

**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 2014.

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 2014.

The significant accounting policies and methods of computation adopted are consistent with those of the audited financial statements for the year ended 31 December 2014, except for the adoption of the following Amendments and Standards Annual Improvements to Standards with effect from 1 January 2015:

- Amendments to MFRS 119 Defined Benefit Plans : Employee Contributions
- Annual Improvements to MFRSs 2010 – 2012 Cycle
- Annual Improvements to MFRSs 2011 – 2013 Cycle

The above standards, amendments and annual improvement 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
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

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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
Amendments to MFRS 101 Disclosure Initiative	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 Investment Entities : Applying the Consolidation Exception	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 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.

**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 March 2015.

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

There was no dividend paid for the quarter ended 31 March 2015.

**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
<b>Revenue</b>					
External Sales	38,631	127,573	408	-	166,612
Inter-segment revenue	620	25,057	712	(26,389)	-
Total Revenue	<u>39,251</u>	<u>152,630</u>	<u>1,120</u>	<u>(26,389)</u>	<u>166,612</u>
<b>Segment Result</b>	<b>1,656</b>	<b>8,181</b>	<b>(74)</b>	<b>(62)</b>	<b>9,701</b>
<b>Profit from operations</b>					<b>9,701</b>
Finance costs					(3,363)
Interest Income					128
Share of results of associates					(1,343)
<b>Profit before tax</b>					<u><b>5,123</b></u>

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**

There were no changes in the composition of the Company for the financial period under review.

**A11 Changes in contingent liabilities or contingent assets since the last financial year ended 31 December 2014**

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 31/03/2015
	RM'000
Property, plant and equipment	
Authorized and contracted for	1,203
Authorized and not contracted for	157

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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 and profit before taxation for the current quarter were RM166.6 million and RM5.1 million respectively. While group revenue were 5.8% higher than the same period last year, profit before taxation for the period were lower by 16.8%. Substantial reduction in profit before taxation was mainly due to absorbing the losses of associate company which amounted to RM1.3 million for the quarter under review.

The Group experienced substantial growth in revenue during the quarter under review mainly due to the continuous sales and marketing efforts as well as the temporary surge in demand during the pre-GST implementation period. Profit before tax for the current quarter (excluding the result of the associate company) improved slightly when compared to the same period of last year in line with stable material prices and better market demand while the associate company continued to face losses in foreign exchange exposure.

**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 increased by 6.5% from RM156.4 million to RM166.6 million. Profit before tax for the quarter under review also improved marginally from RM4.8 million in the immediate preceding quarter to RM5.1 million, this was mainly due to better market demand during the pre-GST implementation. The Group also faced with absorbing higher losses of the associate company under equity accounting requirement during the quarter under review from RM1.0 million to RM1.3 million in the quarter under review.

**B3 Prospects**

At the time of submitting this report, uncertainties in domestic business conditions and environment remained as crude oil prices and Malaysian currency continued to fluctuate, albeit at smaller range. Domestic markets demand also faced some temporary set-back during the month of April upon the implementation of GST on the 1<sup>st</sup> April. Notwithstanding that, there is some sign of improvement in local steel industry with more open importation procedure while the market is also more positive with stable interest rate and low consumer price index which curtailed the fear of inflationary pressure. .

Against this backdrop, the Board will continue to adopt cautious and pragmatic approach in directing the business strategies and operations in order to generate a satisfactory financial performance for the financial year under review.

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**B4 Variance of actual profit from forecast profit / profit guarantee**

Not applicable.

**B5 Tax expenses**

	Current Quarter 31/03/2015 RM'000	Current Year To Date 31/03/2015 RM'000
Current taxation	1,364	1,364
Deferred taxation	305	305
In respect of prior years	-	-
	1,669	1,669

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.**

Not applicable.

**B7 Group bank borrowings:**

**Total group borrowings as at 31 March 2015 are as follows:-**

	<b>Short Term Borrowing</b>	<b>Long Term Borrowing</b>
	RM'000	RM'000
<b>Denominated in Ringgit Malaysia:</b>		
Secured	71,124	19,067
Unsecured	173,070	-
<b>Denominated in US Dollar:</b>		
Secured	259	-
Unsecured	-	-
<b>Total Bank Borrowings</b>	<b>244,453</b>	<b>19,067</b>

**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 26<sup>th</sup> 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 22<sup>nd</sup> July 2014, the Defendant lodged an appeal against the decision to allow the amendment and dismiss the striking out application.

The appeal was dismissed by the Court of Appeal on 12 February 2015 and the matter will now revert to the High Court for full trial on the issue of fraudulent misrepresentation by PDC.

The Penang High Court has set the matter for full trial on 29 June 2015 and 30 June 2015. The quantum of costs cannot be determined at this juncture.

**B9 Dividend**

The Directors do not recommend any interim dividend for the current quarter under review.

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**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 31/03/2015	Preceding Quarter 31/03/2014	Current Year to date 31/03/2015	Preceding Year to date 31/03/2014
Net profit attributable to ordinary shareholders (RM'000)	2,600	2,865	2,600	2,865
Weighted average number of ordinary shares in issue ('000)	175,083	174,061	175,083	174,061
Basic earnings per share (sen)	1.49	1.65	1.49	1.65

**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 31/03/2015 RM'000	As at Preceding Financial Year Ended 31/12/2014 RM'000
Total retained profits / (accumulated losses) of the Company and the subsidiaries:		
- Realised	126,719	121,634
- Unrealised	(8,238)	(7,887)
	<u>118,481</u>	<u>113,747</u>
Total retained profits / (accumulated losses) from associates companies:		
- Realised	24,152	26,278
- Unrealised	(2,661)	(3,443)
	<u>139,972</u>	<u>136,582</u>
Less: Consolidation adjustments	<u>(22,167)</u>	<u>(21,377)</u>
Total group retained profits as per consolidated accounts	<u>117,805</u>	<u>115,205</u>



**B12 Notes to Condensed Consolidated Statement of Comprehensive Income**

Net profit is arrived at after take in the following items:	<b>Current Quarter</b> 31/03/2015 RM'000	<b>Current Year To Date</b> 31/03/2015 RM'000
(a) Interest income	128	128
(b) Other income	1,291	1,291
(c) Interest expense	(3,363)	(3,363)
(d) Depreciation and amortization	(2,674)	(2,674)
(e) Provision (for) and written off of receivables	(256)	(256)
(f) Provision (for) and written off of inventories	150	150
(g) Gain / (loss) on disposal of quoted / unquoted investment / properties	N/A	N/A
(h) Impairment of assets	N/A	N/A
(i) Foreign exchange gain/(loss) - Realised and unrealized	(18)	(18)
(j) Gain / (loss) on derivatives	(78)	(78)
(k) Exceptional items	N/A	N/A