

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 2021

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2021 RM'000	Preceding Year Quarter 30.09.2020 RM'000	Current Year- To-Date 30.09.2021 RM'000	Preceding Year- To-Date 30.09.2020 RM'000
Revenue	236,110	163,821	632,372	390,614
Cost of sales	(175,305)	(145,393)	(464,771)	(346,064)
Gross profit	60,805	18,428	167,601	44,550
Other income	1,747	1,629	4,078	4,234
Distribution costs	(2,774)	(2,427)	(8,448)	(6,654)
Administrative costs	(6,606)	(4,958)	(18,422)	(14,746)
Net (addition)/reversal of impairment losses on financial instruments	(72)	258	(256)	(237)
Other costs	(159)	(599)	(426)	(1,853)
	(9,611)	(7,726)	(27,552)	(23,490)
Profit from operations	52,941	12,331	144,127	25,294
Finance costs	(3,802)	(3,348)	(9,890)	(10,627)
Profit before tax	49,139	8,983	134,237	14,667
Income tax expense	(10,475)	(2,205)	(27,348)	(4,172)
Profit for the financial period	38,664	6,778	106,889	10,495
Other comprehensive income: <i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange difference on translation of a foreign operation	(4)	(13)	13	(3)
Total other comprehensive income, net of tax	(4)	(13)	13	(3)
Total comprehensive income for the financial period	38,660	6,765	106,902	10,492
Profit attributable to:				
- Owners of the Company	38,671	6,761	106,914	10,465
- Non-controlling interests	(7)	17	(25)	30
	38,664	6,778	106,889	10,495

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021 (CONT'D)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current	Preceding	Current	Preceding
	Year	Year	Year-	Year-
	Quarter	Quarter	To-Date	To-Date
	30.09.2021	30.09.2020	30.09.2021	30.09.2020
	RM'000	RM'000	RM'000	RM'000
Total comprehensive income attributable to:				
- Owners of the Company	38,667	6,748	106,927	10,462
- Non-controlling interests	(7)	17	(25)	30
	<u>38,660</u>	<u>6,765</u>	<u>106,902</u>	<u>10,492</u>
Earnings per share (sen) attributable to owners of the Company:				
- Basic	11.34	2.18	32.71	3.38
- Diluted	11.34	2.18	32.71	3.38

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 2020 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 2021

	As at 30.09.2021 RM'000 (Unaudited)	As at 31.12.2020 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	227,603	203,686
Capital work-in-progress	32,565	13,836
	<u>260,168</u>	<u>217,522</u>
Current assets		
Inventories	407,879	250,378
Trade receivables	235,674	196,424
Other receivables, deposits and prepayments	24,496	10,950
Tax assets	665	4,813
Derivative financial asset	1	-
Deposits with licensed banks	33,419	27,878
Cash and bank balances	35,730	23,358
	<u>737,864</u>	<u>513,801</u>
TOTAL ASSETS	<u><u>998,032</u></u>	<u><u>731,323</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	186,423	160,094
Merger deficit	(109,545)	(109,545)
Capital reserve	1	1
Retained earnings	428,844	328,750
Translation reserve	(2)	(15)
	<u>505,721</u>	<u>379,285</u>
Non-controlling interests	591	616
Total Equity	<u>506,312</u>	<u>379,901</u>
Non-current liabilities		
Loans and borrowings	54,823	61,558
Deferred tax liabilities	7,287	6,587
	<u>62,110</u>	<u>68,145</u>
Current liabilities		
Trade payables	9,840	32,153
Other payables and accruals	13,412	17,658
Tax liabilities	20,384	125
Loans and borrowings	381,713	230,311
Contract liabilities	4,261	3,030
	<u>429,610</u>	<u>283,277</u>
Total Liabilities	<u>491,720</u>	<u>351,422</u>
TOTAL EQUITY AND LIABILITIES	<u><u>998,032</u></u>	<u><u>731,323</u></u>
Net assets per share attributable to owners of the Company (RM)	1.48	1.22

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 2020 and the accompanying explanatory notes attached to this interim financial statement.

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Registration No. 200601036648 (756407-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021

	< -----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
2021							
At 1 January 2021	160,094	(109,545)	1	(15)	328,750	616	379,901
Profit 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
Share issue expenses	(21)	-	-	-	-	-	(21)
Dividend	-	-	-	-	(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
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 for the financial period	-	-	-	(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

Note:

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 2020 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 2021

	Current Year-To-Date 30.09.2021 RM'000	Preceding Year-To-Date 30.09.2020 RM'000
Cash Flows from Operating Activities		
Profit before tax	134,237	14,667
Adjustments for:		
Bad debt written off	-	4
Depreciation of property, plant and equipment	11,147	11,528
Derecognition of a right-of-use asset	-	11
Fair value gain on derivative	(1)	-
Gain on disposal of plant and equipment	-	(36)
Impairment losses on trade receivables	319	239
Interest income	(972)	(676)
Interest expense	8,591	9,992
Net gain on a lease termination	(6)	-
Net unrealised (gain)/loss on foreign exchange	(17)	11
Plant and equipment written off	#	-
Rent concession income	(71)	-
Reversal of impairment losses on trade receivables	(63)	(3)
Reversal of a lease liability	-	(11)
Operating profit before changes in working capital	153,164	35,726
Inventories	(157,519)	(19,844)
Trade and other receivables	(48,374)	(5,275)
Trade and other payables	(26,915)	(10,662)
Contract liabilities	1,231	1,130
Net cash (used in)/from operations	(78,413)	1,075
Interest received	731	546
Interest paid	(9,804)	(9,826)
Income tax paid	(2,241)	(3,723)
Net cash used in operating activities	(89,727)	(11,928)
Cash Flows from Investing Activities		
Changes in deposits pledged with licensed banks	7,588	(164)
Capital work-in-progress paid	(15,462)	(5,798)
Deposits paid for acquisition of property, plant and equipment	(6,351)	(2,558)
Purchase of property, plant and equipment	(31,771)	(1,224)
Proceeds from disposal of plant and equipment	-	20
Net cash used in investing activities	(45,996)	(9,724)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2021 (CONT'D)

	Current Year-To-Date 30.09.2021 RM'000	Preceding Year-To-Date 30.09.2020 RM'000
Cash Flows from Financing Activities		
Net proceeds from issuance of ordinary shares	26,329	-
Payment of lease liabilities	(3,513)	(3,464)
Repayment of term loans	(1,528)	(1,350)
Repayment to ultimate holding company	-	(137)
Net drawdown of islamic financing	8,239	7,261
Net drawdown of bankers' acceptances	153,957	21,375
Dividend paid	(6,820)	-
Net cash from financing activities	<u>176,664</u>	<u>23,685</u>
Net increase in cash and cash equivalents	40,941	2,033
Cash and cash equivalents at the beginning of the financial period	13,681	(6,079)
Effect of exchange rate changes on cash and cash equivalents	71	27
Cash and cash equivalents at the end of the financial period	<u><u>54,693</u></u>	<u><u>(4,019)</u></u>
Cash and cash equivalents at the end of the financial period comprises:		
Cash and bank balances	35,730	15,877
Deposits with licensed banks	33,419	27,159
	<u>69,149</u>	<u>43,036</u>
Less: Bank overdrafts	(13,958)	(38,998)
Less: Deposits pledged with licensed banks	(498)	(8,057)
	<u><u>54,693</u></u>	<u><u>(4,019)</u></u>

Notes:# *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 2020 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 2020.

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 2020.

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 2020, except for the adoption of the following:

Amendments/Improvements to MFRSs

MFRS 4	Insurance Contracts
MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 16	Leases
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 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 [#] / 1 January 2022 [^]
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023 [#]
MFRS 16	Leases	1 January 2022 [^]
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023 [#] / 1 January 2023

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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 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 [#] / 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 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

@ 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 2020 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**

On 5 May 2021, a total of 31,000,000 Placement Shares were issued at an issue price of RM0.85 per Placement Share for a total cash consideration of RM26,350,000.00. The Private Placement has been successfully completed following the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities on 7 May 2021.

Save as disclosed above, 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 first interim dividend of 2.0 sen per ordinary share in respect of the financial year ending 31 December 2021 was declared on 28 May 2021 and paid on 1 July 2021.

A8. Segment Information

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	<u>60,844</u>	<u>106,669</u>	<u>88</u>	<u>167,601</u>
Add/(Less):				
- Other income				4,078
- Operating expenses				(27,296)
- Net addition of impairment losses on financial instruments				(256)
- Finance costs				<u>(9,890)</u>
Profit before tax				134,237
Income tax expense				<u>(27,348)</u>
Profit for the financial period				<u><u>106,889</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 2020 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	139,302	250,996	316	390,614
Cost of sales	(124,201)	(221,623)	(240)	(346,064)
Gross profit	15,101	29,373	76	44,550
Add/(Less):				
- Other income				4,234
- Operating expenses				(23,253)
- Net addition of impairment losses on financial instruments				(237)
- Finance costs				(10,627)
Profit before tax				14,667
Income tax expense				(4,172)
Profit for the financial period				10,495

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. 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 30.09.2021 RM'000	Audited As at 31.12.2020 RM'000
Approved and contracted for:		
Acquisition of plant and equipment	48,181	10,107
Acquisition of properties	29,324	-
Construction of factory and warehouse buildings	15,492	19,355
Approved and not contracted for:		
Acquisition of properties	-	3,302
	<u>92,997</u>	<u>32,764</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 2021.

A14. Significant Related Party Transactions

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2021 RM'000	Preceding Year Quarter 30.09.2020 RM'000	Current Year- To-Date 30.09.2021 RM'000	Preceding Year- To-Date 30.09.2020 RM'000
Sales to related parties	866	1,312	3,390	2,641
Purchases from related parties	2	26	180	62
Rental expense paid to related parties	359	513	1,319	1,451

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 30.09.2021 RM'000	Preceding Year Quarter 30.09.2020 RM'000	Variance	
			RM'000	%
Revenue	236,110	163,821	72,289	44.1%
Gross profit	60,805	18,428	42,377	230.0%
Profit before interest and tax	52,574	12,068	40,506	335.6%
Profit before tax	49,139	8,983	40,156	447.0%
Profit after tax	38,664	6,778	31,886	470.4%
Profit attributable to owners of the Company	38,671	6,761	31,910	472.0%

The revenue recorded for the current quarter and the preceding year corresponding quarter was RM236.11 million and RM163.82 million respectively, increased by 44.1% or RM72.29 million. Generally our revenue was not severely affected by different phases of Movement Control Order ("MCO") which were implemented during the current quarter in response to the COVID-19 pandemic in the country.

The increase in revenue was mainly due to increase in revenue for trading and processing of steel products by 65.7% or RM37.58 million, from RM57.23 million to RM94.81 million, and 32.6% or RM34.75 million, from RM106.47 million to RM141.22 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 42.3% mainly attributable to higher average selling price by 87.0%, despite lower tonnage sales by 23.9%;
- higher revenue from trading of other flat steel products by 211.4% mainly attributable to higher tonnage sales by 116.0% as well as higher average selling price by 44.2%; and
- higher revenue from trading of long carbon steel products by 50.3% mainly attributable to higher average selling price by 57.5%, despite lower tonnage sales by 4.6%.

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

- higher revenue from processing of flat carbon steel products by 20.6% mainly attributable to higher average selling price by 85.5%, despite lower tonnage sales by 35.0%;
- higher revenue from processing of other flat steel products by 54.8% mainly attributable to higher average selling price by 33.0% as well as higher tonnage sales by 16.4%; and
- higher revenue from processing of long carbon steel products by 69.9% mainly due to higher average selling price by 56.5% as well as increase in tonnage sales by 8.5%.

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 40.2% and 59.8% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of 34.9% and 65.0% respectively for the preceding year corresponding quarter.

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

For the current quarter, our gross profit increased by 230.0% or approximately RM42.37 million, from RM18.43 million for the preceding year corresponding quarter to RM60.80 million for the current quarter, which was mainly due to the increase in revenue by 44.1% or RM72.29 million, from RM163.82 million for the preceding year corresponding quarter to RM236.11 million for the current quarter, as well as higher overall gross profit margin by approximately 14.6 percentage points, from 11.2% for the preceding year corresponding quarter to 25.8% for the current quarter.

The other income for the current quarter was RM1.75 million as compared to RM1.63 million for the preceding year corresponding quarter, increased by RM0.12 million, as the result of the following:

- reduction in tax penalty recognised as other income amounting to RM0.68 million 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;
- increase in interest income from licensed banks by RM0.13 million; and
- higher unrealised gain on foreign exchange recorded for the current quarter by RM0.08 million; largely offset by
- lower wage subsidy from Government under the Wage Subsidy Programme by RM0.38 million;
- decrease in rental income by RM0.22 million due to expiration of a tenancy for part of our warehouse space in Port Klang Free Zone ("PKFZ"); and
- lower realised gain on foreign exchange recorded for the current quarter by RM0.15 million.

Our operating costs increased by RM1.88 million from RM7.73 million for the preceding year corresponding quarter to RM9.61 million for the current quarter, as the result of the following:

1. Increase in distribution costs by RM0.35 million, mainly due to increase in staff related costs by RM0.39 million mainly caused by increase in headcount and provision of bonuses for staff as the management has decided to accrue for staff bonuses on quarterly basis instead of charging the total bonuses to the last quarter of current financial year.
2. Increase in administrative costs by RM1.65 million, mainly due to higher directors' remuneration and staff related costs by RM1.71 million, mainly resulted from accrual of bonuses for directors and staff on quarterly basis instead of charging it to the last quarter of current financial year.
3. Increase in net addition of impairment losses on financial instruments (trade receivables) by RM0.33 million due to net addition of impairment losses on financial instruments of RM0.07 million for the current quarter as opposed to net reversal of impairment losses of RM0.26 million for the preceding year corresponding quarter.
4. Decrease in other costs by RM0.44 million, mainly due to lower stamp duty paid.

Total finance costs for the current quarter was RM3.80 million, increased by RM0.45 million as compared to RM3.35 million for the preceding year corresponding quarter. This was mainly due to higher interest expense for bankers' acceptances, Islamic financing and higher bank charges incurred in the current quarter by RM0.50 million, RM0.06 million and RM0.10 million respectively, partially offset by lower interest expense for overdraft facilities by RM0.21 million.

Based on the foregoing factors, our profit before tax increased significantly by 447.0% or RM40.16 million, from RM8.98 million for the preceding year corresponding quarter to RM49.14 million for the current 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 30.09.2021 RM'000	Preceding Year- To-Date 30.09.2020 RM'000	Variance	
			RM'000	%
Revenue	632,372	390,614	241,758	61.9%
Gross profit	167,601	44,550	123,051	276.2%
Profit before interest and tax	142,828	24,659	118,169	479.2%
Profit before tax	134,237	14,667	119,570	815.2%
Profit after tax	106,889	10,495	96,394	918.5%
Profit attributable to owners of the Company	106,914	10,465	96,449	921.6%

Our revenue increased by 61.9% or RM241.76 million from RM390.61 million for the preceding financial year-to-date to RM632.37 million for the current financial year-to-date.

The increase in revenue was mainly due to higher overall average selling price by 44.1% as well as higher overall tonnage sales by 12.4%. This was generally due to our revenue was not severely affected by different phases of MCO which were implemented during the current financial year-to-date in response to the COVID-19 pandemic in the country as compared to the preceding financial year-to-date.

Our gross profit increased by 276.2% or RM123.05 million, from RM44.55 million for the preceding financial year-to-date to RM167.60 million for the current financial year-to-date, which was mainly due to the increase in revenue by 61.9% or RM241.76 million, from RM390.61 million for the preceding financial year-to-date to RM632.37 million for the current financial year-to-date, as well as better overall gross profit margin by 15.1 percentage points, from 11.4% for the preceding financial year-to-date to 26.5% for the current financial year-to-date.

The other income for the current financial year-to-date was RM4.08 million as compared to RM4.23 million for the preceding financial year-to-date, lower by approximately RM0.15 million, as the result of the following:

- lower wage subsidy from Government under the Wage Subsidy Programme by RM0.73 million;
- lower realised gain on foreign exchange recorded for the current financial year-to-date by RM0.14 million;
- lower insurance claims by RM0.11 million; and
- absence of gain on disposal of plant and machinery of RM0.04 million; largely mitigated by
- recognise the reduction of tax penalty of RM0.68 million as other income in relation to the Form JR for YA2017 effecting the amicable settlement with the tax authority for the tax appeal filed; and
- higher rental income by RM0.22 million contributed from letting bigger portion of our warehouse in PKFZ during certain period of the current financial year-to-date.

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

Our operating costs increased by RM4.06 million from RM23.49 million for the preceding financial year-to-date to RM27.55 million for the current financial year-to-date, as the result of the following:

1. Increase in distribution costs by RM1.79 million mainly due to:
 - increase in staff related costs by RM1.22 million mainly caused by increase in headcount and provision of bonuses for staff as the management has decided to accrue for staff bonuses on quarterly basis instead of charging the total bonuses to the last quarter of current financial year;
 - increase in depreciation charges by RM0.16 million;
 - increase in petrol, parking and toll expenses by RM0.14 million; and
 - increase in transportation, travelling and accommodation expenses by RM0.28 million.
2. Increase in administrative costs by RM3.67 million mainly due to:
 - higher directors' remuneration and staff related costs by RM3.13 million, mainly resulted from accrual of bonuses for directors and staff on quarterly basis instead of charging it to the last quarter of current financial year; and
 - higher professional fees incurred in the current financial year-to-date by RM0.72 million.
3. Decrease in other costs by RM1.43 million, mainly due to:
 - absence of 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. The tax authority had issued the Form JR effecting the amicable settlement for the tax appeal filed by reducing the additional taxation and tax penalty for YA2017 by approximately RM1.25 million and RM0.68 million respectively; and
 - lower stamp duty paid by RM0.48 million.

Total finance costs decreased by RM0.74 million as compared to the preceding financial year-to-date. This was mainly due to lower interest expense for overdraft facilities, bankers' acceptances and term loans by RM1.06 million, RM0.14 million and RM0.19 million respectively, mainly attributable to lower interest rates for the current financial year-to-date as compared to the preceding financial year-to-date resulted from the reduction of Overnight Policy Rate by Bank Negara Malaysia in January 2020, March 2020, May 2020 and July 2020. The lower interest expense for overdraft facilities was also due to lower utilisation of overdraft facilities. However, the decrease in interest expense for the aforementioned facilities was partially offset by higher bank charges incurred in the current financial year-to-date by RM0.65 million.

Based on the foregoing factors, our profit before tax for the current financial year-to-date increased substantially by 815.2% or RM119.57 million as compared to preceding financial year-to-date, from RM14.67 million for the preceding financial year-to-date to RM134.24 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 30.09.2021 RM'000	Immediate Preceding Quarter 30.06.2021 RM'000	Variance	
			RM'000	%
Revenue	236,110	184,783	51,327	27.8%
Gross profit	60,805	53,461	7,344	13.7%
Profit before interest and tax	52,574	45,207	7,367	16.3%
Profit before tax	49,139	42,573	6,566	15.4%
Profit after tax	38,664	32,115	6,549	20.4%
Profit attributable to owners of the Company	38,671	32,119	6,552	20.4%

Our Group achieved revenue of RM236.11 million for the current quarter, which was higher than the immediate preceding quarter's revenue by 27.8% or RM51.33 million.

The increase in revenue was mainly due to increase in revenue for trading and processing of steel products by 28.3% or RM20.93 million, from RM73.88 million to RM94.81 million, and 27.4% or RM30.37 million, from RM110.85 million to RM141.22 million respectively.

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

- higher revenue from trading of flat carbon steel products by 22.6% mainly attributable to higher average selling price by 16.3% as well as higher tonnage sales by 5.4%;
- higher revenue from trading of other flat steel products by 119.3% mainly attributable to higher tonnage sales by 65.3% as well as higher average selling price by 32.7%; and
- higher revenue from trading of other long steel products by 79.7% mainly attributable to higher tonnage sales by 96.7%, negated by lower average selling price by 8.6%.

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

- higher revenue from processing of flat carbon steel products by 12.9% mainly attributable to higher average selling price by 12.1% while the tonnage sales remained fairly consistent;
- higher revenue from processing of other flat steel products by 69.1% mainly attributable to higher tonnage sales by 42.6% as well as higher average selling price by 18.6%; and
- higher revenue from processing of long carbon steel products by 43.8% mainly due to increase in tonnage sales by 25.0% as well as higher average selling price by 15.1%.

Despite lower overall gross profit margin by approximately 3.1 percentage points, from 28.9% for the immediate preceding quarter to 25.8% for the current quarter, our gross profit increased by 13.7% or RM7.34 million, from RM53.46 million for the immediate preceding quarter to RM60.80 million for the current quarter, which was mainly due to the increase in revenue by 27.8% or RM51.33 million, from RM184.78 million for the immediate preceding quarter to RM236.11 million for the current 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)

The lower overall gross profit margin was mainly due to lower gross profit margin recorded for processing of steel products by approximately 5.3 percentage points from 30.7% to 25.4%, mainly resulted from:

- lower gross profit margin for processing of flat carbon steel products by 8.5 percentage points mainly due to the increase in average cost for input materials by 28.1% while the average selling price had only increased by 12.1%; and
- lower gross profit margin for processing of long carbon steel products by approximately 6.1 percentage points mainly due to the increase in average cost for input materials by 31.0% while the average selling price had only increased by 15.1%.

The other income of RM1.75 million for the current quarter as compared to RM1.22 million for the immediate preceding quarter, was higher by RM0.53 million, mainly due to recognition of a reduction in tax penalty of RM0.68 million as other income pursuant to the Form JR for YA2017 received from the tax authority effecting the amicable settlement for the tax appeal filed as well as inclusion of rent concession income of RM0.07 million in the current quarter, partially offset by decrease in rental income by RM0.22 million due to expiration of a tenancy for part of our warehouse space in PKFZ.

Our operating costs increased by RM0.69 million, from RM8.92 million for the immediate preceding quarter to RM9.61 million for the current quarter, mainly due to increase in administrative costs by RM0.70 million resulted from higher directors' remuneration by RM1.09 million mainly caused by higher accrual of bonuses for directors, partially offset by lower professional fees by RM0.32 million.

The finance costs for the current quarter was RM3.80 million, increased by RM0.61 million as compared to RM3.19 million for the immediate preceding quarter mainly due to higher interest expense for overdraft facilities, bankers' acceptances and Islamic financing by RM0.20 million, RM0.49 million and RM0.11 million respectively, partially offset by lower bank charges incurred in the current quarter by RM0.20 million.

Based on the foregoing factors, our profit before tax increased by 15.4% or RM6.57 million, from RM42.57 million for the immediate preceding quarter to RM49.14 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 laser cutting machines. In addition, our Group also has downstream manufacturing facilities for production of welded steel pipes of which Phase 1 of the facilities with 2 production lines are in full swing since the second half of 2019. Another two (2) production lines are expected to be added in the second half of this year while Phase 2 of the facilities is currently at development stages and is 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.

The global economic recovery has strengthened although various uncertainties still exist with regards to the rate and sustainability of the recovery amidst resurgences of COVID-19 in certain economies. International Monetary Fund (IMF) projected global economy to grow 5.9% in 2021, 0.1 percentage point lower than in the July forecast. The downward revision for 2021 reflects a downgrade for advanced economies in part due to supply disruptions and, for low-income developing countries, largely due to worsening pandemic dynamics. This is partially offset by stronger near-term prospects among some commodity-exporting emerging market and developing economies. Rapid spread of delta and the threat of new variants have increased uncertainty about how quickly the pandemic can be overcome.

Locally, the World Bank revised downward our economic growth projection to 3.3% due to the country's ongoing Movement Control Orders, precautionary behaviour and subdued labour market conditions which are expected to weigh further on private consumption and overall economic growth.

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

Having considered the above and our performance for the past three quarters of the current financial year and barring any unforeseen circumstances, our Board is cautiously optimistic that our Group shall be able to achieve profitable result for the last quarter of 2021.

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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 30.09.2021 RM'000	Preceding Year Quarter 30.09.2020 RM'000	Current Year- To-Date 30.09.2021 RM'000	Preceding Year- To-Date 30.09.2020 RM'000
Bad debt written off	-	1	-	4
Depreciation of property, plant and equipment	3,668	3,899	11,147	11,528
Derecognition of a right-of-use asset	-	11	-	11
Expense relating to short-term leases	24	27	109	76
Fair value gain on derivative	(1)	-	(1)	-
Impairment losses on trade receivables	91	(256)	319	239
Plant and equipment written off	#	-	#	-
Interest expense	3,435	3,085	8,591	9,992
Interest income	(398)	(167)	(972)	(676)
Net (gain)/loss on foreign exchange				
- realised	(5)	(152)	(36)	(174)
- unrealised	36	121	(17)	11
Net gain on a lease termination	-	-	(6)	-
Gain on disposal of plant and equipment	-	-	-	(36)
Rental income	(522)	(740)	(2,002)	(1,785)
Rent concession income	(71)	-	(71)	-
Reversal of impairment losses on trade receivables	(19)	(3)	(63)	(3)
Reversal of a lease liability	-	(11)	-	(11)

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.

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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 30.09.2021 RM'000	Preceding Year Quarter 30.09.2020 RM'000	Current Year- To-Date 30.09.2021 RM'000	Preceding Year- To-Date 30.09.2020 RM'000
Current income tax				
- for the financial period	11,587	2,035	27,895	3,452
- over provision in prior financial years	(1,247)	(137)	(1,247)	(263)
Deferred tax				
- origination of temporary differences	198	423	763	1,087
- over provision in prior financial year	(63)	(116)	(63)	(104)
Income tax expense	<u>10,475</u>	<u>2,205</u>	<u>27,348</u>	<u>4,172</u>

The effective tax rate for the current quarter and current financial year-to-date are lower than the statutory tax rate of 24% mainly due to availability of reinvestment allowance for certain companies within the Group as well as the reduction of the additional taxation for YA2017 by approximately RM1.25 million in regard to the amicable settlement with the tax authority for the tax appeal filed 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.

B7. Status of Corporate Proposals**(i) Proposed Acquisitions**

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

The Proposed Acquisition was duly approved by the non-interested shareholders of the Company at the extraordinary general meeting of the Company held on 18 June 2021.

On 15 September 2021, AmInvestment Bank Berhad announced on behalf of our Board that the Proposed Acquisition is deemed completed on the even date pursuant to the receipt of the balance purchase consideration of RM27,160,000 by LFHSB.

B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)**B7. Status of Corporate Proposals (Cont'd)****(i) Proposed Acquisitions (Cont'd)**

- (b) On 30 July 2021, the Company announced that Leon Fuat Metal Sdn Bhd, its wholly-owned subsidiary had on the even date entered into a Sale and Purchase Agreement (“SPA”) with Irama Utama Sdn Bhd for the acquisition of all that piece of leasehold land held under individual title No. H.S.(M) 47185, No. PT 65648, Mukim Kapar, Daerah Klang, Negeri Selangor for a purchase price of RM20,425,146.10. Barring unforeseen circumstances, it is expected that the SPA will be completed in the first quarter of 2022.

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

(ii) 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 2021 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	-	-	26,195	Within 24 months
Expenses incurred for the Private Placement	155	155	-	-	Immediate
Total	26,350	155	-	26,195	

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.

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

	As at 30.09.2021 RM'000	As at 31.12.2020 RM'000
<u>Current</u>		
Secured:		
Bankers' acceptances	166,829	98,833
Bank overdrafts	6,613	18,692
Lease liabilities	2,301	2,872
Term loans	7,863	3,096
	<u>183,606</u>	<u>123,493</u>
Unsecured:		
Bankers' acceptances	136,886	50,925
Bank overdrafts	7,345	10,776
Islamic financing	52,113	43,874
Lease liabilities	1,763	1,243
	<u>198,107</u>	<u>106,818</u>
	<u>381,713</u>	<u>230,311</u>
<u>Non-current</u>		
Secured:		
Lease liabilities	1,337	2,934
Term loans	41,575	47,870
	<u>42,912</u>	<u>50,804</u>
Unsecured:		
Lease liabilities	11,911	10,754
	<u>54,823</u>	<u>61,558</u>
Total Borrowings	<u><u>436,536</u></u>	<u><u>291,869</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 30.09.2021 RM'000	Preceding Year Quarter 30.09.2020 RM'000	Current Year- To-Date 30.09.2021 RM'000	Preceding Year- To-Date 30.09.2020 RM'000
Profit attributable to owners of the Company	38,671	6,761	106,914	10,465
Weighted average number of ordinary shares in issue ('000)	341,000	310,000	326,806	310,000
Basic Earnings Per Share (sen)	11.34	2.18	32.71	3.38

(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
29 November 2021