

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2018

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2018 RM'000	Preceding Year Quarter 31.03.2017 RM'000	Current Year- To-Date 31.03.2018 RM'000	Preceding Year- To-Date 31.03.2017 RM'000
Revenue	143,047	138,544	143,047	138,544
Cost of sales	(120,179)	(114,012)	(120,179)	(114,012)
Gross profit	22,868	24,532	22,868	24,532
Other income	581	1,029	581	1,029
Distribution costs	(2,883)	(2,052)	(2,883)	(2,052)
Administrative costs	(7,282)	(7,937)	(7,282)	(7,937)
Other costs	(1,313)	(785)	(1,313)	(785)
	(11,478)	(10,774)	(11,478)	(10,774)
Profit from operations	11,971	14,787	11,971	14,787
Finance costs	(2,800)	(2,191)	(2,800)	(2,191)
Profit before tax	9,171	12,596	9,171	12,596
Tax expense	(2,701)	(3,754)	(2,701)	(3,754)
Profit for the financial period	6,470	8,842	6,470	8,842
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange difference on translation of foreign subsidiary	(14)	13	(14)	13
Total other comprehensive (loss)/income, net of tax	(14)	13	(14)	13
Total comprehensive income for the financial period	6,456	8,855	6,456	8,855
Profit/(Loss) attributable to:				
- Owners of the Company	6,533	8,842	6,533	8,842
- Non-controlling interest	(63)	-	(63)	-
	6,470	8,842	6,470	8,842

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2018 (CONT'D)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2018 RM'000	Preceding Year Quarter 31.03.2017 RM'000	Current Year- To-Date 31.03.2018 RM'000	Preceding Year- To-Date 31.03.2017 RM'000
Total comprehensive income/(loss) attributable to:				
- Owners of the Company	6,519	8,855	6,519	8,855
- Non-controlling interest	(63)	-	(63)	-
	<u>6,456</u>	<u>8,855</u>	<u>6,456</u>	<u>8,855</u>
 Earnings per share (sen) attributable to owners of the Company:				
- Basic	2.11	2.85	2.11	2.85
- Diluted	2.11	2.85	2.11	2.85

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 2017 and the accompanying explanatory notes attached to this interim financial statement.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2018

	Unaudited As at 31.03.2018 RM'000	Audited As at 31.12.2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	141,160	139,150
Capital work-in-progress	9,111	3,663
Prepaid land lease payment	1,025	1,061
	<u>151,296</u>	<u>143,874</u>
Current assets		
Inventories	235,253	243,789
Trade receivables	167,126	158,606
Other receivables, deposits and prepayments	19,984	21,459
Tax assets	351	337
Deposits with licensed banks	42,733	41,532
Cash and bank balances	10,334	21,155
	<u>475,781</u>	<u>486,878</u>
TOTAL ASSETS	<u><u>627,077</u></u>	<u><u>630,752</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	160,094	160,094
Merger deficit	(109,545)	(109,545)
Capital reserve	1	1
Retained earnings	289,401	282,868
Foreign currency translation reserve	(34)	(20)
	<u>339,917</u>	<u>333,398</u>
Non-controlling interest	738	801
Total Equity	<u>340,655</u>	<u>334,199</u>
Non-current liabilities		
Borrowings	12,832	13,813
Deferred tax liabilities	4,543	5,186
	<u>17,375</u>	<u>18,999</u>
Current liabilities		
Trade payables	22,683	29,930
Other payables and accruals	9,355	8,116
Deferred income	2,939	994
Amount due to ultimate holding company	10,080	10,000
Borrowings	217,062	222,735
Tax liabilities	6,928	5,779
	<u>269,047</u>	<u>277,554</u>
Total Liabilities	<u>286,422</u>	<u>296,553</u>
TOTAL EQUITY AND LIABILITIES	<u><u>627,077</u></u>	<u><u>630,752</u></u>
Net assets per share attributable to owners of the Company (RM)	1.10	1.08

Note:

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 2017 and the accompanying explanatory notes attached to this interim financial statement.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2018

< -----Attributable to Owners of the Company ----- >

	Share Capital RM'000	Share Premium RM'000	Merger Deficit RM'000	Capital Reserve RM'000	Foreign Currency Translation Reserve RM'000	Retained Earnings RM'000	Non- Controlling interest RM'000	Total Equity RM'000
2018								
At 1 January 2018	160,094	-	(109,545)	1	(20)	282,868	801	334,199
Profit/(Loss) for the financial period	-	-	-	-	-	6,533	(63)	6,470
Other comprehensive income	-	-	-	-	(14)	-	-	(14)
Total comprehensive income	-	-	-	-	(14)	6,533	(63)	6,456
At 31 March 2018	160,094	-	(109,545)	1	(34)	289,401	738	340,655
2017								
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)	-	-	-	-	-	-
Profit for the financial period	-	-	-	-	-	8,842	-	8,842
Other comprehensive income	-	-	-	-	13	-	-	13
Total comprehensive income	-	-	-	-	13	8,842	-	8,855
At 31 March 2017	160,094	-	(109,545)	1	6	215,940	-	266,496

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 2017 and the accompanying explanatory notes attached to this interim financial statement.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2018

	Current Year-To-Date 31.03.2018 RM'000	Preceding Year-To-Date 31.03.2017 RM'000
Cash Flows from Operating Activities		
Profit before tax	9,171	12,596
Adjustments for:		
Amortisation of prepaid land lease payment	35	-
Bad debt written off	-	271
Depreciation of property, plant and equipment	2,591	2,338
Impairment loss on trade receivables	578	91
Interest expense	2,627	2,041
Interest income	(318)	(31)
Loss/(Gain) on disposal of property, plant and equipment	67	(5)
Loss/(Gain) on foreign exchange - unrealised	129	(69)
Reversal of impairment loss on trade receivables	(34)	(768)
Operating profit before working capital changes	14,846	16,464
Decrease/(Increase) in inventories	8,536	(30,562)
Increase in receivables	(6,140)	(9,524)
(Decrease)/Increase in payables	(6,374)	3,814
Cash generated from/(used in) operations	10,868	(19,808)
Interest received	318	31
Interest paid	(2,547)	(2,041)
Income tax paid	(2,209)	(1,840)
Net cash from/(used in) operating activities	6,430	(23,658)
Cash Flows from Investing Activities		
Addition to deposits pledged with licensed banks	(65)	(14)
Capital work-in-progress paid	(3,390)	(1,288)
Deposits paid for acquisition of plant and equipment	(1,477)	-
Purchase of property, plant and equipment	(4,690)	(1,000)
Proceeds from disposal of property, plant and equipment	22	30
Net cash used in investing activities	(9,600)	(2,272)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2018 (CONT'D)

	Current Year-To-Date 31.03.2018 RM'000	Preceding Year-To-Date 31.03.2017 RM'000
Cash Flows from Financing Activities		
Advance from ultimate holding company	-	80
Net (repayments)/drawdowns of Islamic financing	(4,237)	4,000
Net (repayments)/drawdowns of bankers' acceptances	(7,848)	30,852
Payments to finance lease payables	(1,285)	(1,195)
Repayments of term loan	(450)	(450)
Net cash (used in)/from financing activities	<u>(13,820)</u>	<u>33,287</u>
Net (decrease)/increase in cash and cash equivalents	(16,990)	7,357
Effect of exchange rate changes on cash and cash equivalents	139	30
Cash and cash equivalents at beginning of the financial period	<u>40,006</u>	<u>933</u>
Cash and cash equivalents at end of the financial period	<u><u>23,155</u></u>	<u><u>8,320</u></u>
Cash and cash equivalents at end of the financial period comprises:		
Cash and bank balances	10,334	18,834
Deposits with licensed banks	42,733	445
	<u>53,067</u>	<u>19,279</u>
Less: Bank overdrafts	(23,030)	(10,514)
Less: Deposits pledged with licensed banks	(6,882)	(445)
	<u><u>23,155</u></u>	<u><u>8,320</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 2017 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”) 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 2017.

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 2017.

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 2017, except for the adoption of the following:

New Malaysian Financial Reporting Standards (“MFRSs”)

MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

Amendments/Improvements to MFRSs

MFRS 1	First- time adoption of MFRSs
MFRS 2	Share-based Payment
MFRS 4	Insurance Contracts
MFRS 128	Investments in Associates and Joint Ventures
MFRS 140	Investment Property

New IC Interpretation (“IC Int”)

IC Int 22	Foreign Currency Transactions and Advance Consideration
-----------	---

The Group has not applied in advance the following new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to 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 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
<u>Amendments/Improvements to MFRSs</u>		
MFRS 2	Share-based Payment	1 January 2020
MFRS 3	Business Combinations	1 January 2019/ 1 January 2020
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 14	Regulatory Deferral Accounts	1 January 2020
MFRS 101	Presentation of Financial Statements	1 January 2020

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
<u>Amendments/Improvements to MFRSs (cont’d)</u>		
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020
MFRS 112	Income Taxes	1 January 2019
MFRS 119	Employee Benefits	1 January 2019
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2019/ Deferred
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020
MFRS 138	Intangible Assets	1 January 2020
<u>New IC Int</u>		
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019
<u>Amendments to IC Int</u>		
IC Int 12	Service Concession Arrangements	1 January 2020
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020
IC Int 132	Intangible Assets - Web Site Costs	1 January 2020

The Group is in the process of assessing the impact which may arise from adoption of the abovementioned new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to 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 2017 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

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 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.

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

A7. Dividend Paid

No dividend was paid during the current quarter.

A8. Segment Information

Segment information of the Group for the financial year-to-date ended 31 March 2018 is as follows:

	Trading of Steel Products		Processing of Steel Products	Others ⁽¹⁾	Elimination	Total
	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
External revenue	69,214	73,831		2	-	143,047
Cost of sales	(58,025)	(62,153)		(1)	-	(120,179)
Gross profit	11,189	11,678		1	-	22,868
Add/(Less):						
- Other income						581
- Operating expenses						(11,478)
- Finance costs						(2,800)
Profit before tax						9,171
Tax expense						(2,701)
Profit for the financial period						6,470

Segment information of the Group for the financial year-to-date ended 31 March 2017 is as follows:

	Trading of Steel Products		Processing of Steel Products	Others ⁽¹⁾	Elimination	Total
	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
External revenue	70,504	67,733		307	-	138,544
Cost of sales	(60,467)	(53,299)		(246)	-	(114,012)
Gross profit	10,037	14,434		61	-	24,532
Add/(Less):						
- Other income						1,029
- Operating expenses						(10,774)
- Finance costs						(2,191)
Profit before tax						12,596
Tax expense						(3,754)
Profit for the financial period						8,842

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

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 31.03.2018 RM'000	Audited As at 31.12.2017 RM'000
Approved and contracted for:		
- purchase of motor vehicles	-	267
- purchase of machinery	11,928	11,925
- purchase of properties	320	320
- construction of factory and warehouse buildings	14,525	16,303
	<u>26,773</u>	<u>28,815</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 31 March 2018.

A14. Significant Related Party Transactions

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2018 RM'000	Preceding Year- Quarter 31.03.2017 RM'000	Current Year- To-Date 31.03.2018 RM'000	Preceding Year- To-Date 31.03.2017 RM'000
Sales to related parties	1,052	776	1,052	776
Purchases from related parties	28	187	28	187
Rental expense paid to related parties	417	390	417	390
Interest charged by related party ⁽¹⁾	80	80	80	80

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 31 March 2018 amounted to RM10.08 million (31.03.2017: RM10.08 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 31.03.2018 RM'000	Preceding Year Quarter 31.03.2017 RM'000	Variance	
			RM'000	%
Revenue	143,047	138,544	4,503	3.3%
Gross profit	22,868	24,532	(1,664)	-6.8%
Profit before interest and tax	11,798	14,637	(2,839)	-19.4%
Profit before tax	9,171	12,596	(3,425)	-27.2%
Profit after tax	6,470	8,842	(2,372)	-26.8%
Profit attributable to owners of the Company	6,533	8,842	(2,309)	-26.1%

The revenue recorded for the current quarter and the preceding year corresponding quarter was RM143.05 million and RM138.54 million respectively, increased by approximately 3.3% or RM4.50 million, as the result of:

- increase in revenue for trading of flat steel products by 2.6% or RM1.26 million, mainly due to increase in selling price by 15.6% partially offset by a reduction in tonnage sales of 11.2%;
- increase in revenue for processing of long steel products by 53.7% or RM2.95 million, attributable to higher tonnage sales by 50.1%; and
- increase in revenue for processing of flat steel products by 5.1% or RM3.15 million, mainly attributable to higher tonnage sales by 9.6%; partially offset by
- decrease in revenue for trading of long carbon steel products by 15.0% or RM2.90 million, mainly due to lower tonnage sales by 32.7%, mitigated by the increase in average selling price by 26.2%.

Our main business segments continued to be trading and processing of steel products, which collectively contributed approximately 100.0% of our total revenue for the current quarter. The trading segment and the processing segment contributed revenue of approximately 48.4% and 51.6% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of approximately 50.9% and 48.9% respectively for the preceding year corresponding quarter.

Despite higher revenue by approximately 3.3% or RM4.50 million, from RM138.54 million to RM143.05 million, our gross profit decreased by 6.8% or RM1.66 million, from RM24.53 million to RM22.87 million, mainly due to lower overall gross profit margin, from 17.7% for the preceding year corresponding quarter to 16.0% for the current quarter, resulted from lower gross profit margin for processing of steel products by 5.5 percentage points, from 21.3% to 15.8%, mitigated by better gross profit margin for trading of steel products by approximately 2.0 percentage points, from 14.2% to 16.2%.

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 decline in gross profit margin for processing of steel products was mainly caused by the followings:

- normalisation of gross profit margin for processing of carbon steel coils which usually associated with lower profit margin as compared to other processing activities, from 15.1% to 5.4%; and
- lower gross profit margin for processing of long carbon steel products by 8.5 percentage point due to the increase in average cost for input materials by 28.4%, while the average selling price had only increased by 14.0%.

The better gross profit margin for trading of steel products was mainly contributed by higher gross profit margin for trading of flat carbon steel products by 3.1 percentage points, mainly due to the increase in average selling price by 15.0% while the average cost for input materials had only increased by 13.7%.

The other income for the current quarter was RM0.58 million as compared to RM1.03 million for the preceding year corresponding quarter, lower by RM0.45 million, mainly due to lower reversal of impairment loss on trade receivables by RM0.73 million, partly mitigated by higher interest income derived from deposits with licensed banks by RM0.29 million.

Our operating costs rose by approximately RM0.71 million from RM10.77 million for the preceding year corresponding quarter to RM11.48 million for the current quarter, as the result of the followings:

- Net increase in distribution and administrative costs by RM0.18 million, mainly due to increase in upkeep of motor vehicles by RM0.15 million, increase in directors' remuneration and staff costs by RM0.73 million, partly offset by lower electricity and water expenses as well as depreciation charges by RM0.44 million and RM0.29 million respectively, mainly due to certain portion of these expenses were allocated to direct overhead costs; and
- Increase in other costs by RM0.53 million, as the result of:
 - higher allowance for impairment loss on trade receivables by RM0.49 million;
 - unrealised loss on foreign exchange of RM0.13 million mainly arising from translating of foreign currency deposits with licensed banks denominated in United States Dollar ("USD") to local functional currency at end of the current quarter, due to the weakening of USD against Ringgit Malaysia; and
 - higher stamp duties paid by RM0.13 million; partially negated by
 - absence of bad debt written off of RM0.27 million which had been charged to the preceding year corresponding quarter.

Total finance costs for the current quarter was RM2.80 million, increased by RM0.61 million as compared to RM2.19 million for the preceding year corresponding quarter. This was mainly due to higher utilisation of trade financing, overdraft facilities and Islamic financing facilities where their interest expenses increased by RM0.18 million, RM0.21 million and RM0.23 million respectively.

Based on the foregoing factors, our Group registered a decrease in profit before tax by approximately RM3.43 million to RM9.17 million as compared to RM12.60 million for the preceding year corresponding quarter.

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 31.03.2018 RM'000	Immediate Preceding Quarter 31.12.2017 RM'000	Variance	
			RM'000	%
Revenue	143,047	145,675	(2,628)	-1.8%
Gross profit	22,868	26,130	(3,262)	-12.5%
Profit before interest and tax	11,798	34,697	(22,899)	-66.0%
Profit before tax	9,171	31,972	(22,801)	-71.3%
Profit after tax	6,470	27,767	(21,297)	-76.7%
Profit attributable to owners of the Company	6,533	27,782	(21,249)	-76.5%

Our Group achieved revenue of RM143.05 million for the current quarter, which was lower than the immediate preceding quarter's revenue by 1.8% or RM2.63 million.

The decrease in revenue was mainly resulted from the followings:

- decrease in revenue for our trading of long carbon steel products, which recorded lower revenue by 8.7% or RM1.57 million due to lower tonnage sales by 13.9%, mitigated by higher average selling price by 6.0%; and
- decrease in revenue for our processing of flat steel products, which recorded lower revenue by 7.2% or RM5.10 million due to lower tonnage sales by 2.4% and lower average selling price by 4.9%.

Nevertheless, the decrease in revenue from trading of long carbon steel products and processing of flat steel products was partially offset by the followings:

- increase in revenue for our trading of flat carbon steel products by 9.1% or RM3.65 million, mainly due to higher tonnage sales by 7.9% coupled with marginal increase in average selling price by 1.1%; and
- increase in revenue for our processing of long carbon steel products by 15.0% or RM0.61 million, mainly due to higher tonnage sales by 16.7% despite marginal decrease in average selling price by 1.5%.

For the current quarter, our gross profit decreased by 12.5% or RM3.26 million, from RM26.13 million for the immediate preceding quarter to RM22.87 million for the current quarter, which was resulted from the decrease in revenue by RM2.63 million, from RM145.68 million for the immediate preceding quarter to RM143.05 million for the current quarter, and by the decline in overall gross profit margin from 17.9% for the immediate preceding quarter to 16.0% for the current quarter.

The decrease in overall gross profit margin was caused by the followings:

- lower gross profit margin recorded for trading of long steel products by approximately 3.1 percentage points mainly due to increase in average cost for input materials by 12.2% partially mitigated by an increase in average selling price of 4.7% as well as reduction in some factory overheads attributable to these products; and
- lower gross profit margin recorded for processing of flat carbon steel products by 3.5 percentage points due to increase in the average cost for input materials by 1.7% coupled with marginal decreased in the average selling price by 0.8%.

LEON FUAT BERHAD

(Company No.756407-D)

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)**

The other income of RM0.58 million for the current quarter as compared to RM20.18 million for the immediate preceding quarter, was lower by RM19.60 million, mainly due to absence of the realisation of prepayments received of RM19.52 million which had been recognised in the immediate preceding quarter for incidental expenses and consequential loss which formed part of the compensations 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.

Our operating costs increased slightly by approximately RM0.02 million, from RM11.46 million for the immediate preceding quarter to RM11.48 million for the current quarter, mainly resulted from the followings:

- Increase in distribution and administrative costs by RM1.78 million, mainly due to increase in directors' remuneration and staff related costs by RM2.69 million, partly offset by lower electricity and water expenses as well as depreciation charges by RM0.47 million and RM0.46 million respectively, mainly due to certain portion of these expenses were allocated to direct overhead costs; and
- Decrease in other operation costs by RM1.77 million, as the result of:
 - decrease in relocation and rectification expenses by approximately RM2.88 in relation to the compulsory acquisition of the two affected plots of land which house the steel processing plant, office and warehouse of a wholly owned subsidiary, Supreme Steelmakers Sdn Bhd; partially offset by
 - higher allowance for impairment on trade receivables by RM0.40 million;
 - higher unrealised loss on foreign exchange by RM0.15 million;
 - payment of quit rent and assessment of RM0.30 million; and
 - higher stamp duties paid by RM0.13 million.

The finance costs for the current quarter was RM2.80 million, remained fairly consistent as compared to RM2.87 million for the immediate preceding quarter.

Based on the foregoing factors, our profit before tax decreased by 71.3% or RM22.80 million, from RM31.97 million for the immediate preceding quarter to RM9.17 million for the current quarter.

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

B3. Commentary on Prospects

Malaysian GDP for 2018 is expected to continue growing at more than 5% with growth likely to remain supported by resilient domestic demand, as the exports would continue to expand and trickle down to consumer spending and private investments.

Our business operations mainly comprise trading and processing of a diverse range of flat and long steel products. Our processing facilities which include an extensive range of cutting, levelling, shearing, profiling, bending and finishing are cater for specific product requirements of our large customer base from diverse industries and to provide a one-stop solution to potential customers. Customers' orders are normally made on short notices and our newly renovated and refurbished processing plant in Bukit Raja Shah Alam as well as continuous enhancement in the numbers and types of machinery, served to ensure sufficient capacity for timely delivery of orders. As our customers are mostly locals and operate in local environment, the expected growth of GDP from domestic demand could contribute to our performance for the current financial year.

The just concluded general election and change of governing bodies have given rise to some uncertainties with regards to the impact of any new regulations and policies including fiscal policies. Nevertheless, the impending abolishment of Goods and Services Tax (GST) is a welcome move to spur economic activities by encouraging consumers spending and restoring consumers' confidence.

Global factors such as volatility in commodities and crude oil prices as well as fluctuation in exchange rate of foreign currencies against Ringgit Malaysia will affect our suppliers pricing and hence the profitability of our steel products as more than half of our merchandise are sourced overseas. In this respect, our Group will continue to be vigilant on the movement of steel prices and related foreign currencies and will take pro-active measures, including negotiating forward contracts where necessary, as well as prudent inventory management, to reduce any negative impact which may arise in connection thereto.

Our Group will embark on a downstream production of steel pipes which is expected to commence operation in the second half of the year. However, being at its infancy stage, this new venture is not envisaged to contribute to the earnings of the Group for the current financial year as various trials are required to be performed.

Despite the above challenges, the Board believes that our Group, geared with the one-stop solution and enhanced services, will continue to appeal to existing customers as well as enticing potential customers and hence, should be able to generate positive results for remaining quarters of the current financial year.

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 31.03.2018 RM'000	Preceding Year Quarter 31.03.2017 RM'000	Current Year-To-Date 31.03.2018 RM'000	Preceding Year-To-Date 31.03.2017 RM'000
Amortisation of prepaid land lease payment	35	-	35	-
Bad debt written off	-	271	-	271
Depreciation of property, plant and equipment	2,591	2,338	2,591	2,338
Loss/(Gain) on foreign exchange				
- realised	1	68	1	68
- unrealised	129	(69)	129	(69)
Loss/(Gain) on disposal of property, plant and equipment	67	(5)	67	(5)
Impairment loss on trade receivables	578	91	578	91
Insurance claimed	(9)	(119)	(9)	(119)
Interest expense	2,627	2,041	2,627	2,041
Interest income	(318)	(31)	(318)	(31)
Rental of premises	467	545	467	545
Rental of motor vehicle	7	-	7	-
Rental of equipment	16	14	16	14
Rental of land	130	130	130	130
Reversal of impairment loss on trade receivables	(34)	(768)	(34)	(768)
Relocation and rectification expenses ⁽¹⁾ :	20	-	20	-

Notes:

(1) Mainly relating to relocation of existing steel processing plant, office and warehouse of Supreme Steelmakers Sdn. Bhd. to temporary sites.

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 31.03.2018 RM'000	Preceding Year- Quarter 31.03.2017 RM'000	Current Year- To-Date 31.03.2018 RM'000	Preceding Year- To-Date 31.03.2017 RM'000
Current tax				
- for the financial period	3,344	3,475	3,344	3,475
Deferred tax				
- origination and reversal of temporary differences	(643)	46	(643)	46
- under provision in prior year	-	233	-	233
Tax expense	<u>2,701</u>	<u>3,754</u>	<u>2,701</u>	<u>3,754</u>

The effective tax rate for the current quarter is higher than the statutory tax rate of 24% mainly due to due to certain expenses which are not deductible for tax purposes and the absence of group relief for losses incurred by certain companies within the Group.

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 31 March 2018 were as follows:

	As at 31.03.2018 RM'000	As at 31.12.2017 RM'000
<u>Current</u>		
Secured:		
Bankers' acceptances	69,188	93,290
Finance lease payables	3,729	4,483
Term loan	1,800	1,800
Bank overdrafts	20,643	11,358
	<u>95,360</u>	<u>110,931</u>
Unsecured:		
Bankers' acceptances	80,618	64,364
Islamic financing	38,697	42,934
Bank overdrafts	2,387	4,506
	<u>121,702</u>	<u>111,804</u>
	<u>217,062</u>	<u>222,735</u>
<u>Non-current</u>		
Secured:		
Finance lease payables	382	913
Term loan	12,450	12,900
	<u>12,832</u>	<u>13,813</u>
	<u>229,894</u>	<u>236,548</u>
Total Borrowings	<u>229,894</u>	<u>236,548</u>

The above Group's 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

There were no dividend proposed or declared during the current quarter.

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 31.03.2018 RM'000	Preceding Year- Quarter 31.03.2017 RM'000	Current Year- To-Date 31.03.2018 RM'000	Preceding Year- To-Date 31.03.2017 RM'000
Profit attributable to owners of the Company	6,533	8,842	6,533	8,842
Weighted average number of ordinary shares in issue ('000)	310,000	310,000	310,000	310,000
Basic Earnings Per Share (sen)	2.11	2.85	2.11	2.85

(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.

By order of the Board
Kuala Lumpur
30 May 2018