

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 2021

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2021 RM'000	Preceding Year Quarter 31.12.2020 RM'000	Current Year- To-Date 31.12.2021 RM'000	Preceding Year- To-Date 31.12.2020 RM'000
Revenue	254,210	198,963	886,582	589,577
Cost of sales	(200,151)	(165,874)	(664,922)	(511,938)
Gross profit	54,059	33,089	221,660	77,639
Other income	1,036	1,378	5,114	5,612
Distribution costs	(3,149)	(3,629)	(11,597)	(10,283)
Administrative costs	(7,190)	(7,724)	(25,612)	(22,470)
Net addition of impairment losses on financial instruments	(1,840)	(1,129)	(2,096)	(1,366)
Other costs	(288)	(109)	(714)	(1,962)
	(12,467)	(12,591)	(40,019)	(36,081)
Profit from operations	42,628	21,876	186,755	47,170
Finance costs	(4,016)	(3,179)	(13,906)	(13,806)
Profit before tax	38,612	18,697	172,849	33,364
Income tax expense	(9,521)	(718)	(36,869)	(4,890)
Profit for the financial period/year	29,091	17,979	135,980	28,474
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange difference on translation of a foreign operation	4	2	17	(1)
Total other comprehensive income, net of tax	4	2	17	(1)
Total comprehensive income for the financial period/year	29,095	17,981	135,997	28,473
Profit attributable to:				
- Owners of the Company	29,096	17,993	136,010	28,458
- Non-controlling interests	(5)	(14)	(30)	16
	29,091	17,979	135,980	28,474

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021 (CONT'D)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current	Preceding	Current	Preceding
	Year	Year	Year-	Year-
	Quarter	Quarter	To-Date	To-Date
	31.12.2021	31.12.2020	31.12.2021	31.12.2020
	RM'000	RM'000	RM'000	RM'000
Total comprehensive income attributable to:				
- Owners of the Company	29,100	17,995	136,027	28,457
- Non-controlling interests	(5)	(14)	(30)	16
	<u>29,095</u>	<u>17,981</u>	<u>135,997</u>	<u>28,473</u>
Earnings per share (sen) attributable to owners of the Company:				
- Basic	8.53	5.80	41.17	9.18
- Diluted	8.53	5.80	41.17	9.18

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.

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Registration No. 200601036648 (756407-D)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2021

	As at 31.12.2021 RM'000 (Unaudited)	As at 31.12.2020 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	245,022	203,686
Capital work-in-progress	33,867	13,836
	<u>278,889</u>	<u>217,522</u>
Current assets		
Inventories	419,278	250,378
Trade receivables	259,621	196,424
Other receivables, deposits and prepayments	25,236	10,950
Tax assets	147	4,813
Deposits with licensed banks	3,015	27,878
Cash and bank balances	42,637	23,358
	<u>749,934</u>	<u>513,801</u>
TOTAL ASSETS	<u><u>1,028,823</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	457,940	328,750
Translation reserve	2	(15)
	<u>534,821</u>	<u>379,285</u>
Non-controlling interests	586	616
Total Equity	<u>535,407</u>	<u>379,901</u>
Non-current liabilities		
Loans and borrowings	69,258	61,558
Deferred tax liabilities	7,480	6,587
	<u>76,738</u>	<u>68,145</u>
Current liabilities		
Trade payables	14,217	32,153
Other payables and accruals	16,112	17,658
Tax liabilities	14,704	125
Loans and borrowings	369,608	230,311
Contract liabilities	2,037	3,030
	<u>416,678</u>	<u>283,277</u>
Total Liabilities	<u>493,416</u>	<u>351,422</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,028,823</u></u>	<u><u>731,323</u></u>
Net assets per share attributable to owners of the Company (RM)	1.57	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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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FOURTH QUARTER ENDED 31 DECEMBER 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 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
Share issue expenses	(21)	-	-	-	-	-	(21)
Dividend	-	-	-	-	(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
2020							
At 1 January 2020	160,094	(109,545)	1	(14)	300,292	600	351,428
Profit for the financial year	-	-	-	-	28,458	16	28,474
Other comprehensive income for the financial year	-	-	-	(1)	-	-	(1)
Total comprehensive income	-	-	-	(1)	28,458	16	28,473
At 31 December 2020	160,094	(109,545)	1	(15)	328,750	616	379,901

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 FOURTH QUARTER ENDED 31 DECEMBER 2021

	Current Year-To-Date 31.12.2021 RM'000	Preceding Year-To-Date 31.12.2020 RM'000
Cash Flows from Operating Activities		
Profit before tax	172,849	33,364
Adjustments for:		
Bad debt written off	71	4
Depreciation of property, plant and equipment	15,027	15,323
Derecognition of a right-of-use asset	-	11
Gain on disposal of plant and equipment	-	(36)
Impairment losses on trade receivables	2,160	1,367
Interest income	(1,299)	(835)
Interest expense	12,210	12,950
Inventories written down	373	906
Net gain on a lease termination	(6)	-
Net unrealised loss on foreign exchange	12	2
Plant and equipment written off	14	-
Rent concession income	(71)	(86)
Reversal of impairment losses on trade receivables	(64)	(1)
Reversal of a lease liability	-	(11)
Operating profit before changes in working capital	201,276	62,958
Inventories	(169,292)	9,779
Trade and other receivables	(70,269)	(39,256)
Trade and other payables	(20,934)	(973)
Contract liabilities	(993)	389
Net cash (used in)/generated from operations	(60,212)	32,897
Interest received	896	677
Interest paid	(13,165)	(12,750)
Income tax paid	(16,731)	(5,539)
Net cash (used in)/from operating activities	(89,212)	15,285
Cash Flows from Investing Activities		
Changes in deposits pledged with licensed banks	7,588	(193)
Capital work-in-progress paid	(15,597)	(8,706)
Deposits paid for acquisition of property, plant and equipment	(11,576)	(3,736)
Purchase of property, plant and equipment	(38,702)	(1,371)
Proceeds from disposal of plant and equipment	-	36
Net cash used in investing activities	(58,287)	(13,970)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2021 (CONT'D)

	Current Year-To-Date 31.12.2021 RM'000	Preceding Year-To-Date 31.12.2020 RM'000
Cash Flows from Financing Activities		
Net proceeds from issuance of ordinary shares	26,329	-
Drawdown of term loan	6,237	2,370
Payment of lease liabilities	(4,814)	(4,609)
Repayment of term loans	(3,163)	(1,820)
Repayment to ultimate holding company	-	(137)
Net drawdown of islamic financing	9,116	10,662
Net drawdown of bankers' acceptances	147,016	11,985
Dividend paid	(6,820)	-
Net cash from financing activities	<u>173,901</u>	<u>18,451</u>
Net increase in cash and cash equivalents	26,402	19,766
Cash and cash equivalents at the beginning of the financial year	13,681	(6,079)
Effect of exchange rate changes on cash and cash equivalents	54	(6)
Cash and cash equivalents at the end of the financial year	<u><u>40,137</u></u>	<u><u>13,681</u></u>
Cash and cash equivalents at the end of the financial year comprises:		
Cash and bank balances	42,637	23,358
Deposits with licensed banks	3,015	27,878
	<u>45,652</u>	<u>51,236</u>
Less: Bank overdrafts	(5,017)	(29,468)
Less: Deposits pledged with licensed banks	(498)	(8,087)
	<u><u>40,137</u></u>	<u><u>13,681</u></u>

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 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

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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 31 December 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	204,070	385,115	392	589,577
Cost of sales	(180,138)	(330,598)	(296)	(511,032)
Gross profit before inventories written down	<u>23,932</u>	<u>54,517</u>	<u>96</u>	<u>78,545</u>
Inventories written down				(906)
Gross profit				<u>77,639</u>
Add/(Less):				
- Other income				5,612
- Operating expenses				(34,715)
- Net addition of impairment losses on financial instruments				(1,366)
- Finance costs				<u>(13,806)</u>
Profit before tax				33,364
Income tax expense				<u>(4,890)</u>
Profit for the financial year				<u><u>28,474</u></u>

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 31.12.2021 RM'000	Audited As at 31.12.2020 RM'000
Approved and contracted for:		
Acquisition of motor vehicles	964	-
Acquisition of plant and equipment	35,207	10,107
Acquisition of properties	19,854	-
Construction of factory and warehouse buildings	15,454	19,355
Approved and not contracted for:		
Acquisition of properties	-	3,302
	<u>71,479</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 31 December 2021.

A14. Significant Related Party Transactions

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2021 RM'000	Preceding Year Quarter 31.12.2020 RM'000	Current Year- To-Date 31.12.2021 RM'000	Preceding Year- To-Date 31.12.2020 RM'000
Sales to related parties	1,920	1,183	5,310	3,824
Purchases from related parties	-	265	180	327
Rental expense paid to related parties	430	513	1,749	1,964

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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 31.12.2021 RM'000	Preceding Year Quarter 31.12.2020 RM'000	Variance	
			RM'000	%
Revenue	254,210	198,963	55,247	27.8%
Gross profit	54,059	33,089	20,970	63.4%
Profit before interest and tax	42,231	21,655	20,576	95.0%
Profit before tax	38,612	18,697	19,915	106.5%
Profit after tax	29,091	17,979	11,112	61.8%
Profit attributable to owners of the Company	29,096	17,993	11,103	61.7%

The revenue recorded for the current quarter and the preceding year corresponding quarter was RM254.21 million and RM198.96 million respectively, increased by 27.8% or RM55.25 million.

The increase in revenue was mainly due to increase in revenue for trading and processing of steel products by 26.5% or RM17.18 million from RM64.77 million to RM81.95 million and 28.4% or RM38.06 million from RM134.12 million to RM172.18 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 29.5% mainly attributable to higher average selling price by 72.4%, despite lower tonnage sales by 24.9%;
- higher revenue from trading of other flat steel products by 67.4% mainly attributable to higher average selling price by 48.7% as well as higher tonnage sales by 12.5%; and
- higher revenue from trading of long carbon steel products by 11.0% mainly attributable to higher average selling price by 61.9%, despite lower tonnage sales by 31.4%.

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

- higher revenue from processing of flat carbon steel products by 22.6% mainly attributable to higher average selling price by 77.0%, despite lower tonnage sales by 30.7%;
- higher revenue from processing of other flat steel products by 36.0%, mainly attributable to higher average selling price by 50.0%, despite lower tonnage sales by 9.3%; and
- higher revenue from processing of long carbon steel products by 69.7%, mainly due to higher average selling price by 40.6% as well as increase in tonnage sales by 20.7%.

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 32.2% and 67.7% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of 32.6% and 67.4% 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 63.4% or RM20.97 million, from RM33.09 million for the preceding year corresponding quarter to RM54.06 million for the current quarter. This was due to the increase in revenue by 27.8% or RM55.25 million, from RM198.96 million to RM254.21 million, as well as higher overall gross profit margin, from 16.6% for the preceding year corresponding quarter to 21.3% for the current quarter, mainly resulted from higher gross profit margin recorded for trading and processing of steel products by 5.9 percentage points from 13.6% to 19.5% and 3.6 percentage points from 18.7% to 22.3% respectively as compared to the preceding year corresponding quarter.

The higher gross profit margin for trading of steel products was mainly resulted from:

- higher gross profit margin for trading of other flat steel products by 15.4 percentage points mainly due to increase in average selling price by 48.7%, while the average cost for input materials had only increased by 22.8%;
- higher gross profit margin for trading of long carbon steel products by 11.3 percentage points mainly due to increase in average selling price by 61.9%, while the average cost for input materials had only increased by 41.1%; and
- higher gross profit margin for trading of other long steel products by 8.0 percentage points mainly due to increase in average selling price by 35.3%, while the average cost for input materials had only increased by 20.1%.

The higher gross profit margin for processing of steel products was mainly resulted from:

- higher gross profit margin for processing of other flat steel products by 6.8 percentage points mainly due to increase in average selling price by 50.0%, while the average cost for input materials had only increased by 37.9%; and
- higher gross profit margin for processing of long carbon steel products by 8.4 percentage points mainly due to increase in average selling price by 40.6%, while the average cost for input materials had only increased by 28.2%.

The other income for the current quarter was RM1.04 million as compared to RM1.38 million for the preceding year corresponding quarter, lower by RM0.34 million, as the result of:

- 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; and
- lower wage subsidy from Government under the Wage Subsidy Programme by RM0.08 million.

Our operating costs decreased slightly by RM0.12 million from RM12.59 million for the preceding year corresponding quarter to RM12.47 million for the current quarter, as the result of the following:

1. Decrease in distribution costs by RM0.48 million, mainly due to:
 - decrease in staff related costs by RM0.42 million mainly resulted from lower 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, while the total bonuses for the immediate preceding financial year had been charged solely to the preceding year corresponding quarter; and
 - decrease in transportation, travelling and accommodation expenses by RM0.10 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)

2. Decrease in administrative costs by RM0.53 million mainly due to:
 - decrease in staff related costs and directors' remuneration by RM0.43 million mainly resulted from lower provision of bonuses for staff and directors as the management has decided to accrue for directors and staff bonuses on quarterly basis instead of charging the total bonuses to the last quarter of current financial year, while the total bonuses for the immediate preceding financial year had been charged solely to the preceding year corresponding quarter; and
 - decrease in depreciation charges by RM0.13 million.
3. Increase in net addition of impairment losses of financial instruments (trade receivables) by RM0.71 million.
4. Increase in other costs by RM0.18 million, mainly due to:
 - bad debt written off of RM0.07 million; and
 - higher stamp duty paid by RM0.08 million.

Total finance costs for the current quarter was RM4.02 million, increased by RM0.84 million as compared to RM3.18 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 RM0.79 million, RM0.12 million and RM0.18 million respectively, partially offset by lower interest expense for overdraft facilities by RM0.27 million.

Based on the foregoing factors, our profit before tax increased by 106.5% or RM19.91 million, from RM18.70 million for the preceding year corresponding quarter to RM38.61 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 31.12.2021 RM'000	Preceding Year- To-Date 31.12.2020 RM'000	Variance	
			RM'000	%
Revenue	886,582	589,577	297,005	50.4%
Gross profit	221,660	77,639	144,021	185.5%
Profit before interest and tax	185,059	46,314	138,745	299.6%
Profit before tax	172,849	33,364	139,485	418.1%
Profit after tax	135,980	28,474	107,506	377.6%
Profit attributable to owners of the Company	136,010	28,458	107,552	377.9%

Our revenue increased by 50.4% or RM297.00 million from RM589.58 million for the preceding financial year-to-date to RM886.58 million for the current financial year-to-date mainly due to higher overall average selling price by 50.7%, while the overall tonnage sales remained fairly consistent.

Our gross profit increased by 185.5% or RM144.02 million, from RM77.64 million for the preceding financial year-to-date to RM221.66 million for the current financial year-to-date, which was due to the increase in revenue by 50.4% or RM297.00 million, from RM589.58 million for the preceding financial year-to-date to RM886.58 million for the current financial year-to-date, as well as better overall gross profit margin by 11.8 percentage points, from 13.2% for the preceding financial year-to-date to 25.0% for the current financial year-to-date.

The other income for the current financial year-to-date was RM5.11 million as compared to RM5.61 million for the preceding financial year-to-date, lower by RM0.50 million, as the result of:

- lower realised gain on foreign exchange recorded for the current financial year-to-date by RM0.15 million;
- lower insurance claims by RM0.11 million;
- lower wage subsidy from Government under the Wage Subsidy Programme by RM0.81 million; and
- lower employment subsidies from Singapore's Government to our foreign operation by RM0.11 million; offset by
- 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.

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 RM3.94 million from RM36.08 million for the preceding financial year-to-date to RM40.02 million for the current financial year-to-date, as the result of the following:

1. Increase in distribution costs by RM1.31 million, mainly caused by:
 - increase in staff related costs by RM0.79 million mainly caused by increase in salary, wage and overtime payments as well as higher provision of bonuses for staff;
 - increase in depreciation charges by RM0.10 million;
 - increase in petrol, parking and toll expenses by RM0.17 million; and
 - increase in transportation, travelling and accommodation expenses by RM0.18 million.
2. Increase in administrative costs by RM3.14 million, mainly caused by:
 - increase in staff related costs and directors' remuneration by RM2.70 million, mainly due to higher provision of bonuses for staff and directors; and
 - higher professional fees incurred in the current financial year-to-date by RM0.68 million.
3. Higher net addition of impairment losses of financial instruments (trade receivables) for the current financial year-to-date as compared to the preceding financial year-to-date by RM0.73 million.
4. Decrease in other costs by approximately RM1.25 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 RM0.40 million.

The finance costs for the current financial year-to-date was RM13.91 million, remained fairly consistent as compared to RM13.81 million for the preceding financial year-to-date.

Based on the foregoing factors, our profit before tax for the current financial year-to-date increased substantially by 418.1% or RM139.49 million as compared to preceding financial year-to-date, from RM33.36 million for the preceding financial year-to-date to RM172.85 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 31.12.2021 RM'000	Immediate Preceding Quarter 30.09.2021 RM'000	Variance	
			RM'000	%
Revenue	254,210	236,110	18,100	7.7%
Gross profit	54,059	60,805	(6,746)	-11.1%
Profit before interest and tax	42,231	52,574	(10,343)	-19.7%
Profit before tax	38,612	49,139	(10,527)	-21.4%
Profit after tax	29,091	38,664	(9,573)	-24.8%
Profit attributable to owners of the Company	29,096	38,671	(9,575)	-24.8%

Our Group achieved revenue of RM254.21 million for the current quarter, which was higher than the immediate preceding quarter's revenue by 7.7% or RM18.10 million.

The increase in revenue was mainly due to increase in revenue for processing of steel products by 21.9% or RM30.96 million, from RM141.22 million to RM172.18 million, partially offset by lower revenue for trading of steel products by 13.6% or RM12.86 million, from RM94.81 million to RM81.95 million.

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

- higher revenue from processing of flat carbon steel products by 27.0% mainly attributable to higher tonnage sales by 25.0%, while the average selling price remained fairly consistent; and
- higher revenue from processing of other flat steel products by 14.9% mainly attributable to higher average selling price by 13.7%, while the tonnage sales remained fairly consistent.

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

- lower revenue from trading of other flat steel products by 36.3% mainly due to lower tonnage sales by 38.0%, slightly mitigated by higher average selling price by 2.6%; and
- lower revenue from trading of long carbon steel products by 19.7% mainly due to lower tonnage sales by 22.8%, slightly mitigated by higher average selling price by 4.0%.

Despite higher revenue by 7.7% or RM18.10 million, from RM236.11 million to RM254.21 million, our gross profit decreased by 11.1% or approximately RM6.74 million, from RM60.80 million for the immediate preceding quarter to RM54.06 million for the current quarter, which was due to lower overall gross profit margin by 4.5 percentage points, from 25.8% for the immediate preceding quarter to 21.3% for the current quarter, mainly resulted from:

- lower gross profit margin for trading of flat carbon steel products by 11.1 percentage points mainly due to decrease in average selling price by 2.5%, while the average cost for input materials had increased by 11.9%; and
- lower gross profit margin for processing of flat carbon steel products by 4.3 percentage mainly due to increase average cost for input materials by 7.8%, while the average selling price remained fairly consistent.

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 RM1.04 million for the current quarter as compared to RM1.75 million for the immediate preceding quarter, was lower by RM0.71 million, mainly due to absence of the reduction of tax penalty of RM0.68 million in relation to the Form JR for YA2017 effecting the amicable settlement with the tax authority for the tax appeal filed which was recognised as other income for the immediate preceding quarter.

Our operating costs increased by RM2.86 million, from RM9.61 million for the immediate preceding quarter to RM12.47 million for the current quarter, due to the following:

1. Increase in distribution costs by RM0.37 million mainly due to higher provision of bonuses for staff.
2. Increase in administrative costs by RM0.58 million mainly due to:
 - increase in staff related costs and directors' remuneration by RM0.36 million mainly due to higher provision of bonuses for staff; and
 - one-off provision of auditors' remuneration amounting to RM0.25 million in the current quarter.
3. Increase in net addition of impairment losses of financial instruments (trade receivables) by RM1.77 million.
4. Increase in other costs by RM0.13 million, mainly due to:
 - bad debt written off of RM0.07 million; and
 - higher stamp duty paid by RM0.05 million.

The finance costs for the current quarter was RM4.02 million, increased by approximately RM0.22 million as compared to RM3.80 million for the immediate preceding quarter mainly due to higher interest expense for bankers' acceptances, islamic financing and term loans by RM0.16 million, RM0.05 million and RM0.04 million respectively as well as higher bank charges incurred in the current quarter by RM0.04 million, partially offset by lower interest expense for overdraft facilities by RM0.06 million.

Based on the foregoing factors, our profit before tax decreased by 21.4% or RM10.53 million, from RM49.14 million for the immediate preceding quarter to RM38.61 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 with existing Phase 1 of the facilities having 2 production lines. Another 2 new production lines are currently being installed at the same facilities to optimise its production capacity and are expected to commence commercial production in the second quarter of 2022. We have also embarked on Phase 2 of the facilities which is only expected to be fully commissioned in the second half of 2023.

The profitability of our business is very much dependent on prices of our steel products besides demand from customers. In this respect, global factors such as volatility in commodities and crude oil prices as well as significant fluctuation in exchange rate of foreign currencies against Ringgit Malaysia will affect our suppliers' pricing and hence the profitability of our steel products as some of our merchandise and raw materials are sourced from overseas. With regards to the demand from our customers, our Group is leveraging on its large and diverse customer base which in turn dependent on the condition of economies they thrived in, their resilience towards crisis as well as policy measures of the government.

Globally, the economic recovery is set to decelerate amid continued COVID-19 flare-ups, diminished policy support, and lingering supply bottlenecks. The outlook is clouded by various downside risks, including new virus variants, unanchored inflation expectations, and financial stress. If some countries eventually require debt restructuring, the recovery will be more difficult to achieve than in the past. Climate change may increase commodity price volatility. Social tensions may heighten as a result of the increase in inequality caused by the pandemic. These challenges underscore the need to foster widespread vaccination, enhance debt sustainability, tackle climate change and inequality, and diversify economic activity.

Locally, Bank Negara Malaysia has forecast that the Malaysian economy will expand between 5.5% and 6.5% this year, underpinned by continued expansion in global demand and higher private-sector expenditure. Nevertheless, risks to the outlook for 2022 remain, arising from a weaker-than-expected global growth, worsening supply chain disruptions, and the emergence of severe and vaccine-resistant COVID-19 variants of concern.

Mindful of the uncertain economic outlook and risks involved, our Group will heighten 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 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, Covid-19 screening for entire workforce at regular intervals 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 major subsidiaries to deal with emergencies arising from the pandemic as well as other health and workplace related emergencies.

Having considered the above, our Board is cautiously optimistic that our Group will achieve profitable result for 2022.

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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 31.12.2021 RM'000	Preceding Year Quarter 31.12.2020 RM'000	Current Year- To-Date 31.12.2021 RM'000	Preceding Year- To-Date 31.12.2020 RM'000
Auditors' remuneration	255	232	255	232
Bad debt written off	71	-	71	4
Depreciation of property, plant and equipment	3,880	3,795	15,027	15,323
Derecognition of a right-of-use asset	-	-	-	11
Impairment losses on trade receivables	1,841	1,128	2,160	1,367
Plant and equipment written off	14	-	14	-
Interest expense	3,619	2,958	12,210	12,950
Interest income	(327)	(159)	(1,299)	(835)
Inventories written down	373	906	373	906
Net (gain)/loss on foreign exchange				
- realised	(40)	(31)	(76)	(205)
- unrealised	29	(9)	12	2
Net gain on a lease termination	-	-	(6)	-
Gain on disposal of plant and equipment	-	-	-	(36)
Rental income	(522)	(740)	(2,524)	(2,525)
Rent concession income	-	-	(71)	(86)
Reversal of impairment losses on trade receivables	(1)	2	(64)	(1)
Reversal of a lease liability	-	-	-	(11)

Notes:

Save as disclosed above, the other items as required under Appendix 9B Part A (16) of the Main Market Listing Requirements of Bursa Securities are not applicable.

B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)**B6. Income Tax Expense**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2021 RM'000	Preceding Year Quarter 31.12.2020 RM'000	Current Year- To-Date 31.12.2021 RM'000	Preceding Year- To-Date 31.12.2020 RM'000
Current income tax				
- for the financial period/year	9,328	1,289	37,223	4,741
- over provision in prior financial years	-	(657)	(1,247)	(920)
Deferred tax				
- origination/(reversal) of temporary differences	194	(336)	957	751
- (over)/under provision in prior financial year	(1)	422	(64)	318
Income tax expense	9,521	718	36,869	4,890

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

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.

On 14 February 2022, the Company announced that the SPA was completed following the fulfillment of the Condition Precedent stipulated in the SPA and full payment of the purchase price on even date.

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

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B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)**B7. Status of Corporate Proposals (Cont'd)****(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 31 December 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	7,846	-	18,349	Within 24 months
Expenses incurred for the Private Placement	155	155	-	-	Immediate
Total	26,350	8,001	-	18,349	

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 31.12.2021 RM'000	As at 31.12.2020 RM'000
<u>Current</u>		
Secured:		
Bankers' acceptances	161,502	98,833
Bank overdrafts	1,017	18,692
Lease liabilities	3,848	2,872
Term loans	9,193	3,096
	175,560	123,493
Unsecured:		
Bankers' acceptances	135,272	50,925
Bank overdrafts	4,000	10,776
Islamic financing	52,990	43,874
Lease liabilities	1,786	1,243
	194,048	106,818
	369,608	230,311
<u>Non-current</u>		
Secured:		
Lease liabilities	4,934	2,934
Term loans	52,847	47,870
	57,781	50,804
Unsecured:		
Lease liabilities	11,477	10,754
	69,258	61,558
Total Borrowings	438,866	291,869

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 31.12.2021 RM'000	Preceding Year Quarter 31.12.2020 RM'000	Current Year- To-Date 31.12.2021 RM'000	Preceding Year- To-Date 31.12.2020 RM'000
Profit attributable to owners of the Company	29,096	17,993	136,010	28,458
Weighted average number of ordinary shares in issue ('000)	341,000	310,000	330,384	310,000
Basic Earnings Per Share (sen)	8.53	5.80	41.17	9.18

(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
25 February 2022