

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 2020

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2020 RM'000	Preceding Year Quarter 30.09.2019 RM'000	Current Year- To-Date 30.09.2020 RM'000	Preceding Year- To-Date 30.09.2019 RM'000
Revenue	163,821	143,231	390,614	457,540
Cost of sales	(145,393)	(128,367)	(346,064)	(408,765)
Gross profit	18,428	14,864	44,550	48,775
Other income	1,629	606	4,234	2,110
Distribution costs	(2,427)	(2,145)	(6,654)	(6,561)
Administrative costs	(4,958)	(5,726)	(14,746)	(17,114)
Net reversal/(addition) of impairment losses of financial assets	258	(310)	(237)	(857)
Other costs	(599)	(459)	(1,853)	(876)
	(7,726)	(8,640)	(23,490)	(25,408)
Profit from operations	12,331	6,830	25,294	25,477
Finance costs	(3,348)	(4,183)	(10,627)	(11,973)
Profit before tax	8,983	2,647	14,667	13,504
Income tax expense	(2,205)	(795)	(4,172)	(3,774)
Profit for the financial period	6,778	1,852	10,495	9,730
Other comprehensive income: <i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange difference on translation of foreign subsidiary	(13)	(11)	(3)	(2)
Total other comprehensive loss, net of tax	(13)	(11)	(3)	(2)
Total comprehensive income for the financial period	6,765	1,841	10,492	9,728
Profit/(Loss) attributable to:				
- Owners of the Company	6,761	1,833	10,465	9,780
- Non-controlling interests	17	19	30	(50)
	6,778	1,852	10,495	9,730

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020 (CONT'D)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current	Preceding	Current	Preceding
	Year	Year	Year-	Year-
	Quarter	Quarter	To-Date	To-Date
	30.09.2020	30.09.2019	30.09.2020	30.09.2019
	RM'000	RM'000	RM'000	RM'000
Total comprehensive income/(loss) attributable to:				
- Owners of the Company	6,748	1,822	10,462	9,778
- Non-controlling interests	17	19	30	(50)
	<u>6,765</u>	<u>1,841</u>	<u>10,492</u>	<u>9,728</u>
Earnings per share (sen) attributable to owners of the Company:				
- Basic	2.18	0.59	3.38	3.15
- Diluted	2.18	0.59	3.38	3.15

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 30 SEPTEMBER 2020

	As at 30.09.2020 RM'000 (Unaudited)	As at 31.12.2019 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	206,949	209,275
Capital work-in-progress	7,474	5,972
	<u>214,423</u>	<u>215,247</u>
Current assets		
Inventories	280,927	261,543
Trade receivables	164,321	161,376
Other receivables, deposits and prepayments	9,032	4,614
Tax assets	3,633	4,870
Deposits with licensed banks	27,159	33,817
Cash and bank balances	15,877	8,979
	<u>500,949</u>	<u>475,199</u>
TOTAL ASSETS	<u><u>715,372</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	310,757	300,292
Foreign currency translation reserve	(17)	(14)
	<u>361,290</u>	<u>350,828</u>
Non-controlling interests	630	600
Total Equity	<u>361,920</u>	<u>351,428</u>
Non-current liabilities		
Borrowings	61,516	64,885
Deferred tax liabilities	6,500	5,518
	<u>68,016</u>	<u>70,403</u>
Current liabilities		
Trade payables	28,052	35,132
Other payables and accruals	8,561	11,319
Contract liabilities	3,771	2,641
Amount due to ultimate holding company	-	137
Borrowings	244,923	217,486
Tax liabilities	129	1,900
	<u>285,436</u>	<u>268,615</u>
Total Liabilities	<u>353,452</u>	<u>339,018</u>
TOTAL EQUITY AND LIABILITIES	<u><u>715,372</u></u>	<u><u>690,446</u></u>
Net assets per share attributable to owners of the Company (RM)	1.17	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 THIRD QUARTER ENDED 30 SEPTEMBER 2020

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

	Share Capital RM'000	Merger Deficit RM'000	Capital Reserve RM'000	Foreign Currency Translatio n 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 period	-	-	-	-	10,465	30	10,495
Other comprehensive income	-	-	-	(3)	-	-	(3)
Total comprehensive income	-	-	-	(3)	10,465	30	10,492
At 30 September 2020	160,094	(109,545)	1	(17)	310,757	630	361,920
2019							
At 1 January 2019, as previously reported	160,094	(109,545)	1	(16)	301,149	665	352,348
Effect of adopting MFRS16	-	-	-	-	(1,775)	#	(1,775)
At 1 January 2019, as restated	160,094	(109,545)	1	(16)	299,374	665	350,573
Profit/(Loss) for the financial period	-	-	-	-	9,780	(50)	9,730
Other comprehensive income	-	-	-	(2)	-	-	(2)
Total comprehensive income	-	-	-	(2)	9,780	(50)	9,728
Transaction with owners							
Dividend	-	-	-	-	(4,650)	-	(4,650)
At 30 September 2019	160,094	(109,545)	1	(18)	304,504	615	355,651

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 THIRD QUARTER ENDED 30 SEPTEMBER 2020

	Current Year-To-Date 30.09.2020 RM'000	Preceding Year-To-Date 30.09.2019 RM'000
Cash Flows from Operating Activities		
Profit before tax	14,667	13,504
Adjustments for:		
Amortisation of prepaid land lease payment	-	106
Bad debt written off	4	-
Depreciation of property, plant and equipment	11,528	10,948
Derecognition of a right-of-use asset	11	-
Impairment losses on trade receivables	239	890
Interest income	(676)	(960)
Interest expense	9,992	11,235
Gain on disposal of plant and equipment	(36)	-
Net unrealised loss/(gain) on foreign exchange	11	(83)
Reversal of impairment losses on trade receivables	(3)	(33)
Reversal of a lease liability	(11)	-
Operating profit before changes in working capital	<u>35,726</u>	<u>35,607</u>
Inventories	(19,844)	(17,580)
Trade and other receivables	(5,275)	(10,441)
Trade and other payables	<u>(9,532)</u>	<u>957</u>
Cash generated from operations	1,075	8,543
Interest received	546	985
Interest paid	(9,826)	(11,057)
Income tax paid	<u>(3,723)</u>	<u>(8,024)</u>
Net cash used in operating activities	<u>(11,928)</u>	<u>(9,553)</u>
Cash Flows from Investing Activities		
Addition to deposits pledged with licensed banks	(164)	(826)
Capital work-in-progress paid	(5,798)	(1,531)
Deposits paid for acquisition of plant and equipment	(2,558)	-
Purchase of property, plant and equipment	(1,224)	(2,171)
Proceeds from disposal of plant and equipment	20	-
Withdrawal of a fixed deposit pledged with a licensed bank	-	31
Net cash used in investing activities	<u>(9,724)</u>	<u>(4,497)</u>

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2020 (CONT'D)

	Current Year-To-Date 30.09.2020 RM'000	Preceding Year-To-Date 30.09.2019 RM'000
Cash Flows from Financing Activities		
Dividend paid	-	(4,650)
(Repayment to)/Advance from ultimate holding company	(137)	1,000
Repayments of term loan	(1,350)	(1,350)
Payments to lease liabilities/finance lease payables	(3,464)	(3,484)
Net drawdowns/(repayments) of islamic financing	7,261	(9,676)
Net drawdowns of bankers' acceptances	21,375	18,208
Net cash from financing activities	<u>23,685</u>	<u>48</u>
Net increase/(decrease) in cash and cash equivalents	2,033	(14,002)
Effect of exchange rate changes on cash and cash equivalents	27	21
Cash and cash equivalents at beginning of the financial period	(6,079)	15,472
Cash and cash equivalents at end of the financial period	<u>(4,019)</u>	<u>1,491</u>
Cash and cash equivalents at end of the financial period comprises:		
Cash and bank balances	15,877	20,397
Deposits with licensed banks	27,159	33,985
	<u>43,036</u>	<u>54,382</u>
Less: Bank overdrafts	(38,998)	(45,049)
Less: Deposits pledged with licensed banks	(8,057)	(7,842)
	<u>(4,019)</u>	<u>1,491</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.

LEON FUAT BERHAD

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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.

A8. Segment Information

Segment information of the Group for the financial year-to-date ended 30 September 2020 is as follows:

	Trading of Steel Products	Processing of Steel Products	Others ⁽¹⁾	Total
	RM’000	RM’000	RM’000	RM’000
External revenue	139,302	250,996	316	390,614
Cost of sales	(124,201)	(221,623)	(240)	(346,064)
Gross profit	<u>15,101</u>	<u>29,373</u>	<u>76</u>	<u>44,550</u>
Add/(Less):				
- Other income				4,234
- Operating expenses				(23,253)
- Net addition of impairment losses of financial assets				(237)
- Finance costs				<u>(10,627)</u>
Profit before tax				14,667
Income tax expense				<u>(4,172)</u>
Profit for the financial period				<u><u>10,495</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 30 September 2019 is as follows:

	Trading of Steel Products RM’000	Processing of Steel Products RM’000	Others⁽¹⁾ RM’000	Total RM’000
External revenue	224,945	232,465	130	457,540
Cost of sales	(204,745)	(203,954)	(66)	(408,765)
Gross profit	<u>20,200</u>	<u>28,511</u>	<u>64</u>	<u>48,775</u>
Add/(Less):				
- Other income				2,110
- Operating expenses				(24,551)
- Net addition of impairment losses of financial assets				(857)
- Finance costs				<u>(11,973)</u>
Profit before tax				13,504
Income tax expense				<u>(3,774)</u>
Profit for the financial period				<u><u>9,730</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 30.09.2020 RM'000	Audited As at 31.12.2019 RM'000
Approved and contracted for:		
- purchase of plant and equipment	5,420	191
- construction of factory and warehouse buildings	19,900	811
	<u>25,320</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 30 September 2020.

A14. Significant Related Party Transactions

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2020 RM'000	Preceding Year Quarter 30.09.2019 RM'000	Current Year- To-Date 30.09.2020 RM'000	Preceding Year- To-Date 30.09.2019 RM'000
Sales to related parties	1,312	1,414	2,641	3,553
Purchases from related parties	26	16	62	73
Rental expense paid to related parties	513	513	1,451	1,539
Interest charged by related party	-	37 ⁽¹⁾	-	118 ⁽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. The interest bearing outstanding loan as at 30 September 2019 amounted to RM2.12 million was repayable on demand.

B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES**B1. Review of Performance****Current Quarter Compared To Preceding Year Corresponding Quarter**

	Current Year Quarter 30.09.2020 RM'000	Preceding Year Quarter 30.09.2019 RM'000	Variance	
			RM'000	%
Revenue	163,821	143,231	20,590	14.4%
Gross profit	18,428	14,864	3,564	24.0%
Profit before interest and tax	12,068	6,595	5,473	83.0%
Profit before tax	8,983	2,647	6,336	239.4%
Profit after tax	6,778	1,852	4,926	266.0%
Profit attributable to owners of the Company	6,761	1,833	4,928	268.8%

The revenue recorded for the current quarter and the preceding year corresponding quarter was RM163.82 million and RM143.23 million respectively, increased by 14.4% or RM20.59 million.

The increase in revenue was mainly due to increase in revenue for trading and processing of steel products by 5.4% or RM2.93 million and 19.8% or RM17.58 million respectively.

The increase in revenue for trading of steel products was mainly attributable to higher revenue from trading of long carbon steel products by 17.0% mainly due to higher tonnage sales by 27.5%, partially negated by a reduction in average selling price by 8.3%.

The increase in revenue for processing of steel products was mainly attributable to higher revenue from processing of flat carbon steel products by 29.8% mainly due to increase in tonnage sales by 40.4%, partially negated by a reduction in average selling price by 7.6%.

Our main business segments continued to be trading and processing of steel products, which collectively contributed approximately 99.9% of our total revenue for the current quarter. The trading segment and the processing segment contributed revenue of 34.9% and 65.0% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of approximately 37.9% and 62.1% respectively for the preceding year corresponding quarter.

For the current quarter, our gross profit increased by 24.0% or approximately RM3.57 million, from RM14.86 million for the preceding year corresponding quarter to RM18.43 million for the current quarter, which was mainly due to the increase in revenue for processing of steel products by 19.8% or RM17.58 million, as well as its higher gross profit margin by 2.0 percentage points, from 10.6% for the preceding year corresponding quarter to 12.6% for the current quarter.

The other income for the current quarter was RM1.63 million as compared to RM0.61 million for the preceding year corresponding quarter, higher by RM1.02 million, mainly due to increase in rental income by RM0.55 million contributed from letting bigger portion of warehouse space, as well as receiving RM0.42 million from Government under the Wage Subsidy Programme.

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

Our operating costs decreased by RM0.91 million from RM8.64 million for the preceding year corresponding quarter to RM7.73 million for the current quarter, as a result of the following:

1. Decrease in administrative costs by RM0.77 million, mainly caused by:
 - decrease in staff related costs by RM0.35 million, mainly due to decrease in staff training expenses and certain staff costs were allocated to distribution costs;
 - decrease in entertainment expenses by RM0.22 million; and
 - decrease in professional fees incurred by RM0.14 million.
2. Decrease in net addition of impairment losses on financial assets (trade receivables) by RM0.57 million due to net reversal of impairment losses on financial assets of RM0.26 million for the current quarter as opposed to net addition of impairment losses of RM0.31 million for the preceding year corresponding quarter.
3. Increase in distribution costs by RM0.28 million, mainly due to:
 - increase in staff related costs by RM0.15 million, mainly due to certain staff costs were allocated from administrative costs;
 - increase in transportation, travelling and accommodation expenses by RM0.04 million; and
 - increase in upkeep of lorries by RM0.08 million.
4. Increase in other costs by RM0.14 million, mainly due to:
 - higher stamp duty paid by RM0.18 million; offset by
 - lower gift and donation expenses by RM0.05 million.

Total finance costs for the current quarter was RM3.35 million, decreased by approximately RM0.83 million as compared to RM4.18 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 RM0.04 million, RM0.46 million, RM0.08 million and RM0.21 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 239.4% or approximately RM6.33 million to RM8.98 million as compared to RM2.65 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 30.09.2020 RM'000	Preceding Year- To-Date 30.09.2019 RM'000	Variance	
			RM'000	%
Revenue	390,614	457,540	(66,926)	-14.6%
Gross profit	44,550	48,775	(4,225)	-8.7%
Profit before interest and tax	24,659	24,739	(80)	-0.3%
Profit before tax	14,667	13,504	1,163	8.6%
Profit after tax	10,495	9,730	765	7.9%
Profit attributable to owners of the Company	10,465	9,780	685	7.0%

Our revenue decreased by 14.6% or RM66.93 million from RM457.54 million for the preceding financial year-to-date to RM390.61 million for the current financial year-to-date.

The decrease in revenue was mainly due to lower overall tonnage sales by 11.5%, 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 partially offset by higher revenue from the production of welded steel pipes, which saw its revenue increased by 249.7%, which also contributed to the increase in revenue for processing of steel products by 8.0% or RM18.53 million, from RM232.47 million to RM251.00 million.

Despite better overall gross profit margin by 0.7 percentage points, from 10.7% for the preceding financial year-to-date to 11.4% for the current financial year-to-date, our gross profit decreased by 8.7% or approximately RM4.22 million, from RM48.77 million for the preceding financial year-to-date to RM44.55 million for the current financial year-to-date, which was mainly due to the decrease in revenue by 14.6% or RM66.93 million, from RM457.54 million for the preceding financial year-to-date to RM390.61 million for the current financial year-to-date.

The other income for the current financial year-to-date was RM4.23 million as compared to RM2.11 million for the preceding financial year-to-date, higher by RM2.12 million, mainly due to increase in rental income by RM1.31 million contributed from letting bigger portion of warehouse space, as well as receiving RM0.76 million from Government under the Wage Subsidy Programme.

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)**

Our operating costs decreased by RM1.92 million from RM25.41 million for the preceding financial year-to-date to RM23.49 million for the current financial year-to-date, as a result of the following:

1. Decrease in administrative costs by RM2.37 million, mainly due to:
 - decrease in directors' remuneration and staff related costs by RM0.74 million, mainly due to written back of excess provision of bonus, decrease in staff training expenses and certain staff costs were allocated to distribution costs;
 - decrease in depreciation charges by RM0.08 million;
 - decrease in advertising expenses by RM0.09 million;
 - decrease in entertainment expenses by RM0.50 million;
 - decrease in professional fees incurred by RM0.27 million;
 - decrease in accommodation, travelling, petrol, parking and toll expenses by RM0.38 million; and
 - decrease in upkeep of office and office equipment by RM0.10 million.
2. Lower net addition of impairment losses on financial assets (trade receivables) for the current financial year-to-date as compared to the preceding financial year-to-date by RM0.62 million.
3. Increase in distribution costs by RM0.09 million, mainly due to:
 - increase in staff related costs by RM0.46 million, mainly due to certain staff costs were allocated from administrative costs; largely offset by
 - decrease in petrol, parking and toll expenses by RM0.16 million; and
 - decrease in transportation, travelling and accommodation expenses by RM0.21 million.
4. Increase in other costs by RM0.98 million, mainly due to:
 - 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 RM0.22 million.

Total finance costs decreased by RM1.35 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 RM0.51 million, RM0.37 million and RM0.53 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, as well as lower bank charges incurred in the current financial year-to-date by RM0.09 million. However, the decrease in interest expense for the aforementioned facilities and bank charges was partially negated by higher interest expense incurred for overdraft facilities by RM0.23 million mainly due to higher utilisation of overdraft facilities.

Based on the foregoing factors, our Group registered an increase in profit before tax by 8.6% or approximately RM1.17 million from RM13.50 million for the preceding financial year-to-date to RM14.67 million for the current financial year-to-date.

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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**

	Current Quarter 30.09.2020 RM'000	Immediate Preceding Quarter 30.06.2020 RM'000	Variance	
			RM'000	%
Revenue	163,821	106,755	57,066	53.5%
Gross profit	18,428	12,652	5,776	45.7%
Profit before interest and tax	12,068	7,055	5,013	71.1%
Profit before tax	8,983	3,608	5,375	149.0%
Profit after tax	6,778	2,654	4,124	155.4%
Profit attributable to owners of the Company	6,761	2,679	4,082	152.4%

Our Group achieved revenue of RM163.82 million for the current quarter, which was higher than the immediate preceding quarter's revenue by 53.5% or RM57.07 million mainly due to higher overall tonnage sales by 71.4%, as a result of the following:

- the immediate preceding quarter recorded lower overall tonnage sales generally due to the impact of nationwide 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; and
- higher revenue from the production of welded steel pipes, which saw its revenue increased by 204.3%.

Despite lower overall margin by approximately 0.7 percentage points, from 11.9% for the immediate preceding quarter to 11.2% for the current quarter, our gross profit increased by 45.7% or RM5.78 million, from RM12.65 million for the immediate preceding quarter to RM18.43 million for the current quarter, which was mainly due to the increase in revenue by 53.5% or approximately RM57.06 million, from RM106.76 million for the immediate preceding quarter to RM163.82 million for the current quarter.

The other income of RM1.63 million for the current quarter as compared to RM1.74 million for the immediate preceding quarter, was lower by RM0.11 million, mainly due to absence of rental discount of RM0.09 million which had been credited to the immediate preceding quarter.

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

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

Our operating costs increased by approximately RM0.58 million, from RM7.15 million for the immediate preceding quarter to RM7.73 million for the current quarter, resulted from:

1. Increase in distribution costs by RM0.35 million, mainly due to:
 - increase in petrol, parking and toll expenses by RM0.13 million;
 - increase in transportation, travelling and accommodation expenses by RM0.09 million; and
 - increase in upkeep of lorries by RM0.10 million.
2. Increase in administrative costs by RM0.33 million, mainly caused by:
 - increase in directors' remuneration and staff related costs by RM0.10 million mainly due to absence of written back of excess provision of bonus which had been credited to the immediate preceding quarter;
 - higher depreciation charges by RM0.04 million;
 - higher entertainment expenses by RM0.09 million; and
 - higher professional fees by RM0.05 million.
3. Increase in other costs by RM0.46 million, mainly due to higher stamp duty paid by RM0.42 million.
4. Decrease in net addition of impairment losses on financial assets (trade receivables) by RM0.56 million due to net reversal of impairment losses on financial assets of RM0.26 million for the current quarter as opposed to net addition of impairment losses of RM0.30 million for the preceding year corresponding quarter.

The finance costs for the current quarter was RM3.35 million, decreased by RM0.28 million as compared to RM3.63 million for the immediate preceding quarter mainly due to lower interest expenses incurred for bankers' acceptances by RM0.29 million.

Based on the foregoing factors, our profit before tax increased by 149.0% or approximately RM5.37 million, from RM3.61 million for the immediate preceding quarter to RM8.98 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.

Although the production of steel pipes had only contributed modest revenue for 2019, we are recording an increasing trend of demand for these products and hence, we can expect a more significant revenue contribution for 2020.

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 ongoing US-China geo-political and trade tension and the current worldwide outbreak of COVID-19 pandemic have posed various uncertainties in the recovery of global economies.

Locally, we are similarly facing the brunt of the COVID-19 outbreak with most economic activities being halted upon implementation of the MCO commencing from 18 March 2020, and has only been conditionally relaxed in early May 2020 under the Conditional MCO and subsequently the Recovery MCO. However due to increasing infections, a few localities including Selangor and Kuala Lumpur, have been reverted to the Conditional MCO. The Conditional MCO in Selangor and Kuala Lumpur commenced on 14 October 2020 and currently scheduled to end on 6 December 2020. Various assistance and relief measures have been handed out by the government to ease the hardship faced by affected citizens and industries. However, there remain significant uncertainties as to potential impact of the pandemic on the pace of recovery of our local economy in view of the possible constraint faced in respect of household spending, private investment projects and public sector capital spending.

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 as well as adhering to other Standard Operating Procedures required by the relevant authorities.

In view of the prevailing significant risks and the various uncertainties mentioned above, our Board continues to maintain a neutral outlook on the financial performance of our Group for the remaining quarter of 2020.

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 30.09.2020 RM'000	Preceding Year Quarter 30.09.2019 RM'000	Current Year- To-Date 30.09.2020 RM'000	Preceding Year- To-Date 30.09.2019 RM'000
Amortisation of prepaid land lease payment	-	35	-	106
Bad debt written off	1	-	4	-
Depreciation of property, plant and equipment	3,899	4,206	11,528	10,948
Derecognition of a right-of-use asset	11	-	11	-
Fair value gain on derivative	-	(2)	-	-
Impairment losses on trade receivables	(256)	301	239	890
Insurance claimed	(39)	(31)	(128)	(239)
Interest income	(167)	(291)	(676)	(960)
Interest expense	3,085	3,948	9,992	11,235
Net (gain)/loss on foreign exchange				
- realised	(152)	(25)	(174)	54
- unrealised	121	(1)	11	(83)
Gain on disposal of plant and equipment	-	-	(36)	-
Rental of premises	27	17	76	81
Rental of equipment	6	9	16	19
Rental income	(740)	(191)	(1,785)	(471)
Reversal of impairment losses on trade receivables	(3)	9	(3)	(33)
Reversal of a lease liability	(11)	-	(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 30.09.2020 RM'000	Preceding Year Quarter 30.09.2019 RM'000	Current Year- To-Date 30.09.2020 RM'000	Preceding Year- To-Date 30.09.2019 RM'000
Current income tax				
- for the financial period	2,035	259	3,452	1,550
- over provision in prior financial years	(137)	(428)	(263)	(428)
Deferred tax				
- origination of temporary differences	423	490	1,087	2,431
- effect of adopting MFRS 16	-	(184)	-	(426)
- (over)/under provision in prior financial year	(116)	658	(104)	647
Income tax expense	2,205	795	4,172	3,774

The effective tax rate for the current quarter and current financial year-to-date are higher than the statutory tax rate of 24% mainly due to certain expenses which are not deductible for tax purposes and absence of group relief for losses incurred by certain companies within the Group.

B7. Status of Corporate Proposals

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

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

	As at 30.09.2020 RM'000	As at 31.12.2019 RM'000
<u>Current</u>		
Secured:		
Bankers' acceptances	85,172	80,600
Lease liabilities	2,824	2,490
Term loan	1,800	1,800
Bank overdrafts	28,360	25,843
	<u>118,156</u>	<u>110,733</u>
Unsecured:		
Bankers' acceptances	73,975	57,172
Lease liabilities	1,681	1,230
Islamic financing	40,473	33,212
Bank overdrafts	10,638	15,139
	<u>126,767</u>	<u>106,753</u>
	<u>244,923</u>	<u>217,486</u>
<u>Non-current</u>		
Secured:		
Lease liabilities	3,395	5,124
Term loans	47,266	48,615
	<u>50,661</u>	<u>53,739</u>
Unsecured:		
Lease liabilities	10,855	11,146
	<u>61,516</u>	<u>64,885</u>
Total Borrowings	<u><u>306,439</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 Per Share**

(a) Basic Earnings Per Share

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2020 RM'000	Preceding Year Quarter 30.09.2019 RM'000	Current Year- To-Date 30.09.2020 RM'000	Preceding Year- To-Date 30.09.2019 RM'000
Profit attributable to owners of the Company	6,761	1,833	10,465	9,780
Weighted average number of ordinary shares in issue ('000)	310,000	310,000	310,000	310,000
Basic Earnings Per Share (sen)	2.18	0.59	3.38	3.15

(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
26 November 2020