LEON FUAT BERHAD
Registration No. 200601036648 (756407-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2022

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2022 RM'000	Preceding Year Quarter 30.09.2021 RM'000	Current Year-To-Date 30.09.2022 RM'000	Preceding Year-To-Date 30.09.2021 RM'000
Revenue	263,021	236,110	786,966	632,372
Cost of sales	(255,294)	(175,305)	(702,529)	(464,771)
Gross profit	7,727	60,805	84,437	167,601
Other income	665	1,747	1,773	4,078
Distribution costs	(3,253)	(2,774)	(9,207)	(8,448)
Administrative costs	(5,923)	(6,606)	(18,718)	(18,422)
Net reversal/(addition) of impairment losses on financial instruments	403	(72)	435	(256)
Other costs	(321)	(159)	(1,508)	(426)
	(9,094)	(9,611)	(28,998)	(27,552)
(Loss)/Profit from operations	(702)	52,941	57,212	144,127
Finance costs	(4,743)	(3,802)	(12,810)	(9,890)
(Loss)/Profit before tax	(5,445)	49,139	44,402	134,237
Income tax expense	2,214	(10,475)	(9,720)	(27,348)
(Loss)/Profit for the financial period	(3,231)	38,664	34,682	106,889
Other comprehensive income:				
Items that may be reclassified subsequently to profit or loss:				
Exchange differences on translation of a foreign operation	26	(4)	58	13
Total other comprehensive income, net of tax	26	(4)	58	13
Total comprehensive (loss)/income for the financial period	(3,205)	38,660	34,740	106,902
(Loss)/Profit attributable to:				
- Owners of the Company	(3,226)	38,671	34,706	106,914
- Non-controlling interests	(5)	(7)	(24)	(25)
	(3,231)	38,664	34,682	106,889

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2022 (CONT'D)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2022 RM'000	Preceding Year Quarter 30.09.2021 RM'000	Current Year-To-Date 30.09.2022 RM'000	Preceding Year-To-Date 30.09.2021 RM'000
Total comprehensive (loss)/income attributable to:				
- Owners of the Company	(3,200)	38,667	34,764	106,927
- Non-controlling interests	(5)	(7)	(24)	(25)
	(3,205)	38,660	34,740	106,902
(Loss)/Earnings per share (sen) attributable to owners of the Company:				
- Basic	(0.95)	11.34	10.18	32.71
- Diluted	(0.95)	11.34	10.18	32.71

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 2021 and the accompanying explanatory notes attached to this interim financial statement.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2022

	As at 30.09.2022 RM'000 (Unaudited)	As at 31.12.2021 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	273,345	245,022
Capital work-in-progress	58,325	33,867
	331,670	278,889
Current assets		
Inventories	445,497	419,278
Trade receivables	262,072	259,621
Other receivables, deposits and prepayments	13,538	25,236
Tax assets	4,302	147
Deposits with licensed banks	506	3,015
Cash and bank balances	32,692	42,637
	758,607	749,934
TOTAL ASSETS	1,090,277	1,028,823
EQUITY AND LIABILITIES		
Equity		
Share capital	186,423	186,423
Merger deficit	(103,960)	(109,545)
Capital reserve	1	1
Retained earnings	480,241	457,940
Translation reserve	60	2
	562,765	534,821
Non-controlling interests	562	586
Total Equity	563,327	535,407
Non-current liabilities		
Loans and borrowings	77,658	69,258
Deferred tax liabilities	5,116	7,480
	82,774	76,738
Current liabilities		
Trade payables	12,442	14,217
Other payables and accruals	19,645	16,112
Tax liabilities	1,422	14,704
Loans and borrowings	408,029	369,608
Dividend payable	-	-
Contract liabilities	2,638	2,037
	444,176	416,678
Total Liabilities	526,950	493,416
TOTAL EQUITY AND LIABILITIES	1,090,277	1,028,823
Net assets per share attributable to owners of the Company (RM)	1.65	1.57

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 2021 and the accompanying explanatory notes attached to this interim financial statement.

LEON FUAT BERHAD
Registration No. 200601036648 (756407-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2022

	< ------Attributable to Owners of the Company ------- >						
	Share Capital RM'000	**Merger Deficit RM'000**	**Capital Reserve RM'000**	**Translation Reserve RM'000**	**Retained Earnings RM'000**	**Non-Controlling interests RM'000**	**Total Equity RM'000**
2022							
At 1 January 2022	186,423	(109,545)	1	2	457,940	586	535,407
Profit/(Loss) for the financial period	-	-	-	-	34,706	(24)	34,682
Other comprehensive income for the financial period	-	-	-	58	-	-	58
Total comprehensive income	-	-	-	58	34,706	(24)	34,740
Realisation of merger deficit *	-	5,585	-	-	(5,585)	-	-
Dividends	-	-	-	-	(6,820)	-	(6,820)
Total transactions with owners	-	5,585	-	-	(12,405)	-	(6,820)
At 30 September 2022	186,423	(103,960)	1	60	480,241	562	563,327
2021							
At 1 January 2021	160,094	(109,545)	1	(15)	328,750	616	379,901
Profit/(Loss) for the financial period	-	-	-	-	106,914	(25)	106,889
Other comprehensive income for the financial period	-	-	-	13	-	-	13
Total comprehensive income	-	-	-	13	106,914	(25)	106,902
Issuance of ordinary shares pursuant to private placement	26,350	-	-	-	-	-	26,350
Transaction costs of share issue	(21)	-	-	-	-	-	(21)
Dividends	-	-	-	-	(6,820)	-	(6,820)
Total transactions with owners	26,329	-	-	-	(6,820)	-	19,509
At 30 September 2021	186,423	(109,545)	1	(2)	428,844	591	506,312

Notes:

* *Realisation of merger deficit arising from member's voluntary winding-up of a subsidiary as disclosed in Note A11 of this Announcement.*

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 2021 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 2022

	Current Year-To-Date 30.09.2022 RM'000	Preceding Year-To-Date 30.09.2021 RM'000
Cash Flows from Operating Activities		
Profit before tax	44,402	134,237
Adjustments for:		
Depreciation of property, plant and equipment	12,421	11,147
Fair value gain on derivative	-	(1)
Impairment losses on trade receivables	254	319
Interest expense	11,474	8,591
Interest income	(284)	(972)
Inventories written down	15,981	-
Net gain on a lease termination	#	(6)
Net gain on disposal of plant and equipment	(421)	-
Net unrealised foreign exchange gain	(185)	(17)
Plant and equipment written off	354	#
Rent concession income	-	(71)
Reversal of impairment losses on trade receivables	(689)	(63)
Waiver of interest income	189	-
Operating profit before changes in working capital	83,496	153,164
Inventories	(43,411)	(157,519)
Trade and other receivables	1,221	(48,374)
Trade and other payables	(4,055)	(26,915)
Contract liabilities	601	1,231
Net cash generated from/(used in) operation	37,852	(78,413)
Interest received	216	731
Interest paid	(11,075)	(9,804)
Income tax paid	(29,521)	(2,241)
Net cash used in operating activities	(2,528)	(89,727)
Cash Flows from Investing Activities		
Capital work-in-progress paid	(23,316)	(15,462)
Changes in deposits pledged with licensed banks	(8)	7,588
Deposits paid for acquisition of property, plant and equipment	(3,330)	(6,351)
Proceeds from disposal of plant and equipment	431	-
Purchase of property, plant and equipment	(6,872)	(31,771)
Net cash used in investing activities	(33,095)	(45,996)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2022 (CONT'D)

	Current Year-To-Date 30.09.2022 RM'000	Preceding Year-To-Date 30.09.2021 RM'000
Cash Flows from Financing Activities		
Dividends paid	(6,820)	(6,820)
Drawdown of term loan	4,540	-
Net (repayment)/drawdown of bankers' acceptances	(29,625)	153,957
Net drawdown of islamic financing	34,753	8,239
Net proceeds from issuance of ordinary shares	-	26,329
Payment of lease liabilities	(4,463)	(3,513)
Repayment of term loans	(7,828)	(1,528)
Net cash (used in)/from financing activities	(9,443)	176,664
Net (decrease)/increase in cash and cash equivalents	(45,066)	40,941
Cash and cash equivalents at the beginning of the financial period	40,137	13,681
Effect of exchange rate changes on cash and cash equivalents	190	71
Cash and cash equivalents at the end of the financial period	(4,739)	54,693
Cash and cash equivalents at the end of the financial period comprises:		
Cash and bank balances	32,692	35,730
Deposits with licensed banks	506	33,419
	33,198	69,149
Less: Bank overdrafts	(37,431)	(13,958)
Less: Deposits pledged with licensed banks	(506)	(498)
	(4,739)	54,693

Note:

 # Less than RM500.

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 2021 and the accompanying explanatory notes attached to this interim financial statement.

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

A1. Accounting Policies and Basis of Preparation

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board ("MASB") 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 2021.

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 2021.

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 2021, except for the adoption of the following:

Amendments/Improvements to MFRSs	
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 16	Leases
MFRS 116	Property, Plant and Equipment
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 141	Agriculture

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:

		Effective for financial periods beginning on or after
New MFRS		
MFRS 17	Insurance Contracts	1 January 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2023#/ 1 January 2023^
MFRS 3	Business Combinations	1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2023#
MFRS 9	Financial Instruments	1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
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
Amendments/Improvements to MFRSs (cont'd)		
MFRS 107	Statement of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income Taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2023#
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#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 140	Investment Property	1 January 2023#

\# Amendments as to the consequence of effective MFRS 17 Insurance Contracts
^ Amendments to MFRS 112

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 2021 were not subject to any qualification.

A3. Seasonality or Cyclicality 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.

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

The final single tier dividend of 2.0 sen per share in respect of the financial year ended 31 December 2021 which had been approved by the shareholders at the Annual General Meeting of the Company held on 28 June 2022 was paid on 5 August 2022.

A8. Segment Information

Segment information of the Group for the financial year-to-date ended 30 September 2022 is as follows:

	Trading of Steel Products RM'000	Processing/ Manufacturing [(1)] of Steel Products RM'000	Others [(2)] RM'000	Total RM'000
External revenue	284,845	501,843	278	786,966
Cost of sales	(252,395)	(433,924)	(229)	(686,548)
Gross profit before inventories written down	32,450	67,919	49	100,418
Inventories written down				(15,981)
Gross profit				84,437
Add/(Less):				
- Other income				1,773
- Operating expenses				(29,433)
- Net reversal of impairment losses on financial instruments				435
- Finance costs				(12,810)
Profit before tax				44,402
Income tax expense				(9,720)
Profit for the financial period				34,682

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 30 September 2021 is as follows:

	Trading of Steel Products RM'000	Processing/ Manufacturing [(1)] of Steel Products RM'000	Others [(2)] RM'000	Total RM'000
External revenue	242,980	389,181	211	632,372
Cost of sales	(182,136)	(282,512)	(123)	(464,771)
Gross profit	60,844	106,669	88	167,601
Add/(Less):				
- Other income				4,078
- Operating expenses				(27,296)
- Net addition of impairment losses on financial instruments				(256)
- Finance costs				(9,890)
Profit before tax				134,237
Income tax expense				(27,348)
Profit for the financial period				106,889

Notes:

(1) Collectively referred to as "processing".

(2) 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. Changes in Composition of the Group

On 2 January 2019, the Company announced that Asa Steel (M) Sdn Bhd ("Asa Steel"), its wholly-owned subsidiary, had on 1 January 2019 being placed under member's voluntary winding up pursuant to Section 439(1)(b) of the Companies Act 2016.

On 22 June 2022, the Company announced that Asa Steel was dissolved after the expiration of three months from the date of lodgement of the Return by Liquidator Relating To Final Meeting with the Companies Commission of Malaysia and with the Official Receiver on 1 March 2022, pursuant to Section 459(5) of the Companies Act 2016.

Save as disclosed above, there were no changes in the composition of the Group during the current quarter and current financial year-to-date.

A EXPLANATION NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD ("MFRS") 134: INTERIM FINANCIAL REPORTING (CONT'D)

A12. Capital Commitments

	As at 30.09.2022 RM'000	Audited As at 31.12.2021 RM'000
Approved and contracted for:		
Acquisition of motor vehicles	2,779	964
Acquisition of plant and equipment	26,999	35,207
Acquisition of properties	1,379	19,854
Construction of factory and warehouse buildings	27,641	15,454
	58,798	71,479

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 2022.

A14. Significant Related Party Transactions

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2022 RM'000	Preceding Year Quarter 30.09.2021 RM'000	Current Year-To-Date 30.09.2022 RM'000	Preceding Year-To-Date 30.09.2021 RM'000
Sales to related parties	900	866	3,858	3,390
Purchases from related parties	245	2	368	180
Rental expense paid to related parties	430	359	1,291	1,319

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 30.09.2022 RM'000	Preceding Year Quarter 30.09.2021 RM'000	Variance RM'000	Variance %
Revenue	263,021	236,110	26,911	11.4%
Gross profit	7,727	60,805	(53,078)	-87.3%
(Loss)/Profit before interest and tax	(1,008)	52,574	(53,582)	-101.9%
(Loss)/Profit before tax	(5,445)	49,139	(54,584)	-111.1%
(Loss)/Profit after tax	(3,231)	38,664	(41,895)	-108.4%
(Loss)/Profit attributable to owners of the Company	(3,226)	38,671	(41,897)	-108.3%

The revenue recorded for the current quarter and the preceding year corresponding quarter was RM263.02 million and RM236.11 million respectively, increased by 11.4% or RM26.91 million.

The increase in revenue was mainly due to increase in revenue for processing of steel products by 16.5% or RM23.31 million, from RM141.22 million to RM164.53 million respectively, mainly due to:

- higher revenue from processing of flat carbon steel products by 22.7% attributable to higher tonnage sales by 51.5%, despite lower average selling price by 19.0%;
- higher revenue from processing of other flat steel products by 5.6% attributable to higher average selling price by 15.4%, despite lower tonnage sales by 8.5%; and
- higher revenue from processing of long carbon steel products by 9.7% attributable to higher average selling price by 2.6% as well as increase in tonnage sales by 6.9%.

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 37.4% and 62.6% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of 40.2% and 59.8% respectively for the preceding year corresponding quarter.

Despite higher revenue by 11.4% or RM26.91 million, from RM236.11 million for the preceding year corresponding quarter to RM263.02 million for the current quarter, our gross profit decreased by 87.3% or RM53.08 million, from RM60.81 million for the preceding year corresponding quarter to RM7.73 million for the current quarter, mainly due to lower overall gross profit margin by 22.1 percentage points, from 25.8% for the preceding year corresponding quarter to 3.7% for the current quarter as well as inventories written down of RM2.10 million in the current quarter (none for the preceding year corresponding quarter) as certain inventories were measured at its estimated net realisable value.

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

B1. Review of Performance (Cont'd)

Current Quarter Compared To Preceding Year Corresponding Quarter (Cont'd)

The other income for the current quarter was RM0.67 million as compared to RM1.75 million for the preceding year corresponding quarter, decreased by RM1.08 million, as the result of the following:

- absence of rental income of RM0.52 million as a result of expiration of a tenancy for part of our warehouse space in Port Klang Free Zone ("PKFZ");
- absence of reduction in tax penalty amounting to RM0.68 million which was recognised as other income for the preceding year corresponding quarter pursuant to a Notice of Reduced Assessment ("Form JR") for Year of Assessment 2017 ("YA2017") from the tax authority effecting the amicable settlement for the tax appeal filed by reducing the additional taxation from RM2.00 million to RM0.75 million 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; and
- decrease in interest income by RM0.27 million; partly mitigated by
- gain on disposal of plant and equipment amounting to RM0.37 million.

Our operating costs decreased by RM0.52 million from RM9.61 million for the preceding year corresponding quarter to RM9.09 million for the current quarter, as the result of the following:

1. Increase in distribution costs by RM0.48 million, mainly due to:
   - increase in staff related costs by RM0.21 million mainly caused by increase in salaries and wages as well as higher provision of bonuses on quarterly basis as compared to the preceding year corresponding quarter; and
   - increase in petrol, parking, toll, transportation, travelling, accommodation and upkeep of motor vehicles expenses by RM0.24 million.

2. Decrease in administrative costs by RM0.68 million mainly due to:
   - lower directors' remuneration and staff related costs by RM1.29 million, mainly resulted from lower provision of bonuses for directors and lower Covid-19 related expenses incurred for the current quarter; offset by
   - increase in depreciation charges by RM0.08 million;
   - higher entertainment expenses by RM0.24 million;
   - higher professional fees incurred in the current quarter by RM0.07 million; and
   - higher upkeep of motor vehicles and office expenses by RM0.20 million.

3. Decrease in net addition of impairment losses on financial instruments (trade receivables) by RM0.47 million due to net reversal of impairment losses on financial instruments of RM0.40 million for the current quarter as opposed to net addition of impairment losses of RM0.07 million for the preceding year corresponding quarter.

4. Increase in other costs by RM0.16 million, mainly due to:
   - higher stamp duty paid by RM0.37 million; and
   - higher gift and donation expenses by RM0.05 million; largely offset by
   - reversal of realised loss on foreign exchange of RM0.28 million recorded for the current quarter.

Total finance costs for the current quarter was RM4.74 million, increased by RM0.94 million as compared to RM3.80 million for the preceding year corresponding quarter. This was mainly caused by higher interest expense for bankers' acceptances, islamic financing and term loans in the current quarter by RM0.38 million, RM0.30 million and RM0.24 million respectively, mainly due to higher utilisation of the aforementioned facilities as well as higher interest rates for the current quarter as compared to the preceding year corresponding quarter resulted from the increase of Overnight Policy Rate by Bank Negara Malaysia in May 2022, July 2022 and September 2022.

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)

Based on the foregoing factors, we incurred loss before tax of RM5.45 million for the current quarter, as opposed to profit before tax for the preceding year corresponding quarter of RM49.14 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

	Current Year-To-Date 30.09.2022 RM'000	Preceding Year-To-Date 30.09.2021 RM'000	Variance RM'000	Variance %
Revenue	786,966	632,372	154,594	24.4%
Gross profit	84,437	167,601	(83,164)	-49.6%
Profit before interest and tax	55,876	142,828	(86,952)	-60.9%
Profit before tax	44,402	134,237	(89,835)	-66.9%
Profit after tax	34,682	106,889	(72,207)	-67.6%
Profit attributable to owners of the Company	34,706	106,914	(72,208)	-67.5%

Our revenue increased by 24.4% or RM154.59 million from RM632.37 million for the preceding financial year-to-date to RM786.97 million for the current financial year-to-date.

The increase in revenue was mainly attributable to increase in revenue for trading and processing of steel products by 17.2% or RM41.87 million from RM242.98 million to RM284.85 million and by 28.9% or RM112.66 million from RM389.18 million to RM501.84 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 36.8% attributable to higher tonnage sales by 22.6% as well as higher average selling price by 11.5%; and
- higher revenue from trading of other flat steel products by 18.5% attributable to higher average selling price by 32.9%, despite lower tonnage sales by 10.8%.

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

- higher revenue from processing of flat carbon steel products by 17.7% attributable to higher tonnage sales by 11.7% as well as higher average selling price by 5.3%; and
- higher revenue from processing of other flat steel products by 62.9% attributable to higher tonnage sales by 18.2% as well as higher average selling price by 37.8%.

Despite higher revenue by 24.4% or RM154.59 million from RM632.37 million for the preceding financial year-to-date to RM786.97 million for the current financial year-to-date, our gross profit decreased by 49.6% or RM83.16 million, from RM167.60 million for the preceding financial year-to-date to RM84.44 million for the current financial year-to-date, mainly due to lower overall gross profit margin by 13.7 percentage points, from 26.5% for the preceding financial year-to-date to 12.8% for the current financial year-to-date as well as inventories written down of RM15.98 million in the current financial year-to-date (none for the preceding financial year-to-date) as certain inventories were measured at its estimated net realisable value.

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 other income for the current financial year-to-date was RM1.77 million as compared to RM4.08 million for the preceding financial year-to-date, lower by RM2.31 million, as the result of the following:

- decrease in interest income by RM0.69 million;
- decrease in rental income by RM1.65 million as a result of expiration of tenancies for part of our warehouse space in PKFZ; and
- absence of the reduction of tax penalty of RM0.68 million in relation to the Form JR for YA2017 effecting the amicable settlement with the tax authority for the tax appeal filed which was recognised as other income for the preceding financial year-to-date; mitigated by
- gain on disposal of plant and equipment amounting to RM0.42 million; and
- higher insurance claims by RM0.26 million.

Our operating costs increased by RM1.45 million from RM27.55 million for the preceding financial year-to-date to RM29.00 million for the current financial year-to-date, as the result of the following:

1. Increase in distribution costs by RM0.76 million mainly due to:
   - increase in staff related costs by RM0.37 million mainly caused by increase in salaries and wages as well as higher provision of bonuses on quarterly basis as compared to the preceding financial year-to-date;
   - increase in depreciation charges by RM0.10 million;
   - increase in petrol, parking and toll expenses by RM0.18 million; and
   - increase in transportation, travelling and accommodation expenses by RM0.08 million.

2. Increase in administrative costs by RM0.30 million mainly due to:
   - increase in commission expenses by RM0.05 million;
   - increase in entertainment expenses by RM0.35 million;
   - increase in insurance, road tax, petrol, parking, toll and travelling expenses by RM0.15 million;
   - increase in security charges by RM0.07 million; and
   - higher upkeep of motor vehicles and office expenses by RM0.18 million; offset by
   - decrease in depreciation charges by RM0.22 million; and
   - lower professional fees incurred in the current financial year-to-date by RM0.31 million.

3. Decrease in net addition of impairment losses on financial instruments (trade receivables) by RM0.69 million due to net reversal of impairment losses on financial instruments of RM0.44 million for the current financial year-to-date as opposed to net addition of impairment losses of RM0.26 million for the preceding financial year-to-date.

4. Increase in other costs by RM1.08 million, mainly due to:
   - higher plant and equipment written off by RM0.35 million;
   - realised loss on foreign exchange of RM0.17 million recorded for the current financial year-to-date; and
   - higher stamp duty paid by RM0.45 million.

Total finance costs increased by RM2.92 million as compared to the preceding financial year-to-date. This was mainly caused by higher interest expense for overdraft facilities, bankers' acceptances, islamic financing and term loans by RM0.20 million, RM1.49 million, RM0.59 million and RM0.55 million respectively, mainly due to higher utilisation of the aforementioned facilities as well as higher interest rates for the current financial year-to-date as compared to the preceding financial year-to-date resulted from the increase of Overnight Policy Rate by Bank Negara Malaysia in May 2022, July 2022 and September 2022.

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 profit before tax for the current financial year-to-date decreased substantially by 66.9% or RM89.84 million as compared to preceding financial year-to-date, from RM134.24 million for the preceding financial year-to-date to RM44.40 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 30.09.2022 RM'000	Immediate Preceding Quarter 30.06.2022 RM'000	Variance RM'000	Variance %
Revenue	263,021	250,925	12,096	4.8%
Gross profit	7,727	31,932	(24,205)	-75.8%
(Loss)/Profit before interest and tax	(1,008)	21,684	(22,692)	-104.6%
(Loss)/Profit before tax	(5,445)	18,039	(23,484)	-130.2%
(Loss)/Profit after tax	(3,231)	14,021	(17,252)	-123.0%
(Loss)/Profit attributable to owners of the Company	(3,226)	14,023	(17,249)	-123.0%

Our Group achieved revenue of RM263.02 million for the current quarter, which was higher than the immediate preceding quarter's revenue by 4.8% or RM12.10 million.

The increase in revenue was mainly due to increase in revenue for trading and processing of steel products by 2.1% or RM2.07 million, from RM96.39 million to RM98.46 million and 6.6% or RM10.15 million, from RM154.38 million to RM164.53 million respectively.

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

- higher revenue from trading of other flat steel products by 7.0% attributable to higher tonnage sales by 6.6% while the average selling price remained fairly consistent; and
- higher revenue from trading of long carbon steel products by 41.4% attributable to higher tonnage sales by 52.2%, negated by lower average selling price by 7.1%; largely offset by
- lower revenue from trading of flat carbon steel products by 16.1% owing to lower tonnage sales by 15.7% while the average selling price remained fairly consistent.

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

- higher revenue from processing of flat carbon steel products by 29.0% attributable to higher tonnage sales by 60.1%, negated by lower average selling price by 19.4%; offset by
- lower revenue from processing of other flat steel products by 29.8% as the result of lower tonnage sales by 22.5% and lower average selling price by 9.5%.

Despite higher revenue by 4.8% or RM12.10 million, from RM250.93 million for the immediate preceding quarter to RM263.02 million for the current quarter, our gross profit decreased by 75.8% or RM24.20 million, from RM31.93 million for the immediate preceding quarter to RM7.73 million for the current quarter, mainly due to lower overall gross profit margin by 14.6 percentage points, from 18.3% for the immediate preceding quarter to 3.7% for the current quarter as well as inventories written down by RM2.10 million in the current quarter (RM13.88 million in the immediate preceding quarter) as certain inventories were measured at its estimated net realisable value.

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 other income of RM0.67 million for the current quarter as compared to RM0.44 million for the immediate preceding quarter, was higher by RM0.23 million mainly due to:

- higher gain on disposal of plant and equipment by RM0.33 million; and
- higher income derived from storage charges by RM0.12 million; offset by
- lower unrealised gain on foreign exchange by RM0.04 million;
- lower insurance claims by RM0.15 million; and
- higher waiver of interest income on overdue trade receivables by RM0.05 million.

Our operating costs decreased by RM1.00 million, from RM10.09 million for the immediate preceding quarter to RM9.09 million for the current quarter, as the result of the following:

1. Increase in distribution costs by RM0.28 million mainly due to increase in upkeep of motor vehicles, petrol, parking, toll, transportation, travelling and accommodation expenses by RM0.26 million.

2. Decrease in administrative costs by RM0.27 million mainly due to:
   - lower directors' remuneration and staff related costs by RM0.62 million, mainly resulted from lower provision of bonuses for directors and lower Covid-19 related expenses incurred for the current quarter; offset by
   - higher professional fees incurred in the current quarter by RM0.17 million; and
   - higher upkeep of motor vehicles expenses by RM0.11 million.

3. Increase in reversal of impairment losses on financial instruments (trade receivables) by RM0.36 million.

4. Decrease in other costs by RM0.65 million mainly due to:
   - absence of plant and equipment written off amounting to RM0.35 million recorded for the immediate preceding quarter; and
   - lower realised loss on foreign exchange by RM0.71 million due to reversal of realised loss on foreign exchange of RM0.28 million recorded for the current quarter as opposed to realised loss on foreign exchange of RM0.43 million recorded for the immediate preceding quarter; offset by
   - higher stamp duty paid by RM0.32 million.

The finance costs for the current quarter was RM4.74 million, increased by RM0.51 million as compared to RM4.23 million for the immediate preceding quarter. This was mainly caused by higher interest expense for bankers' acceptances and islamic financing by RM0.45 million and RM0.27 million respectively, mainly due to higher utilisation of the aforementioned facilities as well as higher interest rates for the current quarter as compared to the immediate preceding quarter resulted from the increase of Overnight Policy Rate by Bank Negara Malaysia in July 2022 and September 2022, partially offset by higher bank charges by RM0.22 million.

Based on the foregoing factors, we incurred loss before tax of RM5.45 million for the current quarter, as opposed to profit before tax for the immediate preceding quarter of RM18.04 million.

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 catered 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 laser cutting machines. In addition, our Group also has downstream manufacturing facilities for production of welded steel pipes with existing Phase 1 of the facilities currently having 4 production lines. We have also embarked on Phase 2 of the facilities which is only expected to be fully commissioned in the second half of 2023.

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 and raw materials are sourced from overseas. With regards to the demand from our customers, our Group is leveraging on its large and diverse customer base which in turn dependent on the condition of economies they thrived in, their resilience towards crisis as well as policy measures of the government.

Globally, economic activity is experiencing a broad-based and sharper-than-expected slowdown, with inflation higher than seen in several decades. The cost-of-living crisis, tightening financial conditions in most regions, Russia's invasion of Ukraine, and the lingering COVID-19 pandemic all weigh heavily on the outlook. The economic outlook depends on a successful calibration of monetary and fiscal policies, the course of the war in Ukraine, and growth prospects in China. Risks remain unusually large, monetary policy could miscalculate the right stance to reduce inflation, diverging policy paths in the largest economies could exacerbate the US dollar's appreciation, tightening global financing could trigger emerging market debt distress and a worsening of China's property sector crisis could undermine growth.

Locally, the World Bank had raised Malaysia's economic growth forecast for 2022 supported by strong domestic demand, which is underpinned by continued improvements in labour market conditions. Tourism-related activities by domestic and international travellers are also expected to see an uptake. Nonetheless, downside risks, particularly on the external front, continue to prevail. This includes a slowdown in growth in advanced economies and China, unfavorable financial conditions, and continued supply chain disruptions. Speculation over the policy decisions and directions of the newly installed government following the conclusion of the Malaysia's general election on 19 November 2022 could also raise investors' uncertainty in the near term.

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

B3. Commentary on Prospects (Cont'd)

Mindful of the uncertain economic outlook and risks involved, the uncertainty in the direction of steel prices and current strengthening of USD against Ringgit Malaysia, our Group has increased 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 continue to enhance the operating capabilities and efficiencies in meeting customers' requirements and to ensure timely satisfaction of customer orders while keeping our operating costs at a manageable level. The risk of COVID-19 infection, although various Standard Operating Procedures had been removed by the relevant authorities upon entering into the endemic phase, will continue to be addressed by maintaining certain crucial preventive measures including work place hygiene and face masking in enclosed workplace. The Group has also retained its emergency response team in major subsidiaries to deal with emergencies arising from the endemic as well as other health and workplace related emergencies.

In view of the abovementioned global and local uncertainties and adverse factors, our Board remains cautious on the performance of the Group for the remaining quarter of 2022.

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

B4. Variance of Forecast Profit and Profit Guarantee

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

B5. Profit Before Tax

Profit before tax is derived after charging/(crediting):

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2022 RM'000	Preceding Year Quarter 30.09.2021 RM'000	Current Year-To-Date 30.09.2022 RM'000	Preceding Year-To-Date 30.09.2021 RM'000
Depreciation of property, plant and equipment	4,329	3,668	12,421	11,147
Impairment losses on trade receivables	98	91	254	319
Interest expense	4,437	3,435	11,474	8,591
Inventories written down	2,105	-	15,981	-
Plant and equipment written off	-	#	354	#
Waiver of interest income	54	-	189	-
Interest income	(129)	(398)	(284)	(972)
Net gain on a lease termination	#	-	#	(6)
Net gain on disposal of plant and equipment	(377)	-	(421)	-
Net (gain)/loss on foreign exchange				
- realised	(280)	(5)	168	(36)
- unrealised	(71)	36	(185)	(17)
Rent concession income	-	(71)	-	(71)
Rental income from premises	-	(522)	(348)	(2,002)
Reversal of impairment losses on trade receivables	(501)	(19)	(689)	(63)

Notes:

 # Less than RM500.

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. Income Tax Expense

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2022 RM'000	Preceding Year Quarter 30.09.2021 RM'000	Current Year-To-Date 30.09.2022 RM'000	Preceding Year-To-Date 30.09.2021 RM'000
Current income tax				
- for the financial period	(2,424)	11,587	12,396	27,895
- over provision in prior financial years	(312)	(1,247)	(312)	(1,247)
Deferred tax				
- origination/(reversal) of temporary differences	344	198	(2,542)	763
- under/(over) provision in prior financial year	178	(63)	178	(63)
Income tax expense	(2,214)	10,475	9,720	27,348

The negative tax expense for the current quarter was the result of reversal of tax expense provided in previous quarters mainly arising from losses incurred in the current quarter as well as availability of reinvestment allowance due to addition of qualifying capital expenditure in the current quarter for certain companies within the Group. The effective tax rate for the current financial year-to-date is lower than the statutory rate of 24% mainly due to availability of reinvestment allowance for certain companies within the Group.

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

B7. Status of Corporate Proposals

There was no corporate proposal announced but not completed as at the date of this report.

Utilisation of Proceeds from Private Placement

The Private Placement raised a gross proceeds of RM26.35 million. The status of utilisation of proceeds raised from the Private Placement as at 30 September 2022 is as follows:

Purpose	**Proposed Utilisation[(1)] (RM'000)**	**Actual Utilisation (RM'000)**	**Deviation**	**Balance unutilised (RM'000)**	**Estimated timeframe for utilisation (from the completion date of the Private Placement)**
Purchase of machineries for the new welded steel pipe manufacturing line	26,195	23,793	-	2,402	Within 24 months
Expenses incurred for the Private Placement	155	155	-	-	Immediate
Total	**26,350**	**23,948**	**-**	**2,402**	

Note:

(1) The proposed utilisation of proceeds as disclosed above should be read in conjunction with the Announcement made by the Company dated 13 April 2021.

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

B8. Group Borrowings

	As at 30.09.2022 RM'000	As at 31.12.2021 RM'000
Current		
Secured:		
Bankers' acceptances	157,091	161,502
Bank overdrafts	31,181	1,017
Lease liabilities	3,467	3,848
Term loans	10,793	9,193
	202,532	175,560
Unsecured:		
Bankers' acceptances	110,058	135,272
Bank overdrafts	6,250	4,000
Islamic financing	87,743	52,990
Lease liabilities	1,446	1,786
	205,497	194,048
	408,029	369,608
Non-current		
Secured:		
Lease liabilities	3,120	4,934
Term loans	63,959	52,847
	67,079	57,781
Unsecured:		
Lease liabilities	10,579	11,477
	77,658	69,258
Total Borrowings	485,687	438,866

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.

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

B11. (Loss)/Earnings Per Share

(a) Basic (Loss)/Earnings Per Share

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2022 RM'000	Preceding Year Quarter 30.09.2021 RM'000	Current Year-To-Date 30.09.2022 RM'000	Preceding Year-To-Date 30.09.2021 RM'000
(Loss)/Profit attributable to owners of the Company	(3,226)	38,671	34,706	106,914
Weighted average number of ordinary shares in issue ('000)	341,000	341,000	341,000	326,806
Basic (Loss)/Earnings Per Share (sen)	(0.95)	11.34	10.18	32.71

(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
28 November 2022