

PART A: EXPLANATION NOTES AS PER MFRS 134

A1 Accounting policies and methods of computation

These unaudited condensed consolidated interim financial statements have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134 Interim Financial Reporting and paragraph 9.22 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

These interim financial statements should be read in conjunction with the audited financial statements of the Group for the year ended 31 December 2013.

The explanatory notes attached to these condensed consolidated interim financial statements provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the financial year ended 31 December 2013.

The significant accounting policies and methods of computation adopted are consistent with those of the audited financial statements for the year ended 31 December 2013, except for the adoption of the following Amendments to Standards and IC Interpretations with effect from 1 January 2014 :

Amendments to MFRS 10	Consolidated Financial Statements : Investment Entities
Amendments to MFRS 12	Disclosure of Interests in Other Entities : Investment Entities
Amendments to MFRS 127	Separate Financial Statements : Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation – Offsetting Financial Assets and Financial Liabilities
Amendments MFRS 136	Impairment of Assets – Recoverable Amount Disclosures for Non-Financial Assets
Amendments MFRS 139	Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21	Levies

The above Amendments to MFRSs and IC Interpretation do not have significant impact on the financial reporting of the Group.

As at the date of authorization of this report, the following MFRSs have been issued with effective dates that have not been adopted by the Group:

	Effective Date
Amendments to MFRS 119 Defined Benefit Plans : Employee Contributions	1 July 2014
Amendments to MFRSs Annual Improvements to MFRSs 2010–2012 Cycle	1 July 2014

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Amendments to MFRSs Annual Improvements to MFRSs 2011-2013 Cycle	1 July 2014
MFRS 14 Regulatory Deferral Accounts	1 January 2016
Amendments to MFRS 116 and MFRS 138 Clarification of Acceptable Methods of Depreciation and Amortisation	1 January 2016
Amendments to MFRS 11 Accounting for Acquisitions of Interests in Joint Operations	1 January 2016
Amendments to MFRS 116 and MFRS 141 Agriculture : Bearer Plants	1 January 2016
Amendments to MFRS 127 Equity Method in Separate Financial Statements	1 January 2016
Amendments to MFRS 10 and MFRS 128 Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	1 January 2016
Amendments to MFRSs Annual Improvements to MFRSs 2012-2014 Cycle	1 January 2016
MFRS 15 Revenue from Contracts with Customers	1 January 2017
MFRS 9 Financial Instruments	1 January 2018

A2 Seasonal or cyclicity factors

The Group faces minor seasonal fluctuations during the major festive seasons such as Hari Raya Aidilfitri and Chinese New Year celebrations.

A3 The nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence

There was no unusual item in the quarterly financial statement under review.

A4 Changes in estimates

There are no significant changes in the estimates of amount, which give a material effect in the current interim period.

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A5 Issuances, cancellations, repurchases, resale and repayments of debt and equity securities

There were no issuances, cancellations, repurchases, resale and repayments of debt and equity securities for the current quarter ended 31 December 2014.

A6 Dividends paid (aggregate or per share) separately for ordinary share and other shares

A final single-tier dividend of 4.0% (2.0 sen per ordinary share) , amounting to RM3,500,557 in respect of the financial year ended 31 December 2013 was paid on 18 September 2014.

A7 Segment Information for the current financial year to date

	<u>Trading</u> RM'000	<u>Manufacturing</u> RM'000	<u>Investment</u> RM'000	<u>Elimination</u> RM'000	<u>Total</u> RM'000
Revenue					
External Sales	157,296	471,504	1,301	-	630,101
Inter-segment revenue	811	84,327	7,616	(92,754)	-
Total Revenue	158,107	555,831	8,917	(92,754)	630,101
Segment Result	5,592	32,850	5,317	(5,500)	38,259
Profit from operations					38,259
Finance costs					(14,143)
Interest Income					367
Share of results of associates					(1,568)
Profit before tax					22,915

No analysis by geographical area has been presented as its year to date contribution was less than 10% to the combined results of all segments revenue or results or assets.

A8 Valuations of property, plant and equipment

The valuation of land & buildings has been brought forward, without amendment from the previous annual financial statement.

A9 Material events subsequent to the end of the interim period that have not been reflected in the financial statements for the interim period

There were no material events subsequent to the end of the interim period that have not been reflected in the financial statements for the current quarter under review.

A10 The effect of changes in the composition of the enterprise during the interim period, including business combinations, acquisition or disposal of subsidiaries and long-term investments, restructurings, and discontinuing operations

The effect of changes in the composition of the Group during the financial year :

Name of the Company : Dai Dong Steel Sdn Bhd (“DDSB”)

Equity held at 30 Sep 2014 : 70%

Equity held at 31 Dec 2014 : 100%

On 1st Oct 2014, DDSB has become a 100% owned subsidiary of the company as a result of the proposed acquisition carried out in Sep 2014. (Please refer to Note B6 below)

A11 Changes in contingent liabilities or contingent assets since the last financial year ended 31 December 2013

As at the date of this announcement, there were no material contingent liabilities incurred by the Group which, upon becoming enforceable, may have a material impact on the financial position of the Group.

A12 Capital commitments

	As at 31/12/2014
	RM'000
Property, plant and equipment	
Authorized and contracted for	1,831
Authorized and not contracted for	1,230

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PART B: ADDITIONAL INFORMATION REQUIRED BY THE LISTING REQUIREMENTS OF BURSA SECURITIES (PART A OF APPENDIX 9B)

B1 Review of performance of the company and its principal subsidiaries for the current quarter and financial year to date (YTD)

Group revenue for the current quarter and year-to-date were RM156.4 million and RM 630.1 million respectively. This gave an increase of 3.9% and 4.9% respectively over the same period last year. Profit before tax for the current quarter increased from RM4.5 million last year to RM 4.8 million this year while YTD Profit before tax were higher at RM 22.9 million as compared to RM 20.3 million of the same period last year.

The slight improvement in both the current quarter and YTD performance was mainly due to better sales margin obtained on export sales plus the effect of having lower losses from a loss-making subsidiary this year as well as reversal of some provisions which became unnecessary in line with the change of business conditions. Nonetheless, the Group also equity accounting for higher losses of an associate company during the quarter under review and thus affected the overall performance.

B2 Material changes in the profit before taxation for the quarter reported on as compared with the immediate preceding quarter

Compared to the immediate preceding quarter, Group revenue for the quarter under review reduced by 2.6% from RM160.6 million to RM156.4 million. Profit before tax for the quarter under review also lower from RM5.7 million in the immediate preceding quarter to RM4.8 million, this was mainly due to decline in steel prices and extremely competitive market conditions faced by the Group in this quarter **when compare** to the immediate preceding quarter. The Group also faced with absorbing higher losses of the associate company under equity accounting requirement during the quarter under review.

B3 Prospects

Facing with the double effects of declining crude oil prices and depreciating Malaysian currency against the US dollar and other major currencies of the world, domestic business environment and conditions became very volatile and competition became even more stiff. Along with this development, the government has revised the forecast of the country's economic growth for the year 2015 from 5.0% - 6.0% to 4.5 - 5.5% but maintained that the economy is intact and resilient. Amidst this situation, local steel industry remained at doldrum with over supply of the materials flooding the market and depressing the margins. Besides that, businesses within the country will also facing some uncertainties while getting ready for the implementation of GST in the second quarter of the year as all market players and consumers will need some time to get familiar with the new tax system.

Against this backdrop, the Board will continue to adopt cautious and pragmatic approach in meeting the challenges and competition in order to continue generating a satisfactory performance for the financial year under review.

B4 Variance of actual profit from forecast profit / profit guarantee

Not applicable.

B5 Tax expenses

	Current Quarter 31/12/2014 RM'000	Current Year To Date 31/12/2014 RM'000
Current taxation	271	4,887
Deferred taxation	1,654	3,388
In respect of prior years	58	(400)
	1,983	7,875

The average effective tax rate of the Group for the current quarter and financial year to date is higher than the current statutory tax rate mainly due to non tax deductibility of some expenses as well as incorporating losses of certain loss making subsidiaries and associate .

B6 The status of corporate proposals announced but not completed at the latest practicable date which shall not be earlier than 7 days from the date of issue of the quarterly report.

- i) Proposed employees' share option scheme ("ESOS") of up to fifteen per centum (15%) of the issued and paid-up share capital of the Company , announced on 29th September 2013 and successfully implemented on 21st April 2014
- ii) On 29th Aug 2014, the Company announced the proposed acquisition of 900,000 ordinary shares of RM1.00 each in the capital of Dai Dong Steel Sdn. Bhd. ("DDSB"), a 70% owned subsidiary of the Company, representing 30% of the issued and paid-up share capital of DDSB at a total purchase consideration of RM4,501,380.00. The proposed acquisition was completed on 1st Oct 2014 and DDSB has become a 100% owned subsidiary.

B7 Group bank borrowings:

Total group borrowings as at 31 December 2014 are as follows:-

	Short Term Borrowing	Long Term Borrowing
	RM'000	RM'000
Denominated in Ringgit Malaysia:		
Secured	66,942	20,738
Unsecured	162,964	-
Denominated in US Dollar:		
Secured	2,411	-
Unsecured	-	-
Total Bank Borrowings	232,317	20,738

B8 Material litigation since the date of the last annual statement of financial which must be made up to a date not earlier than 7 days from the date of issue of the quarterly report

Save as disclosed below, the Group is not engaged in any material litigation, either as a plaintiff or defendant, claims or arbitration which have a material effect on the financial position of the Group:

Tashin Steel Sdn Bhd ("Tashin"), Formula Naga Sdn Bhd ("FN") and Ta Yang Hardware Sdn Bhd ("TY") ("Plaintiffs") vs. PDC Properties Sdn Bhd ("PDC") ("Defendant").

On 25 October, 2012, Tashin, a subsidiary of the Company together with the customers of PDC, FN and TY have filed a Civil Suit against PDC at the Penang High Court.

Tashin has initiated the said suit based on a Sale and Purchase Agreement dated 11 August 2011 entered into between Tashin and PDC for the purchase of a property located at Lot 2634HS (D) 15736, Mukim 13 Daerah Timur Laut by Tashin from PDC as the Vendor. Tashin contended that there was a material breach of representations and assurances by PDC on the said property with the announcement made by another developer, Ivory Properties Group Berhad on a new development adjoining and in front of the said property which may affect the value of the properties purchased earlier by the Plaintiffs. Tashin is claiming for the rescission of the said Sale and Purchase Agreement and special damages to be determined by the Court.

PDC has filed an application on 13 May 2013 to strike out the above suit. After several postponement, and the Penang High Court has on 26th Jun 2014 allowed Plaintiffs' application to amend the suit from 'misrepresentation' to 'fraudulent misrepresentation' and dismissed PDC's application to strike out the suit.

On 22nd July 2014, the Defendant lodged an appeal against the decision to allow the amendment and dismiss the striking out application.

The appeal has been dismissed by the court of appeal on 12th Feb 2015 and the matter will now revert to the High Court for full trial on the issue of fraudulent misrepresentation by PDC. The

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Penang High Court has set the matter for further case management on 31st Mar 2015 to enable parties to comply directions and finalise the bundle of documents, issues to be tried, statement of agreed facts and list of witnesses. The Court has stated a trial date will be fixed after all directions have been complied with. The quantum of costs cannot be determined as this juncture.

B9 Dividend

The Directors recommend a final single-tier dividend of 4.0 % (2.0 sen per ordinary share), amounting to RM3,501,651 in respect of the financial year ended 31 December 2014, subject to shareholders' approval at the forthcoming Annual General Meeting of the Company

B10 Earnings per share

Basic

Basic earnings per share are calculated by dividing the net profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue during the financial year.

	Current Quarter 31/12/2014	Preceding Quarter 31/12/2013	Current Year to date 31/12/2014	Preceding Year to date 31/12/2013
Net profit attributable to ordinary shareholders (RM'000)	2,202	2,786	12,309	12,205
Weighted average number of ordinary shares in issue ('000)	175,083	174,061	174,480	174,061
Basic earnings per share (sen)	1.26	1.60	7.05	7.01

Diluted

The diluted earnings per share is not disclosed as it is not applicable.

B11 Realised and unrealised profits/losses disclosure

	As at Current Financial Period Ended 31/12/2014 RM'000	As at Preceding Financial Year Ended 31/12/2013 RM'000
Total retained profits / (accumulated losses) of the Company and the subsidiaries:		
- Realised	121,555	104,519
- Unrealised	<u>(7,886)</u>	<u>(4,208)</u>
	113,669	100,311
Total retained profits / (accumulated losses) from associates companies:		
- Realised	26,277	26,393
- Unrealised	<u>(3,443)</u>	<u>(1,854)</u>
	136,503	124,850
Less: Consolidation adjustments	<u>(21,298)</u>	<u>(17,544)</u>
Total group retained profits as per consolidated accounts	<u>115,205</u>	<u>107,306</u>

B12 Notes to Condensed Consolidated Statement of Comprehensive Income

Net profit is arrived at after take in the following items:	Current Quarter 31/12/2014 RM'000	Current Year To Date 31/12/2014 RM'000
(a) Interest income	93	367
(b) Other income	4,405	8,651
(c) Interest expense	(3,547)	(14,143)
(d) Depreciation and amortization	(2,609)	(9,685)
(e) Provision (for) and written off of receivables	(171)	61
(f) Provision (for) and written off of inventories	948	1,434
(g) Gain / (loss) on disposal of quoted / unquoted investment / properties	N/A	N/A
(h) Impairment of assets	(415)	(415)
(i) Foreign exchange gain/(loss) - Realised and unrealized	213	192
(j) Gain / (loss) on derivatives	(6)	(284)
(k) Exceptional items	N/A	N/A