

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 2014 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 2014.

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 2014 except for the adoption of the following standards which are effective for annual periods beginning on and after 1 January 2015:

Amendments to MFRS 2, *Share-based Payment (Annual Improvements 2010-2012 Cycle)*

Amendments to MFRS 3, *Business Combinations (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*

Amendments to MFRS 8, *Operating Segments (Annual Improvements 2010-2012 Cycle)*

Amendments to MFRS 13, *Fair Value Measurement (Annual Improvements 2010-2012 Cycle and 2011-2013 Cycle)*

Amendments to MFRS 116, *Property, Plant and Equipment (Annual Improvements 2010-2012 Cycle)*

Amendments to MFRS 119, *Employee Benefits – Defined Benefit Plans: Employee Contributions*

Amendments to MFRS 124, *Related Parties Disclosures (Annual Improvements 2010-2012 Cycle)*

Amendments to MFRS 138, *Intangible Assets (Annual Improvements 2010-2012 Cycle)*

Amendments to MFRS 140, *Investment Property (Annual Improvements 2011-2013 Cycle)*

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 2014 were reported on without any qualification.

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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 period, the Group recognized derivative gain of RM 8.05 million arising from the fair valuation of forward foreign exchange contracts, and unrealized loss of RM7.63 million on foreign currency payables.

The derivative gain has been included in other income, whereas the unrealized forex loss was included in the administrative expenses.

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
2015 3Q					
Revenue from external customers	27,233	47,363	35,587	-	110,183
Inter-segment	7,567	17,786	264	(25,617)	-
	<u>34,800</u>	<u>65,149</u>	<u>35,851</u>	<u>(25,617)</u>	<u>110,183</u>

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2014 3Q					
Revenue from					
external customers	26,834	44,145	61,099	-	132,078
Inter-segment	-	34,430	2,610	(37,040)	-
	<u>26,834</u>	<u>78,575</u>	<u>63,709</u>	<u>(33,591)</u>	<u>132,078</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 and overseas.

SBU 3: Trading of galvanized, coated and uncoated steel products in West Malaysia, and manufacture and sale of steel tubes, pipes, 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*

The valuation of land and buildings was brought forward without amendment from the previous financial period.

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 decreased by 17% or RM21.9 million to RM110.2 million as compared to RM132.1 million in the corresponding period of the preceding year. The Group reported a pretax loss of RM4.5 million as compared to pretax loss of RM10.2 million reported in the corresponding period of the previous year. The decrease in revenue was due to weaker market and lower demand of the Group's products. The losses in the current quarter was mainly due to depressed selling price since last year.

15 *Variation of results against preceding quarter*

For the quarter under review, the Group recorded a pretax loss of RM4.5 million as compared to pretax loss of RM2.4 million reported in the previous quarter. The increased

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in losses was due to depreciation of ringgit against the US Dollars which resulted in a higher cost of raw materials incurred in the quarter under review.

16 Prospects for the financial year ending 31 December 2015

- (a) The Steel market conditions remain challenging and competitive with the weakening of ringgit. This condition is expected to remain uncertain.
- (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	-	172
Deferred tax expense		
- current year	(992)	(3,622)
Total	(992)	(3,450)

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 30 Sept		Cumulative period ended 30 Sept	
	2015 RM'000	2014 RM'000	2015 RM'000	2014 RM'000
Profit for the period is arrived at after charging:				
Depreciation of property, plant and equipment	4,917	5,067	14,847	15,177

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Foreign exchange loss:-				
- realised	64	(1)	1,145	137
- unrealised	7,632	-	7,632	-

And after crediting:

Gain on disposal of property, plant and equipment	22	73	77	93
Finance income	374	138	784	810
Derivative gain on forward foreign exchange contracts	8,048	-	8,048	-

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 30 September 2015	Short Term Borrowing RM'000	Long Term Borrowing RM'000
Denominated in Ringgit Malaysia		
Secured	44,017	37,227
Unsecured	142,258	12,710
Total	186,275	49,937

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)	108,889	116,937
- 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 30 September 2015.

26 Earnings per share

	Quarter ended 30 Sept		Period ended 30 Sept	
	2015	2014	2015	2014
	('000)	('000)	('000)	('000)
Basic earnings per ordinary share				
(Loss)/Profit attributable to owners of the Company (RM'000)	(3,481)	(8,391)	(11,505)	(12,095)
Number of ordinary shares in issue at the beginning period and end of period	348,337.6	348,337.6	348,337.6	348,337.6
Basic earnings/(loss) per ordinary share (sen)				
From continuing operation	(1.00)	(2.41)	(3.30)	(3.47)
From discontinued operation	-	-	-	-
	(1.12)	(2.41)	(3.42)	(3.47)

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.

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.

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	As at 30 Sept 2015 RM'000	As at 31 Dec 2014 RM'000
Total accumulated losses of the Group		
- Realised	(46,565)	(31,122)
- Unrealised	14,052	10,114
Add: Consolidated adjustments	491	491
Total accumulated losses	<u>(32,022)</u>	<u>(20,517)</u>