

LEON FUAT BERHAD

Registration No. 200601036648 (756407-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2020

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2020 RM'000	Preceding Year Quarter 31.12.2019 RM'000	Current Year- To-Date 31.12.2020 RM'000	Preceding Year- To-Date 31.12.2019 RM'000
Revenue	198,963	149,582	589,577	607,122
Cost of sales	(165,874)	(137,087)	(511,938)	(545,852)
Gross profit	33,089	12,495	77,639	61,270
Other income	1,378	752	5,612	2,862
Distribution costs	(3,637)	(3,368)	(10,291)	(9,929)
Administrative costs	(7,583)	(7,716)	(22,329)	(24,830)
Net addition of impairment losses of financial assets	(1,129)	(102)	(1,366)	(959)
Other costs	(109)	(553)	(1,962)	(1,429)
	(12,458)	(11,739)	(35,948)	(37,147)
Profit from operations	22,009	1,508	47,303	26,985
Finance costs	(3,179)	(4,035)	(13,806)	(16,008)
Profit/(Loss) before tax	18,830	(2,527)	33,497	10,977
Income tax expense	(750)	(1,670)	(4,922)	(5,444)
Profit/(Loss) for the financial period/year	18,080	(4,197)	28,575	5,533
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange difference on translation of foreign subsidiary	2	4	(1)	2
Total other comprehensive income/ (loss), net of tax	2	4	(1)	2
Total comprehensive income/(loss) for the financial period/year	18,082	(4,193)	28,574	5,535
Profit/(Loss) attributable to:				
- Owners of the Company	18,094	(4,182)	28,559	5,598
- Non-controlling interests	(14)	(15)	16	(65)
	18,080	(4,197)	28,575	5,533

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2020 (CONT'D)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current	Preceding	Current	Preceding
	Year	Year	Year-	Year-
	Quarter	Quarter	To-Date	To-Date
	31.12.2020	31.12.2019	31.12.2020	31.12.2019
	RM'000	RM'000	RM'000	RM'000
Total comprehensive income/(loss)				
attributable to:				
- Owners of the Company	18,096	(4,178)	28,558	5,600
- Non-controlling interests	(14)	(15)	16	(65)
	<u>18,082</u>	<u>(4,193)</u>	<u>28,574</u>	<u>5,535</u>
Earnings/(Loss) per share (sen) attributable to owners of the Company:				
- Basic	5.84	(1.35)	9.21	1.81
- Diluted	5.84	(1.35)	9.21	1.81

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 2019 and the accompanying explanatory notes attached to this interim financial statement.

LEON FUAT BERHAD

Registration No. 200601036648 (756407-D)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2020

	As at 31.12.2020 RM'000 (Unaudited)	As at 31.12.2019 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	203,686	209,275
Capital work-in-progress	13,836	5,972
	<u>217,522</u>	<u>215,247</u>
Current assets		
Inventories	250,378	261,543
Trade receivables	196,424	161,376
Other receivables, deposits and prepayments	10,950	4,614
Tax assets	4,813	4,870
Deposits with licensed banks	27,878	33,817
Cash and bank balances	23,358	8,979
	<u>513,801</u>	<u>475,199</u>
TOTAL ASSETS	<u><u>731,323</u></u>	<u><u>690,446</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	160,094	160,094
Merger deficit	(109,545)	(109,545)
Capital reserve	1	1
Retained earnings	328,851	300,292
Foreign currency translation reserve	(15)	(14)
	<u>379,386</u>	<u>350,828</u>
Non-controlling interests	616	600
Total Equity	<u>380,002</u>	<u>351,428</u>
Non-current liabilities		
Borrowings	61,028	64,885
Deferred tax liabilities	6,619	5,518
	<u>67,647</u>	<u>70,403</u>
Current liabilities		
Trade payables	32,153	35,132
Other payables and accruals	17,525	11,319
Contract liabilities	3,030	2,641
Amount due to ultimate holding company	-	137
Borrowings	230,841	217,486
Tax liabilities	125	1,900
	<u>283,674</u>	<u>268,615</u>
Total Liabilities	<u>351,321</u>	<u>339,018</u>
TOTAL EQUITY AND LIABILITIES	<u><u>731,323</u></u>	<u><u>690,446</u></u>
Net assets per share attributable to owners of the Company (RM)	1.22	1.13

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 2019 and the accompanying explanatory notes attached to this interim financial statement.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2020

-----Attributable to Owners of the Company -----

	Share Capital RM'000	Merger Deficit RM'000	Capital Reserve RM'000	Foreign Currency Translation Reserve RM'000	Retained Earnings RM'000	Non- Controlling interests RM'000	Total Equity RM'000
2020							
At 1 January 2020	160,094	(109,545)	1	(14)	300,292	600	351,428
Profit for the financial year	-	-	-	-	28,559	16	28,575
Other comprehensive income	-	-	-	(1)	-	-	(1)
Total comprehensive income	-	-	-	(1)	28,559	16	28,574
At 31 December 2020	160,094	(109,545)	1	(15)	328,851	616	380,002
2019							
At 1 January 2019, as previously reported	160,094	(109,545)	1	(16)	301,149	665	352,348
Effect of adopting MFRS16	-	-	-	-	(1,805)	#	(1,805)
At 1 January 2019, as restated	160,094	(109,545)	1	(16)	299,344	665	350,543
Profit/(Loss) for the financial year	-	-	-	-	5,598	(65)	5,533
Other comprehensive income	-	-	-	2	-	-	2
Total comprehensive income	-	-	-	2	5,598	(65)	5,535
Transaction with owners							
Dividend	-	-	-	-	(4,650)	-	(4,650)
At 31 December 2019	160,094	(109,545)	1	(14)	300,292	600	351,428

Notes:

Less than RM500.

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 2019 and the accompanying explanatory notes attached to this interim financial statement.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2020

	Current Year-To-Date 31.12.2020 RM'000	Preceding Year-To-Date 31.12.2019 RM'000
Cash Flows from Operating Activities		
Profit before tax	33,497	10,977
Adjustments for:		
Bad debt written off	4	117
Capital work-in-progress written off	-	368
Depreciation of property, plant and equipment	15,323	14,991
Derecognition of a right-of-use asset	11	-
Impairment losses on trade receivables	1,366	1,018
Interest income	(835)	(1,269)
Interest expense	12,950	15,093
Inventories written down	906	-
Gain on disposal of plant and equipment	(36)	(14)
Net unrealised loss/(gain) on foreign exchange	2	(65)
Reversal of impairment losses on trade receivables	-	(59)
Reversal of a lease liability	(11)	-
Operating profit before changes in working capital	63,177	41,157
Inventories	9,779	(14,342)
Trade and other receivables	(39,240)	(3,447)
Trade and other payables	(716)	15,214
Cash generated from operations	33,000	38,582
Interest received	677	1,110
Interest paid	(12,750)	(14,538)
Income tax paid	(5,539)	(9,217)
Net cash from operating activities	15,388	15,937
Cash Flows from Investing Activities		
Addition to deposits pledged with licensed banks	(193)	(846)
Capital work-in-progress paid	(8,706)	(3,222)
Deposits paid for acquisition of plant and equipment	(3,736)	(58)
Purchase of property, plant and equipment	(1,373)	(5,337)
Proceeds from disposal of plant and equipment	20	14
Net cash used in investing activities	(13,988)	(9,449)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2020 (CONT'D)

	Current Year-To-Date 31.12.2020 RM'000	Preceding Year-To-Date 31.12.2019 RM'000
Cash Flows from Financing Activities		
Dividend paid	-	(4,650)
Drawdown of term loan	2,370	-
Payments to lease liabilities/finance lease payables	(4,695)	(4,602)
Repayments of term loans	(1,820)	(1,800)
Repayments to ultimate holding company	(137)	(5,000)
Net drawdowns/(repayments) of islamic financing	10,662	(8,316)
Net drawdowns/(repayments) of bankers' acceptances	11,986	(3,664)
Net cash from/(used in) financing activities	<u>18,366</u>	<u>(28,032)</u>
Net increase/(decrease) in cash and cash equivalents	19,766	(21,544)
Effect of exchange rate changes on cash and cash equivalents	(6)	(7)
Cash and cash equivalents at beginning of the financial year	<u>(6,079)</u>	15,472
Cash and cash equivalents at end of the financial year	<u><u>13,681</u></u>	<u><u>(6,079)</u></u>
Cash and cash equivalents at end of the financial year comprises:		
Cash and bank balances	23,358	8,979
Deposits with licensed banks	<u>27,878</u>	<u>33,817</u>
	51,236	42,796
Less: Bank overdrafts	(29,468)	(40,982)
Less: Deposits pledged with licensed banks	<u>(8,087)</u>	<u>(7,893)</u>
	<u><u>13,681</u></u>	<u><u>(6,079)</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 2019 and the accompanying explanatory notes attached to this interim financial statement.

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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 2019.

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 2019.

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 2019, except for the adoption of the following:

Amendments/Improvements to MFRSs

MFRS 3	Business Combinations
MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 16	Leases
MFRS 101	Presentation of Financial Statements
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Error
MFRS 139	Financial Instruments: Recognition and Measurement

The Group has not applied in advance the following new MFRS 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 17	Insurance Contracts	1 January 2023
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2023 [#] / 1 January 2022 [^]
MFRS 3	Business Combinations	1 January 2023 [#] / 1 January 2022 [@]
MFRS 4	Insurance Contracts	1 January 2021 [*]
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023 [#]
MFRS 7	Financial Instruments: Disclosures	1 January 2023 [#] / 1 January 2021 [*]
MFRS 9	Financial Instruments	1 January 2023 [#] / 1 January 2022 [^] / 1 January 2021 [*]
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023 [#]
MFRS 16	Leases	1 January 2022 [^] / 1 January 2021 [*]
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023 [#] / 1 January 2023

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 (cont’d)</u>		
MFRS 107	Statement of Cash Flows	1 January 2023 [#]
MFRS 116	Property, Plant and Equipment	1 January 2023 ^{#/}
		1 January 2022
MFRS 119	Employee Benefits	1 January 2023 [#]
MFRS 128	Investments in Associates and Joint Ventures	1 January 2023 ^{#/}
		Deferred
MFRS 132	Financial instruments: Presentation	1 January 2023 [#]
MFRS 136	Impairment of Assets	1 January 2023 [#]
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2023 ^{#/}
		1 January 2022
MFRS 138	Intangible Assets	1 January 2023 [#]
MFRS 139	Financial Instruments: Recognition and Measurement	1 January 2021 [*]
MFRS 140	Investment Property	1 January 2023 [#]
MFRS 141	Agriculture	1 January 2022 [^]

Amendments as to the consequence of effective MFRS 17 Insurance Contracts

^ The Annual Improvements to MFRS Standards 2018-2020

* Interest Rate Benchmark Reform - Phase 2

@ Reference to the Conceptual Framework

The Group is in the process of assessing the impact which may arise from adoption of the abovementioned new MFRS and amendments/improvements 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 2019 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 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.

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A EXPLANATION NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING (CONT’D)**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 and current financial year-to-date.

The total dividend paid during the financial year ended 31 December 2019 amounted to 1.5 sen per share.

A8. Segment Information

Segment information of the Group for the financial year-to-date ended 31 December 2020 is as follows:

	Trading of Steel Products RM’000	Processing/ Manufacturing of Steel Products RM’000	Others ⁽¹⁾ RM’000	Total RM’000
External revenue	204,070	385,115	392	589,577
Cost of sales	(180,138)	(330,598)	(296)	(511,032)
Gross profit before inventories written down	<u>23,932</u>	<u>54,517</u>	<u>96</u>	<u>78,545</u>
Inventories written down				<u>(906)</u>
Gross profit				77,639
Add/(Less):				
- Other income				5,612
- Operating expenses				(34,582)
- Net addition of impairment losses of financial assets				(1,366)
- Finance costs				<u>(13,806)</u>
Profit before tax				33,497
Income tax expense				<u>(4,922)</u>
Profit for the financial year				<u><u>28,575</u></u>

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A EXPLANATION NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING (CONT’D)**A8. Segment Information (Cont’d)**

Segment information of the Group for the financial year-to-date ended 31 December 2019 is as follows:

	Trading of Steel Products RM’000	Processing/ Manufacturing of Steel Products RM’000	Others ⁽¹⁾ RM’000	Total RM’000
External revenue	281,936	325,008	178	607,122
Cost of sales	(257,219)	(288,544)	(89)	(545,852)
Gross profit	<u>24,717</u>	<u>36,464</u>	<u>89</u>	<u>61,270</u>
Add/(Less):				
- Other income				2,862
- Operating expenses				(36,188)
- Net addition of impairment losses of financial assets				(959)
- Finance costs				<u>(16,008)</u>
Profit before tax				10,977
Income tax expense				<u>(5,444)</u>
Profit for the financial year				<u><u>5,533</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.

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.

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A EXPLANATION NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING (CONT’D)**A12. Capital Commitments**

	As at 31.12.2020 RM'000	Audited As at 31.12.2019 RM'000
Approved and contracted for:		
- purchase of plant and equipment	10,107	191
- construction of factory and warehouse buildings	19,355	811
Approved and not contracted for:		
- purchase of property	3,302	-
	<u>32,764</u>	<u>1,002</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 2020.

A14. Significant Related Party Transactions

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2020 RM'000	Preceding Year Quarter 31.12.2019 RM'000	Current Year- To-Date 31.12.2020 RM'000	Preceding Year- To-Date 31.12.2019 RM'000
Sales to related parties	1,182	964	3,823	4,517
Purchases from related parties	265	51	327	124
Rental expense paid to related parties	513	513	1,964	2,052
Interest charged by related party	-	16 ⁽¹⁾	-	134 ⁽¹⁾

Note:

⁽¹⁾ In respect of interest arising from an unsecured loan from ultimate holding company to Leon Fuat Metal Sdn Bhd which was subject to interest at the rate of 3.25% per annum compounded on monthly rest. There was no interest bearing outstanding loan as at 31 December 2019.

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 31.12.2020 RM'000	Preceding Year Quarter 31.12.2019 RM'000	Variance	
			RM'000	%
Revenue	198,963	149,582	49,381	33.0%
Gross profit	33,089	12,495	20,594	164.8%
Profit before interest and tax	21,788	1,331	20,457	1537.0%
Profit/(Loss) before tax	18,830	(2,527)	21,357	845.2%
Profit/(Loss) after tax	18,080	(4,197)	22,277	530.8%
Profit/(Loss) attributable to owners of the Company	18,094	(4,182)	22,276	532.7%

The revenue recorded for the current quarter and the preceding year corresponding quarter was RM198.96 million and RM149.58 million respectively, increased by 33.0% or RM49.38 million.

The increase in revenue was mainly due to increase in revenue for trading and processing of steel products by 13.6% or RM7.78 and 44.9% or RM41.58 million respectively.

The increase in revenue for trading of steel products was mainly due to:

- higher revenue from trading of flat carbon steel products by 22.9% mainly attributable to higher tonnage sales by 23.8%; and
- higher revenue from trading of long carbon steel products by 23.1% mainly attributable to higher tonnage sales by 26.5%; partially offset by
- lower revenue from trading of other flat steel products by 23.9% mainly due to lower average selling price by 16.4% as well as decrease in tonnage sales by 8.9%.

The increase in revenue for processing of steel products was mainly due to:

- higher revenue from processing of flat carbon steel products by 48.2% mainly attributable to higher tonnage sales by 40.2% as well as higher average selling price by 5.7%. The higher tonnage sales by 40.2% includes contribution of 19.7% from production of welded steel pipes;
- higher revenue from processing of other flat steel products by 37.8% mainly attributable to higher tonnage sales by 32.7% as well as higher average selling price by 3.9%; and
- higher revenue from processing of long carbon steel products by 51.1% mainly due to increase in tonnage sales by 59.3% but slightly negated by a reduction in average selling price by 5.1%.

Our main business segments continued to be trading and processing of steel products, which collectively contributed approximately 100.0% of our total revenue for the current quarter. The trading segment and the processing segment contributed revenue of 32.6% and 67.4% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of approximately 38.1% and 61.9% respectively for the preceding year corresponding quarter.

B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)**B1. Review of Performance (Cont'd)****Current Quarter Compared To Preceding Year Corresponding Quarter (Cont'd)**

For the current quarter, our gross profit increased by 164.8% or RM20.59 million, from approximately RM12.50 million for the preceding year corresponding quarter to RM33.09 million for the current quarter. This was due to the increase in revenue by 33.0% or RM49.38 million, from RM149.58 million to RM198.96 million, as well as higher overall gross profit margin, from 8.4% for the preceding year corresponding quarter to 16.6% for the current quarter, mainly resulted from higher gross profit margin recorded for trading and processing of steel products by 5.7 percentage points and approximately 10.1 percentage points respectively as compared to the preceding year corresponding quarter.

The higher gross profit margin for trading of steel products was mainly due to the decrease in average cost for input materials by 12.4% while the average selling price had only decreased by 7.0%, whereas the higher gross profit margin for processing of steel products was mainly due to the decrease in average cost for input materials by 6.8% while the average selling price had increased by 3.1%.

The other income for the current quarter was RM1.38 million as compared to RM0.75 million for the preceding year corresponding quarter, higher by RM0.63 million, mainly due to increase in rental income by RM0.52 million contributed from letting bigger portion of our warehouse space in Port Klang Free Zone ("PKFZ"), as well as receiving RM0.18 million from Government under the Wage Subsidy Programme.

Our operating costs increased by RM0.72 million from RM11.74 million for the preceding year corresponding quarter to RM12.46 million for the current quarter, as a result of the following:

1. Increase in distribution costs by RM0.27 million mainly due to increase in staff related costs by RM0.29 million mainly caused by certain staff costs were allocated from administrative costs.
2. Decrease in administrative costs by RM0.13 million mainly due to lower administrative costs incurred for the current quarter in total by RM0.61 million, largely offset by higher provision of bonuses for directors.
3. Increase in net addition of impairment losses of financial assets (trade receivables) by RM1.03 million.
4. Decrease in other costs by RM0.44 million, mainly due to absence of capital work-in-progress written off and bad debts written off of RM0.37 million and RM0.12 million respectively.

Total finance costs for the current quarter was RM3.18 million, decreased by RM0.86 million as compared to RM4.04 million for the preceding year corresponding quarter. This was attributable to lower interest expense for overdraft facilities, bankers' acceptances, Islamic financing and term loans by RM0.18 million, RM0.40 million, RM0.07 million and RM0.16 million respectively, mainly due to decrease in interest rates following the reduction of Overnight Policy Rate by Bank Negara Malaysia in January 2020, March 2020, May 2020 and July 2020.

Based on the foregoing factors, we achieved profit before tax of RM18.83 million for the current quarter as opposed to loss before tax of RM2.53 million for the preceding year corresponding quarter.

B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)**B1. Review of Performance (Cont'd)****Current Financial Year-To-Date Compared To Preceding Financial Year-To-Date**

	Current Year- To-Date 31.12.2020 RM'000	Preceding Year- To-Date 31.12.2019 RM'000	Variance	
			RM'000	%
Revenue	589,577	607,122	(17,545)	-2.9%
Gross profit	77,639	61,270	16,369	26.7%
Profit before interest and tax	46,447	26,070	20,377	78.2%
Profit before tax	33,497	10,977	22,520	205.2%
Profit after tax	28,575	5,533	23,042	416.4%
Profit attributable to owners of the Company	28,559	5,598	22,961	410.2%

Our revenue decreased by 2.9% or approximately RM17.54 million from RM607.12 million for the preceding financial year-to-date to RM589.58 million for the current financial year-to-date.

The decrease in revenue was generally caused by the impact of nationwide Movement Control Order ("MCO") and Conditional MCO which were implemented from 18 March 2020 and our Group was only able to commence operation in early May 2020 upon obtaining the necessary approval from MITI and complied with the standard operating procedures set up by the federal government of Malaysia in response to the COVID-19 pandemic in the country.

However, the decrease in overall revenue due to the impact of MCO and Conditional MCO was largely offset by higher revenue from the production of welded steel pipes, which saw its revenue increased significantly by 197.6%, which also contributed to the increase in revenue for processing of steel products by 18.5% or RM60.11 million, from RM325.01 million to approximately RM385.12 million. Production of welded steel pipes commenced commercial operation at end of second quarter of 2019. The significant increase in its revenue was due to increase in demand as well as having full year's operation in 2020 as compared to only approximately half year's operation in 2019.

Despite lower revenue by 2.9% or approximately RM17.54 million, from RM607.12 million to RM589.58 million, our gross profit increased by 26.7% or RM16.37 million, from RM61.27 million to RM77.64 million, mainly due to higher overall gross profit margin, from 10.1% for the preceding financial year-to date to 13.2% for the current financial year-to-date, resulted from higher gross profit margin recorded for trading and processing of steel products by approximately 2.9 percentage points and approximately 3.0 percentage points respectively as compared to the preceding financial year-to-date.

The higher gross profit margin for trading of steel products was mainly resulted from:

- higher gross profit margin for trading of flat carbon steel products by approximately 2.0 percentage points due to the decrease in average cost for input materials by 4.3% while the average selling price had only decrease by 1.7%;
- higher gross profit margin for trading of long carbon steel products by approximately 3.2 percentage points due to the decrease in average cost for input materials by 11.7% while the average selling price had only decrease by 8.4%; and
- higher gross profit margin for trading of other long steel products by approximately 4.6 percentage points due to the decrease in average cost for input materials by 12.9% while the average selling price had only decrease by 7.8%.

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 higher gross profit margin for processing of steel products was mainly due to the decrease in average cost for input materials by 10.2% while the average selling price had only decreased by 8.1%.

The other income for the current financial year-to-date was RM5.61 million as compared to RM2.86 million for the preceding financial year-to-date, higher by RM2.75 million, mainly due to increase in rental income by RM1.84 million contributed from letting bigger portion of our warehouse space in PKFZ, as well as receiving RM0.95 million from Government under the Wage Subsidy Programme.

Our operating costs decreased by RM1.20 million from RM37.15 million for the preceding financial year-to-date to RM35.95 million for the current financial year-to-date, as a result of the following:

1. Increase in distribution costs by RM0.36 million, mainly caused by:
 - increase in staff related costs by RM0.75 million, mainly due to certain staff costs were allocated from administrative costs;
 - decrease in petrol, parking and toll expenses by RM0.16 million; and
 - decrease in transportation, travelling and accommodation expenses by RM0.20 million.
2. Decrease in administrative costs by RM2.50 million, mainly caused by:
 - decrease in staff related costs by RM0.89 million, mainly due to decrease in staff training expenses and certain staff costs were allocated to distribution costs;
 - decrease in depreciation charges by RM0.09 million;
 - decrease in advertising expenses by RM0.09 million;
 - decrease in entertainment expenses by RM0.49 million;
 - decrease in printing and stationery expenses by RM0.08 million;
 - decrease in professional fees incurred by RM0.41 million;
 - decrease in insurance and road tax expenses by RM0.14 million;
 - decrease in accommodation, travelling, petrol, parking and toll expenses by RM0.49 million; and
 - decrease in upkeep of motor vehicles, office and office equipment by RM0.13 million; partially offset by
 - higher provision of bonuses for directors by RM0.37 million.
3. Higher net addition of impairment losses of financial assets (trade receivables) for the current financial year-to-date as compared to the preceding financial year-to-date by RM0.41 million.
4. Increase in other costs by approximately RM0.53 million, mainly caused by:
 - tax penalty of RM0.87 million imposed on the additional taxation in respect of certain compensations received in relation to the compulsory acquisition of the Group's real estate properties which were treated as non-taxable items previously. An appeal against it has been filed and the outcome is still pending from the tax authority; and
 - higher stamp duty paid by RM0.20 million; largely offset by
 - lower bad debts written off by RM0.11 million;
 - absence of capital work-in-progress written off of RM0.37 million; and
 - lower gift and donation expenses by RM0.11 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)

Total finance costs decreased by RM2.20 million as compared to the preceding financial year-to-date. This was mainly due to lower interest expense for bankers' acceptances, Islamic financing and term loans by RM0.91 million, RM0.43 million and RM0.69 million respectively, mainly due to decrease in interest rates following the reduction of Overnight Policy Rate by Bank Negara Malaysia in January 2020, March 2020, May 2020 and July 2020.

Based on the foregoing factors, our Group registered an increase in profit before tax by 205.2% or RM22.52 million from RM10.98 million for the preceding financial year-to-date to RM33.50 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**

	Current Quarter 31.12.2020 RM'000	Immediate Preceding Quarter 30.09.2020 RM'000	Variance	
			RM'000	%
Revenue	198,963	163,821	35,142	21.5%
Gross profit	33,089	18,428	14,661	79.6%
Profit before interest and tax	21,788	12,068	9,720	80.5%
Profit before tax	18,830	8,983	9,847	109.6%
Profit after tax	18,080	6,778	11,302	166.7%
Profit attributable to owners of the Company	18,094	6,761	11,333	167.6%

Our Group achieved revenue of RM198.96 million for the current quarter, which was higher than the immediate preceding quarter's revenue by 21.5% or RM35.14 million.

The increase in revenue was mainly due to increase in revenue for trading and processing of steel products by 13.2% or RM7.54 million and 26.0% or RM27.65 million respectively, mainly due to higher tonnage sales by 8.9% and 18.9% respectively, as well as higher average selling price by 3.9% and 6.0% respectively.

For the current quarter, our gross profit increased by 79.6% or RM14.66 million, from RM18.43 million for the immediate preceding quarter to RM33.09 million for the current quarter, which was mainly due to the increase in revenue by 21.5% or RM35.14 million, from RM163.82 million to RM198.96 million, as well as higher overall gross profit margin from 11.2% for the immediate preceding quarter to 16.6% for the current quarter, resulted from:

- higher gross profit margin for trading of steel products by approximately 4.8 percentage points mainly due to the increase in average selling price by 3.9% while the average cost for input materials had decreased by 2.0%; and
- higher gross profit margin for processing of steel products by 6.1 percentage points mainly due to the increase in average selling price by 6.0% while the average cost for input materials remained fairly consistent.

The other income of RM1.38 million for the current quarter as compared to RM1.63 million for the immediate preceding quarter, was lower by RM0.25 million, mainly due to lower wage subsidy by RM0.23 million from Government under the Wage Subsidy Programme in the current quarter as compared to the immediate preceding quarter.

Our operating costs increased by RM4.73 million, from RM7.73 million for the immediate preceding quarter to RM12.46 million for the current quarter, mainly resulted from:

- increase in distribution and administrative costs by RM1.21 million and RM2.62 million respectively mainly due to provision of bonuses for directors and staff. The management has decided to provide bonuses at the last quarter of current financial year where it can be better determined instead of providing it at the beginning of the current financial year; and
- increase in net addition of impairment losses of financial assets (trade receivables) by RM1.39 million due to net addition of impairment losses of financial assets (trade receivables) of RM1.13 million for the current quarter as opposed to net reversal of impairment losses of financial assets (trade receivables) of RM0.26 million for the immediate preceding quarter.

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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)

The finance costs for the current quarter was RM3.18 million, decreased by RM0.17 million as compared to RM3.35 million for the immediate preceding quarter mainly due to lower interest expenses incurred for bankers' acceptances and bank charges by RM0.13 million and RM0.04 million respectively.

Based on the foregoing factors, our profit before tax increased by 109.6% or RM9.85 million, from RM8.98 million for the immediate preceding quarter to RM18.83 million for the current quarter.

B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)**B3. Commentary on Prospects**

Our business operations mainly comprise trading and processing of a diverse range of flat and long steel products. Our processing facilities which include an extensive range of cutting, levelling, shearing, profiling, bending and finishing are cater for specific product requirements of our large customer base from diverse industries and to provide a one-stop solution to potential customers. The cutting and profiling facilities include a fiber laser cutting machine complete with automated loading and unloading facilities for inputs and outputs with overall processing speed of up to 5 times more than conventional machines. In addition, as an effort to build a more resilient business, our Group had also embarked on a downstream production of steel pipes which commenced commercial operations at end of the second quarter of 2019.

The production of steel pipes has gone through a full year's operation in 2020 and has achieved satisfactory results with increasing demand. We expect the trend of increasing demand for this division to continue for 2021.

The profitability of our business is very much dependent on prices of our steel products besides demand from customers. In this respect, global factors such as volatility in commodities and crude oil prices as well as significant fluctuation in exchange rate of foreign currencies against Ringgit Malaysia will affect our suppliers pricing and hence the profitability of our steel products as some of our merchandise are sourced from overseas.

Global factors such as the direction of US's new administration lead by President Joe Biden towards the ongoing US-China geo-political and trade tension and the current worldwide outbreak of COVID-19 pandemic have posed various uncertainties in the rate of recovery of global economies. Although recent vaccine approvals have raised hopes of a turnaround in the pandemic later this year, renewed waves and new variants of the virus pose concerns for the outlook. Amid exceptional uncertainty, the global economy is projected to grow 5.5% in 2021 by International Monetary Fund (IMF), reflecting expectations of a vaccine-powered strengthening of activity later in the year and additional policy support in a few large economies. The strength of the recovery is projected to vary significantly across countries, depending on access to medical interventions, effectiveness of policy support, exposure to cross-country spillovers, and structural characteristics entering the crisis

Locally, we are similarly not spared of the COVID-19 pandemic. Following a spike COVID-19 cases, our government reimposed the strict Movement Control Order (MCO) commencing on 13 January 2021. Furthermore, a proclamation of emergency has also been declared taking effect from 11 January 2021 to 1 August 2021 under the Emergency Ordinance 2021. Vaccination for the COVID-19 is expected to be rolled out in various stages commencing end of February 2021 to contain the pandemic. Coming out from a negative growth of 5.6% in 2020, Malaysian economy is expected to record a positive growth of between 6.5% and 7.5% in 2021. The growth will be supported by strong economic fundamentals and a well-diversified economy. However, the favorable outlook hinges on the successful containment of the pandemic and sustained recovery in external demand.

Mindful of the risks arising from global and local factors mentioned above, our Group will constantly keep vigilant on the movement of steel prices and related foreign currencies and will take proactive measures including negotiating forward contracts, where necessary, as well as prudent inventory management, to reduce any negative impact which may arise therefrom. Our Group will also continuously enhance the operating capabilities and efficiencies to meet customers' requirements and to ensure timely satisfaction of customer orders while keeping our operating costs at a manageable level. The risk of COVID-19 pandemic has also been actively addressed with implementation of various preventive measures including inculcating work place hygiene and regular sanitisation, limiting the movements of staffs as well as adhering to other Standard Operating Procedures required by the relevant authorities. The Group has also put in place emergency response team ('ERT') in three of its subsidiaries to deal with emergencies arising from the pandemic as well as other health and workplace related emergencies, and is currently considering having a Groupwide ERT.

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

B3. Commentary on Prospects (Cont'd)

Despite the prevailing significant risks and the various uncertainties mentioned above, our Board, encouraged by the reasonably good results recorded in the last quarter of 2020 as well as the improved future outlook, is optimistic that our Group will be able to achieve positive results for 2021.

B4. Variance of Forecast Profit and Profit Guarantee

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

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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 charging/(crediting):

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2020 RM'000	Preceding Year Quarter 31.12.2019 RM'000	Current Year- To-Date 31.12.2020 RM'000	Preceding Year- To-Date 31.12.2019 RM'000
Auditors' remuneration	232	232	232	232
Bad debt written off	-	117	4	117
Capital work-in-progress written off	-	368	-	368
Depreciation of property, plant and equipment	3,795	4,043	15,323	14,991
Derecognition of a right-of-use asset	-	-	11	-
Impairment losses on trade receivables	1,127	128	1,366	1,018
Insurance claimed	(3)	(123)	(131)	(362)
Interest income	(159)	(309)	(835)	(1,269)
Interest expense	2,958	3,858	12,950	15,093
Inventories written down	906	-	906	-
Net (gain)/loss on foreign exchange				
- realised	(54)	(96)	(228)	(42)
- unrealised	(9)	18	2	(65)
Gain on disposal of plant and equipment	-	(14)	(36)	(14)
Realised loss on derivative	23	-	23	-
Rental of premises	27	27	103	108
Rental of equipment	7	9	23	28
Rental income	(740)	(218)	(2,525)	(689)
Reversal of impairment losses on trade receivables	3	(26)	-	(59)
Reversal of a lease liability	-	-	(11)	-

Note:

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.

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B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)**B6. Income Tax Expense**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2020 RM'000	Preceding Year Quarter 31.12.2019 RM'000	Current Year- To-Date 31.12.2020 RM'000	Preceding Year- To-Date 31.12.2019 RM'000
Current income tax				
- for the financial period/year	1,289	468	4,741	2,018
- (over)/under provision in prior financial years	(657)	1,940	(920)	1,512
Deferred tax				
- (reversal)/origination of temporary differences	(304)	(731)	783	1,700
- effect of adopting MFRS 16	-	(7)	-	(433)
- under provision in prior financial year	422	-	318	647
Income tax expense	750	1,670	4,922	5,444

The effective tax rate for the current quarter and current financial year-to-date are lower than the statutory tax rate of 24% mainly due to availability of reinvestment allowance for certain companies within the Group. The lower effective tax rate for the current quarter is also due to adjustment for over provision of taxation in prior quarters of the current financial year.

B7. Status of Corporate Proposals

On 24 February 2021, AmInvestment Bank Berhad announced on behalf of our Board, that Supreme Steelmakers Sdn Bhd, a wholly-owned subsidiary of the Company had on the even date entered into a conditional sale and purchase agreement with Leon Fuat Holdings Sdn Bhd for the proposed acquisition of a parcel of freehold land measuring approximately 9,946 square meters known as Lot 60240, Pekan Kajang, Daerah Hulu Langat, Negeri Selangor Darul Ehsan held under GM6958 together with the factory, warehouse and office erected thereon including weighing system, overhead cranes and fittings, for a total cash consideration of RM28,000,000 ("Proposed Acquisition").

The Proposed Acquisition is a Related Party Transaction under Chapter 10 Part E of the Bursa Malaysia Listing Requirements and is therefore, subject to, among others, approval from the non-interested shareholders of the Company at a general meeting to be convened.

Save as disclosed above, there was no other corporate proposal announced but not completed as at the date of this report.

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B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)**B8. Group Borrowings**

	As at 31.12.2020 RM'000	As at 31.12.2019 RM'000
<u>Current</u>		
Secured:		
Bankers' acceptances	98,833	80,600
Lease liabilities	2,872	2,490
Term loans	3,626	1,800
Bank overdrafts	20,540	25,843
	<u>125,871</u>	<u>110,733</u>
Unsecured:		
Bankers' acceptances	50,925	57,172
Lease liabilities	1,243	1,230
Islamic financing	43,874	33,212
Bank overdrafts	8,928	15,139
	<u>104,970</u>	<u>106,753</u>
	<u>230,841</u>	<u>217,486</u>
<u>Non-current</u>		
Secured:		
Lease liabilities	2,934	5,124
Term loans	47,340	48,615
	<u>50,274</u>	<u>53,739</u>
Unsecured:		
Lease liabilities	10,754	11,146
	<u>61,028</u>	<u>64,885</u>
Total Borrowings	<u><u>291,869</u></u>	<u><u>282,371</u></u>

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 was no dividend proposed or declared during the current quarter.

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B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)**B11. Earnings/(Loss) Per Share**

(a) Basic Earnings/(Loss) Per Share

The basic earnings/(loss) per share for the current quarter and financial year-to-date are computed as follows:

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2020 RM'000	Preceding Year Quarter 31.12.2019 RM'000	Current Year- To-Date 31.12.2020 RM'000	Preceding Year- To-Date 31.12.2019 RM'000
Profit/(Loss) attributable to owners of the Company	18,094	(4,182)	28,559	5,598
Weighted average number of ordinary shares in issue ('000)	310,000	310,000	310,000	310,000
Basic Earnings/(Loss) Per Share (sen)	5.84	(1.35)	9.21	1.81

(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.

By order of the Board
Kuala Lumpur
24 February 2021