



**Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for the first financial quarter ended 30 September 2017**

(The figures have not been audited)

	<u>Individual Quarter</u>		<u>Cumulative Quarters</u>	
	<u>(3 months)</u>		<u>(3 months)</u>	
	Current year	Preceding year	Current year	Preceding year
	Corresponding	Corresponding	To date	Corresponding
	Quarter	Quarter	Period	Period
	30-Sep-17	30-Sep-16	30-Sep-17	30-Sep-16
	RM'000	RM'000	RM'000	RM'000
Revenue	179,750	167,497	179,750	167,497
Cost of sales	(162,491)	(144,875)	(162,491)	(144,875)
Gross profit	17,259	22,622	17,259	22,622
Operating expenses	(7,235)	(6,665)	(7,235)	(6,665)
Other operating income/(expense)	29	(1)	29	(1)
Net foreign exchange gain/(loss)	149	(149)	149	(149)
Profit from operations	10,202	15,807	10,202	15,807
Finance income	255	130	255	130
Finance costs	(2,349)	(2,354)	(2,349)	(2,354)
<b>Profit before tax</b>	<b>8,108</b>	<b>13,583</b>	<b>8,108</b>	<b>13,583</b>
Tax	(2,301)	(3,502)	(2,301)	(3,502)
<b>Profit for the period</b>	<b>5,807</b>	<b>10,081</b>	<b>5,807</b>	<b>10,081</b>
Other comprehensive income				
Asset revaluation reserves:				
- revaluation surplus on property, plant and equipment, net of tax	-	-	-	-
<b>Total profit and other comprehensive income for the period</b>	<b>5,807</b>	<b>10,081</b>	<b>5,807</b>	<b>10,081</b>
Earnings per share attributable to owners of the Company (sen):				
- Basic	2.05	3.56	2.05	3.56
- 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 September 2017**

(The figures have not been audited)

	As at 30-Sep-17 RM'000	As at 30-Jun-17 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	292,978	294,514
Intangible Assets	20,000	20,000
	<u>312,978</u>	<u>314,514</u>
<b>Current Assets</b>		
Inventories	112,503	177,176
Trade and other receivables	94,752	106,249
Amount owing by holding company	960	263
Amount owing by related companies	4,299	4,860
Tax recoverable	203	258
Derivative financial assets	37	142
Cash and bank balances	47,589	64,588
	<u>260,343</u>	<u>353,536</u>
<b>Less: Current Liabilities</b>		
Borrowings	63,203	78,610
Trade and other payables	97,864	181,469
Amount owing to holding company	3,033	4,000
Amount owing to related companies	1,056	1,073
Tax payable	1,254	1,651
Derivative financial liabilities	2,249	3,037
	<u>168,659</u>	<u>269,840</u>
<b>Net Current Assets</b>	<u>91,684</u>	<u>83,696</u>
<b>Non-Current Liabilities</b>		
Deferred tax liabilities	20,468	19,758
Borrowings	4,233	4,298
	<u>24,701</u>	<u>24,056</u>
	<u>379,961</u>	<u>374,154</u>
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		
Share capital	206,364	206,364
Asset revaluation reserve	25,534	25,534
Retained earnings	148,063	142,256
<b>Total Equity</b>	<u>379,961</u>	<u>374,154</u>
<b>Net assets per share attributable to owners of the Company</b>	<u>RM1.34</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 first financial quarter ended 30 September 2017**

(The figures have not been audited)

	(3 months) 30-Sep-17 RM'000	(3 months) 30-Sep-16 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	8,108	13,583
Adjustments for :		
- Depreciation	3,727	3,763
- Loss/(gain) on disposal of plant and equipment	19	51
- Plant and equipment written off	62	1
- Net unrealised (gain)/loss on foreign exchange	(115)	(71)
- Interest income	(255)	(130)
- Interest expense	2,349	2,354
Operating profit before changes in working capital	13,895	19,551
Changes in working capital :		
- Inventories	64,674	(18,808)
- Trade and other receivables	11,601	(3,262)
- Trade and other payables	(84,278)	1,273
- Intercompanies balances	(1,121)	(319)
Cash flows generated from/(used in) operations	4,771	(1,565)
- Interest paid	(2,349)	(2,354)
- Interest received	255	130
- Tax paid	(1,933)	(569)
Net cash flows generated from/(used in) operating activities	744	(4,358)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
- Purchase of property, plant and equipment	(2,321)	(388)
- Proceeds from disposal of property, plant and equipment	50	130
Net cash flows (used in)/generated from investing activities	(2,271)	(258)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
- Disposal of treasury shares	-	408
- Proceeds from bank borrowings	39,790	60,060
- Repayment of bank borrowings	(55,262)	(44,181)
Net cash flows (used in)/generated from financing activities	(15,472)	16,287
Net change in cash and cash equivalents	(16,999)	11,671
Cash and cash equivalents at beginning of the financial year	64,588	27,630
Cash and cash equivalents at end of the financial year	47,589	39,301

**(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 first financial quarter ended 30 September 2017**

(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 <sup>N1</sup> RM'000	Paid-in Capital <sup>N2</sup> RM'000	Treasury Shares RM'000	Revaluation Reserve RM'000	Retained Earnings RM'000	
<b>3 months ended 30 September 2017</b>								
At 1 July 2017 <sup>N3</sup>	206,364	-	-	-	-	25,534	142,256	374,154
Comprehensive income for the financial period								
- Profit for the financial period	-	-	-	-	-	-	5,807	5,807
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	-	-	-	-	-	-	5,807	5,807
As at 30 September 2017	206,364	-	-	-	-	25,534	148,063	379,961
<b>3 months ended 30 September 2016</b>								
At 1 July 2016	70,886	19,100	115,754	9	(368)	22,545	107,513	335,439
Comprehensive income for the financial period								
- Profit for the financial period	-	-	-	-	-	-	10,081	10,081
Other comprehensive income for the financial period								
Asset revaluation reserves:								
- revaluation surplus on property, plant and equipment, net of tax	-	-	-	-	-	-	-	-
Total comprehensive income for the financial period	-	-	-	-	-	-	10,081	10,081
Disposal of treasury shares	-	-	-	242	166	-	-	408
As at 30 September 2016	70,886	19,100	115,754	251	(202)	22,545	117,594	345,928

**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 shall apply where applicable commencing from 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 application of the above did not have any financial impact on this quarterly report.

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.

The Group is of the opinion 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.



**Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134**

**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 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.

**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**

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 Sep 2017	30 Jun 2017
Total interest bearing debts in RM million	149.3	249.7
Adjusted Shareholders' funds in RM million	360.0	354.2
Gearing Ratio	0.42	0.71

Of the total interest bearing debts as at 30 September 2017, around RM67.4m is represented by the respective debenture at its two main operating subsidiaries, whilst the balance is represented by interest-bearing unsecured suppliers' credit also at the respective operating subsidiaries. (See Note B10). The lower absolute gearing for the current quarter ended is attributed to lower trade credits drawn to finance lower inventory carrying value of RM112.5m (as compared to RM177.2m as at 30 June 2017). Debt covenants where applicable are in full compliance for the current financial quarter ended 30 September 2017.

**A7 Dividend paid**

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



**Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A8 Segmental reporting**

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

	<u>Cold Rolled</u> RMø000	<u>Steel Tube</u> RMø000	<u>Others</u> RMø000	<u>Total</u> RMø000
<b>Revenue</b>				
Total revenue	121,029	66,357	767	188,153
Inter segment	(7,674)	-	(729)	(8,403)
External revenue	<u>113,355</u>	<u>66,357</u>	<u>38</u>	<u>179,750</u>
Pre-tax profit	<u>2,774</u>	<u>5,250</u>	<u>84</u>	<u>8,108</u>
Segment assets	<u>410,685</u>	<u>160,840</u>	<u>1,556</u>	<u>573,081</u>
	<b>RMø000</b>			
Segment assets	573,081			
Derivative assets	37			
Tax recoverable	<u>203</u>			
	<u>573,321</u>			

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 3.3% is significantly higher than the Cold Rolled Segment's at 0.7% partly due to the fact that the Steel Tube Segment does not own the factories and building (fair valued at around RM100 million as at 30 June 2017) which are rented from its ultimate Shareholding Company and sister company for a monthly sum of RM455,400.

**A9 Valuation of property, plant and equipment**

The valuation of property, plant and equipment has been brought forward from the audited financial statements for the financial year ended 30 June 2017 and adjusted for the current financial 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 by valuation methods, the carrying value of short-term maturity financial instruments like cash deposits and bank balances, receivables, and short-term borrowings and payables approximate their fair values.

Financial instruments subjected to fair valuation methods are categorised into the following fair value hierarchy and are represented in the table below as at 30 September 2017:

- Level 1: based on unadjusted quoted prices in active markets for identical assets and liabilities
- Level 2: based on observable inputs not included within level 1
- Level 3: based on unobservable inputs



**Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A10 Fair Value Measurement** (continued)

<u>Recurring fair value measurement</u> Foreign Currency Forwards	Fair Value RMø000		
	Level 1	Level 2	Level 3
as Assets (not hedge accounted)	0	0	0
as Assets (hedge accounted)	0	36.6	0
as Liabilities (not hedge accounted)	0	(8.5)	0
as Liabilities (hedge accounted)	0	(2,240.0)	0
Total	0	(2,211.9)	0

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

**A11 Significant events and transactions**

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

Beside the above, there were no other significant events or transactions for the current quarter affecting the Groupø financial position and performance of its entities.

**A12 Subsequent material events**

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

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

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

**A13 Changes in the composition of the Group**

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





**Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134**

**A14 Contingent liabilities or contingent assets**

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

**A15 Changes in Financial Year End Date**

There is no change to the financial year end date during the current financial quarter.

**A16 Capital Commitments**

At the end of the current reporting quarter, the Group's Cold Rolled subsidiary has an outstanding capital commitment balance of around USD0.71m (RM3.00m) for the supply and installation of new motor-drives for its rolling mill. The said capital commitment will be payable over the remaining four milestones running into calendar year 2018.

**PART B - EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENT – PART A OF APPENDIX 9B)**
**B1 Review of the performance of the Company and its principal subsidiaries**

	Individual Period (1st quarter)		Changes		Cumulative Period		Changes	
	Current Year Quarter 30/9/2017	Preceding Year Corresponding Quarter 30/9/2016			Current Year To-date 30/9/2017	Preceding Year Corresponding Period 30/9/2016		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	179,750	167,497	12,253	7%	179,750	167,497	12,253	7%
Operating Profit	10,202	15,807	(5,605)	-35%	10,202	15,807	(5,605)	-35%
Profit Before Interest and Tax	10,202	15,807	(5,605)	-35%	10,202	15,807	(5,605)	-35%
Profit Before Tax	8,108	13,583	(5,475)	-40%	8,108	13,583	(5,475)	-40%
Profit After Tax	5,807	10,081	(4,274)	-42%	5,807	10,081	(4,274)	-42%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	5,807	10,081	(4,274)	-42%	5,807	10,081	(4,274)	-42%

For the 1<sup>st</sup> quarter ended 30 September 2017, the Group registered a 7% higher total revenue of RM179.8 million as compared to RM167.5 million achieved in the preceding year's corresponding quarter mainly due to higher unit selling price by around 23% but a lower sales volume by around 11%. At the segment level, average unit selling price for the current quarter for the Cold Rolled and the Steel Tube segments is up 24% and 15% respectively compared with the preceding year corresponding quarter, whilst sales volume is relatively flat for the Steel Tube segment but declined by around 16% for the Cold Rolled segment.

The Group recorded a lower profit before tax of RM8.1 million for the current quarter as compared to RM13.6 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 RM17.3 million (preceding year's corresponding quarter gross profit: RM22.6 million) due to lower sales volume and higher unit conversion cost arising from the lower production volume in the Cold Rolled segment. Consequently, the Group recorded an after-tax profit of RM5.8 million for the current quarter as compared to the preceding year's corresponding quarter of RM10.1 million.

The Group recorded a lower EBITDA at RM13.9 million compared to the preceding year's corresponding quarter of RM19.6 million.

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

	Current Quarter 30/9/2017	Immediate Preceding Quarter 30/6/2017	Changes	
	RM'000	RM'000	RM'000	%
Revenue	179,750	185,865	(6,115)	-3%
Operating Profit	10,202	14,355	(4,153)	-29%
Profit Before Interest and Tax	10,202	12,247	(2,045)	-17%
Profit Before Tax	8,108	9,436	(1,328)	-14%
Profit After Tax	5,807	7,772	(1,965)	-25%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	5,807	7,772	(1,965)	-25%

**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 RM179.8 million for the current 1<sup>st</sup> quarter is around 3% lower than the immediate preceding quarter at RM185.9 million. The lower revenue for the current quarter is due to lower sales volume by around 1.8% coupled with lower unit selling price by around 1.4%. At the segment level, sales volume for the Cold Rolled is up around 6% with lower unit selling price by also around 6%, whilst the Steel Tube's sales volume is lower by around 6% with a negligible higher unit selling price at around 1%.

The Group registered a lower pre-tax profit of RM8.1 million compared with the immediate preceding quarter's pre-tax profit of RM9.4 million mainly due to lower gross profit margin arising from lower price spread between selling price and raw material coil cost in the current quarter. Correspondingly, the Group recorded a lower net-tax profit of RM5.8 million compared to a net-tax profit of RM7.8 million in the immediate preceding quarter.

The Group recorded a lower quarterly EBITDA at RM13.9 million compared to the preceding quarter's RM18.2 million.

**B3 Prospects for the remaining financial year**

The Country reported a robust 5.7% and a blistering 6.2% GDP growth for the 1<sup>st</sup> half and the 3<sup>rd</sup> quarter of 2017 respectively driven by strong private consumption and investment growth, which somehow seem disconnected with the economic sentiments on the ground. Key indicators surrounding its foreign reserves, current account balance, household & government debt-to-GDP are also reported to be turning the corner. The nation's fiscal Budget for 2018 aims for sustained growth above 5% coupled with the narrowing of budget deficit.

Specific to the domestic Steel industry, overall sentiments remain buoyant with the strong run-up in steel prices amidst a cautious market. China's robust economy and demand for steel has pushed up regional HRC prices by nearly 38% towards Sept 2017 from the lows in May 2017 even-though iron-ore prices have declined by around 13% over the same period. This has benefited upstream raw steel and HRC producers, and has enable those with extended Cold Rolled Coil (CRC) manufacturing to be highly competitive in the export markets. As a result, inflows of Cold Rolled Coils from Japan, India, and low-production-cost ASEAN countries such as Vietnam have picked up significantly in the current financial quarter ó cutting into domestic cold-rollers' market share. On top of that, upward trending HRC prices also narrowed the spread with CRC prices due to lagging effects. As a result, the current financial quarter ended 30 September 2017 has proven to be rather challenging for the Group's steel businesses- especially for its Cold Rolled segment. The Steel Tube segment which uses both HRC and CRC as raw materials at the ratio of around 85:15 also faced intense pressure on margins on a quarter-on-quarter comparison. The expected slowdown in the construction sector will further add to the challenges in domestic steel tube and pipes market in later periods. In this regard, the Group has begun to diversify its steel tube and pipe markets abroad in the recent past, and will likely see intensified effort to develop on export markets.

Business outlook and prospects for the Group's Cold-Rolled-Coil and Steel Tubes for the remaining financial year has turned from positive to cautious with greater volatility risk and pressure on margins. The Group's flat-steel products serving a wide spectrum of industrial applications and downstream-manufacturing for both the domestic and export markets, nevertheless hope to sustain a positive performance for the remaining financial year barring any severe external shocks.



**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 Sep 2017 RMø000	Preceding Year Corresponding Quarter Ended 30 Sep 2016 RMø000	Current Year To Date Ended 30 Sep 2017 RMø000	Preceding Year Corresponding Period Ended 30 Sep 2016 RMø000
Depreciation	3,727	3,763	3,727	3,763
Interest income	(255)	(130)	(255)	(130)
Interest expense	2,349	2,354	2,349	2,354
FX differences (gain)/loss	(2,249)	4,304	(2,249)	4,304
FX derivatives loss/(gain)	2,100	(4,155)	2,100	(4,155)

**B6 Taxation**

Taxation comprises :

	Current Year Quarter Ended 30 Sep 2017 RMø000	Preceding Year Corresponding Quarter Ended 30 Sep 2016 RMø000	Current Year To Date Ended 30 Sep 2017 RMø000	Preceding Year Corresponding Period Ended 30 Sep 2016 RMø000
Current tax (expense)/credit				
Current period	(1,591)	(1,524)	(1,591)	(1,524)
Deferred tax (expense)/income				
Current period	(710)	(1,978)	(710)	(1,978)
	(2,301)	(3,502)	(2,301)	(3,502)



**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**

On the proposed renounceable Rights Issue of 1-for-5 shares held with free detachable Warrants of 1-for-2 Rights Shares subscribed duly announced on 23 August 2017 (see Note A11), the due date for the issuance of circular to shareholders in relation to the aforementioned by 22 October 2017 has been duly extended to 22 December 2017 with the approval of the authority.

**B10 Group borrowings and debt securities**

The Group's borrowings from lending institutions as at 30 September 2017, which are denominated entirely in Ringgit Malaysia, are as follows:

	<u>RM'000</u>
<u>Short-term borrowings:</u>	
Secured	63,203
<u>Long-term borrowings:</u>	
Secured	4,233
Total borrowings	<u>67,436</u>

Based on the above, the Group's bank-gearing ratio is around 0.19 times. Besides the said borrowings, the Group's Cold Rolled subsidiary and the Steel Tube subsidiary also draw on interest-bearing trade credits from their respective raw-coil suppliers with outstanding amounts of RM62.4 million and RM19.5 million respectively as at 30 September 2017. Inclusive of this, the Group's absolute-gearing ratio as at 30 September 2017 is around 0.42 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 30 September 2017 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	330	1,036	-	8.5

**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	-	-	-	-

**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	38,568	166,258	36.6	2,240.0	Matching	38,568	n.a.	2,240.0	36.6

Besides the above unrealized positions, the Group has recorded a total realized net gain of around RM0.1 million from its FX Forward Contracts incepted for hedging purposes over the current financial year.

- (i) Risk associated with the derivatives

Counter-Party Risk

The Forward FX contracts are entered into with domestic licensed financial institutions which have extended FX lines to the Group. The associated Counter-Party risk is negligible.

- (ii) Cash requirements of the derivatives

There is no cash movement from the Group to the counterparties when the Forward FX contracts are incepted. Upon maturity of the Forward FX contracts, domestic currency is exchanged for the foreign currency to meet its obligations.

- (iii) Policies in place for mitigating or controlling the risk associated with the derivatives

The Group uses derivative financial instruments to hedge specific risk exposures of the underlying hedge items and does not enter into derivative financial instruments for speculative purposes. The Group monitors the fluctuations in foreign currency exchange rates closely with the objective to minimise potential adverse effects on the financial performance of the Group. The Board of Directors regularly reviews the risk and approves the policy for managing the risk.



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

**B12 Off balance sheet financial instruments and commitments**

Off balance sheet financial instruments as at the date of this announcement are bank guarantees issued amounting to RM3.6 million being security for inbound supply of goods and services; and corporate guarantees issued to lenders for borrowings extended to its principal subsidiaries, Mycron Steel CRC Sdn. Bhd. and Melewar Steel Tube Sdn. Bhd. amounting to RM80.9 million as at 30 September 2017.

**B13 Material litigation**

The Group is not engaged in any material litigation, either as a plaintiff or defendant, claims or arbitration which have a material effect on the financial position of the Group and the Board is not aware of any proceedings pending or threatened against the Group or of any other facts likely to give rise to any proceedings which may materially and/or adversely affect the financial position and business of the Group.

**B14 Dividend**

The Company did not declare any dividend for the financial period ended 30 September 2017.

**B15 Earnings per share**

(i) Basic earnings per ordinary share

	Current Year Quarter Ended 30 Sep 2017	Preceding Year Corresponding Quarter Ended 30 Sep 2016	Current Year To Date Ended 30 Sep 2017	Preceding Year Corresponding Period Ended 30 Sep 2016
Profit attributable to owners (RM000)	5,807	10,081	5,807	10,081
Weighted average number of ordinary shares in issue (net of treasury shares) (000)	283,545	282,995	283,545	282,995
Basic earnings per share (sen)	2.05	3.56	2.05	3.56

(ii) Diluted earnings per ordinary share

This is not applicable to the Group.



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

**B16 Realised and Unrealised Profits/Losses Disclosure**

	As at 30/9/2017 RM'000	As at 30/6/2017 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	166,791	160,194
- Unrealised	(18,510)	(17,720)
	<u>148,281</u>	<u>142,474</u>
Add: Consolidation adjustments	<u>(218)</u>	<u>(218)</u>
Total group retained profits as per consolidated accounts	<u>148,063</u>	<u>142,256</u>

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  
28 November 2017