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 2018

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2018 RM'000	Preceding Year Quarter 30.06.2017 RM'000	Current Year-To-Date 30.06.2018 RM'000	Preceding Year-To-Date 30.06.2017 RM'000
Revenue	144,485	115,153	287,532	253,697
Cost of sales	(122,824)	(92,126)	(243,003)	(206,138)
Gross profit	21,661	23,027	44,529	47,559
Other income	793	22,065	1,374	23,094
Distribution costs	(2,154)	(1,328)	(5,037)	(3,380)
Administrative costs	(6,098)	(7,628)	(13,380)	(15,565)
Other costs	(50)	(219)	(1,363)	(1,004)
	(8,302)	(9,175)	(19,780)	(19,949)
Profit from operations	14,152	35,917	26,123	50,704
Finance costs	(2,975)	(2,384)	(5,775)	(4,575)
Profit before tax	11,177	33,533	20,348	46,129
Tax expense	(2,745)	(3,500)	(5,446)	(7,254)
Profit for the financial period	8,432	30,033	14,902	38,875
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Exchange difference on translation of foreign subsidiary	2	(9)	(12)	4
Total other comprehensive income/(loss), net of tax	2	(9)	(12)	4
Total comprehensive income for the financial period	8,434	30,024	14,890	38,879
Profit/(Loss) attributable to:				
- Owners of the Company	8,461	30,033	14,994	38,875
- Non-controlling interest	(29)	-	(92)	-
	8,432	30,033	14,902	38,875

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2018 (CONT'D)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2018 RM'000	Preceding Year Quarter 30.06.2017 RM'000	Current Year-To-Date 30.06.2018 RM'000	Preceding Year-To-Date 30.06.2017 RM'000
Total comprehensive income/(loss) attributable to:				
- Owners of the Company	8,463	30,024	14,982	38,879
- Non-controlling interest	(29)	-	(92)	-
	8,434	30,024	14,890	38,879
Earnings per share (sen) attributable to owners of the Company:				
- Basic	2.73	9.69	4.84	12.54
- Diluted	2.73	9.69	4.84	12.54

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.

LEON FUAT BERHAD
(Company No.756407-D)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2018

	Unaudited As at 30.06.2018 RM'000	Audited As at 31.12.2017 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	143,493	139,150
Capital work-in-progress	41,406	3,663
Prepaid land lease payment	990	1,061
	185,889	143,874
Current assets		
Inventories	226,529	243,789
Trade receivables	162,939	158,606
Other receivables, deposits and prepayments	9,920	21,459
Tax assets	332	337
Deposits with licensed banks	42,722	41,532
Cash and bank balances	17,849	21,155
	460,291	486,878
TOTAL ASSETS	646,180	630,752
EQUITY AND LIABILITIES		
Equity		
Share capital	160,094	160,094
Merger deficit	(109,545)	(109,545)
Capital reserve	1	1
Retained earnings	293,212	282,868
Foreign currency translation reserve	(32)	(20)
	343,730	333,398
Non-controlling interest	709	801
Total Equity	344,439	334,199
Non-current liabilities		
Borrowings	29,821	13,813
Deferred tax liabilities	4,978	5,186
	34,799	18,999
Current liabilities		
Trade payables	20,531	29,930
Other payables and accruals	13,347	8,116
Dividend payable	4,650	-
Deferred income	1,531	994
Amount due to ultimate holding company	10,162	10,000
Borrowings	209,012	222,735
Tax liabilities	7,709	5,779
	266,942	277,554
Total Liabilities	301,741	296,553
TOTAL EQUITY AND LIABILITIES	646,180	630,752
Net assets per share attributable to owners of the Company (RM)	1.11	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.

LEON FUAT BERHAD
(Company No.756407-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 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	-	-	-	-	-	14,994	(92)	14,902
Other comprehensive income	-	-	-	-	(12)	-	-	(12)
Total comprehensive income	-	-	-	-	(12)	14,994	(92)	14,890
Transaction with owners								
Dividend	-	-	-	-	-	(4,650)	-	(4,650)
At 30 June 2018	160,094	-	(109,545)	1	(32)	293,212	709	344,439
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	-	-	-	-	-	38,875	-	38,875
Other comprehensive income	-	-	-	-	4	-	-	4
Total comprehensive income	-	-	-	-	4	38,875	-	38,879
Transaction with owners								
Dividend	-	-	-	-	-	(4,650)	-	(4,650)
At 30 June 2017	160,094	-	(109,545)	1	(3)	241,323	-	291,870

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.

LEON FUAT BERHAD
(Company No.756407-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2018

	Current Year-To-Date 30.06.2018 RM'000	Preceding Year-To-Date 30.06.2017 RM'000
Cash Flows from Operating Activities		
Profit before tax	20,348	46,129
Adjustments for:		
Amortisation of prepaid land lease payment	70	-
Bad debt written off	16	271
Depreciation of property, plant and equipment	5,249	4,745
Deposits written off	21	-
Fair value gain on derivatives	-	(2)
Impairment loss on trade receivables	618	115
Interest expense	5,415	4,273
Interest income	(839)	(74)
Loss/(Gain) on disposal of property, plant and equipment	55	(17,847)
Property, plant and equipment written off	-	60
Reversal of impairment loss on trade receivables	(47)	(882)
Unrealised gain on foreign exchange	(53)	(36)
Operating profit before working capital changes	30,853	36,752
Decrease/(Increase) in inventories	16,751	(42,844)
Increase in receivables	(6,886)	(6,460)
(Decrease)/Increase in payables	(11,217)	14,739
Cash generated from operations	29,501	2,187
Interest received	839	74
Interest paid	(5,253)	(4,273)
Income tax paid	(3,718)	(3,624)
Net cash from/(used in) operating activities	21,369	(5,636)
Cash Flows from Investing Activities		
Addition to deposits pledged with licensed banks	(119)	(6,214)
Capital work-in-progress paid	(9,437)	(1,500)
Deposits paid for acquisition of plant and equipment	(2,377)	-
Purchase of property, plant and equipment	(6,029)	(1,777)
Proceeds from disposal of property, plant and equipment	34	22,514
Net cash (used in)/from investing activities	(17,928)	13,023

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2018 (CONT'D)

	Current Year-To-Date 30.06.2018 RM'000	Preceding Year-To-Date 30.06.2017 RM'000
Cash Flows from Financing Activities		
Advance from ultimate holding company	-	162
Drawdowns of term loan	9,370	-
Repayments of term loan	(900)	(900)
Net (repayments)/drawdowns of Islamic financing	(5,039)	4,000
Net (repayments)/drawndowns of bankers' acceptances	(17,144)	32,476
Payments to finance lease payables	(2,516)	(2,357)
Net cash (used in)/from financing activities	(16,229)	33,381
Net (decrease)/increase in cash and cash equivalents	(12,788)	40,768
Effect of exchange rate changes on cash and cash equivalents	273	24
Cash and cash equivalents at beginning of the financial period	40,006	933
Cash and cash equivalents at end of the financial period	27,491	41,725
Cash and cash equivalents at end of the financial period comprises:		
Cash and bank balances	17,849	18,472
Deposits with licensed banks	42,722	44,646
	60,571	63,118
Less: Bank overdrafts	(26,144)	(14,748)
Less: Deposits pledged with licensed banks	(6,936)	(6,645)
	27,491	41,725

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
New MFRSs		
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments/Improvements to MFRSs		
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
Amendments/Improvements to MFRSs (cont'd)		
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
New IC Int		
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IC Int		
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 Cyclicality 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 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.

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 30 June 2018 is as follows:

	Trading of Steel Products RM'000	Processing of Steel Products RM'000	Others [(1)] RM'000	Elimination RM'000	Total RM'000
External revenue	132,763	154,741	28	-	287,532
Cost of sales	(110,944)	(132,043)	(16)	-	(243,003)
Gross profit	21,819	22,698	12	-	44,529
Add/(Less):					
- Other income					1,374
- Operating expenses					(19,780)
- Finance costs					(5,775)
Profit before tax					20,348
Tax expense					(5,446)
Profit for the financial period					14,902

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

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

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 30.06.2018 RM'000	Audited As at 31.12.2017 RM'000
Approved and contracted for:		
- purchase of motor vehicles	180	267
- purchase of machinery	5,422	11,925
- purchase of properties	798	320
- construction of factory and warehouse buildings	12,408	16,303
	18,808	28,815

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 2018.

A14. Significant Related Party Transactions

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2018 RM'000	Preceding Year-Quarter 30.06.2017 RM'000	Current Year-To-Date 30.06.2018 RM'000	Preceding Year-To-Date 30.06.2017 RM'000
Sales to related parties	1,207	840	2,259	1,616
Purchases from related parties	915	11	943	198
Rental expense paid to related parties	483	390	900	780
Interest charged by related party (1)	82	82	162	162

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 2018 amounted to RM10.16 million (30.06.2017: RM10.16 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 30.06.2018 RM'000	Preceding Year Quarter 30.06.2017 RM'000	Variance RM'000	Variance %
Revenue	144,485	115,153	29,332	25.5%
Gross profit	21,661	23,027	(1,366)	-5.9%
Profit before interest and tax	13,965	35,765	(21,800)	-61.0%
Profit before tax	11,177	33,533	(22,356)	-66.7%
Profit after tax	8,432	30,033	(21,601)	-71.9%
Profit attributable to owners of the Company	8,461	30,033	(21,572)	-71.8%

The revenue recorded for the current quarter and the preceding year corresponding quarter was RM144.49 million and RM115.15 million respectively, increased by 25.5% or approximately RM29.34 million.

The increase in revenue was mainly due to the increase in revenue for our trading and processing of steel products by 13.0% or RM7.30 million and 38.3% or RM22.41 million respectively.

The increase in revenue for trading of steel products was mainly due to:
- higher revenue from trading of flat carbon steel products by 9.1% or RM2.98 million, from RM32.69 million to RM35.67 million, mainly attributable to higher average selling price by 9.9%; and
- higher revenue from trading of long carbon steel products by 22.9% or RM3.60 million, from RM15.75 million to RM19.35 million, mainly attributable to higher average selling price by 19.3%.

The increase in revenue for processing of steel products was mainly due to higher revenue from processing of steel coils by 75.7% or approximately RM21.54 million, from RM28.42 million to RM49.96 million, mainly due to higher tonnage sales by 83.8%.

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 44.0% and 56.0% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of approximately 48.8% and 50.8% respectively 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 Quarter Compared To Preceding Year Corresponding Quarter (Cont'd)

Despite higher revenue by approximately 25.5% or approximately RM29.34 million, from RM115.15 million to RM144.49 million, our gross profit decreased by 5.9% or RM1.37 million, from RM23.03 million to RM21.66 million, mainly due to lower overall gross profit margin, from 20.0% for the preceding year corresponding quarter to 15.0% for the current quarter, resulted from lower gross profit margin for processing of steel products by approximately 9.2 percentage points, from 22.8% to 13.6%, mainly caused by the following:

- lower gross profit margin for processing of long carbon steel products by approximately 14.3 percentage points, due to the increase in average cost for input materials by 26.4%, while the average selling price remained fairly consistent, which had only increased by 0.8%;
- 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 13.9% to 3.7%; and
- lower gross profit margin for processing of other flat steel products by approximately 11.8 percentage points, due to the decrease in average selling price by 28.0%, while the average cost for input materials had only decreased by 18.4%.

The other income for the current quarter was RM0.79 million as compared to RM22.07 million for the preceding year corresponding quarter, lower by approximately RM21.28 million, mainly due to the absence of gain and compensation for injurious affection derived from the compulsory acquisition of the affected land and buildings of two wholly owned subsidiaries, amounting to approximately RM21.68 million which were recognised in the preceding year corresponding quarter.

Our operating costs lower by approximately RM0.88 million from RM9.18 million for the preceding year corresponding quarter to RM8.30 million for the current quarter, as the result of the following:

1. Net decrease in distribution and administrative costs by RM0.70 million, mainly due to the following:

    - lower electricity and water expenses as well as depreciation charges by RM0.55 million and RM0.38 million respectively, mainly due to certain portion of these expenses were allocated to direct overhead costs; and
    - absence of consultancy fees related to the compulsory acquisition of the affected land and buildings, amounting to approximately RM0.92 million which were accrued in the preceding year corresponding period; largely offset by
    - increase in directors' remuneration and staff costs by RM0.71 million;
    - increase in security charges by RM0.11 million;
    - increase in upkeep of motor vehicles by RM0.16 million; and
    - increase in transportation, travelling and accommodation expenses by RM0.18 million.

2. Decrease in other costs by RM0.17 million, mainly due to the impact from reversal of unrealised loss on foreign exchange of RM0.13 million and absence of property, plant and equipment written off of RM0.06 million recorded in preceding year corresponding quarter.

Total finance costs for the current quarter was RM2.98 million, increased by approximately RM0.60 million as compared to RM2.38 million for the preceding year corresponding quarter. This was mainly due to higher interest expenses incurred for overdraft and Islamic financing facilities by RM0.27 million and RM0.24 million respectively for the current quarter.

Based on the foregoing factors, our Group registered a decrease in profit before tax by 66.7% or approximately RM22.35 million to RM11.18 million as compared to RM33.53 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 30.06.2018 RM'000	Preceding Year-To-Date 30.06.2017 RM'000	Variance RM'000	Variance %
Revenue	287,532	253,697	33,835	13.3%
Gross profit	44,529	47,559	(3,030)	-6.4%
Profit before interest and tax	25,763	50,402	(24,639)	-48.9%
Profit before tax	20,348	46,129	(25,781)	-55.9%
Profit after tax	14,902	38,875	(23,973)	-61.7%
Profit attributable to owners of the Company	14,994	38,875	(23,881)	-61.4%

Our revenue increased by 13.3% or approximately RM33.83 million from RM253.70 million for the preceding financial year-to-date to RM287.53 million for the current financial year-to-date. The increase in revenue was mainly due to the increase in revenue for our trading and processing of steel products by 4.7% or RM6.01 million and 22.6% or RM28.51 million respectively.

The increase in revenue for trading of steel products was mainly due to:
- higher revenue from trading of flat carbon steel products by 4.5% or approximately RM3.38 million, from RM75.87 million to RM79.25 million, mainly due to higher average selling price by 12.9%, negated by a reduction in tonnage sales of 7.4%; and
- higher revenue from trading of other long steel products by 24.5% or RM1.59 million, from RM6.48 million to RM8.07 million, mainly attributable to higher demand by 41.9%, despite lower average selling price by 12.3%.

The increase in revenue for processing of steel products was mainly due to higher revenue from processing of steel coils by 41.4% or approximately RM27.00 million, from RM65.31 million to RM92.31 million, mainly due to higher tonnage sales by 52.2%.

Despite higher revenue by approximately 13.3% or approximately RM33.83 million, from RM253.70 million to RM287.53 million, our gross profit decreased by 6.4% or RM3.03 million, from RM47.56 million to RM44.53 million, mainly due to lower overall gross profit margin, from 18.7% for the preceding financial year-to date to 15.5% for the current financial year-to-date, resulted from lower gross profit margin for processing of steel products by approximately 7.3 percentage points, from 22.0% to 14.7%, mainly caused by the following:

- lower gross profit margin for processing of long carbon steel products by approximately 11.3 percentage points, due to the increase in average cost for input materials by 27.5%, while the average selling price had only increased by 7.4%; and
- 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 14.6% to 4.6%.

The other income for the current financial year-to-date was RM1.37 million as compared to RM23.09 million for the preceding financial year-to-date, lower by RM21.72 million, mainly due to the absence of gain and compensation for injurious affection derived from the compulsory acquisition of the affected land and buildings of two wholly owned subsidiaries, amounting to approximately RM21.68 million which were recognised in the preceding financial year-to-date.

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 (Cont'd)

Our operating costs decreased slightly by RM0.17 million from RM19.95 million for the preceding financial year-to-date to RM19.78 million for the current financial year-to-date, due to the net decrease in distribution and administrative costs by RM0.53 million, mainly as the result of the following:

- lower electricity and water expenses as well as depreciation charges by RM0.98 million and RM0.67 million respectively, mainly due to certain portion of these expenses were allocated to direct overhead costs; and
- absence of consultancy fees related to the compulsory acquisition of the affected land and buildings, amounting to approximately RM0.92 million which were charged to the preceding financial year-to-date; largely offset by
- increase in directors' remuneration and staff costs by RM1.43 million;
- increase in petrol, parking and toll expenses by RM0.10 million;
- increase in security charges by RM0.14 million; and
- increase in upkeep of motor vehicles by RM0.31 million.

The above net decrease in distribution and administration costs were offset by the increase in other costs by RM0.36 million, mainly as the result of the following:

- higher stamp duties paid by RM0.12 million; and
- higher allowance for impairment loss on trade receivables of RM0.50 million; but partly offset by
- decrease in bad debts written off by RM0.26 million.

Total finance costs increased by approximately RM1.20 million as compared to the preceding financial year-to-date. This was mainly due to higher interest expenses incurred for overdraft, trade financing and Islamic financing facilities by RM0.48 million, RM0.27 million and RM0.46 million respectively for the current financial year-to-date.

Based on the foregoing factors, our Group registered a decrease in profit before tax by 55.9% or RM25.78 million from RM46.13 million for the preceding financial year-to-date to RM20.35 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 30.06.2018 RM'000	Immediate Preceding Quarter 31.03.2018 RM'000	Variance RM'000	Variance %
Revenue	144,485	143,047	1,438	1.0%
Gross profit	21,661	22,868	(1,207)	-5.3%
Profit before interest and tax	13,965	11,798	2,167	18.4%
Profit before tax	11,177	9,171	2,006	21.9%
Profit after tax	8,432	6,470	1,962	30.3%
Profit attributable to owners of the Company	8,461	6,533	1,928	29.5%

Our Group achieved revenue of RM144.49 million for the current quarter, which was slightly higher than the immediate preceding quarter's revenue by 1.0% or RM1.44 million, as the result of the following:

- higher revenue from trading of long carbon steel products by 17.4% or RM2.87 million, from RM16.48 million to RM19.35 million, mainly attributable to higher tonnage sales by 15.1%, as well as the increase in average selling price by 2.0%; and
- higher revenue from processing of steel coils by 17.9% or RM7.60 million, from RM42.36 million to RM49.96 million, mainly due to higher tonnage sales by 12.3%, as well as an increase in sales of relatively higher value other steel coils; largely offset by
- lower revenue from trading of flat steel products by 18.6% or RM9.14 million, from RM49.00 million to RM39.86 million, mainly due to lower tonnage sales by 19.3%.

Despite revenue increased marginally by 1.0% or RM1.44 million, from RM143.05 million to RM144.49 million, our gross profit decreased by 5.3% or RM1.21 million, from RM22.87 million to RM21.66 million, mainly due to lower overall gross profit margin, from 16.0% for the immediate preceding quarter to 15.0% for the current quarter, resulted from lower gross profit margin for processing of steel products by approximately 2.2 percentage points, from 15.8% to 13.6%, mainly caused by the following:

- lower gross profit margin for processing of long carbon steel products by approximately 3.3 percentage points, due to the decrease in average selling price by 3.6%, while the average cost for input materials had increased by 2.5%; and
- lower gross profit margin for processing of other flat steel products by 5.4 percentage points, due to the decrease in average selling price by 2.5%, while the average cost for input materials had increased by 7.8%.

The other income of RM0.79 million for the current quarter as compared to RM0.58 million for the immediate preceding quarter, was higher by RM0.21 million, mainly due to more interest income was recognised from the deposits with licensed banks by RM0.20 million as compared to immediate preceding 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 (Cont'd)

Our operating costs decreased by RM3.18 million, from RM11.48 million for the immediate preceding quarter to RM8.30 million for the current quarter, resulted from:

1. Decrease in distribution and administrative costs by RM1.91 million, caused by the decrease in directors' remuneration and staff related costs by approximately RM2.21 million mainly due to the absence of bonuses which were recognised in the immediate preceding quarter, partially negated by the increase in transportation, travelling and accommodation expenses by RM0.19 million.

2. Decrease in other costs by RM1.26 million, mainly due to:
   - lower allowance for impairment loss on trade receivables by RM0.54 million;
   - impact from reversal of unrealised loss on foreign exchange of RM0.26 million;
   - lower payment of quit rent and assessment by RM0.23 million; and
   - absence of stamp duties paid of RM0.13 million recorded in immediate preceding quarter.

The finance costs for the current quarter was RM2.98 million, increased by RM0.18 million as compared to RM2.80 million for the immediate preceding quarter. This was mainly due to higher interest expenses incurred for overdraft and trade financing facilities by RM0.04 million and RM0.11 million respectively.

Based on the foregoing factors, our profit before tax increased by 21.9% or approximately RM2.01 million, from RM9.17 million for the immediate preceding quarter to RM11.18 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.

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. The recent trade war between the United States of America and certain major economics such as China and certain European communities, have given rise to more uncertainties including the direction of steel prices as these countries are substantial steel producers. 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.

In the local front, 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. Through a rationalisation phase, the new government has also deferred some non-critical infrastructure projects and downsize some on-going projects. Sales and Services Tax (SST) is also expected to be implemented from 1 September 2018. The effect of these events on consumers' demand are unable to be assessed at this juncture.

As scheduled, our Group is expected to commence a downstream production of steel pipes in the last quarter of this 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 uncertainties and adversities, 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 30.06.2018 RM'000	Preceding Year Quarter 30.06.2017 RM'000	Current Year-To-Date 30.06.2018 RM'000	Preceding Year-To-Date 30.06.2017 RM'000
Amortisation of prepaid land lease payment	35	-	70	-
Bad debt written off	16	-	16	271
Depreciation of property, plant and equipment	2,658	2,407	5,249	4,745
Deposits written off	21	-	21	-
Fair value gain on derivatives	-	(2)	-	(2)
(Gain)/Loss on foreign exchange				
- realised	(17)	56	(16)	124
- unrealised	(182)	33	(53)	(36)
(Gain)/Loss on disposal of property, plant and equipment	(12)	(40)	55	(45)
Impairment loss on trade receivables	40	24	618	115
Insurance claimed	(34)	(3)	(43)	(122)
Interest expense	2,788	2,232	5,415	4,273
Interest income	(521)	(43)	(839)	(74)
Property, plant and equipment written off	-	60	-	60
Rental of premises	532	346	999	891
Rental of motor vehicle	6	-	13	-
Rental of equipment	18	14	34	28
Rental of land	130	130	260	260
Reversal of impairment loss on trade receivables	(13)	(114)	(47)	(882)
Relocation expenses [(1)]	3	-	23	-
Exceptional items [(2)]:				
- Gain on disposal of property, plant and equipment	-	(17,802)	-	(17,802)
- Compensation for injurious affection	-	(3,876)	-	(3,876)

Notes:

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

(2) 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 30.06.2018 RM'000	Preceding Year-Quarter 30.06.2017 RM'000	Current Year-To-Date 30.06.2018 RM'000	Preceding Year-To-Date 30.06.2017 RM'000
Current tax				
- for the financial period	2,310	3,502	5,654	6,977
Deferred tax				
- origination and reversal of temporary differences	514	160	(129)	206
- (over)/under provision in prior year	(79)	(162)	(79)	71
Tax expense	2,745	3,500	5,446	7,254

The effective tax rate for the current quarter and current financial year-to-date are higher than the statutory tax rate of 24% mainly due to certain expenses which are not deductible for tax purposes and 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 30 June 2018 were as follows:

	As at 30.06.2018 RM'000	As at 31.12.2017 RM'000
Current		
Secured:		
Bankers' acceptances	83,933	93,290
Finance lease payables	2,662	4,483
Term loan	1,800	1,800
Bank overdrafts	22,893	11,358
	111,288	110,931
Unsecured:		
Bankers' acceptances	56,578	64,364
Islamic financing	37,895	42,934
Bank overdrafts	3,251	4,506
	97,724	111,804
	209,012	222,735
Non-current		
Secured:		
Finance lease payables	218	913
Term loans	29,603	12,900
	29,821	13,813
Total Borrowings	238,833	236,548

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

A final single tier dividend of 1.5 sen per share in respect of the financial year ended 31 December 2017 (financial year ended 31 December 2016: 1.5 sen per share) has been approved by the shareholders at the last Annual General Meeting on 6 June 2018. The final dividend was paid on 25 July 2018.

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 30.06.2018 RM'000	Preceding Year-Quarter 30.06.2017 RM'000	Current Year-To-Date 30.06.2018 RM'000	Preceding Year-To-Date 30.06.2017 RM'000
Profit attributable to owners of the Company	8,461	30,033	14,994	38,875
Weighted average number of ordinary shares in issue ('000)	310,000	310,000	310,000	310,000
Basic Earnings Per Share (sen)	2.73	9.69	4.84	12.54

(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
28 August 2018