



Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for the third financial quarter ended 31 March 2019

(The figures have not been audited)

	<u>Individual Quarter</u>		<u>Cumulative Quarters</u>	
	<u>(3 months)</u>		<u>(9 months)</u>	
		Preceding year		Preceding year
	Current year	Corresponding	Current year	Corresponding
	Quarter	Quarter	To date	Period
	31-Mac-19	31-Mac-18	31-Mac-19	31-Mac-18
	RM'000	RM'000	RM'000	RM'000
Revenue	157,036	206,877	542,115	585,786
Cost of sales	(153,471)	(191,991)	(520,837)	(537,385)
Gross profit	3,565	14,886	21,278	48,401
Operating expenses	(8,395)	(8,580)	(25,853)	(24,025)
Other operating income/(expense)	17	47	350	123
Net foreign exchange gain/(loss)	(84)	399	(381)	1,164
(Loss)/profit from operations	(4,897)	6,752	(4,606)	25,663
Finance income	510	365	1,022	1,056
Finance costs	(1,845)	(1,564)	(5,128)	(6,321)
(Loss)/profit before tax	(6,232)	5,553	(8,712)	20,398
Tax	1,366	(1,674)	1,463	(5,549)
(Loss)/profit for the period	(4,866)	3,879	(7,249)	14,849
Other comprehensive income				
Asset revaluation reserves:				
- revaluation surplus on property, plant and equipment, net of tax	-	-	760	-
Total (loss)/profit and other comprehensive income for the period	(4,866)	3,879	(6,489)	14,849
(Loss)/earnings per share attributable to owners of the Company (sen):				
- Basic	(1.54)	1.33	(2.43)	5.11
- 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 2018).

**Condensed Consolidated Statements of Financial Position as at 31 March 2019**

(The figures have not been audited)

	As at 31-Mar-19 RM'000	As at 31-Jun-18 RM'000
ASSETS		
Non-Current Assets		
Property, plant and equipment	310,815	288,470
Intangible Assets	20,000	20,000
	<u>330,815</u>	<u>308,470</u>
Current Assets		
Inventories	101,549	205,190
Trade and other receivables	88,188	122,671
Amount owing by holding company	3	1,861
Amount owing by related companies	750	1,887
Tax recoverable	234	23
Derivative financial assets	90	3,341
Cash and bank balances	59,771	51,023
	<u>250,585</u>	<u>385,996</u>
Less: Current Liabilities		
Borrowings	82,418	90,735
Trade and other payables	60,899	187,001
Amount owing to holding company	5	0
Amount owing to related companies	912	1,212
Tax payable	39	608
Derivative financial liabilities	698	3
	<u>144,971</u>	<u>279,559</u>
Net Current Assets	<u>105,614</u>	<u>106,437</u>
Non-Current Liabilities		
Deferred tax liabilities	18,202	21,699
Borrowings	20,090	1,636
	<u>38,292</u>	<u>23,335</u>
	<u>398,137</u>	<u>391,572</u>
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY		
Share capital	217,677	206,364
Warrant reserves	1,741	0
Asset revaluation reserve	27,611	26,851
Retained earnings	151,108	158,357
Total Equity	<u>398,137</u>	<u>391,572</u>
Net assets per share attributable to owners of the Company	<u>RM1.40</u>	<u>RM1.38</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 2018).



Condensed Consolidated Statements of Cash Flows for the third financial quarter ended 31 March 2019

(The figures have not been audited)

	(9 months) 31-Mac-19 RM'000	(9 months) 31-Mac-18 RM'000
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/profit before tax	(8,712)	20,398
Adjustments for :		
- Depreciation	11,404	11,228
- (Gain)/loss on disposal of plant and equipment	(106)	15
- Plant and equipment written off	468	93
- Impairment of receivables	238	-
- Net unrealised (gain)/loss/ on foreign exchange	(164)	(204)
- Interest income	(1,022)	(1,056)
- Interest expense	5,128	6,321
Operating profit before changes in working capital	7,234	36,795
Changes in working capital :		
- Inventories	103,642	1,094
- Trade and other receivables	37,496	(27,593)
- Trade and other payables	(125,244)	15,743
- Intercompanies balances	2,700	(2,141)
Cash flows generated from/(used in) operations	25,828	23,898
- Interest paid	(5,128)	(6,321)
- Interest received	1,022	1,056
- Tax paid	(3,053)	(5,483)
Net cash flows generated from/(used in) operating activities	18,669	13,150
CASH FLOWS FROM INVESTING ACTIVITIES		
- Purchase of property, plant and equipment	(11,187)	(6,793)
- Proceeds from disposal of property, plant and equipment	263	105
Net cash flows (used in)/generated from investing activities	(10,924)	(6,688)
CASH FLOWS FROM FINANCING ACTIVITIES		
- Proceeds from rights issue with warrants	13,054	-
- Proceeds from bank borrowings	143,575	118,320
- Repayment of bank borrowings	(155,626)	(125,437)
Net cash flows (used in)/generated from financing activities	1,003	(7,117)
Net change in cash and cash equivalents	8,748	(655)
Cash and cash equivalents at beginning of the financial year	51,023	64,588
Cash and cash equivalents at end of the financial year	59,771	63,933

(The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2018).

**Quarterly report on consolidated results for the third financial quarter ended 31 March 2019****Condensed Consolidated Statements of Changes in Equity for the third financial quarter ended 31 March 2019**

(The figures have not been audited)

	----- Attributable to owners of the Company -----				
	----- Non-distributable -----				
	Asset				
	Share	Warrant	Revaluation	Retained	
	Capital	Reserves	Reserve	Earnings	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
9 months ended 31 March 2019					
At 1 July 2018	206,364	-	26,851	158,357	391,572
Rights issue with warrants	11,313	1,741	-	-	13,054
Comprehensive income for the financial period					
- Loss for the financial period	-	-	-	(7,249)	(7,249)
Other comprehensive income for the financial period					
Asset revaluation reserves:					
- revaluation surplus on					
property, plant and equipment, net of tax	-	-	760	-	760
Total comprehensive loss for the financial period	-	-	760	(7,249)	(6,489)
As at 31 March 2019	<u>217,677</u>	<u>1,741</u>	<u>27,611</u>	<u>151,108</u>	<u>398,137</u>
9 months ended 31 March 2018					
At 1 July 2017	206,364	-	25,534	142,256	374,154
Comprehensive income for the financial period					
- Profit for the financial period	-	-	-	14,849	14,849
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	-	-	-	14,849	14,849
As at 31 March 2018	<u>206,364</u>	<u>-</u>	<u>25,534</u>	<u>157,105</u>	<u>389,003</u>

(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 2018).



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 2018 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 2018.

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 2018, except for the following new amendments to the MFRS (“standards”) effective from 1 January 2018 which the Group has only adopted since the commencement of the current financial year:

- IC Interpretation 22 ‘Foreign Currency Transactions and Advance Consideration’ which 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’ in replacement of MFRS 139 “Financial Instruments: Recognition and Measurement”.
- MFRS 15 ‘Revenue from contracts with customers’ in replacement of MFRS 118 ‘Revenue’ and MFRS 111 ‘Construction contracts’ and related interpretations.

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

- MFRS 9
The application of MFRS 9 did not 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 inclusion of forward looking information and estimates. Given that the Group’s credit risks are mainly concentrated in short-term trade receivables, the Group applied allowable practical-expedient in ECL provision based on a supportable “overdue-days matrix”. The adoption of the ECL model did not increase credit impairment on initial application that would render the opening loss allowances determined under MFRS 9 on 1 July 2018 different from the ending impairment allowance under MFRS139 on 30 June 2018.
- MFRS 15
The application of MFRS 15 did not 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” is generally separated from “services”, and these do not entail any financing feature beyond short credit periods customary to the industry. The Group elected to adopt the “cumulative effect method” for outstanding contracts at the date of initial application, and no opening adjustment resulted from the aforementioned.



Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A1 Basis of Preparation & Significant Accounting Policies (continued)

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.

- 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.
- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Venture' (effective from 1 January 2019)
- Amendments to MFRS 9 'Prepayment features with negative compensation' (effective 1 January 2019)
- Annual Improvements to MFRSs 2015 – 2017 Cycle:
 - Amendments to MFRS 3 'Business Combinations' (effective from 1 January 2019)
 - Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019)
 - Amendments to MFRS 123 'Borrowing Costs' (effective from 1 January 2019)
- Amendments to MFRS 119 on Employee Benefits - 'Plan amendment, curtailment or settlement' (effective 1 January 2019)

The initial adoption of the above pronouncements, including MFRS16 as summarized below, in the next financial year is not expected to have any significant impact on the financial statements of the Group.

MFRS 16 eliminates the classification of leases either by finance lease (on balance sheet) or operating lease (off balance sheet) and requiring the lessee to recognize both the "rights" and "obligations" of the underlying lease on balance sheet. The "rights" is depreciated in accordance with the principles in MFRS116 whilst the lease liability is accreted over time with interest expense recognized in profit or loss. The Group would apply 'practical expedient option' on transition to MFRS 16 on contracts previously identified as leases under MFRS117 (i.e. such as rental contracts) and those entered into on or after initial application on 1 July 2019. In this regard, the Group currently does not have any material off-balance-sheet lease arrangements other than some non-cancellable operation lease on the rental of factories' land and buildings with annual rental obligations amounting to around RM3.6m. The initial recognition of these under MFRS 16 in the next financial year is not expected to have significant impact on the Group's financial statements other than their presentation on balance sheet.

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 2018 was not subject to any audit qualification.

A3 Seasonality or cyclicity of operations

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

A4 Unusual items

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



Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A5 Changes in estimates

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

A6 Debts and equity securities

On 31 January 2019 in the current financial quarter, the Company issued and listed 43,512,144 new ordinary shares pursuant to its Rights Issue with free Warrant exercise. On the RM13.05 million raised from the Rights Issue, RM1.74 million is taken-up at initial recognition as 'warrant reserve' representing the fair value of the free warrants measured base on 'Black-Scholes model' as referenced from published sources, with the balance RM11.31 million taken up in Share Capital. See Note A11. There were no 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.

	31 Mac 2019	30 Jun 2018
Total interest bearing debts in RM'million	112.8	120.4
Adjusted Shareholders' funds in RM'million	396.3	393.3
Absolute Gearing Ratio	0.28	0.31

Of the total interest bearing debts as at 31 March 2019, around RM79.6m is represented by the respective debenture at its steel-tube and cold-rolled subsidiaries, whilst RM10.3m is represented by unsecured interest-bearing supplier's credit also at the respective operating subsidiaries. (See Note B10). The balance debt of RM22.9m is secured against a fixed charge on the property to-which the acquisition-financing relates.

Debt covenants where applicable are in full compliance for the current financial quarter ended 31 March 2019 except for the Cold Rolled subsidiary's Debt Service Cover Ratio due to its operating loss position. The subsidiary shall seek waiver indulgence on the said covenant ratio for the current financial year.

A7 Dividend paid

During the current financial quarter, no dividend was 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	365,137	198,244	2,301	565,682
Inter segment	(21,330)	-	(2,237)	(23,567)
External revenue	<u>343,807</u>	<u>198,244</u>	<u>64</u>	<u>542,115</u>
Pre-tax profit/(loss)	<u>(14,970)</u>	<u>6,266</u>	<u>(8)</u>	<u>(8,712)</u>
Segment assets	<u>353,846</u>	<u>215,566</u>	<u>11,664</u>	<u>581,076</u>



Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A8 Segmental reporting (continued)

	RM'000
Segment assets	581,076
Derivative assets	90
Tax recoverable	234
	581,400

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

A9 Valuation of Property, Plant and Equipment (PPE)

The valuation on PPE has been brought forward from the audited financial statements for the preceding financial year ended 30 June 2018 and adjusted for the current financial year's depreciation where appropriate to reflect the current period's ending net carrying value.

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 31 March 2019:

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

<u>Recurring fair value measurement</u>	Fair Value RM'000		
	Level 1	Level 2	Level 3
Foreign Currency Forwards			
as Assets (not hedge accounted)	0	6.7	0
as Assets (hedge accounted)	0	83.1	0
as Liabilities (not hedge accounted)	0	(88.6)	0
as Liabilities (hedge accounted)	0	(609.4)	0
Total	0	(608.2)	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

The Company completed its 'Rights Issue with Warrant' exercise on 31 January 2019, and had raised RM13,053,643.20 from valid acceptance and excess applications of 43,512,144 Rights share representing a 76.73% take-up rate over the total Rights share available for subscription. The 43,512,144 new shares and the corresponding 21,756,070 free detachable warrants were listed on 31 January 2019. Status on the utilisation of the Rights Proceeds is disclosed in Note B9.

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 RM23.8m. From this amount, RM7.5m has been committed for the construction of a new Acid Regeneration Plant and RM16.3m for the revamp of Continuous Pickling Line. The Group's Steel Tube subsidiary has an outstanding capital commitment balance of around RM1.8m for plant-equipment. These capital commitments will be payable over established milestones running into financial years 2019 and 2020.



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 (3rd quarter)		Changes		Cumulative Period		Changes	
	Current Year Quarter 31/3/2019	Preceding Year Corresponding Quarter 31/3/2018			Current Year To-date 31/3/2019	Preceding Year Corresponding Period 31/3/2018		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	157,036	206,877	(49,841)	-24%	542,115	585,786	(43,671)	-7%
Operating Profit/(Loss)	(4,897)	6,752	(11,649)	-173%	(4,606)	25,663	(30,269)	-118%
Profit/(Loss) Before Interest and Tax	(4,897)	6,752	(11,649)	-173%	(4,606)	25,663	(30,269)	-118%
Profit/(Loss) Before Tax	(6,232)	5,553	(11,785)	-212%	(8,712)	20,398	(29,110)	-143%
Profit/(Loss) After Tax	(4,866)	3,879	(8,745)	-225%	(7,249)	14,849	(22,098)	-149%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(4,866)	3,879	(8,745)	-225%	(7,249)	14,849	(22,098)	-149%

For the 3rd quarter ended 31 March 2019, the Group registered a 24% lower total revenue of RM157.0 million (compared to RM206.9 million achieved in the preceding year's corresponding quarter) mainly due to lower sales volume. At segment level, the average unit selling price for the current quarter for the Cold Rolled segment is down 3% and the Steel Tube segment is up 1% compared with the preceding year corresponding quarter, while sales volume is down 22% for the Cold Rolled segment and 20% for the Steel Tube segment.

The Group recorded a pre-tax loss of RM6.2 million for the current quarter as compared to a pre-tax profit of RM5.6 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 RM3.6 million (preceding year's corresponding quarter gross profit: RM14.9 million) due to lower price spread and sales volume in both segments. Consequently, the Group recorded an after-tax loss of RM4.9 million for the current quarter as compared to the preceding year's corresponding quarter after-tax profit of RM3.9 million.

The Group recorded a quarterly EBITDA of negative RM1.0 million compared to the preceding year's corresponding quarter of positive RM10.5 million.

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

	Current Quarter 31/3/2019	Immediate Preceding Quarter 31/12/2018	Changes	
	RM'000	RM'000	RM'000	%
Revenue	157,036	188,368	(31,332)	-17%
Operating Profit/(Loss)	(4,897)	(3,486)	(1,411)	40%
Profit/(Loss) Before Interest and Tax	(4,897)	(3,486)	(1,411)	40%
Profit/(Loss) Before Tax	(6,232)	(4,870)	(1,362)	28%
Profit/(Loss) After Tax	(4,866)	(3,832)	(1,034)	27%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	(4,866)	(3,832)	(1,034)	27%



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 RM157.0 million for the current 3rd financial quarter is around RM31.3 million lower than the immediate preceding quarter at RM188.4 million. The lower revenue for the current quarter is mainly due to lower sales volume further aggravated by the seasonal Chinese New Year festive period's low demand. The average unit selling price for the current quarter for the Cold Rolled and the Steel Tube segments is down 3% and 2% respectively whilst the sales volume is lower by around 15% for the Cold Rolled and 10% for the Steel Tube.

The Group registered a higher pre-tax loss of RM6.2 million compared with the immediate preceding quarter's pre-tax loss of RM4.9 million mainly due to the lower gross profit margin for both steel segments. Both Cold Rolled and Steel Tube segments suffered from sharply lower sales volume and margins. Correspondingly, the Group recorded a net-tax loss of RM4.9 million compared to a net-tax loss of RM3.8 million in the immediate preceding quarter.

The Group recorded a quarterly EBITDA of negative RM1.0 million compared with positive RM0.8 million in the immediate preceding quarter.

B3 Prospects for the remaining financial year

The Country's GDP for the 1st fiscal quarter for 2019 (which correspond to the Group's 3rd financial quarter) grew at a commendable pace of 4.5% year-on-year on the back of significant global economic headwind and downward pressure on the domestic economy. Further escalation of the year-long trade war between the world's two largest economies following the breakdown of trade-talks sent global markets into a tail-spin. At the home-front, the exit of the Norwegian wealth fund and the potential exclusion from the FTSE Russell's World Government Bond Index add anxiety to the already skittish market sentiment riled by the depressed equity and property markets; lackluster corporate performances; slow reforms; and the persistently weak Ringgit.

The domestic steel industry will likely continue to face a challenging market environment in the next financial quarter. As such, the Group's steel segments' performance in the next and the last financial quarter saddling the seasonally low Ramadan festive period would likely stay subdued in-tandem with the anticipated slower economic growth. The Cold-Rolled segment's loss performance for the current financial quarter had worsen with the continued dumping of foreign cold-roll-coil (CRC) into the domestic market. However the year-long effort by the Cold-Rolled subsidiary to address unfair trade practices from foreign manufacturers, eventually culminated to the initiation of anti-dumping duty investigation on 29 March 2019 by the authorities. On 8 May 2019, the authorities revised anti-dumping duties on specific CRC exporters of width up to 1,300mm from China, Korea, and Vietnam at various rates. Extension of the anti-dumping duties on CRC of width above 1,300mm is expected by July 2019. Whilst the anti-dumping duty rates on certain producers may still seem inadequate, the overall development should be positive for the CRC subsidiary moving into the next financial year. Besides the aforementioned, the current state of lower inflationary pressure, and the recent interest rate cut should ease cost pressure on the steel operations in the immediate term. Over the medium and longer term, the recently announced revival of the Light Rail Transit Line 3, the East Coast Rail Line, and the Bandar Malaysia project; and the potential spillover development surrounding these projects – add a positive tone to an otherwise gloomy outlook. The Group's Steel Tube and the Cold-Rolled segments' performance could potentially benefit from these projects over their development periods, if the country's 'buy Malaysian first' directive is consistently applied.

With only three months left to the financial year end, the Group's outlook for the remaining period remains cautious considering the heightened external risks and mounting uncertainties. Whilst performance for the final financial quarter could record an improvement over the current period, it would likely be too little and too late to breakeven from a full financial year's loss position.



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 Mac 2019 RM'000	Preceding Year Corresponding Quarter Ended 31 Mac 2018 RM'000	Current Year To Date Ended 31 Mac 2019 RM'000	Preceding Year Corresponding Period Ended 31 Mac 2018 RM'000
Depreciation	3,862	3,752	11,404	11,228
Interest income	(510)	(365)	(1,022)	(1,056)
Interest expense	1,845	1,564	5,128	6,321
FX differences (gain)/loss	(1,435)	(7,121)	2,073	(17,580)
FX derivatives loss/(gain)	1,519	6,722	(1,692)	16,416

B6 Taxation

Taxation comprises :

	Current Year Quarter Ended 31 Mac 2019 RM'000	Preceding Year Corresponding Quarter Ended 31 Mac 2018 RM'000	Current Year To Date Ended 31 Mac 2019 RM'000	Preceding Year Corresponding Period Ended 31 Mac 2018 RM'000
Current tax (expense)/credit				
Current period	(208)	(1,260)	(2,275)	(3,841)
Deferred tax (expense)/income				
Current period	1,574	(414)	3,738	(1,708)
	<u>1,366</u>	<u>(1,674)</u>	<u>1,463</u>	<u>(5,549)</u>

**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

There are no outstanding corporate proposals as at the date of this announcement.

The Company completed its Rights Issue with Warrant exercise on 31 January 2019, and raised RM13,053,643.20 ('Rights Proceeds'). See Note A11. Details on the utilisation of the Rights Proceeds as at the date of this report are as follows:

Areas of Approved Utilization

- a) Capital expenditure
 - b) Working capital
 - c) Estimated expenses in relation to the Rights Issue exercise
- Total

RM'000		
Proposed Use	Actual Use	Balance to Use
10,100	2,425	7,575
2,254	2,245	0
700	809	0
13,054	5,479	7,575

Footnote

- i. The actual expenses incurred for the Rights Issue exercise exceeded the approved estimate by around RM109 thousand, and this difference is adjusted against the capital expenditure (reduced RM100 thousand) and working capital (reduced RM9 thousand).
- ii. The 'Balance to Use' on capital expenditure relates to the Cold-Rolled subsidiary's process line upgrade and acid regeneration plant project which would be used in accordance with the scheduled implementation progress, and within 12 months from the completed Rights Issue date.



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 31 March 2019, which are denominated entirely in Ringgit Malaysia, are as follows:

	<u>RM’000</u>
<u>Short-term borrowings:</u>	
Secured	82,418
<u>Long-term borrowings:</u>	
Secured	20,090
Total borrowings	102,508

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

	<u>RM’000</u>
Total Borrowings’ opening balance as at 1 July 2018	92,371
<u>Cash Flows:</u>	
Inflows from new debts	143,575
Outflows on repayment	(155,626)
<u>Non-Cash Changes:</u>	
Property, plant and equipment acquired via bank loan/hire purchase	22,188
Closing balance as at 31 March 2019	102,508

Based on the above, the Group’s bank-gearing ratio is around 0.26 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 RM10.3 million as at 31 March 2019. Inclusive of this, the Group’s absolute-gearing ratio as at 31 March 2019 is around 0.28 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 (“USD”) and certain sales denominated in Singapore Dollar (“SGD”). In this regard, the Group covers its USD exposure at the range of 80% to 90% depending on the length of the forward period and the availability of FX facilities.

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



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 March 2019 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	330	1,003	6.7	0.2

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	1,350	5,605	-	88.4

Designated

FX Forward Contracts as designated hedging Instrument					Forward purchase of raw material and/or a/c payable as hedge items				
	Notional Value '000		Fair Value 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	35,410	145,451	83.1	609.4	Matching	35,410	n.a.	609.4	83.1

Besides the above unrealized positions, the Group has recorded a total realized net gain of around RM2.3 million from its FX Forward Contracts as hedging instruments with corresponding realized net loss of around RM2.8 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 RM3.2 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 RM99.8 million as at 31 March 2019.

B13 Material litigation

The Group is not engaged in any on-going 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 March 2019.

B15 (Loss)/Earnings per share

(i) Basic (loss)/earnings per ordinary share

	Current Year Quarter Ended 31 Mac 2019	Preceding Year Corresponding Quarter Ended 31 Mac 2018	Current Year To Date Ended 31 Mac 2019	Preceding Year Corresponding Period Ended 31 Mac 2018
(Loss)/Profit attributable to owners (RM'000)	(4,866)	3,879	(7,249)	14,849
Weighted average number of ordinary shares in issue ('000)	314,941	290,708	298,668	290,708
Basic (loss)/earnings per share (sen)	(1.55)	1.33*	(2.43)	5.11*

* Basic EPS for the comparative periods which was previously stated at 1.37 and 5.24 sens respectively has been restated for the effects of the 'Rights Issue with free Warrant' concluded in the current financial quarter.



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

B15 (Loss)/Earnings per share (continued)

(ii) Diluted earnings per ordinary share

No diluted loss per share is presented as the issued and listed warrants are in an anti-dilutive position given that its exercisable price (at 60 sens) is above the market price of the listed mother share at the close of the current financial quarter.

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 May 2019