

**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 2024**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2024 RM'000	Preceding Year Quarter 30.06.2023 RM'000	Current Year- To-Date 30.06.2024 RM'000	Preceding Year- To-Date 30.06.2023 RM'000
Revenue	227,001	217,419	452,260	451,117
Cost of sales	(205,930)	(187,758)	(403,667)	(392,912)
Gross profit	21,071	29,661	48,593	58,205
Other income	854	995	1,822	2,079
Distribution costs	(3,752)	(3,297)	(7,512)	(6,652)
Administrative costs	(6,981)	(6,444)	(14,495)	(13,882)
Net reversal/(addition) of impairment losses on financial instruments	14	815	(3)	259
Other costs	(215)	(203)	(470)	(391)
	(10,934)	(9,129)	(22,480)	(20,666)
Profit from operations	10,991	21,527	27,935	39,618
Finance costs	(6,248)	(5,436)	(12,345)	(10,658)
<b>Profit before tax</b>	4,743	16,091	15,590	28,960
Tax expense	(717)	(4,213)	(3,380)	(6,400)
<b>Profit for the financial period</b>	4,026	11,878	12,210	22,560
<b>Other comprehensive income:</b>				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of a foreign operation	(5)	36	1	52
<b>Total other comprehensive income, net of tax</b>	(5)	36	1	52
<b>Total comprehensive income for the financial period</b>	4,021	11,914	12,211	22,612
<b>Profit attributable to:</b>				
- Owners of the Company	4,026	11,880	12,243	22,612
- Non-controlling interests	-	(2)	(33)	(52)
	4,026	11,878	12,210	22,560

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2024 (CONT'D)**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2024 RM'000	Preceding Year Quarter 30.06.2023 RM'000	Current Year- To-Date 30.06.2024 RM'000	Preceding Year- To-Date 30.06.2023 RM'000
<b>Total comprehensive income attributable to:</b>				
- Owners of the Company	4,021	11,916	12,244	22,664
- Non-controlling interests	-	(2)	(33)	(52)
	<u>4,021</u>	<u>11,914</u>	<u>12,211</u>	<u>22,612</u>
<b>Earnings per share (sen) attributable to owners of the Company:</b>				
- Basic	1.18	3.48	3.59	6.63
- Diluted	1.18	3.48	3.59	6.63

*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 2023 and the accompanying explanatory notes attached to this interim financial statement.*

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Registration No. 200601036648 (756407-D)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2024**

	As at 30.06.2024 RM'000 (Unaudited)	As at 31.12.2023 RM'000 (Audited)
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	312,505	318,267
Capital work-in-progress	56,084	53,352
	<u>368,589</u>	<u>371,619</u>
<b>Current Assets</b>		
Inventories	430,538	370,931
Trade receivables	249,583	251,015
Other receivables, deposits and prepayments	11,209	9,126
Tax assets	3,460	12,829
Deposits with licensed banks	9,686	10,654
Cash and bank balances	23,806	39,042
	<u>728,282</u>	<u>693,597</u>
<b>TOTAL ASSETS</b>	<u>1,096,871</u>	<u>1,065,216</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	186,423	186,423
Merger deficit	(103,960)	(103,960)
Capital reserve	1	1
Retained earnings	513,220	506,038
Translation reserve	135	134
	<u>595,819</u>	<u>588,636</u>
Non-controlling interests	-	358
<b>Total Equity</b>	<u>595,819</u>	<u>588,994</u>
<b>Non-Current Liabilities</b>		
Loans and borrowings	89,810	92,051
Deferred tax liabilities	8,390	7,816
	<u>98,200</u>	<u>99,867</u>
<b>Current Liabilities</b>		
Trade payables	11,271	11,040
Other payables and accruals	17,205	21,205
Tax liabilities	237	247
Loans and borrowings	366,995	340,704
Dividend payable	5,115	-
Contract liabilities	2,029	3,135
Derivative financial liabilities	-	24
	<u>402,852</u>	<u>376,355</u>
<b>Total Liabilities</b>	<u>501,052</u>	<u>476,222</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>1,096,871</u>	<u>1,065,216</u>
Net assets per share attributable to owners of the Company (RM)	1.75	1.73

*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 2023 and the accompanying explanatory notes attached to this interim financial statement.*

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE PERIOD ENDED 30 JUNE 2024**

	< ----- Attributable to Owners of the Company ----- >					Non-	Total
	Share Capital	Merger Deficit	Capital Reserve	Translation Reserve	Retained Earnings	Controlling Interests	Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2024</b>							
<b>At 1 January 2024</b>	186,423	(103,960)	1	134	506,038	358	588,994
Profit/(Loss) for the financial period	-	-	-	-	12,243	(33)	12,210
Other comprehensive income for the financial period	-	-	-	1	-	-	1
<b>Total comprehensive income</b>	-	-	-	1	12,243	(33)	12,211
<b>Transaction with owners</b>							
Changes in ownership interests in a subsidiary	-	-	-	-	54	(325)	(271)
Dividends	-	-	-	-	(5,115)	-	(5,115)
<b>Total transaction with owners</b>	-	-	-	-	(5,061)	(325)	(5,386)
<b>At 30 June 2024</b>	186,423	(103,960)	1	135	513,220	-	595,819
<b>2023</b>							
<b>At 1 January 2023</b>	186,423	(103,960)	1	71	475,154	505	558,194
Profit/(Loss) for the financial period	-	-	-	-	22,612	(52)	22,560
Other comprehensive income for the financial period	-	-	-	52	-	-	52
<b>Total comprehensive income</b>	-	-	-	52	22,612	(52)	22,612
<b>Transaction with owners</b>							
Dividends	-	-	-	-	(5,115)	-	(5,115)
<b>At 30 June 2023</b>	186,423	(103,960)	1	123	492,651	453	575,691

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 2023 and the accompanying explanatory notes attached to this interim financial statement.*

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2024**

	<b>Current Year-To-Date 30.06.2024 RM'000</b>	<b>Preceding Year-To-Date 30.06.2023 RM'000</b>
<b>Cash Flows from Operating Activities</b>		
Profit before tax	15,590	28,960
Adjustments for:		
Depreciation of property, plant and equipment	10,161	9,105
Fair value gain on derivatives	(24)	-
Impairment losses on trade receivables	31	709
Interest expense	11,467	9,812
Interest income	(538)	(509)
Net gain on disposal of plant and equipment	(176)	(147)
Net unrealised foreign exchange gain	(154)	(324)
Reversal of impairment losses on trade receivables	(28)	(967)
Waiver of interest income	-	74
Operating profit before changes in working capital	36,329	46,713
Inventories	(59,777)	2,121
Trade and other receivables	(158)	8,013
Trade and other payables	(6,021)	6,389
Contract liabilities	(1,106)	1,983
Net cash (used in)/generated from operation	(30,733)	65,219
Interest received	524	357
Interest paid	(10,922)	(10,257)
Net income tax refunded/(paid)	6,553	(6,376)
Net cash (used in)/from operating activities	(34,578)	48,943
<b>Cash Flows from Investing Activities</b>		
Acquisition of non-controlling interests of a subsidiary	(271)	-
Capital work-in-progress paid	(3,822)	(12,135)
Changes in deposit pledged with a licensed bank	(12)	(8)
Deposits paid for acquisition of plant and equipment	(857)	(50)
Proceeds from disposal of plant and equipment	176	65
Purchase of property, plant and equipment	(888)	(2,944)
Net cash used in investing activities	(5,674)	(15,072)

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 30 JUNE 2024 (CONT'D)**

	<b>Current Year-To-Date 30.06.2024 RM'000</b>	<b>Preceding Year-To-Date 30.06.2023 RM'000</b>
<b>Cash Flows from Financing Activities</b>		
Drawdown of term loans	6,487	16,735
Net drawdown of bankers' acceptances	26,202	14,031
Net drawdown/(repayment) of islamic financing	16,377	(31,398)
Payment of hire purchase payables	(2,831)	(2,659)
Payment of lease liabilities	(920)	(937)
Repayment of term loans	(5,397)	(5,397)
Net cash from/(used in) financing activities	<u>39,918</u>	<u>(9,625)</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	(334)	24,246
<b>Cash and cash equivalents at the beginning of the financial period</b>	14,104	(6,256)
Effect of exchange rate changes on cash and cash equivalents	60	305
<b>Cash and cash equivalents at the end of the financial period</b>	<u>13,830</u>	<u>18,295</u>
<b>Cash and cash equivalents at the end of the financial period comprises:</b>		
Cash and bank balances	23,806	44,946
Deposits with licensed banks	9,686	6,532
	<u>33,492</u>	<u>51,478</u>
Less: Bank overdrafts	(19,135)	(32,669)
Less: Deposit pledged with a licensed bank	(527)	(514)
	<u>13,830</u>	<u>18,295</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 2023 and the accompanying explanatory notes attached to this interim financial statement.*

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**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 2023.

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 2023.

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 2023, except for the adoption of the following:

**Amendments/Improvements to MFRSs**

MFRS 7	Financial Instruments: Disclosures
MFRS 16	Leases
MFRS 101	Presentation of Financial Statements
MFRS 107	Statement of Cash Flows

The Group has not applied in advance the following amendments/improvements to MFRSs 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>Amendments/Improvements to MFRSs</u></b>		
MFRS 7	Financial Instruments: Disclosures	1 January 2026
MFRS 9	Financial Instruments	1 January 2026
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 18	Presentation and Disclosure in Financial Statements	1 January 2027
MFRS 19	Subsidiaries without Public Accountability: Disclosures	1 January 2027
MFRS 121	The Effects of Changes in Foreign Exchange Rates	1 January 2025
MFRS 128	Investments in Associates and Joint Ventures	Deferred

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

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

**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 2023 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.

**A7. Dividend Paid**

No dividend was paid during the current quarter.



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**A. EXPLANATION NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING (CONT’D)****A8. Segment Information**

Segment information of the Group for the financial year-to-date ended 30 June 2024 is as follows:

	<b>Trading of Steel Products RM’000</b>	<b>Processing/ Manufacturing<sup>(1)</sup> of Steel Products RM’000</b>	<b>Others<sup>(2)</sup> RM’000</b>	<b>Total RM’000</b>
External revenue	152,555	299,157	548	452,260
Cost of sales	(137,021)	(266,245)	(401)	(403,667)
Gross profit	<u>15,534</u>	<u>32,912</u>	<u>147</u>	<u>48,593</u>
Add/(Less):				
- Other income				1,822
- Operating expenses				(22,477)
- Net addition of impairment losses on financial instruments				(3)
- Finance costs				<u>(12,345)</u>
Profit before tax				15,590
Tax expense				<u>(3,380)</u>
Profit for the financial period				<u><u>12,210</u></u>

Segment information of the Group for the financial year-to-date ended 30 June 2023 is as follows:

	<b>Trading of Steel Products RM’000</b>	<b>Processing/ Manufacturing<sup>(1)</sup> of Steel Products RM’000</b>	<b>Others<sup>(2)</sup> RM’000</b>	<b>Total RM’000</b>
External revenue	153,043	297,956	118	451,117
Cost of sales	(132,846)	(259,975)	(91)	(392,912)
Gross profit	<u>20,197</u>	<u>37,981</u>	<u>27</u>	<u>58,205</u>
Add/(Less):				
- Other income				2,079
- Operating expenses				(20,925)
- Net reversal of impairment losses on financial instruments				259
- Finance costs				<u>(10,658)</u>
Profit before tax				28,960
Tax expense				<u>(6,400)</u>
Profit for the financial period				<u><u>22,560</u></u>

*Notes:*<sup>(1)</sup> Collectively referred to as “processing”.<sup>(2)</sup> 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.

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**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. 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 other than the acquisition by the Company’s wholly-owned subsidiary, Leon Fuat Metal Sdn. Bhd. of the remaining 1,546,000 ordinary shares representing approximately 12.99% of the total issued share capital of PCM Steel Processing Sdn. Bhd. (“PSP”) from Nippon Steel Trading Corporation for a cash consideration of RM270,605. Consequently, PSP became an indirect wholly-owned subsidiary of the Company on 20 March 2024.

**A12. Capital Commitments**

	<b>As at 30.06.2024 RM'000</b>	<b>Audited As at 31.12.2023 RM'000</b>
<b>Approved and contracted for:</b>		
Acquisition of plant and equipment	841	1,674
	841	1,674

**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 2024.

**A14. Significant Related Party Transactions**

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>Current Year Quarter 30.06.2024 RM'000</b>	<b>Preceding Year Quarter 30.06.2023 RM'000</b>	<b>Current Year- To-Date 30.06.2024 RM'000</b>	<b>Preceding Year- To-Date 30.06.2023 RM'000</b>
Sales to related parties	1,170	948	2,848	2,729
Purchases from related parties	#	47	2	80
Rental expense paid to related parties	430	430	860	860

*Note:*

# Less than RM500.

**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 30.06.2024 RM'000</b>	<b>Preceding Year Quarter 30.06.2023 RM'000</b>	<b>Variance</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	227,001	217,419	9,582	4.4%
Gross profit	21,071	29,661	(8,590)	-29.0%
Profit before interest and tax	10,488	21,094	(10,606)	-50.3%
Profit before tax	4,743	16,091	(11,348)	-70.5%
Profit after tax	4,026	11,878	(7,852)	-66.1%
Profit attributable to owners of the Company	4,026	11,880	(7,854)	-66.1%

The revenue recorded for the current quarter and the preceding year corresponding quarter was RM227.00 million and RM217.42 million respectively, increased by 4.4% or RM9.58 million.

The increase in revenue was mainly due to increase in revenue for trading and processing of steel products by 3.7% or RM2.74 million from RM73.60 million to RM76.34 million and by 4.7% or RM6.73 million from RM143.78 million to RM150.51 million respectively.

The increase in revenue for trading of steel products was mainly resulted from:

- higher revenue from trading of other flat steel products by 22.4% attributable to higher tonnage sales by 48.6%, despite lower average selling price by 17.6%; and
- higher revenue from trading of long carbon steel products by 17.1% attributable to higher tonnage sales by 22.6%, despite lower average selling price by 4.5%; offset by
- lower revenue from trading of flat carbon steel products by 10.5% due to lower average selling price by 11.1% while the tonnage sales remained fairly consistent.

The increase in revenue for processing of steel products was mainly resulted from:

- higher revenue from processing of flat carbon steel products by 10.1% attributable to higher tonnage sales by 17.8%, despite lower average selling price by 6.6%; offset by
- lower revenue from processing of long carbon steel products by 25.1% due to decrease in tonnage sales by 22.1% as well as lower average selling price by 4.0%; and
- lower revenue from processing of other long steel products by 15.4% due to decrease in tonnage sales by 9.4% as well as lower average selling price by 6.7%.

Our main business segments continued to be trading and processing of steel products, which collectively contributed 99.9% of our total revenue for the current quarter. The trading segment and the processing segment contributed revenue of 33.6% and 66.3% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of 33.9% and 66.1% 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 4.4% or RM9.58 million, from RM217.42 million to RM227.00 million, our gross profit decreased by 29.0% or RM8.59 million, from RM29.66 million for the preceding year corresponding quarter to RM21.07 million for the current quarter. This was due to lower overall gross profit margin by approximately 4.3 percentage points, from 13.6% for the preceding year corresponding quarter to 9.3% for the current quarter.

The other income for the current quarter was RM0.85 million as compared to RM0.99 million for the preceding year corresponding quarter, decreased by RM0.14 million, mainly due to:

- lower unrealised gain on foreign exchange by RM0.29 million due to reversal of unrealised gain on foreign exchange of RM0.08 million recorded for the current quarter as opposed to unrealised gain on foreign exchange of RM0.21 million recorded for the preceding year corresponding quarter; and
- lower insurance claims by RM0.20 million; mitigated by
- higher gain on disposal of plant and equipment by RM0.09 million;
- higher realised gain on foreign exchange by RM0.12 million; and
- increase in interest income by RM0.10 million.

Our operating costs increased by RM1.80 million from RM9.13 million for the preceding year corresponding quarter to RM10.93 million for the current quarter, as the result of the following:

1. Increase in distribution costs by RM0.46 million mainly due to:
  - increase in staff related costs by RM0.24 million mainly caused by increase in salary, wage and overtime payments;
  - increase in petrol, parking, toll, transportation, travelling and accommodation expenses by RM0.12 million; and
  - increase in upkeep of motor vehicles expenses by RM0.05 million.
2. Increase in administrative costs by RM0.54 million mainly due to:
  - increase in staff related costs and directors' remuneration by RM0.20 million mainly resulted from higher provision of fees for directors;
  - increase in depreciation charges by RM0.10 million;
  - higher security charges by RM0.05 million; and
  - higher license fees, upkeep of office and office equipment expenses by RM0.15 million.
3. Lower net reversal of impairment losses on financial instruments (trade receivables) by RM0.80 million.

Total finance costs for the current quarter was RM6.25 million, increased by RM0.81 million as compared to RM5.44 million for the preceding year corresponding quarter. This was mainly caused by higher profit charges for islamic financing by RM0.39 million as well as higher interest expense for bankers' acceptances and term loans in the current quarter by RM0.18 million and RM0.38 million respectively, mainly due to higher utilisation of aforementioned facilities and higher profit/interest rates for the current quarter as compared to the preceding year corresponding quarter resulted from the increase of Overnight Policy Rate by Bank Negara Malaysia in May 2023. The increase was, however, partially offset by lower interest expense for overdraft facilities by RM0.15 million.

Based on the foregoing factors, our profit before tax decreased by 70.5% or RM11.35 million, from RM16.09 million for the preceding year corresponding quarter to RM4.74 million for the current quarter.

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**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 30.06.2024 RM'000</b>	<b>Preceding Year- To-Date 30.06.2023 RM'000</b>	<b>Variance</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	452,260	451,117	1,143	0.3%
Gross profit	48,593	58,205	(9,612)	-16.5%
Profit before interest and tax	27,057	38,772	(11,715)	-30.2%
Profit before tax	15,590	28,960	(13,370)	-46.2%
Profit after tax	12,210	22,560	(10,350)	-45.9%
Profit attributable to owners of the Company	12,243	22,612	(10,369)	-45.9%

The revenue recorded for the current financial year-to-date and the preceding financial year-to-date was fairly similar at RM452.26 million and RM451.12 million respectively.

For the current financial year-to-date, our gross profit decreased by 16.5% or approximately RM9.62 million, from RM58.21 million for the preceding financial year-to-date to RM48.59 million for the current financial year-to-date. This was due to lower overall gross profit margin by 2.2 percentage points, from 12.9% for the preceding financial year-to-date to 10.7% for the current financial year-to-date.

The other income for the current financial year-to-date was RM1.82 million as compared to RM2.08 million for the preceding financial year-to-date, was lower by RM0.26 million, mainly due to:

- lower unrealised gain on foreign exchange by RM0.17 million recorded for the current financial year-to-date; and
- lower insurance claims by RM0.38 million; mitigated by
- higher realised gain on foreign exchange by RM0.23 million; and
- absence of waiver of interest income on overdue trade receivables of RM0.07 million.

Our operating costs increased by RM1.81 million from RM20.67 million for the preceding financial year-to-date to RM22.48 million for the current financial year-to-date, as the result of the following:

1. Increase in distribution costs by RM0.86 million mainly due to:
  - increase in staff related costs by RM0.47 million mainly caused by increase in salary, wage and overtime payments; and
  - increase in petrol, parking, toll, transportation, travelling and accommodation expenses by RM0.29 million.

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

**B1. Review of Performance (Cont'd)**

**Current Financial Year-To-Date Compared To Preceding Financial Year-To-Date (Cont'd)**

2. Increase in administrative costs by RM0.61 million mainly due to:
  - increase in staff related costs and directors' remuneration by RM0.35 million mainly resulted from higher provision of fees for directors;
  - increase in depreciation charges by RM0.27 million;
  - increase in insurance and road tax expenses by RM0.12 million; and
  - higher license fees, upkeep of office and office equipment expenses by RM0.19 million; offset by
  - lower professional fees incurred in the current financial year-to-date by RM0.31 million.
  
3. Lower net impairment losses on financial instruments (trade receivables) by RM0.26 million.

Total finance costs increased by RM1.69 million as compared to the preceding financial year-to-date. This was mainly caused by higher profit charges for islamic financing by RM0.68 million as well as higher interest expense for bankers' acceptances and term loans in the current quarter by RM0.52 million and RM0.78 million respectively, mainly due to higher utilisation of aforementioned facilities and higher profit/interest rates for the current financial year-to-date as compared to the preceding financial year-to-date resulted from the increase of Overnight Policy Rate by Bank Negara Malaysia in May 2023. The increase was, however, partially offset by lower interest expense for overdraft facilities by RM0.30 million.

Based on the foregoing factors, our profit before tax for the current financial year-to-date decreased by 46.2% or RM13.37 million as compared to preceding financial year-to-date, from RM28.96 million for the preceding financial year-to-date to RM15.59 million for the current financial year-to-date.

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**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 30.06.2024 RM'000</b>	<b>Immediate Preceding Quarter 31.03.2024 RM'000</b>	<b>Variance</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	227,001	225,259	1,742	0.8%
Gross profit	21,071	27,522	(6,451)	-23.4%
Profit before interest and tax	10,488	16,569	(6,081)	-36.7%
Profit before tax	4,743	10,847	(6,104)	-56.3%
Profit after tax	4,026	8,184	(4,158)	-50.8%
Profit attributable to owners of the Company	4,026	8,217	(4,191)	-51.0%

Our Group achieved revenue of RM227.00 million for the current quarter, which remained fairly consistent as compared to the immediate preceding quarter's revenue of RM225.26 million.

Our gross profit decreased by 23.4% or RM6.45 million, from RM27.52 million for the immediate preceding quarter to RM21.07 million for the current quarter, which was due to lower overall gross profit margin by 2.9 percentage points, from 12.2% for the immediate preceding quarter to 9.3% for the current quarter.

The other income of RM0.85 million for the current quarter as compared to RM0.97 million for the immediate preceding quarter, was lower by approximately RM0.12 million, mainly due to:

- lower unrealised gain on foreign exchange by approximately RM0.31 million due to reversal of unrealised gain on foreign exchange of RM0.08 million recorded for the current quarter as opposed to unrealised gain on foreign exchange of RM0.23 million recorded for the immediate preceding quarter; largely mitigated by
- higher gain on disposal of plant and equipment by RM0.08 million;
- higher realised gain on foreign exchange by RM0.04 million; and
- higher insurance claims by RM0.08 million.

Our operating costs decreased by approximately RM0.62 million, from RM11.55 million for the immediate preceding quarter to RM10.93 million for the current quarter. This was mainly due to lower administrative costs by RM0.53 million mainly resulted from lower provision of bonuses for directors by RM0.21 million and decrease in staff welfare and allowance expenses by RM0.38 million.

The finance costs for the current quarter was RM6.25 million, remained fairly consistent as compared to RM6.10 million for the immediate preceding quarter.

Based on the foregoing factors, our profit before tax decreased by 56.3% or approximately RM6.11 million, from RM10.85 million for the immediate preceding quarter to RM4.74 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 catered 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 laser cutting machines. In addition, our Group also has downstream manufacturing facilities for production of welded steel pipes with existing Phase 1 of the facilities currently having 4 production lines. Phase 2 of the facilities will comprise a warehouse and a factory to house 1 production line for larger diameter welded steel pipes. Currently the warehouse and factory are completed whereas installation of the larger diameter welded steel pipes production line is almost completed and expected to be fully commissioned in second half of 2024.

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 and raw materials are sourced from overseas. With regards to the demand from our customers, our Group is leveraging on its large and diverse customer base which in turn dependent on the condition of economies they thrived in, their resilience towards crisis as well as policy measures of the government.

Despite an improvement in near-term prospects, the global economic outlook remains subdued by historical standards. Downside risks predominate, including geopolitical tensions, trade fragmentation, higher-for-longer interest rates, and climate-related disasters. Global cooperation is needed to safeguard trade, support green and digital transitions, deliver debt relief, and improve food security. In emerging markets and developing economies, public investment can boost productivity and catalyse private investment, promoting long-run growth. Comprehensive fiscal reforms are essential to address ongoing fiscal challenges in small states, including those arising from heightened exposure to external shocks.

Locally, growth in 2024 will be driven by resilient domestic expenditure with additional support from the recovery in external demand. On the domestic front, continued employment and wage growth will support household spending. Improvement in tourist arrivals and spending are expected to continue. Investment activities will be driven by progress in multi-year projects across private and public sectors, alongside catalytic initiatives announced in national master plans, as well as the higher realisation of approved investments. The growth outlook remains subject to downside risks stemming from weaker-than-expected external demand, further escalation in geopolitical conflicts and larger declines in commodity production domestically. Nonetheless, there are upside risks from greater spillover from the tech upcycle, more robust tourism activities and faster implementation of existing and new investment projects.



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

**B3. Commentary on Prospects (Cont'd)**

The current fluctuating steel prices with downward bias may affect our Group's profit margin. However, the strengthening of Ringgit Malaysia against other major currencies may cushion some of the adverse impact. Therefore, our Group will heighten 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 continue to enhance the operating customer orders while keeping our operating costs at a manageable level.

In view of the above, our Board is cautiously optimistic that the Group will achieve positive results for remaining quarters of 2024.

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**B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)****B4. Variance of Forecast Profit and Profit Guarantee**

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

**B5. Profit Before Tax**

Profit before tax is derived after charging/(crediting):

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2024 RM'000	Preceding Year Quarter 30.06.2023 RM'000	Current Year- To-Date 30.06.2024 RM'000	Preceding Year- To-Date 30.06.2023 RM'000
Depreciation of property, plant and equipment	5,083	4,584	10,161	9,105
Fair value gain on derivatives	-	-	(24)	-
Impairment losses on trade receivables	4	(189)	31	709
Interest expense	5,745	5,003	11,467	9,812
Waiver of interest income	-	74	-	74
Interest income	(290)	(193)	(538)	(509)
Net gain on disposal of plant and equipment	(130)	(35)	(176)	(147)
Net foreign exchange (gain)/loss:				
- realised	(174)	(58)	(304)	(74)
- unrealised	81	(205)	(154)	(324)
Rental income from premises	(247)	(247)	(494)	(494)
Reversal of impairment losses on trade receivables	(18)	(626)	(28)	(967)

*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.*

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**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 30.06.2024 RM'000	Preceding Year Quarter 30.06.2023 RM'000	Current Year- To-Date 30.06.2024 RM'000	Preceding Year- To-Date 30.06.2023 RM'000
<b>Current income tax</b>				
- Current income tax charge	891	3,598	2,801	4,965
- Adjustment in respect of prior years	-	-	5	(1,393)
<b>Deferred tax</b>				
- (Reversal)/Origination of temporary differences	(174)	615	574	2,828
Tax expense	717	4,213	3,380	6,400

*Note:*

The effective tax rate for the current quarter and current financial year-to-date are lower than the statutory tax rate of 24% mainly due to availability of reinvestment allowance for 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.

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**B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)****B8. Group Borrowings**

	As at 30.06.2024 RM'000	As at 31.12.2023 RM'000
<b><u>Current</u></b>		
<b>Secured:</b>		
Bankers' acceptances	117,805	109,255
Bank overdrafts	12,356	25,792
Hire purchase payables	4,498	5,498
Term loans	12,580	11,154
	<hr/> 147,239	<hr/> 151,699
<b>Unsecured:</b>		
Bankers' acceptances	114,815	97,163
Bank overdrafts	6,779	9,286
Islamic financing	97,944	81,567
Lease liabilities	218	989
	<hr/> 219,756	<hr/> 189,005
	<hr/> 366,995	<hr/> 340,704
<b><u>Non-current</u></b>		
<b>Secured:</b>		
Hire purchase payables	2,978	4,809
Term loans	76,531	76,867
	<hr/> 79,509	<hr/> 81,676
<b>Unsecured:</b>		
Lease liabilities	10,301	10,375
	<hr/> 89,810	<hr/> 92,051
<b>Total Borrowings</b>	<hr/> <hr/> 456,805	<hr/> <hr/> 432,755

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 single-tier final dividend of 1.5 sen per share in respect of the financial year ended 31 December 2023 (financial year ended 31 December 2022: 1.5 sen) has been approved by the shareholders at the Annual General Meeting of the Company held on 13 June 2024. The final dividend was paid on 19 July 2024.

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**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 30.06.2024 RM'000	Preceding Year Quarter 30.06.2023 RM'000	Current Year- To-Date 30.06.2024 RM'000	Preceding Year- To-Date 30.06.2023 RM'000
Profit attributable to owners of the Company	4,026	11,880	12,243	22,612
Weighted average number of ordinary shares in issue ('000)	341,000	341,000	341,000	341,000
Basic Earnings Per Share (sen)	1.18	3.48	3.59	6.63

## (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 2024