

LEON FUAT BERHAD

Registration No. 200601036648 (756407-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2022 RM'000	Preceding Year Quarter 31.12.2021 RM'000	Current Year- To-Date 31.12.2022 RM'000	Preceding Year- To-Date 31.12.2021 RM'000
Revenue	238,152	254,210	1,025,118	886,582
Cost of sales	(231,329)	(200,151)	(933,858)	(664,922)
Gross profit	6,823	54,059	91,260	221,660
Other income	908	1,036	2,681	5,114
Distribution costs	(3,225)	(3,149)	(12,432)	(11,597)
Administrative costs	(5,857)	(7,190)	(24,575)	(25,612)
Net reversal/(addition) of impairment losses on financial instruments	10	(1,840)	445	(2,096)
Other costs	(1,036)	(288)	(2,544)	(714)
	(10,108)	(12,467)	(39,106)	(40,019)
(Loss)/Profit from operations	(2,377)	42,628	54,835	186,755
Finance costs	(5,110)	(4,016)	(17,920)	(13,906)
(Loss)/Profit before tax	(7,487)	38,612	36,915	172,849
Income tax expense	2,343	(9,521)	(7,377)	(36,869)
(Loss)/Profit for the financial period/year	(5,144)	29,091	29,538	135,980
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of a foreign operation	11	4	69	17
Total other comprehensive income, net of tax	11	4	69	17
Total comprehensive (loss)/income for the financial period/year	(5,133)	29,095	29,607	135,997
(Loss)/Profit attributable to:				
- Owners of the Company	(5,087)	29,096	29,619	136,010
- Non-controlling interests	(57)	(5)	(81)	(30)
	(5,144)	29,091	29,538	135,980

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022 (CONT'D)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2022 RM'000	Preceding Year Quarter 31.12.2021 RM'000	Current Year- To-Date 31.12.2022 RM'000	Preceding Year- To-Date 31.12.2021 RM'000
Total comprehensive (loss)/income attributable to:				
- Owners of the Company	(5,076)	29,100	29,688	136,027
- Non-controlling interests	(57)	(5)	(81)	(30)
	<u>(5,133)</u>	<u>29,095</u>	<u>29,607</u>	<u>135,997</u>
 (Loss)/Earnings per share (sen) attributable to owners of the Company:				
- Basic	(1.49)	8.53	8.69	41.17
- Diluted	(1.49)	8.53	8.69	41.17

Note:

The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial statement.

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Registration No. 200601036648 (756407-D)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2022

	As at 31.12.2022 RM'000 (Unaudited)	As at 31.12.2021 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	272,373	245,022
Capital work-in-progress	69,295	33,867
	<u>341,668</u>	<u>278,889</u>
Current assets		
Inventories	387,099	419,278
Trade receivables	249,971	259,621
Other receivables, deposits and prepayments	13,374	25,236
Tax assets	8,398	147
Deposits with licensed banks	4,566	3,015
Cash and bank balances	34,987	42,637
	<u>698,395</u>	<u>749,934</u>
TOTAL ASSETS	<u><u>1,040,063</u></u>	<u><u>1,028,823</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	186,423	186,423
Merger deficit	(103,960)	(109,545)
Capital reserve	1	1
Retained earnings	475,154	457,940
Translation reserve	71	2
	<u>557,689</u>	<u>534,821</u>
Non-controlling interests	505	586
Total Equity	<u>558,194</u>	<u>535,407</u>
Non-current liabilities		
Loans and borrowings	82,101	69,258
Deferred tax liabilities	6,098	7,480
	<u>88,199</u>	<u>76,738</u>
Current liabilities		
Trade payables	6,709	14,217
Other payables and accruals	17,018	16,112
Tax liabilities	972	14,704
Loans and borrowings	366,734	369,608
Contract liabilities	2,237	2,037
	<u>393,670</u>	<u>416,678</u>
Total Liabilities	<u>481,869</u>	<u>493,416</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,040,063</u></u>	<u><u>1,028,823</u></u>
Net assets per share attributable to owners of the Company (RM)	1.64	1.57

Note:

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial statement.

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Registration No. 200601036648 (756407-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022

	< -----Attributable to Owners of the Company ----- >						
	Share Capital RM'000	Merger Deficit RM'000	Capital Reserve RM'000	Translation Reserve RM'000	Retained Earnings RM'000	Non- Controlling interests RM'000	Total Equity RM'000
2022							
At 1 January 2022	186,423	(109,545)	1	2	457,940	586	535,407
Profit/(Loss) for the financial year	-	-	-	-	29,619	(81)	29,538
Other comprehensive income for the financial year	-	-	-	69	-	-	69
Total comprehensive income	-	-	-	69	29,619	(81)	29,607
Realisation of merger deficit *	-	5,585	-	-	(5,585)	-	-
Dividends	-	-	-	-	(6,820)	-	(6,820)
Total transactions with owners	-	5,585	-	-	(12,405)	-	(6,820)
At 31 December 2022	186,423	(103,960)	1	71	475,154	505	558,194
2021							
At 1 January 2021	160,094	(109,545)	1	(15)	328,750	616	379,901
Profit/(Loss) for the financial year	-	-	-	-	136,010	(30)	135,980
Other comprehensive income for the financial year	-	-	-	17	-	-	17
Total comprehensive income	-	-	-	17	136,010	(30)	135,997
Issuance of ordinary shares pursuant to private placement	26,350	-	-	-	-	-	26,350
Transaction costs of share issue	(21)	-	-	-	-	-	(21)
Dividends	-	-	-	-	(6,820)	-	(6,820)
Total transactions with owners	26,329	-	-	-	(6,820)	-	19,509
At 31 December 2021	186,423	(109,545)	1	2	457,940	586	535,407

Notes:

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

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial statement.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022

	Current Year-To-Date 31.12.2022 RM'000	Preceding Year-To-Date 31.12.2021 RM'000
Cash Flows from Operating Activities		
Profit before tax	36,915	172,849
Adjustments for:		
Bad debt written off	-	71
Depreciation of property, plant and equipment	16,949	15,027
Impairment losses on trade receivables	494	2,160
Interest expense	16,139	12,210
Interest income	(565)	(1,299)
Inventories written down	12,929	373
Net gain on a lease termination	(#)	(6)
Net gain on disposal of plant and equipment	(769)	-
Net unrealised foreign exchange loss	167	12
Plant and equipment written off	354	14
Rent concession income	-	(71)
Reversal of impairment losses on trade receivables	(940)	(64)
Waiver of interest income	189	-
Operating profit before changes in working capital	81,862	201,276
Inventories	17,999	(169,292)
Trade and other receivables	14,375	(70,269)
Trade and other payables	(9,947)	(20,893)
Contract liabilities	200	(993)
Net cash generated from/(used in) operation	104,489	(60,171)
Interest received	398	896
Interest paid	(15,867)	(13,165)
Income tax paid	(30,742)	(16,731)
Net cash from/(used in) operating activities	58,278	(89,171)
Cash Flows from Investing Activities		
Capital work-in-progress paid	(33,862)	(15,638)
Changes in deposits pledged with licensed banks	(8)	7,588
Deposits paid for acquisition of property, plant and equipment	(3,871)	(11,576)
Proceeds from disposal of plant and equipment	779	-
Purchase of property, plant and equipment	(8,161)	(38,702)
Net cash used in investing activities	(45,123)	(58,328)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022 (CONT'D)

	Current Year-To-Date 31.12.2022 RM'000	Preceding Year-To-Date 31.12.2021 RM'000
Cash Flows from Financing Activities		
Dividends paid	(6,820)	(6,820)
Drawdown of term loans	7,913	6,237
Net drawdown of islamic financing	23,297	9,116
Net (repayment)/drawdown of bankers' acceptances	(67,404)	147,016
Net proceeds from issuance of ordinary shares	-	26,329
Payment of lease liabilities	(5,890)	(4,814)
Repayment of term loans	(10,526)	(3,163)
Net cash (used in)/from financing activities	<u>(59,430)</u>	<u>173,901</u>
Net (decrease)/increase in cash and cash equivalents	(46,275)	26,402
Cash and cash equivalents at the beginning of the financial year	40,137	13,681
Effect of exchange rate changes on cash and cash equivalents	(118)	54
Cash and cash equivalents at the end of the financial year	<u>(6,256)</u>	<u>40,137</u>
Cash and cash equivalents at the end of the financial year comprises:		
Cash and bank balances	34,987	42,637
Deposits with licensed banks	4,566	3,015
	<u>39,553</u>	<u>45,652</u>
Less: Bank overdrafts	(45,303)	(5,017)
Less: Deposits pledged with licensed banks	(506)	(498)
	<u>(6,256)</u>	<u>40,137</u>

Note:# *Less than RM500.*

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial statement.

A EXPLANATION NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING**A1. Accounting Policies and Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 (Appendix 9B Part A) of the Main Market Listing Requirement (“Listing Requirements”) of the Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2021.

The interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company and its subsidiaries (“the Group”) since the financial year ended 31 December 2021.

The significant accounting policies adopted by the Group in this interim financial statements are consistent with those adopted in the financial statements as disclosed in the audited financial statements of the Group for the financial year ended 31 December 2021, except for the adoption of the following:

Amendments/Improvements to MFRSs

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

The Group has not applied in advance the following new MFRS and amendments/improvements to MFRSs that have been issued by MASB but not yet effective for the current financial year:

<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 2023 [^]
MFRS 3	Business Combinations	1 January 2023 [#]
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023 [#]
MFRS 7	Financial Instruments: Disclosures	1 January 2023 [#]
MFRS 9	Financial Instruments	1 January 2023 [#]
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023 [#]
MFRS 16	Leases	1 January 2024
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023 [#] / 1 January 2023 1 January 2024

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 [#]
MFRS 119	Employee Benefits	1 January 2023 [#]
MFRS 128	Investments in Associates and Joint Ventures	1 January 2023 [#] / Deferred
MFRS 132	Financial instruments: Presentation	1 January 2023 [#]
MFRS 136	Impairment of Assets	1 January 2023 [#]
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2023 [#]
MFRS 138	Intangible Assets	1 January 2023 [#]
MFRS 140	Investment Property	1 January 2023 [#]

Amendments as to the consequence of effective MFRS 17 Insurance Contracts

^ Amendments to MFRS 112

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

A2. Auditors’ Report on Preceding Annual Financial Statements

The Auditors’ Report for the immediate preceding annual financial statements of the Group and the Company for the financial year ended 31 December 2021 were not subject to any qualification.

A3. Seasonality or 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

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

A8. Segment Information

Segment information of the Group for the financial year-to-date ended 31 December 2022 is as follows:

	Trading of Steel Products RM’000	Processing/ Manufacturing ⁽¹⁾ of Steel Products RM’000	Others ⁽²⁾ RM’000	Total RM’000
External revenue	362,701	661,998	419	1,025,118
Cost of sales	(334,762)	(585,812)	(355)	(920,929)
Gross profit before inventories written down	<u>27,939</u>	<u>76,186</u>	<u>64</u>	104,189
Inventories written down				<u>(12,929)</u>
Gross profit				91,260
Add/(Less):				
- Other income				2,681
- Operating expenses				(39,551)
- Net reversal of impairment losses on financial instruments				445
- Finance costs				<u>(17,920)</u>
Profit before tax				36,915
Income tax expense				<u>(7,377)</u>
Profit for the financial year				<u><u>29,538</u></u>

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

Segment information of the Group for the financial year-to-date ended 31 December 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	324,929	561,361	292	886,582
Cost of sales	(248,082)	(416,297)	(170)	(664,549)
Gross profit before inventories written down	76,847	145,064	122	222,033
Inventories written down				(373)
Gross profit				221,660
Add/(Less):				
- Other income				5,114
- Operating expenses				(37,923)
- Net addition of impairment losses on financial instruments				(2,096)
- Finance costs				(13,906)
Profit before tax				172,849
Income tax expense				(36,869)
Profit for the financial year				135,980

Notes:

⁽¹⁾ Collectively referred to as “processing”.

⁽²⁾ Mainly consists of trading of specialised steel materials including tool steel and non-ferrous metal products including bronze, brass, aluminium and copper products.

A9. Valuations of Property, Plant and Equipment

There were no amendments to the valuation of property, plant and equipment that have been brought forward from the preceding annual financial statements.

A10. Material Events Subsequent to the End of the Interim Period

There were no material events subsequent to the end of the current quarter up to the date of issue of this report that have not been reflected in the financial statements for the current quarter and current financial year-to-date.

A11. Changes in Composition of the Group

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

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

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

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

	As at 31.12.2022 RM'000	Audited As at 31.12.2021 RM'000
Approved and contracted for:		
Acquisition of motor vehicles	-	964
Acquisition of plant and equipment	20,901	35,207
Acquisition of properties	1,379	19,854
Construction of factory and warehouse buildings	11,008	15,454
	<u>33,288</u>	<u>71,479</u>

A13. Changes in Contingent Liabilities and Contingent Assets

There were no contingent assets and liabilities since the end of the previous financial year up to 31 December 2022.

A14. Significant Related Party Transactions

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2022 RM'000	Preceding Year Quarter 31.12.2021 RM'000	Current Year- To-Date 31.12.2022 RM'000	Preceding Year- To-Date 31.12.2021 RM'000
Sales to related parties	1,664	1,920	5,522	5,310
Purchases from related parties	417	-	785	180
Rental expense paid to related parties	430	430	1,721	1,749

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

	Current Year Quarter 31.12.2022 RM'000	Preceding Year Quarter 31.12.2021 RM'000	Variance	
			RM'000	%
Revenue	238,152	254,210	(16,058)	-6.3%
Gross profit	6,823	54,059	(47,236)	-87.4%
(Loss)/Profit before interest and tax	(2,822)	42,231	(45,053)	-106.7%
(Loss)/Profit before tax	(7,487)	38,612	(46,099)	-119.4%
(Loss)/Profit after tax	(5,144)	29,091	(34,235)	-117.7%
(Loss)/Profit attributable to owners of the Company	(5,087)	29,096	(34,183)	-117.5%

The revenue recorded for the current quarter and the preceding year corresponding quarter was RM238.15 million and RM254.21 million respectively, decreased by 6.3% or RM16.06 million.

The decrease in revenue was mainly due to decrease in revenue for trading and processing of steel products by 5.0% or RM4.09 million from RM81.95 million to RM77.86 million and 7.0% or RM12.03 million from RM172.18 million to RM160.15 million respectively.

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

- lower revenue from trading of other flat steel products by 18.2% due to lower tonnage sales by 29.6%, despite higher average selling price by 16.3%; and
- lower revenue from trading of long carbon steel products by 9.0% due to lower average selling price by 14.3%, despite higher tonnage sales by 6.2%.

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

- lower revenue from processing of flat carbon steel products by 7.8% due to lower average selling price by 27.7%, despite higher tonnage sales by 27.5%; and
- lower revenue from processing of other flat steel products by 6.0% due to lower average selling price by 2.7% as well as lower tonnage sales by 3.4%.

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 32.7% and 67.2% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of 32.2% and 67.7% 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 decreased by 87.4% or RM47.24 million, from RM54.06 million for the preceding year corresponding quarter to RM6.82 million for the current quarter, mainly due to decrease in revenue by 6.3% or RM16.06 million, from RM254.21 million for the preceding year corresponding quarter to RM238.15 million for the current quarter and lower overall gross profit margin by 19.8 percentage points, from 21.4% for the preceding year corresponding quarter to 1.6% for the current quarter, slightly negated by net reversal of inventories written down of RM3.05 million in the current quarter as opposed to inventories written down of RM0.37 million for the preceding year corresponding quarter as certain inventories were measured at its estimated net realisable value.

The other income for the current quarter was RM0.91 million as compared to RM1.04 million for the preceding year corresponding quarter, lower by RM0.13 million, as the result of the following:

- absence of realised gain on foreign exchange of RM0.04 million;
- higher reversal of unrealised gain on foreign exchange by RM0.17 million;
- absence of wage subsidy of RM0.11 million from Government under the Wage Subsidy Programme which was received in the preceding year corresponding quarter;
- decrease in rental income by RM0.44 million mainly due to expiration of tenancies for part of our warehouse space in Port Klang Free Zone ("PKFZ"); and
- decrease in interest income by RM0.05 million; largely mitigated by
- gain on disposal of plant and equipment amounting to RM0.35 million;
- higher insurance claims by RM0.27 million; and
- higher income derived from storage charges by RM0.07 million.

Our operating costs decreased by RM2.36 million from RM12.47 million for the preceding year corresponding quarter to RM10.11 million for the current quarter, as the result of the following:

1. Decrease in administrative costs by RM1.33 million mainly due to:
 - lower directors' remuneration by RM1.64 million mainly caused by lower provision of bonuses for directors; offset by
 - increase in depreciation charges by RM0.18 million; and
 - higher upkeep of office expenses RM0.11 million.
2. Decrease in net addition of impairment losses on financial instruments (trade receivables) by RM1.85 million due to net reversal of impairment losses on financial instruments of RM0.01 million for the current quarter as opposed to net addition of impairment losses of RM1.84 million for the preceding year corresponding quarter.
3. Increase in other costs by RM0.75 million, mainly due to:
 - realised loss on foreign exchange of RM0.26 million recorded for the current quarter;
 - higher unrealised loss on foreign exchange by RM0.15 million; and
 - higher stamp duty paid by RM0.37 million.

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)

Total finance costs for the current quarter was RM5.11 million, increased by RM1.09 million as compared to RM4.02 million for the preceding year corresponding quarter. This was mainly caused by higher interest expense for overdraft facilities, bankers' acceptances, islamic financing and term loans in the current quarter by RM0.35 million, RM0.12 million, RM0.35 million and RM0.23 million respectively, due to higher utilisation of the aforementioned facilities as well as higher interest rates for the current quarter as compared to the preceding year corresponding quarter resulted from the increase of Overnight Policy Rate by Bank Negara Malaysia in May 2022, July 2022, September 2022 and November 2022.

Based on the foregoing factors, we incurred loss before tax of RM7.49 million for the current quarter, as opposed to profit before tax for the preceding year corresponding quarter of RM38.61 million.

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

	Current Year- To-Date 31.12.2022 RM'000	Preceding Year- To-Date 31.12.2021 RM'000	Variance	
			RM'000	%
Revenue	1,025,118	886,582	138,536	15.6%
Gross profit	91,260	221,660	(130,400)	-58.8%
Profit before interest and tax	53,054	185,059	(132,005)	-71.3%
Profit before tax	36,915	172,849	(135,934)	-78.6%
Profit after tax	29,538	135,980	(106,442)	-78.3%
Profit attributable to owners of the Company	29,619	136,010	(106,391)	-78.2%

Our revenue increased by 15.6% or RM138.54 million from RM886.58 million for the preceding financial year-to-date to RM1,025.12 million for the current financial year-to-date.

The increase in revenue was mainly attributable to increase in revenue for trading and processing of steel products by 11.6% or RM37.77 million from RM324.93 million to RM362.70 million and by 17.9% or RM100.64 million from RM561.36 million to RM662.00 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 25.2% attributable to higher tonnage sales by 21.4% as well as higher average selling price by 3.1%.

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

- higher revenue from processing of flat carbon steel products by 10.0% attributable to higher tonnage sales by 15.9%, despite lower average selling price by 5.1%;
- higher revenue from processing of other flat steel products by 40.8% attributable to higher tonnage sales by 12.5% as well as higher average selling price by 25.1%;
- higher revenue from processing of long carbon steel products by 15.4% attributable to higher average selling price by 20.1%, despite lower tonnage sales by 3.9%; and
- higher revenue from processing of other long steel products by 31.8% attributable to higher tonnage sales by 17.7% as well as higher average selling price by 12.0%.

Despite higher revenue by 15.6% or RM138.54 million from RM886.58 million for the preceding financial year-to-date to RM1,025.12 million for the current financial year-to-date, our gross profit decreased by 58.8% or RM130.40 million, from RM221.66 million for the preceding financial year-to-date to RM91.26 million for the current financial year-to-date, mainly due to lower overall gross profit margin by approximately 14.8 percentage points, from 25.0% for the preceding financial year-to-date to 10.2% for the current financial year-to-date as well as inventories written down of RM12.93 million in the current financial year-to-date (RM0.37 million for the preceding financial year-to-date) as certain inventories were measured at its estimated net realisable value.

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

The other income for the current financial year-to-date was RM2.68 million as compared to RM5.11 million for the preceding financial year-to-date, lower by RM2.43 million, as the result of the following:

- decrease in rental income by RM2.09 million mainly due to expiration of tenancies for part of our warehouse space in PKFZ;
- decrease in interest income by RM0.73 million; and
- absence of reduction in tax penalty amounting to RM0.68 million which was recognised as other income for the preceding financial year-to-date pursuant to a Notice of Reduced Assessment for Year of Assessment 2017 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; partly mitigated by
- gain on disposal of plant and equipment amounting to RM0.77 million; and
- higher insurance claims by RM0.52 million.

Our operating costs decreased by RM0.91 million from RM40.02 million for the preceding financial year-to-date to RM39.11 million for the current financial year-to-date, as the result of the following:

1. Increase in distribution costs by RM0.84 million, mainly due to:
 - increase in staff related costs by RM0.18 million mainly caused by increase in salary, wage and overtime payments;
 - increase in depreciation charges by RM0.13 million;
 - increase in petrol, parking and toll expenses by RM0.14 million; and
 - increase in transportation, travelling and accommodation expenses by RM0.38 million.
2. Decrease in administrative costs by RM1.04 million, mainly due to:
 - lower directors' remuneration by RM1.82 million mainly caused by lower provision of bonuses for directors; and
 - lower professional fees incurred in the current financial year-to-date by RM0.38 million; offset by
 - increase in commission expenses by RM0.06 million;
 - increase in entertainment expenses by RM0.39 million;
 - increase in insurance, road tax, petrol, parking, toll and travelling expenses by RM0.20 million;
 - increase in security charges by RM0.14 million; and
 - higher upkeep of motor vehicles and office expenses by RM0.30 million.
3. Decrease in net addition of impairment losses on financial instruments (trade receivables) by approximately RM2.55 million due to net reversal of impairment losses on financial instruments of RM0.45 million for the current financial year-to-date as opposed to net addition of impairment losses of RM2.10 million for the preceding financial year-to-date.
4. Increase in other costs by RM1.83 million, mainly due to:
 - higher plant and equipment written off by RM0.34 million;
 - realised loss on foreign exchange of RM0.43 million recorded for the current financial year-to-date;
 - higher unrealised loss on foreign exchange by RM0.15 million; and
 - higher stamp duty paid by RM0.82 million.

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

B1. Review of Performance (Cont'd)

Current Financial Year-To-Date Compared To Preceding Financial Year-To-Date (Cont'd)

The finance costs for the current financial year-to-date was RM17.92 million, increased by RM4.01 million as compared to RM13.91 million for the preceding financial year-to-date. This was mainly caused by higher interest expense for overdraft facilities, bankers' acceptances, islamic financing and term loans by RM0.54 million, RM1.61 million, RM0.94 million and RM0.78 million respectively, due to higher utilisation of the aforementioned facilities as well as higher interest rates for the current financial year-to-date as compared to the preceding financial year-to-date resulted from the increase of Overnight Policy Rate by Bank Negara Malaysia in May 2022, July 2022, September 2022 and November 2022.

Based on the foregoing factors, our profit before tax for the current financial year-to-date decreased substantially by 78.6% or RM135.93 million as compared to preceding financial year-to-date, from RM172.85 million for the preceding financial year-to-date to RM36.92 million for the current financial year-to-date.

B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)**B2. Material Variation of Profit Before Tax Against Immediate Preceding Quarter**

	Current Quarter 31.12.2022 RM'000	Immediate Preceding Quarter 30.09.2022 RM'000	Variance	
			RM'000	%
Revenue	238,152	263,021	(24,869)	-9.5%
Gross profit	6,823	7,727	(904)	-11.7%
Loss before interest and tax	(2,822)	(1,008)	(1,814)	-180.0%
Loss before tax	(7,487)	(5,445)	(2,042)	-37.5%
Loss after tax	(5,144)	(3,231)	(1,913)	-59.2%
Loss attributable to owners of the Company	(5,087)	(3,226)	(1,861)	-57.7%

Our Group achieved revenue of RM238.15 million for the current quarter, which was lower than the immediate preceding quarter's revenue by 9.5% or RM24.87 million.

The decrease in revenue was mainly due to decrease in revenue for trading and processing of steel products by 20.9% or RM20.60 million from RM98.46 million to RM77.86 million and 2.7% or RM4.37 million from RM164.53 million to RM160.16 million respectively.

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

- lower revenue from trading of other flat steel products by 46.7% due to lower tonnage sales by 49.0%, despite higher average selling price by 4.5%; and
- lower revenue from trading of long carbon steel products by 34.0% due to lower tonnage sales by 28.2% as well as lower average selling price by 8.1%.

The decrease in revenue for processing of steel products was mainly due to lower revenue from processing of flat carbon steel products by 4.5% due to lower average selling price by 9.2%, despite higher tonnage sales by 5.2%.

For the current quarter, our gross profit decreased by 11.7% or approximately RM0.90 million, from RM7.73 million for the immediate preceding quarter to RM6.82 million for the current quarter, mainly due to decrease in revenue by 9.5% or RM24.87 million, from RM263.02 million for the immediate preceding quarter to RM238.15 million for the current quarter and lower overall gross profit margin by approximately 2.1 percentage points, from 3.7% for the immediate preceding quarter to 1.6% for the current quarter, negated by net reversal of inventories written down of RM3.05 million in the current quarter as opposed to net addition of inventories written down of RM2.10 million for the immediate preceding quarter as certain inventories were measured at its estimated net realisable value.

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

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

The other income of RM0.91 million for the current quarter as compared to RM0.67 million for the immediate preceding quarter, was higher by RM0.24 million, as the result of the following:

- increase in interest income by RM0.15 million;
- rental income of RM0.08 million due to a new tenancy for part of our warehouse space in PKFZ; and
- higher insurance claims by RM0.27 million; offset by
- lower unrealised gain on foreign exchange by RM0.26 million due to reversal of unrealised gain on foreign exchange of RM0.19 million recorded for the current quarter as opposed to unrealised gain on foreign exchange of RM0.07 million recorded for the immediate preceding quarter.

Our operating costs increased by approximately RM1.02 million, from RM9.09 million for the immediate preceding quarter to RM10.11 million for the current quarter, as the result of the following:

1. Lower net reversal of impairment losses on financial instruments (trade receivables) by RM0.39 million.
2. Increase in other costs by RM0.71 million, mainly due to:
 - higher realised loss on foreign exchange by RM0.54 million due to realised loss on foreign exchange of RM0.26 million recorded for the current quarter as opposed to reversal of realised loss on foreign exchange of RM0.28 million recorded for the immediate preceding quarter; and
 - unrealised loss on foreign exchange of RM0.17 million recorded for the current quarter.

The finance costs for the current quarter was RM5.11 million, increased by RM0.37 million as compared to RM4.74 million for the immediate preceding quarter mainly due to higher bank charges by RM0.14 million and higher interest expense for overdraft facilities and islamic financing by RM0.20 million and RM0.10 million respectively, caused by higher utilisation of the aforementioned facilities as well as higher interest rates for the current quarter as compared to the immediate preceding quarter resulted from the increase of Overnight Policy Rate by Bank Negara Malaysia in November 2022, partially offset by lower interest expense for bankers' acceptances by RM0.10 million.

Based on the foregoing factors, we incurred loss before tax of RM7.49 million for the current quarter, higher loss by 37.5% or RM2.04 million as compared to the loss before tax incurred for the immediate preceding quarter of RM5.45 million.

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

Our business operations mainly comprise trading and processing of a diverse range of flat and long steel products. Our processing facilities which include an extensive range of cutting, levelling, shearing, profiling, bending and finishing are catered for specific product requirements of our large customer base from diverse industries and to provide a one-stop solution to potential customers. The cutting and profiling facilities include a fiber laser cutting machine complete with automated loading and unloading facilities for inputs and outputs with overall processing speed of up to 5 times more than conventional laser cutting machines. In addition, our Group also has downstream manufacturing facilities for production of welded steel pipes with existing Phase 1 of the facilities currently having 4 production lines. We have also embarked on Phase 2 of the facilities which is only expected to be fully commissioned in early 2024.

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.

International Monetary Fund (IMF) projected global growth to be 2.9 percent in 2023. The rise in central bank rates to fight inflation and Russia's war in Ukraine continue to weigh on economic activity. Adverse risks have moderated although severe health outcomes in China could hold back the recovery, Russia's war in Ukraine could escalate, and tighter global financing costs could worsen debt distress. On the upside, a stronger boost from pent-up demand in numerous economies or a faster fall in inflation are plausible.

Locally, we will be facing similar risks affecting global economies. According to the Governor of Bank Negara, balance of risks of growth for Malaysia in 2023 remain tilted to the downside due to external factors but still, the risks aren't great enough to push the economy into a recession. The World Bank projected the Malaysian economy to grow by 4% in 2023.

To navigate through the challenging economic outlook and risks involved, our Group will remain vigilant on the movement of steel prices and related foreign currencies and will take proactive measures including negotiating forward contracts, where necessary, as well as prudent inventory management, to reduce any negative impact which may arise therefrom. Our Group will also continue to enhance the operating capabilities and efficiencies in meeting customers' requirements and to ensure timely satisfaction of customer orders while keeping our operating costs at a manageable level. The risk of COVID-19 infection will continue to be addressed by maintaining certain crucial preventive measures including work place hygiene and encouraging face masking in enclosed workplace. The Group has also retained its emergency response team in major subsidiaries to deal with emergencies arising from the endemic as well as other health and workplace related emergencies.

In this respect, our Board is cautiously optimistic that the Group will be able to achieve positive results for 2023.

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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 31.12.2022 RM'000	Preceding Year Quarter 31.12.2021 RM'000	Current Year- To-Date 31.12.2022 RM'000	Preceding Year- To-Date 31.12.2021 RM'000
Auditors' remuneration	273	255	273	255
Bad debt written off	-	71	-	71
Depreciation of property, plant and equipment	4,528	3,880	16,949	15,027
Impairment losses on trade receivables	240	1,841	494	2,160
Interest expense	4,665	3,619	16,139	12,210
Inventories written down	(3,052)	373	12,929	373
Plant and equipment written off	-	14	354	14
Waiver of interest income	-	-	189	-
Interest income	(281)	(327)	(565)	(1,299)
Net gain on a lease termination	-	-	#	(6)
Net gain on disposal of plant and equipment	(348)	-	(769)	-
Net loss/(gain) on foreign exchange				
- realised	257	(40)	425	(76)
- unrealised	352	29	167	12
Rent concession income	-	-	-	(71)
Rental income from premises	(83)	(522)	(431)	(2,524)
Reversal of impairment losses on trade receivables	(251)	(1)	(940)	(64)

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 31.12.2022 RM'000	Preceding Year Quarter 31.12.2021 RM'000	Current Year- To-Date 31.12.2022 RM'000	Preceding Year- To-Date 31.12.2021 RM'000
Current income tax				
- for the financial period/year	(3,325)	9,328	9,071	37,223
- over provision in prior financial years	-	-	(312)	(1,247)
Deferred tax				
- origination/(reversal) of temporary differences	982	194	(1,560)	957
- (over)/under provision in prior financial year	(#)	(1)	178	(64)
Income tax expense	<u>(2,343)</u>	<u>9,521</u>	<u>7,377</u>	<u>36,869</u>

Notes:# *Less than RM500.*

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

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

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

Utilisation of Proceeds from Private Placement

The Private Placement raised a gross proceeds of RM26.35 million. The status of utilisation of proceeds raised from the Private Placement as at 31 December 2022 is as follows:

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

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 31.12.2022 RM'000	As at 31.12.2021 RM'000
<u>Current</u>		
Secured:		
Bankers' acceptances	109,378	161,502
Bank overdrafts	37,528	1,017
Lease liabilities	3,951	3,848
Term loans	10,793	9,193
	<u>161,650</u>	<u>175,560</u>
Unsecured:		
Bankers' acceptances	119,992	135,272
Bank overdrafts	7,775	4,000
Islamic financing	76,287	52,990
Lease liabilities	1,030	1,786
	<u>205,084</u>	<u>194,048</u>
	<u>366,734</u>	<u>369,608</u>
<u>Non-current</u>		
Secured:		
Lease liabilities	4,125	4,934
Term loans	67,442	52,847
	<u>71,567</u>	<u>57,781</u>
Unsecured:		
Lease liabilities	10,534	11,477
	<u>82,101</u>	<u>69,258</u>
Total Borrowings	<u><u>448,835</u></u>	<u><u>438,866</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. (Loss)/Earnings Per Share**

(a) Basic (Loss)/Earnings Per Share

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2022 RM'000	Preceding Year Quarter 31.12.2021 RM'000	Current Year- To-Date 31.12.2022 RM'000	Preceding Year- To-Date 31.12.2021 RM'000
(Loss)/Profit attributable to owners of the Company	(5,087)	29,096	29,619	136,010
Weighted average number of ordinary shares in issue ('000)	341,000	341,000	341,000	330,384
Basic (Loss)/Earnings Per Share (sen)	(1.49)	8.53	8.69	41.17

(b) Diluted Earnings Per Share

Diluted earnings per share is equivalent to basic earnings per share as the Company does not have any dilutive potential ordinary shares in issue for the current quarter and current financial year-to-date.

By order of the Board
Kuala Lumpur
28 February 2023