

PART A: EXPLANATION NOTES AS PER MFRS 134

A1 Basis of Preparation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards ("MFRS") 134 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

These interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2017.

The explanatory notes attached to these condensed consolidated 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 Group since the financial year ended 31 December 2017.

The significant accounting policies and methods of computation adopted are consistent with those of the audited financial statements for the year ended 31 December 2017, except for the adoption of the following new MFRSs, Amendments to MFRSs and Interpretations which are effective for annual periods beginning on or after 1 January 2018:

	Effective Date
Amendments to MFRS 1 Annual Improvements to MFRS Standards 2014-2016 Cycle	1 January 2018
MFRS 15 Revenue from Contracts with Customers	1 January 2018
Clarification to MFRS 15	1 January 2018
MFRS 9 Financial Instruments (IFRS as issued by IASB in July 2014)	1 January 2018
Amendments to MFRS 2 Classification and Measurement of Share-based Payment Transactions	1 January 2018
Amendments to MFRS 128 Annual Improvements to MFRS Standards 2014-2016 Cycle	1 January 2018
IC Interpretation 22 Foreign Currency Transactions and Advance Consideration	1 January 2018
Amendments to MFRS 140 Transfers of Investment Property	1 January 2018
MFRS 16 Leases	1 January 2019

The above standards, amendments and annual improvements do not have significant impact on the financial reporting of the Group.

A2 Audit Report of Preceding Annual Financial Statements

The auditors' report on the financial statements for the financial year ended 31 December 2017 was not qualified.

A3 Seasonal or cyclicity factors

The Group faces minor seasonal fluctuations during the major festive seasons such as Chinese New Year celebrations.

A4 The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence

There was no unusual item in the quarterly financial statement under review.

A5 Changes in estimates

There are no significant changes in the estimates of amount, which give a material effect in the current interim period.

A6 Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

(i) Employees' Share Option Scheme

The paid-up share capital of the Company has been increased from RM103,411,006 to RM103,460,266 as a result of the exercise of 72,000 options pursuant to the Company ESOS as at 31 March 2018.

(ii) Shares buy-back

During the current financial quarter, the Company repurchased 478,000 of its issued share capital from the open market at an average price of RM0.925 per share. The total consideration paid was RM442,320. These shares are being held as treasury shares in accordance with Section 127 of the Companies Act, 2016.

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities other than as disclosed above for the current quarter and financial year to date.

A7 Dividends paid (aggregate or per share) separately for ordinary share and other shares

There was no dividend paid for the quarter ended 31 March 2018.

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A8 Segment Information for the current financial year to date

	<u>Trading</u> RM'000	<u>Manufacturing</u> RM'000	<u>Investment</u> RM'000	<u>Elimination</u> RM'000	<u>Total</u> RM'000
Revenue					
External Sales	43,488	148,655	402	-	192,545
Inter-segment revenue	834	32,838	649	(34,321)	-
Total Revenue	44,322	181,493	1,051	(34,321)	192,545
Segment Result	1,978	10,173	(123)	(221)	11,807
Profit from operations					11,807
Finance costs					(3,323)
Interest Income					234
Share of results of associates					3,402
Profit before tax					12,120

No analysis by geographical area has been presented as its year to date contribution was less than 10% to the combined results of all segments revenue or results or assets.

A9 Valuations of property, plant and equipment

The valuation of land & buildings has been brought forward, without amendment from the previous annual financial statement.

A10 Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the current quarter under review.

A11 The effect of changes in the composition of the enterprise during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations

There were no changes in the composition of the Company for the financial period under review.

A12 Changes in contingent liabilities or contingent assets since the last financial year ended 31 December 2017

As at the date of this announcement, there were no material contingent liabilities incurred by the Group which, upon becoming enforceable, may have a material impact on the financial position of the Group.

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A13 Capital commitments

As at 31/03/2018

RM'000

Property, plant and equipment

Authorized and contracted for 22,655

Authorized and not contracted for 9,022

PART B: ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (PART A OF APPENDIX 9B)

B1 Review of performance of the company and its principal subsidiaries for the current quarter and financial year to date

	Individual Period (1 st quarter)		Changes (Amount/%)	Cumulative Period		Changes (Amount/%)
	Current Year Quarter	Preceding Year Corresponding Quarter		Current Year to-date	Preceding Year Corresponding Period	
	01.01.2018 to 31.03.2018	01.01.2017 to 31.03.2017		01.01.2018 to 31.03.2018	01.01.2017 to 31.03.2017	
Revenue	192,545	175,717	16,828 / 9.6	192,545	175,717	16,828 / 9.6
Profit from operations	11,807	19,271	(7,464) / (38.7)	11,807	19,271	(7,464) / (38.7)
Profit Before Tax	12,120	16,499	(4,379) / (26.5)	12,120	16,499	(4,379) / (26.5)
Profit for the period	9,013	12,271	(3,258) / (26.6)	9,013	12,271	(3,258) / (26.6)

Group revenue and profit before taxation for the current quarter were RM 192.5 million and RM 12.1 million respectively. While group revenue were 9.6 % higher than the same period last year, profit before taxation for the period were lower by 26.5 %. Higher revenue were derived from the steel processing units while reduction in profit before taxation was mainly due to lower sales margin on higher costs of materials and weak market conditions which required competitive selling. Though current period's PBT were substantially lower than last year's extraordinary performance, it is actually much better than the same quarter of all other previous years.

B2 Material changes in the profit before taxation for the quarter reported on as compared with the immediate preceding quarter

	Current Year Quarter 01.01.2018 to 31.03.2018	Immediate Preceding Quarter 01.10.2017 to 31.12.2017	Changes (Amount/%)
Revenue	192,545	196,272	(3,727) / (1.9)
Profit from operations	11,807	12,417	(610) / (4.9)
Profit Before Tax	12,120	11,959	161 / 1.3
Profit for the period	9,013	8,532	481 / 5.6

Compared to the immediate preceding quarter, Group revenue for the quarter under review reduced slightly by 1.9 % from RM 196.3 million to RM192.5 million. However, profit before tax for the quarter under review improved slightly to RM 12.1 million as compared to RM 11.9 million of the immediate preceding quarter despite lower sales margin partly due to the effect of inclusion of initial set-up past service costs of Employee benefits during the immediate preceding quarter.

B3 Prospects

At the time of submitting this report, newly elected federal Government has announced that GST rate will be reduced from six (6) percent to zero (0) percent effective 1st Jun 2018, while Malaysia real GDP for 1Q 2018 was reported lower at 5.4% y-o-y basis when compared to 5.9 % of the immediate preceding quarter. Thus, the domestic market demand may be affected as political and economic conditions in the country is in a state of flux with uncertainties e pending the announcement and implementation of Sales and Service Tax as well as major political and economic reforms and possible policy changes.

Nevertheless, international steel material prices is stabilizing though some fluctuations experienced during the quarter under review. Against this backdrop, the Board will continue to adopt cautious and pragmatic approach in directing the business strategies and operations in order to generate a satisfactory financial performance for the financial year under review.

B4 Variance of actual profit from forecast profit / profit guarantee

Not applicable.

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B5 Tax expenses

	Current Quarter 31/03/18 RM'000	Current Year To Date 31/03/18 RM'000
Current taxation	2,813	2,813
Deferred taxation	294	294
In respect of prior years	-	-
	<u>3,107</u>	<u>3,107</u>

The average effective tax rate of the Group for the current quarter and financial year to date is higher than the current statutory tax rate mainly due to non tax deductibility of some expenses.

B6 The status of corporate proposals announced but not completed at the latest practicable date which shall not be earlier than 7 days from the date of issue of the quarterly report.

- (i) On 5 March 2018, the Company entered into a Sale and Purchase Agreement with Skyhub Technologies Sdn. Bhd. (Company No. 755194-P) for the acquisition of all that parcel of leasehold land held under Pajakan Mukim 5109, Lot 3811, Pekan Subang, Daerah Petaling, Negeri Selangor, together with the buildings erected thereon, at a total purchase consideration of RM19,250,000 (Ringgit Malaysia: Nineteen Million Two Hundred and Fifty Thousand) only. The Proposed Acquisition is yet to be completed.

- (ii) On 12 July 2017, the Company announced the proposed listing of its 51%-owned subsidiary, Tashin Steel Sdn. Bhd. ("TSSB") on the ACE Market of Bursa Securities ("IPO"). On 17 April 2018, the Company further announced that the shareholders of Tashin Steel namely, Prestar and Formula Naga had entered a supplemental share sale agreement with Tashin Holdings wherein Tashin Holdings shall acquire the entire share capital of Tashin Steel for a total purchase consideration of RM144,830,999 which was arrived after taking into consideration the audited net assets of Tashin Steel as at 31 December 2017 of RM144,831,193. The advisors and the management team of TSSSB are still in the midst of finalizing the IPO documents and will be submitting to the approving authorities in due course.

B7 Group bank borrowings:

Total group borrowings as at 31 March 2018 are as follows:-

	Short Term Borrowing	Long Term Borrowing
	RM'000	RM'000
Denominated in Ringgit Malaysia:		
Secured	57,904	3,229
Unsecured	209,708	-
Denominated in US Dollar:		
Secured	-	-
Unsecured	-	-
Total Bank Borrowings	267,612	3,229

B8 Material litigation since the date of the last annual statement of financial which must be made up to a date not earlier than 7 days from the date of issue of the quarterly report

The Group is not engaged in any material litigation, either as a plaintiff or defendant, claims or arbitration which have a material effect on the financial position of the Group.

B9 Dividend

The Directors do not recommend any interim dividend for the current quarter under review.

B10 Earnings per share

Basic

Basic earnings per share are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the financial year.

	Current Quarter 31/03/2018	Preceding Quarter 31/03/2017	Current Year to date 31/03/2018	Preceding Year to date 31/03/2017
Net profit/(loss) attributable to ordinary shareholders (RM'000)	7,042	9,289	7,042	9,289
Weighted average number of ordinary shares in issue ('000)	197,639	186,297	197,639	186,297
Basic earnings per share (sen)	3.56	4.99	3.56	4.99

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Diluted

Diluted earnings per share are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares outstanding in issue during the financial year adjusted for the effects of dilutive potential ordinary shares.

	Current Quarter 31/03/2018	Preceding Quarter 31/03/2017	Current Year to date 31/03/2018	Preceding Year to date 31/03/2017
Net profit attributable to ordinary shareholders (RM'000)	7,042	9,289	7,042	9,289
Weighted average number of ordinary shares in issue ('000)	197,639	186,297	197,639	186,297
Effect of dilution – ESOS ('000)	426	2,740	426	2,740
Weighted average number of ordinary shares in issue ('000) – diluted	198,065	189,037	198,065	189,037
Diluted earnings per share (sen)	3.56	4.91	3.56	4.91

B11 Notes to Condensed Consolidated Statement of Comprehensive Income

Net profit is arrived at after take in the following items:	Current Quarter 31/03/2018 RM'000	Current Year To Date 31/03/2018 RM'000
(a) Interest income	234	234
(b) Other income	1,637	1,637
(c) Interest expense	(3,323)	(3,323)
(d) Depreciation and amortization	(2,860)	(2,860)
(e) Provision (for) and written off of receivables	(180)	(180)
(f) Provision (for) and written off of inventories	(462)	(462)
(g) Gain / (loss) on disposal of quoted / unquoted investment / properties	-	-
(h) Impairment of assets	-	-
(i) Foreign exchange gain/(loss) - Realised and unrealized	(168)	(168)
(j) Gain / (loss) on derivatives	(300)	(300)
(k) Exceptional items	N/A	N/A