

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2016 RM'000	Preceding Year Quarter 31.12.2015 RM'000	Current Year- To-Date 31.12.2016 RM'000	Preceding Year- To-Date 31.12.2015 RM'000
Continuing Operations				
Revenue	133,783	127,235	498,716	505,404
Direct operating costs	(110,176)	(112,479)	(420,147)	(440,117)
Gross profit	23,607	14,756	78,569	65,287
Other operating income	254	618	1,816	2,324
Distribution costs	(1,305)	(1,156)	(5,593)	(5,598)
Administrative costs	(6,155)	(6,022)	(25,527)	(23,775)
Other operating costs	(679)	(1,138)	(2,870)	(3,920)
	(8,139)	(8,316)	(33,990)	(33,293)
Profit from operations	15,722	7,058	46,395	34,318
Finance costs	(2,157)	(2,153)	(8,266)	(8,553)
Profit before tax	13,565	4,905	38,129	25,765
Tax expense	(3,635)	(1,493)	(10,451)	(7,286)
Profit for the financial period/year	9,930	3,412	27,678	18,479
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange difference on translation of foreign subsidiary	17	(8)	7	(17)
Total other comprehensive income/(loss), net of tax	17	(8)	7	(17)
Total comprehensive income for the financial period/year	9,947	3,404	27,685	18,462
Profit attributable to:				
- Owners of the Company	9,930	3,412	27,678	18,479
Total comprehensive income attributable to:				
- Owners of the Company	9,947	3,404	27,685	18,462
Earnings per share (sen) attributable to owners of the Company:				
- Basic	3.20	1.10	8.93	5.96
- Diluted	3.20	1.10	8.93	5.96

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 2016 (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 2015 and the accompanying explanatory notes attached to this interim financial statement.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2016

	Unaudited As at 31.12.2016 RM'000	Audited As at 31.12.2015 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	144,809	93,676
Capital work-in-progress	765	11,492
	<u>145,574</u>	<u>105,168</u>
Current assets		
Inventories	186,706	186,209
Trade receivables	131,269	126,502
Other receivables, deposits and prepayments	5,476	18,082
Tax recoverable	335	937
Derivative financial assets	32	-
Fixed deposits with licensed banks	431	417
Cash and bank balances	17,905	3,806
	<u>342,154</u>	<u>335,953</u>
TOTAL ASSETS	<u><u>487,728</u></u>	<u><u>441,121</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	207,098	184,070
Foreign currency translation reserve	(7)	(14)
Total Equity	<u>257,641</u>	<u>234,606</u>
Non-current liabilities		
Deferred tax liabilities	3,646	3,686
Borrowings	18,576	5,344
	<u>22,222</u>	<u>9,030</u>
Current liabilities		
Trade payables	23,591	29,497
Other payables and accruals	4,603	5,083
Amount owing to ultimate holding company	10,000	-
Borrowings	166,612	161,845
Tax liabilities	3,059	1,060
	<u>207,865</u>	<u>197,485</u>
Total Liabilities	<u>230,087</u>	<u>206,515</u>
TOTAL EQUITY AND LIABILITIES	<u><u>487,728</u></u>	<u><u>441,121</u></u>
Net assets per share attributable to owners of the Company (RM)	0.83	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 FOURTH QUARTER ENDED 31 DECEMBER 2016

	< -----Attributable to owners of the Company ----- >						Distributable
	< ----- Non-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
2016							
At 1 January 2016	155,000	5,094	(109,545)	1	(14)	184,070	234,606
Total comprehensive income	-	-	-	-	7	27,678	27,685
Transaction with owners							
Dividend	-	-	-	-	-	(4,650)	(4,650)
At 31 December 2016	<u>155,000</u>	<u>5,094</u>	<u>(109,545)</u>	<u>1</u>	<u>(7)</u>	<u>207,098</u>	<u>257,641</u>
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>(14)</u>	<u>184,070</u>	<u>234,606</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 2015 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 2016

	Current Year-To-Date 31.12.2016 RM'000	Preceding Year-To-Date 31.12.2015 RM'000
Cash Flows from Operating Activities		
Profit before tax	38,129	25,765
Adjustments for:-		
Impairment loss on trade receivables	1,385	814
Reversal of impairment loss on trade receivables	(888)	(558)
Bad debts written off	3	6
Depreciation of property, plant and equipment	8,905	7,412
Impairment loss on Goodwill	-	257
Interest expense	7,550	8,091
Property, plant and equipment written off	80	16
Gain on disposal of property, plant and equipment	(356)	(544)
Gain on foreign exchange - unrealised	(64)	(43)
Inventories written off	64	-
Net fair value gain on derivatives	(32)	-
Deposit and prepayments written off	383	-
Interest income	(122)	(410)
Operating profit before working capital changes	<u>55,037</u>	<u>40,806</u>
Increase in inventories	(561)	(7,856)
Decrease in trade and other receivables	7,029	2,371
Decrease in trade and other payables	(6,413)	(10,841)
Cash generated from operations	<u>55,092</u>	<u>24,480</u>
Interest received	122	410
Interest paid	(7,550)	(8,091)
Income tax paid	(7,890)	(9,862)
Net cash from operating activities	<u>39,774</u>	<u>6,937</u>
Cash Flows from Investing Activities		
Downpayment for acquisition of land	-	(12,671)
Purchase of property, plant and equipment	(35,784)	(7,070)
Placement of fixed deposits	(14)	(13)
Proceeds from disposal of property, plant and equipment	777	556
Capital work-in-progress paid	(11,352)	(12,069)
Net cash used in investing activities	<u>(46,373)</u>	<u>(31,267)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2016 (CONT'D)

	Current Year-To-Date 31.12.2016 RM'000	Preceding Year-To-Date 31.12.2015 RM'000
Cash Flows from Financing Activities		
Payments to finance lease payables	(3,517)	(2,871)
Drawdown of term loan	18,000	-
Repayments of term loan	(1,500)	(175)
Net drawdown of Structured Commodity Financing-i	22,000	-
Net repayments of bankers' acceptances	(12,802)	8,520
Advances from ultimate holding company	10,000	-
Dividend paid	(4,650)	(6,200)
Net cash from/(use in) financing activities	<u>27,531</u>	<u>(726)</u>
Net increase/(decrease) in cash and cash equivalents	20,932	(25,056)
Effect of exchange rate changes on cash and cash equivalents	25	(21)
Cash and cash equivalents at beginning of the financial year	<u>(20,024)</u>	<u>5,053</u>
Cash and cash equivalents at end of the financial year	<u><u>933</u></u>	<u><u>(20,024)</u></u>
Cash and cash equivalents at end of the financial year comprises:		
Fixed deposits with licensed bank	431	417
Cash and bank balances	17,905	3,806
Bank overdrafts	(16,972)	(23,830)
	<u>1,364</u>	<u>(19,607)</u>
Less: Fixed deposit under lien	(431)	(417)
	<u><u>933</u></u>	<u><u>(20,024)</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:

<u>New MFRS</u>		Effective for financial periods beginning on or after
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*)

		Effective for financial periods beginning on or after
<u>Amendments/Improvements to MFRSs</u>		
MFRS 2	Share-based Payment	1 January 2018
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 12	Disclosures of Interests in Other Entities	1 January 2017
MFRS 107	Statement of Cash Flows	1 January 2017
MFRS 112	Income Taxes	1 January 2017
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018
MFRS 140	Investment Property	1 January 2018

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

No dividend was paid during the current quarter.

The total dividend paid during the current financial year-to-date amounted to 1.5 sen per ordinary share (2015: 2.0 sen per ordinary share).

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 31 December 2016 is as follows:

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

Segment information of the Group for the financial year-to-date ended 31 December 2015 is as follows:

	Trading of Processing				
	Steel	of Steel			
	Products	Products	Others ⁽¹⁾	Elimination	Consolidated
	RM’000	RM’000	RM’000	RM’000	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>-</u>	<u>65,287</u>
Add/(Less):					
- Other income					2,324
- Operating expenses					(33,293)
- Finance costs					(8,553)
Profit before tax					<u>25,765</u>
Tax expense					(7,286)
Profit for the financial year					<u><u>18,479</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.

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 Metal Sdn Bhd (formerly known as 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

	As at 31.12.2016 RM’000	Audited As at 31.12.2015 RM’000
Approved and contracted for:		
- Purchase of motor vehicles	305	1,664
- Purchase of plant and machinery	562	2,109
- Purchase of furniture and fittings	157	-
- Construction of factory and warehouse buildings	1,308	9,553
- Purchase of vacant leasehold industrial land	-	18,326
	<u>2,332</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 31 December 2016.

A14. Significant Related Party Transactions

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2016 RM’000	Preceding Year- Quarter 31.12.2015 RM’000	Current Year- To-Date 31.12.2016 RM’000	Preceding Year- To-Date 31.12.2015 RM’000
Sales to related parties	1,199	1,200	4,143	4,707
Purchases from related parties	45	258	549	681
Rental expense paid to related parties	390	390	1,560	1,560
Interest charged by related party ⁽¹⁾	84	-	327	-
	<u>1,718</u>	<u>1,848</u>	<u>6,579</u>	<u>6,948</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 31 December 2016 amounted to RM10.0 million (31.12.2015: Nil) is repayable on demand.*

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

B1. Review of Performance

Current Quarter Compared To Preceding Year Corresponding Quarter

The revenue recorded for the current quarter and the preceding year corresponding quarter was RM133.78 million and RM127.24 million respectively, increased by 5.1% or approximately RM6.54 million.

The increase in revenue was mainly due to the increase in revenue for our trading of flat and long carbon steel products by approximately 25.2% or RM12.00 million, due to higher tonnage sales by approximately 9.8%, as well as by the increase in average selling price by approximately 14.0%.

However, the increase in revenue from trading of flat and long carbon steel products was partially offset by the decrease in revenue for our processing of steel products by approximately 7.5% or RM5.27 million, mainly due to lower tonnage sales by approximately 21.0%, mitigated by the increase in average selling price by approximately 17.2%.

Our main business segments continued to be trading and processing of steel products, which collectively contributed approximately 99.6% of our total revenue for the current quarter. The trading segment and the processing segment contributed revenue of approximately 50.7% and 48.9% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of approximately 44.3% and 55.6% respectively for the preceding year corresponding quarter.

Our gross profit improved by approximately 60.0% or RM8.85 million, from RM14.76 million to RM23.61 million. This was contributed by the increase in revenue by approximately 5.1% or RM6.54 million, from RM127.24 million to RM133.78 million and the improvement in overall gross profit margin, from 11.6% for the preceding year corresponding quarter to 17.6% for the current quarter, attributable to better gross profit margin for trading of carbon steel products and processing of steel products by approximately 9.9 percentage points and 5.1 percentage points respectively.

The better gross profit margin for trading of carbon steel products was mainly due to the increase in average selling price by approximately 14.0%, while the average cost for input materials had only increased by 1.5%, whereas the better gross profit margin for processing of steel products was mainly due to the increase in average selling price by 17.2%, while the average cost for input materials had only increased by 9.7%.

The other operating income for the current quarter was RM0.25 million as compared to RM0.62 million for the preceding year corresponding quarter, lower by approximately RM0.37 million, mainly due to lower gain on disposal of property, plant and equipment by approximately RM0.48 million.

Our operating costs decreased slightly by approximately RM0.18 million from RM8.32 million for the preceding year corresponding quarter to RM8.14 million for the current quarter, mainly due to the decrease in other operating costs by approximately RM0.46 million, as the result of the followings:

- decrease in allowance for impairment loss on trade receivables by approximately RM0.11 million;
- absence of goodwill on consolidation written off of approximately RM0.26 million which had been recognised in the preceding year corresponding quarter;
- absence of realised loss on foreign exchange of approximately RM0.46 million;
- partly offset by the deposit and prepayments written off of approximately RM0.34 million.

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)

The above decrease in other operating costs were partially offset by the followings:

- Increase in distribution costs by approximately RM0.15 million, mainly caused by the increase in staff costs by approximately RM0.12 million.
- increase in administrative costs by approximately RM0.13 million, mainly as the result of the increase in depreciation charges by approximately RM0.28 million, offset by the decrease in insurance, road tax, petrol, parking and toll expenses by approximately RM0.10 million as well as the decrease in sales commission by approximately RM0.07 million.

Total finance costs for the current quarter was RM2.16 million, remained fairly consistent as compared to approximately RM2.15 million for the preceding year corresponding quarter.

Based on the foregoing factors, our Group registered an increase in profit before tax by approximately RM8.66 million to RM13.57 million as compared to RM4.91 million for the preceding year corresponding quarter.

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

Our revenue decreased by 1.3% or RM6.68 million from RM505.40 million for the preceding financial year-to-date to RM498.72 million for the current financial year-to-date. This was mainly due to the decrease in revenue for our processing of steel products by approximately 15.7% or RM47.13 million, from RM300.01 million to RM252.88 million, mainly caused by the decrease in demand for our processing of steel products, with total tonnage sales decreased by approximately 19.1%.

However, the lower revenue for processing of steel products was largely compensated by the increase in revenue for trading of carbon steel products by approximately 24.6% or RM42.71 million, from RM173.38 million to RM216.09 million, mainly due to the increase in tonnage sales by 23.3%.

Despite the decrease in revenue by 1.3% or RM6.68 million, from RM505.40 million to RM498.72 million, our gross profit improved by 20.3% or approximately RM13.28 million, from RM65.29 million to RM78.57 million. This was contributed by the improvement in overall gross profit margin, from 12.9% for the preceding financial year-to-date to 15.8% for the current financial year-to-date, mainly attributable to better gross profit margin for processing of steel products by approximately 5.2 percentage points, from 15.5% to 20.7%, mainly due to the increase in average selling price by 4.2%, coupled with the decrease in average cost for input materials by 1.9%.

The other operating income of approximately RM1.82 million for the current financial year-to-date as compared to RM2.32 million for the preceding financial year-to-date, lower by approximately RM 0.50 million, mainly as the result of the followings:

- lower gain on disposal of property, plant and equipment by approximately RM0.19 million;
- lower interest income by approximately RM0.29 million;
- lower rental income by approximately RM0.40 million,
- partly offset by higher reversal of impairment loss on trade receivables by approximately RM0.33 million.

Our operating costs increased by approximately RM0.70 million from RM33.29 million for the preceding financial year-to-date to RM33.99 million for the current financial year-to-date, mainly as the result of the followings:

1. Increase in administrative costs by approximately RM1.75 million, mainly caused by:
 - increase in sales commission by approximately RM0.28 million;
 - increase in depreciation charges by approximately RM1.13 million; and
 - increase in electricity and water expenses by approximately RM0.39 million.

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

B1. Review of Performance (Cont'd)

Current Financial Year-To-Date Compared To Preceding Financial Year-To-Date (Cont'd)

2. Decrease in other operation costs by approximately RM1.05 million mainly caused by:
- absence of realised loss on foreign exchange of approximately RM2.33 million;
 - absence of goodwill on consolidation written off of approximately RM0.26 million which had been recognised in the preceding financial year-to-date;
 - partially offset by the increase in stamp duty paid mainly for banking facilities and allowance for impairment loss on trade receivables by approximately RM0.52 million and RM0.57 million respectively, as well as deposit and prepayments written off of approximately RM0.38 million.

Total finance costs decreased by approximately RM0.29 million or 3.4% as compared to the preceding financial year-to-date. This was mainly due to lower interest expenses incurred for trade financing and overdraft facilities by approximately RM0.36 million and RM0.48 million respectively, partly offset by interest on loan from ultimate holding company procured during the current financial year-to-date of approximately RM0.30 million, as well as higher bank charges which include commitment fees for overdraft facilities by approximately RM0.25 million.

Based on the foregoing factors, our Group registered an increase in profit before tax by approximately 48.0% or RM12.36 million from RM25.77 million for the preceding financial year-to-date to RM38.13 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 increased by approximately 41.2% or RM6.89 million, from RM16.72 million for the immediate preceding quarter to RM23.61 million for the current quarter, which was mainly due to the increase in revenue by RM18.58 million, from RM115.20 million for the immediate preceding quarter to RM133.78 million for the current quarter, as well as the higher overall gross profit margin recorded for the current quarter.

The increase in overall gross profit margin from approximately 14.5% for the immediate preceding quarter to approximately 17.6% for the current quarter was mainly due to increase in gross profit margin for trading of carbon steel products by approximately 6.8 percentage points, attributable to the increase in average selling price by approximately 3.5%, coupled with a decrease in average cost for input materials by approximately 3.8%.

The other operating income of approximately RM0.25 million for the current quarter as compared to RM0.85 million for the immediate preceding quarter, was lower by approximately RM0.60 million, mainly as the result of the lower reversal of impairment loss on trade receivables by approximately RM0.38 million and lower gain on disposal of property, plant and equipment by approximately RM0.11 million.

Our operating costs increased by approximately RM0.38 million, from RM7.76 million for the immediate preceding quarter to RM8.14 million for the current quarter, mainly due to the increase in administrative costs by approximately RM0.31 million resulted from provision for audit fees of approximately RM0.18 million and the increase in upkeep of motor vehicles and office expenses by approximately RM0.16 million.

The finance costs for the current quarter was RM2.16 million, remained fairly consistent as compared to approximately RM2.15 million for the immediate preceding quarter.

Based on the foregoing factors, our profit before tax increased by approximately 77.1% or RM5.91 million, from RM7.66 million for the immediate preceding quarter to RM13.57 million for the current quarter.

B3. Commentary on Prospects

Gross Domestic Product (GDP) of Malaysia for 2017 is expected to grow by above 4% with domestic private consumption and investment continues being the major engine of growth. However, as a highly open and trade-dependent economy, Malaysia's GDP growth and external demand will also likely be influenced by the health of global economy which is clouded by, among others, the effects of the Brexit vote, China's economic position as well as tensions from the United States political scene on international trade.

At our front, we are expecting a leaner time with the shrink Ringgit as well as uncertainty on the sustainability of current high steel prices which may not augur well for the demand and profit margin of our products. Nevertheless, the Board believe that our Group is capable to weather thru the headwind and generate positive results by continue focusing on operational efficiency and prudent costs management.

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 31.12.2016 RM'000	Preceding Year Quarter 31.12.2015 RM'000	Current Year- To-Date 31.12.2016 RM'000	Preceding Year- To-Date 31.12.2015 RM'000
Impairment loss on trade receivables	310	416	1,385	814
Bad debt recovered	-	-	-	(3)
Reversal of impairment loss on trade receivables	(141)	(64)	(888)	(558)
Bad debts written off	3	-	3	6
Depreciation of property, plant and equipment	2,364	1,990	8,905	7,412
Gain on disposal of property, plant and equipment	(26)	(509)	(356)	(544)
Property, plant and equipment written off	-	-	80	16
Insurance claims	(10)	-	(86)	(165)
Interest expense	1,895	2,078	7,550	8,091
Interest income	(29)	(64)	(122)	(410)
Rental income	-	(105)	(19)	(419)
Rental of premises	460	470	1,843	1,846
Rental of equipment	14	16	62	68
Rental of land	131	131	521	433
Loss/(Gain) on foreign exchange - realised	14	456	(125)	2,326
- unrealised	(56)	244	(64)	(43)
Net fair value gain on derivatives	(33)	-	(13)	-
Inventories written off	-	-	64	-
Deposit and prepayments written off	337	-	383	-
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.

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 31.12.2016 RM'000	Preceding Year- Quarter 31.12.2015 RM'000	Current Year- To-Date 31.12.2016 RM'000	Preceding Year- To-Date 31.12.2015 RM'000
Current tax				
- for the financial period/year	3,495	1,226	10,398	6,781
- under provision in prior financial year	-	-	93	93
Deferred tax				
- origination and reversal of temporary differences	140	319	155	464
- (over)/under provision in prior year	-	(52)	(195)	(52)
Tax expense	<u>3,635</u>	<u>1,493</u>	<u>10,451</u>	<u>7,286</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 31 December 2016 were as follows:-

	As at 31.12.2016 RM'000	Audited As at 31.12.2015 RM'000
<i>Current</i>		
Secured:		
Bankers' acceptances	61,190	77,069
Finance lease payables	3,789	3,161
Term loan	1,800	-
Bank overdrafts	15,963	17,625
	<u>82,742</u>	<u>97,855</u>
Unsecured:		
Bankers' acceptances	60,861	57,784
Structured Commodity Financing-i	22,000	-
Bank overdrafts	1,009	6,206
	<u>83,870</u>	<u>63,990</u>
	<u>166,612</u>	<u>161,845</u>
<i>Non-current</i>		
Secured:		
Finance lease payables	3,876	5,344
Term loan	14,700	-
	<u>18,576</u>	<u>5,344</u>
Total Borrowings	<u>185,188</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 31.12.2016 RM'000	Preceding Year-Quarter 31.12.2015 RM'000	Current Year-To-Date 31.12.2016 RM'000	Preceding Year-To-Date 31.12.2015 RM'000
Profit attributable to owners of the Company	9,930	3,412	27,678	18,479
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)	3.20	1.10	8.93	5.96

(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 31.12.2016 RM'000	As at 31.12.2015 RM'000
Total retained earnings of the Group		
(a) Realised	210,781	191,319
(b) Unrealised	(4,345)	(4,406)
	206,436	186,913
Less: consolidated adjustments	662	(2,843)
Total retained earnings	207,098	184,070

By order of the Board
Kuala Lumpur
23 February 2017