MYCRON STEEL BERHAD (622819-D)

MS ISO 9001 REG. NO. AR 0912

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for the second financial quarter ended 31 December 2017

(The figures have not been audited)

	Individual Quarter (3 months)		Cumulative Quarters (6 months)	
	Current year Quarter 31-Dec-17 RM'000	Preceding year Corresponding Quarter 31-Dec-16 RM'000	Current year To date 31-Dec-17 RM'000	Preceding year Corresponding Period 31-Dec-16 RM'000
Revenue	199,159	180,695	378,909	348,192
Cost of sales	(182,903)	(158,355)	(345,394)	(303,230)
Gross profit	16,256	22,340	33,515	44,962
Operating expenses	(8,210)	(7,194)	(15,445)	(13,859)
Other operating income/(expense)	47	41	76	40
Net foreign exchange gain/(loss)	616	(65)	765	(214)
Profit from operations	8,709	15,122	18,911	30,929
Finance income	436	192	691	322
Finance costs	(2,408)	(2,758)	(4,757)	(5,112)
Profit before tax	6,737	12,556	14,845	26,139
Tax	(1,574)	(3,028)	(3,875)	(6,530)
Profit for the period	5,163	9,528	10,970	19,609
Other comprehensive income				
Asset revaluation reserves:				
- revaluation surplus on				
property, plant and equipment, net of tax	-	-	-	-
Total profit and other comprehensive income for the period	5,163	9,528	10,970	19,609
Earnings per share attributable to owners of the Company (sen):				
- Basic	1.82	3.36	3.87	6.92
- Diluted	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 financial year ended 30 June 2017).

Condensed Consolidated Statements of Financial Position as at 31 December 2017

(The figures have not been audited)

	As at 31-Dec-17 RM'000	As at 30-Jun-17 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	290,315	294,514
Intangible Assets	20,000	20,000
	310,315	314,514
Current Assets		
Inventories	147,215	177,176
Trade and other receivables	117,082	106,249
Amount owing by holding company	1,424	263
Amount owing by related companies	3,814	4,860
Tax recoverable	156	258
Derivative financial assets	25	142
Cash and bank balances	81,521	64,588
	351,237	353,536
Less: Current Liabilities		
Borrowings	59,391	78,610
Trade and other payables	181,481	181,469
Amount owing to holding company	2,010	4,000
Amount owing to related companies	1,261	1,073
Tax payable	710	1,651
Derivative financial liabilities	7,186	3,037
	252,039	269,840
Net Current Assets	99,198	83,696
Non-Current Liabilities		
Deferred tax liabilities	21,053	19,758
Borrowings	3,336	4,298
	24,389	24,056
	385,124	374,154
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	206,364	206,364
Asset revaluation reserve	25,534	25,534
Retained earnings	153,226	142,256
Total Equity	385,124	374,154
Net assets per share attributable to owners of the Company	RM1.36	RM1.32

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2017).

Condensed Consolidated Statements of Cash Flows for the second financial quarter ended 31 December 2017

(The figures have not been audited)

	(6 months) 31-Dec-17 RM'000	(6 months) 31-Dec-16 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	14,845	26,139
Adjustments for :		
- Depreciation	7,476	7,541
- Loss/(gain) on disposal of plant and equipment	19	38
- Plant and equipment written off	61	15
- Net unrealised (gain)/loss on foreign exchange	(577)	112
- Interest income	(691)	(321)
- Interest expense	4,757	5,112
Operating profit before changes in working capital	25,890	38,636
Changes in working capital :		
- Inventories	29,962	(20,042)
- Trade and other receivables	(10,716)	(18,444)
- Trade and other payables	4,738	(22,277)
- Intercompanies balances	(1,917)	11,286
Cash flows generated from/(used in) operations	47,957	(10,841)
- Interest paid	(4,757)	(5,106)
- Interest received	691	316
- Tax paid	(3,420)	(5,163)
Net cash flows generated from/(used in) operating activities	40,471	(20,794)
CASH FLOWS FROM INVESTING ACTIVITIES		
- Purchase of property, plant and equipment	(3,407)	(1,087)
- Proceeds from disposal of property, plant and equipment	50	147
Net cash flows (used in)/generated from investing activities	(3,357)	(940)
CASH FLOWS FROM FINANCING ACTIVITIES		
- Disposal of treasury shares	-	858
- Proceeds from bank borrowings	66,210	129,820
- Repayment of bank borrowings	(86,391)	(105,986)
Net cash flows (used in)/generated from financing activities	(20,181)	24,692
Net change in cash and cash equivalents	16,933	2,958
Cash and cash equivalents at beginning of the financial year	64,588	27,630
Cash and cash equivalents at end of the financial year	81,521	30,588

(The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2017).

Condensed Consolidated Statements of Changes in Equity for the second financial quarter ended 31 December 2017

(The figures have not been audited)

	---- Attributable to owners of the Company ----							
		Non-Distributable Reserve						
	Share Capital	Share Premium	Other Non-Distributable Capital Reserve N1	Paid-in Capital N2	Treasury Shares	Asset Revaluation Reserve	Retained Earnings	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
6 months ended 31 December 2017								
At 1 July 2017 N3	206,364	-	-	-	-	25,534	142,256	374,154
Comprehensive income for the financial period								
- Profit for the financial period	-	-	-	-	-	-	10,970	10,970
Other comprehensive income for the financial period								
Asset revaluation reserves:								
- revaluation surplus on property, plant and equipment, net of tax	-	-	-	-	-	-	-	-
Total comprehensive income for the financial period	-	-	-	-	-	-	10,970	10,970
As at 31 December 2017	206,364	-	-	-	-	25,534	153,226	385,124
6 months ended 31 December 2016								
At 1 July 2016	70,886	19,100	115,754	9	(368)	22,545	107,513	335,439
Comprehensive income for the financial period								
- Profit for the financial period	-	-	-	-	-	-	19,609	19,609
Other comprehensive income for the financial period								
Asset revaluation reserves:								
- revaluation surplus on property, plant and equipment, net of tax	-	-	-	-	-	-	-	-
Total comprehensive income for the financial period	-	-	-	-	-	-	19,609	19,609
Disposal of treasury shares	-	-	-	545	313	-	-	858
As at 31 December 2016	70,886	19,100	115,754	554	(55)	22,545	127,122	355,906

N1 This arose from the par value reduction exercise from RM1.00 to RM0.25 in Financial Year 2015

N2 This being the gain from disposal of treasury shares

N3 The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account and similar non-distributable reserves (ie. Paid-in Capital and the Other Non-Distributable Capital Reserve) become part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of those accounts totalling RM135,477,307 for purposes as set out in Sections 618 (3) where permitted. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2017).

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 (ñMFRSò) 134 - Interim Financial Reporting issued by the Malaysian Accounting Standards Board (ñMASBò) and Paragraph 9.22 and Appendix 9B of the Bursa Malaysia Securities Berhad (ñBursa Malaysiaò) Listing Requirements. In addition, the financial statements comply with IFRS as issued by IASB. The report should be read in conjunction with the Groupôs audited financial statements for the financial year ended 30 June 2017 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 2017.

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 2017, except for the following new amendments to the MFRS (ñstandardsò) effective from 1 January 2017 which the Group has adopted since the 1st quarter of the current financial year:

- Amendments to MFRS 107 óStatement of Cash Flows ï Disclosure Initiativeô - which introduced additional disclosure on changes in liabilities arising from financing activities
- Amendments to MFRS 112 óIncome Taxes - Recognition of Deferred Tax Assets for Unrealised Lossesô - which clarify the requirements for recognizing deferred tax asset on unrealized losses arising from deductible temporary difference on asset carried at fair value.

The adoption of the above did not have any material impact on the Groupôs financial statements to-date.

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.

- IC Interpretation 22 óForeign Currency Transactions and Advance Considerationô (effective from 1 January 2018) 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 ódate of the transactionô to record foreign currency transactions.
- MFRS 9 óFinancial Instrumentsô (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 óRevenue from contracts with customersô (effective from 1 January 2018) replaces MFRS 118 óRevenueô and MFRS 111 óConstruction contractsô and related interpretations.
- MFRS 16 óLeasesô (effective from 1 January 2019) supersedes MFRS 117 óLeasesô and the related interpretations.
- IC Interpretation 23 óUncertainty over Income Tax Treatmentsô (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A1 Basis of Preparation & Significant Accounting Policies (continued)

Preliminary review indicates 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. The Group has since conducted detailed impact assessment on the two new standards coming into effect in the next financial year from 1 July 2018:

- MFRS 9
  The application of MFRS 9 is not expected to result in any material change to the Groupôs 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 ñExpected Credit Lossò (ECL) model increases the scope for credit impairment with the additions of forward looking information and estimates. Given that the Groupôs credit risks are mainly concentrated in short-term trade receivables, the Group shall apply allowable practical-expedient in ECL provision based on a supportable ñoverdue-days matrixò. Barring any unforeseeable development of adverse conditions which may negatively affect credit outlook, the adoption of the ECL model is not expected to result in material increase in credit impairment for the initial application period as well as on retrospective adjustments.

- MFRS 15
  The application of MFRS 15 is not expected to result in any material change to the timing and quantum of revenue recognition of the Group for the initial application period and the comparative retrospective period. The steel businessesô nature of sales are mainly spot and/or short-term based on generic simplified contracts with single point fulfilment at predetermined prices ï which under normal circumstances do not give rise to any contract assets or liabilities. The sales contract for ñgoodsò are generally separated from ñservicesò, and these do not entail any financing feature beyond short-credit periods customary to the industry.

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 2017 was not subject to any audit qualification.

A3 Seasonality or cyclicality 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.

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A6 Debts and equity securities

There were no issuances, cancellations, repurchases, or resale of equity securities during the current financial quarter.

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

	31 Dec 2017	30 Jun 2017
Total interest bearing debts in RMômillion	224.9	249.7
Adjusted Shareholdersô funds in RMômillion	365.1	354.2
Gearing Ratio	0.62	0.71

Of the total interest bearing debts as at 31 December 2017, around RM62.7m is represented by the respective debenture at its two main operating subsidiaries, whilst the balance is represented by interest-bearing unsecured supplierôs credit also at the respective operating subsidiaries. (See Note B10). The lower absolute gearing for the current quarter ended is attributed to lower trade credits drawn to finance lower inventory carrying value of RM147.2m (as compared to RM177.2m as at 30 June 2017). Debt covenants where applicable are in full compliance for the current financial quarter ended 31 December 2017.

A7 Dividend paid

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

A8 Segmental reporting

The Groupôs year-to-date segmental information by nature-of-business is as follows:

	Cold Rolled	Steel Tube	Others	Total
	RMô000	RMô000	RMô000	RMô000
Revenue				
Total revenue	262,982	131,088	1,583	395,653
Inter segment	(15,200)	-	(1,544)	(16,744)
External revenue	247,782	131,088	39	378,909
Pre-tax profit	5,626	9,077	142	14,845
Segment assets	417,500	222,060	1,811	661,371

	RMô000
Segment assets	661,371
Derivative assets	25
Tax recoverable	156
	661,552

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A8 Segmental reporting (continued)

The businesses of the Group are carried out entirely in Malaysia. ñPre-tax Profit to Segment Assets Employedò percentage for the Steel Tube Segment at 4.1% is significantly higher than the Cold Rolled Segmentøs at 1.4% partly due to the fact that the Steel Tube Segment does not own the factoriesô land and building (fair valued at around RM100 million as at 30 June 2017) which are rented from its ultimate Shareholding Company and sister company for a monthly sum of RM455,400.

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 2017 and adjusted for the current financial yearøs depreciation where appropriate to reflect the current periodøs ending net carrying value.

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 2017:

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 RMø000		
Foreign Currency Forwards	Level 1	Level 2	Level 3
as Assets (not hedge accounted)	0	24.7	0
as Assets (hedge accounted)	0	0	0
as Liabilities (not hedge accounted)	0	(58.7)	0
as Liabilities (hedge accounted)	0	(7,127.1)	0
Total	0	(7,161.1)	0

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

Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A11 Significant events and transactions

Proposed Acquisition
On 20 November 2017 the Company announced that its wholly owned steel tube subsidiary Melewar Steel Tube Sdn Bhd (MST) has entered into a conditional agreement to acquire a factory leased land and buildings on Lot 53, Persiaran Selangor, Shah Alam (ñsubject propertyò) from Melewar Industrial Group Bhd (MIGB) for a total consideration sum of RM26 million based on ascertained valuation by an independent valuer. MIGB is the ultimate and immediate holding company of the Group, and MST currently rents the subject property from MIGB for a monthly rental sum of RM126,500. The proposed acquisition is deemed as a órelated party transactionô under Bursa Malaysiaôs listing rule and as such shall have to comply with the said rules. In that regard, the proposed acquisition is conditional upon obtaining shareholdersô approval coupled with other specified condition precedents below:

- MST obtaining loan financing
- MST obtaining existing lendersô consent
- The subject property being free from encumbrances
- Approval from state authority for the sale and transfer of the subject property

The rationale for the proposed acquisition of the subject property which currently serves as MSTôs corporate office and factory for the manufacturing of steel tube and pipes, is that it will remove the risk of rental increase upon each tenancy renewal; and will result in rental savings in the long run. The acquisition will not have any material impact on net assets, earnings, or earnings per share of the Group, but itsô gearing will increase in-tandem with the portion financed by borrowings. Pro-forma analysis shows such increases in the Groupôs gearing would still be within comfortable range even at maximum 90% borrowings.

A12 Subsequent material events

There were no subsequent material events for the current quarter affecting the Groupôs financial position and performance of its entities.

A13 Changes in the composition of the Group

There are no changes 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

At the end of the current reporting quarter, the Groupôs Cold Rolled subsidiary has an outstanding capital commitment balance of around USD0.50m (RM2.03m) for the supply and installation of new motor-drives for its órolling millô. The said capital commitment will be payable over the remaining three milestones running into calendar year 2018.

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 (2nd quarter)		Changes		Cumulative Period		Changes	
	Current Year Quarter 31/12/2017	Preceding Year Corresponding Quarter 31/12/2016			Current Year To-date 31/12/2017	Preceding Year Corresponding Period 31/12/2016		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	199,159	180,695	18,464	10%	378,909	348,192	30,717	9%
Operating Profit	8,709	15,122	(6,413)	-42%	18,911	30,929	(12,018)	-39%
Profit Before Interest and Tax	8,709	15,122	(6,413)	-42%	18,911	30,929	(12,018)	-39%
Profit Before Tax	6,737	12,556	(5,819)	-46%	14,845	26,139	(11,294)	-43%
Profit After Tax	5,163	9,528	(4,365)	-46%	10,970	19,609	(8,639)	-44%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	5,163	9,528	(4,365)	-46%	10,970	19,609	(8,639)	-44%

For the 2nd quarter ended 31 December 2017, the Group registered a 10% higher total revenue of RM199.2 million as compared to RM180.7 million achieved in the preceding yearés corresponding quarter mainly due to higher unit selling price but lower sales volume. At the segment level, average unit selling price for the current quarter for the Cold Rolled and the Steel Tube segments is up 30% and 19% respectively compared with the preceding year corresponding quarter, whilst sales volume is relatively flat for the Cold Rolled segment but declined by around 26% for the Steel Tube segment.

The Group recorded a lower profit before tax of RM6.7 million for the current quarter as compared to RM12.6 million in the preceding yearés corresponding quarter. The weaker performance for the current quarter compared to the preceding yearés corresponding quarter is mainly attributed to the lower gross profit achieved of RM16.3 million (preceding yearés corresponding quarter gross profit: RM22.3 million) due to lower sales volume in the Steel Tube segment and higher unit conversion cost arising from the lower production volume in both Cold Rolled and Steel Tube segment. Consequently, the Group recorded an after-tax profit of RM5.2 million for the current quarter as compared to the preceding yearés corresponding quarter of RM9.5 million.

The Group recorded a lower EBITDA at RM12.5 million compared to the preceding yearés corresponding quarter of RM18.9 million.

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

	Current Quarter 31/12/2017	Immediate Preceding Quarter 30/9/2017	Changes	
	RM'000	RM'000	RM'000	%
Revenue	199,159	179,750	19,409	11%
Operating Profit	8,709	10,202	(1,493)	-15%
Profit Before Interest and Tax	8,709	10,202	(1,493)	-15%
Profit Before Tax	6,737	8,108	(1,371)	-17%
Profit After Tax	5,163	5,807	(644)	-11%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	5,163	5,807	(644)	-11%

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

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

The Groupês revenue at RM199.2 million for the current 2nd quarter is around 11% higher than the immediate preceding quarter at RM179.8 million. The higher revenue for the current quarter is due to higher sales volume coupled with higher unit selling price. At the segment level, sales volume for the Cold Rolled is up around 11% with higher unit selling price by around 5%, whilst the Steel Tubeês sales volume is lower by around 6% with a higher unit selling price at around 3%.

The Group registered a lower pre-tax profit of RM6.7 million compared with the immediate preceding quarterês pre-tax profit of RM8.1 million mainly due to lower gross profit margin contributed by the Steel Tubeês lower sales volume in the current quarter. Correspondingly, the Group recorded a lower net-tax profit of RM5.2 million compared to a net-tax profit of RM5.8 million in the immediate preceding quarter.

The Group recorded a lower quarterly EBITDA at RM12.5 million compared to the preceding quarterês RM13.9 million.

B3 Prospects for the remaining financial year

The Countryês reported blistering annual GDP growth of 5.9% for the full fiscal year 2017 sets the stage for the imminent 14th general election in 2018. The growth momentum in 2018 is expected to remain strong albeit at a slower pace between 5 to 5.5% with the recovery in crude oil prices, and on-going infrastructural investments. However, the economic growth is likely to remain narrow and unlikely to permeate across the general masses and a broad range of domestic consumer-centric businesses. Ground sentiments would likely continue to remain soft and cautious with heightened cost pressure and suppressed margins/ earnings.

On the Steel sector, regional outlook remains buoyant with continuing strong run on steel prices over the last six months. Chinaês robust economy continues to sustain steel demand and support steel prices in the region. Iron-ore prices at the close of the current financial quarter is down by around 30% from the peak attained twelve months ago, whilst Hot Rolled Coil prices at the close of the current quarter is up around 3% over the same period. This widened margin spread benefitted upstream raw steel and HRC producers located abroad, and incentivized those with extended Cold Rolled Coil (CRC) manufacturing abroad to step-up production and sales in export markets where they can under-cut prices. In this regard, Malaysia witnessed increased CRC importation over the recent past quarters from countries like Vietnam, India, South Korea and Japan ï at the expense of domestic CRC producers. This unfair pricing from imports coupled with increased operational costs from a combination of electric and gas tariff hikes, minimum-wage hikes, foreign workers levy on employer, borrowing cost hike, and fuel cost hike- have materially affected the sales and margins of mid-stream steel producers like the Groupês CRC and Steel Tube businesses. The weaker performance of the Group for the current financial quarter compared with the preceding financial yearês comparative quarter reflects the difficult business and market environment in-which it currently operates. To address the unfair competition, the Groupês CRC subsidiary has teamed up with two other domestic CRC producers to seek remedial actions (including retrospective anti-dumping duties) from the Authorities against those perpetrator exporting nations.

Business outlook and prospects for the Groupês Cold-Rolled-Coil and Steel Tubes for the remaining financial year remains cautious given the abovementioned factors which negatively affect volumes and margins. Nevertheless, the Group hopes to sustain a positive performance for the remaining financial year barring any severe external shocks. Any crystallization of remedial actions sought to prevent further unfair trade practices and product dumping from aboard would greatly improve outlook.

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

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 2017 RM'000	Preceding Year Corresponding Quarter Ended 31 Dec 2016 RM'000	Current Year To Date Ended 31 Dec 2017 RM'000	Preceding Year Corresponding Period Ended 31 Dec 2016 RM'000
Depreciation	3,749	3,778	7,476	7,541
Interest income	(436)	(192)	(691)	(322)
Interest expense	2,408	2,758	4,757	5,112
FX differences (gain)/loss	(8,210)	8,410	(10,459)	12,714
FX derivatives loss/(gain)	7,594	(8,345)	9,694	(12,500)

B6 Taxation

Taxation comprises :

	Current Year Quarter Ended 31 Dec 2017 RM'000	Preceding Year Corresponding Quarter Ended 31 Dec 2016 RM'000	Current Year To Date Ended 31 Dec 2017 RM'000	Preceding Year Corresponding Period Ended 31 Dec 2016 RM'000
Current tax (expense)/credit				
Current period	(990)	(2,745)	(2,581)	(4,269)
Deferred tax (expense)/income				
Current period	(584)	(283)	(1,294)	(2,261)
	(1,574)	(3,028)	(3,875)	(6,530)

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

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.

B9 Status of corporate proposals

In the preceding financial quarter on 23 August 2017, the Company announced a proposed renounceable Rights Issue of 1-for-5 shares held with free detachable Warrants of 1-for-2 Rights Shares subscribed. The proposed fund raising exercise aims to raise a minimum of RM10.8 million and a maximum of RM28.3 million to fund the steel businessesô capital expenditure program and working capital.

The Company has on 22 December 2017 submitted to Bursa Malaysia the listing application of the proposed rights issue with warrants, and the draft circular to shareholders in-relation to the proposed rights issue and the proposed related-party acquisition (as disclosed in Note A11) for clearance. Bursa has on 19 February 2018 approved the Companyô listing application of the proposed Rights Issue with warrants, the draft circular to shareholders, and the draft Independent Advisorô Letter to shareholders in-relation to the proposed related-party acquisition.

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

B10 Group borrowings and debt securities

The Groupôs borrowings from lending institutions as at 31 December 2017, which are denominated entirely in Ringgit Malaysia, are as follows:

	RMô000
Short-term borrowings:	
Secured	59,391
Long-term borrowings:	
Secured	3,336
Total borrowings	62,727
	======

Cash-flow movement in-relation to ôchanges in liabilities arising from financing activitiesö on a year-to-date basis is outlined below:

	RMô000
Total Borrowingsö opening balance as at 1 July 2017	82,908
Cash Flows:	
Inflows from new debts	66,210
Outflows on repayment	(86,391)
Non-Cash Changes:	-
Closing balance as at 31 December 2017	62,727
	======

Based on the above, the Groupôs bank-gearing ratio is around 0.17 times. Besides the said borrowings, the Groupôs 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 RM82.0 million and RM80.1 million respectively as at 31 December 2017. Inclusive of this, the Groupôs absolute-gearing ratio as at 31 December 2017 is around 0.62 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 (ñUSDò) and certain sales denominated in Singapore Dollar (ñSGDò). 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.

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

B11 Outstanding Derivatives (continued)

Details on outstanding derivative FX forward contracts for both the non-designated and designated for hedge accounting as at 31 December 2017 are outline 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	390	1,213	24.7	0.7

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	872	3,610	-	58.0

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	46,600	197,184	-	7,127.1	Matching	46,600	n.a.	7,127.1	-

Besides the above unrealized positions, the Group has recorded a total realized net loss of around RM2.5 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.

(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.

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

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 RM76.3 million as at 31 December 2017.

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 2017.

B15 Earnings per share

(i) Basic earnings per ordinary share

	Current Year Quarter Ended 31 Dec 2017	Preceding Year Corresponding Quarter Ended 31 Dec 2016	Current Year To Date Ended 31 Dec 2017	Preceding Year Corresponding Period Ended 31 Dec 2016
Profit attributable to owners (RM'000)	5,163	9,528	10,970	19,609
Weighted average number of ordinary shares in issue (net of treasury shares) ('000)	283,545	283,395	283,545	283,195
Basic earnings per share (sen)	1.82	3.36	3.87	6.92

(ii) Diluted earnings per ordinary share

This is not applicable to the Group.

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

B16 Realised and Unrealised Profits/Losses Disclosure

	As at 31/12/2017 RM'000	As at 30/6/2017 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	172,088	160,194
- Unrealised	(18,644)	(17,720)
	153,444	142,474
Add: Consolidation adjustments	(218)	(218)
Total group retained profits as per consolidated accounts	153,226	142,256

These 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)

Secretary
Kuala Lumpur
27 February 2018