

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 2021

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2021 RM'000	Preceding Year Quarter 30.06.2020 RM'000	Current Year- To-Date 30.06.2021 RM'000	Preceding Year- To-Date 30.06.2020 RM'000
Revenue	184,783	106,755	396,262	226,793
Cost of sales	(131,322)	(94,103)	(289,466)	(200,671)
Gross profit	53,461	12,652	106,796	26,122
Other income	1,221	1,736	2,331	2,605
Distribution costs	(2,741)	(2,078)	(5,674)	(4,227)
Administrative costs	(5,901)	(4,632)	(11,816)	(9,788)
Net addition of impairment losses on financial instruments	(134)	(302)	(184)	(495)
Other costs	(141)	(142)	(267)	(1,254)
	(8,917)	(7,154)	(17,941)	(15,764)
Profit from operations	45,765	7,234	91,186	12,963
Finance costs	(3,192)	(3,626)	(6,088)	(7,279)
Profit before tax	42,573	3,608	85,098	5,684
Income tax expense	(10,458)	(954)	(16,873)	(1,967)
Profit for the financial period	32,115	2,654	68,225	3,717
Other comprehensive income: <i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange difference on translation of a foreign operation	1	16	17	10
Total other comprehensive income, net of tax	1	16	17	10
Total comprehensive income for the financial period	32,116	2,670	68,242	3,727
Profit/(Loss) attributable to:				
- Owners of the Company	32,119	2,679	68,243	3,704
- Non-controlling interests	(4)	(25)	(18)	13
	32,115	2,654	68,225	3,717

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2021 (CONT'D)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2021 RM'000	Preceding Year Quarter 30.06.2020 RM'000	Current Year- To-Date 30.06.2021 RM'000	Preceding Year- To-Date 30.06.2020 RM'000
Total comprehensive income/(loss) attributable to:				
- Owners of the Company	32,120	2,695	68,260	3,714
- Non-controlling interests	(4)	(25)	(18)	13
	<u>32,116</u>	<u>2,670</u>	<u>68,242</u>	<u>3,727</u>
 Earnings per share (sen) attributable to owners of the Company:				
- Basic	9.76	0.86	21.35	1.19
- Diluted	9.76	0.86	21.35	1.19

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 2020 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 2021

	As at 30.06.2021 RM'000 (Unaudited)	As at 31.12.2020 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	198,188	203,686
Capital work-in-progress	28,490	13,836
	<u>226,678</u>	<u>217,522</u>
Current assets		
Inventories	321,476	250,378
Trade receivables	206,496	196,424
Other receivables, deposits and prepayments	39,598	10,950
Tax assets	362	4,813
Deposits with licensed banks	58,764	27,878
Cash and bank balances	44,623	23,358
	<u>671,319</u>	<u>513,801</u>
TOTAL ASSETS	<u><u>897,997</u></u>	<u><u>731,323</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	186,423	160,094
Merger deficit	(109,545)	(109,545)
Capital reserve	1	1
Retained earnings	390,173	328,750
Translation reserve	2	(15)
	<u>467,054</u>	<u>379,285</u>
Non-controlling interests	598	616
Total Equity	467,652	379,901
Non-current liabilities		
Loans and borrowings	55,991	61,558
Deferred tax liabilities	7,152	6,587
	<u>63,143</u>	<u>68,145</u>
Current liabilities		
Trade payables	19,671	32,153
Other payables and accruals	14,582	17,658
Tax liabilities	10,701	125
Loans and borrowings	308,441	230,311
Dividend payable	6,820	-
Contract liabilities	6,987	3,030
	<u>367,202</u>	<u>283,277</u>
Total Liabilities	430,345	351,422
TOTAL EQUITY AND LIABILITIES	<u><u>897,997</u></u>	<u><u>731,323</u></u>
Net assets per share attributable to owners of the Company (RM)	1.37	1.22

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 2020 and the accompanying explanatory notes attached to this interim financial statement.

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Registration No. 200601036648 (756407-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2021

	< -----Attributable to Owners of the Company ----- >						
	Share Capital RM'000	Merger Deficit RM'000	Capital Reserve RM'000	Translation Reserve RM'000	Retained Earnings RM'000	Non- Controlling interests RM'000	Total Equity RM'000
2021							
At 1 January 2021	160,094	(109,545)	1	(15)	328,750	616	379,901
Profit for the financial period	-	-	-	-	68,243	(18)	68,225
Other comprehensive income for the financial period	-	-	-	17	-	-	17
Total comprehensive income	-	-	-	17	68,243	(18)	68,242
Issuance of ordinary shares pursuant to Private Placement	26,350	-	-	-	-	-	26,350
Share issue expenses	(21)	-	-	-	-	-	(21)
Dividend	-	-	-	-	(6,820)	-	(6,820)
Total transactions with owners	26,329	-	-	-	(6,820)	-	19,509
At 30 June 2021	186,423	(109,545)	1	2	390,173	598	467,652
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 for the financial period	-	-	-	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

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 2020 and the accompanying explanatory notes attached to this interim financial statement.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2021

	Current Year-To-Date 30.06.2021 RM'000	Preceding Year-To-Date 30.06.2020 RM'000
Cash Flows from Operating Activities		
Profit before tax	85,098	5,684
Adjustments for:		
Bad debt written off	-	3
Depreciation of property, plant and equipment	7,479	7,629
Gain on disposal of plant and equipment	-	(36)
Impairment losses on trade receivables	228	495
Interest income	(421)	(509)
Interest expense	5,156	6,907
Net gain on a lease termination	(6)	-
Net unrealised gain on foreign exchange	(53)	(110)
Reversal of impairment losses on trade receivables	(44)	-
Operating profit before changes in working capital	97,437	20,063
Inventories	(71,107)	(27,878)
Trade and other receivables	(34,651)	20,010
Trade and other payables	(17,232)	(14,255)
Contract liabilities	3,957	1,396
Net cash used in operations	(21,596)	(664)
Interest received	417	549
Interest paid	(6,038)	(6,902)
Income tax paid	(1,280)	(3,723)
Net cash used in operating activities	(28,497)	(10,740)
Cash Flows from Investing Activities		
Changes in deposits pledged with licensed banks	6,844	(134)
Capital work-in-progress paid	(10,286)	(2,351)
Deposits paid for acquisition of property, plant and equipment	(6,208)	(215)
Purchase of plant and equipment	(2,054)	(450)
Proceeds from disposal of plant and equipment	-	20
Net cash used in investing activities	(11,704)	(3,130)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2021 (CONT'D)

	Current Year-To-Date 30.06.2021 RM'000	Preceding Year-To-Date 30.06.2020 RM'000
Cash Flows from Financing Activities		
Net proceeds from issuance of ordinary shares	26,329	-
Payment of lease liabilities	(2,407)	(2,261)
Repayment of term loans	(1,019)	(900)
Repayment to ultimate holding company	-	(137)
Net drawdown/(repayment) of islamic financing	9,480	(3,467)
Net drawdown of bankers' acceptances	79,173	37,388
Net cash from financing activities	<u>111,556</u>	<u>30,623</u>
Net increase in cash and cash equivalents	71,355	16,753
Cash and cash equivalents at the beginning of the financial period	13,681	(6,079)
Effect of exchange rate changes on cash and cash equivalents	75	111
Cash and cash equivalents at the end of the financial period	<u>85,111</u>	<u>10,785</u>
Cash and cash equivalents at the end of the financial period comprises:		
Cash and bank balances	44,623	21,743
Deposits with licensed banks	58,764	28,618
	<u>103,387</u>	<u>50,361</u>
Less: Bank overdrafts	(17,034)	(31,549)
Less: Deposits pledged with licensed banks	(1,242)	(8,027)
	<u>85,111</u>	<u>10,785</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 2020 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 2020.

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 2020.

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 2020, except for the adoption of the following:

Amendments/Improvements to MFRSs

MFRS 4	Insurance Contracts
MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 16	Leases
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:

<u>New MFRS</u>		Effective for financial periods beginning on or after
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 16	Leases	1 January 2022 [^]
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023 [#] / 1 January 2023

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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 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income Taxes	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

^ The Annual Improvements to MFRS Standards 2018-2020

@ Reference to the Conceptual Framework

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 2020 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.

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

A8. Segment Information

Segment information of the Group for the financial year-to-date ended 30 June 2021 is as follows:

	Trading of Steel Products RM’000	Processing/ Manufacturing⁽¹⁾ of Steel Products RM’000	Others⁽²⁾ RM’000	Total RM’000
External revenue	148,171	247,957	134	396,262
Cost of sales	(112,295)	(177,090)	(81)	(289,466)
Gross profit	<u>35,876</u>	<u>70,867</u>	<u>53</u>	<u>106,796</u>
Add/(Less):				
- Other income				2,331
- Operating expenses				(17,757)
- Net addition of impairment losses on financial instruments				(184)
- Finance costs				<u>(6,088)</u>
Profit before tax				85,098
Income tax expense				<u>(16,873)</u>
Profit for the financial period				<u><u>68,225</u></u>

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

Segment information of the Group for the financial year-to-date ended 30 June 2020 is as follows:

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

Note:

⁽¹⁾ Collectively referred to as “processing”.

⁽²⁾ 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.

A10. Material Events Subsequent to the End of the Interim Period

On 30 July 2021, the Company announced that Leon Fuat Metal Sdn Bhd, its wholly-owned subsidiary had on the even date entered into a Sale and Purchase Agreement (“SPA”) with Irama Utama Sdn Bhd for the acquisition of all that piece of leasehold land held under individual title No. H.S.(M) 47185, No. PT 65648, Mukim Kapar, Daerah Klang, Negeri Selangor for a purchase price of RM20,425,146.10. Barring unforeseen circumstances, it is expected that the SPA will be completed in the fourth quarter of 2021.

Save as disclosed above, there were no other 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.

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A EXPLANATION NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING (CONT’D)**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 30.06.2021 RM’000	Audited As at 31.12.2020 RM’000
Approved and contracted for:		
Acquisition of plant and equipment	12,386	10,107
Acquisition of properties	37,744	-
Construction of factory and warehouse buildings	15,528	19,355
Approved and not contracted for:		
Acquisition of properties	-	3,302
	65,658	32,764
	65,658	32,764

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 2021.

A14. Significant Related Party Transactions

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2021 RM’000	Preceding Year Quarter 30.06.2020 RM’000	Current Year- To-Date 30.06.2021 RM’000	Preceding Year- To-Date 30.06.2020 RM’000
Sales to related parties	906	660	2,524	1,329
Purchases from related parties	4	10	178	36
Rental expense paid to related parties	447	425	960	938
			960	938
			960	938

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 30.06.2021 RM'000	Preceding Year Quarter 30.06.2020 RM'000	Variance	
			RM'000	%
Revenue	184,783	106,755	78,028	73.1%
Gross profit	53,461	12,652	40,809	322.5%
Profit before interest and tax	45,207	7,055	38,152	540.8%
Profit before tax	42,573	3,608	38,965	1080.0%
Profit after tax	32,115	2,654	29,461	1110.1%
Profit attributable to owners of the Company	32,119	2,679	29,440	1098.9%

The revenue recorded for the current quarter and the preceding year corresponding quarter was RM184.78 million and RM106.76 million respectively, increased by 73.1% or approximately RM78.02 million. This was generally due to our revenue was not severely affected by different phases of Movement Control Order (“MCO”) which were implemented during the current quarter in response to the COVID-19 pandemic in the country as compared to the preceding year corresponding quarter.

The increase in revenue was mainly attributable to increase in revenue for trading and processing of steel products by 74.0% or RM31.43 million from RM42.45 million to RM73.88 million and by 72.7% or RM46.66 million from RM64.19 million to RM110.85 million respectively.

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

- higher revenue from trading of flat carbon steel products by 72.4% mainly attributable to higher tonnage sales by 11.1% as well as higher average selling price by 55.2%; and
- higher revenue from trading of long carbon steel products by 172.8% mainly attributable to higher tonnage sales by 112.2% as well as higher average selling price by 28.6%.

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

- higher revenue from processing of flat carbon steel products by 104.7% mainly attributable to higher tonnage sales by 26.8% as well as higher average selling price by 61.5%. The higher tonnage sales by 26.8% includes contribution of 26.0% from production of welded steel pipes; and
- higher revenue from processing of long carbon steel products by 77.1% mainly due to increase in tonnage sales by 29.9% as well as higher average selling price by 36.4%.

Our main business segments continued to be trading and processing of steel products, which collectively contributed approximately 100.0% of our total revenue for the current quarter. The trading segment and the processing segment contributed revenue of approximately 40.0% and approximately 60.0% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of 39.8% and 60.1% 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)**

For the current quarter, our gross profit increased by 322.5% or RM40.81 million, from RM12.65 million for the preceding year corresponding quarter to RM53.46 million for the current quarter, which was mainly due to the increase in revenue by 73.1% or approximately RM78.02 million, from RM106.76 million for the preceding year corresponding quarter to RM184.78 million for the current quarter, as well as higher overall gross profit margin by approximately 17.0 percentage points, from 11.9% for the preceding year corresponding quarter to 28.9% for the current quarter.

The other income for the current quarter was RM1.22 million as compared to RM1.74 million for the preceding year corresponding quarter, decreased by RM0.52 million, mainly due to absence of wage subsidy from Government under the Wage Subsidy Programme and rental discount received of RM0.35 million and RM0.09 million respectively, as well as lower unrealised gain on foreign exchange recorded for the current quarter by RM0.05 million as compared to preceding year corresponding quarter.

Our operating costs increased by approximately RM1.77 million from RM7.15 million for the preceding year corresponding quarter to RM8.92 million for the current quarter, as the result of the following:

1. Increase in distribution costs by RM0.66 million mainly due to:
 - increase in staff related costs by RM0.39 million mainly caused by increase in headcount and provision of bonuses for staff as the management has decided to accrue for staff bonuses on quarterly basis instead of charging the total bonuses to the last quarter of current financial year;
 - increase in depreciation charges by RM0.07 million; and
 - increase in upkeep of lorries, petrol, parking and toll expenses by RM0.17 million.
2. Increase in administrative costs by RM1.27 million mainly due to:
 - higher directors' remuneration and staff related costs by RM0.87 million, mainly resulted from accrual of bonuses for directors and staff on quarterly basis instead of charging it to the last quarter of current financial year; and
 - higher professional fees incurred in the current quarter by RM0.45 million; slightly offset by
 - decrease in depreciation charges by RM0.10 million.
3. Decrease in net addition of impairment losses on financial instruments (trade receivables) by RM0.17 million.

Total finance costs for the current quarter was RM3.19 million, decreased by approximately RM0.44 million as compared to RM3.63 million for the preceding year corresponding quarter. This was attributable to lower interest expense for overdraft facilities, bankers' acceptances and term loans by RM0.43 million, RM0.28 million and RM0.06 million respectively, mainly due to decrease in interest rates following the further reduction of Overnight Policy Rate by Bank Negara Malaysia in May 2020 and July 2020. The lower interest expense for overdraft facilities was also due to lower utilisation of overdraft facilities. However, the decrease in interest expense for the aforementioned facilities was partially offset by higher bank charges incurred in the current quarter by RM0.38 million.

Based on the foregoing factors, our profit before tax increased significantly by approximately 1080.0% or RM38.96 million, from RM3.61 million for the preceding year corresponding quarter to RM42.57 million for the current 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 30.06.2021 RM'000	Preceding Year- To-Date 30.06.2020 RM'000	Variance	
			RM'000	%
Revenue	396,262	226,793	169,469	74.7%
Gross profit	106,796	26,122	80,674	308.8%
Profit before interest and tax	90,254	12,591	77,663	616.8%
Profit before tax	85,098	5,684	79,414	1397.1%
Profit after tax	68,225	3,717	64,508	1735.5%
Profit attributable to owners of the Company	68,243	3,704	64,539	1742.4%

Our revenue increased by 74.7% or RM169.47 million from RM226.79 million for the preceding financial year-to-date to RM396.26 million for the current financial year-to-date. This was generally due to our revenue was not severely affected by different phases of MCO which were implemented during the current financial year-to-date in response to the COVID-19 pandemic in the country as compared to the preceding financial year-to-date.

The increase in revenue was mainly attributable to increase in revenue for trading and processing of steel products by 80.5% or RM66.10 million from RM82.07 million to RM148.17 million and by 71.6% or RM103.43 million from RM144.53 million to RM247.96 million respectively.

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

- higher revenue from trading of flat carbon steel products by 71.6% mainly attributable to higher tonnage sales by 26.5% as well as higher average selling price by 35.6%;
- higher revenue from trading of other flat steel products by 47.0% mainly attributable to higher tonnage sales by 46.5% while the average selling price remained fairly consistent; and
- higher revenue from trading of long carbon steel products by 141.5% mainly attributable to higher tonnage sales by 107.3% as well as higher average selling price by 16.5%.

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

- higher revenue from processing of flat carbon steel products by 90.4% mainly attributable to higher tonnage sales by 29.7% as well as higher average selling price by 46.8%. The higher tonnage sales by 29.7% includes contribution of 20.3% from production of welded steel pipes;
- higher revenue from processing of other flat steel products by 34.5% mainly attributable to higher tonnage sales by 26.8% as well as higher average selling price by 6.1%; and
- higher revenue from processing of long carbon steel products by 82.7% mainly due to increase in tonnage sales by 56.3% as well as higher average selling price by 16.9%.

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 gross profit increased by 308.8% or approximately RM80.68 million, from RM26.12 million for the preceding financial year-to-date to RM106.80 million for the current financial year-to-date, which was mainly due to the increase in revenue by 74.7% or RM169.47 million, from RM226.79 million for the preceding financial year-to-date to RM396.26 million for the current financial year-to-date, as well as better overall gross profit margin by approximately 15.5 percentage points, from 11.5% for the preceding financial year-to-date to 27.0% for the current financial year-to-date.

The other income for the current financial year-to-date was RM2.33 million as compared to RM2.61 million for the preceding financial year-to-date, lower by approximately RM0.28 million, as the result of the following:

- absence of wage subsidy from Government under the Wage Subsidy Programme, rental discount received and gain on disposal of plant and equipment of RM0.35 million, RM0.09 million and RM0.04 million respectively;
- lower unrealised gain on foreign exchange by RM0.06 million;
- lower interest income by RM0.09 million; and
- lower insurance claims by RM0.09 million; largely offset by
- increase in rental income by RM0.44 million contributed from letting bigger portion of our warehouse space in Port Klang Free Zone.

Our operating costs increased by RM2.18 million from RM15.76 million for the preceding financial year-to-date to RM17.94 million for the current financial year-to-date, as the result of the following:

1. Increase in distribution costs by RM1.45 million mainly due to:
 - increase in staff related costs by RM0.83 million mainly caused by increase in headcount and provision of bonuses for staff as the management has decided to accrue for staff bonuses on quarterly basis instead of charging the total bonuses to the last quarter of current financial year;
 - increase in upkeep of lorries, petrol, parking and toll expenses by RM0.37 million; and
 - increase in transportation, travelling and accommodation expenses by RM0.14 million.
2. Increase in administrative costs by RM2.03 million mainly due to:
 - higher directors' remuneration and staff related costs by RM1.42 million, mainly resulted from accrual of bonuses for directors and staff on quarterly basis instead of charging it to the last quarter of current financial year; and
 - higher professional fees incurred in the current financial year-to-date by RM0.63 million.
3. Decrease in net addition of impairment losses on financial instruments (trade receivables) by RM0.31 million.
4. Decrease in other costs by RM0.99 million, mainly due to 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. An appeal against it has been filed and the outcome is still pending from the tax authority as at the end of the current financial year-to-date.

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

B1. Review of Performance (Cont'd)

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

Total finance costs decreased by RM1.19 million as compared to the preceding financial year-to-date. This was mainly due to lower interest expense for overdraft facilities, bankers' acceptances and term loans by RM0.85 million, RM0.65 million and RM0.19 million respectively, mainly due to decrease in interest rates following the further reduction of Overnight Policy Rate by Bank Negara Malaysia in May 2020 and July 2020. The lower interest expense for overdraft facilities was also due to lower utilisation of overdraft facilities. However, the decrease in interest expense for the aforementioned facilities was partially offset by higher bank charges incurred in the current financial year-to-date by RM0.56 million.

Based on the foregoing factors, our profit before tax for the current financial year-to-date increased substantially by approximately 1,397.1% or approximately RM79.42 million as compared to preceding financial year-to-date, from RM5.68 million for the preceding financial year-to-date to RM85.10 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 30.06.2021 RM'000	Immediate Preceding Quarter 31.03.2021 RM'000	Variance	
			RM'000	%
Revenue	184,783	211,479	(26,696)	-12.6%
Gross profit	53,461	53,335	126	0.2%
Profit before interest and tax	45,207	45,047	160	0.4%
Profit before tax	42,573	42,525	48	0.1%
Profit after tax	32,115	36,110	(3,995)	-11.1%
Profit attributable to owners of the Company	32,119	36,124	(4,005)	-11.1%

Our Group achieved revenue of RM184.78 million for the current quarter, which was lower than the immediate preceding quarter's revenue by 12.6% or RM26.70 million.

The decrease in revenue for the current quarter was mainly due to lower overall tonnage sales by 24.8% generally caused by the impact of nationwide MCO and full MCO which were implemented by the federal government of Malaysia in response to the surges of COVID-19 pandemic in the country.

However, the decrease in overall revenue due to the impact of nationwide MCO and full MCO was partially offset by higher overall average selling price by 16.2%.

For the current quarter, our gross profit increased slightly by 0.2% or approximately RM0.12 million, from RM53.34 million for the immediate preceding quarter to RM53.46 million for the current quarter, which was mainly due to the decrease in revenue by 12.6% or RM26.70 million, from RM211.48 million for the immediate preceding quarter to RM184.78 million for the current quarter, which was well compensated by higher overall gross profit margin from 25.2% for the immediate preceding quarter to 28.9% for the current quarter.

The other income of RM1.22 million for the current quarter as compared to RM1.11 million for the immediate preceding quarter, was higher by RM0.11 million, mainly due to higher interest income by RM0.10 million.

Our operating costs decreased slightly by approximately RM0.10 million, from RM9.02 million for the immediate preceding quarter to RM8.92 million for the current quarter, 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 RM0.07 million; and
 - decrease in transportation, travelling and accommodation expenses by RM0.11 million.
2. Increase in net addition of impairment losses on financial instruments (trade receivables) by RM0.08 million.

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

B2. Material Variation of Profit Before Tax Against Immediate Preceding Quarter (Cont'd)

The finance costs for the current quarter was RM3.19 million, increased by approximately RM0.29 million as compared to RM2.90 million for the immediate preceding quarter. This was mainly due to higher interest expense for bankers' acceptances and higher bank charges incurred in the current quarter by RM0.25 million and RM0.19 million respectively, partially offset by lower interest expense for overdraft facilities by RM0.12 million.

Based on the foregoing factors, our profit before tax increased negligibly by 0.1% or approximately RM0.04 million, from RM42.53 million for the immediate preceding quarter to RM42.57 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 laser cutting machines. In addition, our Group also has downstream manufacturing facilities for production of welded steel pipes of which Phase 1 of the facilities with 2 production lines are in full swing since the second half of 2019. Another two (2) production lines are expected to be added in the second half of this year while Phase 2 of the facilities is currently at development stages and is expected to be fully commissioned in the second half of 2023.

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.

The global economic recovery has strengthened although various uncertainties still exist with regards to the rate and sustainability of the recovery amidst resurgences of COVID-19 in certain economies. Nonetheless, the International Monetary Fund (IMF) is maintaining its projection for global economy to grow by 6% in 2021 but with offsetting revisions. Prospect for emerging market and developing economies have been marked down, especially for Emerging Asia. By contrast, the forecast for advanced economies is revised up. These revisions reflect pandemic developments and changes in policy support. Growth in emerging market and developing economies will be supported by higher demand and elevated commodity prices.

Locally, the re-imposition of nation-wide containment measures to curb the resurgence of COVID-19 cases will dampen the economic recovery momentum. The degree and impact to the economy is highly dependent on the stringency and duration of the containment measures. Nevertheless, allowances for essential economic sectors to operate, albeit at a reduced capacity, and higher adaptability to remote work, automation and digitalisation will partly mitigate the impact of restrictions. Going forward, the gradual relaxation of containment measures, alongside the rapid progress of the domestic vaccination programme and continued strength in external demand will provide support for the growth recovery. The growth outlook, however, is subject to significant downside risks, due mainly to factors that could lead to a delay in the easing of containment measures or imposition of tighter containment measures, and a weaker than expected global growth recovery.

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

B3. Commentary on Prospects (Cont'd)

Mindful of the risks arising from global and local factors mentioned above as well as the risk of reversal in the steel prices, 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, limiting the movements of staffs as well as adhering to other Standard Operating Procedures required by the relevant authorities. The Group has also put in place emergency response team ('ERT') in three of its subsidiaries to deal with emergencies arising from the pandemic as well as other health and workplace related emergencies. With these, we are hopeful that any pent-up demand can be met expeditiously and be back in business-as-usual as soon as possible when the containment measures eases.

Having considered the above, our Board is cautiously optimistic that our Group shall be able to achieve profitable results for the remaining quarters of 2021.

B4. Variance of Forecast Profit and Profit Guarantee

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

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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 30.06.2021 RM'000	Preceding Year Quarter 30.06.2020 RM'000	Current Year- To-Date 30.06.2021 RM'000	Preceding Year- To-Date 30.06.2020 RM'000
Bad debt written off	-	1	-	3
Depreciation of property, plant and equipment	3,715	3,802	7,479	7,629
Expense relating to short-term leases	48	22	85	49
Fair value gain on derivative	-	(8)	-	-
Impairment losses on trade receivables	131	302	228	495
Interest expense	2,634	3,447	5,156	6,907
Interest income	(260)	(227)	(421)	(509)
Net (gain)/loss on foreign exchange				
- realised	(1)	12	(31)	(22)
- unrealised	(9)	(57)	(53)	(110)
Net gain on a lease termination	-	-	(6)	-
Gain on disposal of plant and equipment	-	(16)	-	(36)
Rental income	(740)	(740)	(1,480)	(1,045)
Reversal of impairment losses on trade receivables	3	-	(44)	-

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 30.06.2021 RM'000	Preceding Year Quarter 30.06.2020 RM'000	Current Year- To-Date 30.06.2021 RM'000	Preceding Year- To-Date 30.06.2020 RM'000
Current income tax				
- for the financial period	10,681	1,091	16,308	1,417
- over provision in prior financial years	-	(190)	(#)	(126)
Deferred tax				
- (reversal)/origination of temporary differences	(223)	58	565	664
- (over)/under provision in prior financial year	-	(5)	-	12
Income tax expense	<u>10,458</u>	<u>954</u>	<u>16,873</u>	<u>1,967</u>

Note:

Less than RM500.

The effective tax rate for the current quarter is slightly higher than the statutory tax rate of 24% mainly due to absence of unabsorbed reinvestment allowance brought forward from prior financial years for deducting against statutory business income for the current quarter of a subsidiary company as it had been fully absorbed in the immediate preceding quarter. The effective tax rate for the current financial year-to-date is 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**(i) Proposed Acquisition**

On 24 February 2021, AmInvestment Bank Berhad announced on behalf of our Board, that Supreme Steelmakers Sdn Bhd, a wholly-owned subsidiary of the Company had on the even date entered into a conditional sale and purchase agreement (“SPA”) with Leon Fuat Holdings Sdn Bhd for the proposed acquisition of a parcel of freehold land measuring approximately 9,946 square meters known as Lot 60240, Pekan Kajang, Daerah Hulu Langat, Negeri Selangor Darul Ehsan held under GM6958 together with the factory, warehouse and office erected thereon including weighing system, overhead cranes and fittings, for a total cash consideration of RM28,000,000 (“Proposed Acquisition”).

The Proposed Acquisition was duly approved by the non-interested shareholders of the Company at the extraordinary general meeting of the Company held on 18 June 2021. Barring unforeseen circumstances, it is expected that the SPA will be completed in the third quarter of 2021.

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B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)**B7. Status of Corporate Proposals (Cont'd)****(ii) Utilisation of Proceeds from Private Placement**

The Private Placement raised a gross proceeds of RM26.35 million. The status of utilisation of proceeds raised from the Private Placement as at 30 June 2021 is as follows:

Purpose	Proposed Utilisation⁽¹⁾ (RM'000)	Actual Utilisation (RM'000)	Deviation	Balance unutilised (RM'000)	Estimated timeframe for utilisation (from the completion date of the Private Placement)
Purchase of machineries for the new welded steel pipe manufacturing line	26,195	-	-	26,195	Within 24 months
Expenses incurred for the Private Placement	155	155	-	-	Immediate
Total	26,350	155	-	26,195	

Note:

(1) The proposed utilisation of proceeds as disclosed above should be read in conjunction with the Announcement made by the Company dated 13 April 2021.

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

	As at 30.06.2021 RM'000	As at 31.12.2020 RM'000
<u>Current</u>		
Secured:		
Bankers' acceptances	146,404	98,833
Bank overdrafts	10,109	18,692
Lease liabilities	2,685	2,872
Term loans	6,274	3,096
	<u>165,472</u>	<u>123,493</u>
Unsecured:		
Bankers' acceptances	82,527	50,925
Bank overdrafts	6,925	10,776
Islamic financing	53,354	43,874
Lease liabilities	163	1,243
	<u>142,969</u>	<u>106,818</u>
	<u>308,441</u>	<u>230,311</u>
<u>Non-current</u>		
Secured:		
Lease liabilities	1,685	2,934
Term loans	43,673	47,870
	<u>45,358</u>	<u>50,804</u>
Unsecured:		
Lease liabilities	10,633	10,754
	<u>55,991</u>	<u>61,558</u>
Total Borrowings	<u>364,432</u>	<u>291,869</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

On 28 May 2021, our Board of Directors declared and approved the payment of a first interim dividend of 2.0 sen per ordinary share in respect of the financial year ending 31 December 2021 (financial year ended 31 December 2020: nil). The interim dividend was paid on 1 July 2021.

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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 30.06.2021 RM'000	Preceding Year Quarter 30.06.2020 RM'000	Current Year- To-Date 30.06.2021 RM'000	Preceding Year- To-Date 30.06.2020 RM'000
Profit attributable to owners of the Company	32,119	2,679	68,243	3,704
Weighted average number of ordinary shares in issue ('000)	329,077	310,000	319,591	310,000
Basic Earnings Per Share (sen)	9.76	0.86	21.35	1.19

(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
9 September 2021