

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 2021

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|--|--|---|---|
| | Current Year Quarter 31.03.2021 RM'000 | Preceding Year Quarter 31.03.2020 RM'000 | Current Year- To-Date 31.03.2021 RM'000 | Preceding Year- To-Date 31.03.2020 RM'000 |
| Revenue | 211,479 | 120,038 | 211,479 | 120,038 |
| Cost of sales | (158,144) | (106,568) | (158,144) | (106,568) |
| Gross profit | 53,335 | 13,470 | 53,335 | 13,470 |
| Other income | 1,110 | 869 | 1,110 | 869 |
| Distribution costs | (2,933) | (2,149) | (2,933) | (2,149) |
| Administrative costs | (5,915) | (5,156) | (5,915) | (5,156) |
| Net addition of impairment losses on financial instruments | (50) | (193) | (50) | (193) |
| Other costs | (126) | (1,112) | (126) | (1,112) |
| | (9,024) | (8,610) | (9,024) | (8,610) |
| Profit from operations | 45,421 | 5,729 | 45,421 | 5,729 |
| Finance costs | (2,896) | (3,653) | (2,896) | (3,653) |
| Profit before tax | 42,525 | 2,076 | 42,525 | 2,076 |
| Income tax expense | (6,415) | (1,013) | (6,415) | (1,013) |
| Profit for the financial period | 36,110 | 1,063 | 36,110 | 1,063 |
| Other comprehensive income: <i>Items that may be reclassified subsequently to profit or loss:</i> | | | | |
| Exchange difference on translation of a foreign operation | 16 | (6) | 16 | (6) |
| Total other comprehensive income/ (loss), net of tax | 16 | (6) | 16 | (6) |
| Total comprehensive income for the financial period | 36,126 | 1,057 | 36,126 | 1,057 |
| Profit/(Loss) attributable to: | | | | |
| - Owners of the Company | 36,124 | 1,025 | 36,124 | 1,025 |
| - Non-controlling interests | (14) | 38 | (14) | 38 |
| | 36,110 | 1,063 | 36,110 | 1,063 |

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

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|--------------------|--------------|--------------------|--------------|
| | Current | Preceding | Current | Preceding |
| | Year | Year | Year- | Year- |
| | Quarter | Quarter | To-Date | To-Date |
| | 31.03.2021 | 31.03.2020 | 31.03.2021 | 31.03.2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Total comprehensive income/(loss) attributable to: | | | | |
| - Owners of the Company | 36,140 | 1,019 | 36,140 | 1,019 |
| - Non-controlling interests | (14) | 38 | (14) | 38 |
| | <u>36,126</u> | <u>1,057</u> | <u>36,126</u> | <u>1,057</u> |
| | | | | |
| Earnings per share (sen) attributable to owners of the Company: | | | | |
| - Basic | 11.65 | 0.33 | 11.65 | 0.33 |
| - Diluted | 11.65 | 0.33 | 11.65 | 0.33 |

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.

LEON FUAT BERHAD

Registration No. 200601036648 (756407-D)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2021

| | As at 31.03.2021 RM'000 (Unaudited) | As at 31.12.2020 RM'000 (Audited) |
|---|--|--|
| ASSETS | | |
| Non-current assets | | |
| Property, plant and equipment | 200,645 | 203,686 |
| Capital work-in-progress | 18,845 | 13,836 |
| | <u>219,490</u> | <u>217,522</u> |
| Current assets | | |
| Inventories | 244,445 | 250,378 |
| Trade receivables | 210,857 | 196,424 |
| Other receivables, deposits and prepayments | 12,953 | 10,950 |
| Tax assets | 833 | 4,813 |
| Deposits with licensed banks | 29,449 | 27,878 |
| Cash and bank balances | 30,286 | 23,358 |
| | <u>528,823</u> | <u>513,801</u> |
| TOTAL ASSETS | <u><u>748,313</u></u> | <u><u>731,323</u></u> |
| EQUITY AND LIABILITIES | | |
| Equity | | |
| Share capital | 160,094 | 160,094 |
| Merger deficit | (109,545) | (109,545) |
| Capital reserve | 1 | 1 |
| Retained earnings | 364,874 | 328,750 |
| Translation reserve | 1 | (15) |
| | <u>415,425</u> | <u>379,285</u> |
| Non-controlling interests | 602 | 616 |
| Total Equity | <u>416,027</u> | <u>379,901</u> |
| Non-current liabilities | | |
| Loans and borrowings | 58,740 | 61,558 |
| Deferred tax liabilities | 7,376 | 6,587 |
| | <u>66,116</u> | <u>68,145</u> |
| Current liabilities | | |
| Trade payables | 19,259 | 32,153 |
| Other payables and accruals | 13,797 | 17,658 |
| Tax liabilities | 669 | 125 |
| Loans and borrowings | 230,948 | 230,311 |
| Contract liabilities | 1,497 | 3,030 |
| | <u>266,170</u> | <u>283,277</u> |
| Total Liabilities | <u>332,286</u> | <u>351,422</u> |
| TOTAL EQUITY AND LIABILITIES | <u><u>748,313</u></u> | <u><u>731,323</u></u> |
| Net assets per share attributable to owners of the Company (RM) | 1.34 | 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 FIRST QUARTER ENDED 31 MARCH 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 period | - | - | - | - | 36,124 | (14) | 36,110 |
| Other comprehensive income | - | - | - | 16 | - | - | 16 |
| Total comprehensive income | - | - | - | 16 | 36,124 | (14) | 36,126 |
| At 31 March 2021 | 160,094 | (109,545) | 1 | 1 | 364,874 | 602 | 416,027 |
| 2020 | | | | | | | |
| At 1 January 2020 | 160,094 | (109,545) | 1 | (14) | 300,292 | 600 | 351,428 |
| Profit for the financial period | - | - | - | - | 1,025 | 38 | 1,063 |
| Other comprehensive loss | - | - | - | (6) | - | - | (6) |
| Total comprehensive income | - | - | - | (6) | 1,025 | 38 | 1,057 |
| At 31 March 2020 | 160,094 | (109,545) | 1 | (20) | 301,317 | 638 | 352,485 |

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 FIRST QUARTER ENDED 31 MARCH 2021

| | Current Year-To-Date 31.03.2021 RM'000 | Preceding Year-To-Date 31.03.2020 RM'000 |
|--|---|---|
| Cash Flows from Operating Activities | | |
| Profit before tax | 42,525 | 2,076 |
| Adjustments for: | | |
| Bad debt written off | - | 2 |
| Depreciation of property, plant and equipment | 3,764 | 3,827 |
| Fair value loss on derivative | - | 8 |
| Gain on disposal of plant and equipment | - | (20) |
| Impairment losses on trade receivables | 97 | 193 |
| Interest income | (161) | (282) |
| Interest expense | 2,522 | 3,460 |
| Net gain on a lease termination | (6) | - |
| Net unrealised gain on foreign exchange | (44) | (53) |
| Reversal of impairment losses on trade receivables | (47) | - |
| Operating profit before changes in working capital | 48,650 | 9,211 |
| Inventories | 5,933 | (6,843) |
| Trade and other receivables | (14,902) | 10,161 |
| Trade and other payables | (20,809) | (20,490) |
| Contract liabilities | (1,532) | 1,114 |
| Net cash generated from/(used in) operations | 17,340 | (6,847) |
| Interest received | 189 | 263 |
| Interest paid | (2,813) | (3,881) |
| Income tax paid | (1,102) | (3,602) |
| Net cash from/(used in) operating activities | 13,614 | (14,067) |
| Cash Flows from Investing Activities | | |
| Addition to deposits pledged with licensed banks | (58) | (84) |
| Capital work-in-progress paid | (683) | (154) |
| Deposits paid for acquisition of plant and equipment | (1,784) | (160) |
| Purchase of property, plant and equipment | (801) | (234) |
| Proceeds from disposal of plant and equipment | - | 20 |
| Net cash used in investing activities | (3,326) | (612) |

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

| | Current Year-To-Date 31.03.2021 RM'000 | Preceding Year-To-Date 31.03.2020 RM'000 |
|--|---|---|
| Cash Flows from Financing Activities | | |
| Payments of lease liabilities | (1,231) | (1,132) |
| Repayments of term loans | (509) | (450) |
| Net repayments of islamic financing | (4,786) | (9,721) |
| Net drawdowns of bankers' acceptances | 18,728 | 22,123 |
| Net cash from financing activities | <u>12,202</u> | <u>10,820</u> |
| Net increase/(decrease) in cash and cash equivalents | 22,490 | (3,859) |
| Cash and cash equivalents at the beginning of the financial period | 13,681 | (6,079) |
| Effect of exchange rate changes on cash and cash equivalents | 84 | 138 |
| Cash and cash equivalents at the end of the financial period | <u><u>36,255</u></u> | <u><u>(9,800)</u></u> |
| Cash and cash equivalents at the end of the financial period comprises: | | |
| Cash and bank balances | 30,286 | 7,051 |
| Deposits with licensed banks | 29,449 | 34,068 |
| | <u>59,735</u> | <u>41,119</u> |
| Less: Bank overdrafts | (15,335) | (42,942) |
| Less: Deposits pledged with licensed banks | (8,145) | (7,977) |
| | <u><u>36,255</u></u> | <u><u>(9,800)</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 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:

| | | Effective for financial periods beginning on or after |
|---|--|--|
| <u>New MFRS</u> | | |
| 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 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 financial years that have a material effect on the results for the current quarter and current financial year-to-date.

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A EXPLANATION NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING (CONT’D)**A6. Debt and Equity Securities**

There was no issuance, cancellation, repurchase, resale or repayment of debt and equity securities nor any movement in the share capital for the current quarter and current financial year-to-date.

A7. Dividend Paid

No dividend was paid during the current quarter.

A8. Segment Information

Segment information of the Group for the financial year-to-date ended 31 March 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 | 74,294 | 137,106 | 79 | 211,479 |
| Cost of sales | (57,785) | (100,319) | (40) | (158,144) |
| Gross profit | <u>16,509</u> | <u>36,787</u> | <u>39</u> | <u>53,335</u> |
| Add/(Less): | | | | |
| - Other income | | | | 1,110 |
| - Operating expenses | | | | (8,974) |
| - Net addition of impairment losses on financial instruments | | | | (50) |
| - Finance costs | | | | <u>(2,896)</u> |
| Profit before tax | | | | 42,525 |
| Income tax expense | | | | <u>(6,415)</u> |
| Profit for the financial period | | | | <u><u>36,110</u></u> |

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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 March 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 | 39,621 | 80,334 | 83 | 120,038 |
| Cost of sales | (34,530) | (71,982) | (56) | (106,568) |
| Gross profit | <u>5,091</u> | <u>8,352</u> | <u>27</u> | <u>13,470</u> |
| Add/(Less): | | | | |
| - Other income | | | | 869 |
| - Operating expenses | | | | (8,417) |
| - Net addition of impairment losses on financial instruments | | | | (193) |
| - Finance costs | | | | <u>(3,653)</u> |
| Profit before tax | | | | 2,076 |
| Income tax expense | | | | <u>(1,013)</u> |
| Profit for the financial period | | | | <u><u>1,063</u></u> |

Note:

⁽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

On 13 April 2021, AmInvestment Bank Berhad announced on behalf of our Board the proposed private placement of up to 31,000,000 new ordinary shares (“Placement Shares”) in the Company, representing up to 10% of the Company’s total number of issued share (“Private Placement”).

Bursa Malaysia Securities Berhad had, vide its letter dated 22 April 2021 approved the listing of and quotation for the Placement Shares to be issued pursuant to the Private Placement.

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 were no other 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.

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

A12. Capital Commitments

| | As at 31.03.2021 RM'000 | Audited As at 31.12.2020 RM'000 |
|---|-------------------------------|--|
| Approved and contracted for: | | |
| Acquisition of plant and equipment | 11,930 | 10,107 |
| Acquisition of properties | 2,942 | - |
| Construction of factory and warehouse buildings | 15,669 | 19,355 |
| Approved and not contracted for: | | |
| Acquisition of properties | - | 3,302 |
| | 30,541 | 32,764 |

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 2021.

A14. Significant Related Party Transactions

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|--|---|---|---|---|
| | Current Year- Quarter 31.03.2021 RM'000 | Preceding Year- Quarter 31.03.2020 RM'000 | Current Year- To-Date 31.03.2021 RM'000 | Preceding Year- To-Date 31.03.2020 RM'000 |
| Sales to related parties | 1,618 | 669 | 1,618 | 669 |
| Purchases from related parties | 174 | 26 | 174 | 26 |
| Rental expense paid to related parties | 513 | 513 | 513 | 513 |

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 31.03.2021 RM'000 | Preceding Year Quarter 31.03.2020 RM'000 | Variance | |
|---|---|---|-----------------|----------|
| | | | RM'000 | % |
| Revenue | 211,479 | 120,038 | 91,441 | 76.2% |
| Gross profit | 53,335 | 13,470 | 39,865 | 296.0% |
| Profit before interest and tax | 45,047 | 5,536 | 39,511 | 713.7% |
| Profit before tax | 42,525 | 2,076 | 40,449 | 1948.4% |
| Profit after tax | 36,110 | 1,063 | 35,047 | 3297.0% |
| Profit attributable to owners of the Company | 36,124 | 1,025 | 35,099 | 3424.3% |

The revenue recorded for the current quarter and the preceding year corresponding quarter was RM211.48 million and RM120.04 million respectively, increased by 76.2% or RM91.44 million.

The increase in revenue was mainly due to increase in revenue for trading and processing of steel products by 87.5% or RM34.67 million from RM39.62 million to RM74.29 million and by 70.7% or approximately RM56.78 million from RM80.33 million to RM137.11 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 70.6% mainly attributable to higher tonnage sales by 45.1% as well as higher average selling price by 17.6%;
- higher revenue from trading of other flat steel products by 115.0% mainly attributable to higher tonnage sales by 81.4% as well as higher average selling price by 18.6%; and
- higher revenue from trading of long carbon steel products by 116.1% mainly attributable to higher tonnage sales by 103.2% as well as higher average selling price by 6.4%.

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

- higher revenue from processing of flat carbon steel products by 80.0% mainly attributable to higher tonnage sales by 31.8% as well as higher average selling price by 36.6%. The higher tonnage sales by 31.8% includes contribution of 16.2% from production of welded steel pipes;
- higher revenue from processing of other flat steel products by 50.5% mainly attributable to higher tonnage sales by 43.6% as well as higher average selling price by 4.8%; and
- higher revenue from processing of long carbon steel products by 88.1% mainly due to increase in tonnage sales by 83.7% while the average selling price remained fairly consistent.

Our main business segments continued to be trading and processing of steel products, which collectively contributed 99.9% of our total revenue for the current quarter. The trading segment and the processing segment contributed revenue of 35.1% and 64.8% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of approximately 33.0% and 66.9% 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 296.0% or RM39.87 million, from RM13.47 million for the preceding year corresponding quarter to RM53.34 million for the current quarter. This was due to the increase in revenue by 76.2% or RM91.44 million, from RM120.04 million to RM211.48 million, as well as higher overall gross profit margin, from 11.2% for the preceding year corresponding quarter to 25.2% for the current quarter, mainly resulted from:

- higher gross profit margin for trading of steel products by 9.4 percentage points from 12.8% to 22.2%, mainly due to the increase in average selling price by 12.1% while the average cost for input materials remained fairly consistent; and
- higher gross profit margin for processing of steel products by 16.4 percentage points from 10.4% to 26.8%, mainly due to the increase in average selling price by 25.5% while the average cost for input materials had only increased by 4.3%.

The other income for the current quarter was RM1.11 million as compared to RM0.87 million for the preceding year corresponding quarter, increased by RM0.24 million, mainly due to increase in rental income by RM0.44 million contributed from letting bigger portion of our warehouse space in Port Klang Free Zone, offset by lower interest income by RM0.12 million and absence of insurance claims of RM0.09 million.

Our operating costs increased slightly by RM0.41 million from RM8.61 million for the preceding year corresponding quarter to RM9.02 million for the current quarter, as the result of the following:

1. Increase in distribution costs by RM0.78 million mainly due to:
 - increase in staff related costs by RM0.43 million mainly caused by increase in headcount and 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;
 - increase in upkeep of lorries, petrol, parking and toll expenses by RM0.19 million; and
 - increase in transportation, travelling and accommodation expenses by RM0.13 million.
2. Increase in administrative costs by RM0.76 million mainly due to:
 - higher directors' remuneration and staff related costs by RM0.55 million, mainly resulted from accrual of bonuses for directors and staff on quarterly basis instead of charging it to the last quarter of current financial year; and
 - higher professional fees incurred in the current quarter by RM0.18 million.
3. Decrease in net addition of impairment losses on financial instruments (trade receivables) by RM0.14 million.
4. Decrease in other costs by RM0.99 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. An appeal against it has been filed and the outcome is still pending from the tax authority.

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

B1. Review of Performance (Cont'd)

Current Quarter Compared To Preceding Year Corresponding Quarter (Cont'd)

Total finance costs for the current quarter was RM2.90 million, decreased by approximately RM0.75 million as compared to RM3.65 million for the preceding year corresponding quarter. This was attributable to lower interest expense for overdraft facilities, bankers' acceptances and term loans by RM0.41 million, RM0.37 million and RM0.14 million respectively, mainly due to decrease in interest rates following the further reduction of Overnight Policy Rate by Bank Negara Malaysia in May 2020 and July 2020, partially offset by higher bank charges incurred in the current quarter by RM0.18 million.

Based on the foregoing factors, our profit before tax increased significantly by approximately 1,948.4% or RM40.45 million, from RM2.08 million for the preceding year corresponding quarter to RM42.53 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 31.03.2021 RM'000 | Immediate Preceding Quarter 31.12.2020 RM'000 | Variance | |
|---|--|--|-----------------|----------|
| | | | RM'000 | % |
| Revenue | 211,479 | 198,963 | 12,516 | 6.3% |
| Gross profit | 53,335 | 33,089 | 20,246 | 61.2% |
| Profit before interest and tax | 45,047 | 21,656 | 23,391 | 108.0% |
| Profit before tax | 42,525 | 18,698 | 23,827 | 127.4% |
| Profit after tax | 36,110 | 17,979 | 18,131 | 100.8% |
| Profit attributable to owners of the Company | 36,124 | 17,993 | 18,131 | 100.8% |

Our Group achieved revenue of RM211.48 million for the current quarter, which was higher than the immediate preceding quarter's revenue by 6.3% or RM12.52 million.

The increase in revenue was mainly due to increase in revenue for trading and processing of steel products by 14.7% or approximately RM9.52 million from RM64.77 million to RM74.29 million and by 2.2% or RM2.99 million from RM134.12 million to RM137.11 million respectively.

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

- higher revenue from trading of other flat steel products by 81.8% mainly attributable to higher tonnage sales by 65.1% as well as higher average selling price by 10.1%; and
- higher revenue from trading of long carbon steel products by 42.1% mainly attributable to higher tonnage sales by 27.5% as well as higher average selling price by 11.5%; partially offset by
- lower revenue from trading of flat carbon steel products by 13.6% mainly due to lower tonnage sales by 28.9% despite higher average selling price by 21.4%; and
- lower revenue from trading of other long steel products by 22.7% mainly due to lower tonnage sales by 22.8%.

The increase in revenue for processing of steel products was mainly attributable to higher revenue from processing of flat carbon steel products by 3.7% mainly due to higher average selling price by 28.2% but largely negated by lower tonnage sales by 19.1%.

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)**

For the current quarter, our gross profit increased by 61.2% or RM20.25 million, from RM33.09 million for the immediate preceding quarter to RM53.34 million for the current quarter, which was due to the increase in revenue by 6.3% or RM12.52 million, from RM198.96 million to RM211.48 million, as well as higher overall gross profit margin from 16.6% for the immediate preceding quarter to 25.2% for the current quarter, mainly resulted from:

- higher gross profit margin for trading of steel products by 8.6 percentage points, from 13.6% to 22.2%, mainly due to the increase in average selling price by 21.7% while the average cost for input materials had only increased by 10.2%; and
- higher gross profit margin for processing of steel products by 8.1 percentage points, from 18.7% to 26.8%, mainly due to the increase in average selling price by 22.5% while the average cost for input materials had only increased by 10.0%.

The other income of RM1.11 million for the current quarter as compared to RM1.38 million for the immediate preceding quarter, decreased by RM0.27 million, mainly due to absence of wage subsidy of RM0.18 million from Government under the Wage Subsidy Programme as well as absence of refund of deposits of approximately RM0.07 million from local authority in relation to construction works.

Our operating costs decreased by RM3.57 million, from RM12.59 million for the immediate preceding quarter to RM9.02 million for the current quarter, as the result of the following:

1. Decrease in distribution and administrative costs by RM0.70 million and RM1.81 million respectively, mainly due to decrease in staff related costs and directors' remuneration resulted from the lower provision of directors and staff bonuses as the total bonuses for the immediate preceding financial year had been charged solely to the immediate preceding quarter; and
2. Decrease in net addition of impairment losses on financial instruments (trade receivables) by RM1.08 million.

The finance costs for the current quarter was RM2.90 million, decreased by RM0.28 million as compared to RM3.18 million for the immediate preceding quarter mainly due to lower interest expenses incurred for overdraft facilities and bankers' acceptances by RM0.29 million and RM0.10 million respectively, partially offset by higher bank charges incurred in the current quarter by RM0.15 million.

Based on the foregoing factors, our profit before tax increased by 127.4% or RM23.83 million, from RM18.70 million for the immediate preceding quarter to RM42.53 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 of which Phase 1 of the facilities with 2 production lines are in full swing since the second half of 2019. Another two (2) production lines are expected to be added in the second half of this year while Phase 2 of the facilities is currently at development stages and is 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 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 worldwide outbreak of COVID-19 pandemic has posed various uncertainties in the rate of recovery of global economies. Nonetheless, the International Monetary Fund (IMF) is expecting a stronger economic recovery in 2021 as COVID-19 vaccine rollouts get underway and expects the world economy to grow by 6% in 2021, up from its previous forecast of 5.5%. The latest round of fiscal stimulus in the U.S., along with the vaccine rollouts across the world, have made IMF more confident about the global economy this year. However, it acknowledges that the outlook presents daunting challenges related to divergences in the speed of recovery both across and within countries and the potential for persistent economic damage from the crisis.

Locally, the recent spike in the numbers of COVID-19 infections has resulted in the re-introduction of the strict Movement Control Order (MCO) in several areas including Selangor from 6 May 2021, and subsequently expanded nationwide until 7 June 2021. Our country is also currently still under the state of emergency which has been implemented for the period from 11 January 2021 to 1 August 2021 under the Emergency Ordinance 2021. Vaccination for the COVID-19 has been rolled out in various stages since end of February 2021. Coming out from a negative growth of 5.6% in 2020, Malaysian economy is expected to record a positive growth of between 6.5% and 7.5% in 2021. The growth is expected to be supported by strong economic fundamentals and a well-diversified economy. However, the favorable outlook hinges on the successful containment of the pandemic and sustained recovery in external demand.

Steel prices have been advancing since the second half of 2020 with no indication of abatement in the near future. Nonetheless, mindful of the risks arising from global and local factors mentioned above as well as the risk of reversal in the steel prices, our Group will constantly keep 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 continuously enhance the operating capabilities and efficiencies to meet 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 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 subsidiaries to deal with emergencies arising from the pandemic as well as other health and workplace related emergencies, and is currently considering having a Groupwide ERT.

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

B3. Commentary on Prospects (Cont'd)

In view of the above, our Board is cautiously optimistic that our Group will be able to achieve profitable results for the remaining quarters of 2021.

B4. Variance of Forecast Profit and Profit Guarantee

No profit forecast has been issued by the Group previously in any public document.

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B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)**B5. Profit Before Tax**

Profit before tax is derived after charging/(crediting):

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|--|--|---|---|
| | Current Year Quarter 31.03.2021 RM'000 | Preceding Year Quarter 31.03.2020 RM'000 | Current Year- To-Date 31.03.2021 RM'000 | Preceding Year- To-Date 31.03.2020 RM'000 |
| Bad debt written off | - | 2 | - | 2 |
| Depreciation of property, plant and equipment | 3,764 | 3,827 | 3,764 | 3,827 |
| Expense relating to short-term leases | 37 | 27 | 37 | 27 |
| Fair value gain on derivative | - | 8 | - | 8 |
| Impairment losses on trade receivables | 97 | 193 | 97 | 193 |
| Interest expense | 2,522 | 3,460 | 2,522 | 3,460 |
| Interest income | (161) | (282) | (161) | (282) |
| Net gain on foreign exchange | | | | |
| - realised | (30) | (34) | (30) | (34) |
| - unrealised | (44) | (53) | (44) | (53) |
| Net gain on a lease termination | (6) | - | (6) | - |
| Gain on disposal of plant and equipment | - | (20) | - | (20) |
| Rental income | (740) | (305) | (740) | (305) |
| Reversal of impairment losses on trade receivables | (47) | - | (47) | - |

*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. Income Tax Expense**

| | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|--|--|---|---|
| | Current Year Quarter 31.03.2021 RM'000 | Preceding Year Quarter 31.03.2020 RM'000 | Current Year- To-Date 31.03.2021 RM'000 | Preceding Year- To-Date 31.03.2020 RM'000 |
| Current income tax | | | | |
| - for the financial period | 5,627 | 326 | 5,627 | 326 |
| - (over)/under provision in prior financial years | (#) | 64 | (#) | 64 |
| Deferred tax | | | | |
| - origination of temporary differences | 788 | 606 | 788 | 606 |
| - under provision in prior financial year | - | 17 | - | 17 |
| Income tax expense | 6,415 | 1,013 | 6,415 | 1,013 |

Note:# *Less than RM500.*

The effective tax rate for the current quarter and current financial year-to-date are lower than the statutory tax rate of 24% mainly due to availability of reinvestment allowance for certain companies within the Group.

B7. Status of Corporate Proposals**(i) Proposed Acquisition**

On 24 February 2021, AmInvestment Bank Berhad announced on behalf of our Board, that Supreme Steelmakers Sdn Bhd, a wholly-owned subsidiary of the Company had on the even date entered into a conditional sale and purchase agreement with Leon Fuat Holdings Sdn Bhd for the proposed acquisition of a parcel of freehold land measuring approximately 9,946 square meters known as Lot 60240, Pekan Kajang, Daerah Hulu Langat, Negeri Selangor Darul Ehsan held under GM6958 together with the factory, warehouse and office erected thereon including weighing system, overhead cranes and fittings, for a total cash consideration of RM28,000,000 ("Proposed Acquisition").

The Proposed Acquisition is a Related Party Transaction under Chapter 10 Part E of the Bursa Malaysia Listing Requirements and is therefore, subject to, among others, approval from the non-interested shareholders of the Company at the extraordinary general meeting of the Company to be convened on 18 June 2021.

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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 status of the utilisation of proceeds raised from the Private Placement as disclosed in Note A10 as at the date of announcement is as follows:

| Purpose | Proposed Utilisation (RM'000) | Actual Utilisation (RM'000) | Deviation | Balance unutilised (RM'000) | Estimated timeframe |
|--|--------------------------------------|------------------------------------|------------------|------------------------------------|----------------------------|
| Purchase of machineries for the new welded steel pipe manufacturing line | 26,195 | - | - | 26,195 | Within 24 months |
| Expenses incurred for the Private Placement | 155 | 136 | - | 19 | Immediate |
| Total | 26,350 | 136 | - | 26,214 | |

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B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)**B8. Group Borrowings**

| | As at 31.03.2021 RM'000 | As at 31.12.2020 RM'000 |
|---------------------------|-------------------------------|-------------------------------|
| <u>Current</u> | | |
| Secured: | | |
| Bankers' acceptances | 108,165 | 98,833 |
| Bank overdrafts | 6,294 | 18,692 |
| Lease liabilities | 2,779 | 2,872 |
| Term loans | 4,685 | 3,096 |
| | 121,923 | 123,493 |
| Unsecured: | | |
| Bankers' acceptances | 60,321 | 50,925 |
| Bank overdrafts | 9,041 | 10,776 |
| Islamic financing | 39,088 | 43,874 |
| Lease liabilities | 575 | 1,243 |
| | 109,025 | 106,818 |
| | 230,948 | 230,311 |
| <u>Non-current</u> | | |
| Secured: | | |
| Lease liabilities | 2,314 | 2,934 |
| Term loans | 45,771 | 47,870 |
| | 48,085 | 50,804 |
| Unsecured: | | |
| Lease liabilities | 10,655 | 10,754 |
| | 58,740 | 61,558 |
| Total Borrowings | 289,688 | 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 | Preceding | Current | Preceding |
| | Year | Year | Year- | Year- |
| | Quarter | Quarter | To-Date | To-Date |
| | 31.03.2021 | 31.03.2020 | 31.03.2021 | 31.03.2020 |
| | RM'000 | RM'000 | RM'000 | RM'000 |
| Profit attributable to owners of the Company | 36,124 | 1,025 | 36,124 | 1,025 |
| Weighted average number of ordinary shares in issue ('000) | 310,000 | 310,000 | 310,000 | 310,000 |
| Basic Earnings Per Share (sen) | 11.65 | 0.33 | 11.65 | 0.33 |

(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 2021