

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.3.2017 RM'000	Preceding Year Quarter 31.3.2016 RM'000	Current Year- To-Date 31.3.2017 RM'000	Preceding Year- To-Date 31.3.2016 RM'000
Revenue	138,544	127,444	138,544	127,444
Cost of sales	(114,012)	(113,613)	(114,012)	(113,613)
Gross profit	24,532	13,831	24,532	13,831
Other income	1,029	347	1,029	347
Distribution costs	(2,052)	(1,722)	(2,052)	(1,722)
Administrative costs	(7,937)	(7,359)	(7,937)	(7,359)
Other costs	(785)	(1,649)	(785)	(1,649)
	(10,774)	(10,730)	(10,774)	(10,730)
Profit from operations	14,787	3,448	14,787	3,448
Finance costs	(2,191)	(2,107)	(2,191)	(2,107)
Profit before tax	12,596	1,341	12,596	1,341
Tax expense	(3,754)	(721)	(3,754)	(721)
Profit for the financial period	8,842	620	8,842	620
Other comprehensive income: <i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange difference on translation of foreign subsidiary	13	(51)	13	(51)
Total other comprehensive income/(loss), net of tax	13	(51)	13	(51)
Total comprehensive income for the financial period	8,855	569	8,855	569
Profit attributable to:				
- Owners of the Company	8,842	620	8,842	620
Total comprehensive income attributable to:				
- Owners of the Company	8,855	569	8,855	569
Earnings per share (sen) attributable to owners of the Company:				
- Basic	2.85	0.20	2.85	0.20
- Diluted	2.85	0.20	2.85	0.20

LEON FUAT BERHAD
(Company No.756407-D)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2017 (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 2016 and the accompanying explanatory notes attached to this interim financial statement.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017

	Unaudited As at 31.3.2017 RM'000	Audited As at 31.12.2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	144,471	144,809
Capital work-in-progress	1,029	765
	<u>145,500</u>	<u>145,574</u>
Current assets		
Inventories	217,268	186,706
Trade receivables	135,310	131,269
Other receivables, deposits and prepayments	11,419	5,476
Tax assets	517	335
Derivative financial assets	-	32
Fixed deposit with a licensed bank	445	431
Cash and bank balances	18,834	17,905
	<u>383,793</u>	<u>342,154</u>
TOTAL ASSETS	<u><u>529,293</u></u>	<u><u>487,728</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	160,094	155,000
Share premium	-	5,094
Merger deficit	(109,545)	(109,545)
Capital reserve	1	1
Retained earnings	215,940	207,098
Foreign currency translation reserve	6	(7)
Total Equity	<u>266,496</u>	<u>257,641</u>
Non-current liabilities		
Deferred tax liabilities	3,925	3,646
Borrowings	18,392	18,576
	<u>22,317</u>	<u>22,222</u>
Current liabilities		
Trade payables	23,748	23,591
Other payables and accruals	6,070	4,603
Amount due to ultimate holding company	10,080	10,000
Borrowings	195,704	166,612
Tax liabilities	4,878	3,059
	<u>240,480</u>	<u>207,865</u>
Total Liabilities	<u>262,797</u>	<u>230,087</u>
TOTAL EQUITY AND LIABILITIES	<u><u>529,293</u></u>	<u><u>487,728</u></u>
Net assets per share attributable to owners of the Company (RM)	0.86	0.83

LEON FUAT BERHAD
(Company No.756407-D)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2017
(CONT'D)**

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2017

	< -----Attributable to Owners of the Company ----- >						
	< ---- Non-distributable ---- >					Distributable	
	Share Capital RM'000	Share Premium RM'000	Merger Deficit RM'000	Capital Reserve RM'000	Foreign Currency Translation Reserve RM'000	Retained Earnings RM'000	Total Equity RM'000
2017							
At 1 January 2017	155,000	5,094	(109,545)	1	(7)	207,098	257,641
Transition to no par value regime ⁽¹⁾	5,094	(5,094)	-	-	-	-	-
Total comprehensive income	-	-	-	-	13	8,842	8,855
At 31 March 2017	<u>160,094</u>	<u>-</u>	<u>(109,545)</u>	<u>1</u>	<u>6</u>	<u>215,940</u>	<u>266,496</u>
2016							
At 1 January 2016	155,000	5,094	(109,545)	1	(14)	184,070	234,606
Total comprehensive income	-	-	-	-	(51)	620	569
At 31 March 2016	<u>155,000</u>	<u>5,094</u>	<u>(109,545)</u>	<u>1</u>	<u>(65)</u>	<u>184,690</u>	<u>235,175</u>

Notes:

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

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

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2017

	Current Year-To-Date 31.3.2017 RM'000	Preceding Year-To-Date 31.3.2016 RM'000
Cash Flows from Operating Activities		
Profit before tax	12,596	1,341
Adjustments for:-		
Impairment loss on trade receivables	91	838
Reversal of impairment loss on trade receivables	(768)	(21)
Bad debt written off	271	-
Depreciation of property, plant and equipment	2,338	2,063
Interest expense	2,041	1,984
Property, plant and equipment written off	-	10
Gain on disposal of property, plant and equipment	(5)	(57)
Gain on foreign exchange - unrealised	(69)	(57)
Fair value loss on derivatives	-	597
Interest income	(31)	(29)
Operating profit before working capital changes	<u>16,464</u>	<u>6,669</u>
(Increase)/Decrease in inventories	(30,562)	24,746
Increase in receivables	(9,524)	(7,170)
Increase in payables	3,814	4,678
Cash (used in)/generated from operations	<u>(19,808)</u>	<u>28,923</u>
Interest received	31	29
Interest paid	(2,041)	(1,984)
Income tax paid	(1,840)	(1,844)
Net cash (used in)/from operating activities	<u>(23,658)</u>	<u>25,124</u>
Cash Flows from Investing Activities		
Purchase of property, plant and equipment	(1,000)	(812)
Addition to deposit pledged with a licensed bank	(14)	(14)
Proceeds from disposal of property, plant and equipment	30	57
Capital work-in-progress paid	(1,288)	(4,063)
Net cash used in investing activities	<u>(2,272)</u>	<u>(4,832)</u>

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

	Current Year-To-Date 31.3.2017 RM'000	Preceding Year-To-Date 31.3.2016 RM'000
Cash Flows from Financing Activities		
Payments to finance lease payables	(1,195)	(793)
Repayment of term loan	(450)	(150)
Net drawdown of Islamic financing	4,000	-
Net drawdown/(repayment) of bankers' acceptances	30,852	(14,217)
Advance from ultimate holding company	80	13,078
Net cash from/(used in) financing activities	<u>33,287</u>	<u>(2,082)</u>
Net increase in cash and cash equivalents	7,357	18,210
Effect of exchange rate changes on cash and cash equivalents	30	(50)
Cash and cash equivalents at beginning of the financial period	933	(20,024)
Cash and cash equivalents at end of the financial period	<u>8,320</u>	<u>(1,864)</u>
 Cash and cash equivalents at end of the financial period comprises:		
Fixed deposit with a licensed bank	445	431
Cash and bank balances	18,834	11,056
Bank overdrafts	<u>(10,514)</u>	<u>(12,920)</u>
	8,765	(1,433)
Less: Fixed deposit with a licensed bank pledged	<u>(445)</u>	<u>(431)</u>
	<u>8,320</u>	<u>(1,864)</u>

Note:

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

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

A1. Accounting Policies and Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”), 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 2016.

The interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company and its subsidiaries (“the Group”) since the financial year ended 31 December 2016.

The significant accounting policies adopted by the Group in this interim financial statements are consistent with those adopted in the financial statements as disclosed in the audited financial statements of the Group for the financial year ended 31 December 2016, except for the adoption of the following:

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

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

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

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

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

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

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

**Effective for
financial periods
beginning on
or after**

New IC Int

IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
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The Group is in the process of assessing the impact which may arise from adoption of the above new MFRSs, amendments/improvement to MFRSs and new IC Int.

A2. Auditors’ Report on Preceding Annual Financial Statements

The Auditors’ Report for the immediate preceding annual financial statements of the Group and the Company for the financial year ended 31 December 2016 were not subject to any qualification.

A3. Seasonality or Cyclicity of Operations

The Group’s operations were not significantly affected by any seasonal or cyclical factors during the current quarter and current financial year-to-date.

A4. Unusual Items

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 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.

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 March 2017 is as follows:

	Trading of Steel Products		Processing of Steel Products	Others ⁽¹⁾	Elimination	Total
	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
External revenue	70,504	67,733	307	-	-	138,544
Cost of sales	(60,467)	(53,299)	(246)	-	-	(114,012)
Gross profit	10,037	14,434	61	-	-	24,532
Add/(Less):						
- Other income						1,029
- Operating expenses						(10,774)
- Finance costs						(2,191)
Profit before tax						12,596
Tax expense						(3,754)
Profit for the financial period						8,842

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

	Trading of Steel Products		Processing of Steel Products	Others ⁽¹⁾	Elimination	Total
	RM’000	RM’000	RM’000	RM’000	RM’000	RM’000
External revenue	57,441	69,936	67	-	-	127,444
Cost of sales	(55,263)	(58,287)	(63)	-	-	(113,613)
Gross profit	2,178	11,649	4	-	-	13,831
Add/(Less):						
- Other income						347
- Operating expenses						(10,730)
- Finance costs						(2,107)
Profit before tax						1,341
Tax expense						(721)
Profit for the financial period						620

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

On 6 April 2017, the Company announced that its wholly-owned subsidiaries, Leon Fuat Hardware Sdn Bhd and Supreme Steelmakers Sdn Bhd had on the even date accepted the award of compensation offered by the Land Administrator of Wilayah Persekutuan Kuala Lumpur totaling RM45,841,482 in respect of the Compulsory Acquisition for the purpose of “Projek Mass Rapid Transit (MRT) Lembah Klang-Jajaran Sungai Buloh-Serdang-Putrajaya (SSP)”.

Details of the affected plots of land are as follows:-

- (i) Part of Lot No. 443, Seksyen 92, Bandar Kuala Lumpur, Daerah Kuala Lumpur bearing postal address No. 6A, Jalan Tiga, Off Jalan Sungai Besi, Kawasan Perusahaan Sungai Besi, Kuala Lumpur measuring approximately 430.5316 sq. meters; and
- (ii) Entire Lot No. 507, Seksyen 92, Bandar Kuala Lumpur, Daerah Kuala Lumpur bearing postal address No. 8, Jalan Tiga, Off Jalan Sungai Besi, Kawasan Perusahaan Sungai Besi, Kuala Lumpur measuring approximately 3,726 sq. meters.

The affected plots of land house the steel processing plant, office and warehouse of Supreme Steelmakers Sdn Bhd.

Save as above, 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	Audited
	31.3.2017	As at
	RM'000	31.12.2016
		RM'000
Approved but not provided for:		
- Purchase of motor vehicles	278	305
- Purchase of machinery	455	562
- Purchase of furniture and fittings	56	157
	<u>789</u>	<u>1,024</u>
Approved and contracted for:		
- Construction of factory and warehouse buildings	316	1,308
	<u>1,105</u>	<u>2,332</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 March 2017.

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

A14. Significant Related Party Transactions

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.3.2017 RM’000	Preceding Year- Quarter 31.3.2016 RM’000	Current Year- To-Date 31.3.2017 RM’000	Preceding Year- To-Date 31.3.2016 RM’000
Sales to related parties	776	1,073	776	1,073
Purchases from related parties	187	161	187	161
Rental expense paid to related parties	390	390	390	390
Interest charged by related party ⁽¹⁾	80	78	80	78
	1,433	1,702	1,433	1,702

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 March 2017 amounted to RM10.08 million (31.3.2016: 10.08) 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 RM138.54 million and RM127.44 million respectively, increased by 8.7% or RM11.10 million.

The increase in revenue was mainly due to the increase in revenue for our trading of carbon steel products by 24.7% or RM12.40 million, attributable to higher average selling price by approximately 41.9%, despite lower tonnage sales by approximately 12.1%.

However, the increase in revenue from trading of carbon steel products was partially offset by the decrease in revenue for our processing of carbon steel products by 5.6% or RM2.74 million, mainly due to lower tonnage sales by approximately 30.4%, mitigated by the increase in average selling price by approximately 35.8%.

Our main business segments continued to be trading and processing of steel products, which collectively contributed approximately 99.8% of our total revenue for the current quarter. The trading segment and the processing segment contributed revenue of approximately 50.9% and 48.9% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of approximately 45.0% and 54.9% respectively for the preceding year corresponding quarter.

Our gross profit improved by 77.4% or RM10.70 million, from RM13.83 million to RM24.53 million. This was contributed by the increase in revenue by 8.7% or RM11.10 million, from RM127.44 million to RM138.54 million and the improvement in overall gross profit margin, from 10.9% for the preceding year corresponding quarter to 17.7% for the current quarter, attributable to better gross profit margin for both trading and processing of steel products by approximately 10.4 percentage points and 4.7 percentage points respectively.

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 better gross profit margin for trading of steel products was mainly due to the increase in average selling price by approximately 39.2% while the average cost for input materials had only increased by approximately 23.0%, whereas the better gross profit margin for processing of steel products was mainly due to the increase in average selling price by approximately 34.9% while the average cost for input materials had only increased by approximately 27.3%.

The other operating income for the current quarter was RM1.03 million as compared to RM0.35 million for the preceding year corresponding quarter, higher by RM0.68 million, mainly due to higher reversal of impairment loss on trade receivables by RM0.75 million.

Our operating costs rose slightly by RM0.04 million from RM10.73 million for the preceding year corresponding quarter to RM10.77 million for the current quarter, as the result of the followings:

1. Increase in distribution costs by RM0.33 million, mainly due to:
 - increase in staff costs by RM0.21 million;
 - increase in transportation, travelling and accommodation expenses by RM0.26 million; and
 - partly offset by lower premium paid for marine insurance by RM0.11 million.
2. Increase in administrative costs by RM0.58 million, mainly due to:
 - increase in depreciation charges by RM0.26 million;
 - increase in sales commission by RM0.11 million; and
 - increase in directors' remuneration and staff costs by RM0.10 million.

The above increase in distribution and administration costs were largely offset by the reduction in other costs by RM0.86 million, mainly due to lower allowance for impairment loss on trade receivables by RM0.75 million, in view of absence of unrealised fair value loss on derivatives of RM0.60 million, partly offset by the bad debt written off of RM0.27 million and higher payment of quit rent and assessment by RM0.15 million.

Total finance costs for the current quarter was RM2.19 million, remained fairly consistent as compared to RM2.11 million for the preceding year corresponding quarter.

Based on the foregoing factors, our Group registered an increase in profit before tax by approximately RM11.26 million to RM12.60 million as compared to RM1.34 million for the preceding year corresponding quarter.

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

Our Group achieved revenue of RM138.54 million for the current quarter, which was higher than the immediate preceding quarter's revenue by 3.6% or RM4.76 million.

The increase in revenue was mainly due to the increase in revenue for our trading of carbon steel products and processing of other steel products, which recorded higher revenue by 4.9% or RM2.89 million and 12.5% or RM2.36 million respectively.

The increase in revenue for trading of carbon steel products was mainly attributable to higher average selling price by approximately 15.7%, despite lower tonnage sales by approximately 9.4%, whereas the increase in revenue for processing of other steel products was mainly due to the increase in demand, which recorded higher tonnage sales by approximately 6.5%, coupled with the increase in average selling price by approximately 5.6%.

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

B2. Material Variation of Profit Before Tax Against Immediate Preceding Quarter (Cont'd)

For the current quarter, our gross profit increased slightly by 3.9% or RM0.92 million, from RM23.61 million for the immediate preceding quarter to RM24.53 million for the current quarter, which was in line with the increase in revenue by RM4.76 million, from RM133.78 million for the immediate preceding quarter to RM138.54 million for the current quarter, with the overall gross profit margin remained relatively constant from 17.6% for the immediate preceding quarter to 17.7% for the current quarter.

The other operating income of RM1.03 million for the current quarter as compared to RM0.25 million for the immediate preceding quarter, was higher by approximately RM0.78 million, mainly due to higher reversal of impairment loss on trade receivables by RM0.63 million.

Our operating costs increased by RM2.63 million, from RM8.14 million for the immediate preceding quarter to RM10.77 million for the current quarter, resulted from:

1. Increase in distribution costs by RM0.75 million, mainly caused by the increase in staff related costs by RM0.71 million;
2. Increase in administrative costs by RM1.78 million, mainly due to the increase in directors' remuneration and staff costs by RM1.88 million;
3. Increase in other operation costs by RM0.11 million, as the result of:
 - increase in payment of quit rent and assessment by RM0.32 million;
 - higher bad debt written off by RM0.27 million; but mitigated by
 - lower allowance for impairment on trade receivables by RM0.22 million; and
 - absence of deposit written off of RM0.26 million.

The finance costs for the current quarter was RM2.19 million, remained fairly consistent as compared to RM2.16 million for the immediate preceding quarter.

Based on the foregoing factors, our profit before tax decreased by approximately 7.1% or RM0.97 million, from RM13.57 million for the immediate preceding quarter to RM12.60 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 for the remaining quarters of the current financial year 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 31.3.2017 RM'000	Preceding Year Quarter 31.3.2016 RM'000	Current Year- To-Date 31.3.2017 RM'000	Preceding Year- To-Date 31.3.2016 RM'000
Impairment loss on trade receivables	91	838	91	838
Reversal of impairment loss on trade receivables	(768)	(21)	(768)	(21)
Bad debt written off	271	-	271	-
Depreciation of property, plant and equipment	2,338	2,063	2,338	2,063
Gain on disposal of property, plant and equipment	(5)	(57)	(5)	(57)
Property, plant and equipment written off	-	10	-	10
Insurance claimed	(119)	(67)	(119)	(67)
Interest expense	2,041	1,984	2,041	1,984
Interest income	(31)	(29)	(31)	(29)
Rental of premises	545	462	545	462
Rental of equipment	14	16	14	16
Rental of land	130	130	130	130
Loss/(Gain) on foreign exchange - realised	68	(63)	68	(63)
- unrealised	(69)	(57)	(69)	(57)
Fair value loss on derivatives	-	597	-	597

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 31.3.2017 RM'000	Preceding Year- Quarter 31.3.2016 RM'000	Current Year- To-Date 31.3.2017 RM'000	Preceding Year- To-Date 31.3.2016 RM'000
Current tax				
- for the financial period	3,475	886	3,475	886
Deferred tax				
- origination and reversal of temporary differences	46	(165)	46	(165)
- under provision in prior year	233	-	233	-
Tax expense	<u>3,754</u>	<u>721</u>	<u>3,754</u>	<u>721</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 March 2017 were as follows:

	As at 31.3.2017 RM'000	Audited As at 31.12.2016 RM'000
<u>Current</u>		
Secured:		
Bankers' acceptances	87,517	61,568
Finance lease payables	4,487	3,789
Term loan	1,800	1,800
Bank overdrafts	9,618	16,333
	<u>103,422</u>	<u>83,490</u>
Unsecured:		
Bankers' acceptances	65,386	60,483
Islamic Financing	26,000	22,000
Bank overdrafts	896	639
	<u>92,282</u>	<u>83,122</u>
	<u>195,704</u>	<u>166,612</u>
<u>Non-current</u>		
Secured:		
Finance lease payables	4,142	3,876
Term loan	14,250	14,700
	<u>18,392</u>	<u>18,576</u>
Total Borrowings	<u>214,096</u>	<u>185,188</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 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	Preceding Year-Quarter	Current Year-To-Date	Preceding Year-To-Date
	31.3.2017	31.3.2016	31.3.2017	31.3.2016
	RM'000	RM'000	RM'000	RM'000
Profit attributable to owners of the Company	8,842	620	8,842	620
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)	2.85	0.20	2.85	0.20

(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 31.3.2017	As at 31.12.2016
	RM'000	RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	219,848	210,722
- Unrealised	(4,584)	(4,286)
	215,264	206,436
Less: Consolidated adjustments	676	662
Total retained earnings of the Group	215,940	207,098

By order of the Board
Kuala Lumpur
30 May 2017