

PART A: EXPLANATION NOTES AS PER MFRS 134

A1 Accounting policies and methods of computation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

These interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2014.

The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2014.

The significant accounting policies and methods of computation adopted are consistent with those of the audited financial statements for the year ended 31 December 2014, except for the adoption of the following Amendments and Standards Annual Improvements to Standards with effect from 1 January 2015:

- Amendments to MFRS 119 Defined Benefit Plans : Employee Contributions
- Annual Improvements to MFRSs 2010 – 2012 Cycle
- Annual Improvements to MFRSs 2011 – 2013 Cycle

The above standards, amendments and annual improvement do not have significant impact on the financial reporting of the Group.

As at the date of authorization of this report, the following MFRSs have been issued with effective dates that have not been adopted by the Group:

	Effective Date
MFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 141 Agriculture : Bearer Plants	1 January 2016
Amendments to MFRS 127 Equity Method in Separate Financial Statements	1 January 2016

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Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRSs Annual Improvements to MFRSs 2012-2014 Cycle	1 January 2016
Amendments to MFRS 101 Disclosure Initiative	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities : Applying the Consolidation Exception	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2018
MFRS 9 Financial Instruments	1 January 2018

A2 Seasonal or cyclical factors

The Group faces minor seasonal fluctuations during the major festive seasons such as Hari Raya Aidilfitri and Chinese New Year celebrations.

A3 The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence

There was no unusual item in the quarterly financial statement under review.

A4 Changes in estimates

There are no significant changes in the estimates of amount, which give a material effect in the current interim period.

A5 Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter ended 30 September 2015.

A6 Dividends paid (aggregate or per share) separately for ordinary share and other shares

A final single-tier dividend of 4.0% (2.0 sen per ordinary share) , amounting to RM3,501,651 in respect of the financial year ended 31 December 2014 was paid on 09 September 2015.

A7 Segment Information for the current financial year to date

	<u>Trading</u> RM'000	<u>Manufacturing</u> RM'000	<u>Investment</u> RM'000	<u>Elimination</u> RM'000	<u>Total</u> RM'000
Revenue					
External Sales	114,403	350,471	1,223	-	466,097
Inter-segment revenue	1,687	71,858	3,724	(77,269)	-
Total Revenue	116,090	422,329	4,947	(77,269)	466,097
Segment Result	3,871	22,670	1,257	(1,459)	26,339
Profit from operations					26,339
Finance costs					(10,102)
Interest Income					381
Share of results of associates					(4,924)
Profit before tax					11,694

No analysis by geographical area has been presented as its year to date contribution was less than 10% to the combined results of all segments revenue or results or assets.

A8 Valuations of property, plant and equipment

The valuation of land & buildings has been brought forward, without amendment from the previous annual financial statement.

A9 Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the current quarter under review.

A10 The effect of changes in the composition of the enterprise during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations

There were no changes in the composition of the Company for the financial period under review.

A11 Changes in contingent liabilities or contingent assets since the last financial year ended 31 December 2014

As at the date of this announcement, there were no material contingent liabilities incurred by the Group which, upon becoming enforceable, may have a material impact on the financial position of the Group.

A12 Capital commitments

As at 30/09/2015

RM'000

Property, plant and equipment

Authorized and contracted for 1,731

Authorized and not contracted for 83

**PART B: ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF
BURSA SECURITIES (PART A OF APPENDIX 9B)**

**B1 Review of performance of the company and its principal subsidiaries for the current
quarter and financial year to date (YTD)**

Group revenue and Profit before taxation ("PBT") for the quarter under review were RM155.05 million and RM 3.09 million respectively. Though the revenue reduced only slightly by 3.5% over the same quarter of last year, PBT for the quarter under review has reduced substantially mainly due to incorporating losses of the associate company. PBT for the quarter will be much better if the associate company maintain a positive bottom line for the period. As such, YTD PBT were also substantially lower than the same period last year as a result of lower sales and margins as well as well as the effect of the YTD losses of the associate company.

**B2 Material changes in the profit before taxation for the quarter reported on as
compared with the immediate preceding quarter**

Compared to the immediate preceding quarter, Group revenue for the quarter under review increased by 7.3% from RM 144.43 million to RM155.05 million. However, PBT for the quarter under review dropped from RM 3.48 million in the immediate preceding quarter to RM3.09 million, this was mainly due to equity accounting for the losses from the associate company which suffered some foreign exchange losses. As mentioned, if the associate company were to report a positive PBT, current quarter PBT will be much better in line with higher revenue and lower costs of sales.

B3 Prospects

Amid the slowdown in domestic market demand and lower growth for the quarter, our country's GDP grew at only 4.7% during the quarter under review. With the lingering effect of GST and impact from lower crude oil prices on oil & gas investment and government spending as well as the weak Malaysian currency, slower growth of domestic demand in forthcoming periods is anticipated. Against this backdrop, the Board will continue its cautious and pragmatic moves to generate satisfactory financial results for the rest of the period of financial year under review .

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B4 Variance of actual profit from forecast profit / profit guarantee

Not applicable.

B5 Tax expenses

	Current Quarter 30/09/2015 RM'000	Current Year To Date 30/09/2015 RM'000
Current taxation	1,108	3,450
Deferred taxation	908	1,423
In respect of prior years	169	169
	2,185	5,042

The average effective tax rate of the Group for the current quarter and financial year to date is higher than the current statutory tax rate mainly due to non tax deductibility of some expenses as well as incorporating losses of certain loss making subsidiaries and associate.

B6 The status of corporate proposals announced but not completed at the latest practicable date which shall not be earlier than 7 days from the date of issue of the quarterly report.

Not applicable.

B7 Group bank borrowings:

Total group borrowings as at 30 September 2015 are as follows:-

	Short Term Borrowing	Long Term Borrowing
	RM'000	RM'000
Denominated in Ringgit Malaysia:		
Secured	75,504	15,939
Unsecured	145,739	-
Denominated in US Dollar:		
Secured	375	-
Unsecured	-	-
Total Bank Borrowings	221,618	15,939

B8 Material litigation since the date of the last annual statement of financial which must be made up to a date not earlier than 7 days from the date of issue of the quarterly report

Save as disclosed below, the Group is not engaged in any material litigation, either as a plaintiff or defendant, claims or arbitration which have a material effect on the financial position of the Group:

Tashin Steel Sdn Bhd ("Tashin"), Formula Naga Sdn Bhd ("FN") and Ta Yang Hardware Sdn Bhd ("TY") ("Plaintiffs") vs. PDC Properties Sdn Bhd ("PDC") ("Defendant").

On 25 October, 2012, Tashin, a subsidiary of the Company together with the customers of PDC, FN and TY have filed a Civil Suit against PDC at the Penang High Court.

Tashin has initiated the said suit based on a Sale and Purchase Agreement dated 11 August 2011 entered into between Tashin and PDC for the purchase of a property located at Lot 2634HS (D) 15736, Mukim 13 Daerah Timur Laut by Tashin from PDC as the Vendor. Tashin contended that there was a material breach of representations and assurances by PDC on the said property with the announcement made by another developer, Ivory Properties Group Berhad on a new development adjoining and in front of the said property which may affect the value of the properties purchased earlier by the Plaintiffs. Tashin is claiming for the rescission of the said Sale and Purchase Agreement and special damages to be determined by the Court.

PDC has filed an application on 13 May 2013 to strike out the above suit. After several postponement, and the Penang High Court has on 26 June 2014 allowed Plaintiffs' application to amend the suit from 'misrepresentation' to 'fraudulent misrepresentation' and dismissed PDC's application to strike out the suit.

On 22 July 2014, the Defendant lodged an appeal against the decision to allow the amendment and dismiss the striking out application. The appeal has been dismissed by the Court of Appeal on 12 February 2015 and the matter will now revert to the High Court for full trial on the issue of fraudulent misrepresentation by PDC.

The full trial of the matter at the Penang High Court commenced on 30 June 2015 with the first witness of the Plaintiffs being called. It was subsequently adjourned and to be continued on 7 and 8 September 2015. However at the trial dated on 7 September 2015, parties agreed to attempt an amicable settlement of the matter and our solicitors made a proposal for settlement vide letter dated 17 September 2015. The matter is now adjourned to 26 November 2015 for PDC's board to consider the offer of settlement.

B9 Dividend

The Directors do not recommend any interim dividend for the current quarter under review.

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B10 Earnings per share

Basic

Basic earnings per share are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the financial year.

	Current Quarter 30/09/2015	Preceding Quarter 30/09/2014	Current Year to date 30/09/2015	Preceding Year to date 30/09/2014
Net profit/(loss) attributable to ordinary shareholders (RM'000)	254	3,026	4,688	10,107
Weighted average number of ordinary shares in issue ('000)	175,083	174,703	175,083	174,277
Basic earnings per share (sen)	0.15	1.73	2.68	5.80

Diluted

The diluted earnings per share is not disclosed as it is not applicable.

B11 Realised and unrealised profits/losses disclosure

	As at Current Financial Period Ended 30/09/2015 RM'000	As at Preceding Financial Year Ended 31/12/2014 RM'000
Total retained profits / (accumulated losses) of the Company and the subsidiaries:		
- Realised	132,811	121,634
- Unrealised	(9,530)	(7,887)
	<u>123,281</u>	<u>113,747</u>
Total retained profits / (accumulated losses) from associates companies:		
- Realised	22,286	26,278
- Unrealised	(4,376)	(3,443)
	<u>141,191</u>	<u>136,582</u>
Less: Consolidation adjustments	(24,800)	(21,377)
Total group retained profits as per consolidated accounts	<u>116,391</u>	<u>115,205</u>

B12 Notes to Condensed Consolidated Statement of Comprehensive Income

Net profit is arrived at after take in the following items:	Current Quarter 30/09/2015 RM'000	Current Year To Date 30/09/2015 RM'000
(a) Interest income	121	381
(b) Other income	1,244	3,791
(c) Interest expense	(3,354)	(10,102)
(d) Depreciation and amortization	(2,677)	(7,881)
(e) Provision (for) and written off of receivables	433	(97)
(f) Provision (for) and written off of inventories	812	725
(g) Gain / (loss) on disposal of quoted / unquoted investment / properties	N/A	N/A
(h) Impairment of assets	N/A	N/A
(i) Foreign exchange gain/(loss) - Realised and unrealized	(197)	(101)
(j) Gain / (loss) on derivatives	20	(102)
(k) Exceptional items	N/A	N/A