

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2017

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.6.2017 RM'000	Preceding Year Quarter 30.6.2016 RM'000	Current Year-To-Date 30.6.2017 RM'000	Preceding Year-To-Date 30.6.2016 RM'000
Revenue	115,153	122,284	253,697	249,728
Cost of sales	(92,126)	(97,878)	(206,138)	(211,491)
Gross profit	23,027	24,406	47,559	38,237
Other income	22,065	367	23,094	714
Distribution costs	(1,328)	(1,302)	(3,380)	(3,024)
Administrative costs	(7,628)	(6,172)	(15,565)	(13,531)
Other costs	(219)	118	(1,004)	(1,531)
	(9,175)	(7,356)	(19,949)	(18,086)
Profit from operations	35,917	17,417	50,704	20,865
Finance costs	(2,384)	(1,853)	(4,575)	(3,960)
Profit before tax	33,533	15,564	46,129	16,905
Tax expense	(3,500)	(3,969)	(7,254)	(4,690)
Profit for the financial period	30,033	11,595	38,875	12,215
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange difference on translation of foreign subsidiary	(9)	27	4	(24)
Total other comprehensive (loss)/income, net of tax	(9)	27	4	(24)
Total comprehensive income for the financial period	30,024	11,622	38,879	12,191
Profit attributable to:				
- Owners of the Company	30,033	11,595	38,875	12,215
Total comprehensive income attributable to:				
- Owners of the Company	30,024	11,622	38,879	12,191
Earnings per share (sen) attributable to owners of the Company:				
- Basic	9.69	3.74	12.54	3.94
- Diluted	9.69	3.74	12.54	3.94

LEON FUAT BERHAD
(Company No.756407-D)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2017 (CONT'D)**

Note:

The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to this interim financial statement.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017

	Unaudited As at 30.6.2017 RM'000	Audited As at 31.12.2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	138,137	144,809
Capital work-in-progress	1,242	765
	<u>139,379</u>	<u>145,574</u>
Current assets		
Inventories	229,550	186,706
Trade receivables	125,804	131,269
Other receivables, deposits and prepayments	17,907	5,476
Tax assets	574	335
Derivative financial assets	2	32
Deposits with licensed banks	44,646	431
Cash and bank balances	18,472	17,905
	<u>436,955</u>	<u>342,154</u>
TOTAL ASSETS	<u><u>576,334</u></u>	<u><u>487,728</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	160,094	155,000
Share premium	-	5,094
Merger deficit	(109,545)	(109,545)
Capital reserve	1	1
Retained earnings	241,323	207,098
Foreign currency translation reserve	(3)	(7)
Total Equity	<u>291,870</u>	<u>257,641</u>
Non-current liabilities		
Deferred tax liabilities	3,923	3,646
Borrowings	16,906	18,576
	<u>20,829</u>	<u>22,222</u>
Current liabilities		
Trade payables	15,682	23,591
Other payables and accruals	5,531	4,603
Dividend payable	4,650	-
Prepayments received ⁽¹⁾	19,522	-
Amount due to ultimate holding company	10,162	10,000
Borrowings	201,437	166,612
Tax liabilities	6,651	3,059
	<u>263,635</u>	<u>207,865</u>
Total Liabilities	<u>284,464</u>	<u>230,087</u>
TOTAL EQUITY AND LIABILITIES	<u><u>576,334</u></u>	<u><u>487,728</u></u>
Net assets per share attributable to owners of the Company (RM)	0.94	0.83

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2017
(CONT'D)**

Notes:

- (1) *Prepayments received for incidental expenses and consequential loss which formed part of the compensation received in relation to the compulsory acquisition of the affected two plots of land which house the steel processing plant, office and warehouse of Supreme Steelmakers Sdn Bhd. These prepayments would be realised to income statement upon occurrence of the related expenses and events.*

The Unaudited Condensed Consolidated Statement of Financial position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to this interim financial statement.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2017

	< -----Attributable to Owners of the Company ----- >						
	< ---- Non-distributable ---- >					Distributable	
	Share Capital	Share Premium	Merger Deficit	Capital Reserve	Foreign Currency Translation Reserve	Retained Earnings	Total Equity
<u>2017</u>	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
At 1 January 2017	155,000	5,094	(109,545)	1	(7)	207,098	257,641
Transition to no par value regime ⁽¹⁾	5,094	(5,094)	-	-	-	-	-
Total comprehensive income	-	-	-	-	4	38,875	38,879
Transaction with owners							
Dividend	-	-	-	-	-	(4,650)	(4,650)
At 30 June 2017	<u>160,094</u>	<u>-</u>	<u>(109,545)</u>	<u>1</u>	<u>(3)</u>	<u>241,323</u>	<u>291,870</u>
2016							
At 1 January 2016	155,000	5,094	(109,545)	1	(14)	184,070	234,606
Total comprehensive income	-	-	-	-	(24)	12,215	12,191
Transaction with owners							
Dividend	-	-	-	-	-	(4,650)	(4,650)
At 30 June 2016	<u>155,000</u>	<u>5,094</u>	<u>(109,545)</u>	<u>1</u>	<u>(38)</u>	<u>191,635</u>	<u>242,147</u>

Notes:

- (1) Effective from 31 January 2017, the new Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium become part of the Company's share capital pursuant to the transitional provision set out in the Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purposes as set out in Section 618(3) of the Act. 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 Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to this interim financial statement.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2017

	Current Year-To-Date 30.6.2017 RM'000	Preceding Year-To-Date 30.6.2016 RM'000
Cash Flows from Operating Activities		
Profit before tax	46,129	16,905
Adjustments for:		
Impairment loss on trade receivables	115	982
Reversal of impairment loss on trade receivables	(882)	(222)
Bad debt written off	271	-
Depreciation of property, plant and equipment	4,745	4,277
Interest expense	4,273	3,669
Property, plant and equipment written off	60	78
Gain on disposal of property, plant and equipment	(17,847)	(188)
Gain on foreign exchange - unrealised	(36)	(1)
Inventories written off	-	65
Fair value loss on derivatives	(2)	(39)
Interest income	(74)	(58)
Operating profit before working capital changes	<u>36,752</u>	<u>25,468</u>
(Increase)/Decrease in inventories	(42,844)	8,213
(Increase)/Decrease in receivables	(6,460)	2,831
Increase/(Decrease) in payables	<u>14,739</u>	<u>(4,537)</u>
Cash generated from operations	2,187	31,975
Interest received	74	58
Interest paid	(4,273)	(3,669)
Income tax paid	<u>(3,624)</u>	<u>(3,591)</u>
Net cash (used in)/from operating activities	<u>(5,636)</u>	<u>24,773</u>
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(1,777)	(3,606)
Addition to deposits pledged with licensed banks	(6,214)	(14)
Proceeds from disposal of property, plant and equipment	22,514	210
Capital work-in-progress paid	<u>(1,500)</u>	<u>(6,778)</u>
Net cash from/(used in) investing activities	<u>13,023</u>	<u>(10,188)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2017 (CONT'D)

	Current Year-To-Date 30.6.2017 RM'000	Preceding Year-To-Date 30.6.2016 RM'000
Cash Flows from Financing Activities		
Payments to finance lease payables	(2,357)	(1,578)
Repayment of term loan	(900)	(600)
Net drawdown of Islamic financing	4,000	-
Net drawdown/(repayment) of bankers' acceptances	32,476	(6,869)
Advance from ultimate holding company	162	10,160
Net cash from financing activities	<u>33,381</u>	<u>1,113</u>
Net increase in cash and cash equivalents	40,768	15,698
Effect of exchange rate changes on cash and cash equivalents	24	(20)
Cash and cash equivalents at beginning of the financial period	<u>933</u>	<u>(20,024)</u>
Cash and cash equivalents at end of the financial period	<u><u>41,725</u></u>	<u><u>(4,346)</u></u>
Cash and cash equivalents at end of the financial period comprises:		
Deposits with licensed banks	44,646	431
Cash and bank balances	18,472	11,815
Bank overdrafts	(14,748)	(16,161)
	<u>48,370</u>	<u>(3,915)</u>
Less: Deposits with licensed banks pledged	(6,645)	(431)
	<u><u>41,725</u></u>	<u><u>(4,346)</u></u>

Note:

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to this interim financial statement.

A EXPLANATION NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING

A1. Accounting Policies and Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”), International Accounting Standard (“IAS”) 34: Interim Financial Reporting issued by the International Accounting Standard Board (“IASB”) and paragraph 9.22 (Appendix 9B Part A) of the Main Market Listing Requirement (“Listing Requirements”) of the Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2016.

The 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 Company and its subsidiaries (“the Group”) since the financial year ended 31 December 2016.

The significant accounting policies adopted by the Group in this interim financial statements are consistent with those adopted in the financial statements as disclosed in the audited financial statements of the Group for the financial year ended 31 December 2016, except for the adoption of the following:

Amendments/Improvements to Malaysian Financial Reporting Standards (“MFRSs”)

MFRS 12	Disclosures of Interests in Other Entities
MFRS 107	Statement of Cash Flows
MFRS 112	Income Taxes

The adoption of the above amendments/improvement to MFRSs did not have any material impact on the financial position and performance of the Group.

The Group has not applied in advance the following new MFRSs, amendments/improvements to MFRSs and new IC Interpretation (“IC Int”) that have been issued by MASB but not yet effective for the current financial year:

		Effective for financial periods beginning on or after
<u>New MFRSs</u>		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First- time adoption of MFRSs	1 January 2018
MFRS 2	Share-based Payment	1 January 2018
MFRS 4	Insurance Contracts	1 January 2018
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018/ Deferred
MFRS 140	Investment Property	1 January 2018

A EXPLANATION NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING (CONT’D)

A1. Accounting Policies and Basis of Preparation (*Cont’d*)

**Effective for
financial periods
beginning on
or after**

New IC Int

IC Int 22

Foreign Currency Transactions and Advance Consideration

1 January 2018

The Group is in the process of assessing the impact which may arise from adoption of the above new MFRSs, amendments/improvements to MFRSs and new IC Int.

A2. Auditors’ Report on Preceding Annual Financial Statements

The Auditors’ Report for the immediate preceding annual financial statements of the Group and the Company for the financial year ended 31 December 2016 were not subject to any qualification.

A3. Seasonality or Cyclicity of Operations

The Group’s operations were not significantly affected by any seasonal or cyclical factors during the current quarter and current financial year-to-date.

A4. Unusual Items

During the current quarter, the Group had received compensation for the sum of RM45,841,482 in relation to the compulsory acquisition of the two affected plots of land which house the steel processing plant, office and warehouse of Supreme Steelmakers Sdn Bhd.

Gain on disposal of property, plant and equipment and compensation for injurious affection relating to the compulsory acquisition are disclosed in Note B5. Compensation relating to incidental expenses and consequential loss are stated as prepayments received in Condensed Consolidated Statement of Financial Position.

Save as above, there were no significant items affecting assets, liabilities, equity, net income, or cash flows of the Group that are unusual because of their nature, size and incidence during the current quarter and current financial year-to-date.

A5. Changes in Estimates

There were no changes in the estimates of amounts reported in the prior interim period of the current financial year or changes in the estimates of the amounts reported in the prior financial years that have a material effect on the results for the current quarter and current financial year-to-date.

A6. Debt and Equity Securities

There was no issuance, cancellation, repurchase, resale or repayment of debt and equity securities nor any movement in the share capital for the current quarter and current financial year-to-date.

A7. Dividend Paid

No dividend was paid during the current quarter.

A EXPLANATION NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING (CONT’D)

A8. Segment Information

Segment information of the Group for the financial year-to-date ended 30 June 2017 is as follows:

	Trading of Steel		Processing of Steel	Others⁽¹⁾	Elimination	Total
	Products	Products				
	RM’000	RM’000		RM’000	RM’000	RM’000
External revenue	126,749	126,236		712	-	253,697
Cost of sales	(107,142)	(98,435)		(561)	-	(206,138)
Gross profit	<u>19,607</u>	<u>27,801</u>		<u>151</u>	<u>-</u>	<u>47,559</u>
Add/(Less):						
- Other income						23,094
- Operating expenses						(19,949)
- Finance costs						(4,575)
Profit before tax						<u>46,129</u>
Tax expense						(7,254)
Profit for the financial period						<u><u>38,875</u></u>

Segment information of the Group for the financial year-to-date ended 30 June 2016 is as follows:

	Trading of Steel		Processing of Steel	Others⁽¹⁾	Elimination	Total
	Products	Products				
	RM’000	RM’000		RM’000	RM’000	RM’000
External revenue	117,597	131,954		177	-	249,728
Cost of sales	(106,602)	(104,734)		(155)	-	(211,491)
Gross profit	<u>10,995</u>	<u>27,220</u>		<u>22</u>	<u>-</u>	<u>38,237</u>
Add/(Less):						
- Other income						714
- Operating expenses						(18,086)
- Finance costs						(3,960)
Profit before tax						<u>16,905</u>
Tax expense						(4,690)
Profit for the financial period						<u><u>12,215</u></u>

Note:

(1) Mainly consists of trading of specialised steel materials including tool steel and non-ferrous metal products including bronze, brass, aluminium and copper products.

A9. Valuations of Property, Plant and Equipment

There were no amendments to the valuation of property, plant and equipment that have been brought forward from the preceding annual financial statements.

A EXPLANATION NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING (CONT’D)

A10. Material Events Subsequent to the End of the Interim Period

On 28 July 2017, the Company announced that its wholly-owned subsidiary, Leon Fuat Metal Sdn Bhd (Formerly known as Leon Fuat Hardware (Klang) Sdn Bhd) (“LF Metal”) had on 28 July 2017 entered into agreements in relation to the acquisition by LF Metal of 10,354,000 ordinary shares in the share capital of PCM Steel Processing Sdn Bhd (“PSP”) representing approximately 87% of the issued and paid up capital of PSP. The acquisition is deemed completed on 15 August 2017.

There were no material events subsequent to the end of the current quarter up to the date of issue of this report that have not been reflected in the financial statements for the current quarter and current financial year-to-date.

A11. Effects of Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter and current financial year-to-date.

A12. Capital Commitments

	As at 30.6.2017 RM’000	Audited As at 31.12.2016 RM’000
Approved but not provided for:		
- Purchase of motor vehicles	97	305
- Purchase of machinery	17,004	562
- Purchase of furniture and fittings	26	157
	<u>17,127</u>	<u>1,024</u>
Approved and contracted for:		
- Construction of factory and warehouse buildings	538	1,308
	<u>17,665</u>	<u>2,332</u>

A13. Changes in Contingent Liabilities and Contingent Assets

There were no contingent assets and liabilities since the end of the previous financial year up to 30 June 2017.

A EXPLANATION NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING (CONT’D)

A14. Significant Related Party Transactions

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.6.2017 RM’000	Preceding Year-Quarter 30.6.2016 RM’000	Current Year-To-Date 30.6.2017 RM’000	Preceding Year-To-Date 30.6.2016 RM’000
Sales to related parties	840	852	1,616	1,925
Purchases from related parties	11	273	198	434
Rental expense paid to related parties	390	390	780	780
Interest charged by related party ⁽¹⁾	82	82	162	160
	<u>1,323</u>	<u>1,597</u>	<u>2,756</u>	<u>3,299</u>

Note:

(1) In respect of interest arising from an unsecured loan from ultimate holding company which is subject to interest at the rate of 3.25% per annum compounded on monthly rest. Outstanding loan as at 30 June 2017 amounted to RM10.16 million (30.6.2016: 10.16 million) is repayable on demand.

B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of Performance

Current Quarter Compared To Preceding Year Corresponding Quarter

	Current Year Quarter 30.6.2017 RM’000	Preceding Year Quarter 30.6.2016 RM’000	Variance	
			RM’000	%
Revenue	115,153	122,284	(7,131)	-5.8%
Gross profit	23,027	24,406	(1,379)	-5.7%
Profit before interest and tax	35,765	17,249	18,516	107.3%
Profit before tax	33,533	15,564	17,969	115.5%
Profit after tax	30,033	11,595	18,438	159.0%
Profit attributable to owners of the Company	30,033	11,595	18,438	159.0%

The revenue recorded for the current quarter and the preceding year corresponding quarter was RM115.15 million and RM122.28 million respectively, decreased by 5.8% or RM7.13 million.

The decrease in revenue was mainly due to the decrease in revenue for our trading and processing of steel products by 6.5% or RM3.91 million and 5.7% or RM3.52 million respectively.

The decrease in revenue for trading of steel products was mainly due to lower revenue from trading of flat carbon steel products by 14.6% or RM5.58 million, from RM38.27 million to RM32.69 million, caused by lower tonnage sales by 36.63%, despite higher average selling price by 34.8%.

B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B1. Review of Performance (Cont'd)

Current Quarter Compared To Preceding Year Corresponding Quarter (Cont'd)

The decrease in revenue for processing of steel products was mainly due to lower revenue from processing of flat carbon steel products by 9.2% or RM3.92 million, from RM42.62 million to RM38.70 million, caused by lower tonnage sales by 26.1%, despite higher average selling price by 22.8%.

Our main business segments continued to be trading and processing of steel products, which collectively contributed approximately 99.6% of our total revenue for the current quarter. The trading segment and the processing segment contributed revenue of approximately 48.8% and 50.8% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of approximately 49.2% and 50.7% respectively for the preceding year corresponding quarter.

Our gross profit decreased by 5.7% or RM1.38 million, from RM24.41 million to RM23.03 million. This was mainly due to the decrease in revenue by 5.8% or RM7.13 million, from RM122.28 million to RM115.15 million while the overall gross profit margin remained consistent at approximately 20.0%.

The other income for the current quarter was RM22.07 million as compared to RM0.37 million for the preceding year corresponding quarter, higher by RM21.70 million, mainly due to the gain and compensation for injurious affection derived from the compulsory acquisition of the affected land and buildings, amounting to approximately RM21.68 million.

Our operating costs rose by RM1.82 million from RM7.36 million for the preceding year corresponding quarter to RM9.18 million for the current quarter, as the result of the followings:

1. Increase in administrative costs by RM1.46 million, mainly as the result of the following:
 - increase in depreciation charges by RM0.21 million; and
 - increase in professional fees by approximately RM1.16 million, mainly due to the accrual of consultancy fees related to the compulsory acquisition of the affected land and buildings, amounting to approximately RM0.92 million.
2. Increase in other costs by RM0.34 million, mainly due to:
 - absence of reversal of unrealised fair value loss on derivatives of RM0.51 million; and
 - partly offset by lower allowance for impairment loss on trade receivables by RM0.12 million.

Total finance costs for the current quarter was RM2.38 million, increased by RM0.53 million or 28.7% as compared to RM1.85 million for the preceding year corresponding quarter. This was mainly due to higher interest expenses incurred for trade financing and Islamic financing facilities by RM0.32 million and RM0.23 million respectively.

Based on the foregoing factors, our Group registered an increase in profit before tax by RM17.97 million to RM33.53 million as compared to RM15.56 million for the preceding year corresponding quarter.

B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B1. Review of Performance (Cont'd)

Current Financial Year-To-Date Compared To Preceding Financial Year-To-Date

	Current Year- To-Date 30.6.2017 RM'000	Preceding Year- To-Date 30.6.2016 RM'000	Variance	
			RM'000	%
Revenue	253,697	249,728	3,969	1.6%
Gross profit	47,559	38,237	9,322	24.4%
Profit before interest and tax	50,402	20,574	29,828	145.0%
Profit before tax	46,129	16,905	29,224	172.9%
Profit after tax	38,875	12,215	26,660	218.3%
Profit attributable to owners of the Company	38,875	12,215	26,660	218.3%

Our revenue increased by 1.6% or RM3.97 million from RM249.73 million for the preceding financial year-to-date to RM253.70 million for the current financial year-to-date. This was mainly due to the increase in revenue for our trading of long carbon steel products by 33.5% or RM8.82 million, from RM26.32 million to RM35.14 million, attributable to higher demand as well as higher average selling price by 4.9% and 27.2% respectively.

However, the higher revenue trading of long carbon steel products was largely offset by the decrease in revenue for processing of flat carbon steel products by 7.1% or RM6.30 million, from RM88.73 million to RM82.43 million, mainly due to the decrease in tonnage sales by 28.5%, despite higher average selling price by 29.9%.

Our gross profit improved by 24.4% or RM9.32 million, from RM38.24 million to RM47.56 million. This was mainly contributed by the increase in revenue by 1.6% or RM3.97 million, from RM249.73 million to RM253.70 million, and the improvement in overall gross profit margin, from 15.3% for the preceding financial year-to date to 18.7% for the current financial year-to-date, mainly attributable to the better gross profit margin for trading of steel products by approximately 6.1 percentage points, from 9.4% to 15.5%, as the result of the increase in average selling price by 35.8%, while the average cost for input materials had only increased by 25.1%.

The other income for the current financial year-to-date was RM23.09 million as compared to RM0.71 million for the preceding financial year-to-date, higher by RM22.38 million, mainly due to the gain and compensation for injurious affection derived from the compulsory acquisition of the affected land and buildings, amounting to approximately RM21.68 million.

B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B1. Review of Performance (Cont'd)

Current Financial Year-To-Date Compared To Preceding Financial Year-To-Date

Our operating costs increased by RM1.86 million from RM18.09 million for the preceding financial year-to-date to RM19.95 million for the current financial year-to-date, mainly due to the following:

1. Increase in distribution costs by RM0.36 million, mainly caused by the increase in staff costs by RM0.35 million.
2. Increase in administrative costs by RM2.03 million, mainly caused by:
 - increase in directors' remuneration and staff costs by RM0.36 million;
 - increase in depreciation by RM0.47 million; and
 - increase in professional fees by RM1.15 million, mainly due to the accrual of consultancy fees related to the compulsory acquisition of the affected land and buildings, amounting to approximately of RM0.92 million.

The above increase in distribution and administration costs were partly offset by the reduction in other costs by RM0.53 million, mainly as the result of the following:

- lower allowance for impairment loss on trade receivables of RM0.87 million; but partly offset by
- increase in bad debt written off of RM0.27 million.

Total finance costs decreased by approximately RM0.61 million or 15.5% as compared to the preceding financial year-to-date. This was mainly due to higher interest expenses incurred for trade financing and Islamic financing facilities by RM0.31 million and RM0.47 million respectively, partly offset by the decrease in interest for overdraft facilities by RM0.19 million for the current financial year-to-date.

Based on the foregoing factors, our Group registered an increase in profit before tax by 172.9% or RM29.22 million from RM16.91 million for the preceding financial year-to-date to RM46.13 million for the current financial year-to-date.

B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B2. Material Variation of Profit Before Tax Against Immediate Preceding Quarter

	Current Quarter 30.6.2017 RM'000	Immediate Preceding Quarter 31.3.2017 RM'000	Variance	
			RM'000	%
Revenue	115,153	138,544	(23,391)	-16.9%
Gross profit	23,027	24,532	(1,505)	-6.1%
Profit before interest and tax	35,765	14,637	21,128	144.3%
Profit before tax	33,533	12,596	20,937	166.2%
Profit after tax	30,033	8,842	21,191	239.7%
Profit attributable to owners of the Company	30,033	8,842	21,191	239.7%

Our Group achieved revenue of RM115.15 million for the current quarter, which was lower than the immediate preceding quarter's revenue by 16.9% or RM23.39 million.

The decrease in revenue was mainly due to the decrease in revenue for our trading and processing of steel products, which recorded lower revenue by 20.2% or RM14.26 million and 13.6% or RM9.23 million respectively.

The decrease in revenue for trading of steel products was mainly due to lower tonnage sales by 26.7%, despite higher average selling price by 8.8%, whereas the decrease in revenue for processing of steel products was mainly due to the decrease in demand, which recorded lower tonnage sales by 15.3%, while the average selling price remained fairly consistent, which only increased by 2.0%.

For the current quarter, our gross profit decreased by 6.1% or RM1.50 million, from RM24.53 million for the immediate preceding quarter to RM23.03 million for the current quarter, which was mainly due to the decrease in revenue by RM23.39 million, from RM138.54 million for the immediate preceding quarter to RM115.15 million for the current quarter, mitigated by the improvement in overall gross profit margin from 17.7% for the immediate preceding quarter to 20.0% for the current quarter.

The better overall gross profit margin was mainly due to the increase in overall average selling price by 6.2%, while the overall average cost for input materials had only increased by 2.5%.

The other income of RM22.07 million for the current quarter as compared to RM1.03 million for the immediate preceding quarter, was higher by RM21.04 million, mainly due to the gain and compensation for injurious affection derived from the compulsory acquisition of the affected land and buildings, amounting to approximately RM21.68 million.

B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B2. Material Variation of Profit Before Tax Against Immediate Preceding Quarter (Cont'd)

Our operating costs decreased by approximately RM1.59 million, from RM10.77 million for the immediate preceding quarter to RM9.18 million for the current quarter, resulted from:

1. Decrease in distribution costs by RM0.72 million, mainly caused by the decrease in staff related costs by approximately RM0.66 million due to the absence of staff bonuses which were fully paid and recognised in the immediate preceding quarter.
2. Decrease in administrative costs by RM0.31 million, as the result of the following:
 - decrease in directors' remuneration and staff costs by approximately RM1.53 million, due to the absence of bonuses for staff and directors which were fully paid and recognised in the immediate preceding quarter; but mitigated by
 - increase in professional fees by RM1.23 million, mainly due to the accrual of consultancy fees related to the compulsory acquisition of the affected land and buildings, amounting to approximately of RM0.92 million.
3. Decrease in other costs by RM0.57 million, mainly due to:
 - absence of bad debt written off by RM0.27 million; and
 - lower payment of quit rent and assessment by RM0.25 million.

The finance costs for the current quarter was RM2.38 million, increased by RM0.19 million or 8.9% as compared to RM2.19 million for the immediate preceding quarter. This was mainly due to higher interest expenses incurred for trade financing facilities by RM0.21 million.

Based on the foregoing factors, our profit before tax increased by 166.2% or approximately RM20.93 million, from RM12.60 million for the immediate preceding quarter to RM33.53 million for the current quarter.

B3. Commentary on Prospects

The Group's result for the first half of 2017 has been encouraging despite reduced demand and fluctuating steel prices as average prices of our steel products edged up and thereby returning better profit margin as compared to the previous financial year.

Going forward, we expect the current trend of fluctuating steel prices and demand to persist and the Board believe that our Group should be capable of generating favorable results for the remaining quarters of the current financial year by staying vigilant on the direction of steel prices and customers demand as well as continue focusing on operational efficiency and prudent costs management.

B4. Variance of Forecast Profit and Profit Guarantee

No profit forecast has been issued by the Group previously in any public document.

B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B5. Profit Before Tax

Profit before tax is derived after taking into consideration the followings:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.6.2017 RM'000	Preceding Year Quarter 30.6.2016 RM'000	Current Year- To-Date 30.6.2017 RM'000	Preceding Year- To-Date 30.6.2016 RM'000
Impairment loss on trade receivables	24	144	115	982
Reversal of impairment loss on trade receivables	(114)	(201)	(882)	(222)
Bad debt written off	-	-	271	-
Depreciation of property, plant and equipment	2,407	2,214	4,745	4,277
Gain on disposal of property, plant and equipment	(40)	(131)	(45)	(188)
Property, plant and equipment written off	60	68	60	78
Insurance claimed	(3)	-	(122)	(67)
Interest expense	2,232	1,685	4,273	3,669
Interest income	(43)	(29)	(74)	(58)
Rental of premises	346	463	891	925
Rental of equipment	14	16	28	32
Rental of land	130	130	260	260
Loss/(Gain) on foreign exchange - realised	56	(55)	124	(118)
- unrealised	33	56	(36)	(1)
Fair value (gain)/loss on derivatives	(2)	(505)	(2)	92
Inventories written off	-	65	-	65
Exceptional items ⁽¹⁾ :				
- Gain on disposal of property, plant and equipment	(17,802)	-	(17,802)	-
- Compensation for injurious affection	(3,876)	-	(3,876)	-

Notes:

(1) In relation to the compulsory acquisition of the two affected plots of land which house the steel processing plant, office and warehouse of Supreme Steelmakers Sdn Bhd.

Save as disclosed above, the other items as required under Appendix 9B Part A (16) of the Main Market Listing Requirements of Bursa Securities are not applicable.

B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B6. Tax Expense

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.6.2017 RM'000	Preceding Year- Quarter 30.6.2016 RM'000	Current Year- To-Date 30.6.2017 RM'000	Preceding Year- To-Date 30.6.2016 RM'000
Current tax				
- for the financial period	3,502	3,730	6,977	4,616
Deferred tax				
- origination and reversal of temporary differences	160	239	206	74
- under provision in prior year	(162)	-	71	-
Tax expense	3,500	3,969	7,254	4,690

The effective tax rate for the current quarter and current financial year-to-date is lower than the statutory tax rate of 24% mainly due to certain gain and income relating to the compulsory acquisition of the Group's real estate properties which are not taxable.

B7. Status of Corporate Proposals

There was no corporate proposal announced but not completed as at the date of this report.

B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B8. Group Borrowings

Total Group borrowings as at 30 June 2017 were as follows:

	As at 30.6.2017 RM'000	Audited As at 31.12.2016 RM'000
<u>Current</u>		
Secured:		
Bankers' acceptances	84,458	61,568
Finance lease payables	4,362	3,789
Term loan	1,800	1,800
Bank overdrafts	8,901	16,333
	<u>99,521</u>	<u>83,490</u>
Unsecured:		
Bankers' acceptances	70,069	60,483
Islamic Financing	26,000	22,000
Bank overdrafts	5,847	639
	<u>101,916</u>	<u>83,122</u>
	<u>201,437</u>	<u>166,612</u>
<u>Non-current</u>		
Secured:		
Finance lease payables	3,106	3,876
Term loan	13,800	14,700
	<u>16,906</u>	<u>18,576</u>
Total Borrowings	<u><u>218,343</u></u>	<u><u>185,188</u></u>

The above Group borrowings are denominated in Ringgit Malaysia.

B9. Material Litigation

Since the last annual financial statements up to the date of issue of this report, the Group is not engaged in any material litigation or arbitration, either as plaintiff or defendant, which have a material effect on the financial position of our Group, and the Board does not know of any proceedings pending or threatened or of any fact likely to give rise to any proceeding which may materially and adversely affect the financial position or business of the Group.

B10. Dividend

A final single tier dividend of 1.5 sen per share in respect of the financial year ended 31 December 2016 has been approved by the shareholders at the last Annual General Meeting on 6 June 2017. The final dividend was paid on 25 July 2017.

B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)

B11. Earnings Per Share

(a) Basic Earnings Per Share

The basic earnings per share for the current quarter and financial year-to-date are computed as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.6.2017 RM'000	Preceding Year- Quarter 30.6.2016 RM'000	Current Year- To-Date 30.6.2017 RM'000	Preceding Year- To-Date 30.6.2016 RM'000
Profit attributable to owners of the Company	30,033	11,595	38,875	12,215
Weighted average number of ordinary shares of RM0.50 each in issue ('000)	310,000	310,000	310,000	310,000
Basic Earnings Per Share (sen)	9.69	3.74	12.54	3.94

(b) Diluted Earnings Per Share

Diluted earnings per share is equivalent to basic earnings per share as the Company does not have any dilutive potential ordinary shares in issue for the current quarter and current financial year-to-date.

B12. Realised and Unrealised Profits/Losses Disclosure

The breakdown of the retained profits of the Group as at the end of the current quarter and previous financial year, into realised and unrealised profits, is as follows:

	As at 30.6.2017 RM'000	As at 31.12.2016 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	244,759	210,722
- Unrealised	(4,607)	(4,286)
	240,152	206,436
Less: Consolidated adjustments	1,171	662
Total retained earnings of the Group	241,323	207,098

By order of the Board
Kuala Lumpur
28 August 2017