

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2015

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.6.2015 RM'000	Preceding Year Quarter 30.6.2014 RM'000	Current Year- To-Date 30.6.2015 RM'000	Preceding Year- To-Date 30.6.2014 RM'000
Continuing Operations				
Revenue	116,940	131,730	257,273	243,111
Direct operating costs	(102,694)	(113,202)	(223,187)	(209,288)
Gross profit	14,246	18,528	34,086	33,823
Other operating income	335	550	649	900
Distribution costs	(1,198)	(1,232)	(2,944)	(2,955)
Administrative costs	(5,712)	(4,541)	(12,414)	(10,612)
Other operating costs	(347)	(667)	(806)	(1,056)
	(7,257)	(6,440)	(16,164)	(14,623)
Profit from operations	7,324	12,638	18,571	20,100
Finance costs	(2,158)	(1,629)	(4,215)	(3,177)
Profit before tax	5,166	11,009	14,356	16,923
Tax expense	(1,373)	(2,842)	(3,926)	(4,483)
Profit for the financial period	3,793	8,167	10,430	12,440
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of foreign operations	(9)	-	(7)	-
Total other comprehensive income, net of tax	(9)	-	(7)	-
Total comprehensive income for the financial period	3,784	8,167	10,423	12,440
Profit attributable to:				
- Owners of the Company	3,793	8,167	10,430	12,440
Total comprehensive income attributable to:				
- Owners of the Company	3,784	8,167	10,423	12,440
Earnings per share (sen) attributable to owners of the Company:				
- Basic	1.22	2.63	3.36	4.01
- Diluted	1.22	2.63	3.36	4.01

LEON FUAT BERHAD
(Company No.756407-D)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2015 (CONT'D)**

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 2014 and the accompanying explanatory notes attached to this interim financial statement.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2015

	Unaudited As at 30.6.2015 RM'000	Audited As at 31.12.2014 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	92,873	87,146
Capital work-in-progress	3,326	1,136
Goodwill on consolidation	257	257
	<u>96,456</u>	<u>88,539</u>
Current assets		
Inventories	193,656	178,353
Trade receivables	133,956	125,342
Other receivables, deposits and prepayments	6,922	9,310
Tax recoverable	213	65
Fixed deposits with licensed banks	13,213	12,995
Cash and bank balances	3,233	9,161
	<u>351,193</u>	<u>335,226</u>
TOTAL ASSETS	<u><u>447,649</u></u>	<u><u>423,765</u></u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	155,000	155,000
Share premium	5,094	5,094
Merger deficit	(109,545)	(109,545)
Capital reserve	1	1
Retained earnings	176,021	171,791
Foreign currency translation reserve	(4)	3
Total Equity	<u>226,567</u>	<u>222,344</u>
Non-current liabilities		
Deferred tax liabilities	3,258	3,274
Borrowings	5,849	4,263
	<u>9,107</u>	<u>7,537</u>
Current liabilities		
Trade payables	27,113	42,438
Other payables and accruals	4,644	3,135
Dividend payable	6,200	-
Amount owing to ultimate holding company	3,000	-
Borrowings	167,371	145,135
Tax liabilities	3,647	3,176
	<u>211,975</u>	<u>193,884</u>
Total Liabilities	<u>221,082</u>	<u>201,421</u>
TOTAL EQUITY AND LIABILITIES	<u><u>447,649</u></u>	<u><u>423,765</u></u>
Net assets per share attributable to owners of the Company (RM)	0.73	0.72

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 2014 and the accompanying explanatory notes attached to this interim financial statement.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2015

	< -----Attributable to owners of the Company ----- >						Distributable	Total Equity
	< ----- Non-distributable ----- >					Foreign Currency		
	Share Capital	Share Premium	Merger Deficit	Capital Reserve	Fair value Reserve	Translation Reserve	Retained Earnings	RM'000
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2015								
At 1 January 2015	155,000	5,094	(109,545)	1	-	3	171,791	222,344
Total comprehensive income	-	-	-	-	-	(7)	10,430	10,423
Transaction with owners								
Dividend	-	-	-	-	-	-	(6,200)	(6,200)
At 30 June 2015	<u>155,000</u>	<u>5,094</u>	<u>(109,545)</u>	<u>1</u>	<u>-</u>	<u>(4)</u>	<u>176,021</u>	<u>226,567</u>
2014								
At 1 January 2014	155,000	5,094	(109,545)	1	(12)	-	151,994	202,532
Total comprehensive income	-	-	-	-	-	-	12,440	12,440
Transaction with owners								
Dividend	-	-	-	-	-	-	(4,650)	(4,650)
At 30 June 2014	<u>155,000</u>	<u>5,094</u>	<u>(109,545)</u>	<u>1</u>	<u>(12)</u>	<u>-</u>	<u>159,784</u>	<u>210,322</u>

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 2014 and the accompanying explanatory notes attached to this interim financial statement.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2015

	Current Year-To-Date 30.6.2015 RM'000	Preceding Year-To-Date 30.6.2014 RM'000
Cash Flows from Operating Activities		
Profit before tax	14,356	16,923
Adjustments for:-		
Impairment loss on trade receivables	360	496
Reversal of impairment loss on trade receivables	(90)	(226)
Bad debts written off	6	143
Depreciation of property, plant and equipment	3,544	2,891
Interest expense	3,927	2,936
Dividend income	-	(1)
Gain on disposal of property, plant and equipment	(10)	(171)
Property, plant and equipment written off	16	136
(Gain)/Loss on foreign exchange - unrealised	(3)	10
Interest income	(243)	(289)
Operating profit before working capital changes	<u>21,863</u>	<u>22,848</u>
Increase in inventories	(15,303)	(1,137)
Increase in trade and other receivables	(6,431)	(9,591)
(Decrease)/Increase in trade and other payables	<u>(13,877)</u>	<u>7,713</u>
Cash (use in)/generated from operations	<u>(13,748)</u>	<u>19,833</u>
Interest received	243	289
Interest paid	(3,927)	(2,936)
Income tax paid	<u>(3,618)</u>	<u>(3,540)</u>
Net cash (used in)/from operating activities	<u>(21,050)</u>	<u>13,646</u>
Cash Flows from Investing Activities		
Dividend received	-	1
Purchase of property, plant and equipment	(4,184)	(1,485)
Placement of fixed deposits	(12)	(12)
Proceeds from disposal of property, plant and equipment	10	200
Capital work-in-progress paid	<u>(3,600)</u>	<u>-</u>
Net cash used in investing activities	<u>(7,786)</u>	<u>(1,296)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2015 (CONT'D)

	Current Year-To-Date 30.6.2015 RM'000	Preceding Year-To-Date 30.6.2014 RM'000
Cash Flows from Financing Activities		
Repayments of Al-Bai Bithaman Ajil Islamic (ABBA) financing	-	(358)
Payments to finance lease payables	(1,359)	(924)
Repayments of term loans	(100)	(150)
Net drawdown of bankers' acceptances	20,564	2,751
Advances from ultimate holding company	3,000	-
Net cash from financing activities	<u>22,105</u>	<u>1,319</u>
Net (decrease)/increase in cash and cash equivalents	(6,731)	13,669
Effect of exchange rate changes on cash and cash equivalents	(15)	(19)
Cash and cash equivalents at beginning of the financial period	<u>5,053</u>	<u>4,648</u>
Cash and cash equivalents at end of the financial period	<u><u>(1,693)</u></u>	<u><u>18,298</u></u>
Cash and cash equivalents at end of financial period comprises:		
Fixed deposits with licensed banks	13,213	15,856
Cash and bank balances	3,233	13,280
Bank overdrafts	<u>(17,722)</u>	<u>(10,433)</u>
	(1,276)	18,703
Less: Fixed deposit under lien	<u>(417)</u>	<u>(405)</u>
	<u><u>(1,693)</u></u>	<u><u>18,298</u></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 2014 and the accompanying explanatory notes attached to this interim financial statement.

A EXPLANATION NOTES PURSUANT TO MALAYSIA 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”), International Accounting Standard (“IAS”) 34: Interim Financial Reporting issued by the International Accounting Standard Board (“IASB”) 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 2014.

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 2014.

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 2014, except for the adoption of the following:

Amendments/Improvements to MFRSs

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 3	Business Combinations
MFRS 8	Operating Segments
MFRS 13	Fair Value Measurement
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 124	Related Party Disclosures
MFRS 138	Intangible Assets
MFRS 140	Investment Property

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 and amendments/improvements to MFRSs 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 MFRS</u>		
MFRS 9	Financial Instruments	1 January 2018
MFRS 14	Regulatory Deferral Accounts	1 January 2016
MFRS 15	Revenue from Contracts with Customers	1 January 2017
<u>Amendments/Improvements to MFRSs</u>		
MFRS 5	Non-current Asset Held for Sale and Discontinued Operations	1 January 2016
MFRS 7	Financial Instruments: Disclosures	1 January 2016

A EXPLANATION NOTES PURSUANT TO MALAYSIA 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</u>		
MFRS 10	Consolidated Financial statements	1 January 2016
MFRS 11	Joint Arrangements	1 January 2016
MFRS 12	Disclosures of Interests in Other Entities	1 January 2016
MFRS 101	Presentation of Financial Statements	1 January 2016
MFRS 116	Property, Plant and Equipment	1 January 2016
MFRS 119	Employee Benefits	1 January 2016
MFRS 127	Separate financial statements	1 January 2016
MFRS 128	Investments in Associates and Joint Ventures	1 January 2016
MFRS 138	Intangible Assets	1 January 2016
MFRS 141	Agriculture	1 January 2016

The Group is in the process of assessing the impact which may arise from adoption of the above standard and amendments.

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 2014 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 the current financial year or changes in estimates of 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.

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

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 2015 is as follows:

	Trading of Steel Products RM’000	Processing of Steel Products RM’000	Others ⁽¹⁾ RM’000	Elimination RM’000	Consolidated RM’000
External revenue	93,925	163,135	213	-	257,273
Direct operating costs	(83,793)	(139,207)	(187)	-	(223,187)
Gross Profit	<u>10,132</u>	<u>23,928</u>	<u>26</u>	<u>-</u>	<u>34,086</u>
Add/(Less):					
- Other income					649
- Operating expenses					(16,164)
- Finance costs					(4,215)
Profit before tax					<u>14,356</u>
Tax expense					<u>(3,926)</u>
Profit for the financial period					<u><u>10,430</u></u>

Segment information of the Group for the financial year-to-date ended 30 June 2014 is as follows:

	Trading of Steel Products RM’000	Processing of Steel Products RM’000	Others ⁽¹⁾ RM’000	Elimination RM’000	Consolidated RM’000
External revenue	94,909	147,981	221	-	243,111
Direct operating costs	(83,763)	(125,354)	(171)	-	(209,288)
Gross Profit	<u>11,146</u>	<u>22,627</u>	<u>50</u>	<u>-</u>	<u>33,823</u>
Add/(Less):					
- Other income					900
- Operating expenses					(14,623)
- Finance costs					(3,177)
Profit before tax					<u>16,923</u>
Tax expense					<u>(4,483)</u>
Profit for the financial period					<u><u>12,440</u></u>

Note:

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

A9. Valuations of Property, Plant and Equipment

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

A EXPLANATION NOTES PURSUANT TO MALAYSIA 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.

A12. Capital Commitments

	As at 30.6.2015 RM'000	Audited As at 31.12.2014 RM'000
Approved and contracted for:		
- Purchase of machinery	68	4,472
- Purchase of furniture and fittings	-	439
- Construction of factory building	6,423	-
	<u>6,491</u>	<u>4,911</u>

A13. Changes in Contingent Liabilities and Contingent Assets

There were no contingent assets and liabilities since the end of the previous financial year up to 30 June 2015.

A14. Significant Related Party Transactions

	INDIVIDUAL		CUMULATIVE	
	Current Year Quarter 30.6.2015 RM'000	Preceding Year- Quarter 30.6.2014 RM'000	Current Year- To-Date 30.6.2015 RM'000	Preceding Year- To-Date 30.6.2014 RM'000
Sales to related parties	794	973	2,195	2,218
Purchases from related parties	145	582	238	760
Rental expense paid to related parties	390	60	780	120
	<u>1,329</u>	<u>1,615</u>	<u>3,213</u>	<u>3,098</u>

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

Our revenue decreased by 11.2% or RM14.79 million from RM131.73 million for the preceding year corresponding quarter to RM116.94 million for the current quarter. This was mainly due to decrease in revenue for both our trading and processing of steel products by approximately 18.2% or RM9.77 million and 6.4% or RM4.98 million respectively, as the result of the following:

- decrease in tonnage sales and lower average selling price for trading of steel products for the current quarter by approximately 6.6% and 12.5% respectively as compared to the preceding year corresponding quarter; and
- lower average selling price for processing of steel products for the current quarter by approximately 8.3% as compared to the preceding year corresponding quarter.

Our main business segments continued to be trading and processing of steel products, which collectively contributed approximately 99.9% of our total revenue for the current quarter. The trading segment and the processing segment contributed revenue of approximately 37.5% and 62.4% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of approximately 40.7% and 59.2% respectively for the preceding year corresponding quarter.

For the current quarter, gross profit decreased by RM4.28 million from RM18.53 million for the preceding year corresponding quarter to RM14.25 million for the current quarter, which was due to the decrease in sales volume for trading of steel products and decrease in overall gross profit margin. The decrease in overall gross profit margin from 14.1% for the preceding year corresponding quarter to 12.2% for the current quarter was caused by the decrease in gross profit margin for trading of carbon steel products and processing of other steel products by 3.2 percentage points and 10.2 percentage points respectively.

We recorded a lower level of other operating income of RM0.34 million for the current quarter as compared to RM0.55 million for the preceding year corresponding quarter. This was mainly due to lower reversal of impairment loss on trade receivables by RM0.08 million and lower gain derived from disposal of property, plant and equipment by RM0.17 million for the current quarter as compared to the preceding year corresponding quarter.

Operating costs rose by approximately RM0.82 million from RM6.44 million for the preceding year corresponding quarter to RM7.26 million for the current quarter as the result of the increase in administrative costs by approximately RM1.17 million, mainly caused by the higher directors and staff costs, depreciation, rental expenses and upkeep of office for the current quarter as compared to the preceding year corresponding quarter. However, this increase was partially offset by the decrease in other operating costs by RM0.32 million in view of lower allowance for impairment loss on trade receivables as well as lower bad debts, property, plant and equipment written off for the current quarter as compared to the preceding year corresponding quarter.

Finance costs had also increased by RM0.53 million as compared to the preceding year corresponding quarter. This was mainly due to higher utilisation of trade financing, overdraft and finance lease facilities for the current quarter.

Based on the foregoing factors, our Group registered a decrease in profit before tax by RM5.84 million to RM5.17 million compared to RM11.01 million for the preceding year corresponding quarter.

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

B1. Review of Performance (Cont'd)

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

Our revenue grew by 5.8% or RM14.16 million from RM243.11 million for the preceding financial year-to-date to RM257.27 million for the current financial year-to-date. This was mainly due to the increase in demand for our processing of steel products, with total tonnage sales increased by 16.5%. However, the revenue contribution from the increase in tonnage sales for processing of steel products was largely offset by the decrease in average selling price for both trading and processing of steel products by 8.1% and 5.4% respectively.

Despite the increase in revenue, our gross profit only improved marginally by 0.8% or approximately RM0.26 million. This was mainly due to the decrease in gross profit margin recorded for the current financial year-to-date as compared to the preceding financial year-to-date, our overall gross profit margin decrease from 13.9% for the preceding year corresponding quarter to 13.2% for the current quarter as the result of lower overall average selling price by 6.2%.

We recorded a lower level of other operating income of RM0.65 million for the current financial year-to-date as compared to RM0.90 million for the preceding financial year-to-date. This was mainly due to lower reversal of impairment loss on trade receivables by RM0.14 million and lower gain derived from disposal of property, plant and equipment by RM0.16 million for the current financial year-to-date as compared to the preceding financial year-to-date.

Operating costs rose by approximately RM1.54 million from RM14.62 million for the preceding financial year-to-date to RM16.16 million for the current financial year-to-date as the result of the increase in administrative costs by approximately RM1.80 million, mainly caused by the higher directors and staff costs, depreciation, rental expenses and upkeep of office for the current financial year-to-date as compared to the preceding financial year-to-date. However, this increase was partially offset by the decrease in other operating costs. Despite the higher realised loss on foreign currency exchange for the current financial year-to-date, the other operating costs decreased by RM0.25 million mainly caused by lower allowance for impairment loss on trade receivables as well as lower bad debts, property, plant and equipment written off for the current financial year-to-date as compared to the preceding financial year-to-date.

Finance costs had also increased by RM1.04 million as compared to the preceding year financial year-to-date. This was mainly due to higher utilisation of trade financing, overdraft and finance lease facilities for the current financial year-to-date. The increased utilisation of trade financing was in line with the increase in our purchases from RM200.79 million for the preceding year financial year-to-date to RM225.06 million for the current financial year-to-date.

Based on the foregoing factors, our Group registered a decrease in profit before tax by approximately 15.2% or RM2.56 million from RM16.92 million for the preceding financial year-to-date to RM14.36 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

For the current quarter, our group achieved lower gross profit by approximately 28.2% or RM5.59 million, from RM19.84 million for the immediate preceding quarter to RM14.25 million for the current quarter mainly caused by the decrease in revenue and gross profit margin by approximately 16.7% or RM23.39 million and 1.9 percentage points or 13.8% respectively as compared to immediate preceding quarter.

The decrease in revenue for current quarter as compared to immediate preceding quarter was mainly caused by:

- trading of steel products recorded a lower tonnage sales and average selling price by approximately 4.3% and 8.4% respectively; and
- decrease in revenue contributed from processing of steel products mainly as the result of lower tonnage sales by 18.6%, with the fairly consistent average selling price for the current quarter and immediate preceding quarter.

The decrease in our gross profit margin from 14.1% for the immediate preceding quarter to 12.2% for the current quarter was mainly caused by the decrease in gross profit margin for trading of flat and long carbon steel products by 4.8 percentage points and 6.5 percentage points respectively, arising from higher decrease in average selling price as compared to the decrease in cost of input materials for both trading of flat and long carbon steel products.

However, the decrease in gross profit was partially mitigated by the following factors:

- decrease in distribution costs mainly caused by the decrease in staff related costs by RM0.57 million due to the absence of staff bonuses which were fully paid and recognised in the immediate preceding quarter;
- decrease in administrative costs as the results of the decrease in directors' remuneration and staff costs by RM1.66 million mainly due to the absence of staff bonuses and large portion of directors' bonuses which were fully paid and recognised in the immediate preceding quarter, partially offset by the increase in insurance and road tax expenses, professional fees, stamp duty and upkeep of office being charged to the current quarter; and
- decrease in other operating costs as the results of the decrease in realised and unrealised loss on foreign exchange as well as the decrease in quit rent and assessment expenses, partially offset by the increase in impairment loss on trade receivables being charge to the current quarter.

Based on the foregoing factors, our profit before tax decreased by approximately 43.8% or RM4.02 million, from RM9.19 million for the immediate preceding quarter to RM5.17 million for the current quarter.

B3. Commentary on Prospects

The current states of uncertainties in the local and world economies arising from, among others, weakening of Malaysian Ringgit, political conflicts, volatile commodity prices and effects from implementation of Goods and Services Tax in Malaysia are not expected to be allayed in the short term. The group will continue to focus on providing best possible service to our large and diverse customers, adopting pro-active measures in handling our business as well as increasing the Group's operational capability, expediency and variability for its processing activities. With these measures and barring any unforeseen circumstances, the Board is optimistic that the Group will continue to generate positive results for the remaining quarters of 2015.

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		CUMULATIVE	
	Current Year Quarter 30.6.2015 RM'000	Preceding Year Quarter 30.6.2014 RM'000	Current Year- To-Date 30.6.2015 RM'000	Preceding Year- To-Date 30.6.2014 RM'000
Impairment loss on trade receivables	240	301	360	496
Bad debt recovered	-	-	(3)	(3)
Reversal of impairment loss on trade receivables	(62)	(139)	(90)	(226)
Bad debts written off	6	143	6	143
Depreciation of property, plant and equipment	1,836	1,452	3,544	2,891
Dividend income	-	(1)	-	(1)
Gain on disposal of property, plant and equipment	-	(171)	(10)	(171)
Property, plant and equipment written off	-	136	16	136
Insurance claims	(70)	-	(120)	(26)
Interest expense	2,053	1,504	3,927	2,936
Interest income	(119)	(146)	(243)	(289)
Rental income	(78)	(78)	(157)	(157)
Rental of premises	457	60	913	120
Rental of equipment	17	15	33	30
Loss/(Gain) on foreign exchange - realised	45	46	160	39
- unrealised	(22)	13	(3)	10

Save as disclosed above, the other items as required under Appendix 9B Part A (16) of the Main Market Listing Requirements of Bursa Securities are not applicable.

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

B6. Tax Expense

	INDIVIDUAL		CUMULATIVE	
	Current Year-Quarter 30.6.2015 RM'000	Preceding Year-Quarter 30.6.2014 RM'000	Current Year-To-Date 30.6.2015 RM'000	Preceding Year-To-Date 30.6.2014 RM'000
Current tax				
- for the financial period	1,362	2,803	3,941	4,478
Deferred tax				
- origination and reversal of temporary differences	65	35	43	128
- over provision in prior financial year	(52)	-	(52)	-
- relating to change in income tax rate ⁽¹⁾	(2)	4	(6)	(123)
Tax expense	1,373	2,842	3,926	4,483

The effective tax rate for the current quarter and current financial year-to-date is higher than the statutory tax rate of 25% mainly due to certain expenses which are not deductible for tax purposes.

Note:

(1) Domestic income tax is calculated at the Malaysian statutory income tax rate of 25% of the estimated assessable profit for the financial year. In the Budget Speech 2014, the Government announced that the domestic corporate tax rate would be reduced to 24% from the current year's rate of 25% with effect from year of assessment 2016. The computation of deferred tax has reflected these changes.

B7. Status of Corporate Proposals

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

(i) Utilisation of Proceeds

The Public Issue made in conjunction with the listing exercise of the Company in 2013 raised a gross proceeds of RM35.59 million. The status of utilisation of proceeds raised from the Public Issue as at 30 June 2015 is as follows:

Purposes	Proposed utilisation ⁽¹⁾	Actual utilisation	Deviation		Balance	Intended timeframe for utilisation (from the listing date)
	RM'000	RM'000	RM'000	%	RM'000	
Purchase of new industrial land with building	13,000	(12,677)	(323) ⁽²⁾	(2.5%)	-	Within 1 year
Construction of new processing plant with warehousing facilities	6,000	-	-	-	6,000	Within 3 years

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

B7. Status of Corporate Proposals (Cont'd)

(i) Utilisation of Proceeds (Cont'd)

Purposes	Proposed utilisation ⁽¹⁾	Actual utilisation	Deviation		Balance	Intended timeframe for utilisation (from the listing date)
	RM'000	RM'000	RM'000	%	RM'000	
Purchase of new machines	6,000	-	-	-	6,000	Within 3 years
Working capital	7,786	(7,655)	(131) ⁽²⁾⁽³⁾	(1.7%)	-	Within 1 year
Estimated listing expenses	2,800	(3,254) ⁽³⁾	454 ⁽³⁾	16.2%	-	Upon listing
Total gross proceeds	<u>35,586</u>	<u>(23,586)</u>	<u>-</u>	<u>-</u>	<u>12,000</u>	

Notes:

- (1) The proposed utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 13 May 2013.
- (2) In respect of excess of proposed utilisation over the actual early settlement sum (including a one-off fee of RM0.15 million levied by the bank for early settlement) for a term loan facility used to fund the purchase of the new industrial land with building. In accordance to the Prospectus dated 13 May 2013, any variation to the actual term loan and overdraft facility repayment shall be adjusted against the proposed utilisation for working capital.
- (3) Actual listing expenses incurred were more than the estimated listing expenses by RM0.45 million mainly due to higher printing and advertisement costs as well as other incidental costs incurred in connection to the listing exercise. In accordance to the Prospectus dated 13 May 2013, the excess of listing expenses shall be adjusted against the proposed utilisation for working capital.

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

B8. Group Borrowings

Total Group borrowings as at 30 June 2015 were as follows:-

	As at 30.6.2015 RM'000	Audited As at 31.12.2014 RM'000
<u>Current</u>		
Secured:		
Bankers' acceptances	67,801	66,710
Finance lease payables	2,677	1,928
Term loans	75	175
Bank overdrafts	12,868	13,237
	<u>83,421</u>	<u>82,050</u>
Unsecured:		
Bankers' acceptances	79,096	59,623
Bank overdrafts	4,854	3,462
	<u>83,950</u>	<u>63,085</u>
	<u>167,371</u>	<u>145,135</u>
<u>Non-current</u>		
Secured:		
Finance lease payables	5,849	4,263
	<u>5,849</u>	<u>4,263</u>
Total Borrowings	<u>173,220</u>	<u>149,398</u>

The above Group borrowings are denominated in Ringgit Malaysia.

B9. Material Litigation

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

B10. Dividend

A final single tier dividend of 2.0 sen per share in respect of the financial year ended 31 December 2014 has been approved by the shareholders at the last Annual General Meeting on 25 June 2015. The final dividend was paid on 5 August 2015.

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 30.6.2015 RM'000	Preceding Year-Quarter 30.6.2014 RM'000	Current Year-To-Date 30.6.2015 RM'000	Preceding Year-To-Date 30.6.2014 RM'000
Profit attributable to owners of the Company	3,793	8,167	10,430	12,440
Weighted average number of ordinary shares of RM0.50 each in issue ('000)	310,000	310,000	310,000	310,000
Basic Earnings Per Share (sen)	1.22	2.63	3.36	4.01

(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.

B12. Realised and Unrealised Profits/Losses Disclosure

The breakdown of the retained profits of the Group as at the end of the current quarter and previous financial year, into realised and unrealised profits, is as follows:-

	As at 30.6.2015 RM'000	As at 31.12.2014 RM'000
Total retained earnings of the Group		
(a) Realised	182,553	178,451
(b) Unrealised	(4,024)	(4,017)
	178,529	174,434
Less: consolidated adjustments	(2,508)	(2,643)
Total retained earnings	176,021	171,791

By order of the Board
Kuala Lumpur
25 August 2015