

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2020

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current	Preceding	Current	Preceding
	Year	Year	Year-	Year-
	Quarter	Quarter	To-Date	To-Date
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Revenue	106,755	169,844	226,793	314,309
Cost of sales	(94,103)	(148,179)	(200,671)	(280,398)
Gross profit	12,652	21,665	26,122	33,911
Other income	1,736	840	2,605	1,504
Distribution costs	(2,078)	(2,313)	(4,227)	(4,416)
Administrative costs	(4,632)	(5,429)	(9,788)	(11,388)
Net addition of impairment losses of financial assets	(302)	(558)	(495)	(547)
Other costs	(142)	(98)	(1,254)	(417)
	(7,154)	(8,398)	(15,764)	(16,768)
Profit from operations	7,234	14,107	12,963	18,647
Finance costs	(3,626)	(4,003)	(7,279)	(7,790)
Profit before tax	3,608	10,104	5,684	10,857
Income tax expense	(954)	(2,613)	(1,967)	(2,979)
Profit for the financial period	2,654	7,491	3,717	7,878
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange difference on translation of foreign subsidiary	16	14	10	9
Total other comprehensive income, net of tax	16	14	10	9
Total comprehensive income for the financial period	2,670	7,505	3,727	7,887
Profit/(Loss) attributable to:				
- Owners of the Company	2,679	7,494	3,704	7,947
- Non-controlling interests	(25)	(3)	13	(69)
	2,654	7,491	3,717	7,878

LEON FUAT BERHAD

Registration No. 200601036648 (756407-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2020 (CONT'D)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current	Preceding	Current	Preceding
	Year	Year	Year-	Year-
	Quarter	Quarter	To-Date	To-Date
	30.06.2020	30.06.2019	30.06.2020	30.06.2019
	RM'000	RM'000	RM'000	RM'000
Total comprehensive income/(loss)				
attributable to:				
- Owners of the Company	2,695	7,508	3,714	7,956
- Non-controlling interests	(25)	(3)	13	(69)
	<u>2,670</u>	<u>7,505</u>	<u>3,727</u>	<u>7,887</u>
Earnings per share (sen) attributable to				
owners of the Company:				
- Basic	0.86	2.42	1.19	2.56
- Diluted	0.86	2.42	1.19	2.56

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 2019 and the accompanying explanatory notes attached to this interim financial statement.

LEON FUAT BERHAD

Registration No. 200601036648 (756407-D)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2020

	As at 30.06.2020 RM'000 (Unaudited)	As at 31.12.2019 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	207,879	209,275
Capital work-in-progress	5,043	5,972
	<u>212,922</u>	<u>215,247</u>
Current assets		
Inventories	289,204	261,543
Trade receivables	139,671	161,376
Other receivables, deposits and prepayments	5,830	4,614
Tax assets	5,488	4,870
Deposits with licensed banks	28,618	33,817
Cash and bank balances	21,743	8,979
	<u>490,554</u>	<u>475,199</u>
TOTAL ASSETS	<u><u>703,476</u></u>	<u><u>690,446</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	160,094	160,094
Merger deficit	(109,545)	(109,545)
Capital reserve	1	1
Retained earnings	303,996	300,292
Foreign currency translation reserve	(4)	(14)
	<u>354,542</u>	<u>350,828</u>
Non-controlling interests	613	600
Total Equity	<u>355,155</u>	<u>351,428</u>
Non-current liabilities		
Borrowings	62,506	64,885
Deferred tax liabilities	6,193	5,518
	<u>68,699</u>	<u>70,403</u>
Current liabilities		
Trade payables	24,808	35,132
Other payables and accruals	9,422	11,319
Contract liabilities	4,037	2,641
Amount due to ultimate holding company	-	137
Borrowings	241,269	217,486
Tax liabilities	86	1,900
	<u>279,622</u>	<u>268,615</u>
Total Liabilities	<u>348,321</u>	<u>339,018</u>
TOTAL EQUITY AND LIABILITIES	<u><u>703,476</u></u>	<u><u>690,446</u></u>
Net assets per share attributable to owners of the Company (RM)	1.14	1.13

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 2019 and the accompanying explanatory notes attached to this interim financial statement.

LEON FUAT BERHAD

Registration No. 200601036648 (756407-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2020

-----Attributable to Owners of the Company -----

	Share Capital RM'000	Merger Deficit RM'000	Capital Reserve RM'000	Foreign Currency Translation Reserve RM'000	Retained Earnings RM'000	Non- Controlling interests RM'000	Total Equity RM'000
2020							
At 1 January 2020	160,094	(109,545)	1	(14)	300,292	600	351,428
Profit for the financial period	-	-	-	-	3,704	13	3,717
Other comprehensive income	-	-	-	10	-	-	10
Total comprehensive income	-	-	-	10	3,704	13	3,727
At 30 June 2020	160,094	(109,545)	1	(4)	303,996	613	355,155
2019							
At 1 January 2019, as previously reported	160,094	(109,545)	1	(16)	301,149	665	352,348
Effect of adopting MFRS16	-	-	-	-	(1,010)	-	(1,010)
At 1 January 2019, as restated	160,094	(109,545)	1	(16)	300,139	665	351,338
Profit/(Loss) for the financial period	-	-	-	-	7,947	(69)	7,878
Other comprehensive income	-	-	-	9	-	-	9
Total comprehensive income	-	-	-	9	7,947	(69)	7,887
Transaction with owners							
Dividend	-	-	-	-	(4,650)	-	(4,650)
At 30 June 2019	160,094	(109,545)	1	(7)	303,436	596	354,575

Note:

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 2019 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 2020

	Current Year-To-Date 30.06.2020 RM'000	Preceding Year-To-Date 30.06.2019 RM'000
Cash Flows from Operating Activities		
Profit before tax	5,684	10,857
Adjustments for:		
Amortisation of prepaid land lease payment	-	71
Bad debt written off	3	-
Depreciation of property, plant and equipment	7,629	6,742
Fair value loss on derivative	-	2
Impairment losses on trade receivables	495	589
Interest income	(509)	(669)
Interest expense	6,907	7,287
Gain on disposal of property, plant and equipment	(36)	-
Net unrealised gain on foreign exchange	(110)	(82)
Reversal of impairment losses on trade receivables	-	(42)
Operating profit before changes in working capital	20,063	24,755
Inventories	(27,878)	(14,107)
Trade and other receivables	20,010	(17,580)
Trade and other payables	(12,859)	4,948
Cash used in operations	(664)	(1,984)
Interest received	549	640
Interest paid	(6,902)	(5,762)
Income tax paid	(3,723)	(4,121)
Net cash used in operating activities	(10,740)	(11,227)
Cash Flows from Investing Activities		
Addition to deposits pledged with licensed banks	(134)	(775)
Capital work-in-progress paid	(2,351)	(656)
Deposits paid for acquisition of plant and equipment	(215)	(918)
Purchase of property, plant and equipment	(450)	(519)
Proceeds from disposal of property, plant and equipment	20	-
Withdrawal of a fixed deposit pledged with a licensed bank	-	31
Net cash used in investing activities	(3,130)	(2,837)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2020 (CONT'D)

	Current Year-To-Date 30.06.2020 RM'000	Preceding Year-To-Date 30.06.2019 RM'000
Cash Flows from Financing Activities		
(Repayment to)/Advance from ultimate holding company	(137)	4,137
Repayments of term loan	(900)	(900)
Payments to lease liabilities/finance lease payables	(2,261)	(2,388)
Net repayments of islamic financing	(3,467)	(18,211)
Net drawdowns of bankers' acceptances	37,388	31,164
Net cash from financing activities	30,623	13,802
Net increase/(decrease) in cash and cash equivalents	16,753	(262)
Effect of exchange rate changes on cash and cash equivalents	111	16
Cash and cash equivalents at beginning of the financial period	(6,079)	15,472
Cash and cash equivalents at end of the financial period	10,785	15,226
Cash and cash equivalents at end of the financial period comprises:		
Cash and bank balances	21,743	13,255
Deposits with licensed banks	28,618	33,261
	50,361	46,516
Less: Bank overdrafts	(31,549)	(23,498)
Less: Deposits pledged with licensed banks	(8,027)	(7,792)
	10,785	15,226

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 2019 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 2019.

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 2019.

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 2019, except for the adoption of the following:

Amendments/Improvements to MFRSs

MFRS 3	Business Combinations
MFRS 7	Financial Instruments : Disclosures
MFRS 9	Financial Instruments
MFRS 16	Leases
MFRS 101	Presentation of Financial Statements
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error
MFRS 139	Financial Instruments : Recognition and Measurement

The Group has not applied in advance the following new MFRS and amendments/improvements to MFRSs 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 MFRS</u>		
MFRS 17	Insurance Contracts	1 January 2023
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2023#/ 1 January 2022
MFRS 3	Business Combinations	1 January 2023#/ 1 January 2022*
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2023#
MFRS 9	Financial Instruments	1 January 2023#/ 1 January 2022
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 101	Presentation of Financial Statements	1 January 2023#/ 1 January 2022

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 107	Statement of Cash Flows	1 January 2023#
MFRS 116	Property, Plant and Equipment	1 January 2023#
		1 January 2022
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	1 January 2023#/ Deferred
MFRS 132	Financial instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2023#/ 1 January 2022
MFRS 138	Intangible Assets	1 January 2023#
MFRS 140	Investment Property	1 January 2023#
MFRS 141	Agriculture	1 January 2022

Amendments as to the consequence of effective MFRS 17 Insurance Contracts

* Amendments to References to the Conceptual Framework in MFRS Standards

The Group is in the process of assessing the impact which may arise from adoption of the abovementioned new MFRS and amendments/improvements to MFRSs.

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 2019 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 interim period of 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 2020 is as follows:

	Trading of Steel Products	Processing of Steel Products	Others ⁽¹⁾	Total
	RM’000	RM’000	RM’000	RM’000
External revenue	82,070	144,526	197	226,793
Cost of sales	(71,984)	(128,524)	(163)	(200,671)
Gross profit	10,086	16,002	34	26,122
Add/(Less):				
- Other income				2,605
- Operating expenses				(15,269)
- Net addition of impairment losses of financial assets				(495)
- Finance costs				(7,279)
Profit before tax				5,684
Income tax expense				(1,967)
Profit for the financial period				3,717

Segment information of the Group for the financial year-to-date ended 30 June 2019 is as follows:

	Trading of Steel Products	Processing of Steel Products	Others ⁽¹⁾	Total
	RM’000	RM’000	RM’000	RM’000
External revenue	170,648	143,574	87	314,309
Cost of sales	(155,847)	(124,506)	(45)	(280,398)
Gross profit	14,801	19,068	42	33,911
Add/(Less):				
- Other income				1,504
- Operating expenses				(16,221)
- Net addition of impairment losses of financial assets				(547)
- Finance costs				(7,790)
Profit before tax				10,857
Income tax expense				(2,979)
Profit for the financial period				7,878

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.*

A EXPLANATION NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134: INTERIM FINANCIAL REPORTING (CONT'D)**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.

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 30.06.2020 RM'000	Audited As at 31.12.2019 RM'000
Approved and contracted for:		
- purchase of plant and equipment	6,484	191
- construction of factory and warehouse buildings	21,360	811
	<u>27,844</u>	<u>1,002</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 2020.

LEON FUAT BERHAD

Registration No. 200601036648 (756407-D)

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 30.06.2020 RM’000	Preceding Year Quarter 30.06.2019 RM’000	Current Year- To-Date 30.06.2020 RM’000	Preceding Year- To-Date 30.06.2019 RM’000
Sales to related parties	660	1,205	1,329	2,139
Purchases from related parties	10	19	36	57
Rental expense paid to related parties	425	513	938	1,026
Interest charged by related party	-	41 ⁽¹⁾	-	81 ⁽¹⁾

Note:

- (1) In respect of interest arising from an unsecured loan from ultimate holding company to Leon Fuat Metal Sdn Bhd which was subject to interest at the rate of 3.25% per annum compounded on monthly rest. The interest bearing outstanding loan as at 30 June 2019 amounted to RM5.08 million was 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 30.06.2020 RM'000	Preceding Year Quarter 30.06.2019 RM'000	Variance	
			RM'000	%
Revenue	106,755	169,844	(63,089)	-37.1%
Gross profit	12,652	21,665	(9,013)	-41.6%
Profit before interest and tax	7,055	13,855	(6,800)	-49.1%
Profit before tax	3,608	10,104	(6,496)	-64.3%
Profit after tax	2,654	7,491	(4,837)	-64.6%
Profit attributable to owners of the Company	2,679	7,494	(4,815)	-64.3%

The revenue recorded for the current quarter and the preceding year corresponding quarter was RM106.76 million and RM169.84 million respectively, decreased by 37.1% or approximately RM63.09 million.

The decrease in revenue was mainly due to lower overall tonnage sales by 40.3%, generally caused by the impact of nationwide Movement Control Order ("MCO") and Conditional MCO which were implemented from 18 March 2020 and our Group was only able to commence operation in early May 2020 upon obtaining the necessary approval from MITI and complied with the standard operating procedures set up by the federal government of Malaysia in response to the COVID-19 pandemic in the country.

Our main business segments continued to be trading and processing of steel products, which collectively contributed approximately 99.9% of our total revenue for the current quarter. The trading segment and the processing segment contributed revenue of 39.8% and 60.1% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of approximately 54.6% and 45.4% respectively for the preceding year corresponding quarter.

For the current quarter, our gross profit decreased by 41.6% or approximately RM9.01 million, from RM21.67 million for the preceding year corresponding quarter to RM12.65 million for the current quarter, which was mainly due to the decrease in revenue by 37.1% or approximately RM63.09 million, from RM169.84 million for the preceding year corresponding quarter to RM106.76 million for the current quarter, as well as slightly lower overall gross profit margin by 0.9 percentage points, from 12.8% for the preceding year corresponding quarter to 11.9% for the current quarter.

The other income for the current quarter was RM1.74 million as compared to RM0.84 million for the preceding year corresponding quarter, higher by RM0.90 million, mainly due to increase in rental income by RM0.46 million contributed from letting bigger portion of warehouse space, as well as receiving RM0.35 million from Government under the Wage Subsidy Programme.

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)**

Our operating costs decreased by approximately RM1.25 million from RM8.40 million for the preceding year corresponding quarter to RM7.15 million for the current quarter, as the result of the following:

1. Decrease in distribution costs by RM0.23 million, mainly due to:
 - decrease in petrol, parking and toll expenses by RM0.15 million; and
 - decrease in transportation, travelling and accommodation expenses by RM0.23 million; partly offset by
 - increase in staff related costs by RM0.17 million, mainly due to certain staff costs were allocated from administrative costs.
2. Decrease in administrative costs by RM0.80 million, mainly caused by:
 - decrease in directors' remuneration and staff related costs by RM0.25 million, mainly due to written back of excess provision of bonus and certain staff costs were allocated to distribution costs;
 - decrease in entertainment expenses by RM0.20 million;
 - decrease in printing and stationery expenses by RM0.06 million;
 - decrease in professional fees incurred by RM0.06 million;
 - decrease in accommodation, travelling, petrol, parking and toll expenses by RM0.17 million; and
 - decrease in upkeep of office and office equipment by RM0.06 million.
3. Decrease in net addition of impairment losses on financial assets/trade receivables by RM0.26 million as compared to the preceding year corresponding quarter.
4. Increase in other costs by RM0.04 million, mainly due to:
 - higher quit rent and assessment expenses by RM0.08 million; and
 - higher stamp duty paid by RM0.05 million; offset by
 - absence of realised loss on foreign exchange of RM0.07 million; and
 - lower gift and donation expenses by RM0.03 million.

Total finance costs for the current quarter was RM3.63 million, decreased by approximately RM0.37 million as compared to RM4.00 million for the preceding year corresponding quarter. This was attributable to lower interest expense for bankers' acceptances, Islamic financing and term loans by RM0.12 million, RM0.09 million and RM0.28 million respectively, mainly due to decrease in interest rates following the reduction of Overnight Policy Rate by Bank Negara Malaysia in January 2020, March 2020 and May 2020. However, the decrease in interest expense for the aforementioned facilities was partially negated by higher interest expense incurred for overdraft facilities by RM0.18 million mainly due to higher utilisation of overdraft facilities.

Based on the foregoing factors, our Group registered a decrease in profit before tax by 64.3% or approximately RM6.50 million to RM3.61 million as compared to RM10.10 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 30.06.2020 RM'000	Preceding Year- To-Date 30.06.2019 RM'000	Variance	
			RM'000	%
Revenue	226,793	314,309	(87,516)	-27.8%
Gross profit	26,122	33,911	(7,789)	-23.0%
Profit before interest and tax	12,591	18,144	(5,553)	-30.6%
Profit before tax	5,684	10,857	(5,173)	-47.6%
Profit after tax	3,717	7,878	(4,161)	-52.8%
Profit attributable to owners of the Company	3,704	7,947	(4,243)	-53.4%

Our revenue decreased by 27.8% or RM87.52 million from RM314.31 million for the preceding financial year-to-date to RM226.79 million for the current financial year-to-date.

The decrease in revenue was mainly due to lower overall tonnage sales by 28.9%, generally caused by the impact of nationwide MCO and Conditional MCO which were implemented from 18 March 2020 and our Group was only able to commence operation in early May 2020 upon obtaining the necessary approval from MITI and complied with the standard operating procedures set up by the federal government of Malaysia in response to the COVID-19 pandemic in the country.

However, the decrease in overall revenue due to the impact of MCO and Conditional MCO was partially offset by higher revenue from the production of welded steel pipes, which saw its revenue increased by 293.6%, which also contributed to the increase in revenue for processing of steel products by 0.7% or approximately RM0.96 million, from RM143.57 million to RM144.53 million.

Despite better overall gross profit margin by 0.7 percentage points, from 10.8% for the preceding financial year-to-date to 11.5% for the current financial year-to-date, our gross profit decreased by 23.0% or RM7.79 million, from RM33.91 million for the preceding financial year-to-date to RM26.12 million for the current financial year-to-date, which was mainly due to the decrease in revenue by 27.8% or RM87.52 million, from RM314.31 million for the preceding financial year-to-date to RM226.79 million for the current financial year-to-date.

The other income for the current financial year-to-date was RM2.61 million as compared to RM1.50 million for the preceding financial year-to-date, higher by approximately RM1.11 million, mainly due to increase in rental income by RM0.76 million contributed from letting bigger portion of warehouse space, as well as receiving RM0.35 million from Government under the Wage Subsidy Programme.

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 by approximately RM1.01 million from RM16.77 million for the preceding financial year-to-date to RM15.76 million for the current financial year-to-date, as the result of the following:

1. Decrease in distribution costs by RM0.19 million, mainly due to:
 - decrease in petrol, parking and toll expenses by RM0.16 million;
 - decrease in transportation, travelling and accommodation expenses by RM0.25 million; and
 - lower upkeep of motor vehicles by RM0.10 million; partly offset by
 - increase in staff related costs by RM0.31 million, mainly due to certain staff costs were allocated from administrative costs.
2. Decrease in administrative costs by RM1.60 million, mainly due to:
 - decrease in directors' remuneration and staff related costs by RM0.38 million, mainly due to written back of excess provision of bonus and certain staff costs were allocated to distribution costs;
 - decrease in advertising expenses by RM0.16 million;
 - decrease in entertainment expenses by RM0.28 million;
 - decrease in printing and stationery expenses by RM0.07 million;
 - decrease in professional fees incurred by RM0.13 million;
 - decrease in accommodation, travelling, petrol, parking and toll expenses by RM0.31 million;
 - decrease in insurance and road tax expenses by RM0.07 million, and
 - decrease in upkeep of office and office equipment by RM0.09 million.
3. Increase in other costs by RM0.84 million, mainly due to tax penalty of RM0.87 million imposed on the additional taxation in respect of certain compensations received in relation to the compulsory acquisition of the Group's real estate properties which were treated as non-taxable items previously. An appeal against it has been filed and the outcome is still pending from the tax authority.

Total finance costs decreased by RM0.51 million as compared to the preceding financial year-to-date. This was mainly due to lower interest expense for bankers' acceptances, Islamic financing and term loans by RM0.06 million, RM0.28 million and RM0.32 million respectively, mainly due to decrease in interest rates following the reduction of Overnight Policy Rate by Bank Negara Malaysia in January 2020, March 2020 and May 2020, as well as lower bank charges incurred in the current financial year-to-date by RM0.12 million. However, the decrease in interest expense for the aforementioned facilities and bank charges was partially negated by higher interest expense incurred for overdraft facilities by RM0.26 million mainly due to higher utilisation of overdraft facilities.

Based on the foregoing factors, our Group registered a decrease in profit before tax by approximately 47.6% or approximately RM5.17 million from RM10.86 million for the preceding financial year-to-date to RM5.68 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 30.06.2020 RM'000	Immediate Preceding Quarter 31.03.2020 RM'000	Variance RM'000 %	
Revenue	106,755	120,038	(13,283)	-11.1%
Gross profit	12,652	13,470	(818)	-6.1%
Profit before interest and tax	7,055	5,536	1,519	27.4%
Profit before tax	3,608	2,076	1,532	73.8%
Profit after tax	2,654	1,063	1,591	149.7%
Profit attributable to owners of the Company	2,679	1,025	1,654	161.4%

Our Group achieved revenue of RM106.76 million for the current quarter, which was lower than the immediate preceding quarter's revenue by 11.1% or RM13.28 million, as the result of the following:

- lower revenue from trading of long carbon steel products by 18.8%, mainly due to lower tonnage sales by 18.0%; and
- lower revenue from processing of flat carbon steel products by 27.6%, mainly due to decrease in tonnage sales by 29.3%; partly offset by
- higher revenue from trading of flat carbon steel products by 14.0%, mainly attributable to increase in tonnage sales by 20.2% which was partially negated by a reduction in average selling price by 5.2%; and
- higher revenue from trading of other flat steel products by 42.8%, mainly attributable to higher average selling price by 34.6% resulted from selling of more high value products as compared to the immediate preceding quarter, as well as increase in tonnage sales by 6.1%.

For the current quarter, our gross profit decreased by 6.1% or RM0.82 million, from RM13.47 million for the immediate preceding quarter to RM12.65 million for the current quarter, which was mainly due to the decrease in revenue by 11.1% or RM13.28 million, from RM120.04 million for the immediate preceding quarter to RM106.76 million for the current quarter, mitigated by higher overall gross profit margin from 11.2% for the immediate preceding quarter to 11.9% for the current quarter.

The higher overall gross profit margin was mainly due to better gross profit margin for processing of flat carbon steel products by 3.2 percentage points, mainly due to the average cost for input materials decreased by 2.8% while the average selling price had increased by 2.4%.

The other income of RM1.74 million for the current quarter as compared to RM0.87 million for the immediate preceding quarter, was higher by RM0.87 million, mainly due to increase in rental income by RM0.44 million contributed from letting bigger portion of warehouse space, as well as receiving RM0.35 million from Government under the Wage Subsidy Programme.

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 RM1.46 million, from RM8.61 million for the immediate preceding quarter to RM7.15 million for the current quarter, resulted from:

1. Decrease in distribution costs by RM0.07 million, mainly due to decrease in petrol, parking and toll expenses by RM0.09 million.
2. Decrease in administrative costs by RM0.52 million, mainly caused by:
 - decrease in directors' remuneration and staff related costs by RM0.32 million; and
 - lower entertainment expenses by RM0.13 million.
3. Decrease in other costs by RM0.97 million, mainly due to:
 - lower gift and donation expenses by RM0.11 million, and
 - absence of tax penalty of RM0.87 million imposed on the additional taxation in respect of certain compensations received in relation to the compulsory acquisition of the Group's real estate properties which were treated as non-taxable items previously.
4. Increase in net addition of impairment losses on financial assets/trade receivables by RM0.11 million as compared to the immediate preceding quarter.

The finance costs for the current quarter was RM3.63 million, remained fairly consistent as compared to RM3.65 million for the immediate preceding quarter.

Based on the foregoing factors, our profit before tax increased by approximately 73.8% or RM1.53 million, from RM2.08 million for the immediate preceding quarter to RM3.61 million for the current quarter.

B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)**B3. Commentary on Prospects**

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. The cutting and profiling facilities include a fiber laser cutting machine complete with automated loading and unloading facilities for inputs and outputs with overall processing speed of up to 5 times more than conventional machines. In addition, as an effort to build a more resilient business, our Group had also embarked on a downstream production of steel pipes which commenced commercial operations at end of the second quarter of 2019.

Although the production of steel pipes had only contributed modest revenue for 2019, we are recording an increasing trend of demand for these products and hence, we can expect a more significant revenue contribution for 2020.

The profitability of our business is very much dependent on prices of our steel products besides demand from customers. In this respect, global factors such as volatility in commodities and crude oil prices as well as significant fluctuation in exchange rate of foreign currencies against Ringgit Malaysia will affect our suppliers pricing and hence the profitability of our steel products as some of our merchandise are sourced from overseas.

On the global front, the intensified US-China geo-political and trade tension is hurting exporting countries globally. The current worldwide outbreak of Covid-19, of which the World Health Organisation has declared a global pandemic, has also posed various uncertainties in the global economies. International Monetary Fund has projected a negative global growth for 2020 as the Covid-19 pandemic has had much negative impact on activities in the first half of 2020 and the recovery is expected to be gradual.

Locally, we are similarly facing the brunt of the Covid-19 outbreak with most economic activities being halted upon implementation of the MCO commencing from 18 March 2020, and has only been conditionally relaxed in early May 2020. Various assistance and relief measures have been handed out by the government to ease the hardship faced by affected citizens and industries. However, there remain significant uncertainties as to potential impact of the pandemic on the pace of recovery of our local economy in view of the possible constraint faced in respect of household spending, private investment projects and public sector capital spending.

Mindful of the risks arising from global and local factors mentioned above, our Group will constantly keep vigilant on the movement of steel prices and related foreign currencies and will take proactive measures including negotiating forward contracts, where necessary, as well as prudent inventory management, to reduce any negative impact which may arise therefrom. Our Group will also continuously enhance the operating capabilities and efficiencies to meet customers' requirements and to ensure timely satisfaction of customer orders while keeping our operating costs at a manageable level. The risk of Covid-19 pandemic has also been actively addressed with implementation of various preventive measures including inculcating work place hygiene and regular sanitisation.

In view of the prevailing significant risks and uncertainties mentioned above, our Board continues to maintain a neutral outlook on the financial performance of our Group for the remaining quarters of 2020.

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 charging/(crediting):

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2020 RM'000	Preceding Year Quarter 30.06.2019 RM'000	Current Year- To-Date 30.06.2020 RM'000	Preceding Year- To-Date 30.06.2019 RM'000
Amortisation of prepaid land lease payment	-	36	-	71
Bad debt written off	1	-	3	-
Depreciation of property, plant and equipment	3,802	3,453	7,629	6,742
Fair value (gain)/loss on derivative	(8)	2	-	2
Impairment losses on trade receivables	302	555	495	589
Insurance claimed	(1)	(97)	(89)	(208)
Interest income	(227)	(326)	(509)	(669)
Interest expense	3,447	3,751	6,907	7,287
Net loss/(gain) on foreign exchange				
- realised	12	68	(22)	79
- unrealised	(57)	(112)	(110)	(82)
Gain on disposal of property, plant and equipment	(16)	-	(36)	-
Rental of premises	22	32	49	64
Rental of equipment	5	7	10	10
Rental income	(740)	(280)	(1,045)	(280)
Reversal of impairment losses on trade receivables	-	3	-	(42)

Note:

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. Income Tax Expense**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2020 RM'000	Preceding Year Quarter 30.06.2019 RM'000	Current Year- To-Date 30.06.2020 RM'000	Preceding Year- To-Date 30.06.2019 RM'000
Current income tax				
- for the financial period	1,091	1,105	1,417	1,291
- over provision in prior financial year	(190)	-	(126)	-
Deferred tax				
- origination of temporary differences	58	1,510	664	1,941
- effect of adopting MFRS 16	-	-	-	(242)
- (over)/under provision in prior financial year	(5)	(2)	12	(11)
Income tax expense	954	2,613	1,967	2,979

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

	As at 30.06.2020 RM'000	As at 31.12.2019 RM'000
<u>Current</u>		
Secured:		
Bankers' acceptances	107,602	80,600
Lease liabilities	2,541	2,490
Term loan	1,800	1,800
Bank overdrafts	25,838	25,843
	<u>137,781</u>	<u>110,733</u>
Unsecured:		
Bankers' acceptances	67,558	57,172
Lease liabilities	474	1,230
Islamic financing	29,745	33,212
Bank overdrafts	5,711	15,139
	<u>103,488</u>	<u>106,753</u>
	<u>241,269</u>	<u>217,486</u>
<u>Non-current</u>		
Secured:		
Lease liabilities	3,836	5,124
Term loans	47,715	48,615
	<u>51,551</u>	<u>53,739</u>
Unsecured:		
Lease liabilities	10,955	11,146
	<u>62,506</u>	<u>64,885</u>
Total Borrowings	<u><u>303,775</u></u>	<u><u>282,371</u></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.

In the preceding year corresponding quarter, a final single tier dividend of 1.5 sen per share in respect of the financial year ended 31 December 2018 had been approved by the shareholders at the Annual General Meeting held on 12 June 2019. The final dividend was paid on 25 July 2019.

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 30.06.2020 RM'000	Preceding Year Quarter 30.06.2019 RM'000	Current Year- To-Date 30.06.2020 RM'000	Preceding Year- To-Date 30.06.2019 RM'000
Profit attributable to owners of the Company	2,679	7,494	3,704	7,947
Weighted average number of ordinary shares in issue ('000)	310,000	310,000	310,000	310,000
Basic Earnings Per Share (sen)	0.86	2.42	1.19	2.56

(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
27 August 2020