



Quarterly report on consolidated results for the fourth financial quarter ended 30 June 2018

Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for the fourth financial quarter ended 30 June 2018

(The figures have not been audited)

	<u>Individual Quarter</u>		<u>Cumulative Quarters</u>	
	<u>(3 months)</u>		<u>(12 months)</u>	
		Preceding year		Preceding year
	Current year	Corresponding	Current year	Corresponding
	Quarter	Quarter	To date	Period
	30-Jun-18	30-Jun-17	30-Jun-18	30-Jun-17
	RM'000	RM'000	RM'000	RM'000
Revenue	207,588	185,865	793,374	726,196
Cost of sales	(194,497)	(163,919)	(731,882)	(637,937)
Gross profit	13,091	21,946	61,492	88,259
Operating expenses	(8,619)	(7,775)	(32,644)	(29,276)
Other operating income/(expense)	(7)	323	116	453
Net foreign exchange gain/(loss)	(527)	(139)	637	(751)
Profit from operations	3,938	14,355	29,601	58,685
Impairment loss on property, plant and equipment	(901)	(2,108)	(901)	(2,108)
Finance income	335	397	1,391	951
Finance costs	(1,229)	(3,208)	(7,550)	(11,157)
Profit before tax	2,143	9,436	22,541	46,371
Tax	(891)	(1,665)	(6,440)	(11,628)
Profit for the period	1,252	7,771	16,101	34,743
Other comprehensive income				
Asset revaluation reserves:				
- revaluation surplus on property, plant and equipment, net of tax	1,317	2,989	1,317	2,989
Total profit and other comprehensive income for the period	2,569	10,760	17,418	37,732
Earnings per share attributable to owners of the Company (sen):				
- Basic	0.44	2.74	5.68	12.26
- 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 30 June 2018**

(The figures have not been audited)

	As at 31-Jun-18 RM'000	As at 30-Jun-17 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	288,470	294,514
Intangible Assets	20,000	20,000
	<u>308,470</u>	<u>314,514</u>
Current Assets		
Inventories	205,190	177,176
Trade and other receivables	122,671	106,249
Amount owing by holding company	1,861	263
Amount owing by related companies	1,887	4,860
Tax recoverable	23	258
Derivative financial assets	3,341	142
Cash and bank balances	51,023	64,588
	<u>385,996</u>	<u>353,536</u>
Less: Current Liabilities		
Borrowings	90,735	78,610
Trade and other payables	187,001	181,469
Amount owing to holding company	0	4,000
Amount owing to related companies	1,212	1,073
Tax payable	608	1,651
Derivative financial liabilities	3	3,037
	<u>279,559</u>	<u>269,840</u>
Net Current Assets	<u>106,437</u>	<u>83,696</u>
Non-Current Liabilities		
Deferred tax liabilities	21,699	19,758
Borrowings	1,636	4,298
	<u>23,335</u>	<u>24,056</u>
	<u>391,572</u>	<u>374,154</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	206,364	206,364
Asset revaluation reserve	26,851	25,534
Retained earnings	158,357	142,256
Total Equity	<u>391,572</u>	<u>374,154</u>
Net assets per share attributable to owners of the Company	<u>RM1.38</u>	<u>RM1.32</u>

(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 fourth financial quarter ended 30 June 2018

(The figures have not been audited)

	(12 months) 30-Jun-18 RM'000	(12 months) 30-Jun-17 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	22,541	46,371
Adjustments for :		
- Depreciation	14,743	15,219
- Loss/(gain) on disposal of plant and equipment	2	(123)
- Plant and equipment written off	120	30
- Impairment loss on property, plant and equipment	901	2,108
- Impairment of receivables		346
- Net unrealised loss/(gain) on foreign exchange	511	(196)
- Interest income	(1,391)	(951)
- Interest expense	7,550	11,157
Operating profit before changes in working capital	44,977	73,961
Changes in working capital :		
- Inventories	(28,014)	(87,988)
- Trade and other receivables	(19,621)	(4,181)
- Trade and other payables	1,987	72,167
- Intercompanies balances	(2,487)	12,205
Cash flows generated from/(used in) operations	(3,158)	66,164
- Interest paid	(7,550)	(11,158)
- Interest received	1,391	951
- Tax paid	(5,724)	(6,921)
Net cash flows generated from/(used in) operating activities	(15,041)	49,036
CASH FLOWS FROM INVESTING ACTIVITIES		
- Purchase of property, plant and equipment	(8,129)	(4,717)
- Proceeds from disposal of property, plant and equipment	142	328
Net cash flows (used in)/generated from investing activities	(7,987)	(4,389)
CASH FLOWS FROM FINANCING ACTIVITIES		
- Disposal of treasury shares	-	982
- Proceeds from bank borrowings	170,042	227,520
- Repayment of bank borrowings	(160,579)	(236,191)
Net cash flows (used in)/generated from financing activities	9,463	(7,689)
Net change in cash and cash equivalents	(13,565)	36,958
Cash and cash equivalents at beginning of the financial year	64,588	27,630
Cash and cash equivalents at end of the financial year	51,023	64,588

(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 fourth financial quarter ended 30 June 2018**

(The figures have not been audited)

	----- Attributable to owners of the Company -----							Total RM'000
	Non-Distributable Reserve			Other Non-Distributable		Asset		
	Share Capital RM'000	Share Premium RM'000	Capital Reserve ^{N1} RM'000	Paid-in Capital ^{N2} RM'000	Treasury Shares RM'000	Revaluation Reserve RM'000	Retained Earnings RM'000	
<u>12 months ended 30 June 2018</u>								
At 1 July 2017 ^{N3}	206,364	-	-	-	-	25,534	142,256	374,154
Comprehensive income for the financial period								
- Profit for the financial period	-	-	-	-	-	-	16,101	16,101
Other comprehensive income for the financial period								
Asset revaluation reserves:								
- revaluation surplus on property, plant and equipment, net of tax	-	-	-	-	-	1,317	-	1,317
Total comprehensive income for the financial period	-	-	-	-	-	1,317	16,101	17,418
As at 30 June 2018	<u>206,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,851</u>	<u>158,357</u>	<u>391,572</u>
<u>12 months ended 30 June 2017</u>								
At 1 July 2016	70,886	19,101	115,754	9	(368)	22,545	107,513	335,440
Comprehensive income for the financial period								
- Profit for the financial period	-	-	-	-	-	-	34,743	34,743
Other comprehensive income for the financial period								
Asset revaluation reserves:								
- revaluation surplus on property, plant and equipment, net of tax	-	-	-	-	-	2,989	-	2,989
Total comprehensive income for the financial period	-	-	-	-	-	2,989	34,743	37,732
Disposal of treasury shares	-	-	-	614	368	-	-	982
Transition to no-par value regime on 31 January 2017 ^{N3}	135,478	(19,101)	(115,754)	(623)	-	-	-	-
As at 30 June 2017	<u>206,364</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,534</u>	<u>142,256</u>	<u>374,154</u>

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 (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 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 (standards) effective from 1 January 2017 which the Group has adopted since the 1st quarter of the current financial year:

- Amendments to MFRS 107 -Statement of Cash Flows & Disclosure Initiative- which introduced additional disclosure on changes in liabilities arising from financing activities
- Amendments to MFRS 112 -Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses- 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 Group's 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 -Foreign Currency Transactions and Advance Consideration- (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 date of the transaction to record foreign currency transactions.
- 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.
- IC Interpretation 23 -Uncertainty over Income Tax Treatments- (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 the preceding quarter 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 Group's 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 'Expected Credit Loss' (ECL) model increases the scope for credit impairment with the additions of forward looking information and estimates. Given that the Group's credit risks are mainly concentrated in short-term trade receivables, the Group shall apply allowable practical-expedient in ECL provision based on a supportable 'overdue-days matrix'. The adoption of the ECL model is not expected to increase credit impairment on initial application that would render the ending impairment allowance under MFRS139 different from the opening loss allowances determined under MFRS 9.

- MFRS 15

The application of MFRS 15 is not expected to result in any change to the timing and quantum of revenue recognition of the Group compared to the requirements under MFRS 118 and 111. The Group's steel products conform to industry standards and specifications, and are sold mainly on spot and/or short-term-forward contracts with single point fulfilment at predetermined prices which under normal circumstances do not give rise to any contract assets or liabilities. The sales contract for 'goods' are generally separated from 'services', and these do not entail any financing feature beyond short credit periods customary to the industry. The Group elects to adopt the 'cumulative effect method' for outstanding contracts at the date of initial application, but it is not expecting any opening adjustment resulting from the aforementioned.

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 cyclical nature 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. The current financial year's 1st and 4th quarters coincided with the Ramadan festive months in July 2017 and again in June 2018.

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 its Gearing Ratio (measured as interest bearing debts over shareholders equity adjusted for the exclusion of intangibles) at below 1.5 times.

	30 Jun 2018	30 Jun 2017
Total interest bearing debts in RM million	120.4	249.7
Adjusted Shareholders funds in RM million	371.6	354.2
Absolute Gearing Ratio	0.32	0.71

Of the total interest bearing debts as at 30 June 2018, around RM92.4m is represented by the respective debenture at its two main operating subsidiaries, whilst the balance is represented by unsecured interest-bearing supplier credit also at the respective operating subsidiaries. (See Note B10). Debt covenants where applicable are in full compliance for the current financial quarter as well as for the full financial year ended 30 June 2018.

A7 Dividend paid

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

A8 Segmental reporting

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

	<u>Cold Rolled</u> RM'000	<u>Steel Tube</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>Revenue</u>				
Total revenue	546,856	274,188	3,622	824,666
Inter segment	(27,710)	-	(3,582)	(31,292)
External revenue	519,146	274,188	40	793,374
Pre-tax profit	6,864	15,392	285	22,541
Segment assets	482,099	208,028	975	691,102
	RM'000			
Segment assets	691,102			
Derivative assets	3,341			
Tax recoverable	23			
	694,466			



Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A8 Segmental reporting (continued)

The businesses of the Group are carried out entirely in Malaysia. Pre-tax Profit to Segment Assets Employed percentage for the Steel Tube Segment at 7.4% is significantly higher than the Cold Rolled Segment at 1.4% partly due to the fact that the Steel Tube Segment does not own the factories and building (fair valued at around RM102 million as at 30 June 2018) which are rented from its ultimate Shareholding Company and sister company for a monthly sum of RM455,400. In this regard, the Steel Tube Segment has initiated acquisition of one of the factories it currently rents. (See Note B9 (ii)).

A9 Valuation of property, plant and equipment

In-conjunction with the current financial year ended 30 June 2018, the Group's property, plant and equipment were revalued by an independent firm of professional valuers based on open market value. Arising from the said revaluation, the surpluses net deferred tax amounting to RM1.3 million was credited to the asset revaluation reserve while the deficits (less reversal of provision for impairment charge on planned assets write-off) totaling RM0.9 million was charged to profit or loss as an impairment loss in the current financial quarter.

A10 Fair Value Measurement

Except for the financial instruments disclosed below which are fair valued, 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 are categorised into the following fair value hierarchy and are represented in the table below as at 30 June 2018:

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)

Total

Fair Value RM'000		
Level 1	Level 2	Level 3
0	65.2	0
0	3,275.9	0
0	(0.2)	0
0	(2.4)	0
0	3,338.5	0

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



Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A11 Significant events and transactions

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

A12 Subsequent material events

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

A13 Changes in the composition of the Group

There were no changes to the composition of the Group during the current financial quarter.

A14 Contingent liabilities or contingent assets

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

A15 Changes in Financial Year End Date

There were no changes to the financial year end date during the current financial quarter.

A16 Capital Commitments

At the end of the current reporting quarter, the Group's Cold Rolled subsidiary has an outstanding capital commitment balance of around RM1.2m; whilst, its Steel Tube subsidiary has an outstanding capital commitment balance of around RM3.3m for plant-equipment. The said capital commitments will be payable over established milestones running into financial year 2019.

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 (4th quarter)		Changes		Cumulative Period		Changes	
	Current Year Quarter 30/6/2018	Preceding Year Corresponding Quarter 30/6/2017			Current Year To-date 30/6/2018	Preceding Year Corresponding Period 30/6/2017		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	207,588	185,865	21,723	12%	793,374	726,196	67,178	9%
Operating Profit	3,938	14,355	(10,417)	-73%	29,601	58,685	(29,084)	-50%
Profit Before Interest and Tax	3,037	12,247	(9,210)	-75%	28,700	56,577	(27,877)	-49%
Profit Before Tax	2,143	9,436	(7,293)	-77%	22,541	46,371	(23,830)	-51%
Profit After Tax	1,252	7,771	(6,519)	-84%	16,101	34,743	(18,642)	-54%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	1,252	7,771	(6,519)	-84%	16,101	34,743	(18,642)	-54%

For the 4th quarter ended 30 June 2018, the Group registered a 12% higher total revenue of RM207.6 million as compared to RM185.9 million achieved in the preceding year's corresponding quarter mainly due to higher unit selling price and sales volume. At segment level, the average unit selling price for the current quarter for the Cold Rolled and the Steel Tube segments is up 3% and 9% respectively compared with the preceding year corresponding quarter, whilst sales volume is up 11% for the Cold Rolled segment but down 3% for the Steel Tube segment.

The Group recorded a lower profit before tax of RM2.1 million for the current quarter as compared to RM9.4 million in the preceding year's corresponding quarter. The weaker performance for the current quarter compared to the preceding year's corresponding quarter is mainly attributed to the lower gross profit achieved of RM13.1 million (preceding year's corresponding quarter gross profit: RM21.9 million) due to lower price spread in the Cold Rolled segment and lower sales volume in the Steel Tube segment (partly attributable to the Ramadan festive period saddling the current financial quarter). Consequently, the Group recorded an after-tax profit of RM1.3 million for the current quarter as compared to the preceding year's corresponding quarter of RM7.8 million.

The Group recorded a lower EBITDA at RM7.5 million compared to the preceding year's corresponding quarter of RM18.2 million.

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

	Current Quarter 30/6/2018	Immediate Preceding Quarter 31/3/2018	Changes	
	RM'000	RM'000	RM'000	%
Revenue	207,588	206,877	711	0%
Operating Profit	3,938	6,752	(2,814)	-42%
Profit Before Interest and Tax	3,037	6,752	(3,715)	-55%
Profit Before Tax	2,143	5,553	(3,410)	-61%
Profit After Tax	1,252	3,879	(2,627)	-68%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	1,252	3,879	(2,627)	-68%



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 Group's revenue at RM207.6 million for the current 4th quarter is around RM0.7 million higher than the immediate preceding quarter at RM206.9 million. The higher revenue for the current quarter is due to higher unit selling price for both Cold Rolled and Steel Tube segments, and higher sales volume for the Steel Tube segment. At segment level, the average unit selling price for the current quarter for the Cold Rolled and the Steel Tube segments is up 0.4% and 2% respectively whilst the sales volume is higher by around 4% for the Steel Tube but lower by around 4% for the Cold Rolled.

The Group registered a lower pre-tax profit of RM2.1 million compared with the immediate preceding quarter's pre-tax profit of RM5.6 million mainly due to the lower gross profit margin contributed by the Cold Rolled's lower sales volume, and the combined impairment loss on property, plant and equipment of RM0.9 million in the current financial quarter. Correspondingly, the Group recorded a lower net-tax profit of RM1.3 million compared to a net-tax profit of RM3.9 million in the immediate preceding quarter.

The Group recorded a lower quarterly EBITDA at RM7.5 million compared to the preceding quarter's RM10.5 million.

B3 Prospects for the next financial year

The Country's economy faces strong headwind from the escalated trade war between the world's two largest economies (which are also its major export markets) amidst the transitional period of a new Government (which inevitably have disruptive short-term impact on the economy arising from changes and adjustments). The lower second fiscal quarter GDP growth at 4.5% (compared to 5.4% the preceding quarter) reflects the turbulent undercurrent on the economy. The protectionist policies of the Trump administration continue to disrupt global markets and threaten to derail growth in the rest-of-the-world. The knock-on effects of a strong US Dollar and rising interest rates add to the woes.

The domestic steel market has turned bearish with the spillover effects of those antitrade measures; coupled with the halt of various mega projects of the previous administration amid a soft property and construction sector. In addition to that, domestic steel manufacturers face severe margin and volume squeeze due to underpriced regional imports particularly Cold Rolled Coils (CRC) spurred on by the robust raw steel prices and possibly capacity diversion due to the restricted USA and EU markets. Even-though the Group's steel products are not exported to those protected markets, the Group's financial performance for the current financial year ended 30 June 2018 was significantly weaker compared to the preceding financial year due to lower combined sales volume (down by around 5%) and thinner gross margin (down by around 440 basis-point) attributable to a softer market made worst with unfairly priced competition from CRC imports.

The rise in global antitrade rhetoric validates the Group's past and on-going push for anti-dumping and protective measures against unfair imports; and hopefully this would accelerate the authorities' rollout of appropriate counter measures which could provide a turning point for a better prospect for mid-stream steel manufacturers like the Group in the next financial year. The change in tax regimen from GST to SST (that would lessen tax collection for the Government and leaving more for consumers' discretionary spending) should be positive for the steel market given that most steel semi-finished and construction products (including those of the Group- are reported to be SST exempted). The consensus view is that the new Government's current effort on fiscal consolidation, recovery and reforms offer promising prospects for the economy but the results may only be seen in the longer term. In-tandem with that, the Group's prospect for the next financial year remains tough due to the effects of domestic consolidation made worst with the fallout from the prolonged trade wars of its major trading partners. The tit-for-tat antitrade measures, if escalate further, risk pushing regional and global economies into a financial crisis; and any prospects for a turnaround for the domestic steel industry will be diminished.



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 30 Jun 2018 RMø000	Preceding Year Corresponding Quarter Ended 30 Jun 2017 RMø000	Current Year To Date Ended 30 Jun 2018 RMø000	Preceding Year Corresponding Period Ended 30 Jun 2017 RMø000
Depreciation	3,515	3,870	14,743	15,219
Interest income	(335)	(397)	(1,391)	(951)
Interest expense	1,229	3,208	7,550	11,157
FX differences (gain)/loss	7,360	(4,264)	(10,220)	3,751
FX derivatives loss/(gain)	(6,833)	4,403	9,583	(3,000)

B6 Taxation

Taxation comprises :

	Current Year Quarter Ended 30 Jun 2018 RMø000	Preceding Year Corresponding Quarter Ended 30 Jun 2017 RMø000	Current Year To Date Ended 30 Jun 2018 RMø000	Preceding Year Corresponding Period Ended 30 Jun 2017 RMø000
Current tax (expense)/credit				
Current period	(1,074)	(1,211)	(4,915)	(7,652)
Deferred tax (expense)/income				
Current period	183	(454)	(1,525)	(3,976)
	(891)	(1,665)	(6,440)	(11,628)



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

(i) Proposed Rights Issue with Warrants

The Company had on 23 August 2017 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 an indicative maximum of RM28.3 million to fund the steel businesses' capital expenditure program and working capital.

The shareholders of the Company have approved the above in an Extraordinary General Meeting held on 20 April 2018. The Company has applied and obtained Bursa Securities' approval for an extension of time up to 31 January 2019 to implement the proposed rights issue with warrant. As at the date of this quarterly report, the Company has not determined an appropriate date for price-fixing and book closure for the intended Rights issue.

(ii) Proposed Acquisition of Factory Leased Land and Building

The Company had on 20 November 2017 announced that its wholly owned steel tube subsidiary Melewar Steel Tube Sdn Bhd has entered into a conditional agreement (õAgreementö) to acquire a factory leased land and buildings on Lot 53, Persiaran Selangor, Shah Alam from its ultimate and immediate holding company Melewar Industrial Group Bhd for a total consideration sum of RM26 million based on independent valuation.

The shareholders of the Company have approved the proposed acquisition in an Extraordinary General Meeting held on 20 April 2018. As at the date of this quarterly report, all the Conditions Precedent of the Agreement has been met ó with the State's consent for transfer of the land title been obtained on 18 July 2018. The acquisition is expected to complete -with the transfer and charge of the title document and the final release of the balance 90% purchase price to the vendor- in the 1st quarter of the next financial year.



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

B10 Group borrowings and debt securities

The Group's borrowings from lending institutions as at 30 June 2018, which are denominated entirely in Ringgit Malaysia, are as follows:

	<u>RMø000</u>
<u>Short-term borrowings:</u>	
Secured	90,735
<u>Long-term borrowings:</u>	
Secured	1,636
Total borrowings	<u>92,371</u> =====

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

	<u>RMø000</u>
Total Borrowingsø opening balance as at 1 July 2017	82,908
<u>Cash Flows:</u>	
Inflows from new debts	170,042
Outflows on repayment	(160,579)
<u>Non-Cash Changes:</u>	-
Closing balance as at 30 June 2018	<u>92,371</u> =====

Based on the above, the Group's bank-gearing ratio is around 0.25 times. Besides the said borrowings, the Group's Steel Tube subsidiary also draws on interest-bearing trade credits from its raw-coil suppliers with an outstanding amount of RM28 million as at 30 June 2018. Inclusive of this, the Group's absolute-gearing ratio as at 30 June 2018 is around 0.32 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 (øUSDø) and certain sales denominated in Singapore Dollar (øSGDø). 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 30 June 2018 are outline below:

Non-designated

FX Forward Contracts (SGD/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	300	899	9.1	0.2

Non-designated

FX Forward Contracts (USD/RM) as non-designated hedging instrument				
	Notional Value :000		Fair Value RM000	
Maturity	Long USD	Short RM	Financial Asset	Financial Liability
Less than 1 year	525	2,068	56.1	-

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	37,878	150,085	3,275.9	2.4	Matching	37,878	n.a.	2.4	3,275.9

Besides the above unrealized positions, the Group has recorded a total realized net loss of around RM12.9 million from its FX Forward Contracts as hedging instruments with corresponding realized net gain of around RM14 million from its hedged items 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 by its principal subsidiaries amounting to RM3.5 million as security for inbound supply of goods and services; and corporate guarantees issued to lenders for borrowings extended to its principal subsidiaries amounting to RM136.6 million as at 30 June 2018.

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 30 June 2018.

B15 Earnings per share

(i) Basic earnings per ordinary share

	Current Year Quarter Ended 30 Jun 2018	Preceding Year Corresponding Quarter Ended 30 Jun 2017	Current Year To Date Ended 30 Jun 2018	Preceding Year Corresponding Period Ended 30 Jun 2017
Profit attributable to owners (RM000)	1,252	7,771	16,101	34,743
Weighted average number of ordinary shares in issue (net of treasury shares) (000)	283,545	283,545	283,545	283,333
Basic earnings per share (sen)	0.44	2.74	5.68	12.26

(ii) Diluted earnings per ordinary share

This is not applicable to the Group.

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 August 2018