

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 2023

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2023 RM'000	Preceding Year Quarter 31.03.2022 RM'000	Current Year- To-Date 31.03.2023 RM'000	Preceding Year- To-Date 31.03.2022 RM'000
Revenue	233,698	273,020	233,698	273,020
Cost of sales	(205,154)	(228,242)	(205,154)	(228,242)
Gross profit	28,544	44,778	28,544	44,778
Other income	1,084	672	1,084	672
Distribution costs	(3,355)	(2,985)	(3,355)	(2,985)
Administrative costs	(7,438)	(6,602)	(7,438)	(6,602)
Net addition of impairment losses on financial instruments	(556)	(8)	(556)	(8)
Other costs	(188)	(214)	(188)	(214)
	(11,537)	(9,809)	(11,537)	(9,809)
Profit from operations	18,091	35,641	18,091	35,641
Finance costs	(5,222)	(3,833)	(5,222)	(3,833)
Profit before tax	12,869	31,808	12,869	31,808
Tax expense	(2,187)	(7,916)	(2,187)	(7,916)
Profit for the financial period	10,682	23,892	10,682	23,892
Other comprehensive income: <i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of a foreign operation	16	8	16	8
Total other comprehensive income, net of tax	16	8	16	8
Total comprehensive income for the financial period	10,698	23,900	10,698	23,900
Profit attributable to:				
- Owners of the Company	10,732	23,909	10,732	23,909
- Non-controlling interests	(50)	(17)	(50)	(17)
	10,682	23,892	10,682	23,892

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 2023 (CONT'D)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2023 RM'000	Preceding Year Quarter 31.03.2022 RM'000	Current Year- To-Date 31.03.2023 RM'000	Preceding Year- To-Date 31.03.2022 RM'000
Total comprehensive income attributable to:				
- Owners of the Company	10,748	23,917	10,748	23,917
- Non-controlling interests	(50)	(17)	(50)	(17)
	<u>10,698</u>	<u>23,900</u>	<u>10,698</u>	<u>23,900</u>
Earnings per share (sen) attributable to owners of the Company:				
- Basic	3.15	7.01	3.15	7.01
- Diluted	3.15	7.01	3.15	7.01

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 2022 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 2023

	As at 31.03.2023 RM'000 (Unaudited)	As at 31.12.2022 RM'000 (Audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	268,203	272,373
Capital work-in-progress	72,582	69,295
	<u>340,785</u>	<u>341,668</u>
Current Assets		
Inventories	376,374	387,099
Trade receivables	259,542	249,971
Other receivables, deposits and prepayments	13,742	13,374
Tax assets	10,848	8,398
Deposits with licensed banks	2,514	4,566
Cash and bank balances	31,495	34,987
	<u>694,515</u>	<u>698,395</u>
TOTAL ASSETS	<u><u>1,035,300</u></u>	<u><u>1,040,063</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	186,423	186,423
Merger deficit	(103,960)	(103,960)
Capital reserve	1	1
Retained earnings	485,886	475,154
Translation reserve	87	71
	<u>568,437</u>	<u>557,689</u>
Non-controlling interests	455	505
Total Equity	<u>568,892</u>	<u>558,194</u>
Non-Current Liabilities		
Loans and borrowings	83,239	82,101
Deferred tax liabilities	8,311	6,098
	<u>91,550</u>	<u>88,199</u>
Current Liabilities		
Trade payables	10,202	6,709
Other payables and accruals	11,147	17,018
Tax liabilities	595	972
Loans and borrowings	350,811	366,734
Contract liabilities	2,103	2,237
	<u>374,858</u>	<u>393,670</u>
Total Liabilities	<u>466,408</u>	<u>481,869</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,035,300</u></u>	<u><u>1,040,063</u></u>
Net assets per share attributable to owners of the Company (RM)	1.67	1.64

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 2022 and the accompanying explanatory notes attached to this interim financial statement.

LEON FUAT BERHAD

Registration No. 200601036648 (756407-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2023

	< ----- Attributable to Owners of the Company ----- >					Non-	Total
	Share Capital	Merger Deficit	Capital Reserve	Translation Reserve	Retained Earnings	Controlling Interests	Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
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	186,423	(103,960)	1	87	485,886	455	568,892
2022							
At 1 January 2022	186,423	(109,545)	1	2	457,940	586	535,407
Profit/(Loss) for the financial period	-	-	-	-	23,909	(17)	23,892
Other comprehensive income for the financial period	-	-	-	8	-	-	8
Total comprehensive income	-	-	-	8	23,909	(17)	23,900
At 31 March 2022	186,423	(109,545)	1	10	481,849	569	559,307

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 2022 and the accompanying explanatory notes attached to this interim financial statement.

LEON FUAT BERHAD

Registration No. 200601036648 (756407-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2023

	Current Year-To-Date 31.03.2023 RM'000	Preceding Year-To-Date 31.03.2022 RM'000
Cash Flows from Operating Activities		
Profit before tax	12,869	31,808
Adjustments for:		
Depreciation of property, plant and equipment	4,521	3,976
Impairment losses on trade receivables	897	126
Interest expense	4,809	3,392
Interest income	(316)	(95)
Net gain on disposal of plant and equipment	(112)	-
Net unrealised foreign exchange (gain)/loss	(119)	17
Reversal of impairment losses on trade receivables	(341)	(118)
Waiver of interest income	-	127
Operating profit before changes in working capital	22,208	39,233
Inventories	10,567	9,226
Trade and other receivables	(11,334)	(14,378)
Trade and other payables	(2,260)	4,388
Contract liabilities	(134)	1,411
Net cash generated from operation	19,047	39,880
Interest received	139	121
Interest paid	(5,286)	(3,058)
Income tax paid	(2,801)	(9,305)
Net cash from operating activities	11,099	27,638
Cash Flows from Investing Activities		
Capital work-in-progress paid	(1,476)	(11,181)
Changes in deposit pledged with a licensed bank	(8)	(8)
Deposits paid for acquisition of plant and equipment	(200)	(1,352)
Proceeds from disposal of plant and equipment	22	-
Purchase of property, plant and equipment	(330)	(2,560)
Net cash used in investing activities	(1,992)	(15,101)

LEON FUAT BERHAD

Registration No. 200601036648 (756407-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2023 (CONT'D)

	Current Year-To-Date 31.03.2023 RM'000	Preceding Year-To-Date 31.03.2022 RM'000
Cash Flows from Financing Activities		
Drawdown of term loans	4,672	759
Net drawdown/(repayment) of bankers' acceptances	12,521	(35,401)
Net (repayment)/drawdown of islamic financing	(20,867)	5,810
Payment of hire purchase payables	(1,088)	(1,101)
Payment of lease liabilities	(467)	(448)
Repayment of term loans	(2,698)	(2,431)
Net cash used in financing activities	<u>(7,927)</u>	<u>(32,812)</u>
Net increase/(decrease) in cash and cash equivalents	1,180	(20,275)
Cash and cash equivalents at the beginning of the financial period	(6,256)	40,137
Effect of exchange rate changes on cash and cash equivalents	125	11
Cash and cash equivalents at the end of the financial period	<u>(4,951)</u>	<u>19,873</u>
Cash and cash equivalents at the end of the financial period comprises:		
Cash and bank balances	31,495	33,217
Deposits with licensed banks	2,514	506
	<u>34,009</u>	<u>33,723</u>
Less: Bank overdrafts	(38,446)	(13,344)
Less: Deposit pledged with a licensed bank	(514)	(506)
	<u>(4,951)</u>	<u>19,873</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 2022 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 2022.

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 2022.

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 2022, except for the adoption of the following:

New MFRS

MFRS 17 Insurance Contracts

Amendments/Improvements to MFRSs

MFRS 1 [#]	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 3 [#]	Business Combinations
MFRS 5 [#]	Non-current Assets Held for Sale and Discontinued Operations
MFRS 7 [#]	Financial Instruments: Disclosures
MFRS 9 [#]	Financial Instruments
MFRS 15 [#]	Revenue from Contracts with Customers
MFRS 17	Insurance Contracts
MFRS 101 [#]	Presentation of Financial Statements
MFRS 107 [#]	Statement of Cash Flows
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 112	Income Taxes
MFRS 116 [#]	Property, Plant and Equipment
MFRS 119 [#]	Employee Benefits
MFRS 128 [#]	Investments in Associates and Joint Ventures
MFRS 132 [#]	Financial instruments: Presentation
MFRS 136 [#]	Impairment of Assets
MFRS 137 [#]	Provisions, Contingent Liabilities and Contingent Assets
MFRS 138 [#]	Intangible Assets
MFRS 140 [#]	Investment Property

Amendments as to the consequence of effective of MFRS 17 Insurance Contracts.

LEON FUAT BERHAD

Registration No. 200601036648 (756407-D)

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)**

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 16	Leases	1 January 2024
MFRS 101	Presentation of Financial Statements	1 January 2024
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.

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 2022 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.

LEON FUAT BERHAD

Registration No. 200601036648 (756407-D)

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 2023 is as follows:

	Trading of Steel Products RM’000	Processing/ (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>

LEON FUAT BERHAD

Registration No. 200601036648 (756407-D)

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 2022 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	89,996	182,934	90	273,020
Cost of sales	(73,907)	(154,253)	(82)	(228,242)
Gross profit	<u>16,089</u>	<u>28,681</u>	<u>8</u>	<u>44,778</u>
Add/(Less):				
- Other income				672
- Operating expenses				(9,801)
- Net addition of impairment losses on financial instruments				(8)
- Finance costs				<u>(3,833)</u>
Profit before tax				31,808
Tax expense				<u>(7,916)</u>
Profit for the financial period				<u><u>23,892</u></u>

Notes:

⁽¹⁾ Collectively referred to as “processing”.

⁽²⁾ Mainly consists of trading of specialised steel materials including tool steel and non-ferrous metal products including bronze, brass, aluminium and copper products.

A9. Valuations of Property, Plant and Equipment

There were no amendments to the valuation of property, plant and equipment that have been brought forward from the preceding annual financial statements.

A10. Material Events Subsequent to the End of the Interim Period

There were no material events subsequent to the end of the current quarter up to the date of issue of this report that have not been reflected in the financial statements for the current quarter and current financial year-to-date.

A11. 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.

LEON FUAT BERHAD

Registration No. 200601036648 (756407-D)

A. EXPLANATION NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING (CONT’D)**A12. Capital Commitments**

	As at	Audited
	31.03.2023	As at
	RM’000	31.12.2022
		RM’000
Approved and contracted for:		
Acquisition of motor vehicles	840	-
Acquisition of plant and equipment	20,388	20,901
Acquisition of properties	1,379	1,379
Construction of factory and warehouse buildings	11,387	11,008
	<u>33,994</u>	<u>33,288</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 2023.

A14. Significant Related Party Transactions

	INDIVIDUAL		CUMULATIVE	
	QUARTER		QUARTER	
	Current	Preceding	Current	Preceding
	Year	Year	Year-	Year-
	Quarter	Quarter	To-Date	To-Date
	31.03.2023	31.03.2022	31.03.2023	31.03.2022
	RM’000	RM’000	RM’000	RM’000
Sales to related parties	1,781	1,924	1,781	1,924
Purchases from related parties	33	104	33	104
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 31.03.2023 RM'000	Preceding Year Quarter 31.03.2022 RM'000	Variance	
			RM'000	%
Revenue	233,698	273,020	(39,322)	-14.4%
Gross profit	28,544	44,778	(16,234)	-36.3%
Profit before interest and tax	17,678	35,200	(17,522)	-49.8%
Profit before tax	12,869	31,808	(18,939)	-59.5%
Profit after tax	10,682	23,892	(13,210)	-55.3%
Profit attributable to owners of the Company	10,732	23,909	(13,177)	-55.1%

The revenue recorded for the current quarter and the preceding year corresponding quarter was RM233.70 million and RM273.02 million respectively, decreased by 14.4% or RM39.32 million.

The decrease in revenue was mainly due to decrease in revenue for trading and processing of steel products by 11.7% or RM10.55 million from RM90.00 million to RM79.45 million and by 15.7% or RM28.75 million from RM182.93 million to RM154.18 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 35.2% mainly due to lower tonnage sales by 21.1% as well as lower average selling price by 17.8%; mitigated by
- higher revenue from trading of long carbon steel products by 16.9% mainly attributable to higher tonnage sales by 34.7%, despite lower average selling price by 13.2%; and
- higher revenue from trading of other long steel products by 57.5% mainly attributable to higher tonnage sales by 75.2%, despite lower average selling price by 10.1%.

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

- lower revenue from processing of flat carbon steel products by 13.2% mainly due to lower average selling price by 20.0%, despite higher tonnage sales by 8.5%;
- lower revenue from processing of other flat steel products by 21.5% mainly due to lower tonnage sales by 22.1% while the average selling price remained fairly consistent; and
- lower revenue from processing of long carbon steel products by 21.8% mainly due to decrease in tonnage sales by 11.1% as well as lower average selling price by 12.0%.

Our main business segments continued to be trading and processing of steel products, collectively they represent almost our entire revenue for the current quarter. The trading segment and the processing segment contributed revenue of 34.0% and 66.0% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of 33.0% and 67.0% 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 36.3% or RM16.23 million, from RM44.78 million for the preceding year corresponding quarter to RM28.54 million for the current quarter. This was due to the decrease in revenue by 14.4% or RM39.32 million, from RM273.02 million to RM233.70 million, as well as lower overall gross profit margin by 4.2 percentage points, from 16.4% for the preceding year corresponding quarter to 12.2% for the current quarter, mainly resulted from lower gross profit margin recorded for trading and processing of steel products by 5.1 percentage points from 17.9% to 12.8% and by 3.8 percentage points from 15.7% to 11.9% respectively as compared to the preceding year corresponding quarter.

The other income for the current quarter was RM1.08 million as compared to RM0.67 million for the preceding year corresponding quarter, higher by RM0.41 million, mainly due to:

- gain on disposal of plant and equipment amounting to RM0.11 million;
- unrealised gain on foreign exchange of RM0.12 million recorded for the current quarter;
- higher interest income by RM0.22 million;
- absence of waiver of interest income on overdue trade receivables of RM0.13 million; and
- higher insurance claims by RM0.07 million; offset by
- decrease in rental income derived from letting of a portion of warehouse space in Port Klang Free Zone ("PKFZ") by RM0.10 million; and
- absence of wage subsidy of RM0.11 million from Government under the Wage Subsidy Programme which was received in the preceding year corresponding quarter.

Our operating costs increased by RM1.73 million from RM9.81 million for the preceding year corresponding quarter to RM11.54 million for the current quarter, as the result of the following:

1. Increase in distribution costs by RM0.37 million, mainly due to:
 - increase in staff related costs by RM0.22 million mainly caused by increase in salary, wage and overtime payments; and
 - increase in transportation, travelling and accommodation expenses by RM0.22 million, offset by
 - lower upkeep of lorries expenses by RM0.06 million.
2. Increase in administrative costs by RM0.84 million mainly due to:
 - increase in staff related costs by RM0.62 million;
 - increase in depreciation charges by RM0.21 million;
 - increase in entertainment expenses by RM0.16 million; and
 - higher professional fees incurred in the current quarter by RM0.16 million; offset by
 - lower directors' remuneration by RM0.37 million mainly caused by lower provision of bonuses for directors.
3. Increase in net addition of impairment losses on financial instruments (trade receivables) by RM0.55 million.

LEON FUAT BERHAD

Registration No. 200601036648 (756407-D)

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 RM5.22 million, increased by RM1.39 million as compared to RM3.83 million for the preceding year corresponding quarter. This was mainly caused by higher interest expense for overdraft facilities, bankers' acceptances, islamic financing and term loans in the current quarter by RM0.65 million, RM0.43 million, RM0.12 million and RM0.25 million respectively, mainly due to higher 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 2022, July 2022, September 2022 and November 2022.

Based on the foregoing factors, our profit before tax decreased by 59.5% or RM18.94 million, from RM31.81 million for the preceding year corresponding quarter to RM12.87 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 31.03.2023 RM'000	Immediate Preceding Quarter 31.12.2022 RM'000	Variance	
			RM'000	%
Revenue	233,698	238,152	(4,454)	-1.9%
Gross profit	28,544	6,823	21,721	318.3%
Profit/(Loss) before interest and tax	17,678	(2,822)	20,500	726.4%
Profit/(Loss) before tax	12,869	(7,487)	20,356	271.9%
Profit/(Loss) after tax	10,682	(5,144)	15,826	307.7%
Profit/(Loss) attributable to owners of the Company	10,732	(5,087)	15,819	311.0%

Our Group achieved revenue of RM233.70 million for the current quarter, which was slightly lower than the immediate preceding quarter's revenue by 1.9% or RM4.45 million.

The decrease in revenue was mainly due to decrease in revenue for processing of steel products by 3.7% or RM5.97 million from RM160.15 million to RM154.18 million, mainly resulted from:

- lower revenue from processing of flat carbon steel products by 3.3% mainly due to lower tonnage sales by 5.0%, despite slightly higher average selling price by 1.8%; and
- lower revenue from processing of long carbon steel products by 20.1% mainly due to decrease in tonnage sales by 14.6% as well as lower average selling price by 6.5%.

Despite slightly lower revenue by 1.9% or RM4.45 million, from RM238.15 million to RM233.70 million, our gross profit increased by 318.3% or RM21.72 million, from RM6.82 million for the immediate preceding quarter to RM28.54 million for the current quarter, which was due to higher overall gross profit margin by 10.6 percentage points, from 1.6% for the immediate preceding quarter to 12.2% for the current quarter, mainly resulted from higher gross profit margin recorded for trading and processing of steel products by 18.6 percentage points from negative 5.8% to 12.8% and by 6.7 percentage points from 5.2% to 11.9% respectively as compared to the immediate preceding quarter, slightly negated by absence of net reversal of inventories written down of RM3.05 million which was recorded in the immediate preceding quarter.

The other income of RM1.08 million for the current quarter as compared to RM0.91 million for the immediate preceding quarter, increased by approximately RM0.17 million, mainly due to:

- higher unrealised gain on foreign exchange by RM0.30 million due to unrealised gain on foreign exchange of RM0.12 million recorded for the current quarter as opposed to reversal of unrealised gain on foreign exchange of approximately RM0.18 million recorded for the immediate preceding quarter; and
- increase in rental income derived from letting of a portion of warehouse space in PKFZ by RM0.16 million; offset by
- lower gain on disposal of plant and equipment by RM0.24 million; and
- lower insurance claims by RM0.08 million.

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)

Our operating costs increased by RM1.43 million, from RM10.11 million for the immediate preceding quarter to RM11.54 million for the current quarter, as the result of the following:

1. Increase in distribution costs by RM0.13 million mainly due to:
 - increase in staff related costs by RM0.10 million, and
 - increase in transportation, travelling and accommodation charges by RM0.05 million.
2. Increase in administrative costs by RM1.58 million mainly due to:
 - increase in staff related costs and directors' remuneration by RM1.39 million mainly resulted from higher staff welfare and allowance expenses as well as higher provision of bonuses for staff and directors;
 - increase in entertainment expenses by RM0.13 million; and
 - higher professional fees incurred in the current quarter by RM0.31; offset by
 - absence of auditors' remuneration of RM0.27 million which was charged to the immediate preceding quarter.
3. Increase in net addition of impairment losses on financial instruments (trade receivables) by RM0.57 million due to net addition of impairment losses on financial instruments of RM0.56 million for the current quarter as opposed to net reversal of impairment losses on financial instruments of RM0.01 million for the immediate preceding quarter.
4. Decrease in other costs by RM0.85 million, mainly due to:
 - absence of realised and unrealised loss on foreign exchange of RM0.26 million and RM0.17 million respectively which were recorded in the immediate preceding quarter; and
 - lower stamp duty paid by RM0.45 million.

The finance costs for the current quarter was RM5.22 million, remained fairly consistent as compared to RM5.11 million for the immediate preceding quarter.

Based on the foregoing factors, we recorded profit before tax of RM12.87 million for the current quarter as opposed to loss before tax of RM7.49 million for the immediate preceding 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. We have also embarked on Phase 2 of the facilities which is only expected to be fully commissioned in early 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 International Monetary Fund (“IMF”) raised its forecast for Asia-Pacific, expecting the region’s growth to be primarily driven by China’s recovery and “resilient” growth in India. This comes as the rest of the world braces for slower growth from tightened monetary policy and Russia’s invasion of Ukraine.

Locally, the IMF is of the view that after a strong recovery in 2022, growth is projected to moderate in 2023 due to external headwinds, and inflation to remain elevated. A gradual and credible fiscal consolidation strategy is needed to rebuild buffers while tightening monetary policy remains appropriate to contain inflation. Coordinated implementation of structural reform policies set out in the Twelfth Malaysia Plan and the 2023 Budget is needed to achieve inclusive growth, enhance digitalisation, reduce governance and corruption vulnerabilities, and address climate change.

In view of the challenging local and regional economic outlook and to stay ahead of competition, our Group will 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.

In this respect, our Board is cautiously optimistic that the Group will be able to achieve positive results for the remaining quarters in 2023.

LEON FUAT BERHAD

Registration No. 200601036648 (756407-D)

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 31.03.2023 RM'000	Preceding Year Quarter 31.03.2022 RM'000	Current Year- To-Date 31.03.2023 RM'000	Preceding Year- To-Date 31.03.2022 RM'000
Depreciation of property, plant and equipment	4,521	3,976	4,521	3,976
Impairment losses on trade receivables	897	126	897	126
Interest expense	4,809	3,392	4,809	3,392
Waiver of interest income	-	127	-	127
Interest income	(316)	(95)	(316)	(95)
Net gain on disposal of plant and equipment	(112)	-	(112)	-
Net foreign exchange (gain)/loss:				
- realised	(16)	23	(16)	23
- unrealised	(119)	17	(119)	17
Rental income from premises	(247)	(348)	(247)	(348)
Reversal of impairment losses on trade receivables	(341)	(118)	(341)	(118)

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.

LEON FUAT BERHAD

Registration No. 200601036648 (756407-D)

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 31.03.2023 RM'000	Preceding Year Quarter 31.03.2022 RM'000	Current Year- To-Date 31.03.2023 RM'000	Preceding Year- To-Date 31.03.2022 RM'000
Current income tax				
- for the financial period	1,367	7,588	1,367	7,588
- over provision in prior financial years	(1,393)	-	(1,393)	-
Deferred tax				
- origination of temporary differences	2,213	328	2,213	328
Tax expense	<u>2,187</u>	<u>7,916</u>	<u>2,187</u>	<u>7,916</u>

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 adjustment for overprovision of taxation by a subsidiary company upon receipt of Notices of Reduced Assessment for Year of Assessment ("YA") 2012 to YA 2015 amounting to RM1.39 million in the current quarter in respect of claim for the reinvestment allowance on certain capital expenditure incurred during those YAs.

B7. Status of Corporate Proposals

There was no corporate proposal announced but not completed as at the date of this report.

LEON FUAT BERHAD

Registration No. 200601036648 (756407-D)

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

	As at 31.03.2023 RM'000	As at 31.12.2022 RM'000
<u>Current</u>		
Secured:		
Bankers' acceptances	111,405	109,378
Bank overdrafts	33,452	37,528
Hire purchase payables	3,655	3,951
Term loans	10,793	10,793
	<u>159,305</u>	<u>161,650</u>
Unsecured:		
Bankers' acceptances	130,486	119,992
Bank overdrafts	4,994	7,775
Islamic financing	55,420	76,287
Lease liabilities	606	1,030
	<u>191,506</u>	<u>205,084</u>
	<u>350,811</u>	<u>366,734</u>
<u>Non-current</u>		
Secured:		
Hire purchase payables	3,331	4,125
Term loans	69,416	67,442
	<u>72,747</u>	<u>71,567</u>
Unsecured:		
Lease liabilities	10,492	10,534
	<u>83,239</u>	<u>82,101</u>
Total Borrowings	<u><u>434,050</u></u>	<u><u>448,835</u></u>

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.

LEON FUAT BERHAD

Registration No. 200601036648 (756407-D)

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 31.03.2023 RM'000	Preceding Year Quarter 31.03.2022 RM'000	Current Year- To-Date 31.03.2023 RM'000	Preceding Year- To-Date 31.03.2022 RM'000
Profit attributable to owners of the Company	10,732	23,909	10,732	23,909
Weighted average number of ordinary shares in issue ('000)	341,000	341,000	341,000	341,000
Basic Earnings Per Share (sen)	3.15	7.01	3.15	7.01

(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
29 May 2023