

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2017 RM'000	Preceding Year Quarter 31.12.2016 RM'000	Current Year- To-Date 31.12.2017 RM'000	Preceding Year- To-Date 31.12.2016 RM'000
Revenue	145,675	133,783	577,357	498,716
Cost of sales	(119,545)	(110,176)	(478,684)	(420,147)
Gross profit	26,130	23,607	98,673	78,569
Other income	20,178	254	46,922	1,816
Distribution costs	(1,364)	(1,305)	(6,288)	(5,593)
Administrative costs	(7,016)	(6,155)	(29,376)	(25,527)
Other costs	(3,084)	(679)	(4,230)	(2,870)
	(11,464)	(8,139)	(39,894)	(33,990)
Profit from operations	34,844	15,722	105,701	46,395
Finance costs	(2,872)	(2,157)	(10,231)	(8,266)
Profit before tax	31,972	13,565	95,470	38,129
Tax expense	(4,205)	(3,635)	(15,101)	(10,451)
Profit for the financial period/year	27,767	9,930	80,369	27,678
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange difference on translation of foreign subsidiary	(16)	17	(13)	7
Total other comprehensive income, net of tax	(16)	17	(13)	7
Total comprehensive income for the financial period/year	27,751	9,947	80,356	27,685
Profit/(Loss) attributable to:				
- Owners of the Company	27,782	9,930	80,420	27,678
- Non-controlling interest	(15)	-	(51)	-
	27,767	9,930	80,369	27,678

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017 (CONT'D)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2017 RM'000	Preceding Year Quarter 31.12.2016 RM'000	Current Year- To-Date 31.12.2017 RM'000	Preceding Year- To-Date 31.12.2016 RM'000
Total comprehensive income/(loss) attributable to:				
- Owners of the Company	27,766	9,947	80,407	27,685
- Non-controlling interest	(15)	-	(51)	-
	<u>27,751</u>	<u>9,947</u>	<u>80,356</u>	<u>27,685</u>
 Earnings per share (sen) attributable to owners of the Company:				
- Basic	8.96	3.20	25.94	8.93
- Diluted	8.96	3.20	25.94	8.93

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 2016 and the accompanying explanatory notes attached to this interim financial statement.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2017

	Unaudited As at 31.12.2017 RM'000	Audited As at 31.12.2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	139,150	144,809
Capital work-in-progress	3,663	765
Prepaid land lease payment	1,061	-
	<u>143,874</u>	<u>145,574</u>
Current assets		
Inventories	243,789	186,706
Trade receivables	158,606	131,269
Other receivables, deposits and prepayments	21,459	5,476
Tax assets	337	335
Derivative financial assets	-	32
Deposits with licensed banks	41,532	431
Cash and bank balances	21,155	17,905
	<u>486,878</u>	<u>342,154</u>
TOTAL ASSETS	<u><u>630,752</u></u>	<u><u>487,728</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	160,094	155,000
Share premium	-	5,094
Merger deficit	(109,545)	(109,545)
Capital reserve	1	1
Retained earnings	282,868	207,098
Foreign currency translation reserve	(20)	(7)
	<u>333,398</u>	<u>257,641</u>
Non-controlling interest	801	-
Total Equity	<u>334,199</u>	<u>257,641</u>
Non-current liabilities		
Deferred tax liabilities	5,186	3,646
Borrowings	13,813	18,576
	<u>18,999</u>	<u>22,222</u>
Current liabilities		
Trade payables	29,930	23,591
Other payables and accruals	8,116	4,603
Deferred income	994	-
Amount due to ultimate holding company	10,000	10,000
Borrowings	222,735	166,612
Tax liabilities	5,779	3,059
	<u>277,554</u>	<u>207,865</u>
Total Liabilities	<u>296,553</u>	<u>230,087</u>
TOTAL EQUITY AND LIABILITIES	<u><u>630,752</u></u>	<u><u>487,728</u></u>
Net assets per share attributable to owners of the Company (RM)	1.08	0.83

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 2016 and the accompanying explanatory notes attached to this interim financial statement.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

	< -----Attributable to Owners of the Company ----- >							
	< ----- Non-distributable ----- >					Distributable		
	Share Capital RM'000	Share Premium RM'000	Merger Deficit RM'000	Capital Reserve RM'000	Foreign Currency Translation Reserve RM'000	Retained Earnings RM'000	Non- Controlling interest RM'000	Total Equity RM'000
2017								
At 1 January 2017	155,000	5,094	(109,545)	1	(7)	207,098	-	257,641
Transition to no par value regime ⁽¹⁾	5,094	(5,094)	-	-	-	-	-	-
Profit/(Loss) for the financial year	-	-	-	-	-	80,420	(51)	80,369
Other comprehensive income	-	-	-	-	(13)	-	-	(13)
Total comprehensive income/(loss)	-	-	-	-	(13)	80,420	(51)	80,356
Transactions with owners								
Dividend	-	-	-	-	-	(4,650)	-	(4,650)
Non-controlling interest arising from acquisition of new subsidiary	-	-	-	-	-	-	852	852
Total transactions with owners	-	-	-	-	-	(4,650)	852	(3,798)
At 31 December 2017	160,094	-	(109,545)	1	(20)	282,868	801	334,199
2016								
At 1 January 2016	155,000	5,094	(109,545)	1	(14)	184,070	-	234,606
Profit for the financial year	-	-	-	-	-	27,678	-	27,678
Other comprehensive income	-	-	-	-	7	-	-	7
Total comprehensive income	-	-	-	-	7	27,678	-	27,685
Transaction with owners								
Dividend	-	-	-	-	-	(4,650)	-	(4,650)
At 31 December 2016	155,000	5,094	(109,545)	1	(7)	207,098	-	257,641

Notes:

- (1) *Effective from 31 January 2017, the new Companies Act 2016 ("the Act") abolished the concept of authorised share capital and par value of share capital. Consequently, the credit balance of the share premium become part of the Company's share capital pursuant to the transitional provision set out in the Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use this amount for purposes as set out in Section 618(3) of the Act. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.*

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2016 and the accompanying explanatory notes attached to this interim financial statement.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017

	Current Year-To-Date 31.12.2017 RM'000	Preceding Year-To-Date 31.12.2016 RM'000
Cash Flows from Operating Activities		
Profit before tax	95,470	38,129
Adjustments for:		
Amortisation of prepaid land lease payment	59	-
Bad debt written off	271	3
Bargain purchase gain on acquisition of a subsidiary	(2,700)	-
Depreciation of property, plant and equipment	9,821	8,905
Deposits and prepayments written off	-	383
Gain on disposal of property, plant and equipment	(17,782)	(356)
Gain on foreign exchange - unrealised	(22)	(74)
Impairment loss on trade receivables	280	1,385
Interest expense	9,595	7,550
Interest income	(870)	(122)
Inventories written off	-	64
Inventories written down	272	-
Net fair value gain on derivatives	-	(32)
Property, plant and equipment written off	61	80
Reversal of impairment loss on trade receivables	(1,003)	(888)
Operating profit before working capital changes	93,452	55,027
Increase in inventories	(56,745)	(561)
(Increase)/Decrease in receivables	(27,104)	7,029
Increase/(Decrease) in payables	7,256	(6,403)
Cash generated from operations	16,859	55,092
Interest received	870	122
Interest paid	(9,595)	(7,550)
Income tax paid	(11,720)	(7,890)
Net cash (used in)/generated from operating activities	(3,586)	39,774
Cash Flows from Investing Activities		
Addition to deposits pledged with licensed banks	(6,336)	(14)
Capital work-in-progress paid	(3,922)	(11,352)
Deposits paid for acquisition of plant and machinery	(12,703)	-
Purchase of property, plant and equipment	(2,499)	(35,396)
Proceeds from disposal of property, plant and equipment	22,696	389
Subscription of shares in acquisition of a subsidiary, net of cash acquired	(2,414)	-
Net cash used in investing activities	(5,178)	(46,373)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2017 (CONT'D)

	Current Year-To-Date 31.12.2017 RM'000	Preceding Year-To-Date 31.12.2016 RM'000
Cash Flows from Financing Activities		
Advance from ultimate holding company	-	10,000
Dividend paid	(4,650)	(4,650)
Drawdown of term loan	-	18,000
Net drawdown of Islamic financing	20,934	22,000
Net drawdown of bankers' acceptances	35,604	(12,802)
Payments to finance lease payables	(2,269)	(3,517)
Repayments of term loan	(1,800)	(1,500)
Net cash from financing activities	<u>47,819</u>	<u>27,531</u>
Net increase in cash and cash equivalents	39,055	20,932
Effect of exchange rate changes on cash and cash equivalents	18	25
Cash and cash equivalents at beginning of the financial year	<u>933</u>	<u>(20,024)</u>
Cash and cash equivalents at end of the financial year	<u>40,006</u>	<u>933</u>
 Cash and cash equivalents at end of the financial year comprises:		
Deposits with licensed banks	41,532	431
Cash and bank balances	21,155	17,905
Bank overdrafts	(15,864)	(16,972)
	<u>46,823</u>	<u>1,364</u>
Less: Deposits with licensed banks pledged	(6,817)	(431)
	<u>40,006</u>	<u>933</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 2016 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 2016.

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 2016.

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 2016, except for the adoption of the following:

Amendments/Improvements to Malaysian Financial Reporting Standards (“MFRSs”)

MFRS 12	Disclosures of Interests in Other Entities
MFRS 107	Statement of Cash Flows
MFRS 112	Income Taxes

The adoption of the above amendments/improvement to MFRSs did not have any material impact on the financial position and performance of the Group.

The Group has not applied in advance the following new MFRSs, amendments/improvements to MFRSs and new IC Interpretation (“IC Int”) that have been issued by MASB but not yet effective for the current financial year:

		Effective for financial periods beginning on or after
<u>New MFRSs</u>		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First- time adoption of MFRSs	1 January 2018
MFRS 2	Share-based Payment	1 January 2018
MFRS 3	Business Combinations	1 January 2019
MFRS 4	Insurance Contracts	1 January 2018
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 112	Income Taxes	1 January 2019
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018/ 1 January 2019/ Deferred
MFRS 140	Investment Property	1 January 2018

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>New IC Int</u>		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019

Based on the Group’s initial assessment, the application of the new MFRS 9 and MFRS 15 are not expected to have any material impact to the financial statements of the Group.

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

A2. Auditors’ Report on Preceding Annual Financial Statements

The Auditors’ Report for the immediate preceding annual financial statements of the Group and the Company for the financial year ended 31 December 2016 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

In the second quarter of current financial year, the Group had received compensations for the sum of RM45,841,482 in relation to the compulsory acquisition of the two affected plots of land which house the steel processing plant, office and warehouse of a wholly owned subsidiary, Supreme Steelmakers Sdn Bhd.

Gain on disposal of property, plant and equipment, compensations for injurious affection, compensations for incidental expenses and consequential loss, as well as the relocation costs and rectification expenses relating to the compulsory acquisition are disclosed in Note B5. As at 31 December 2017, the unpaid portion of the relocation and rectification expenses recognised are included in other payables and accruals amounted to RM2.35 million.

Save as above, there were no significant items affecting assets, liabilities, equity, net income, or cash flows of the Group that are unusual because of their nature, size and incidence during the current quarter and current financial year-to-date.

A5. Changes in Estimates

There were no changes in the estimates of amounts reported in the prior interim periods of the current financial year or changes in the estimates of the amounts reported in the prior financial years that have a material effect on the results for the current quarter and current financial year-to-date.

A6. Debt and Equity Securities

There was no issuance, cancellation, repurchase, resale or repayment of debt and equity securities nor any movement in the share capital for the current quarter and current financial year-to-date.

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

A7. Dividend Paid

No dividend was paid during the current quarter.

The total dividend paid during the current financial year-to-date amounted to 1.5 sen per share. (2016: 1.5 sen per share).

A8. Segment Information

Segment information of the Group for the financial year-to-date ended 31 December 2017 is as follows:

	Trading of Processing				
	Steel	of Steel			
	Products	Products	Others ⁽¹⁾	Elimination	Total
	RM’000	RM’000	RM’000	RM’000	RM’000
External revenue	280,561	295,542	1,254	-	577,357
Cost of sales	(238,172)	(239,698)	(814)	-	(478,684)
Gross profit	42,389	55,844	440	-	98,673
Add/(Less):					
- Other income					46,922
- Operating expenses					(39,894)
- Finance costs					(10,231)
Profit before tax					95,470
Tax expense					(15,101)
Profit for the financial year					80,369

Segment information of the Group for the financial year-to-date ended 31 December 2016 is as follows:

	Trading of Processing				
	Steel	of Steel			
	Products	Products	Others ⁽¹⁾	Elimination	Total
	RM’000	RM’000	RM’000	RM’000	RM’000
External revenue	245,008	252,881	827	-	498,716
Cost of sales	(218,745)	(200,649)	(753)	-	(420,147)
Gross profit	26,263	52,232	74	-	78,569
Add/(Less):					
- Other income					1,816
- Operating expenses					(33,990)
- Finance costs					(8,266)
Profit before tax					38,129
Tax expense					(10,451)
Profit for the financial year					27,678

Note:

(1) Mainly consists of trading of specialised steel materials including tool steel and non-ferrous metal products including bronze, brass, aluminium and copper products.

A9. Valuations of Property, Plant and Equipment

There were no amendments to the valuation of property, plant and equipment that have been brought forward from the preceding annual financial statements.

LEON FUAT BERHAD

(Company No.756407-D)

A EXPLANATION NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING (CONT’D)**A10. Material Events Subsequent to the End of the Interim Period**

There were no material events subsequent to the end of the current quarter up to the date of issue of this report that have not been reflected in the financial statements for the current quarter and current financial year-to-date.

A11. Effects of Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter and current financial year-to-date other than the acquisition by the Company’s wholly-owned subsidiary, Leon Fuat Metal Sdn Bhd (formerly known as Leon Fuat Hardware (Klang) Sdn Bhd) of 10,354,000 ordinary shares in the share capital of PCM Steel Processing Sdn Bhd (“PSP”), representing approximately 87% of the issued and paid up capital of PSP. The acquisition is deemed completed on 15 August 2017.

Fair Value of identifiable assets acquired and liabilities recognised at the date of acquisition

Assets	RM’000
Property, plant and equipment	4,849
Prepaid land lease payment	1,120
Inventories	611
Trade receivables	2,672
Other receivables, deposits and prepayments	190
Tax assets	1
Cash and bank balances	636
	10,079
Liabilities	
Trade payables	351
Other payables and accruals	2,301
Deferred tax liability	875
	3,527
Total identifiable net assets acquired	6,552
Bargain purchase gain arising from acquisition	(2,700)
Non-controlling interest in fair value	(852)
Fair value consideration transferred	3,000
<u>Effects of acquisition on cash flows</u>	
	RM’000
Fair value consideration transferred	3,000
Less: Cash and cash equivalents	(586)
Net of cash outflows on acquisition	2,414

The newly acquired subsidiary has not contributed any significant results to the Group for the year ended 31 December 2017.

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

A12. Capital Commitments

	As at 31.12.2017 RM'000	Audited As at 31.12.2016 RM'000
Approved but not provided for:		
- purchase of motor vehicles	-	305
- purchase of machineries	-	562
- purchase of furniture and fittings	-	157
	<hr/>	<hr/>
	-	1,024
Approved and contracted for:		
- construction of factory and warehouse buildings	16,303	1,308
- purchase of motor vehicles	267	-
- purchase of machineries	11,755	-
- purchase of properties	320	-
	<hr/>	<hr/>
	28,645	1,308
	<hr/>	<hr/>
Total capital commitments	28,645	2,332

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 31 December 2017.

A14. Significant Related Party Transactions

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2017 RM'000	Preceding Year- Quarter 31.12.2016 RM'000	Current Year- To-Date 31.12.2017 RM'000	Preceding Year- To-Date 31.12.2016 RM'000
Sales to related parties	1,261	1,199	4,285	4,143
Purchases from related parties	39	45	286	549
Rental expense paid to related parties	399	390	1,569	1,560
Interest charged by related party ⁽¹⁾	84	84	330	327

Note:

(1) *In respect of interest arising from an unsecured loan from ultimate holding company which is subject to interest at the rate of 3.25% per annum compounded on monthly rest. Outstanding loan as at 31 December 2017 amounted to RM10.0 million (31.12.2016: RM10.0 million) is repayable on demand.*

B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES

B1. Review of Performance

Current Quarter Compared To Preceding Year Corresponding Quarter

	Current Year Quarter 31.12.2017 RM'000	Preceding Year Quarter 31.12.2016 RM'000	Variance	
			RM'000	%
Revenue	145,675	133,783	11,892	8.9%
Gross profit	26,130	23,607	2,523	10.7%
Profit before interest and tax	34,697	15,460	19,237	124.4%
Profit before tax	31,972	13,565	18,407	135.7%
Profit after tax	27,767	9,930	17,837	179.6%
Profit attributable to owners of the Company	27,782	9,930	17,852	179.8%

The revenue recorded for the current quarter and the preceding year corresponding quarter was RM145.68 million and RM133.78 million respectively, increased by 8.9% or approximately RM11.90 million.

The increase in revenue was mainly contributed by the increase in revenue for our processing of flat steel products by 19.0% or RM11.27 million mainly due to higher average selling price by 15.8%.

Our main business segments continued to be trading and processing of steel products, which collectively contributed approximately 99.8% of our total revenue for the current quarter. The trading segment and the processing segment contributed revenue of approximately 46.0% and 53.8% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of approximately 50.7% and 48.9% respectively for the preceding year corresponding quarter.

Our gross profit increased by 10.7% or RM2.52 million, from RM23.61 million to RM26.13 million. This was mainly due to the increase in revenue by 8.9% or approximately RM11.90 million, from RM133.78 million to RM145.68 million while the overall gross profit margin remained fairly similar at approximately 17.9%, which only higher by 0.3 percentage points as compared to the overall gross profit margin recorded for the preceding year corresponding quarter.

The other income for the current quarter was RM20.18 million as compared to RM0.25 million for the preceding year corresponding quarter, higher by RM19.92 million, mainly due to the realisation of prepayments received of RM19.52 million for incidental expenses and consequential loss which formed part of the compensations received in relation to the compulsory acquisition of the affected two plots of land which house the steel processing plant, office and warehouse of Supreme Steelmakers Sdn Bhd.

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

B1. Review of Performance (Cont'd)

Current Quarter Compared To Preceding Year Corresponding Quarter (Cont'd)

Our operating costs rose by approximately RM3.32 million from RM8.14 million for the preceding year corresponding quarter to RM11.46 million for the current quarter, as the result of the followings:

1. Increase in administrative costs by RM0.86 million, mainly as the result of the following:
 - increase in directors' remuneration and staff costs by RM0.47 million;
 - increase in depreciation charges by RM0.21 million; and
 - increase in entertainment expenses by RM0.14 million.
2. Increase in other costs by RM2.41 million, mainly caused by the relocation and rectification expenses of approximately RM2.90 million which had been charged to the current quarter in relation to the compulsory acquisition of the two affected plots of land which house the steel processing plant, office and warehouse of a wholly owned subsidiary, Supreme Steelmakers Sdn Bhd, partially offset by the lower allowance for impairment loss on trade receivables by RM0.13 million and absence of deposit and prepayments written off of approximately RM0.34 million which had been charged to the preceding year corresponding quarter.

Total finance costs for the current quarter was RM2.87 million, increased by RM0.71 million as compared to RM2.16 million for the preceding year corresponding quarter. This was mainly due to higher utilisation of trade financing, overdraft facilities and Islamic financing facilities where their interest expenses increased by RM0.24 million, RM0.29 million and RM0.32 million respectively.

Based on the foregoing factors, our Group registered an increase in profit before tax by approximately RM18.40 million to RM31.97 million as compared to RM13.57 million for the preceding year corresponding quarter.

Current Financial Year-To-Date Compared To Preceding Financial Year-To-Date

	Current Year- To-Date 31.12.2017 RM'000	Preceding Year- To-Date 31.12.2016 RM'000	Variance	
			RM'000	%
Revenue	577,357	498,716	78,641	15.8%
Gross profit	98,673	78,569	20,104	25.6%
Profit before interest and tax	105,065	45,679	59,386	130.0%
Profit before tax	95,470	38,129	57,341	150.4%
Profit after tax	80,369	27,678	52,691	190.4%
Profit attributable to owners of the Company	80,420	27,678	52,742	190.6%

Our revenue increased by 15.8% or RM78.64 million from RM498.72 million for the preceding financial year-to-date to RM577.36 million for the current financial year-to-date. This was mainly due to the increase in revenue for our trading of steel products by 14.5% or RM35.55 million, from RM245.01 million to RM280.56 million, as well as the increase in revenue for processing of steel products by 16.9% or RM42.66 million, from RM252.88 million to RM295.54 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)

The increase in revenue from trading of steel products was attributable to higher average selling price by 31.1%. However, the contribution from the increase in average selling price was partially offset by lower demand for trading of steel products by 12.7%.

The increase in revenue from processing of steel products was attributable to higher average selling price for processing of flat steel products by approximately 23.9%. However, the contribution from the increase in average selling price for processing of flat steel products was partially offset by lower demand for processing of steel products, particularly processing of flat carbon steel products which saw its demand decreased by 6.8%.

Our gross profit improved by 25.6% or RM20.10 million, from RM78.57 million to RM98.67 million. This was mainly contributed by the increase in revenue by 15.8% or RM78.64 million, from RM498.72 million to RM577.36 million, and the improvement in overall gross profit margin, from 15.8% for the preceding financial year-to date to 17.1% for the current financial year-to-date, mainly attributable to the better gross profit margin for trading of steel products by approximately 4.4 percentage points, as the result of the increase in average selling price by 31.1%, while the average cost for input materials had only increased by 24.4%.

The other income for the current financial year-to-date was RM46.92 million as compared to RM1.82 million for the preceding financial year-to-date, higher by RM45.11 million, mainly due to the gain and compensations received from the compulsory acquisition of the affected land and buildings, amounting to approximately RM41.20 million, and also contributed by the recognition of gain on bargain purchase for RM2.70 million, arising from acquisition of PSP as the Group share of fair value of identifiable net assets acquired on the acquisition date is more than its purchase consideration.

Our operating costs increased by RM5.90 million from RM33.99 million for the preceding financial year-to-date to RM39.89 million for the current financial year-to-date, mainly due to the following:

1. Increase in distribution costs by RM0.70 million, mainly caused by the increase in staff costs by RM0.70 million, as well as the increase in transportation, travelling and accommodation expenses by RM0.17 million, partly offset by the decrease in depreciation charges by RM0.12 million.
2. Increase in administrative costs by RM3.85 million, mainly caused by:
 - increase in directors' remuneration and staff costs by RM1.01 million;
 - increase in depreciation charges by RM0.87 million;
 - increase in entertainment expenses by RM0.36 million;
 - increase in petrol, parking and toll expenses by RM0.20 million;
 - increase in professional fees by RM1.22 million, mainly due to the consultancy fees related to the compulsory acquisition of the affected land and buildings, amounting to approximately of RM0.92 million; and
 - increase in security charges by RM0.10 million.
3. Increase in other costs by RM1.36 million, mainly caused by:
 - relocation and rectification expenses of approximately RM2.90 million which had been charged to the current quarter in relation to the compulsory acquisition of the two affected plots of land which house the steel processing plant, office and warehouse of a wholly owned subsidiary, Supreme Steelmakers Sdn Bhd; and
 - increase in bad debt written off as well as quit rent and assessment charges by RM0.27 million and RM0.17 million respectively; partially offset by
 - the lower allowance for impairment loss on trade receivables by RM1.10 million;
 - lower stamp duty paid by approximately RM0.51 million; and
 - absence of deposits and prepayments written off of approximately RM0.38 million which had been charged to the preceding 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 increased by RM1.97 million as compared to the preceding financial year-to-date. This was mainly due to higher utilisation of trade financing, overdraft facilities and Islamic financing facilities where their interest expenses increased by RM0.66 million, RM0.12 million and RM1.26 million respectively.

Based on the foregoing factors, our Group registered an increase in profit before tax by 150.4% or RM57.34 million from RM38.13 million for the preceding financial year-to-date to RM95.47 million for the current financial year-to-date.

B2. Material Variation of Profit Before Tax Against Immediate Preceding Quarter

	Current Quarter 31.12.2017 RM'000	Immediate Preceding Quarter 30.9.2017 RM'000	Variance	
			RM'000	%
Revenue	145,675	177,985	(32,310)	-18.2%
Gross profit	26,130	24,984	1,146	4.6%
Profit before interest and tax	34,697	19,966	14,731	73.8%
Profit before tax	31,972	17,369	14,603	84.1%
Profit after tax	27,767	13,727	14,040	102.3%
Profit attributable to owners of the Company	27,782	13,763	14,019	101.9%

Our Group achieved revenue of RM145.68 million for the current quarter, which was lower than the immediate preceding quarter's revenue by 18.2% or RM32.31 million.

The decrease in revenue was mainly due to the decrease in revenue for our trading and processing of steel products, which recorded lower revenue by 22.7% or RM19.66 million and 13.9% or RM12.62 million respectively.

The decrease in revenue for trading of steel products was mainly due to lower tonnage sales by 32.7%, partially offset by the effect of higher average selling price which had increased by 15.0%, similarly, the decrease in revenue for processing of steel products was mainly due to the decrease in demand for processing of flat steel products, which recorded lower tonnage sales by 22.6%, partially offset by the effect of higher average selling price which had increased by 8.2%.

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)

Despite the decrease in revenue by 18.2% or RM32.31 million, from RM177.99 million for the immediate preceding quarter to RM145.68 million for the current quarter, our gross profit for the current quarter had increased by 4.6% or RM1.15 million, from RM24.98 million for the immediate preceding quarter to RM26.13 million for the current quarter, attributable to the higher gross profit margin by 3.9 percentage point, from 14.0% for immediate preceding quarter to approximately 17.9% for the current quarter, resulted from the followings:

- increase in gross profit margin for trading of steel products by 4.6 percentage points, from 12.8% for the immediate preceding quarter to 17.4% for the current quarter, mainly due to the increase in average selling by approximately 15.0%, while the average cost for input materials had only increased by 7.9% ; and
- increase in gross profit margin for processing of steel products by approximately 3.0 percentage points, from 15.2% for the immediate preceding quarter to 18.2% for the current quarter, mainly due to the increase in average selling by 9.3%, while the average cost for input materials had only increased by 4.3%.

The other income of RM20.18 million for the current quarter as compared to RM3.65 million for the immediate preceding quarter, was higher by RM16.53 million, mainly due to the realisation of prepayments received of RM19.52 million for incidental expenses and consequential loss which formed part of the compensations received in relation to the compulsory acquisition of the affected two plots of land which house the steel processing plant, office and warehouse of Supreme Steelmakers Sdn Bhd, partly offset by the absence of gain on bargain purchase for RM2.70 million recognised in the immediate preceding quarter arising from acquisition of PSP as the Group share of fair value of identifiable net assets acquired on the acquisition date is more than its purchase consideration.

Our operating costs increased by RM2.98 million, from RM8.48 million for the immediate preceding quarter to RM11.46 million for the current quarter, mainly caused by the increase in other costs by RM2.94 million, due to the relocation and rectification expenses of approximately RM2.90 million which had been charged to the current quarter in relation to the compulsory acquisition of the two affected plots of land which house the steel processing plant, office and warehouse of a wholly owned subsidiary, Supreme Steelmakers Sdn Bhd.

The finance costs for the current quarter was RM2.87 million, remained fairly consistent as compared to RM2.78 million for the immediate preceding quarter.

Based on the foregoing factors, our profit before tax increased by 84.1% or approximately RM14.60 million, from RM17.37 million for the immediate preceding quarter to RM31.97 million for the current quarter.

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

B3. Commentary on Prospects

Malaysian GDP for 2018 is expected to continue growing at more than 5% with growth likely to remain supported by resilient domestic demand, as the exports would continue to expand and trickle down to consumer spending and private investments.

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. Customers' orders are normally made on short notices and our newly renovated and refurbished processing plant in Bukit Raja Shah Alam as well as continuous enhancement in the numbers and types of machinery, served to ensure sufficient capacity for timely delivery of orders. As our customers are mostly locals and operate in local environment, the expected growth of GDP from domestic demand could contribute to our performance for 2018.

Undeniably though, domestic event such as the impending General Election and its outcome may affect consumer confidence in committing purchases. New government regulations such as foreign workers' levies to be borne by employer and Employment Insurance System are additional costs of business to our Group. Government's continued fiscal consolidation drive such as a possible interest rate hike may also affect public spending and increase our borrowing costs.

Global factors such as volatility in commodities and crude oil prices as well as fluctuation in exchange rate of foreign currencies against Ringgit Malaysia will affect our suppliers pricing and hence the profitability of our steel products as more than half of our merchandise are sourced overseas. In this respect, our Group will continue to be vigilant on the movement of steel prices and related foreign currencies and will take pro-active measures, including negotiating forward contracts where necessary, as well as prudent inventory management, to reduce any negative impact which may arise in connection thereto.

For 2018, our Group will embark on a downstream production of steel pipes which is expected to commence operation in the second half of the year. However, being at its infancy stage, this new venture is not envisaged to contribute to the earnings of the Group for 2018 as various trials are required to be performed.

Despite the above challenges, the Board believes that our Group, geared with the one-stop solution and enhanced services, will continue to appeal to existing customers as well as enticing potential customers and hence, should be able to generate positive results for financial year 2018.

B4. Variance of Forecast Profit and Profit Guarantee

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

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

B5. Profit Before Tax

Profit before tax is derived after taking into consideration the followings:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2017 RM'000	Preceding Year Quarter 31.12.2016 RM'000	Current Year-To-Date 31.12.2017 RM'000	Preceding Year-To-Date 31.12.2016 RM'000
Auditors' remuneration	213	181	213	181
Amortisation of prepaid land lease payment	36	-	59	-
Bad debt written off	-	3	271	3
Bargain purchase gain on acquisition of a subsidiary	-	-	(2,700)	-
Deposits and prepayments written off	-	337	-	383
Depreciation of property, plant and equipment	2,579	2,364	9,821	8,905
Net fair value gain on derivatives	-	(52)	-	(32)
(Gain)/Loss on foreign exchange				
- realised	(37)	43	43	(96)
- unrealised	(48)	(66)	(22)	(74)
Loss/(Gain) on disposal of property, plant and equipment	119	(26)	20	(356)
Impairment loss on trade receivables	181	310	280	1,385
Insurance claimed	-	(10)	(472)	(86)
Interest expense	2,725	1,895	9,595	7,550
Interest income	(473)	(29)	(870)	(122)
Inventories written off	-	-	-	64
Inventories written down	272	-	272	-
Property, plant and equipment written off	-	-	61	80
Rental income	-	-	-	(19)
Rental of premises	374	460	1,760	1,843
Rental of motor vehicle	98	-	98	-
Rental of equipment	16	14	60	62
Rental of land	131	131	521	521
Reversal of impairment loss on trade receivables	(37)	(141)	(1,003)	(888)
Exceptional items ⁽¹⁾ :				
- Gain on disposal of property, plant and equipment	-	-	(17,802)	-
- Compensation for injurious affection	-	-	(3,876)	-
- Compensation for incidental expenses and consequential loss	(19,522)	-	(19,522)	-
- Relocation and rectification expenses ⁽²⁾ :	2,896	-	2,896	-

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

B5. Profit Before Tax (cont'd)

Notes:

- (1) *In relation to the compulsory acquisition of the two affected plots of land which house the steel processing plant, office and warehouse of Supreme Steelmakers Sdn Bhd.*
- (2) *Mainly relating to relocation of existing steel processing plant, office and warehouse of Supreme Steelmakers Sdn. Bhd. to temporary sites, and also relating to rectification works on few structures such as main switchboard room, perimeter fencing and part demolishment of the existing factory on one of the affected plots of land.*

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.

B6. Tax Expense

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2017 RM'000	Preceding Year- Quarter 31.12.2016 RM'000	Current Year- To-Date 31.12.2017 RM'000	Preceding Year- To-Date 31.12.2016 RM'000
Current tax				
- for the financial period/year	4,621	3,495	15,271	10,398
- (over)/under provision in prior financial year	-	-	(835)	93
Deferred tax				
- origination and reversal of temporary differences	(213)	140	(94)	155
- (over)/under provision in prior year	(203)	-	759	(195)
Tax expense	4,205	3,635	15,101	10,451

The effective tax rate for the current quarter and current financial year-to-date is lower than the statutory tax rate of 24% mainly due to availability of reinvestment allowance, reduction of the income tax rate based on the percentage of increase in chargeable income as compared to the immediate preceding year of assessment for certain subsidiary companies, and certain gain and income relating to the compulsory acquisition of the Group's real estate properties which are not taxable.

B7. Status of Corporate Proposals

There was no corporate proposal announced but not completed as at the date of this report.

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

B8. Group Borrowings

Total Group borrowings as at 31 December 2017 were as follows:

	As at 31.12.2017 RM'000	As at 31.12.2016 RM'000
<u>Current</u>		
Secured:		
Bankers' acceptances	93,290	61,568
Finance lease payables	4,483	3,789
Term loan	1,800	1,800
Bank overdrafts	11,358	16,333
	<u>110,931</u>	<u>83,490</u>
Unsecured:		
Bankers' acceptances	64,364	60,483
Islamic financing	42,934	22,000
Bank overdrafts	4,506	639
	<u>111,804</u>	<u>83,122</u>
	<u>222,735</u>	<u>166,612</u>
<u>Non-current</u>		
Secured:		
Finance lease payables	913	3,876
Term loan	12,900	14,700
	<u>13,813</u>	<u>18,576</u>
	<u>236,548</u>	<u>185,188</u>
Total Borrowings		

The above Group's borrowings are denominated in Ringgit Malaysia.

B9. Material Litigation

Since the last annual financial statements up to the date of issue of this report, the Group is not engaged in any material litigation or arbitration, either as plaintiff or defendant, which have a material effect on the financial position of our Group, and the Board does not know of any proceedings pending or threatened or of any fact likely to give rise to any proceeding which may materially and adversely affect the financial position or business of the Group.

B10. Dividend

There were no dividend proposed or declared during the current quarter.

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

B11. Earnings Per Share

(a) Basic Earnings Per Share

The basic earnings per share for the current quarter and financial year-to-date are computed as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2017 RM'000	Preceding Year- Quarter 31.12.2016 RM'000	Current Year- To-Date 31.12.2017 RM'000	Preceding Year- To-Date 31.12.2016 RM'000
Profit attributable to owners of the Company	27,782	9,930	80,420	27,678
Weighted average number of ordinary shares in issue ('000)	310,000	310,000	310,000	310,000
Basic Earnings Per Share (sen)	8.96	3.20	25.94	8.93

(b) Diluted Earnings Per Share

Diluted earnings per share is equivalent to basic earnings per share as the Company does not have any dilutive potential ordinary shares in issue for the current quarter and current financial year-to-date.

By order of the Board
Kuala Lumpur
27 February 2018