

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.9.2017 RM'000	Preceding Year Quarter 30.9.2016 RM'000	Current Year- To-Date 30.9.2017 RM'000	Preceding Year- To-Date 30.9.2016 RM'000
Revenue	177,985	115,205	431,682	364,933
Cost of sales	(153,001)	(98,480)	(359,139)	(309,971)
Gross profit	24,984	16,725	72,543	54,962
Other income	3,650	848	26,744	1,562
Distribution costs	(1,544)	(1,264)	(4,924)	(4,288)
Administrative costs	(6,795)	(5,841)	(22,360)	(19,372)
Other costs	(142)	(660)	(1,146)	(2,191)
	(8,481)	(7,765)	(28,430)	(25,851)
Profit from operations	20,153	9,808	70,857	30,673
Finance costs	(2,784)	(2,149)	(7,359)	(6,109)
Profit before tax	17,369	7,659	63,498	24,564
Tax expense	(3,642)	(2,126)	(10,896)	(6,816)
Profit for the financial period	13,727	5,533	52,602	17,748
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange difference on translation of foreign subsidiary	(1)	14	3	(10)
Total other comprehensive income, net of tax	(1)	14	3	(10)
Total comprehensive income for the financial period	13,726	5,547	52,605	17,738
Profit/(Loss) attributable to:				
- Owners of the Company	13,763	5,533	52,638	17,748
- Non-controlling interest	(36)	-	(36)	-
	13,727	5,533	52,602	17,748

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017 (CONT'D)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.9.2017 RM'000	Preceding Year Quarter 30.9.2016 RM'000	Current Year- To-Date 30.9.2017 RM'000	Preceding Year- To-Date 30.9.2016 RM'000
Total comprehensive income/(loss) attributable to:				
- Owners of the Company	13,762	5,547	52,641	17,738
- Non-controlling interest	(36)	-	(36)	-
	<u>13,726</u>	<u>5,547</u>	<u>52,605</u>	<u>17,738</u>
 Earnings per share (sen) attributable to owners of the Company:				
- Basic	4.44	1.78	16.98	5.73
- Diluted	4.44	1.78	16.98	5.73

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 30 SEPTEMBER 2017

	Unaudited As at 30.9.2017 RM'000	Audited As at 31.12.2016 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	141,684	144,809
Capital work-in-progress	2,496	765
Prepaid land lease payment	1,097	-
	<u>145,277</u>	<u>145,574</u>
Current assets		
Inventories	230,884	186,706
Trade receivables	172,553	131,269
Other receivables, deposits and prepayments	14,832	5,476
Tax assets	1,028	335
Derivative financial assets	-	32
Deposits with licensed banks	37,962	431
Cash and bank balances	10,593	17,905
	<u>467,852</u>	<u>342,154</u>
TOTAL ASSETS	<u><u>613,129</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	255,086	207,098
Foreign currency translation reserve	(4)	(7)
	<u>305,632</u>	<u>257,641</u>
Non-controlling interest	816	-
Total Equity	<u>306,448</u>	<u>257,641</u>
Non-current liabilities		
Deferred tax liabilities	5,602	3,646
Borrowings	15,783	18,576
	<u>21,385</u>	<u>22,222</u>
Current liabilities		
Trade payables	26,981	23,591
Other payables and accruals	4,811	4,603
Prepayments received ⁽¹⁾	19,444	-
Amount due to ultimate holding company	10,246	10,000
Borrowings	218,433	166,612
Tax liabilities	5,381	3,059
	<u>285,296</u>	<u>207,865</u>
Total Liabilities	<u>306,681</u>	<u>230,087</u>
TOTAL EQUITY AND LIABILITIES	<u><u>613,129</u></u>	<u><u>487,728</u></u>
Net assets per share attributable to owners of the Company (RM)	0.99	0.83

LEON FUAT BERHAD

(Company No.756407-D)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2017 (CONT'D)

Notes:

- (1) *Prepayments received for incidental expenses and consequential loss which formed part of the compensation received in relation to the compulsory acquisition of the affected two plots of land which house the steel processing plant, office and warehouse of Supreme Steelmakers Sdn Bhd. These prepayments would be realised to income statement upon occurrence of the related expenses and events.*

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 THIRD QUARTER ENDED 30 SEPTEMBER 2017

	< -----Attributable to Owners of the Company ----- >							
	< ----- Non-distributable ----- >					Distributable		
	Share Capital	Share Premium	Merger Deficit	Capital Reserve	Foreign Currency Translation Reserve	Retained Earnings	Non- Controlling interest	Total Equity
2017	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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)	-	-	-	-	-	-
Profit/(Loss) for the period	-	-	-	-	-	52,638	(36)	52,602
Other comprehensive income	-	-	-	-	3	-	-	3
Total comprehensive income/(loss)	-	-	-	-	3	52,638	(36)	52,605
Transactions with owners								
Dividend	-	-	-	-	-	(4,650)	-	(4,650)
Non-controlling interest arising from acquisition of new subsidiary	-	-	-	-	-	-	852	852
Total transactions with owners	-	-	-	-	-	(4,650)	852	(3,798)
At 30 September 2017	160,094	-	(109,545)	1	(4)	255,086	816	306,448
2016								
At 1 January 2016	155,000	5,094	(109,545)	1	(14)	184,070	-	234,606
Profit for the period	-	-	-	-	-	17,748	-	17,748
Other comprehensive income	-	-	-	-	(10)	-	-	(10)
Total comprehensive income	-	-	-	-	(10)	17,748	-	17,738
Transaction with owners								
Dividend	-	-	-	-	-	(4,650)	-	(4,650)
At 30 September 2016	155,000	5,094	(109,545)	1	(24)	197,168	-	247,694

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 THIRD QUARTER ENDED 30 SEPTEMBER 2017

	Current Year-To-Date 30.9.2017 RM'000	Preceding Year-To-Date 30.9.2016 RM'000
Cash Flows from Operating Activities		
Profit before tax	63,498	24,564
Adjustments for:		
Amortisation of prepaid land lease payment	23	-
Bad debt written off	271	-
Bargain purchase gain on acquisition of a subsidiary	(2,700)	-
Depreciation of property, plant and equipment	7,242	6,541
Gain on disposal of property, plant and equipment	(17,901)	(330)
Impairment loss on trade receivables	99	1,075
Interest expense	6,870	5,655
Interest income	(397)	(93)
Inventories written off	-	65
Loss/(Gain) on foreign exchange - unrealised	26	(8)
Net fair value gain on derivatives	-	(21)
Property, plant and equipment written off	61	80
Reversal of impairment loss on trade receivables	(966)	(747)
Operating profit before working capital changes	56,126	36,781
(Increase)/Decrease in inventories	(43,568)	4,982
(Increase)/Decrease in receivables	(47,183)	5,714
Increase/(Decrease) in payables	19,583	(16,850)
Cash (used in)/generated from operations	(15,042)	30,627
Interest received	397	93
Interest paid	(6,624)	(5,655)
Income tax paid	(8,188)	(6,072)
Net cash (used in)/from operating activities	(29,457)	18,993
Cash Flows from Investing Activities		
Addition to deposits pledged with licensed banks	(6,260)	(14)
Capital work-in-progress paid	(2,755)	(9,954)
Purchase of property, plant and equipment	(2,180)	(4,388)
Proceeds from disposal of property, plant and equipment	22,567	352
Subscription of shares in acquisition of a subsidiary, net of cash acquired	(2,414)	-
Net cash from/(used in) investing activities	8,958	(14,004)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2017 (CONT'D)

	Current Year-To-Date 30.9.2017 RM'000	Preceding Year-To-Date 30.9.2016 RM'000
Cash Flows from Financing Activities		
Advance from ultimate holding company	-	10,243
Dividend paid	(4,650)	(4,650)
Net drawdown of Islamic financing	21,538	15,000
Net drawdown of bankers' acceptances	28,814	545
Payments to finance lease payables	(1,113)	(481)
Repayments of term loan	(1,350)	(1,826)
Net cash from financing activities	<u>43,239</u>	<u>18,831</u>
Net increase in cash and cash equivalents	22,740	23,820
Effect of exchange rate changes on cash and cash equivalents	29	(6)
Cash and cash equivalents at beginning of the financial period	933	(20,024)
Cash and cash equivalents at end of the financial period	<u><u>23,702</u></u>	<u><u>3,790</u></u>
Cash and cash equivalents at end of the financial period comprises:		
Deposits with licensed banks	37,962	2,436
Cash and bank balances	10,593	21,303
Bank overdrafts	(18,112)	(19,518)
	<u>30,443</u>	<u>4,221</u>
Less: Deposits with licensed banks pledged	(6,741)	(431)
	<u><u>23,702</u></u>	<u><u>3,790</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 2016 and the accompanying explanatory notes attached to this interim financial statement.

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(Company No.756407-D)

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”) 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
MFRS 17	Insurance Contracts	1 January 2021
<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
<u>New IC Int</u>		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019

The Group is in the process of assessing the impact which may arise from adoption of the above new MFRSs, amendments/improvements 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

In the immediate preceding quarter, the Group had received compensation for the sum of RM45,841,482 in relation to the compulsory acquisition of the two affected plots of land which house the steel processing plant, office and warehouse of a wholly owned subsidiary, Supreme Steelmakers Sdn Bhd.

Gain on disposal of property, plant and equipment and compensation for injurious affection relating to the compulsory acquisition are disclosed in Note B5. Compensation relating to incidental expenses and consequential loss, net of related expenses, are stated as prepayments received in Condensed Consolidated Statement of Financial Position.

Save as above, 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 share in respect of the financial year ended 31 December 2016 which had been approved by the shareholders at the last Annual General Meeting held on 6 June 2017 was paid on 25 July 2017.

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 2017 is as follows:

	Trading of Processing				
	Steel	of Steel			
	Products	Products	Others ⁽¹⁾	Elimination	Total
	RM’000	RM’000	RM’000	RM’000	RM’000
External revenue	213,486	217,199	997	-	431,682
Cost of sales	(182,762)	(175,620)	(757)	-	(359,139)
Gross profit	<u>30,724</u>	<u>41,579</u>	<u>240</u>	<u>-</u>	<u>72,543</u>
Add/(Less):					
- Other income					26,744
- Operating expenses					(28,430)
- Finance costs					(7,359)
Profit before tax					<u>63,498</u>
Tax expense					(10,896)
Profit for the financial period					<u><u>52,602</u></u>

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 ⁽¹⁾	Elimination	Total
	RM’000	RM’000	RM’000	RM’000	RM’000
External revenue	177,240	187,418	275	-	364,933
Cost of sales	(160,917)	(148,823)	(231)	-	(309,971)
Gross profit	<u>16,323</u>	<u>38,595</u>	<u>44</u>	<u>-</u>	<u>54,962</u>
Add/(Less):					
- Other income					1,562
- Operating expenses					(25,851)
- Finance costs					(6,109)
Profit before tax					<u>24,564</u>
Tax expense					(6,816)
Profit for the financial period					<u><u>17,748</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.

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A EXPLANATION NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING (CONT’D)**A10. Material Events Subsequent to the End of the Interim Period**

There were no material events subsequent to the end of the current quarter up to the date of issue of this report that have not been reflected in the financial statements for the current quarter and current financial year-to-date.

A11. Effects of Changes in Composition of the Group

There were no changes in the composition of the Group during the current quarter and current financial year-to-date other than the acquisition by the Company’s wholly-owned subsidiary, Leon Fuat Metal Sdn Bhd (formerly known as Leon Fuat Hardware (Klang) Sdn Bhd) of 10,354,000 ordinary shares in the share capital of PCM Steel Processing Sdn Bhd (“PSP”), representing approximately 87% of the issued and paid up capital of PSP. The acquisition is deemed completed on 15 August 2017.

Fair Value of identifiable assets acquired and liabilities recognised at the date of acquisition

Assets	RM’000
Property, plant and equipment	4,849
Prepaid land lease payment	1,120
Inventories	611
Trade receivables	2,672
Other receivables, deposits and prepayments	190
Tax assets	1
Cash and bank balances	636
	10,079
Liabilities	
Trade payables	351
Other payables and accruals	2,301
Deferred tax liability	875
	3,527
Total identifiable net assets acquired	6,552
Bargain purchase gain arising from acquisition	(2,700)
Non-controlling interest in fair value	(852)
Fair value consideration transferred	3,000
<u>Effects of acquisition on cash flows</u>	
	RM’000
Fair value consideration transferred	3,000
Less: Cash and cash equivalents	(586)
Net of cash outflows on acquisition	2,414

The newly acquired subsidiary has not contributed any significant results to the Group for the period ended 30 September 2017.

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

A12. Capital Commitments

	As at 30.9.2017 RM'000	Audited As at 31.12.2016 RM'000
Approved but not provided for:		
- purchase of motor vehicles	-	305
- purchase of machineries	-	562
- purchase of furniture and fittings	-	157
	-	<u>1,024</u>
Approved and contracted for:		
- construction of factory and warehouse buildings	2,081	1,308
- purchase of motor vehicles	134	-
- purchase of machineries	17,876	-
- purchase of properties	344	-
	<u>20,435</u>	<u>1,308</u>
Total capital commitments	<u>20,435</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 30 September 2017.

A14. Significant Related Party Transactions

	INDIVIDUAL		CUMULATIVE	
	Current Year Quarter 30.9.2017 RM'000	Preceding Year- Quarter 30.9.2016 RM'000	Current Year- To-Date 30.9.2017 RM'000	Preceding Year- To-Date 30.9.2016 RM'000
Sales to related parties	1,408	1,019	3,024	2,944
Purchases from related parties	49	70	247	504
Rental expense paid to related parties	390	390	1,170	1,170
Interest charged by related party ⁽¹⁾	84	83	246	243
	<u>1,931</u>	<u>1,562</u>	<u>4,687</u>	<u>4,861</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 2017 amounted to RM10.25 million (30.9.2016: RM10.24 million) 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

	Current Year Quarter 30.9.2017 RM'000	Preceding Year Quarter 30.9.2016 RM'000	Variance	
			RM'000	%
Revenue	177,985	115,205	62,780	54.5%
Gross profit	24,984	16,725	8,259	49.4%
Profit before interest and tax	19,966	9,645	10,321	107.0%
Profit before tax	17,369	7,659	9,710	126.8%
Profit after tax	13,727	5,533	8,194	148.1%
Profit attributable to owners of the Company	13,763	5,533	8,230	148.7%

The revenue recorded for the current quarter and the preceding year corresponding quarter was RM177.98 million and RM115.20 million respectively, increased by 54.5% or RM62.78 million.

The increase in revenue was mainly contributed by the increase in revenue for our trading and processing of steel products by 45.4% or RM27.09 million and 64.0% or RM35.50 million respectively.

The increase in revenue for trading of steel products was mainly due to higher tonnage sales by 18.8% as well as higher average selling price by 22.4%, and the increase in revenue for processing of steel products was mainly due to higher tonnage sales by 42.6% couple with higher average selling price by 15.0% .

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 48.7% and 51.1% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of approximately 51.8% and 48.1% respectively for the preceding year corresponding quarter.

Our gross profit increased by 49.4% or RM8.26 million, from approximately RM16.72 million to RM24.98 million. This was mainly due to the increase in revenue by 54.5% or RM62.78 million, from RM115.20 million to RM177.98 million while the overall gross profit margin remained fairly similar at approximately 14.0%, which only lower by 0.5 percentage points as compared to the overall gross profit margin recorded for the preceding year corresponding quarter.

The other income for the current quarter was RM3.65 million as compared to RM0.85 million for the preceding year corresponding quarter, higher by RM2.80 million, mainly due to the recognition of gain on bargain purchase for RM2.70 million, arising from acquisition of PCP as the Group share of fair value of identifiable net assets acquired on the acquisition date is more than its purchase consideration.

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)

Our operating costs rose by RM0.72 million from RM7.76 million for the preceding year corresponding quarter to RM8.48 million for the current quarter, as the result of the followings:

1. Increase in distribution costs by RM0.28 million, mainly caused by the increase in staff costs by RM0.20 million as well as the increase in transportation, travelling and accommodation expenses by RM0.09 million.
2. Increase in administrative costs by RM0.95 million, mainly as the result of the following:
 - increase in directors' remuneration and staff costs by RM0.18 million;
 - increase in depreciation charges by RM0.19 million;
 - increase in entertainment expenses by RM0.18 million;
 - increase in petrol, parking and toll expenses by RM0.12 million; and
 - increase in upkeep of motor vehicles, office and office equipment by RM0.17 million.

The above increase in distribution and administration costs were partly offset by the reduction in other costs by RM0.52 million, mainly as the result of the following:

- lower allowance for impairment loss on trade receivables by RM0.11 million; and
- lower stamp duty paid by approximately RM0.45 million.

Total finance costs for the current quarter was RM2.78 million, increased by RM0.63 million or 29.3% as compared to RM2.15 million for the preceding year corresponding quarter. This was mainly due to higher utilisation of trade financing and Islamic financing facilities where their interest expenses increased by RM0.12 million and RM0.48 million respectively.

Based on the foregoing factors, our Group registered an increase in profit before tax by RM9.71 million to RM17.37 million as compared to RM7.66 million for the preceding year corresponding quarter.

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

	Current Year- To-Date 30.9.2017 RM'000	Preceding Year- To-Date 30.9.2016 RM'000	Variance	
			RM'000	%
Revenue	431,682	364,933	66,749	18.3%
Gross profit	72,543	54,962	17,581	32.0%
Profit before interest and tax	70,368	30,219	40,149	132.9%
Profit before tax	63,498	24,564	38,934	158.5%
Profit after tax	52,602	17,748	34,854	196.4%
Profit attributable to owners of the Company	52,638	17,748	34,890	196.6%

Our revenue increased by 18.3% or RM66.75 million from RM364.93 million for the preceding financial year-to-date to RM431.68 million for the current financial year-to-date. This was mainly due to the increase in revenue for our trading of steel products by 20.5% or RM36.25 million, from RM177.24 million to RM213.49 million, as well as the increase in revenue for processing of steel products by 15.9% or RM29.78 million, from RM187.42 million to RM217.20 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)

The increase in revenue from trading of steel products was attributable to higher average selling price by 31.0%. However, the contribution from the increase in average selling price was partially offset by lower demand for trading of steel products by 8.1%.

The increase in revenue from processing of steel products was attributable to higher average selling price for processing of flat steel products by 26.0%. However, the contribution from the increase in average selling price for processing of flat steel products was partially offset by lower demand for processing of steel products, particularly processing of flat carbon steel products which saw its demand decreased by 8.3%.

Our gross profit improved by 32.0% or RM17.58 million, from RM54.96 million to RM72.54 million. This was mainly contributed by the increase in revenue by 18.3% or RM66.75 million, from RM364.93 million to RM431.68 million, and the improvement in overall gross profit margin, from 15.1% for the preceding financial year-to date to 16.8% for the current financial year-to-date, mainly attributable to the better gross profit margin for trading of steel products by approximately 5.2 percentage points, from 9.2% to 14.4%, as the result of the increase in average selling price by 31.0%, while the average cost for input materials had only increased by 23.2%.

The other income for the current financial year-to-date was RM26.74 million as compared to RM1.56 million for the preceding financial year-to-date, higher by RM25.18 million, mainly due to the gain and compensation for injurious affection derived from the compulsory acquisition of the affected land and buildings, amounting to approximately RM21.68 million, and also contributed by the recognition of gain on bargain purchase for RM2.70 million, arising from acquisition of PCP as the Group share of fair value of identifiable net assets acquired on the acquisition date is more than its purchase consideration.

Our operating costs increased by RM2.58 million from RM25.85 million for the preceding financial year-to-date to RM28.43 million for the current financial year-to-date, mainly due to the following:

1. Increase in distribution costs by RM0.64 million, mainly caused by the increase in staff costs by RM0.54 million, as well as the increase in transportation, travelling and accommodation expenses by RM0.18 million.
2. Increase in administrative costs by RM2.99 million, mainly caused by:
 - increase in directors' remuneration and staff costs by RM0.55 million;
 - increase in depreciation by RM0.66 million; and
 - increase in professional fees by RM1.24 million, mainly due to the consultancy fees related to the compulsory acquisition of the affected land and buildings, amounting to approximately of RM0.92 million.

The above increase in distribution and administration costs were partly offset by the reduction in other costs by RM1.05 million, mainly as the result of the following:

- lower allowance for impairment loss on trade receivables by RM0.98 million; and
- lower stamp duty paid by approximately RM0.51 million; but partly offset by
- increase in bad debt written off of RM0.27 million.

Total finance costs increased by RM1.25 million or 20.5% as compared to the preceding financial year-to-date. This was mainly due to higher utilisation of trade financing and Islamic financing facilities where their interest expenses increased by RM0.42 million and RM0.94 million respectively, partly offset by the decrease in interest expenses for overdraft facilities by RM0.17 million for the current financial year-to-date.

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

B1. Review of Performance (Cont'd)

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

Based on the foregoing factors, our Group registered an increase in profit before tax by 158.5% or approximately RM38.93 million from RM24.56 million for the preceding financial year-to-date to RM63.50 million for the current financial year-to-date.

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

	Current Quarter 30.9.2017 RM'000	Immediate Preceding Quarter 30.6.2017 RM'000	Variance	
			RM'000	%
Revenue	177,985	115,153	62,832	54.6%
Gross profit	24,984	23,027	1,957	8.5%
Profit before interest and tax	19,966	35,765	(15,799)	-44.2%
Profit before tax	17,369	33,533	(16,164)	-48.2%
Profit after tax	13,727	30,033	(16,306)	-54.3%
Profit attributable to owners of the Company	13,763	30,033	(16,270)	-54.2%

Our Group achieved revenue of RM177.98 million for the current quarter, which was higher than the immediate preceding quarter's revenue by 54.6% or RM62.83 million.

The increase in revenue was mainly due to the increase in revenue for our trading and processing of steel products, which recorded higher revenue by 54.2% or RM30.49 million and 55.5% or RM32.46 million respectively.

The increase in revenue for trading and processing of steel products was mainly due to higher tonnage sales by 65.4% and 70.3% respectively, partially reduced by the effect of lower average selling price which had decreased by 6.8% and 8.7% respectively.

For the current quarter, our gross profit increased by 8.5% or RM1.95 million, from RM23.03 million for the immediate preceding quarter to RM24.98 million for the current quarter, which was mainly due to the increase in revenue by RM62.83 million, from RM115.15 million for the immediate preceding quarter to RM177.98 million for the current quarter, largely offset by lower overall gross profit margin from 20.0% for the immediate preceding quarter to 14.0% for the current quarter, resulted from lower overall average selling price by 7.6% while the overall average cost for input materials had increased by 1.7%.

The other income of RM3.65 million for the current quarter as compared to RM22.07 million for the immediate preceding quarter, lower by RM18.42 million, mainly due to the absence of gain and compensation for injurious affection derived from the compulsory acquisition of the affected land and buildings, amounting to approximately RM21.68 million which had been recognised in the immediate preceding quarter, partly offset by the recognition of gain on bargain purchase for RM2.70 million, arising from acquisition of PCP as the Group share of fair value of identifiable net assets acquired on the acquisition date is more than its purchase consideration.

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)

Our operating costs decreased by approximately RM0.70 million, from RM9.18 million for the immediate preceding quarter to RM8.48 million for the current quarter, mainly caused by the decrease in administrative costs by RM0.83 million, resulted from the absence of consultancy fees related to the compulsory acquisition of the affected land and buildings, amounting to approximately of RM0.92 million which had been accrued in the immediate preceding quarter.

The finance costs for the current quarter was RM2.78 million, increased by RM0.40 million or 16.8% as compared to RM2.38 million for the immediate preceding quarter. This was mainly due to higher utilisation of trade financing and Islamic financing facilities where their interest expenses increased by RM0.15 million and RM0.25 million respectively.

Based on the foregoing factors, our profit before tax decreased by 48.2% or approximately RM16.16 million, from RM33.53 million for the immediate preceding quarter to RM17.37 million for the current quarter.

B3. Commentary on Prospects

The results achieved by our Group's business operations (excluding the exceptional gain from compulsory acquisition of the Group's land and bargain purchase of PCP) for the first three (3) quarters of the current financial year have been satisfactorily and to a certain extent, exceeded our expectation. This was mainly contributed by the continuous rise in steel prices set forth by China's steel producers arising from insufficient supply to meet demand following China's policy to downsize the country's steel production capacity to contain pollution.

In view of the results achieved so far, our Board is optimistic that the Group's results for the remaining quarter of the current financial year will continue to be favorable.

B4. Variance of Forecast Profit and Profit Guarantee

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

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

B5. Profit Before Tax

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

	INDIVIDUAL		CUMULATIVE	
	Current Year Quarter 30.9.2017 RM'000	Preceding Year Quarter 30.9.2016 RM'000	Current Year- To-Date 30.9.2017 RM'000	Preceding Year- To-Date 30.9.2016 RM'000
Amortisation of prepaid land lease payment	23	-	23	-
Bad debt written off	-	-	271	-
Bargain purchase gain on acquisition of a subsidiary	(2,700)	-	(2,700)	-
Depreciation of property, plant and equipment	2,497	2,264	7,242	6,541
Net fair value loss/(gain) on derivatives	2	(72)	-	20
(Gain)/Loss on foreign exchange				
- realised	(44)	(21)	80	(139)
- unrealised	62	(7)	26	(8)
Gain on disposal of property, plant and equipment	(54)	(142)	(99)	(330)
Impairment loss on trade receivables	(16)	93	99	1,075
Insurance claimed	(350)	(9)	(472)	(76)
Interest expense	2,597	1,986	6,870	5,655
Interest income	(323)	(35)	(397)	(93)
Inventories written off	-	-	-	65
Property, plant and equipment written off	-	2	61	80
Rental income	-	(19)	-	(19)
Rental of premises	495	458	1,386	1,383
Rental of equipment	16	16	44	48
Rental of land	130	130	390	390
Reversal of impairment loss on trade receivables	(84)	(525)	(966)	(747)
Exceptional items ⁽¹⁾ :				
- Gain on disposal of property, plant and equipment	-	-	(17,802)	-
- Compensation for injurious affection	-	-	(3,876)	-

Notes:

(1) In relation to the compulsory acquisition of the two affected plots of land which house the steel processing plant, office and warehouse of Supreme Steelmakers Sdn Bhd.

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

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

B6. Tax Expense

	INDIVIDUAL		CUMULATIVE	
	Current Year Quarter 30.9.2017 RM'000	Preceding Year- Quarter 30.9.2016 RM'000	Current Year- To-Date 30.9.2017 RM'000	Preceding Year- To-Date 30.9.2016 RM'000
Current tax				
- for the financial period	3,673	2,287	10,650	6,903
- (over)/under provision in prior financial year	(835)	93	(835)	93
Deferred tax				
- origination and reversal of temporary differences	(87)	(59)	119	15
- under/(over) provision in prior year	891	(195)	962	(195)
Tax expense	<u>3,642</u>	<u>2,126</u>	<u>10,896</u>	<u>6,816</u>

The effective tax rate for the current quarter and current financial year-to-date is lower than the statutory tax rate of 24%. The former is mainly due to the recognition of gain on bargain purchase for RM2.70 million, arising from the consolidation of the newly acquired subsidiary company which is not taxable, while the latter also includes certain gain and income relating to the compulsory acquisition of the Group's real estate properties which are not taxable.

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 2017 were as follows:

	As at 30.9.2017 RM'000	Audited As at 31.12.2016 RM'000
<u>Current</u>		
Secured:		
Bankers' acceptances	82,214	61,568
Finance lease payables	4,118	3,789
Term loan	1,800	1,800
Bank overdrafts	10,335	16,333
	<hr/> 98,467	<hr/> 83,490
Unsecured:		
Bankers' acceptances	68,651	60,483
Islamic financing	43,538	22,000
Bank overdrafts	7,777	639
	<hr/> 119,966	<hr/> 83,122
	<hr/> 218,433	<hr/> 166,612
<u>Non-current</u>		
Secured:		
Finance lease payables	2,433	3,876
Term loan	13,350	14,700
	<hr/> 15,783	<hr/> 18,576
Total Borrowings	<hr/> <hr/> 234,216	<hr/> <hr/> 185,188

The above Group's 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 30.9.2017 RM'000	Preceding Year-Quarter 30.9.2016 RM'000	Current Year-To-Date 30.9.2017 RM'000	Preceding Year-To-Date 30.9.2016 RM'000
Profit attributable to owners of the Company	13,763	5,533	52,638	17,748
Weighted average number of ordinary shares in issue ('000)	310,000	310,000	310,000	310,000
Basic Earnings Per Share (sen)	4.44	1.78	16.98	5.73

(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 or 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 30.9.2017 RM'000	As at 31.12.2016 RM'000
Total retained earnings of the Company and its subsidiaries		
- Realised	249,504	210,722
- Unrealised	(6,356)	(4,286)
	243,148	206,436
Consolidated adjustments	11,938	662
Total retained earnings of the Group	255,086	207,098

By order of the Board
Kuala Lumpur
25 November 2017