

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2015 RM'000	Preceding Year Quarter 31.12.2014 RM'000	Current Year- To-Date 31.12.2015 RM'000	Preceding Year- To-Date 31.12.2014 RM'000
Continuing Operations				
Revenue	127,235	124,414	505,404	489,194
Direct operating costs	(112,479)	(106,919)	(440,117)	(419,184)
Gross profit	14,756	17,495	65,287	70,010
Other operating income	618	709	2,324	2,281
Distribution costs	(1,156)	(1,331)	(5,598)	(5,545)
Administrative costs	(5,951)	(5,445)	(23,704)	(21,001)
Other operating costs	(1,209)	(282)	(3,991)	(1,640)
	(8,316)	(7,058)	(33,293)	(28,186)
Profit from operations	7,058	11,146	34,318	44,105
Finance costs	(2,153)	(2,035)	(8,553)	(6,710)
Profit before tax	4,905	9,111	25,765	37,395
Tax expense	(1,493)	(2,401)	(7,286)	(9,848)
Profit for the financial period/year	3,412	6,710	18,479	27,547
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Fair value reserve reclassified to profit or loss on disposal of available-for-sale financial assets	-	-	-	12
Exchange differences on translation of foreign operations	(10)	-	(17)	3
Total other comprehensive income, net of tax	(10)	-	(17)	15
Total comprehensive income for the financial period/year	3,402	6,710	18,462	27,562
Profit attributable to:				
- Owners of the Company	3,412	6,710	18,479	27,547
Total comprehensive income attributable to:				
- Owners of the Company	3,402	6,710	18,462	27,562
Earnings per share (sen) attributable to owners of the Company:				
- Basic	1.10	2.16	5.96	8.89
- Diluted	1.10	2.16	5.96	8.89

LEON FUAT BERHAD
(Company No.756407-D)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 31 DECEMBER 2015

	Unaudited As at 31.12.2015 RM'000	Audited As at 31.12.2014 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	93,676	87,146
Capital work-in-progress	11,492	1,136
Goodwill on consolidation	-	257
	<u>105,168</u>	<u>88,539</u>
Current assets		
Inventories	186,209	178,353
Trade receivables	126,502	125,342
Other receivables, deposits and prepayments	18,228	9,310
Tax recoverable	937	65
Fixed deposits with licensed banks	417	12,995
Cash and bank balances	3,806	9,161
	<u>336,099</u>	<u>335,226</u>
	<u><u>441,267</u></u>	<u><u>423,765</u></u>
TOTAL ASSETS		
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	184,070	171,791
Foreign currency translation reserve	(14)	3
Total Equity	<u>234,606</u>	<u>222,344</u>
Non-current liabilities		
Deferred tax liabilities	3,686	3,274
Borrowings	5,344	4,263
	<u>9,030</u>	<u>7,537</u>
Current liabilities		
Trade payables	29,497	42,438
Other payables and accruals	5,229	3,135
Borrowings	161,845	145,135
Tax liabilities	1,060	3,176
	<u>197,631</u>	<u>193,884</u>
Total Liabilities	<u>206,661</u>	<u>201,421</u>
TOTAL EQUITY AND LIABILITIES	<u><u>441,267</u></u>	<u><u>423,765</u></u>
Net assets per share attributable to owners of the Company (RM)	0.76	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 FOURTH QUARTER ENDED 31 DECEMBER 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	-	-	-	-	-	(17)	18,479	18,462
Transaction with owners								
Dividend	-	-	-	-	-	-	(6,200)	(6,200)
At 31 December 2015	<u>155,000</u>	<u>5,094</u>	<u>(109,545)</u>	<u>1</u>	<u>-</u>	<u>(14)</u>	<u>184,070</u>	<u>234,606</u>
2014								
At 1 January 2014	155,000	5,094	(109,545)	1	(12)	-	151,994	202,532
Total comprehensive income	-	-	-	-	12	3	27,547	27,562
Transaction with owners								
Dividend	-	-	-	-	-	-	(7,750)	(7,750)
At 31 December 2014	<u>155,000</u>	<u>5,094</u>	<u>(109,545)</u>	<u>1</u>	<u>-</u>	<u>3</u>	<u>171,791</u>	<u>222,344</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 FOURTH QUARTER ENDED 31 DECEMBER 2015

	Current Year-To-Date 31.12.2015 RM'000	Preceding Year-To-Date 31.12.2014 RM'000
Cash Flows from Operating Activities		
Profit before tax	25,765	37,395
Adjustments for:-		
Impairment loss on trade receivables	814	768
Reversal of impairment loss on trade receivables	(558)	(593)
Bad debts written off	6	152
Depreciation of property, plant and equipment	7,412	5,909
Impairment loss on Goodwill	257	-
Interest expense	8,091	6,153
Dividend income	-	(1)
Property, plant and equipment written off	16	136
Gain on disposal of property, plant and equipment	(544)	(343)
Gain on foreign exchange - unrealised	(43)	(71)
Loss on disposal of other investments	-	5
Inventories written down	-	85
Interest income	(410)	(586)
Operating profit before working capital changes	<u>40,806</u>	<u>49,009</u>
Increase in inventories	(7,856)	(27,983)
Decrease/(Increase) in trade and other receivables	2,371	(11,672)
(Decrease)/Increase in trade and other payables	<u>(10,841)</u>	<u>12,162</u>
Cash generated from operations	24,480	21,516
Interest received	410	586
Interest paid	(8,091)	(6,153)
Income tax paid	<u>(9,862)</u>	<u>(10,138)</u>
Net cash from operating activities	<u>6,937</u>	<u>5,811</u>
Cash Flows from Investing Activities		
Dividend received	-	1
Downpayment of acquisition of land	(12,671)	-
Purchase of property, plant and equipment	(7,647)	(3,288)
Placement of fixed deposits	(13)	(12)
Proceeds from disposal of property, plant and equipment	556	480
Proceeds from disposal of other investments	-	55
Capital work-in-progress paid	(11,492)	(1,136)
Net cash outflow on acquisition of a subsidiary	<u>-</u>	<u>(585)</u>
Net cash used in investing activities	<u>(31,267)</u>	<u>(4,485)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2015 (CONT'D)

	Current Year-To-Date 31.12.2015 RM'000	Preceding Year-To-Date 31.12.2014 RM'000
Cash Flows from Financing Activities		
Repayments of Al-Bai Bithaman Ajil Islamic (ABBA) financing	-	(544)
Drawdown of finance lease	-	907
Payments to finance lease payables	(2,871)	(2,315)
Repayments of term loans	(175)	(283)
Net drawdown of bankers' acceptances	8,520	9,081
Dividend paid	(6,200)	(7,750)
Net cash used in financing activities	<u>(726)</u>	<u>(904)</u>
Net (decrease)/increase in cash and cash equivalents	(25,056)	422
Effect of exchange rate changes on cash and cash equivalents	(21)	(18)
Cash and cash equivalents at beginning of the financial year	<u>5,053</u>	<u>4,649</u>
Cash and cash equivalents at end of the financial year	<u><u>(20,024)</u></u>	<u><u>5,053</u></u>
Cash and cash equivalents at end of financial year comprises:		
Fixed deposits with licensed banks	417	12,995
Cash and bank balances	3,806	9,161
Bank overdrafts	<u>(23,830)</u>	<u>(16,699)</u>
	(19,607)	5,457
Less: Fixed deposit under lien	<u>(417)</u>	<u>(404)</u>
	<u><u>(20,024)</u></u>	<u><u>5,053</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 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”), 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 2018
<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 MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING (CONT’D)

A1. Accounting Policies and Basis of Preparation (*Cont’d*)

		Effective for financial periods beginning on or after
<u>Amendments/Improvements to MFRSs</u>		
MFRS 10	Consolidated Financial statements	To be determined by MASB
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	To be determined by MASB
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 Cyclical 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 periods 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 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 2.0 sen per ordinary share (2014: 2.5 sen per ordinary share).

A8. Segment Information

Segment information of the Group for the financial year-to-date ended 31 December 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	204,930	300,010	464	-	505,404
Direct operating costs	(186,262)	(253,406)	(449)	-	(440,117)
Gross Profit	<u>18,668</u>	<u>46,604</u>	<u>15</u>	-	<u>65,287</u>
Add/(Less):					
- Other income					2,324
- Operating expenses					(33,293)
- Finance costs					<u>(8,553)</u>
Profit before tax					25,765
Tax expense					<u>(7,286)</u>
Profit for the financial year					<u><u>18,479</u></u>

Segment information of the Group for the financial year-to-date ended 31 December 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	192,081	296,723	390	-	489,194
Direct operating costs	(169,210)	(249,671)	(303)	-	(419,184)
Gross Profit	<u>22,871</u>	<u>47,052</u>	<u>87</u>	-	<u>70,010</u>
Add/(Less):					
- Other income					2,281
- Operating expenses					(28,186)
- Finance costs					<u>(6,710)</u>
Profit before tax					37,395
Tax expense					<u>(9,848)</u>
Profit for the financial year					<u><u>27,547</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 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.

A12. Capital Commitments

	As at 31.12.2015 RM'000	Audited As at 31.12.2014 RM'000
Approved and contracted for:		
- Purchase of motor vehicles	1,664	-
- Purchase of machinery	2,109	4,472
- Purchase of furniture and fittings	-	439
- Construction of factory and warehouse buildings	9,553	-
- Purchase of vacant leasehold industrial land	18,326	-
	31,652	4,911

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 2015.

A14. Significant Related Party Transactions

	INDIVIDUAL		CUMULATIVE	
	Current Year Quarter 31.12.2015 RM'000	Preceding Year- Quarter 31.12.2014 RM'000	Current Year- To-Date 31.12.2015 RM'000	Preceding Year- To-Date 31.12.2014 RM'000
Sales to related parties	1,200	1,420	4,707	4,976
Purchases from related parties	258	205	681	1,225
Rental expense paid to related parties	390	390	1,560	900
	1,848	2,015	6,948	7,101

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 increased marginally by 2.3% or RM2.82 million from RM124.41 million for the preceding year corresponding quarter to RM127.23 million for the current quarter. This was mainly due to increase in revenue for our trading of flat carbon steel products by approximately 18.0% or RM5.27 million, largely offset by the decrease in revenue for our trading of long carbon steel products by approximately 19.2% or RM3.10 million.

The increase in revenue for our trading of flat carbon steel products was mainly attributable to the higher tonnage sales for the current quarter by approximately 43.5% as compared to the preceding year corresponding quarter, although the average selling price for the current quarter reduced by approximately 17.8% as compared to the preceding year corresponding quarter. Whereas the decrease in revenue for our trading of long carbon steel products was mainly attributable to the lower tonnage sales for the current quarter by approximately 13.5%, as well as the average selling price for the current quarter reduced by approximately 6.6% 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 44.3% and 55.6% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of approximately 42.7% and 57.2% respectively for the preceding year corresponding quarter.

For the current quarter, gross profit decreased by RM2.74 million from RM17.50 million for the preceding year corresponding quarter to RM14.76 million for the current quarter, which was mainly due to the decrease in overall gross profit margin. The decrease in overall gross profit margin from 14.1% for the preceding year corresponding quarter to 11.6% for the current quarter was caused by the decrease in gross profit margin for trading of steel products by approximately 4.5 percentage points, as the result of the lower average selling price by 14.6% while the average cost for input material had only decreased by 10.2%.

We recorded a lower level of other operating income of RM0.62 million for the current quarter as compared to RM0.71 million for the preceding year corresponding quarter. This was mainly due to lower reversal of impairment loss on trade receivables and unrealised gain on foreign exchange by RM0.09 million and RM0.32 million respectively recorded in the current quarter, partially offset by higher gain on disposal of property, plant and equipment by approximately RM0.34 million for the current quarter as compared to the preceding year corresponding quarter.

Operating costs rose by approximately RM1.26 million from RM7.06 million for the preceding year corresponding quarter to RM8.32 million for the current quarter as the result of the following:

- increase in administrative costs by approximately RM0.51 million, mainly caused by the higher staff costs, depreciation and stamp duty for the current quarter as compared to the preceding year corresponding quarter; and
- increase in other operation costs by approximately RM0.93 million mainly caused by the realised loss on foreign exchange transactions arising from the settlement of trade payables denominated in United States Dollar, due to the unfavorable foreign exchange movement against Ringgit Malaysia, higher allowance for impairment on trade receivable and goodwill on consolidation.

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)

Finance costs had also increased by RM0.12 million as compared to the preceding year corresponding quarter. This was mainly due to a higher interest expenses for overdraft and finance lease facilities by RM0.19 million and RM0.06 million respectively, as the effect of higher utilisation of overdraft and finance lease facilities to finance the increase in inventories, purchase of machinery and motor vehicles, as well as to finance the construction of factory and warehouse buildings. However, the higher finance costs incurred for overdraft and finance lease facilities was largely offset by the decrease in bank charges and interest costs for trade financing by approximately RM0.06 million and RM0.05 million respectively.

Based on the foregoing factors, our Group registered a decrease in profit before tax by approximately RM4.20 million to approximately RM4.91 million as compared to RM9.11 million for the preceding year corresponding quarter.

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

Our revenue grew by 3.3% or RM16.21 million from RM489.19 million for the preceding financial year-to-date to RM505.40 million for the current financial year-to-date. This was mainly due to the increase in demand for both trading and processing of steel products, with total tonnage sales increased by 24.6% and 10.7 % respectively. However, the revenue contribution from the increase in tonnage sales for both trading and processing of steel products was largely offset by the decrease in average selling price for both trading and processing of steel products by 14.3% and 8.7% respectively.

Despite the increase in revenue, our gross profit decreased by 6.7% or approximately RM4.72 million. This was mainly due to the decrease in overall gross profit margin recorded for the current financial year-to-date as compared to the preceding financial year-to date, from 14.3% for the preceding financial year-to-date to 12.9% for the current financial year-to-date, as the result of lower gross profit margin by 2.8 percentage points for trading of steel products, from 11.9% for the preceding financial year-to-date to 9.1% for the current financial year-to-date. The decrease in gross profit margin for trading of steel products was mainly due to the average selling price had decreased by 14.3%, as compared to the average cost for input material which had only decreased by 12.0%.

Operating costs rose by approximately RM5.10 million from RM28.19 million for the preceding financial year-to-date to RM33.29 million for the current financial year-to-date as the result of the increase in administrative costs by approximately RM2.70 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. In addition, other operating costs have also rose by approximately RM2.35 million, mainly due to impairment of goodwill on consolidation, and the realised loss on foreign exchange transactions arising from the settlement of trade payables denominated in United States Dollar, due to the unfavorable foreign exchange movement against Ringgit Malaysia. However, these increases were partially offset by lower bad debts, as well as lower 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 RM1.84 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 these financing facilities was mainly caused by retention of more inventories, purchase of machinery and motor vehicles, as well as to finance the construction of factory and warehouse buildings.

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)

Based on the foregoing factors, our Group registered a decrease in profit before tax by approximately 31.1% or RM11.63 million from approximately RM37.39 million for the preceding financial year-to-date to approximately RM25.76 million for the current financial year-to-date.

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

For the current quarter, our group achieved lower gross profit by approximately 10.3% or RM1.69 million, from RM16.45 million for the immediate preceding quarter to RM14.76 million for the current quarter mainly caused by the decrease in gross profit margin by approximately 2.0 percentage points from the immediate preceding quarter.

The decrease in our gross profit margin from 13.6% for the immediate preceding quarter to 11.6% for the current quarter was mainly contributed by:

- decrease in gross profit margin for trading of steel products by approximately 2.5 percentage points, from approximately 9.0% for the immediate preceding quarter to 6.5% for the current quarter, mainly due to the average cost of input materials had increased by 9.8% for the current quarter, as compared to the average selling price, which had only increased by 5.9% for the current quarter;
- decrease in gross profit margin for processing of steel products by approximately 1.8 percentage points, from approximately 17.5% for the immediate preceding quarter to 15.7% for the current quarter, mainly due to the average selling price had decreased by 3.0% for the current quarter, with fairly consistent average cost of input materials, as compared to immediate preceding quarter.

Based on the foregoing factors, our profit before tax decreased by 24.6% or approximately RM1.59 million, from RM6.50 million for the immediate preceding quarter to approximately RM4.91 million for the current quarter.

B3. Commentary on Prospects

Malaysia economic for 2016 is expected to continue progressing albeit a lower growth from 2015. Prices of commodities including crude oil are expected to remain subdued and prime mover of our local economic will come from domestic private consumption. In the light of this outlook, the Board is cautiously optimistic that the Group's performance and results, largely dependent on domestic consumption, will remain positive.

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 31.12.2015 RM'000	Preceding Year-Quarter 31.12.2014 RM'000	Current Year-To-Date 31.12.2015 RM'000	Preceding Year-To-Date 31.12.2014 RM'000
Impairment loss on trade receivables	416	185	814	768
Bad debt recovered	-	(3)	(3)	(9)
Reversal of impairment loss on trade receivables	(64)	(149)	(558)	(593)
Bad debts written off	-	9	6	152
Depreciation of property, plant and equipment	1,990	1,550	7,412	5,909
Dividend income	-	-	-	(1)
Gain on disposal of property, plant and equipment	(509)	(172)	(544)	(343)
Property, plant and equipment written off	-	#	16	136
Insurance claims	-	(23)	(165)	(184)
Interest expense	2,078	1,885	8,091	6,153
Interest income	(64)	(144)	(410)	(586)
Rental income	(105)	(78)	(419)	(314)
Rental of premises	470	454	1,846	1,019
Rental of equipment	16	16	68	61
Loss/(Gain) on foreign exchange - realised	456	21	2,326	56
- unrealised	244	(108)	(43)	(71)
Loss on disposal of other investments	-	-	-	5
Inventories written down	-	(6)	-	85
Impairment loss on goodwill	257	-	257	-

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.

Note:

Less than RM500

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

B6. Tax Expense

	INDIVIDUAL		CUMULATIVE	
	Current Year Quarter 31.12.2015 RM'000	Preceding Year-Quarter 31.12.2014 RM'000	Current Year-To-Date 31.12.2015 RM'000	Preceding Year-To-Date 31.12.2014 RM'000
Current tax				
- for the financial period/year	1,226	2,259	6,781	9,751
- (over)/under provision in prior financial year	-	(78)	93	(97)
Deferred tax				
- origination and reversal of temporary differences	321	240	474	389
- over provision in prior financial year	(52)	-	(52)	(59)
- relating to change in income tax rate ⁽¹⁾	(2)	(20)	(10)	(136)
Tax expense	1,493	2,401	7,286	9,848

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 and Utilisation of Proceeds

(i) Status of Corporate Proposals

On 27 August 2015, the Company announced that its wholly-owned subsidiary, Leon Fuat Hardware (Klang) Sdn Bhd ("LF Klang") had accepted the Letter of Offer dated 13 July 2015 ("LO") from Perbadanan Kemajuan Negeri Selangor ("PKNS") to acquire a parcel of vacant leasehold land held under H.S. (M) 42036 Lot No. PT 65615 Mukim of Kapar District of Klang, State of Selangor measuring approximately 16.09 acres for a total cash consideration of RM31,764,874 ("Total Consideration") ("Proposed Acquisition").

Forthwith the payment of 20% of the Total Consideration pursuant to the acceptance of the LO, LF Klang had on 30 September 2015 entered into a Sale and Purchase Agreement with PKNS for the Proposed Acquisition ("SPA"). The balance of Total Consideration is required to be paid by 12 January 2016 in accordance with the terms of the SPA.

On 8 January 2016, the Company announced that the Proposed Acquisition was completed following the payment of the balance of Total Consideration by LF Klang to PKNS on the even date.

There was no other 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)

B7. Status of Corporate Proposals and Utilisation of Proceeds (Cont'd)

(ii) 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 31 December 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	%		
Purchase of new industrial land with building	13,000	(12,677)	(323) ⁽³⁾	(2.5%)	-	Within 1 year
Construction of new processing plant with warehousing facilities	6,000	-	(6,000) ⁽²⁾	(100%)	-	Within 3 years
Purchase of new machines	6,000	-	(6,000) ⁽²⁾	(100%)	-	Within 3 years
Part financing for the proposed acquisition of vacant leasehold industrial land	-	(12,000)	12,000 ⁽²⁾	(100%)	-	Within 3 years
Working capital	7,786	(7,655)	(131) ⁽³⁾⁽⁴⁾	(1.7%)	-	Within 1 year
Estimated listing expenses	2,800	(3,254) ⁽⁴⁾	454 ⁽⁴⁾	16.2%	-	Upon listing
Total gross proceeds	35,586	(35,586)	-	-	-	

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) Revised as per the Company's announcement dated 27 August 2015.
- (3) 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.
- (4) 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 31 December 2015 were as follows:-

	As at 31.12.2015 RM'000	Audited As at 31.12.2014 RM'000
<u>Current</u>		
Secured:		
Bankers' acceptances	78,593	66,710
Finance lease payables	3,162	1,928
Term loans	-	175
Bank overdrafts	17,625	13,237
	<u>99,380</u>	<u>82,050</u>
Unsecured:		
Bankers' acceptances	56,260	59,623
Bank overdrafts	6,205	3,462
	<u>62,465</u>	<u>63,085</u>
	<u>161,845</u>	<u>145,135</u>
<u>Non-current</u>		
Secured:		
Finance lease payables	5,344	4,263
	<u>5,344</u>	<u>4,263</u>
Total Borrowings	<u>167,189</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

There was no dividend proposed or declared for the current quarter and current financial year-to-date.

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 31.12.2015 RM'000	Preceding Year-Quarter 31.12.2014 RM'000	Current Year-To-Date 31.12.2015 RM'000	Preceding Year-To-Date 31.12.2014 RM'000
Profit attributable to owners of the Company	3,412	6,710	18,479	27,547
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)	1.10	2.16	5.96	8.89

(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 31.12.2015 RM'000	As at 31.12.2014 RM'000
Total retained earnings of the Group		
(a) Realised	191,319	178,451
(b) Unrealised	(4,406)	(4,017)
	186,913	174,434
Less: consolidated adjustments	(2,843)	(2,643)
Total retained earnings	184,070	171,791

By order of the Board
Kuala Lumpur
25 February 2016