



**Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for the first financial quarter ended 30 September 2018**

(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-18	30-Sep-17	30-Sep-18	30-Sep-17
	RM'000	RM'000	RM'000	RM'000
Revenue	196,711	179,750	196,711	179,750
Cost of sales	(184,447)	(162,491)	(184,447)	(162,491)
Gross profit	12,264	17,259	12,264	17,259
Operating expenses	(8,388)	(7,235)	(8,388)	(7,235)
Other operating income/(expense)	149	29	149	29
Net foreign exchange gain/(loss)	(248)	149	(248)	149
Profit from operations	3,777	10,202	3,777	10,202
Impairment loss on property, plant and equipment	-	-	-	-
Finance income	213	255	213	255
Finance costs	(1,600)	(2,349)	(1,600)	(2,349)
<b>Profit before tax</b>	2,390	8,108	2,390	8,108
Tax	(941)	(2,301)	(941)	(2,301)
<b>Profit for the period</b>	1,449	5,807	1,449	5,807
Other comprehensive income				
Asset revaluation reserves:				
- revaluation surplus on property, plant and equipment, net of tax	760	-	760	-
<b>Total profit and other comprehensive income for the period</b>	<u>2,209</u>	<u>5,807</u>	<u>2,209</u>	<u>5,807</u>
Earnings per share attributable to owners of the Company (sen):				
- Basic	0.51	2.05	0.51	2.05
- 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 30 September 2018**

(The figures have not been audited)

	As at 30-Sep-18 RM'000	As at 31-Jun-18 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	316,216	288,470
Intangible Assets	20,000	20,000
	<u>336,216</u>	<u>308,470</u>
<b>Current Assets</b>		
Inventories	151,599	205,190
Trade and other receivables	114,880	122,671
Amount owing by holding company	4	1,861
Amount owing by related companies	1,987	1,887
Tax recoverable	12	23
Derivative financial assets	3,325	3,341
Cash and bank balances	36,927	51,023
	<u>308,734</u>	<u>385,996</u>
<b>Less: Current Liabilities</b>		
Borrowings	62,910	90,735
Trade and other payables	142,649	187,001
Amount owing to holding company	21	0
Amount owing to related companies	1,521	1,212
Tax payable	1,401	608
Derivative financial liabilities	42	3
	<u>208,544</u>	<u>279,559</u>
<b>Net Current Assets</b>	<u>100,190</u>	<u>106,437</u>
<b>Non-Current Liabilities</b>		
Deferred tax liabilities	21,299	21,699
Borrowings	21,326	1,636
	<u>42,625</u>	<u>23,335</u>
	<u>393,781</u>	<u>391,572</u>
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		
Share capital	206,364	206,364
Asset revaluation reserve	27,611	26,851
Retained earnings	159,806	158,357
<b>Total Equity</b>	<u>393,781</u>	<u>391,572</u>
<b>Net assets per share attributable to owners of the Company</b>	<u>RM1.39</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).



**Quarterly report on consolidated results for the first financial quarter ended 30 September 2018**

**Condensed Consolidated Statements of Cash Flows for the first financial quarter ended 30 September 2018**

(The figures have not been audited)

	<b>(3 months) 30-Sep-18 RM'000</b>	<b>(3 months) 30-Sep-17 RM'000</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	2,390	8,108
Adjustments for :		
- Depreciation	3,709	3,727
- Loss/(gain) on disposal of plant and equipment	24	19
- Plant and equipment written off	-	62
- Impairment loss on property, plant and equipment	-	-
- Impairment of receivables	107	-
- Net unrealised (gain)/loss/ on foreign exchange	(39)	(115)
- Interest income	(213)	(255)
- Interest expense	1,600	2,349
Operating profit before changes in working capital	<u>7,578</u>	<u>13,895</u>
Changes in working capital :		
- Inventories	53,590	64,674
- Trade and other receivables	7,699	11,601
- Trade and other payables	(44,274)	(84,278)
- Intercompanies balances	2,088	(1,121)
Cash flows generated from/(used in) operations	<u>26,681</u>	<u>4,771</u>
- Interest paid	(1,600)	(2,349)
- Interest received	213	255
- Tax paid	(777)	(1,933)
Net cash flows generated from/(used in) operating activities	<u>24,517</u>	<u>744</u>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
- Purchase of property, plant and equipment	(8,671)	(2,321)
- Proceeds from disposal of property, plant and equipment	60	50
Net cash flows (used in)/generated from investing activities	<u>(8,611)</u>	<u>(2,271)</u>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
- Disposal of treasury shares	-	-
- Proceeds from bank borrowings	34,100	39,790
- Repayment of bank borrowings	(64,102)	(55,262)
Net cash flows (used in)/generated from financing activities	<u>(30,002)</u>	<u>(15,472)</u>
Net change in cash and cash equivalents	(14,096)	(16,999)
Cash and cash equivalents at beginning of the financial year	51,023	64,588
Cash and cash equivalents at end of the financial year	<u>36,927</u>	<u>47,589</u>

**(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).**



**Condensed Consolidated Statements of Changes in Equity for the first financial quarter ended 30 September 2018**

(The figures have not been audited)

	---- Attributable to owners of the Company ----			
	Asset			
	Share	Revaluation	Retained	
	Capital	Reserve	Earnings	Total
	RM'000	RM'000	RM'000	RM'000
<u>3 months ended 30 September 2018</u>				
At 1 July 2018	206,364	26,851	158,357	391,572
Comprehensive income for the financial period				
- Profit for the financial period	-	-	1,449	1,449
Other comprehensive income for the financial period				
Asset revaluation reserves:				
- revaluation surplus on				
property, plant and equipment, net of tax	-	760	-	760
Total comprehensive income for the financial period	-	760	1,449	2,209
As at 30 September 2018	<u>206,364</u>	<u>27,611</u>	<u>159,806</u>	<u>393,781</u>
<u>3 months ended 30 September 2017</u>				
At 1 July 2017	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	<u>206,364</u>	<u>25,534</u>	<u>148,063</u>	<u>379,961</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 MFRS 139. 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 MFRS 139 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 ó 2017 Cycle:
  - É Amendments to MFRS 3 Business Combinations (effective from 1 January 2019)
  - É Amendments to MFRS 112 Income Taxes (effective from 1 January 2019)
  - É 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 MFRS 16 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 MFRS 116 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 MFRS 117 (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 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**

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 2018	30 Jun 2018
Total interest bearing debts in RM million	107.3	120.4
Adjusted Shareholders funds in RM million	395.1	393.3
Absolute Gearing Ratio	0.27	0.31

Of the total interest bearing debts as at 30 September 2018, around RM63.2m is represented by the respective debenture at its steel-tube and cold-rolled subsidiaries, whilst RM23.1m is represented by unsecured interest-bearing suppliers credit also at the respective operating subsidiaries. (See Note B10). Over the current financial quarter, the steel-tube subsidiary discharged two debenture-holders with zero balances at the close of the preceding financial year, whilst its sole debenture-holder increased existing trade facility lines by another RM25 million. On 6 August 2018, the steel-tube subsidiary incepted and drawn-down a 10 years term-loan of RM21 million to finance its acquisition of a factory property. (See Note A11). The facility is secured with a fixed charge against the property, coupled with a corporate guarantee from the Company.

Debt covenants where applicable are in full compliance for the current financial quarter ended 30 September 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	124,227	77,819	700	202,746
Inter segment	(5,399)	-	(636)	(6,035)
External revenue	118,828	77,819	64	196,711
Pre-tax profit/(loss)	(2,633)	4,913	110	2,390
Segment assets	434,177	205,854	1,582	641,613



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

**A8 Segmental reporting** (continued)

	RM€000
Segment assets	641,613
Derivative assets	3,325
Tax recoverable	12
	<u>644,950</u>

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.

The acquisition of the factory property contracted by the steel-tube subsidiary on 20 November 2017 at RM 26 million (see Note A11) was measured at cost upon initial recognition in August 2018. An independent valuation report as at 30 June 2018 commissioned by the vendor on the said property attached a fair value of RM 27 million. Adopting the said valuation, the steel tube subsidiary revalued the carrying value of the said property to be in-line with the latter. Revaluation gain adjusted for deferred tax liability is taken-up in other comprehensive income and revaluation reserves on 30 September 2018.

**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 September 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)

	Fair Value RM€000		
	Level 1	Level 2	Level 3
	0	237.8	0
	0	3,086.8	0
	0	(10.4)	0
	0	(31.5)	0
Total	0	3,282.7	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 Group's steel tube subsidiary had on 20 November 2017 contracted to acquire a factory leased land and buildings on Lot 53, Persiaran Selangor, Shah Alam from its ultimate holding company, Melewar Industrial Group Bhd, for a total cash consideration of RM26 million based on independent valuation. All condition precedents have been met, and the acquisition was duly completed on 30 August 2018, with the drawdown on financing of RM21 million and the payment of the balance sum to the vendor.

### **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 RM0.4m; whilst, its Steel Tube subsidiary has an outstanding capital commitment balance of around RM1.9m for plant-equipment. The said capital commitments will be payable over established milestones in the current financial year.

**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 30/9/2018	Preceding Year Corresponding Quarter 30/9/2017			Current Year To-date 30/9/2018	Preceding Year Corresponding Period 30/9/2017		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	196,711	179,750	16,961	9%	196,711	179,750	16,961	9%
Operating Profit	3,777	10,202	(6,425)	-63%	3,777	10,202	(6,425)	-63%
Profit Before Interest and Tax	3,777	10,202	(6,425)	-63%	3,777	10,202	(6,425)	-63%
Profit Before Tax	2,390	8,108	(5,718)	-71%	2,390	8,108	(5,718)	-71%
Profit After Tax	1,449	5,807	(4,358)	-75%	1,449	5,807	(4,358)	-75%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	1,449	5,807	(4,358)	-75%	1,449	5,807	(4,358)	-75%

For the 1<sup>st</sup> quarter ended 30 September 2018, the Group registered a 9% higher total revenue of RM196.7 million as compared to RM179.8 million achieved in the preceding year's corresponding quarter mainly due to higher unit selling price. At segment level, the average unit selling price for the current quarter for the Cold Rolled and the Steel Tube segments is up 10% and 9% respectively compared with the preceding year corresponding quarter, whilst sales volume is down 7% for the Cold Rolled segment but up 8% for the Steel Tube segment.

The Group recorded a lower profit before tax of RM2.4 million for the current quarter as compared to RM8.1 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 RM12.3 million (preceding year's corresponding quarter gross profit: RM17.3 million) due to lower price spread and sales volume in the Cold Rolled segment. Consequently, the Group recorded an after-tax profit of RM1.4 million for the current quarter as compared to the preceding year's corresponding quarter of RM5.8 million.

The Group recorded a lower EBITDA at RM7.5 million compared to the preceding year's corresponding quarter of RM13.9 million.

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

	Current Quarter 30/9/2018	Immediate Preceding Quarter 30/6/2018	Changes	
	RM'000	RM'000	RM'000	%
Revenue	196,711	207,588	(10,877)	-5%
Operating Profit	3,777	3,938	(161)	-4%
Profit Before Interest and Tax	3,777	3,037	740	24%
Profit Before Tax	2,390	2,143	247	12%
Profit After Tax	1,449	1,252	197	16%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	1,449	1,252	197	16%



**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 RM196.7 million for the current 1<sup>st</sup> quarter is around RM10.9 million lower than the immediate preceding quarter at RM207.6 million. The lower revenue for the current quarter is due to lower sales volume for the Cold Rolled segment. The average unit selling price for the current quarter for the Cold Rolled and the Steel Tube segments is down 0.1% and up 0.7% respectively whilst the sales volume is lower by around 11% for the Cold Rolled but higher by around 5% for the Steel Tube.

The Group registered a marginally higher pre-tax profit of RM2.4 million compared with the immediate preceding quarter's pre-tax profit of RM2.1 million mainly due to the higher gross profit margin of the Steel Tube segment arising from its higher sales volume. Correspondingly, the Group recorded a higher net-tax profit of RM1.4 million compared to a net-tax profit of RM1.3 million in the immediate preceding quarter.

The Group recorded a similar quarterly EBITDA of RM7.5 million with the preceding quarter.

**B3 Prospects for the remaining financial year**

The Nation's 3<sup>rd</sup> fiscal quarter of 2018 grew marginally slower at 4.4% (compared to the 2<sup>nd</sup> and 1<sup>st</sup> quarters at 4.5% and 5.4% respectively), as public and infrastructural spending stood guarded under the spotlight of negative revelations, fiscal pressure, and the halting/ renegotiation of various mega national-projects. The 3<sup>rd</sup> fiscal quarter's growth (which correspond with the Group's 1<sup>st</sup> financial quarter) was largely private sector driven spurred on by a consumption-tax break period before the reinstatement of the comparatively less painful sales & service tax regime (in replacement of the GST) which boosted domestic consumption and private investments.

However, overall business sentiment is generally cautious with huge overhang in the property sector; prolonged USA-China trade-war; subdued export commodity prices; net-outflow of portfolio funds; weak equity market; and continuing fiscal consolidation. The domestic steel market remained bearish arising from the aforementioned factors. Demand for long steel products (such as rods and bars) soften in tandem with the slowdown of the property sector, whilst flat steel products (such as the Group's steel tube and cold rolled coil) sales stayed subdued under the weight of economic challenges. The Steel Tube segment saw an 8% quarter-on-quarter increase in sales volume with a marginally lower gross margins, and was able to turned in a flattish but commendable performance. The Cold Rolled segment saw a 7% quarter-on-quarter decrease in sales volume coupled with sharper lower gross margins, which resulted in a loss for the quarter. This is due to the continuing thin to negative price spread between raw material Hot Rolled Coil and imported Cold Rolled Coil -specifically Chinese CRC which enjoys export rebates which impinged onto domestic CRC producers' margins and sales. This thin/ negative spread situation had emerged since the preceding finance year around the same time the emergence of global protectionism on steel. The Group had initiated trade complaints during the time of the previous administration, and had to revisit grounds again with the new administration. Nevertheless, groundwork are in motion with the authorities to layout trade-actions to level the playing field against CRC dumping from abroad.

In view of the above, outlook for the Group would continue to be cautious and choppy in the near term but with a chance for better prospects toward the later part of the current financial year if counter-trade measures against CRC imports materialize. There is a general view that the current fiscal consolidation and recovery effort by the new administration would see dividends by mid-2019 in terms of stronger fiscal balances and reserves which in-turn would boost the weak Ringgit and economic sentiments. There is also growing hope for the prolonged USA-China trade dispute to decelerate into a settlement as fatigue and permanent damage have begun to emerge. However, should the said negative factors do not dissipate but further aggravate, then the Group's outlook for the remaining financial year could turn negative.



**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 2018 RMø000	Preceding Year Corresponding Quarter Ended 30 Sep 2017 RMø000	Current Year To Date Ended 30 Sep 2018 RMø000	Preceding Year Corresponding Period Ended 30 Sep 2017 RMø000
Depreciation	3,709	3,727	3,709	3,727
Interest income	(213)	(255)	(213)	(255)
Interest expense	1,600	2,349	1,600	2,349
FX differences (gain)/loss	3,966	(2,249)	3,966	(2,249)
FX derivatives loss/(gain)	(3,718)	2,100	(3,718)	2,100

**B6 Taxation**

Taxation comprises :

	Current Year Quarter Ended 30 Sep 2018 RMø000	Preceding Year Corresponding Quarter Ended 30 Sep 2017 RMø000	Current Year To Date Ended 30 Sep 2018 RMø000	Preceding Year Corresponding Period Ended 30 Sep 2017 RMø000
Current tax (expense)/credit				
Current period	(1,581)	(1,591)	(1,581)	(1,591)
Deferred tax (expense)/income				
Current period	640	(710)	640	(710)
	(941)	(2,301)	(941)	(2,301)



**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**

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 price-fixing and book closure dates for the intended Rights issue have yet to be announced.



**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 September 2018, which are denominated entirely in Ringgit Malaysia, are as follows:

	<u>RM000</u>
<u>Short-term borrowings:</u>	
Secured	60,910
<u>Long-term borrowings:</u>	
Secured	21,326
Total borrowings	<u>84,236</u> =====

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

	<u>RM000</u>
Total Borrowings opening balance as at 1 July 2018	92,371
<u>Cash Flows:</u>	
Inflows from new debts	34,100
Outflows on repayment	(64,102)
<u>Non-Cash Changes:</u>	
Property acquired via bank loan	21,867
Closing balance as at 30 September 2018	<u>84,236</u> =====

Based on the above, the Group's bank-gearing ratio is around 0.21 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 RM23 million as at 30 September 2018. Inclusive of this, the Group's absolute-gearing ratio as at 30 September 2018 is around 0.27 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 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	330	991	0.7	5.7

**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	4,450	18,229	237.1	4.7

**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	37,202	151,285	3,086.8	31.5	Matching	37,202	n.a.	31.5	3,086.8

Besides the above unrealized positions, the Group has recorded a total realized net gain of around RM436 thousand from its FX Forward Contracts as hedging instruments with corresponding realized net loss of around RM698 thousand 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 RM3.7 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 RM81.2 million as at 30 September 2018.

**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 30 September 2018.

**B15 Earnings per share**

(i) Basic earnings per ordinary share

	Current Year Quarter Ended 30 Sep 2018	Preceding Year Corresponding Quarter Ended 30 Sep 2017	Current Year To Date Ended 30 Sep 2018	Preceding Year Corresponding Period Ended 30 Sep 2017
Profit attributable to owners (RM000)	1,449	5,807	1,449	5,807
Weighted average number of ordinary shares in issue (net of treasury shares) (000)	283,545	283,545	283,545	283,545
Basic earnings per share (sen)	0.51	2.05	0.51	2.05

(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  
26 November 2018