

REVIEW OF OPERATIONS

Globally, steel producers continued to witness another tough year in the financial year under review. Excess capacity remains the most significant issue in the steel sector with supply growth outpacing demand. Domestically, the situation was further compounded by the persistent dumping activities in the absence of effective measures by the Government to protect the local steel industry.

The Group which is primarily involved in the manufacturing of flat steel products, continued to contend with the sluggish market sentiments and rampant dumping of steel products by foreign steel millers, particularly from China. In this most unfavourable operating environment, the Group posted lower revenue of RM0.7 billion (2015: RM2.1 billion) and a loss before tax of RM562 million (2015: RM645 million).

The Group is principally engaged in the following activities:

- Manufacturing and sale of hot rolled coils, cold rolled coils and other steel related products (“**Steel**”);
- Property development (“**Property**”);
- Manufacturing and trading of office equipment, security equipment and steel fabricated products (“**Furniture**”); and
- Investment holding, share registration and secretarial services (“**Others**”).

(RM Million)	Revenue		Operating Profit/(Loss)	
	2016	2015	2016	2015
Steel	637	1,998	(325)	(384)
Property	42	62	14	36
Furniture	23	28	(0.1)	2
Others	0.2	0.2	(1)	5
	702	2,088	(312)	(341)

(“Operating profit/(loss)” refers to operating profit/(loss) before interests, impairment losses, investment income, share in results of associates and taxation)

Steel Division

It was another difficult year for the Group’s Steel Division. Megasteel Sdn Bhd (“Megasteel”), a 79%-owned subsidiary, which is primarily involved in the manufacturing and sale of hot rolled coils (“HRC”) and cold rolled coils (“CRC”), has been suffering losses in the past several years due to excessive dumping of steel products by foreign millers and had been operating intermittently depending on market conditions. The announcement in January 2016 by the Ministry of International Trade and Industry that the Government had terminated the investigation for the Safeguard Petition on imported HRC had further impacted Megasteel’s operations which resulted in the retrenchment of its staff and temporary cessation of its operation.

For the year under review, the Steel Division’s revenue declined substantially to RM0.6 billion from RM2.0 billion in the previous year and incurred an operating loss of RM325 million against RM384 million a year ago.

Property Division

Our Property Division is involved in the development of Bandar Mahkota Cheras township which is strategically located off 9th mile Jalan Cheras in Kuala Lumpur, adjoining Sungai Long Golf Club. The freehold self-contained township offers quality country living complete with a range of supporting amenities.

Due to the tightening of measures by the Central Bank to curb household debts since last year, and the cautious spending by consumers after the implementation of the Goods and Services Tax (GST), the Division reported lower revenue and operating profit of RM42 million and RM14 million respectively.

Furniture Division

The Division continued to operate under a challenging operating environment as the demand for furniture in both the highly competitive export and domestic markets remained stagnant, compounded by pricing pressures from the influx of products from China. As a result, the Division reported a lower revenue of RM23 million as compared with RM28 million and an operating loss of RM0.1 million against a profit of RM2 million a year ago.

The Division will continue to be proactive in strengthening relationships with key customers and expanding market presence to other emerging markets. It is also committed to undertake efforts to achieve higher productivity, improve on material usage and production processes to enhance cost competitiveness.