

NOTES TO THE FINANCIAL STATEMENTS:-

1 *Basis of Preparation*

The interim financial report has been prepared in accordance with the applicable disclosure provisions of the Malaysian Financial Reporting Standard (MFRS) 134, *Interim Financial Reporting*, issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements as at and for the year ended 31 December 2013 which were prepared in compliance with MFRS. These explanatory notes attached to the interim financial statement 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 year ended 31 December 2013.

2 *Changes in Accounting Framework*

The significant accounting policies adopted in the interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2013 except for the adoption of the following standards which are effective for annual periods beginning on and after 1 January 2014:

Amendments to MFRS 10, *Consolidated Financial Statements: Investment Entities*

Amendments to MFRS 12, *Disclosure of Interests in Other Entities: Investment Entities*

Amendments to MFRS 127, *Separate Financial Statements (2011): Investment Entities*

Amendments to MFRS 132, *Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities*

Amendments to MFRS 136, *Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets*

Amendments to MFRS 139, *Financial Instruments: Recognition and Measurement – Novation of Derivatives and Continuation of Hedge Accounting*

IC Interpretation 21, Levies

The adoption of the above standards does not have major impact to the financial statement of the Group.

3 *Declaration of audit qualification*

The annual financial statements of the Group for the year ended 31 December 2013 were reported on without any qualification.

4 *Seasonality or Cyclicity of interim operations*

The Group’s operations are not subject to seasonal or cyclical factors.

5 *Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence*

During the financial year, the Group has adopted revaluation model on the freehold and leasehold lands of the Group, which has resulted a revaluation gain of RM50.55 million.

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Save as disclosed above, there were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size and incidence.

6 *Nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year, which give a material effect in the current interim period*

There were no changes in estimates that have had material effect in the current quarter's results.

7 *Issuances, cancellations, repurchases, resale and repayments of debt and equity securities*

There was no issuance, cancellation, repurchase, resale and repayments of debt and equity securities during the interim period under review.

8 *Dividends*

There were no dividends paid during the financial quarter.

9 *Segmental reporting*

Segmental information for the Group's business segments is as follows:

	SBU 1	SBU 2	SBU 3	Inter- segment	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
2014 4Q					
Revenue from external customers	29,373	60,645	54,154	-	144,171
Inter-segment	-	30,225	18	(30,243)	-
	<u>29,373</u>	<u>90,870</u>	<u>54,172</u>	<u>(30,243)</u>	<u>144,171</u>
2014 Year to date					
Revenue from external customers	109,488	171,897	256,304	-	537,690
Inter-segment	-	148,058	3,309	(151,366)	-
	<u>109,488</u>	<u>319,955</u>	<u>259,613</u>	<u>(151,366)</u>	<u>537,690</u>
2013 4Q					
Revenue from external customers	30,538	4,335	101,389	-	136,262
Inter-segment	-	77,526	529	(78,055)	-
	<u>30,538</u>	<u>81,861</u>	<u>101,918</u>	<u>(78,055)</u>	<u>136,262</u>
2013 Year to date					
Revenue from external customers	123,308	17,341	419,740	-	560,389
Inter-segment	-	351,344	1,749	(353,093)	-
	<u>123,308</u>	<u>368,685</u>	<u>421,489</u>	<u>(353,093)</u>	<u>560,389</u>

SBU 1: Manufacture and sale of galvanized and coated steel products in East Malaysia.

SBU 2: Manufacture galvanized, coated and uncoated steel products in West Malaysia.

SBU 3: Trading of galvanized, coated and uncoated steel products in West Malaysia and

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Overseas, and manufacture and sale of steel tubes, pipes, flat and long steel products as well as trading of other building and construction materials in West Malaysia.

For decision making and resources allocation, the Chief Executive Officer reviews the statements of financial position of respective subsidiaries.

10 *Valuation of property, plant and equipment*

During the financial year, the Group has adopted revaluation model on the freehold and leasehold lands of the Group, which is based on valuations performed by independent professional valuers, and resulted a revaluation gain of RM50.55 million net of tax. The valuation of buildings was brought forward without amendment from the previous financial period.

Lands are revalued periodically, at least once in every three years. Surplus arising from the revaluation are recognized in other comprehensive income and accumulated in equity under the revaluation reserve. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surplus, are recognized in profit or loss.

11 *Material events subsequent to the end of the interim period*

There were no material events subsequent to the end of the interim period.

12 *Changes in composition of the Group*

There were no changes in the composition of the Group during the quarter under review.

13 *Changes in contingent liabilities or contingent assets*

There are no contingent liabilities or assets for the current financial year to date.

14 *Review of performance*

The Group's total revenue for the quarter under review increased by 5.9% or RM8.0 million to RM144.2 million as compared to RM136.2 million in the corresponding period of the preceding year. The Group reported a pretax loss of RM17.8 million as compared to pretax loss of RM7.1 million reported in the corresponding period of the previous year. The increase in revenue was due to aggressive effort in selling the Group's products. The losses in the current quarter was mainly due to thin profit margin caused by depressed selling price since the beginning of the year.

15 *Variation of results against preceding quarter*

For the quarter under review, the Group recorded a pretax loss of RM17.8 million as compared to pretax loss of RM10.2 million reported in the previous quarter. The deterioration in profitability was mainly due to low selling price during the quarter.

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16 Prospects for the financial year ending 31 December 2015

- (a) The Steel market conditions remain challenging and competitive. The Group continue to work on various trade measures with the relevant authorities to reduce cheap imports. We expect the situation will only improve in the later part of the year.
- (b) There were no announcements or disclosures published in a public document of any revenue or profit estimate, forecast, projection or internal targets as at the date of this announcement.

17 Statement of the Board of Directors' opinion on achievement of forecast

Not applicable to the Group as no announcements or disclosures were published in a public document of any revenue or profit estimate, forecast, projection or internal targets as at the date of this announcement.

18 Profit forecast

Not applicable as no profit forecast was published.

19 Income tax expense

The taxation is derived as below:

	Current Quarter RM'000	Financial Year-To-Date RM'000
Current tax expense		
- current year	466	780
Deferred tax expense		
- current year	(3,713)	(6,231)
Total	(3,247)	(5,451)

The Group's effective tax rate in the current year to date was lower than the statutory tax rate applicable for the current financial year due to non-deductible expenses and non-recognition of deferred tax assets in the loss-making subsidiaries.

20 Profit for the period

	Current quarter ended 31 Dec		Cumulative period ended 31 Dec	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
Profit for the period is arrived at after charging:				
Depreciation of property, plant and equipment	4,963	4,751	20,140	18,435
Impairment loss:				
- Trade receivables	1,223	297	1,223	297
Inventories written down	1,032	658	1,032	658
Loss on disposal of property, plant and equipment	74	-	74	-

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	Current quarter ended		Cumulative period ended	
	31 Dec		31 Dec	
	2014	2013	2014	2013
	RM'000	RM'000	RM'000	RM'000
Net foreign exchange loss	2,722	2,446	2,859	3,935
And after crediting:				
Gain on disposal of property, plant and equipment	127	100	220	1,830
Reversal of impairment loss on trade receivables	-	215	960	221
Finance income	203	178	1,013	1,150
Net foreign exchange gain	-	-	-	-

21 Status of corporate proposal announced

- (a) There were no corporate proposals announced during the quarter under review.
- (b) There were no proceeds raised from any corporate proposal during the quarter under review.

22 Borrowing and debt securities

As at 31 Dec 2014	Short Term Borrowing RM'000	Long Term Borrowing RM'000
Denominated in Ringgit Malaysia		
Secured	61,836	24,766
Unsecured	148,778	13,355
Total	210,614	38,121

23 Financial derivative instruments

Forward foreign exchange contracts are used to hedge foreign exchange risks associated with certain purchase transactions.

As at end of the current quarter under review, the outstanding forward foreign currency exchange contracts are as follows:

Type of Derivatives	Contract/Notional Value (RM'000)	Fair Value (RM'000)
Foreign Exchange Contracts (in US Dollar)	64,005	66,374
- Less than 1 year		

The fair value changes have been recognized in the financial statements.

24 Changes in material litigation

There are no material litigations during the period under review.

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25 Proposed dividend

The Board of Directors has not recommended any interim dividend for the financial quarter ended 31 December 2014.

26 Earnings per share

	Quarter ended 31 Dec		Period ended 31 Dec	
	2014	2013	2014	2013
	('000)	('000)	('000)	('000)
Basic earnings per ordinary share				
(Loss)/Profit attributable to owners of the Company (RM'000)	(14,548)	(6,268)	(26,642)	255
Number of ordinary shares in issue at the beginning period	348,337.6	348,337.6	348,337.6	195,534.9
Effect of Bonus Issue	-	-	-	31,666.3
Effect of shares issued during the quarter	-	-	-	72,970.6
Weighted average number of ordinary shares issued as at end of period	348,337.6	348,337.6	348,337.6	300,171.8
Basic earnings/(loss) per ordinary share (sen)				
From continuing operation	(4.18)	(1.80)	(7.65)	(0.36)
From discontinued operation	-	-	-	0.45
	(4.18)	(1.80)	(7.65)	0.09

There were no diluted earnings per share as there were no potential dilutive ordinary shares outstanding as at the end of the reporting period and the corresponding period of the preceding year.

The exercise price of the outstanding Warrant 2013/2020 issued on 29 May 2013 is higher than the average market price of the ordinary shares of the Company for the period under review. As the warrants are anti-dilutive in nature, they have been ignored for the purposes of the computation of the diluted earnings per share.

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27 Breakdown of realised and unrealised profit or losses

The breakdown of the retained profits of the Group into realized and unrealized profits is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

	As at 31 Dec 2014 RM'000	As at 31 Dec 2013 RM'000
Total retained profit of the Group		
- Realised	(31,438)	2,235
- Unrealised	10,430	4,883
Add: Consolidated adjustments	492	2,754
Total retained earnings	<u>(20,516)</u>	<u>9,872</u>

28 Results of discontinued operation

	Quarter ended 31 Dec		Period ended 31 Dec	
	2014	2013	2014	2013
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Revenue	-	-	-	14,083
Expenses	-	-	-	(14,092)
Results from operating activities	-	-	-	(9)
Tax expense/(benefit)	-	-	-	-
Loss for the period	<u>-</u>	<u>-</u>	<u>-</u>	<u>(9)</u>