

LEON FUAT BERHAD

Registration No. 200601036648 (756407-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2024

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2024 RM'000	Preceding Year Quarter 31.03.2023 RM'000	Current Year- To-Date 31.03.2024 RM'000	Preceding Year- To-Date 31.03.2023 RM'000
Revenue	225,259	233,698	225,259	233,698
Cost of sales	(197,737)	(205,154)	(197,737)	(205,154)
Gross profit	27,522	28,544	27,522	28,544
Other income	968	1,084	968	1,084
Distribution costs	(3,760)	(3,355)	(3,760)	(3,355)
Administrative costs	(7,514)	(7,438)	(7,514)	(7,438)
Net addition of impairment losses on financial instruments	(17)	(556)	(17)	(556)
Other costs	(255)	(188)	(255)	(188)
	(11,546)	(11,537)	(11,546)	(11,537)
Profit from operations	16,944	18,091	16,944	18,091
Finance costs	(6,097)	(5,222)	(6,097)	(5,222)
Profit before tax	10,847	12,869	10,847	12,869
Tax expense	(2,663)	(2,187)	(2,663)	(2,187)
Profit for the financial period	8,184	10,682	8,184	10,682
Other comprehensive income:				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of a foreign operation	6	16	6	16
Total other comprehensive income, net of tax	6	16	6	16
Total comprehensive income for the financial period	8,190	10,698	8,190	10,698
Profit attributable to:				
- Owners of the Company	8,217	10,732	8,217	10,732
- Non-controlling interests	(33)	(50)	(33)	(50)
	8,184	10,682	8,184	10,682

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2024 (CONT'D)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2024 RM'000	Preceding Year Quarter 31.03.2023 RM'000	Current Year- To-Date 31.03.2024 RM'000	Preceding Year- To-Date 31.03.2023 RM'000
Total comprehensive income attributable to:				
- Owners of the Company	8,223	10,748	8,223	10,748
- Non-controlling interests	(33)	(50)	(33)	(50)
	<u>8,190</u>	<u>10,698</u>	<u>8,190</u>	<u>10,698</u>
Earnings per share (sen) attributable to owners of the Company:				
- Basic	2.41	3.15	2.41	3.15
- Diluted	2.41	3.15	2.41	3.15

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 2023 and the accompanying explanatory notes attached to this interim financial statement.

LEON FUAT BERHAD

Registration No. 200601036648 (756407-D)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2024

	As at 31.03.2024 RM'000 (Unaudited)	As at 31.12.2023 RM'000 (Audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	313,325	318,267
Capital work-in-progress	56,473	53,352
	<u>369,798</u>	<u>371,619</u>
Current Assets		
Inventories	460,837	370,931
Trade receivables	254,024	251,015
Other receivables, deposits and prepayments	11,319	9,126
Tax assets	3,830	12,829
Deposits with licensed banks	11,743	10,654
Cash and bank balances	50,127	39,042
	<u>791,880</u>	<u>693,597</u>
TOTAL ASSETS	<u>1,161,678</u>	<u>1,065,216</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	186,423	186,423
Merger deficit	(103,960)	(103,960)
Capital reserve	1	1
Retained earnings	514,309	506,038
Translation reserve	140	134
	<u>596,913</u>	<u>588,636</u>
Non-controlling interests	-	358
Total Equity	<u>596,913</u>	<u>588,994</u>
Non-Current Liabilities		
Loans and borrowings	94,158	92,051
Deferred tax liabilities	8,564	7,816
	<u>102,722</u>	<u>99,867</u>
Current Liabilities		
Trade payables	12,903	11,040
Other payables and accruals	15,821	21,205
Tax liabilities	218	247
Loans and borrowings	426,759	340,704
Contract liabilities	6,342	3,135
Derivative financial liabilities	-	24
	<u>462,043</u>	<u>376,355</u>
Total Liabilities	<u>564,765</u>	<u>476,222</u>
TOTAL EQUITY AND LIABILITIES	<u>1,161,678</u>	<u>1,065,216</u>
Net assets per share attributable to owners of the Company (RM)	1.75	1.73

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 2023 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 PERIOD ENDED 31 MARCH 2024

	< ----- Attributable to Owners of the Company ----- >					Non-	Total
	Share	Merger	Capital	Translation	Retained	Controlling	Equity
	Capital	Deficit	Reserve	Reserve	Earnings	Interests	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2024							
At 1 January 2024	186,423	(103,960)	1	134	506,038	358	588,994
Profit/(Loss) for the financial period	-	-	-	-	8,217	(33)	8,184
Other comprehensive income for the financial period	-	-	-	6	-	-	6
Total comprehensive income	-	-	-	6	8,217	(33)	8,190
Transaction with owners							
Changes in ownership interests in a subsidiary	-	-	-	-	54	(325)	(271)
At 31 March 2024	<u>186,423</u>	<u>(103,960)</u>	<u>1</u>	<u>140</u>	<u>514,309</u>	<u>-</u>	<u>596,913</u>
2023							
At 1 January 2023	186,423	(103,960)	1	71	475,154	505	558,194
Profit/(Loss) for the financial period	-	-	-	-	10,732	(50)	10,682
Other comprehensive income for the financial period	-	-	-	16	-	-	16
Total comprehensive income	-	-	-	16	10,732	(50)	10,698
At 31 March 2023	<u>186,423</u>	<u>(103,960)</u>	<u>1</u>	<u>87</u>	<u>485,886</u>	<u>455</u>	<u>568,892</u>

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 2023 and the accompanying explanatory notes attached to this interim financial statement.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE PERIOD ENDED 31 MARCH 2024

	Current Year-To-Date 31.03.2024 RM'000	Preceding Year-To-Date 31.03.2023 RM'000
Cash Flows from Operating Activities		
Profit before tax	10,847	12,869
Adjustments for:		
Depreciation of property, plant and equipment	5,078	4,521
Fair value gain on derivatives	(24)	-
Impairment losses on trade receivables	27	897
Interest expense	5,722	4,809
Interest income	(247)	(316)
Net gain on disposal of plant and equipment	(46)	(112)
Net unrealised foreign exchange gain	(235)	(119)
Reversal of impairment losses on trade receivables	(10)	(341)
Operating profit before changes in working capital	21,112	22,208
Inventories	(89,942)	10,567
Trade and other receivables	(4,042)	(11,334)
Trade and other payables	(5,035)	(2,260)
Contract liabilities	3,207	(134)
Net cash (used in)/generated from operation	(74,700)	19,047
Interest received	268	139
Interest paid	(6,242)	(5,286)
Net income tax refunded/(paid)	7,054	(2,801)
Net cash (used in)/from operating activities	(73,620)	11,099
Cash Flows from Investing Activities		
Acquisition of non-controlling interests of a subsidiary	(271)	-
Capital work-in-progress paid	(1,401)	(1,476)
Changes in deposit pledged with a licensed bank	(12)	(8)
Deposits paid for acquisition of plant and equipment	(746)	(200)
Proceeds from disposal of plant and equipment	46	22
Purchase of plant and equipment	(60)	(330)
Net cash used in investing activities	(2,444)	(1,992)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2024 (CONT'D)

	Current Year-To-Date 31.03.2024 RM'000	Preceding Year-To-Date 31.03.2023 RM'000
Cash Flows from Financing Activities		
Drawdown of term loans	6,486	4,672
Net drawdown of bankers' acceptances	68,762	12,521
Net drawdown/(repayment) of islamic financing	12,057	(20,867)
Payment of hire purchase payables	(1,416)	(1,088)
Payment of lease liabilities	(457)	(467)
Repayment of term loans	(2,698)	(2,698)
Net cash from/(used in) financing activities	<u>82,734</u>	<u>(7,927)</u>
Net increase in cash and cash equivalents	6,670	1,180
Cash and cash equivalents at the beginning of the financial period	14,104	(6,256)
Effect of exchange rate changes on cash and cash equivalents	138	125
Cash and cash equivalents at the end of the financial period	<u><u>20,912</u></u>	<u><u>(4,951)</u></u>
Cash and cash equivalents at the end of the financial period comprises:		
Cash and bank balances	50,127	31,495
Deposits with licensed banks	11,743	2,514
	<u>61,870</u>	<u>34,009</u>
Less: Bank overdrafts	(40,432)	(38,446)
Less: Deposit pledged with a licensed bank	(526)	(514)
	<u><u>20,912</u></u>	<u><u>(4,951)</u></u>

Note:

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 2023 and the accompanying explanatory notes attached to this interim financial statement.

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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 2023.

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 2023.

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 2023, except for the adoption of the following:

Amendments/Improvements to MFRSs

MFRS 7	Financial Instruments: Disclosures
MFRS 16	Leases
MFRS 101	Presentation of Financial Statements
MFRS 107	Statement of Cash Flows

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

		Effective for financial periods beginning on or after
<u>Amendments/Improvements to MFRSs</u>		
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 121	The Effects of Changes in Foreign Exchange Rates	1 January 2025
MFRS 128	Investments in Associates and Joint Ventures	Deferred

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

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

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 2023 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 financial years that have a material effect on the results for the current quarter and current financial year-to-date.

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

No dividend was paid during the current quarter.

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

Segment information of the Group for the financial year-to-date ended 31 March 2024 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	76,220	148,648	391	225,259
Cost of sales	(68,095)	(129,309)	(333)	(197,737)
Gross profit	<u>8,125</u>	<u>19,339</u>	<u>58</u>	<u>27,522</u>
Add/(Less):				
- Other income				968
- Operating expenses				(11,529)
- Net addition of impairment losses on financial instruments				(17)
- Finance costs				<u>(6,097)</u>
Profit before tax				10,847
Tax expense				<u>(2,663)</u>
Profit for the financial period				<u><u>8,184</u></u>

Segment information of the Group for the financial year-to-date ended 31 March 2023 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	79,446	154,177	75	233,698
Cost of sales	(69,286)	(135,804)	(64)	(205,154)
Gross profit	<u>10,160</u>	<u>18,373</u>	<u>11</u>	<u>28,544</u>
Add/(Less):				
- Other income				1,084
- Operating expenses				(10,981)
- Net addition of impairment losses on financial instruments				(556)
- Finance costs				<u>(5,222)</u>
Profit before tax				12,869
Tax expense				<u>(2,187)</u>
Profit for the financial period				<u><u>10,682</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.

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

There were no changes in the composition of the Group during the current quarter and current financial year-to-date other than the acquisition by the Company’s wholly-owned subsidiary, Leon Fuat Metal Sdn. Bhd. of the remaining 1,546,000 ordinary shares representing approximately 12.99% of the total issued share capital of PCM Steel Processing Sdn. Bhd. (“PSP”) from Nippon Steel Trading Corporation for a cash consideration of RM270,605. Consequently, PSP became an indirect wholly-owned subsidiary of the Company on 20 March 2024.

A12. Capital Commitments

	As at 31.03.2024 RM'000	Audited As at 31.12.2023 RM'000
Approved and contracted for:		
Acquisition of motor vehicles	206	-
Acquisition of plant and equipment	1,128	1,674
	<u>1,334</u>	<u>1,674</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 March 2024.

A14. Significant Related Party Transactions

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2024 RM'000	Preceding Year Quarter 31.03.2023 RM'000	Current Year- To-Date 31.03.2024 RM'000	Preceding Year- To-Date 31.03.2023 RM'000
Sales to related parties	1,678	1,781	1,678	1,781
Purchases from related parties	1	33	1	33
Rental expense paid to related parties	430	430	430	430

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 31.03.2024 RM'000	Preceding Year Quarter 31.03.2023 RM'000	Variance	
			RM'000	%
Revenue	225,259	233,698	(8,439)	-3.6%
Gross profit	27,522	28,544	(1,022)	-3.6%
Profit before interest and tax	16,569	17,678	(1,109)	-6.3%
Profit before tax	10,847	12,869	(2,022)	-15.7%
Profit after tax	8,184	10,682	(2,498)	-23.4%
Profit attributable to owners of the Company	8,217	10,732	(2,515)	-23.4%

The revenue recorded for the current quarter and the preceding year corresponding quarter was RM225.26 million and RM233.70 million respectively, decreased by 3.6% or RM8.44 million.

The decrease in revenue was mainly due to decrease in revenue for trading and processing of steel products by 4.1% or RM3.23 million from RM79.45 million to RM76.22 million and by 3.6% or RM5.53 million from RM154.18 million to RM148.65 million respectively.

The decrease in revenue for trading of steel products was mainly resulted from:

- lower revenue from trading of long carbon steel products by 19.9% due to lower tonnage sales by 15.4% as well as lower average selling price by 5.4%; and
- lower revenue from trading of other long steel products by 38.9% due to lower tonnage sales by 24.5% as well as lower average selling price by 19.1%; mitigated by
- higher revenue from trading of flat carbon steel products by 16.0% attributable to higher tonnage sales by 20.1%, despite lower average selling price by 3.4%.

The decrease in revenue for processing of steel products was mainly resulted from:

- lower revenue from processing of other flat steel products by 21.1% due to lower tonnage sales by 10.8% as well as lower average selling price by 11.6%; and
- lower revenue from processing of long carbon steel products by 36.4% due to decrease in tonnage sales by 31.0% as well as lower average selling price by 7.9%; mitigated by
- higher revenue from processing of flat carbon steel products by 6.7% attributable to higher tonnage sales by 10.3%, despite lower average selling price by 3.3%.

Our main business segments continued to be trading and processing of steel products, which collectively contributed 99.8% of our total revenue for the current quarter. The trading segment and the processing segment contributed revenue of 33.8% and 66.0% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of 34.0% and 66.0% respectively for the preceding year corresponding quarter.

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

For the current quarter, our gross profit decreased by 3.6% or RM1.02 million, from RM28.54 million for the preceding year corresponding quarter to RM27.52 million for the current quarter. This was due to the decrease in revenue by 3.6% or RM8.44 million, from RM233.70 million to RM225.26 million, while overall gross profit margin remained fairly consistent.

The other income for the current quarter was RM0.97 million as compared to RM1.08 million for the preceding year corresponding quarter, lower by approximately RM0.11 million, mainly due to:

- lower gain on disposal of plant and equipment by RM0.07 million;
- lower interest income by RM0.07 million; and
- lower insurance claims by RM0.19 million; largely offset by
- higher realised and unrealised gain on foreign exchange by RM0.11 million and RM0.12 million respectively recorded for the current quarter.

Our operating costs increased merely by RM0.01 million from RM11.54 million for the preceding year corresponding quarter to RM11.55 million for the current quarter, as the result of the following:

1. Increase in distribution costs by RM0.41 million, mainly due to:
 - increase in staff related costs by RM0.23 million mainly caused by increase in salary, wage and overtime payments; and
 - increase in petrol, parking, toll, transportation, travelling and accommodation expenses by RM0.17 million.
2. Increase in administrative costs by RM0.08 million, mainly due to:
 - increase in directors' remuneration by RM0.37 million mainly caused by higher salary and provision of fees for directors;
 - increase in depreciation charges by RM0.17 million; and
 - increase in insurance and road tax expenses by RM0.11 million; offset by
 - decrease in staff welfare and allowance expenses by RM0.21 million;
 - decrease in entertainment expenses by RM0.10 million; and
 - lower professional fees incurred in the current quarter by RM0.28 million.
3. Decrease in net addition of impairment losses on financial instruments (trade receivables) by RM0.54 million.
4. Increase in other costs by RM0.07 million, mainly due to:
 - higher gift and donation incurred in the current quarter by RM0.03 million; and
 - higher quit rent and assessment expenses by RM0.05 million.

Total finance costs for the current quarter was RM6.10 million, increased by approximately RM0.88 million as compared to RM5.22 million for the preceding year corresponding quarter. This was mainly caused by higher profit charges for islamic financing by RM0.29 million as well as higher interest expense for bankers' acceptances and term loans in the current quarter by RM0.34 million and RM0.40 million respectively, mainly due to higher utilisation of aforementioned facilities and higher profit/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 2023. The increase was, however, partially offset by lower interest expense for overdraft facilities by RM0.14 million.

Based on the foregoing factors, our profit before tax decreased by 15.7% or RM2.02 million, from RM12.87 million for the preceding year corresponding quarter to RM10.85 million for the current quarter.

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

	Current Quarter 31.03.2024 RM'000	Immediate Preceding Quarter 31.12.2023 RM'000	Variance	
			RM'000	%
Revenue	225,259	240,569	(15,310)	-6.4%
Gross profit	27,522	23,263	4,259	18.3%
Profit before interest and tax	16,569	11,795	4,774	40.5%
Profit before tax	10,847	6,814	4,033	59.2%
Profit after tax	8,184	7,994	190	2.4%
Profit attributable to owners of the Company	8,217	8,048	169	2.1%

Our Group achieved revenue of RM225.26 million for the current quarter, which was lower than the immediate preceding quarter's revenue by 6.4% or RM15.31 million.

The decrease in revenue was mainly due to decrease in revenue for trading and processing of steel products by 11.8% or RM10.19 million from RM86.41 million to RM76.22 million and by 3.4% or RM5.29 million from RM153.94 million to RM148.65 million respectively.

The decrease in revenue for trading of steel products was mainly resulted from:

- lower revenue from trading of flat carbon steel products by 9.3% due to lower tonnage sales by 9.5% while the average selling price remained fairly consistent;
- lower revenue from trading of long carbon steel products by 18.5% due to lower tonnage sales by 19.6% while the average selling price remained fairly consistent; and
- lower revenue from trading of other long steel products by 33.9% due to lower tonnage sales by 37.1%, despite higher average selling price by 5.0%.

The decrease in revenue for processing of steel products was mainly resulted from:

- lower revenue from processing of flat carbon steel products by 2.5% due to lower tonnage sales by 4.5%, despite higher average selling price by 2.1%; and
- lower revenue from processing of long carbon steel products by 24.5% due to decrease in tonnage sales by 27.9%, despite higher average selling price by 4.7%.

Despite lower revenue by 6.4% or RM15.31 million, from RM240.57 million to RM225.26 million, our gross profit increased by 18.3% or RM4.26 million, from RM23.26 million for the immediate preceding quarter to RM27.52 million for the current quarter, mainly due to higher overall gross profit margin by 1.5 percentage points, from 10.7% for the immediate preceding quarter to 12.2% for the current quarter, as well as absence of inventories written down of RM2.43 million which was recorded in 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 RM0.97 million for the current quarter as compared to RM0.53 million for the immediate preceding quarter, increased by RM0.44 million, mainly due to:

- higher realised gain on foreign exchange by RM0.12 million; and
- higher unrealised gain on foreign exchange by RM0.47 million due to unrealised gain on foreign exchange of RM0.23 million recorded for the current quarter as opposed to reversal of unrealised gain on foreign exchange of RM0.24 million recorded for the immediate preceding quarter; offset by
- lower gain on disposal of plant and equipment by RM0.08 million; and
- lower insurance claims by RM0.06 million.

Our operating costs increased by RM0.32 million, from RM11.23 million for the immediate preceding quarter to RM11.55 million for the current quarter, as the result of the following:

1. Increase in administrative costs by RM0.41 million, mainly due to:
 - increase in staff related costs and directors' remuneration by RM0.75 million mainly resulted from higher staff welfare and allowance expenses as well as higher salary and provision of fees for directors; offset by
 - absence of one-off provision of auditors' remuneration amounting to RM0.29 million which was charged to the immediate preceding quarter.
2. Increase in net addition of impairment losses on financial instruments (trade receivables) by RM0.26 million due to net addition of impairment losses on financial instruments of RM0.02 million for the current quarter as opposed to net reversal of impairment losses on financial instruments of RM0.24 million for the immediate preceding quarter.
3. Decrease in other costs by RM0.37 million, mainly due to:
 - absence of plant and equipment written off of RM0.41 million which was recorded in the immediate preceding quarter; offset by
 - higher quit rent and assessment expenses by RM0.07 million.

The finance costs for the current quarter was RM6.10 million, increased by RM0.35 million as compared to RM5.75 million for the immediate preceding quarter. This was mainly caused by higher interest expense for overdraft facilities, bankers' acceptances and term loans in the current quarter by RM0.12 million, RM0.46 million and RM0.31 million respectively, mainly due to higher utilisation of aforementioned facilities, partially offset by lower bank charges and lower profit charges for islamic financing in the current quarter by RM0.39 million and RM0.13 million respectively.

Based on the foregoing factors, our profit before tax increased by 59.2% or RM4.03 million, from RM6.81 million for the immediate preceding quarter to RM10.85 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 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. Phase 2 of the facilities will comprise a warehouse and a factory to house 1 production line for larger diameter welded steel pipes. Currently the warehouse and factory are completed whereas installation of the larger diameter welded steel pipes production line is almost completed and expected to be fully commissioned in second half of 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.

The Organisation for Economic Co-operation and Development (OECD) projected the global economy to continue growing at a modest pace of 3.1% in 2024, the same as the 3.1% in 2023, followed by a slight pick-up to 3.2% in 2025. The impact of tight monetary conditions continues being felt, particularly in housing and credit markets, but global activity is proving relatively resilient, the decline in inflation continues, and private sector confidence is improving. The outlook continues to differ across countries, with weaker outcomes in many advanced economies, especially in Europe, and strong growth in the United States and many emerging market economies. However, significant uncertainty remains. Inflation may stay higher for longer, resulting in slower-than-expected reductions in policy interest rates and leading to further financial vulnerabilities. Growth could disappoint in China, due to the persistent weakness in property markets or smaller-than-anticipated fiscal support over the next two years. High geopolitical tensions remain a significant near-term risk to activity and inflation, particularly if the evolving conflict in the Middle East and attacks in the Red Sea were to widen or escalate. On the upside, demand growth could prove stronger than expected, if households and firms were to draw more fully on the savings accumulated during COVID-19.

Locally, Bank Negara Malaysia projected the Malaysian economy to grow between 4% and 5% in 2024, underpinned by continued expansion in domestic demand and improvement in external demand. Tourism is expected to improve further, while the implementation of new and ongoing multi-year projects by both the private and public sectors would support investment activity. Nevertheless, domestic growth remains subject to downside risks from both external and domestic factors. External factors include weaker-than-expected global growth and further escalation of geopolitical conflict. Domestically, severe shocks on commodity production and the implementation of subsidy rationalisation could also weigh on the growth outlook, although this could be partially offset by targeted cash assistance from the government. However, greater spillover from the tech up-cycle, stronger-than-expected tourism activity, and faster implementation of existing and new investment projects would provide upside risks to domestic growth.

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

B3. Commentary on Prospects (Cont'd)

Due to the challenging global and local economic outlook, our Group will continue to 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.

Forthwith the above, our Board is cautiously optimistic that the Group will achieve positive results for remaining quarters of 2024.

LEON FUAT BERHAD

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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 31.03.2024 RM'000	Preceding Year Quarter 31.03.2023 RM'000	Current Year- To-Date 31.03.2024 RM'000	Preceding Year- To-Date 31.03.2023 RM'000
Depreciation of property, plant and equipment	5,078	4,521	5,078	4,521
Fair value gain on derivatives	(24)	-	(24)	-
Impairment losses on trade receivables	27	897	27	897
Interest expense	5,722	4,809	5,722	4,809
Interest income	(247)	(316)	(247)	(316)
Net gain on disposal of plant and equipment	(46)	(112)	(46)	(112)
Net foreign exchange gain:				
- realised	(130)	(16)	(130)	(16)
- unrealised	(235)	(119)	(235)	(119)
Rental income from premises	(247)	(247)	(247)	(247)
Reversal of impairment losses on trade receivables	(10)	(341)	(10)	(341)

Note:

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. Tax Expense**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2024 RM'000	Preceding Year Quarter 31.03.2023 RM'000	Current Year- To-Date 31.03.2024 RM'000	Preceding Year- To-Date 31.03.2023 RM'000
Current income tax				
- Current income tax charge	1,910	1,367	1,910	1,367
- Adjustment in respect of prior years	5	(1,393)	5	(1,393)
Deferred tax				
- Origination of temporary differences	748	2,213	748	2,213
Tax expense	<u>2,663</u>	<u>2,187</u>	<u>2,663</u>	<u>2,187</u>

Note:

The effective tax rate for the current quarter and current financial year-to-date are 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.

B7. Status of Corporate Proposals

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)**B8. Group Borrowings**

	As at 31.03.2024 RM'000	As at 31.12.2023 RM'000
<u>Current</u>		
Secured:		
Bankers' acceptances	133,885	109,255
Bank overdrafts	31,484	25,792
Hire purchase payables	4,992	5,498
Term loans	11,910	11,154
	<hr/>	<hr/>
	182,271	151,699
Unsecured:		
Bankers' acceptances	141,295	97,163
Bank overdrafts	8,948	9,286
Islamic financing	93,624	81,567
Lease liabilities	621	989
	<hr/>	<hr/>
	244,488	189,005
	<hr/>	<hr/>
	426,759	340,704
<u>Non-current</u>		
Secured:		
Hire purchase payables	3,899	4,809
Term loans	79,899	76,867
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	83,798	81,676
Unsecured:		
Lease liabilities	10,360	10,375
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	94,158	92,051
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Total Borrowings	520,917	432,755

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 31.03.2024 RM'000	Preceding Year Quarter 31.03.2023 RM'000	Current Year- To-Date 31.03.2024 RM'000	Preceding Year- To-Date 31.03.2023 RM'000
Profit attributable to owners of the Company	8,217	10,732	8,217	10,732
Weighted average number of ordinary shares in issue ('000)	341,000	341,000	341,000	341,000
Basic Earnings Per Share (sen)	2.41	3.15	2.41	3.15

(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 May 2024