

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2018 RM'000	Preceding Year Quarter 30.09.2017 RM'000	Current Year- To-Date 30.09.2018 RM'000	Preceding Year- To-Date 30.09.2017 RM'000
Revenue	155,241	177,985	442,773	431,682
Cost of sales	(132,990)	(153,001)	(375,993)	(359,139)
Gross profit	22,251	24,984	66,780	72,543
Other income	752	3,650	2,126	26,744
Distribution costs	(2,073)	(1,544)	(7,110)	(4,924)
Administrative costs	(5,618)	(6,795)	(18,998)	(22,360)
Other costs	(572)	(142)	(1,935)	(1,146)
	(8,263)	(8,481)	(28,043)	(28,430)
Profit from operations	14,740	20,153	40,863	70,857
Finance costs	(3,352)	(2,784)	(9,127)	(7,359)
<b>Profit before tax</b>	11,388	17,369	31,736	63,498
Tax expense	(2,803)	(3,642)	(8,249)	(10,896)
<b>Profit for the financial period</b>	8,585	13,727	23,487	52,602
<b>Other comprehensive income:</b> <i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange difference on translation of foreign subsidiary	15	(1)	3	3
<b>Total other comprehensive income/(loss), net of tax</b>	15	(1)	3	3
<b>Total comprehensive income for the financial period</b>	8,600	13,726	23,490	52,605
<b>Profit/(Loss) attributable to:</b>				
- Owners of the Company	8,589	13,763	23,583	52,638
- Non-controlling interest	(4)	(36)	(96)	(36)
	8,585	13,727	23,487	52,602

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2018 RM'000	Preceding Year Quarter 30.09.2017 RM'000	Current Year- To-Date 30.09.2018 RM'000	Preceding Year- To-Date 30.09.2017 RM'000
<b>Total comprehensive income/(loss) attributable to:</b>				
- Owners of the Company	8,604	13,762	23,586	52,641
- Non-controlling interest	(4)	(36)	(96)	(36)
	<u>8,600</u>	<u>13,726</u>	<u>23,490</u>	<u>52,605</u>
 Earnings per share (sen) attributable to owners of the Company:				
- Basic	2.77	4.44	7.61	16.98
- Diluted	2.77	4.44	7.61	16.98

*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 30 SEPTEMBER 2018**

	<b>Unaudited As at 30.09.2018 RM'000</b>	<b>Audited As at 31.12.2017 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	143,587	139,150
Capital work-in-progress	53,347	3,663
Prepaid land lease payment	955	1,061
	<u>197,889</u>	<u>143,874</u>
<b>Current assets</b>		
Inventories	270,543	243,789
Trade receivables	165,053	158,606
Other receivables, deposits and prepayments	10,954	21,459
Tax assets	384	337
Deposits with licensed banks	38,880	41,532
Cash and bank balances	14,108	21,155
	<u>499,922</u>	<u>486,878</u>
<b>TOTAL ASSETS</b>	<u><u>697,811</u></u>	<u><u>630,752</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	160,094	160,094
Merger deficit	(109,545)	(109,545)
Capital reserve	1	1
Retained earnings	301,801	282,868
Foreign currency translation reserve	(17)	(20)
	<u>352,334</u>	<u>333,398</u>
Non-controlling interest	705	801
<b>Total Equity</b>	<u>353,039</u>	<u>334,199</u>
<b>Non-current liabilities</b>		
Borrowings	43,461	13,813
Deferred tax liabilities	5,460	5,186
	<u>48,921</u>	<u>18,999</u>
<b>Current liabilities</b>		
Trade payables	24,056	29,930
Other payables and accruals	11,324	8,116
Deferred income	3,402	994
Derivative financial liability	9	-
Amount due to ultimate holding company	10,383	10,000
Borrowings	243,565	222,735
Tax liabilities	3,112	5,779
	<u>295,851</u>	<u>277,554</u>
<b>Total Liabilities</b>	<u>344,772</u>	<u>296,553</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>697,811</u></u>	<u><u>630,752</u></u>
Net assets per share attributable to owners of the Company (RM)	1.14	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 THIRD QUARTER ENDED 30 SEPTEMBER 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
<b>2018</b>								
At 1 January 2018	160,094	-	(109,545)	1	(20)	282,868	801	334,199
Profit/(Loss) for the financial period	-	-	-	-	-	23,583	(96)	23,487
Other comprehensive income	-	-	-	-	3	-	-	3
Total comprehensive income	-	-	-	-	3	23,583	(96)	23,490
<b>Transaction with owners</b>								
Dividend	-	-	-	-	-	(4,650)	-	(4,650)
At 30 September 2018	160,094	-	(109,545)	1	(17)	301,801	705	353,039
<b>2017</b>								
At 1 January 2017	155,000	5,094	(109,545)	1	(7)	207,098	-	257,641
Transition to no par value regime <sup>(1)</sup>	5,094	(5,094)	-	-	-	-	-	-
Profit/(Loss) for the financial period	-	-	-	-	-	52,638	(36)	52,602
Other comprehensive income	-	-	-	-	3	-	-	3
Total comprehensive income	-	-	-	-	3	52,638	(36)	52,605
<b>Transaction with owners</b>								
Dividend	-	-	-	-	-	(4,650)	-	(4,650)
Non-controlling interest arising from acquisition of new subsidiary	-	-	-	-	-	-	852	852
Total transactions with owners	-	-	-	-	-	(4,650)	852	(3,798)
At 30 September 2017	160,094	-	(109,545)	1	(4)	255,086	816	306,448

*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 THIRD QUARTER ENDED 30 SEPTEMBER 2018**

	<b>Current Year-To-Date 30.09.2018 RM'000</b>	<b>Preceding Year-To-Date 30.09.2017 RM'000</b>
<b>Cash Flows from Operating Activities</b>		
Profit before tax	31,736	63,498
Adjustments for:		
Amortisation of prepaid land lease payment	106	23
Bad debt written off	16	271
Bargain purchase gain on acquisition of a subsidiary	-	(2,700)
Depreciation of property, plant and equipment	7,955	7,242
Deposits written off	21	-
Fair value loss on derivatives	9	-
Impairment loss on trade receivables	635	99
Interest income	(1,292)	(397)
Interest expense	8,582	6,870
Net loss/(gain) on disposal of property, plant and equipment	35	(17,901)
Net unrealised loss on foreign exchange	101	26
Property, plant and equipment written off	-	61
Reversal of impairment loss on trade receivables	(63)	(966)
Operating profit before working capital changes	47,841	56,126
Increase in inventories	(27,366)	(43,568)
Increase in receivables	(13,079)	(47,183)
(Decrease)/Increase in payables	(5,995)	19,583
Cash generated from/(used in) operations	1,401	(15,042)
Interest received	1,163	397
Interest paid	(8,566)	(6,624)
Income tax paid	(10,689)	(8,188)
Net cash used in operating activities	(16,691)	(29,457)
<b>Cash Flows from Investing Activities</b>		
Addition to deposits pledged with licensed banks	(173)	(6,260)
Capital work-in-progress paid	(14,420)	(2,755)
Deposits paid for acquisition of plant and equipment	(929)	-
Purchase of property, plant and equipment	(4,431)	(2,180)
Proceeds from disposal of property, plant and equipment	64	22,567
Net cash used in acquisition of a subsidiary	-	(2,414)
Net cash (used in)/from investing activities	(19,889)	8,958

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2018 (CONT'D)**

	<b>Current Year-To-Date 30.09.2018 RM'000</b>	<b>Preceding Year-To-Date 30.09.2017 RM'000</b>
<b>Cash Flows from Financing Activities</b>		
Dividend paid	(4,650)	(4,650)
Drawdowns of term loans	13,382	-
Repayments of term loan	(1,350)	(1,350)
Net (repayments)/drawdowns of Islamic financing	(4,123)	21,538
Net drawdowns of bankers' acceptances	13,586	28,814
Payments to finance lease payables	(3,744)	(1,113)
Net cash from financing activities	<u>13,101</u>	<u>43,239</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(23,479)</b>	<b>22,740</b>
Effect of exchange rate changes on cash and cash equivalents	200	29
<b>Cash and cash equivalents at beginning of the financial period</b>	<b>40,006</b>	<b>933</b>
<b>Cash and cash equivalents at end of the financial period</b>	<b><u>16,727</u></b>	<b><u>23,702</u></b>
<b>Cash and cash equivalents at end of the financial period comprises:</b>		
Cash and bank balances	14,108	10,593
Deposits with licensed banks	38,880	37,962
	<u>52,988</u>	<u>48,555</u>
Less: Bank overdrafts	(29,271)	(18,112)
Less: Deposits pledged with licensed banks	(6,990)	(6,741)
	<u>16,727</u>	<u>23,702</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
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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:

		<b>Effective for financial periods beginning on or after</b>
<b><u>New MFRSs</u></b>		
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
<b><u>Amendments/Improvements to MFRSs</u></b>		
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)**

		<b>Effective for financial periods beginning on or after</b>
<b><u>Amendments/Improvements to MFRSs (cont’d)</u></b>		
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
<b><u>New IC Int</u></b>		
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019
<b><u>Amendments to IC Int</u></b>		
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 interim periods 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**

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

**A8. Segment Information**

Segment information of the Group for the financial year-to-date ended 30 September 2018 is as follows:

	<b>Trading of Processing</b>				
	<b>Steel</b>	<b>of Steel</b>			
	<b>Products</b>	<b>Products</b>	<b>Others <sup>(1)</sup></b>	<b>Elimination</b>	<b>Total</b>
	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>
External revenue	201,728	240,535	510	-	442,773
Cost of sales	(169,175)	(206,359)	(459)	-	(375,993)
Gross profit	32,553	34,176	51	-	66,780
Add/(Less):					
- Other income					2,126
- Operating expenses					(28,043)
- Finance costs					(9,127)
Profit before tax					31,736
Tax expense					(8,249)
Profit for the financial period					23,487

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

	<b>Trading of Processing</b>				
	<b>Steel</b>	<b>of Steel</b>			
	<b>Products</b>	<b>Products</b>	<b>Others <sup>(1)</sup></b>	<b>Elimination</b>	<b>Total</b>
	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>	<b>RM’000</b>
External revenue	213,486	217,199	997	-	431,682
Cost of sales	(182,762)	(175,620)	(757)	-	(359,139)
Gross profit	30,724	41,579	240	-	72,543
Add/(Less):					
- Other income					26,744
- Operating expenses					(28,430)
- Finance costs					(7,359)
Profit before tax					63,498
Tax expense					(10,896)
Profit for the financial period					52,602

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**

	<b>As at 30.09.2018 RM’000</b>	<b>Audited As at 31.12.2017 RM’000</b>
Approved and contracted for:		
- purchase of motor vehicles	-	267
- purchase of machinery	3,689	11,925
- purchase of properties	262	320
- construction of factory and warehouse buildings	5,079	16,303
	<u>9,030</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 30 September 2018.

**A14. Significant Related Party Transactions**

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>Current Year Quarter 30.09.2018 RM’000</b>	<b>Preceding Year- Quarter 30.09.2017 RM’000</b>	<b>Current Year- To-Date 30.09.2018 RM’000</b>	<b>Preceding Year- To-Date 30.09.2017 RM’000</b>
Sales to related parties	1,263	1,408	3,522	3,024
Purchases from related parties	110	49	1,053	247
Rental expense paid to related parties	509	390	1,409	1,170
Interest charged by related party <sup>(1)</sup>	84	84	246	246

*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 September 2018 amounted to RM10.25 million (30.09.2017: RM10.25 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**

	<b>Current Year Quarter 30.09.2018 RM'000</b>	<b>Preceding Year Quarter 30.09.2017 RM'000</b>	<b>Variance</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	155,241	177,985	(22,744)	-12.8%
Gross profit	22,251	24,984	(2,733)	-10.9%
Profit before interest and tax	14,555	19,966	(5,411)	-27.1%
Profit before tax	11,388	17,369	(5,981)	-34.4%
Profit after tax	8,585	13,727	(5,142)	-37.5%
Profit attributable to owners of the Company	8,589	13,763	(5,174)	-37.6%

The revenue recorded for the current quarter and the preceding year corresponding quarter was RM155.24 million and RM177.98 million respectively, decreased by 12.8% or RM22.74 million.

The decrease in revenue was mainly due to the decrease in revenue for our trading and processing of steel products by 20.5% or RM17.77 million and 5.7% or RM5.17 million respectively.

The decrease in revenue for trading of steel products was mainly due to:

- lower revenue from trading of flat carbon steel products by 41.4% or RM21.96 million, from RM53.06 million to RM31.10 million, mainly due to lower tonnage sales by 47.6%, mitigated by higher average selling price by 11.9%; partially offset by
- higher revenue from trading of long carbon steel products by 13.9% or approximately RM3.40 million, from RM24.42 million to RM27.82 million, mainly attributable to higher average selling price by 29.6%, despite lower tonnage sales by 12.1%.

The decrease in revenue for processing of steel products was mainly due to lower revenue from processing of flat carbon steel products by 8.6% or approximately RM5.39 million, from RM63.12 million to RM57.73 million, caused by lower tonnage sales by 13.5%, partly mitigated by higher average selling price by 5.8%.

Our main business segments continued to be trading and processing of steel products, which collectively contributed approximately 99.7% of our total revenue for the current quarter. The trading segment and the processing segment contributed revenue of approximately 44.4% and 55.3% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of approximately 48.7% and 51.1% respectively for the preceding year corresponding quarter.

Our gross profit decreased by 10.9% or RM2.73 million, from RM24.98 million to RM22.25 million. This was mainly due to the decrease in revenue by 12.8% or RM22.74 million, from RM177.98 million to RM155.24 million while the overall gross profit margin remained fairly similar at approximately 14.3%, which only higher by 0.3 percentage points as compared to the overall gross profit margin recorded 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)**

The other income for the current quarter was RM0.75 million as compared to RM3.65 million for the preceding year corresponding quarter, lower by RM2.90 million, mainly due to the absence of gain on bargain purchase for RM2.70 million which was recognised in the preceding year corresponding quarter, arising from acquisition of PCM Steel Processing Sdn Bhd (“PSP”) as the Group share of fair value of identifiable net assets acquired on the acquisition date is more than its purchase consideration.

Our operating costs decreased by RM0.22 million from RM8.48 million for the preceding year corresponding quarter to RM8.26 million for the current quarter, as the result of the following:

1. Net decrease in distribution and administrative costs by RM0.65 million, mainly as the result of the following:
  - lower electricity and water expenses as well as depreciation charges by RM0.46 million and RM0.43 million respectively, mainly due to certain portion of these expenses were allocated to direct overhead costs; and
  - decrease in transportation, travelling and accommodation expenses by RM0.19 million; partly offset by
  - increase in directors’ remuneration by RM0.24 million; and
  - increase in upkeep of motor vehicles by RM0.22 million.
2. Increase in other costs by RM0.43 million, mainly as the result of the following:
  - higher unrealised loss on foreign exchange by RM0.07 million;
  - additional relocation expenses of approximately RM0.04 million incurred during the current quarter 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;
  - higher gift and donation incurred by RM0.04 million;
  - higher penalty charges by RM0.14 million, mainly in relation to income tax under estimated for the year of assessment 2017; and
  - higher stamp duty paid by approximately RM0.08 million.

Total finance costs for the current quarter was RM3.35 million, increased by RM0.57 million or 20.4% as compared to RM2.78 million for the preceding year corresponding quarter. This was mainly due to higher utilisation of trade financing and term loan facilities where their interest expenses increased by RM0.33 million and RM0.26 million respectively.

Based on the foregoing factors, our Group registered a decrease in profit before tax by 34.4% or RM5.98 million to RM11.39 million as compared to RM17.37 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**

	<b>Current Year- To-Date 30.09.2018 RM'000</b>	<b>Preceding Year- To-Date 30.09.2017 RM'000</b>	<b>Variance</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	442,773	431,682	11,091	2.6%
Gross profit	66,780	72,543	(5,763)	-7.9%
Profit before interest and tax	40,318	70,368	(30,050)	-42.7%
Profit before tax	31,736	63,498	(31,762)	-50.0%
Profit after tax	23,487	52,602	(29,115)	-55.3%
Profit attributable to owners of the Company	23,583	52,638	(29,055)	-55.2%

Our revenue increased by 2.6% or RM11.09 million from RM431.68 million for the preceding financial year-to-date to RM442.77 million for the current financial year-to-date. This was mainly resulted from the increase in revenue for our processing of steel products by 10.7% or RM23.34 million, largely reduced by the decrease in revenue for trading of steel products by 5.5% or RM11.76 million.

The increase in revenue for processing of steel products was attributable to:

- higher revenue from processing of flat carbon steel products by 12.0% or RM17.49 million, from RM145.55 million to RM163.04 million, which saw its demand increased by 6.9%, as well as higher average selling price by 4.8%; and
- higher revenue from processing of long carbon steel products by 50.7% or RM4.80 million, from RM9.47 million to RM14.27 million, which saw its demand increased by 42.4%, as well as higher average selling price by 5.8%.

On the other hand, the decrease in revenue for trading of steel products was mainly due to:

- lower revenue from trading of flat carbon steel products by 14.4% or RM18.57 million, from RM128.93 million to RM110.36 million, mainly due to lower tonnage sales by 23.8%, mitigated by higher average selling price by 12.4%; partially offset by
- higher revenue from trading of other flat steel products by 13.6% or approximately RM1.91 million, from RM14.04 million to RM15.95 million, mainly attributable to higher tonnage sales by 21.0%, even with lower average selling price by 6.2%; and
- higher revenue from trading of long carbon steel products by 6.9% or RM4.09 million, from RM59.56 million to RM63.65 million, mainly attributable to higher average selling price by 26.0%, despite lower tonnage sales by 15.1%.

Despite higher revenue by approximately 2.6% or approximately RM11.09 million, from RM431.68 million to RM442.77 million, our gross profit decreased by 7.9% or RM5.76 million, from RM72.54 million to RM66.78 million, mainly due to lower overall gross profit margin, from 16.8% for the preceding financial year-to date to 15.1% for the current financial year-to-date, resulted from lower gross profit margin for processing of steel products by approximately 4.9 percentage points, from 19.1% to 14.2%, mainly caused by the following:

- lower gross profit margin for processing of long carbon steel products by approximately 10.3 percentage points, from 32.7% to 22.4%, due to the increase in average cost for input materials by 22.5%, while the average selling price had only increased by 5.8%; 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.

**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)**

The other income for the current financial year-to-date was RM2.13 million as compared to RM26.74 million for the preceding financial year-to-date, lower by approximately RM24.61 million, mainly due to the absence of gain and compensation for injurious affection derived from the compulsory acquisition of the affected land and buildings, amounting to approximately RM21.68 million, and also the absence of contribution by the recognition of gain on bargain purchase for RM2.70 million, arising from acquisition of PSP as the Group share of fair value of identifiable net assets acquired on the acquisition date is more than its purchase consideration.

Our operating costs decreased by RM0.39 million from RM28.43 million for the preceding financial year-to-date to RM28.04 million for the current financial year-to-date, due to the net decrease in distribution and administrative costs by RM1.18 million, mainly as the result of the following:

- lower electricity and water expenses as well as depreciation charges by RM1.44 million and RM1.10 million respectively, mainly due to certain portion of these expenses were allocated to direct overhead costs; and
- lower professional fees by RM1.18 million mainly due to the 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 RM1.75 million;
- increase in security charges by RM0.24 million; and
- increase in upkeep of motor vehicles by RM0.53 million.

However, the above net decrease in distribution and administration costs were offset by the increase in other costs by RM0.79 million, mainly as the result of the following:

- higher stamp duties paid by RM0.21 million;
- higher allowance for impairment loss on trade receivables of RM0.54 million;
- higher gift and donation incurred by RM0.12 million; and
- higher penalty charges by RM0.14 million, mainly in relation to income tax under estimated for the year of assessment 2017; but partly offset by
- decrease in bad debts written off by RM0.26 million.

Total finance costs increased by RM1.77 million or 24.0% as compared to the preceding financial year-to-date. This was mainly due to higher utilisation of overdraft, trade financing, Islamic financing and term loan facilities where their interest expenses increased by RM0.53 million, RM0.60 million, RM0.40 million and RM0.29 million respectively.

Based on the foregoing factors, our Group registered a decrease in profit before tax by 50.0% or RM31.76 million from RM63.50 million for the preceding financial year-to-date to RM31.74 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**

	<b>Current Quarter 30.09.2018 RM'000</b>	<b>Immediate Preceding Quarter 30.06.2018 RM'000</b>	<b>Variance</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	155,241	144,485	10,756	7.4%
Gross profit	22,251	21,661	590	2.7%
Profit before interest and tax	14,555	13,965	590	4.2%
Profit before tax	11,388	11,177	211	1.9%
Profit after tax	8,585	8,432	153	1.8%
Profit attributable to owners of the Company	8,589	8,461	128	1.5%

Our Group achieved revenue of RM155.24 million for the current quarter, which was higher than the immediate preceding quarter's revenue by 7.4% or RM10.76 million.

The increase in revenue was mainly due to the increase in revenue for our trading and processing of steel products by 8.5% or RM5.42 million and 6.0% or RM4.88 million respectively.

The increase in revenue for trading of steel products was mainly due to:

- higher revenue from trading of other flat steel products by 51.4% or RM2.15 million, from RM4.19 million to RM6.34 million, mainly attributable to higher tonnage sales by 56.1%, even with lower average selling price by 3.0%; and
- higher revenue from trading of long carbon steel products by 43.7% or approximately RM8.47 million, from RM19.35 million to RM27.82 million, mainly attributable to higher tonnage sales by 45.5%, while average selling price only lower by 1.2%; partially offset by
- lower revenue from trading of flat carbon steel products by 12.8% or approximately RM4.57 million, from RM35.67 million to RM31.10 million, mainly due to lower tonnage sales by 12.4%, while average selling price remained fairly consistent.

The increase in revenue for processing of steel products was attributable to higher revenue from processing of flat steel products by 6.5% or RM4.74 million, from RM73.43 million to RM78.17 million, which saw its demand increased by 7.1%, while average selling price remained fairly consistent.

For the current quarter, our gross profit increased by 2.7% or RM0.59 million, from RM21.66 million for the immediate preceding quarter to RM22.25 million for the current quarter, which was mainly due to the increase in revenue by RM10.76 million, from RM144.49 million for the immediate preceding quarter to RM155.24 million for the current quarter, partly offset by lower overall gross profit margin from 15.0% for the immediate preceding quarter to 14.3% for the current quarter.

The lower overall gross profit margin was mainly due to the increase in overall average selling price by only 0.2%, while the overall average cost for input materials had increased by 1.5%.

The other income of RM0.75 million for the current quarter, remain fairly consistent as compared to RM0.79 million for the 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 slightly by RM0.04 million, from RM8.30 million for the immediate preceding quarter to RM8.26 million for the current quarter, resulted by the net decrease in distribution and administrative costs by RM0.56 million, mainly caused by the decrease in directors' remuneration by RM0.55 million due to the absence of bonuses which had been accrued in the immediate preceding quarter, largely offset by the increase in other costs by RM0.52 million mainly as the result of the following:

- impact from unrealised loss on foreign exchange of RM0.23 million;
- higher penalty charges by RM0.14 million, mainly in relation to income tax under estimated for the year of assessment 2017; and
- stamp duties paid of RM0.09 million.

The finance costs for the current quarter was RM3.35 million, increased by approximately RM0.37 million or 12.7% as compared to RM2.98 million for the immediate preceding quarter. This was mainly due to higher utilisation of trade financing and term loan facilities.

Based on the foregoing factors, our profit before tax increased slightly by 1.9% or approximately RM0.21 million, from RM11.18 million for the immediate preceding quarter to RM11.39 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.

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.

The implementation of Sales and Services Tax (SST) on 1 September 2018 in Malaysia has, so far, not materially affected the demand from our customers. The Malaysian Budget 2019 presented on 2 November 2018 is also not expected to have any material impact on our operation and business for the remaining period of the current financial year as it will take effect from 2019.

For the last quarter of the current financial year, our Group will embark on downstream production of steel pipes which is expected to commence operation in December 2018 subject to among others, approvals obtained from relevant authorities. 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.

Based on our performance for the last three quarters of the current financial year, the Board strongly believes that our Group is in a position to produce positive results for remaining quarter 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 30.09.2018 RM'000	Preceding Year Quarter 30.09.2017 RM'000	Current Year-To-Date 30.09.2018 RM'000	Preceding Year-To-Date 30.09.2017 RM'000
Amortisation of prepaid land lease payment	36	23	106	23
Bad debt written off	-	-	16	271
Bargain purchase gain on acquisition of a subsidiary	-	(2,700)	-	(2,700)
Depreciation of property, plant and equipment	2,706	2,497	7,955	7,242
Deposits written off	-	-	21	-
Fair value loss on derivatives	9	2	9	-
Impairment loss on trade receivables	17	(16)	635	99
Insurance claimed	-	(350)	(43)	(472)
Interest income	(453)	(323)	(1,292)	(397)
Interest expense	3,167	2,597	8,582	6,870
Net (gain)/loss on foreign exchange				
- realised	(275)	(44)	(291)	80
- unrealised	154	62	101	26
Net (gain)/loss on disposal of property, plant and equipment	(20)	(54)	35	(99)
Property, plant and equipment written off	-	-	-	61
Rental of premises	558	495	1,557	1,386
Rental of motor vehicle	6	-	19	-
Rental of equipment	16	16	50	44
Rental of land	131	130	391	390
Reversal of impairment loss on trade receivables	(16)	(84)	(63)	(966)
Relocation expenses <sup>(1)</sup>	43	-	66	-
Exceptional items <sup>(2)</sup> :				
- Gain on disposal of property, plant and equipment	-	-	-	(17,802)
- Compensation for injurious affection	-	-	-	(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 30.09.2018 RM'000	Preceding Year- Quarter 30.09.2017 RM'000	Current Year- To-Date 30.09.2018 RM'000	Preceding Year- To-Date 30.09.2017 RM'000
Current tax				
- for the financial period	2,588	3,673	8,242	10,650
- over provision in prior financial year	(267)	(835)	(267)	(835)
Deferred tax				
- origination and reversal of temporary differences	460	(87)	331	119
- under/(over) provision in prior year	22	891	(57)	962
Tax expense	<u>2,803</u>	<u>3,642</u>	<u>8,249</u>	<u>10,896</u>

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 September 2018 were as follows:

	<b>As at 30.09.2018 RM'000</b>	<b>As at 31.12.2017 RM'000</b>
<b><u>Current</u></b>		
<b>Secured:</b>		
Bankers' acceptances	99,173	93,290
Finance lease payables	2,444	4,483
Term loan	1,800	1,800
Bank overdrafts	22,868	11,358
	<u>126,285</u>	<u>110,931</u>
<b>Unsecured:</b>		
Bankers' acceptances	72,067	64,364
Islamic financing	38,810	42,934
Bank overdrafts	6,403	4,506
	<u>117,280</u>	<u>111,804</u>
	<u>243,565</u>	<u>222,735</u>
<b><u>Non-current</u></b>		
<b>Secured:</b>		
Finance lease payables	3,056	913
Term loans	40,405	12,900
	<u>43,461</u>	<u>13,813</u>
	<u>287,026</u>	<u>236,548</u>
<b>Total Borrowings</b>		

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 30.09.2018 RM'000	Preceding Year- Quarter 30.09.2017 RM'000	Current Year- To-Date 30.09.2018 RM'000	Preceding Year- To-Date 30.09.2017 RM'000
Profit attributable to owners of the Company	8,589	13,763	23,583	52,638
Weighted average number of ordinary shares in issue ('000)	310,000	310,000	310,000	310,000
Basic Earnings Per Share (sen)	2.77	4.44	7.61	16.98

(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 November 2018