Assets (hedge accounted)
 as Liabilities (not hedge accounted)
 as Liabilities (hedge accounted)

| Fair Value RMø000 | | | |
|-------------------|---------|---------|---------|
| | Level 1 | Level 2 | Level 3 |
| | 0 | 0 | 0 |
| | 0 | 7,067.1 | 0 |
| | 0 | (29.4) | 0 |
| | 0 | 0 | 0 |
| Total | 0 | 7,037.7 | 0 |

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

A11 Significant events and transactions

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



Part A - EXPLANTORY NOTES PURSUANT TO MFRS 134

A12 Subsequent material events

There were no material events occurring between 1 January 2017 and the date of this announcement that warrant adjustments or disclosure to the financial statements for the quarter ended 31 December 2016.

A13 Changes in the composition of the Group

There is no change to the composition of the Group during the current financial quarter.

A14 Contingent liabilities or contingent assets

There are no contingent liabilities or contingent assets as at the end of the reporting quarter.

A15 Changes in Financial Year End Date

There is no change to the financial year end date during the current financial quarter.

A16 Capital Commitments

There are no material capital commitments provided for in the financial statements at the end of the current reporting quarter.



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

For the 2nd quarter ended 31 December 2016, the Group registered a total revenue of RM180.7 million as compared to RM144.1 million achieved in the preceding year's corresponding quarter - mainly due to higher sales volume and unit selling price for the current quarter. In comparison with the preceding year's corresponding quarter, the sales volume for the Cold Rolled subsidiary for the current quarter is up 8% and the average unit selling price is up 9%, whilst the Steel Tube subsidiary's sales volume is up 26% and the average unit selling price is up 5%.

The Group recorded a profit before tax of RM12.6 million for the current quarter as compared to RM7.4 million in the preceding year's corresponding quarter. The better performance for the current quarter compared to the preceding year's corresponding quarter is mainly attributed to the higher gross profit achieved of RM22.3 million (preceding year's corresponding quarter gross profit: RM16.2 million) due to the higher sales volume and higher unit selling price in both the Cold Rolled and Steel Tube segments. Consequently, the Group recorded an after-tax profit of RM9.5 million for the current quarter as compared to the preceding year's corresponding quarter of RM5.3 million.

The Group recorded a higher EBITDA at RM18.9 million compared to the preceding year's corresponding quarter of RM14.3 million.

B2 Material changes in the quarterly results compared to the results of the immediate preceding quarter

The Group's revenue at RM180.7 million for the current 2nd quarter is around 8% higher than the immediate preceding quarter's RM167.5 million which saddled the Ramadan and Hari Raya festive period. The higher revenue for the current quarter can also be attributed to the Steel Tube subsidiary's significant increase in sales volume by 26%.

The Group however registered a lower pre-tax profit of RM12.6 million compared with the immediate preceding quarter's pre-tax profit of RM13.6 million mainly due to its Cold Rolled segment's lower gross margin arising from narrower spread between selling prices and raw material costs. Correspondingly, the Group recorded a lower net-tax profit of RM9.5 million compared to a net-tax profit of RM10.1 million in the immediate preceding quarter.

The Group recorded a lower quarterly EBITDA at RM18.9 million compared to the preceding quarter's RM19.6 million.

B3 Prospects for the remaining financial year

For the next six months of the remaining financial year, the Country's economic outlook would likely continue to be subdued in the trough as the prolonged lows of the Ringgit and escalated costs become the new norm. Whilst the new supplementary foreign currency exchange administration rules issued by Bank Negara Malaysia in December 2016 has managed to mitigate further declines in the Ringgit (which witnessed another 8% drop to historical new lows in the current financial quarter), little else could be done to reverse the tide of net outflows and overall negative sentiments.



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

B3 Prospects for the remaining financial year (continue)

Specific to Steel industry, iron-ore and coking-coal used in the upstream production of raw-steel saw sharp increases ranging 45% and 30% respectively in the current financial quarter which translates to higher raw-coil material costs for the Group's steel manufacturing. This uptrend continued into January and February 2017 reaching new heights and sparking concerns whether such prices are driven by demand-supply fundamentals or speculators. Market-analyses have it that Trump's plan on rebuilding America's infrastructure, and China's curbing of inefficient/ excess steel production will likely keep steel and its raw production materials' prices high in the near to mid-term. Whilst this may be bullish for upstream miners and raw-steel producers, midstream steel manufacturers like the Group's cold-rolled coil and steel tube operations are generally indifferent since their performance largely hinges on successfully managing manufacturing margins and fair competition. Nevertheless, volatility in raw steel prices induces volatility pressure on manufacturing margins, and affects purchasing behavior of downstream steel users.

Given the sustained business momentum of the Group's steel businesses in the 1st half of the current financial year despite the bearish economic conditions, the Group's prospect outlook for the remaining financial year is cautiously positive. Barring any external shocks or events that may distort the competitive landscape and margins, the Group is hopeful to continue delivering positive performance for the 2nd half of the financial year.

B4 Variance of actual profit from forecast profit

This is not applicable to the Group.

B5 Profit before taxation

Profit before taxation is stated after charging/ (crediting):

| | Current Year Quarter Ended 31 Dec 2016 RM'000 | Preceding Year Corresponding Quarter Ended 31 Dec 2015 RM'000 | Current Year To Date Ended 31 Dec 2016 RM'000 | Preceding Year Corresponding Period Ended 31 Dec 2015 RM'000 |
|----------------------------|---|--|---|---|
| Depreciation | 3,778 | 4,025 | 7,541 | 7,979 |
| Interest income | (191) | (98) | (321) | (218) |
| Interest expense | 2,758 | 3,059 | 5,112 | 6,298 |
| FX differences (gain)/loss | 8,410 | (3,170) | 12,714 | 8,173 |
| FX derivatives loss/(gain) | (8,345) | 3,163 | (12,500) | (7,305) |



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

B6 Taxation

Taxation comprises :

| | Current Year Quarter Ended 31 Dec 2016 RMø000 | Preceding Year Corresponding Quarter Ended 31 Dec 2015 RMø000 | Current Year To Date Ended 31 Dec 2016 RMø000 | Preceding Year Corresponding Period Ended 31 Dec 2015 RMø000 |
|-------------------------------|---|--|---|---|
| Current tax (expense)/credit | | | | |
| Current period | (2,745) | (813) | (4,269) | (1,098) |
| Deferred tax (expense)/income | | | | |
| Current period | (283) | (1,202) | (2,261) | (2,348) |
| | <u>(3,028)</u> | <u>(2,015)</u> | <u>(6,530)</u> | <u>(3,446)</u> |

B7 Profit on sale of unquoted investments and / or properties

The Group did not engage in any sales of unquoted investments and / or properties in the current financial quarter.

B8 Purchase or disposal of quoted securities

There are no purchases or disposals of quoted securities in the current financial quarter- other than the disposal of its own treasury shares as disclosed in Note A6.

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 from lending institutions as at 31 December 2016, which are denominated entirely in Ringgit Malaysia, are as follows:

| | |
|-------------------------------|-------------------------|
| | <u>RMø000</u> |
| <u>Short-term borrowings:</u> | |
| Secured | 109,810 |
| <u>Long-term borrowings:</u> | |
| Secured | 5,604 |
| Total borrowings | <u>115,414</u> ===== |

Besides the above borrowings, the Group's Cold Rolled subsidiary and the Steel Tube subsidiary also draw on interest-bearing trade credits from their respective raw-coil suppliers with outstanding amounts of RM55.0 million and RM13.1 million respectively as at 31 December 2016. Inclusive of this, the Group's net gearing ratio as at 31 December 2016 is around 0.55 times.



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

B11 Outstanding Derivatives

The Group has entered into forward foreign currency exchange contracts (FX forwards) to manage its foreign currency exchange exposure arising from purchases of raw materials denominated in US Dollar (USD) and certain sales denominated in Singapore Dollar (SGD). In this regard, the Group covers its USD exposure at the range of 80% to 90% depending on the length of the forward period and the availability of FX facilities.

The Group designates eligible hedge relations on FX forwards incepted to cover its USD and/or SGD exposure for the purpose of hedge accounting. These are designated as fair value hedges with the arising mark-to-market foreign currency fair value gain/ (loss) of both the hedging instruments (i.e. FX Forwards) and the hedged items (i.e. forward purchases of raw material and or accounts payables in USD or accounts receivables in SGD) being charged to the Statement of Profit or Loss.

Details on outstanding derivative FX forward contracts for both the non-designated and designated for hedge accounting as at 31 December 2016 are outline below:

Non-designated

| FX Forward Contracts (SDG/RM) as non-designated hedging instrument | | | | |
|--|---------------------|---------|------------------|---------------------|
| | Notional Value -000 | | Fair Value RM000 | |
| Maturity | Short SGD | Long RM | Financial Asset | Financial Liability |
| Less than 1 year | 450 | 1,369 | - | 29.4 |

Designated

| FX Forward Contracts as designated hedging Instrument | | | | | Forward purchase of raw material and/or a/c payable as hedge items | | | | |
|---|---------------------|----------|------------------|---------------------|--|---------------------|------|------------------|---------------------|
| | Notional Value -000 | | Fair Value RM000 | | | Notional Value -000 | | Fair Value RM000 | |
| Maturity | Long USD | Short RM | Financial Asset | Financial Liability | Maturity | Short USD | n.a. | Financial Asset | Financial Liability |
| Less than 1 year | 34,945 | 150,371 | 7,067.1 | - | Matching | 34,945 | n.a. | - | 7,067.1 |

Besides the above unrealized positions, the Group has recorded a total realized net gain of around RM5.5 million from its FX Forward Contracts incepted for hedging purposes 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.



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

Off balance sheet financial instruments as at the date of this announcement are bank guarantees issued amounting to RM3.6 million being security for inbound supply of goods and services; and corporate guarantees issued to lenders for borrowings extended to its principal subsidiaries, Mycron Steel CRC Sdn. Bhd. and Melewar Steel Tube Sdn. Bhd. amounting to RM114.7 million as at 31 December 2016.

B13 Material litigation

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

B14 Dividend

The Company did not declare any dividend for the financial period ended 31 December 2016.



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

B15 Earnings per share

- (i) Basic earnings per ordinary share

| | Current Year Quarter Ended 31 Dec 2016 | Preceding Year Corresponding Quarter Ended 31 Dec 2015 | Current Year To Date Ended 31 Dec 2016 | Preceding Year Corresponding Period Ended 31 Dec 2015 |
|--|---|--|---|---|
| Profit/(loss) attributable to owners (RM000) | 9,528 | 5,336 | 19,609 | 8,167 |
| Weighted average number of ordinary shares in issue (net of treasury shares) (000) | 283,395 | 282,505 | 283,195 | 282,505 |
| Basic earnings per share (sen) | 3.36 | 1.89 | 6.92 | 2.89 |

- (ii) Diluted earnings per ordinary share

This is not applicable to the Group.

B16 Realised and Unrealised Profits/Losses Disclosure

| | As at 31/12/2016 RM000 | As at 30/6/2016 RM000 |
|---|------------------------------|-----------------------------|
| Total retained profits of the Company and its subsidiaries: | | |
| - Realised | 145,577 | 123,363 |
| - Unrealised | (18,237) | (15,632) |
| | <u>127,340</u> | <u>107,731</u> |
| Add: Consolidation adjustments | (218) | (218) |
| Total group retained profits as per consolidated accounts | <u>127,122</u> | <u>107,513</u> |

This interim financial statements have been authorized for issue by the Board of Directors on the date set-forth below.

By order of the Board
LILY YIN KAM MAY (MAICSA 0878038)

Secretaries
Kuala Lumpur
21 February 2017