

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.9.2016 RM'000	Preceding Year Quarter 30.9.2015 RM'000	Current Year- To-Date 30.9.2016 RM'000	Preceding Year- To-Date 30.9.2015 RM'000
<b>Continuing Operations</b>				
Revenue	115,205	120,896	364,933	378,169
Direct operating costs	(98,480)	(104,451)	(309,971)	(327,638)
Gross profit	16,725	16,445	54,962	50,531
Other operating income	848	1,057	1,562	1,706
Distribution costs	(1,264)	(1,498)	(4,288)	(4,442)
Administrative costs	(5,841)	(5,339)	(19,372)	(17,753)
Other operating costs	(660)	(1,976)	(2,191)	(2,782)
	(7,765)	(8,813)	(25,851)	(24,977)
Profit from operations	9,808	8,689	30,673	27,260
Finance costs	(2,149)	(2,185)	(6,109)	(6,400)
<b>Profit before tax</b>	7,659	6,504	24,564	20,860
Tax expense	(2,126)	(1,867)	(6,816)	(5,793)
<b>Profit for the financial period</b>	5,533	4,637	17,748	15,067
<b>Other comprehensive income:</b>				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of foreign operations	14	#	(10)	(7)
<b>Total other comprehensive income/(loss), net of tax</b>	14	#	(10)	(7)
<b>Total comprehensive income for the financial period</b>	5,547	4,637	17,738	15,060
<b>Profit attributable to:</b>				
- Owners of the Company	5,533	4,637	17,748	15,067
<b>Total comprehensive income attributable to:</b>				
- Owners of the Company	5,547	4,637	17,738	15,060
Earnings per share (sen) attributable to owners of the Company:				
- Basic	1.78	1.50	5.73	4.86
- Diluted	1.78	1.50	5.73	4.86

**LEON FUAT BERHAD**  
(Company No.756407-D)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016 (CONT'D)**

*Note:*

# *Less than RM500*

*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 2015 and the accompanying explanatory notes attached to this interim financial statement.*

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2016**

	<b>Unaudited As at 30.9.2016 RM'000</b>	<b>Audited As at 31.12.2015 RM'000</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	135,084	93,676
Capital work-in-progress	9,231	11,492
	<u>144,315</u>	<u>105,168</u>
<b>Current assets</b>		
Inventories	181,163	186,209
Trade receivables	118,758	126,502
Other receivables, deposits and prepayments	7,130	18,082
Tax recoverable	1,125	937
Derivative financial assets	21	-
Fixed deposits with licensed banks	2,436	417
Cash and bank balances	21,303	3,806
	<u>331,936</u>	<u>335,953</u>
<b>TOTAL ASSETS</b>	<u><u>476,251</u></u>	<u><u>441,121</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity attributable to owners of the Company</b>		
Share capital	155,000	155,000
Share premium	5,094	5,094
Merger deficit	(109,545)	(109,545)
Capital reserve	1	1
Retained earnings	197,168	184,070
Foreign currency translation reserve	(24)	(14)
<b>Total Equity</b>	<u>247,694</u>	<u>234,606</u>
<b>Non-current liabilities</b>		
Deferred tax liabilities	3,506	3,686
Amount owing to ultimate holding company	10,243	-
Borrowings	19,836	5,344
	<u>33,585</u>	<u>9,030</u>
<b>Current liabilities</b>		
Trade payables	14,590	29,497
Other payables and accruals	3,155	5,083
Borrowings	175,055	161,845
Tax liabilities	2,172	1,060
	<u>194,972</u>	<u>197,485</u>
<b>Total Liabilities</b>	<u>228,557</u>	<u>206,515</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>476,251</u></u>	<u><u>441,121</u></u>
Net assets per share attributable to owners of the Company (RM)	0.80	0.76

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 2015 and the accompanying explanatory notes attached to this interim financial statement.*

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016**

	< -----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	Total Equity RM'000
<b>2016</b>							
At 1 January 2016	155,000	5,094	(109,545)	1	(14)	184,070	234,606
<b>Total comprehensive income</b>	-	-	-	-	(10)	17,748	17,738
<b>Transaction with owners</b>							
Dividend	-	-	-	-	-	(4,650)	(4,650)
At 30 September 2016	155,000	5,094	(109,545)	1	(24)	197,168	247,694
<b>2015</b>							
At 1 January 2015	155,000	5,094	(109,545)	1	3	171,791	222,344
<b>Total comprehensive income</b>	-	-	-	-	(7)	15,067	15,060
<b>Transaction with owners</b>							
Dividend	-	-	-	-	-	(6,200)	(6,200)
At 30 September 2015	155,000	5,094	(109,545)	1	(4)	180,658	231,204

*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 2015 and the accompanying explanatory notes attached to this interim financial statement.*

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016**

	<b>Current Year-To-Date 30.9.2016 RM'000</b>	<b>Preceding Year-To-Date 30.9.2015 RM'000</b>
<b>Cash Flows from Operating Activities</b>		
Profit before tax	24,564	20,860
Adjustments for:-		
Impairment loss on trade receivables	1,075	398
Reversal of impairment loss on trade receivables	(747)	(494)
Bad debts written off	-	6
Depreciation of property, plant and equipment	6,541	5,422
Interest expense	5,655	6,013
Property, plant and equipment written off	80	16
Gain on disposal of property, plant and equipment	(330)	(35)
Gain on foreign exchange - unrealised	(8)	(287)
Inventories written off	65	-
Net fair value gain on derivatives	(21)	-
Interest income	(93)	(346)
Operating profit before working capital changes	<u>36,781</u>	<u>31,553</u>
Decrease/(Increase) in inventories	4,982	(35,159)
Decrease/(Increase) in trade and other receivables	5,714	(2,081)
(Decrease)/Increase in trade and other payables	<u>(16,850)</u>	<u>4,424</u>
Cash generated from/(used in) operations	30,627	(1,263)
Interest received	93	346
Interest paid	(5,655)	(6,013)
Income tax paid	<u>(6,072)</u>	<u>(8,038)</u>
Net cash from/(used in) operating activities	<u>18,993</u>	<u>(14,968)</u>
<b>Cash Flows from Investing Activities</b>		
Purchase of property, plant and equipment	(4,388)	(6,961)
Placement of fixed deposits	(14)	(12)
Proceeds from disposal of property, plant and equipment	352	48
Capital work-in-progress paid	<u>(9,954)</u>	<u>(5,868)</u>
Net cash used in investing activities	<u>(14,004)</u>	<u>(12,793)</u>

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2016 (CONT'D)**

	<b>Current Year-To-Date 30.9.2016 RM'000</b>	<b>Preceding Year-To-Date 30.9.2015 RM'000</b>
<b>Cash Flows from Financing Activities</b>		
Payments to finance lease payables	(481)	(1,781)
Repayments of term loans	(1,826)	(150)
Net drawdown of Structured Commodity Financing-i	15,000	-
Net drawdown of bankers' acceptances	545	7,961
Advances from ultimate holding company	10,243	4,500
Dividend paid	(4,650)	(6,200)
Net cash from financing activities	<u>18,831</u>	<u>4,330</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	23,820	(23,431)
Effect of exchange rate changes on cash and cash equivalents	(6)	(16)
<b>Cash and cash equivalents at beginning of the financial period</b>	<u>(20,024)</u>	<u>5,053</u>
<b>Cash and cash equivalents at end of the financial period</b>	<u><u>3,790</u></u>	<u><u>(18,394)</u></u>
 <b>Cash and cash equivalents at end of financial period comprises:</b>		
Fixed deposits with licensed banks	2,436	6,868
Cash and bank balances	21,303	1,517
Bank overdrafts	(19,518)	(26,362)
	<u>4,221</u>	<u>(17,977)</u>
Less: Fixed deposit under lien	(431)	(417)
	<u><u>3,790</u></u>	<u><u>(18,394)</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 2015 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 2015.

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 2015.

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 2015, except for the adoption of the following:

**Amendments/Improvements to MFRSs**

MFRS 5	Non-current Asset Held for Sale and Discontinued Operations
MFRS 7	Financial Instruments: Disclosures
MFRS 10	Consolidated Financial statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosures of Interests in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 127	Separate financial statements
MFRS 128	Investments in Associates and Joint Ventures
MFRS 138	Intangible Assets
MFRS 141	Agriculture

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:

<b><u>New MFRS</u></b>		<b>Effective for financial periods beginning on or after</b>
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019

**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*)**

		<b>Effective for financial periods beginning on or after</b>
<b><u>Amendments/Improvements to MFRSs</u></b>		
MFRS 2	Share-based Payment	1 January 2018
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 107	Statement of Cash Flows	1 January 2017
MFRS 112	Income Taxes	1 January 2017
MFRS 128	Investments in Associates and Joint Ventures	Deferred

The Group is in the process of assessing the impact which may arise from adoption of the above new MFRSs and amendments/improvement to MFRSs.

**A2. Auditors’ Report on Preceding Annual Financial Statements**

The Auditors’ Report for the immediate preceding annual financial statements of the Group and the Company for the financial year ended 31 December 2015 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 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.

**A7. Dividend Paid**

The final single-tier dividend of 1.5 sen per ordinary share in respect of financial year ended 31 December 2015 which had been approved by the shareholders at the last Annual General Meeting held on 2 June 2016 was paid on 22 July 2016.



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

**A8. Segment Information**

Segment information of the Group for the financial year-to-date ended 30 September 2016 is as follows:

	Trading of Processing				
	Steel	of Steel			
	Products	Products	Others <sup>(1)</sup>	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	177,240	187,418	275	-	364,933
Direct operating costs	(160,917)	(148,823)	(231)	-	(309,971)
Gross Profit	16,323	38,595	44	-	54,962
Add/(Less):					
- Other income					1,562
- Operating expenses					(25,851)
- Finance costs					(6,109)
Profit before tax					24,564
Tax expense					(6,816)
Profit for the financial period					17,748

Segment information of the Group for the financial year-to-date ended 30 September 2015 is as follows:

	Trading of Processing				
	Steel	of Steel			
	Products	Products	Others <sup>(1)</sup>	Elimination	Consolidated
	RM'000	RM'000	RM'000	RM'000	RM'000
External revenue	148,585	229,274	310	-	378,169
Direct operating costs	(133,557)	(193,758)	(323)	-	(327,638)
Gross Profit	15,028	35,516	(13)	-	50,531
Add/(Less):					
- Other income					1,706
- Operating expenses					(24,977)
- Finance costs					(6,400)
Profit before tax					20,860
Tax expense					(5,793)
Profit for the financial period					15,067

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**

On 18 August 2016, the Company announced that Leon Fuat Industrial Products Sdn Bhd (Company No. 1198531-X) (“LFIP”), a wholly-owned subsidiary of Leon Fuat Hardware (Klang) Sdn Bhd, which in turn is a wholly-owned subsidiary of the Company was incorporated under the Companies Act, 1965 as a private company limited by shares on 16 August 2016.

The authorised capital of LFIP is RM400,000.00 divided into 400,000 ordinary shares of RM1.00 each of which two (2) ordinary shares have been issued and are fully paid up.

Save as above, there were no changes in the composition of the Group during 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)**

**A12. Capital Commitments**

	<b>As at 30.9.2016 RM’000</b>	<b>Audited As at 31.12.2015 RM’000</b>
Approved and contracted for:		
- Purchase of motor vehicles	121	1,664
- Purchase of plant and machinery	1,239	2,109
- Purchase of furniture and fittings	157	-
- Construction of factory and warehouse buildings	1,579	9,553
- Purchase of vacant leasehold industrial land	-	18,326
	<u>3,096</u>	<u>31,652</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 September 2016.

**A14. Significant Related Party Transactions**

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>Current Year Quarter 30.9.2016 RM’000</b>	<b>Preceding Year- Quarter 30.9.2015 RM’000</b>	<b>Current Year- To-Date 30.9.2016 RM’000</b>	<b>Preceding Year- To-Date 30.9.2015 RM’000</b>
Sales to related parties	1,019	1,312	2,944	3,507
Purchases from related parties	70	185	504	423
Rental expense paid to related parties	390	390	1,170	1,170
Interest charged by related party <sup>(1)</sup>	83	-	243	-
	<u>1,562</u>	<u>1,887</u>	<u>4,861</u>	<u>5,100</u>

*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 30 September 2016 amounted to RM10.24 million (30.9.2015: Nil) is repayable after twelve months.*

**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**

The revenue recorded for the current quarter and the preceding year corresponding quarter was RM115.20 million and RM120.90 million respectively, decreased by 4.7% or approximately RM5.70 million.

The decrease in revenue was mainly due to the decrease in revenue for our processing of steel products by approximately 16.1% or RM10.68 million, due to lower tonnage sales by approximately 21.0%, partially compensated by the increase in average selling price by approximately 6.2%.

However, the decrease in revenue from processing of steel products was largely offset by the increase in revenue for our trading of steel products by approximately 9.1% or RM4.98 million, mainly due to the increase in average selling price for trading of flat steel products by approximately 14.9%.

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 51.8% and 48.1% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of approximately 45.2% and 54.7% respectively for the preceding year corresponding quarter.

Despite the decrease in revenue, our gross profit improved by 1.7% or approximately RM0.28 million, from RM16.44 million to RM16.72 million. This was contributed by the slight improvement in overall gross profit margin, from 13.6% for the preceding financial corresponding quarter to 14.5% for the current quarter, attributable to better gross profit margin for processing of steel products by approximately 3.0 percentage points, from 17.5% to 20.5%, as the result of the increase in average selling price by 6.2%, while average cost for input material had only increased by 1.7%.

Our operating costs decreased by approximately RM1.05 million from RM8.81 million for the preceding year corresponding quarter to RM7.76 million for the current quarter, mainly as the result of the followings:

- decrease in distribution costs by approximately RM0.23 million, mainly caused by the decrease in transportation, travelling and accommodation costs;
- decrease in other operating costs by approximately RM1.32 million mainly due to the decrease in realised loss on foreign exchange by approximately RM1.71 million, partly offset by the increase in stamp duty paid by approximately RM0.46 million.

However, the above reduction in distribution and other operating costs were partially offset by the increase in administrative costs by approximately RM0.50 million, mainly caused by the increase in sales commission, depreciation, as well as electricity and water expenses.

Total finance costs for the current quarter was RM2.15 million, remained fairly consistent as compared to RM2.18 million for the preceding year corresponding quarter.

Based on the foregoing factors, our Group registered an increase in profit before tax by approximately RM1.16 million to RM7.66 million as compared to RM6.50 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 decreased by 3.5% or RM13.24 million from RM378.17 million for the preceding financial year-to-date to RM364.93 million for the current financial year-to-date. This was mainly due to:

- decrease in revenue for our processing of flat steel products by approximately 18.3% or RM37.55 million, caused by the decrease in demand for our processing of flat steel products, with total tonnage sales decreased by approximately 17.4%; and
- decrease in revenue for our processing of long steel products by 18.2% or RM4.31 million, due to lower demand by 31.2%, partially compensated by the increase in average selling price by 18.8%.

However, the lower revenue for processing of flat and long steel products was largely compensated by the increase in revenue for trading of flat carbon steel products by approximately 38.4% or RM31.78 million, mainly due to the increase in tonnage sales by 41.0%.

Despite the decrease in revenue, our gross profit improved by 8.8% or approximately RM4.43 million, from RM50.53 million to RM54.96 million. This was contributed by the improvement in overall gross profit margin, from 13.4% for the preceding financial year-to date to 15.1% for the current financial year-to-date, attributable to better gross profit margin for processing of steel products by approximately 5.1 percentage points, from 15.5% to 20.6%, as the result of the followings:

- decrease in average cost for input material for processing of flat steel products by approximately 6.7%, while average selling price remained fairly consistent; and
- increase in average selling price for processing of long steel products by 18.8%, whereas the average cost for input material had only increased by 11.9%.

Our operating costs increased by approximately RM0.87 million from RM24.98 million for the preceding financial year-to-date to RM25.85 million for the current financial year-to-date, mainly as the result of the followings:

- increase in administrative costs by approximately RM1.62 million, mainly caused by the increase in sales commission, depreciation, electricity and water expenses, insurance, road tax, petrol, parking and toll expenses, professional fees, staff costs and security charges which however partially reduced by the decrease in upkeep of office expenses and directors' remuneration.
- decrease in other operation costs by approximately RM0.59 million mainly caused by the decrease in realised loss on foreign exchange by approximately RM1.87 million which was however, partially offset by the increase in allowance for impairment loss on trade receivables and stamp duty paid by approximately RM0.68 million and RM0.52 million respectively.

Conversely, finance costs had decreased slightly by approximately RM0.29 million or 4.5% as compared to the preceding financial year-to-date. This was mainly due to lower interest expenses incurred for trade financing and overdraft facilities, partly offset by interest on loan from ultimate holding company procured during the current financial year-to-date.

Based on the foregoing factors, our Group registered an increase in profit before tax by approximately 17.8% or RM3.70 million from RM20.86 million for the preceding financial year-to-date to RM24.56 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 gross profit decreased by approximately 31.5% or RM7.69 million, from RM24.41 million for the immediate preceding quarter to RM16.72 million for the current quarter, which was mainly due to the decrease in revenue by RM7.08 million, from RM122.28 million for the immediate preceding quarter to RM115.20 million for the current quarter, as well as the lower overall gross profit margin recorded for the current quarter.

The decrease in overall gross profit margin from approximately 20.0% for the immediate preceding quarter to approximately 14.5% for the current quarter was caused by the decrease in gross profit margin for both trading and processing of steel products by approximately 5.7 percentage points and 4.6 percentage points respectively.

The decrease in gross profit margin for trading of steel products was mainly due to the average cost for input material increased by approximately 7.7%, whereas the average selling price had only increased by approximately 2.0%, and the decrease in gross profit margin for processing of steel products was mainly due to the average selling price decreased by approximately 1.0%, as well as an increase in average cost for input material by approximately 4.4%.

The other operating income of approximately RM0.85 million for the current quarter as compared to RM0.37 million for the immediate preceding quarter, was higher by approximately RM 0.48 million mainly as the result of the higher reversal of impairment loss on trade receivables, unrealised gain on foreign exchange and customer late payment interest charges.

Our operating costs increased by approximately RM0.40 million, from RM7.36 million for the immediate preceding quarter to RM7.76 million for the current quarter, mainly as the result of the followings:

- increase in other operation costs by approximately RM0.78 million, mainly caused by lower fair value gain on derivatives at settlement dates by approximately RM0.43 million and higher stamp duty paid by approximately RM0.40 million as compared to the immediate preceding quarter.
- decrease in administrative costs by approximately RM0.33 million, mainly due to the decrease in insurance, road tax, petrol, parking and toll expenses, printing and stationery expenses, upkeep of office expenses, directors' remuneration and staff costs, partially offset by the increase in professional fees.

The finance costs for the current quarter increased by approximately 16.0% or RM0.30 million as compared to the immediate preceding quarter, mainly due to higher interest expenses incurred for trade financing and overdraft facilities for the current quarter.

Based on the foregoing factors, our profit before tax decreased significantly by approximately 50.8% or RM7.90 million, from RM15.56 million for the immediate preceding quarter to RM7.66 million for the current quarter.

**B3. Commentary on Prospects**

Malaysia's economy has seen a steady Gross Domestic Product growth of approximately 4% in each of the first three quarters of the current financial year despite global economic uncertainties, geopolitical tension and strengthening of United States Dollar. The year so far has also seen a rise in steel prices following China's decision to cut down its steel production.

For the remaining quarter of the current financial year, steel prices are expected to be volatile. With the continued stringent and prudent measures applied on the Group's operations in order to maintain the Group's competitiveness, the Board believes that the Group's performance and results for the remaining quarter of the current financial year will remain positive.

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

**B4. Variance of Forecast Profit and Profit Guarantee**

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

**B5. Profit Before Tax**

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.9.2016 RM'000	Preceding Year Quarter 30.9.2015 RM'000	Current Year- To-Date 30.9.2016 RM'000	Preceding Year- To-Date 30.9.2015 RM'000
Impairment loss on trade receivables	93	38	1,075	398
Bad debt recovered	-	-	-	(3)
Reversal of impairment loss on trade receivables	(525)	(404)	(747)	(494)
Bad debts written off	-	-	-	6
Depreciation of property, plant and equipment	2,264	1,878	6,541	5,422
Gain on disposal of property, plant and equipment	(142)	(25)	(330)	(35)
Property, plant and equipment written off	2	-	80	16
Insurance claims	(9)	(45)	(76)	(165)
Interest expense	1,986	2,086	5,655	6,013
Interest income	(35)	(103)	(93)	(346)
Rental income	(19)	(157)	(19)	(314)
Rental of premises	458	463	1,383	1,376
Rental of equipment	16	19	48	52
Rental of land	130	130	390	304
(Gain)/Loss on foreign exchange - realised	(21)	1,710	(139)	1,870
- unrealised	(7)	(284)	(8)	(287)
Net fair value (gain)/loss on derivatives	(72)	-	20	-
Inventories written off	-	-	65	-

*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 QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.9.2016 RM'000	Preceding Year- Quarter 30.9.2015 RM'000	Current Year- To-Date 30.9.2016 RM'000	Preceding Year- To-Date 30.9.2015 RM'000
Current tax				
- for the financial period	2,287	1,614	6,903	5,555
- under provision in prior financial year	93	93	93	93
Deferred tax				
- origination and reversal of temporary differences	(59)	110	15	153
- (over)/under provision in prior year	(195)	52	(195)	-
- relating to change in income tax rate	-	(2)	-	(8)
Tax expense	<u>2,126</u>	<u>1,867</u>	<u>6,816</u>	<u>5,793</u>

The effective tax rate for the current quarter and current financial year-to-date is higher than the statutory tax rate of 24% mainly due to certain expenses which are not deductible for tax purposes and the absence of group relief for losses incurred by certain companies within the Group.

**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 30 September 2016 were as follows:-

	<b>As at 30.9.2016 RM'000</b>	<b>Audited As at 31.12.2015 RM'000</b>
<b><u>Current</u></b>		
<b>Secured:</b>		
Bankers' acceptances	92,493	77,069
Finance lease payables	3,338	3,161
Term loan	1,800	-
Bank overdrafts	16,700	17,625
	<u>114,331</u>	<u>97,855</u>
<b>Unsecured:</b>		
Bankers' acceptances	42,906	57,784
Structured Commodity Financing-i	15,000	-
Bank overdrafts	2,818	6,206
	<u>60,724</u>	<u>63,990</u>
	<u>175,055</u>	<u>161,845</u>
<b><u>Non-current</u></b>		
<b>Secured:</b>		
Finance lease payables	4,686	5,344
Term loan	15,150	-
	<u>19,836</u>	<u>5,344</u>
	<u>194,891</u>	<u>167,189</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 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 30.9.2016 RM'000	Preceding Year-Quarter 30.9.2015 RM'000	Current Year-To-Date 30.9.2016 RM'000	Preceding Year-To-Date 30.9.2015 RM'000
Profit attributable to owners of the Company	5,533	4,637	17,748	15,067
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)	1.78	1.50	5.73	4.86

(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 30.9.2016 RM'000	As at 31.12.2015 RM'000
Total retained earnings of the Group		
(a) Realised	203,335	191,319
(b) Unrealised	(4,242)	(4,406)
	199,093	186,913
Less: consolidated adjustments	(1,925)	(2,843)
Total retained earnings	197,168	184,070

By order of the Board  
Kuala Lumpur  
23 November 2016