



LEON FUAT BERHAD

Registration No. 200601036648 (756407-D)



SUSTAINING FOCUS AND MOMENTUM

ANNUAL REPORT 2023

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SUSTAINING FOCUS AND MOMENTUM

A design that shows Leon Fuat's confidence in its strategic direction, as sustainable proactive and prudent measures are providing resilience. The infinity symbol's enlarged loop indicates readiness to embark on the upcoming significant strides that are in the pipeline for 2024.

The icons represent Leon Fuat's robust and diversified portfolio, while the graphic lines show the harnessing of innovation and efficiencies that have sustained growth in 2023's challenging headwinds.

OUR PRODUCTS

- Stainless Steel Flat
- Stainless Steel Long
- Carbon and Alloy Steel Flat
- Carbon and Alloy Steel Long

OUR PROCESSING AND/OR MANUFACTURING

- CNC Oxy-gas Cutting
- CNC Laser Cutting
- CNC Waterjet Cutting
- CNC Plasma Cutting
- Bandsaw Cutting
- Guillotine Shear
- CNC Press Brake (Bending)
- CNC Turret Punching
- Coil Levelling/Slitting
- Polishing
- Pipe Forming
- Expanded Metal
- Perforated Metal



CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Lim Cheng Poh

Independent
Non-Executive Chairman

Dato' Sri Ooi Bin Keong

Executive Deputy Chairman

Ooi Seng Khong

Group Managing Director

Ooi Kong Tiong

Executive Director

Ng Kok Teong

Executive Director

Ooi Shang How

Executive Director

Chan Kee Loin

Non-Independent
Non-Executive Director

Thien Shy Wei

Independent
Non-Executive Director

Wong Sze Yan

Independent
Non-Executive Director

Audit Committee

Wong Sze Yan (Chairman)
Chan Kee Loin
Thien Shy Wei

Nomination Committee

Chan Kee Loin (Chairman)
Thien Shy Wei
Wong Sze Yan

Remuneration Committee

Thien Shy Wei (Chairman)
Chan Kee Loin
Wong Sze Yan

Company Secretaries

Yeoh Chong Keat
SSM PC No.201908004096
MIA 2736

Lim Fei Chia
SSM PC No.202008000515
MAICSA 7036158

Registered Office

Lot 5, Level 10
Menara Great Eastern 2
No. 50 Jalan Ampang
50450 Kuala Lumpur
Tel : (603) 2031 1988
Fax : (603) 2031 9788
Email : archer@archer.com.my

Principal Place of Business

Wisma Leon Fuat
No. 11, Lorong Keluli 1B
Kawasan Perindustrian
Bukit Raja Selatan
Seksyen 7, 40000 Shah Alam
Selangor Darul Ehsan
Tel : (603) 3375 3333
Fax : (603) 3344 7777

Auditors

Baker Tilly Monteiro Heng PLT
Baker Tilly Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel : (603) 2297 1000
Fax : (603) 2282 9980

Share Registrar

Boardroom Share Registrars Sdn. Bhd.
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Tel : (603) 7890 4700
Fax : (603) 7890 4670
Email : info.my@boardroomlimited.com

Principal Bankers

AmBank (M) Berhad
Level 21, Bangunan AmBank Group
Jalan Raja Chulan
50200 Kuala Lumpur
Tel : (603) 2036 2633
Fax : (603) 2036 2458

Hong Leong Bank Berhad

Level 9, Menara Hong Leong
No. 6, Jalan Damansara
Bukit Damansara
50490 Kuala Lumpur
Tel : (603) 2081 8888
Fax : (603) 2081 8935

Al Rajhi Banking & Investment Corporation (Malaysia) Berhad

Ground Floor, East Block
Wisma Golden Eagle Realty
142-B Jalan Ampang
50450 Kuala Lumpur
Tel : (603) 2301 7000
Fax : (603) 2170 7100

Stock Exchange Listing

Main Market of Bursa Malaysia Securities Berhad

Sector/ : Industrial Products
Sub-sector & Services/Metals
Stock Name : LEONFB
Stock Code : 5232

Corporate Website

www.leonfuat.com.my

CORPORATE STRUCTURE



LEON FUAT BERHAD

100%

Leon Fuat Hardware
Sdn. Bhd.
("LF Hardware")

100%

Leon Fuat Metal Sdn. Bhd.
("LF Metal")

100%

Supreme Steelmakers
Sdn. Bhd.
("Supreme Steelmakers")

100%

Overum Wear Parts
(Far East) Pte. Ltd.
("Overum")

100%

Leon Fuat Industrial
Products Sdn. Bhd.
("LFIP")

100%*

PCM Steel Processing
Sdn. Bhd.
("PSP")

* PSP has become a wholly-owned subsidiary of LF Metal with effect from 20 March 2024.



BOARD OF DIRECTORS

DATO' LIM CHENG POH

Independent Non-Executive
Chairman

DATO' SRI OOI BIN KEONG

Executive Deputy Chairman

OOI SENG KHONG

Group Managing Director

OOI SHANG HOW

Executive Director



OOI KONG TIONG
Executive Director

NG KOK TEONG
Executive Director

CHAN KEE LOIN
Non-Independent
Non-Executive
Director

THIEN SHY WEI
Independent Non-
Executive Director

WONG SZE YAN
Independent Non-
Executive Director



BOARD OF DIRECTORS' PROFILE



DATO' LIM CHENG POH

Independent
Non-Executive Chairman

Age	Gender	Nationality
76	Male	Malaysian

Dato' Lim Cheng Poh, the Chairman of the Board, was appointed to the Board on 6 January 2022 as an Independent Non-Executive Director.

He graduated from Camborne School of Mines, Cornwall, England in 1970 with a First Class with Distinction in Mining Engineering and awarded the Richard Pearce Gold Medal for being the best graduating student. He obtained a Master Degree in Science (Applied Engineering) from Queen's University at Kingston, Ontario, Canada in 1972 and a Master Degree in Business Administration from Harvard University Graduate School of Business Administration, Massachusetts, USA in 1978.

In 1972, he started his career in Malaysia as a mining engineer in Osborne & Chappel International ("O&CI") and eventually became a shareholder and an Executive Director of O&CI. He joined Hong Leong Group Malaysia in 1983 as the Managing Director for Hong Leong Credit Berhad (now known as Hong Leong Financial Group). In January 1994, he was appointed as the Senior Group Managing Director of Hong Leong Bank. Dato' Lim retired from Hong Leong Bank and the Hong Leong Group in October 2003 after having served the group for 21 years. On 15 June 2004, he joined AmBank (M) Berhad as its Managing Director/Chief Executive Officer. After the merger of the business operations of AmBank Berhad and AmFinance Berhad (renamed as AmBank (M) Berhad) on 1 June 2005, Dato' Lim was appointed as the Managing Director of Business Banking of the group. During 2005 to 2006, he was appointed as the Director of AmAssurance Berhad and AmIslamic Bank Berhad. Dato' Lim retired from AmBank Group in October 2015 after having served for over 10 years.

He was the Independent Non-Executive Chairman of LYC Healthcare Berhad until his resignation on 4 August 2020.

He attended all five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2023.

BOARD OF DIRECTORS' PROFILE

Age	Gender	Nationality
74	Male	Malaysian

Dato' Sri Ooi Bin Keong, was appointed to the Board on 21 June 2012. He was re-designated as the Executive Deputy Chairman of the Company on 1 October 2020. Prior to his re-designation, he was the Group Managing Director.

After completing his primary education in 1963, he worked at a coffee shop before he established Leong Huat Trading & Co in 1972 as a partnership, which was then mainly involved in the trading of steel products and undertook minor processing work.

In 1982, he co-founded Leon Fuat Group together with Ooi Kong Tiong and the late Ng Chee Tiang by establishing LF Hardware to take over the business of Leong Huat Trading & Co. They then established LF Metal, Supreme Steelmakers and Asa Steel (M) Sdn. Bhd. ("ASA Steel") in 1983, 1991 and 1995 respectively. As the co-founder and with approximately 52 years of experience in the steel industry, he has been instrumental in the growth and development of Leon Fuat Group and has also contributed significantly to the success of the Group particularly in driving the Group's overall vision and strategy.

As the Executive Deputy Chairman of the Company, he oversees the overall management of the operations, business directions and strategies of the Group.

He is currently the President of the 60th Executive Committee (2023 – 2025) of the Malaysia Steel and Metal Distributors' Association (MSMDA).

He is the father of Ooi Shang How, the Executive Director of the Company.

He is the major shareholder of the Company by virtue of his interest in Leon Fuat Holdings Sdn. Bhd., a major shareholder of the Company.

He attended all five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2023.



DATO' SRI OOI BIN KEONG
Executive Deputy Chairman

BOARD OF DIRECTORS' PROFILE



Ooi Seng Khong
Group Managing Director

Age	Gender	Nationality
62	Male	Malaysian

Ooi Seng Khong, was appointed to the Board on 21 June 2012. He was promoted and re-designated as Group Managing Director on 1 October 2020.

After completing his primary school education in 1975, he was involved in his family's paper packaging business before joining Leong Huat Trading & Co as a machine operator in 1979. In 1982, he joined LF Hardware as a sales representative and subsequently in 1983, he was appointed as Head of Operations of LF Metal. In 1999, he was appointed as the Managing Director of LF Metal and holding this position until 30 September 2020. During this period, he has been instrumental in the growth and development of Leon Fuat Group. With approximately 45 years of experience in the steel industry, he has contributed significantly to the Group's success.

As the Group Managing Director, he is responsible for formulating the strategic business direction of the Group and ensuring the day-to-day management and business affairs of the Group is effectively managed, amongst other executive responsibilities.

He is the brother of Dato' Sri Ooi Bin Keong and Ooi Kong Tiong, the Executive Directors of the Company.

He attended all five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2023.

BOARD OF DIRECTORS' PROFILE

Age	Gender	Nationality
70	Male	Malaysian

Ooi Kong Tiong, was appointed to the Board on 21 June 2012.

After completing his primary education in 1967, he opted to join the working community and worked at a coffee shop before he joined Leong Huat Trading & Co in 1972 as a machine operator and sales executive. In 1982, he co-founded Leon Fuat Group together with Dato' Sri Ooi Bin Keong and the late Ng Chee Tiang by establishing LF Hardware to take over the business of Leong Huat Trading & Co. Together with Dato' Sri Ooi Bin Keong and the late Ng Chee Tiang, they established LF Metal, Supreme Steelmakers and ASA Steel in 1983, 1991 and 1995 respectively.

As the Group's co-founder and Executive Director, he has been instrumental in the growth and development of Leon Fuat Group. With approximately 52 years of experience in the steel industry, he has contributed significantly to the Group's success particularly in driving the sales operations for the Group. He is currently responsible for overseeing the sales operations as well as the Group's business planning and implementation.

He is the brother of Dato' Sri Ooi Bin Keong and Ooi Seng Khong, the Executive Directors of the Company.

He attended four (4) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2023.



Ooi Kong Tiong
Executive Director

BOARD OF DIRECTORS' PROFILE



NG KOK TEONG
Executive Director

Age	Gender	Nationality
55	Male	Malaysian

Ng Kok Teong, was appointed to the Board on 21 June 2012. He graduated with a Diploma in Business Studies from Stamford College, Malaysia in 1989.

He started his career in 1990 when he joined LF Hardware as a sales representative before being appointed as the Executive Director of LF Hardware in 1999. He is currently the Managing Director of LF Hardware and is responsible for overseeing the business and operations of the company.

He is the son of the late Ng Chee Tiang, one of the co-founders of Leon Fuat Group.

He is the major shareholder of the Company by virtue of his interest in Leon Fuat Holdings Sdn. Bhd., a major shareholder of the Company.

He attended all five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2023.

BOARD OF DIRECTORS' PROFILE

Age	Gender	Nationality
45	Male	Malaysian

Ooi Shang How, was appointed to the Board on 21 June 2012. He obtained his Cambridge A-Level certificate from Taylor's College, Malaysia in 1997. Between 1998 and 2001, he undertook studies in Monash University and RMIT in Australia before he started his career in 2002 when he joined LF Metal as a sales and marketing representative.

In 2005, he was appointed as the Executive Director of LF Metal where he was mainly involved in business development and procurement planning as well as information technology functions of the company. He is currently responsible for overseeing the daily operations, business expansion plans and business development functions of LF Metal, amongst other executive responsibilities.

He is the son of Dato' Sri Ooi Bin Keong, the Executive Deputy Chairman of the Company.

He attended four (4) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2023.



OOI SHANG HOW
Executive Director

BOARD OF DIRECTORS' PROFILE

**CHAN KEE LOIN**

Non-Independent Non-Executive Director

Age	Gender	Nationality
60	Male	Malaysian

Chan Kee Loin, the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee, was appointed to the Board on 21 June 2012 as an Independent Non-Executive Director.

Mr. Chan was re-designated as a Non-Independent Non-Executive Director on 9 April 2024 after serving the Board as an Independent Non-Executive Director for approximately twelve (12) years.

He undertook his studies in Tunku Abdul Rahman College where he completed a three years extra-mural course in Financial Accounting in 1987 and was a finalist in professional examination of the Chartered Association of Certified Accountants, United Kingdom. He started his career in early 1988 as an audit assistant in a small firm of Public Accountants in Johor Bahru. In early 1989, he joined a medium size public accounting firm in Kuala Lumpur where he was promoted to Director in 2000. He brings with him vast experience in statutory audits, due diligence audits, share and business valuation and provision of professional services as adviser, coordinator and Reporting Accountants for corporate exercises.

He was an Independent Non-Executive Director of CAM Resources Berhad until his resignation on 1 March 2023.

He attended all five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2023.

BOARD OF DIRECTORS' PROFILE

Age	Gender	Nationality
43	Female	Malaysian

Thien Shy Wei, the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee, was appointed to the Board on 31 May 2023 as an Independent Non-Executive Director.

She holds a degree in Bachelor of Law from the University of London and was admitted as an Advocate and Solicitor of the High Court of Malaya in 2007 and has 16 years of experience under her belt.

She joined Messrs Yee How & Tan on 15 October 2008 and currently, she is the Senior Associate of the firm. Her primary focus is in the area of dispute resolution, corporate matters and regularly handle matters in the High Court and on appellate level.

Her experience spans across a wide range of legal areas such as debt recovery, insolvency, land and commercial disputes as well as estate and family matters/disputes. Her esteemed client portfolio encompasses a spectrum of companies including listed companies and SMEs to whom she advises to safeguard against any potential legal risk, draft and review legal documentation ensuring the legality of commercial transactions and negotiating for favourable settlement in debt recovery.

She attended two (2) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2023.



THIEN SHY WEI

Independent Non-Executive Director

BOARD OF DIRECTORS' PROFILE

**WONG SZE YAN**

Independent Non-Executive Director

Age	Gender	Nationality
41	Male	Malaysian

Wong Sze Yan, the Chairman of the Audit Committee and a member of the Nomination Committee and Remuneration Committee, was appointed to the Board on 1 February 2024 as an Independent Non-Executive Director.

He undertook his studies in Tunku Abdul Rahman College from 2000 to 2002 and further his studies from 2003 to 2005 and obtained a Degree of Bachelor of Commerce (Hons) Accounting. After graduated, he joined a couple of public accounting firms and was previously attached with an international top six (6) accounting firm. He is a member of the Malaysian Institute of Accountants (MIA), as well as a member of the Certified Practising Accountant (CPA) Australia. In 2023, he founded Aaron Wong & Co., an accounting firm providing audit and accounting services.

He has more than 18 years of audit and finance experience. He was involved in the statutory audit of companies listed in Malaysia, including foreign subsidiaries and associates based in China, Indonesia and South Africa. He had also led teams in financial due diligence and agreed upon procedures ("AUP") engagements. He had served clients in diversified industries for both MNCs and public listed clients, including property development, construction, manufacturing, oil & gas, logistic, Information Technology services and others.

He is an approved company auditor and managing proprietor of Aaron Wong & Co., a professional firm providing audit and accounting services.

ADDITIONAL NOTES:

Save as disclosed, none of the Directors have any: -

1. Directorships in public companies and listed issuers;
2. Family relationship with other Directors and/or major shareholders of the Company;
3. Conflict of interests with the Company; and
4. Conviction for any offences within the past five (5) years (other than traffic offences, if any) nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2023.

PROFILE OF KEY MANAGEMENT PERSONNEL

NG LAM KEONG

Executive Director of LF Hardware

Age	Gender	Nationality
66	Male	Malaysian

Ng Lam Keong is the Executive Director of LF Hardware. After completing his primary education in 1971, he joined his family's paper packaging business from 1972 to 1981.

In 1982, he joined LF Hardware as a machine operator before he was promoted to overseeing the management of the steel processing operations for the company and management of human resources in 1992. In 1999, he was appointed as the Executive Director of LF Hardware. He is mainly responsible for overseeing the sales and procurement functions of LF Hardware.

He is the brother of Dato' Sri Ooi Bin Keong, Ooi Kong Tiong and Ooi Seng Khong, the Executive Directors of the Company.

OOI PEK KUAN

Managing Director of LF Metal

Age	Gender	Nationality
59	Male	Malaysian

Ooi Pek Kuan is the Managing Director of LF Metal. After completing his Form 4 education, he started his career in 1983 when he joined LF Metal as a machine operator.

In 1999, he was appointed as the Executive Director of LF Metal. On 1 October 2020, he was re-designated as the Managing Director of LF Metal. He has accumulated approximately 41 years of experience in the steel industry. He is currently responsible for overseeing the overall management, business development and procurement functions of LF Metal.

He is the brother of Dato' Sri Ooi Bin Keong, Ooi Kong Tiong and Ooi Seng Khong, the Executive Directors of the Company.

NG KOK WEE

Executive Director of LF Metal

Age	Gender	Nationality
53	Male	Malaysian

Ng Kok Wee is the Executive Director of LF Metal. He obtained his Bachelor of Commerce Degree in Accounting from Nelson Polytechnic, New Zealand in 1999.

His career started in 2000 when he joined Ling Kam Hong & Co, an audit firm in Kuala Lumpur as a semi-senior. In 2002, he joined Leon Fuat Holdings Sdn. Bhd. as the Accounts Executive. Subsequently in 2007, he joined LF Hardware as the Assistant Accountant before he was transferred to LF Metal in 2009 as the Finance Manager. He was appointed as the Executive Director of LF Metal since 2010.

He is the brother of Ng Kok Teong, the Executive Director of the Company.

He is the major shareholder of the Company by virtue of his interest in Leon Fuat Holdings Sdn. Bhd., a major shareholder of the Company.

PROFILE OF KEY MANAGEMENT PERSONNEL

OOI SHANG YAO

Executive Director of
Supreme Steelmakers

Age	Gender	Nationality
42	Male	Malaysian

Ooi Shang Yao is the Executive Director of Supreme Steelmakers. In 2006, he obtained his Bachelor Degree in Business from Swinburne University of Technology, Australia.

He started his career in 2007 when he joined Supreme Steelmakers as a sales and marketing representative. Later, he was tasked to involve in procurement planning and overseeing the factory operations of Supreme Steelmakers. In 2013, he was promoted as the General Manager of Supreme Steelmakers assisting the Managing Director in overseeing the factory operations, human resource and administrative functions of the company.

He was appointed as the Executive Director of Supreme Steelmakers on 15 March 2017.

He is the son of Dato' Sri Ooi Bin Keong, the Executive Deputy Chairman of the Company.

TAN KIEN YAP

Chief Financial Officer

Age	Gender	Nationality
52	Male	Malaysian

Tan Kien Yap is the Chief Financial Officer of the Company. In 1997, he obtained his Bachelor of Accountancy Degree from Universiti Putra Malaysia. He is a Chartered Accountant and a member of the Malaysian Institute of Accountants (MIA) since 2000.

He started his career in 1997 with Price Waterhouse (predecessor firm of Pricewaterhouse Coopers) as Audit Assistant before he was promoted to Senior Associate in 1999. Subsequently in 2000, he joined Leon Fuat Holdings Sdn. Bhd. as the Group Accountant. In 2013, he was transferred to Leon Fuat Berhad and assumed his current position as the Chief Financial Officer. He is primarily responsible for overseeing the financial management, reporting and financial activities of Leon Fuat Group.

WONG CHOONG HENG

Assistant General Manager of
LF Metal

Age	Gender	Nationality
56	Male	Malaysian

Wong Choong Heng is the Assistant General Manager of LF Metal. In 2005, he obtained his Master in Business Administration Degree from the University of Hull, United Kingdom.

His career started in 1988 when he joined Asahi Techno Vision (S) Pte Ltd in Singapore as a fitter and was promoted to technician group leader in year 1991. He returned to Malaysia in 1996 to join Hanwa AJ (M) Sdn. Bhd. as Production Executive and was promoted to Production Manager in year 1999. He left Hanwa AJ and joined LF Metal in 2002 as Factory Operations Manager. In 2006, he was promoted as Assistant General Manager of LF Metal, assisting the Executive Directors in overseeing the factory operations, human resource and administrative functions of the company.

In 2015, he attended a Professional Certification in Human Resources programme and subsequently become a Professional Member (CAHRI) of Australian Human Resources Institute (AHRI). He is also a Chartered Member (Chartered MCIPD) of Chartered Institute of Personnel Development (CIPD), UK since 2016.

He continued to pursue his study in year 2016 and was awarded Graduate Certificate of Business by University of Southern Queensland, Australia before he rejoined LF Metal in the same year.

ADDITIONAL NOTES:

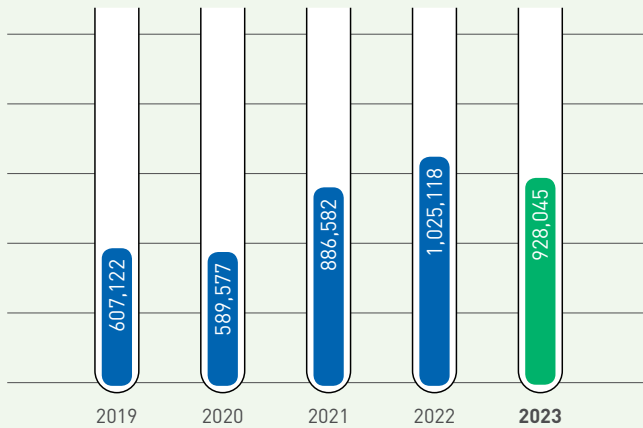
Save as disclosed, none of the Key Management Personnel have any: -

1. Directorships in public companies and listed issuers;
2. Family relationship with other directors and/or major shareholders of the Company;
3. Conflict of interests with the Company; and
4. Conviction for any offences within the past five (5) years (other than traffic offences, if any) nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2023.

FINANCIAL HIGHLIGHTS

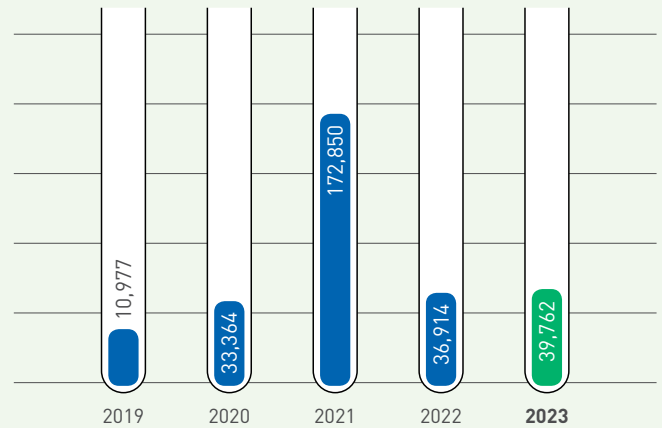
Revenue

(RM'000)



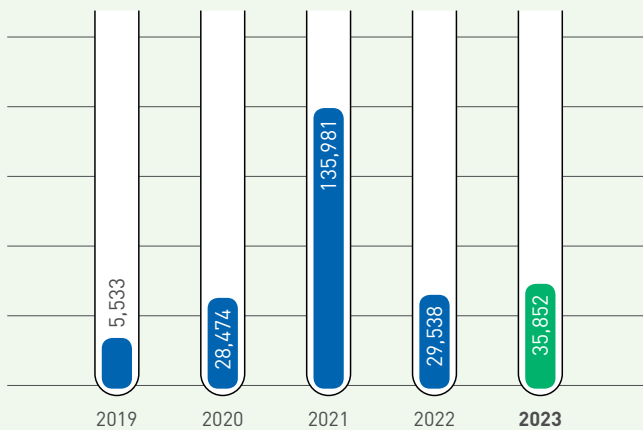
Profit Before Tax

(RM'000)



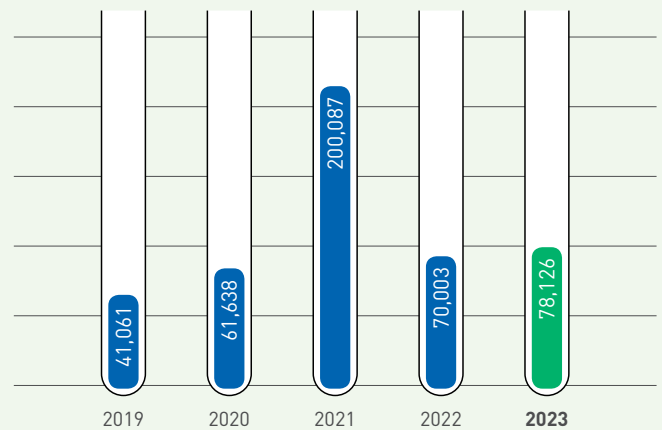
Profit After Tax

(RM'000)



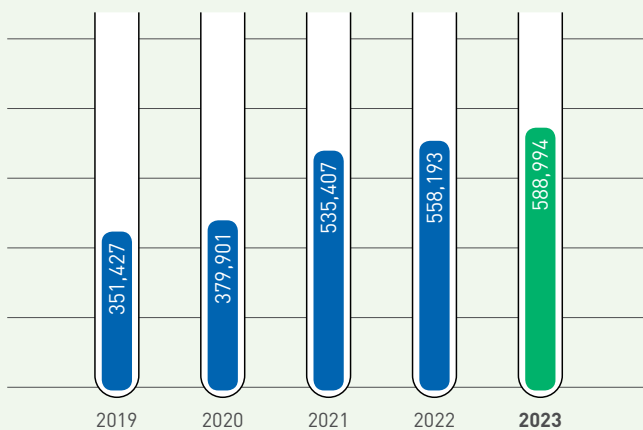
Earning Before Interest, Tax, Depreciation & Amortisation

(RM'000)



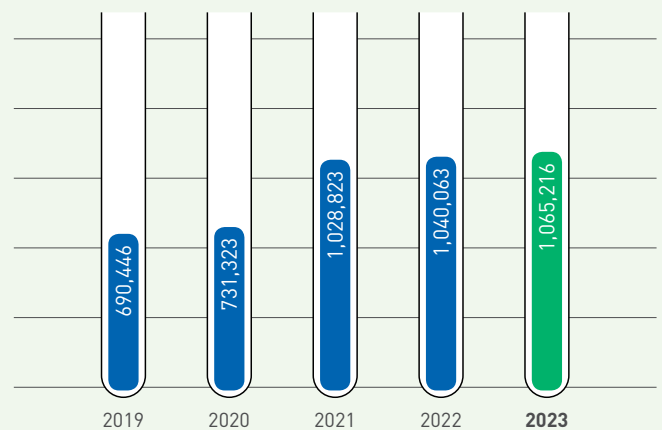
Total Equity

(RM'000)



Total Assets

(RM'000)







Heightening Performance Deliverables



CHAIRMAN'S STATEMENT



Revenue

FY2023

RM928.05 million

FY2022 RM1.025 billion



Dear Shareholders,

The financial year 2023 has been a time of consistent growth and adjustment for both Malaysia and Leon Fuat. The Malaysian economy saw a growth rate of 3.7%, indicating a return to more usual levels of growth after the significant expansion in the previous year¹. Despite facing global economic challenges, this performance is a testament to the resilience and strength of our domestic market. ”



Dato' Lim Cheng Poh

Independent Non-Executive Chairman

¹ https://www.bnm.gov.my/-/qb23q4_en_pr

CHAIRMAN'S STATEMENT



Profit Before Tax:

FY2023
RM39.76 million

FY2022 RM36.91 million

2023 Overview

In a year marked by both challenges and resilience, Leon Fuat navigated the complex dynamics of the global and Malaysian economic landscape with strategic agility. The financial year ended 31 December 2023 ("FY2023") saw our revenue contract to RM928.05 million from RM1.025 billion in the preceding financial year ("FY2022"), reflecting the broader challenges faced by the industry and global economy. Despite the decrease in revenue, Leon Fuat demonstrated remarkable financial stewardship, achieving a profit before tax ("PBT") of RM39.76 million for FY2023, a notable increase from the PBT of RM36.91 million recorded in FY2022. This achievement underscores our ability to enhance profitability through operational efficiencies and strategic market positioning amidst revenue pressures.

Leon Fuat's expansion at the welded steel pipe manufacturing plant in Port Klang, Selangor, underscores our commitment to innovation and growth. With Phase 1 actively operational during FY2023 and Phase 2, featuring an additional production line, slated for full commissioning in the latter half of 2024, we are set to significantly boost our production capacity, ensuring we meet the evolving demands of the steel market.

With the Group's increasing production capacity and growing demand in Malaysia, the construction sector is poised for significant expansion. Despite the challenges in labour supply issues and increase in minimum wages, there's an anticipated increase in total apparent steel demand by 4.1% in both 2023 and 2024, indicating resilience and potential for growth². Furthermore, leveraging on the diverse portfolio of clients of Leon Fuat across different industries which includes precision engineering, manufacturing, healthcare, plantation and construction, the Group's sales volume (tonnage) has increased by 8.4% which is in line with the 3.7% GDP growth in Malaysia³.



In 2023, Malaysia's economic landscape was marked by resilience, driven by robust domestic demand and a steady recovery in the property and construction sector. Beyond that, as BNM highlighted, the nation's growth momentum was supported by the vibrant services and manufacturing sectors, reflecting the economy's underlying strength amidst global uncertainties."



Besides, our local economy landscape reflected a broader pattern of moderated global growth, with the OECD reporting a deceleration to 2.7% from the previous year's 3.3% expansion⁴. Within this context, Malaysia's steel industry played a pivotal role as it is anticipated to grow 4.1% in the country's apparent steel consumption by 2024⁵. The industry is on the brink of substantial growth, with the South East Asia Iron and Steel Institute ("SEAISI") predicting that ASEAN-5's (Vietnam, Indonesia, Thailand, Malaysia and Singapore) steel consumption will rise to 69.0 million tonnes by 2024⁶. This anticipated expansion is largely fuelled by foreign investments, particularly from China, highlighting Malaysia's strategic importance in the regional steel market and its potential for further industrial growth.

² https://www.researchandmarkets.com/reports/5911753/malaysia-steel-industry-research-report?utm_source=GNE&utm_medium=PressRelease&utm_code=sjmc2f&utm_campaign=1931108+-+Malaysia+Steel+Industry+Report+2023-2032%3a+Tackling+Overcapacity%2c+Green+Transformation%2c+and+Financing+Challenges+through+Collaboration&utm_exec=jocamspiw

³ <https://www.ram.com.my/pressrelease/?prviewid=6573>

⁴ <https://www.oecd.org/newsroom/global-economic-outlook-improving-albeit-to-a-low-growth-recovery.htm>

⁵ <https://www.mida.gov.my/mida-news/steelmakers-welcome-governments-two-year-moratorium-on-long-products/#:~:text=Looking%20ahead%2C%20Malaysia's%20ASC%20is,tandem%20with%20the%20country's%20development.>

⁶ <https://www.steelorbis.com/steel-news/latest-news/seaisi-webinar-cautiousoptimism-for-asean-steel-demand-for-2023-2024-despite-weak-h1-1303399.htm>

CHAIRMAN'S STATEMENT

The ongoing Russia-Ukraine conflict has significantly impacted global supply chains, introducing volatility and uncertainty into the market. Leon Fuat's strategic agility has been key in navigating these challenges, ensuring operational continuity. Additionally, the ongoing geopolitical tension between China and the United States present potential opportunities for the Group. As these major economies adjust their trade and diplomatic engagements, Leon Fuat has opportunity to capitalise on new trade avenues that may arise, particularly in the steel sector, thereby reinforcing its market position and fostering growth amidst these geopolitical developments.

As we move forward, our focus is on maintaining our leadership in the market and exploring new avenues for growth. We are thankful for the continued support from our shareholders, customers and employees as we navigate the evolving steel industry landscape and beyond.

2024 Outlook

As we look towards 2024, the landscape for Malaysia and the broader global economy is one of cautious progression amidst uncertainties. Particularly for ASEAN and Malaysia, the broader global economic is relatively flexible, despite high inflation and tightening monetary policies, provides a backdrop against which Leon Fuat can strategically align its operations. The anticipated soft landing of the global economy suggests a cautious yet optimistic approach for the steel industry. However, with China's steel demand expected to stabilise in 2024 and potentially decline in 2025, Leon Fuat's focus on ASEAN, including Malaysia, becomes even more pertinent.

In 2024, Malaysia's construction sector is set to witness an uplift, driven by an ambitious array of infrastructure projects outlined in the Budget 2024. The government has earmarked substantial investments for key ventures, including the Pan Borneo Sabah Phase 1B at RM15.7 billion, extensive flood mitigation efforts valued at RM11.8 billion, the Penang LRT project at RM10.0 billion, the Sabah-Sarawak Link Road at RM7.4 billion and the reinstatement of LRT3 at RM4.7 billion. These initiatives form a critical



component of the RM90.0 billion allocated for development expenditure, marking a 7.9% increase year-on-year, indicative of a strategic push towards bolstering the nation's infrastructure and construction landscape⁷.

Aside from this, Bank Negara Malaysia ("BNM") also sets the tone with growth for Malaysia anticipated at the lower spectrum of its 4.0% - 5.0% forecast, reflecting the broader sentiment of a decelerating global economy⁸. This outlook is supported by a durable domestic market, underscored by robust labour conditions and the advancement of infrastructure projects.

RAM Ratings anticipates Malaysia's economy to gain momentum in 2024, projecting growth between 4.5%-5.5% due to an expected upturn in external demand and a stabilisation in global trade and semiconductor sectors. This optimistic outlook is tempered by risks such as the global economy's path to a 'soft landing' and potential geopolitical tensions⁹.

The pillars of Malaysia's economic stability in 2024 i.e. the services and manufacturing sectors, are expected to continue their growth trajectory, complemented by an uptick in tourism activities that aims to mitigate the impacts of a global slowdown on exports. Nevertheless, BNM advises vigilance, pointing to potential risks from a softer global economy, financial market volatilities and geopolitical uncertainties that might disrupt supply chains and influence economic performance.

⁷ <https://www.thestar.com.my/business/business-news/2023/12/20/construction-sector-to-see-more-government-contract-flows-in-2024>

⁸ <https://www.cnbc.com/2024/02/16/malaysias-2023-economic-growth-misses-expectations.html#:~:text=The%20government%20and%20central%20bank,%25%20in%202022%2C%20BNM%20said.>

⁹ <https://www.ram.com.my/pressrelease/?prviewid=6529>

CHAIRMAN'S STATEMENT



Moreover, by looking into the insights from the World Steel Association ("Worldsteel"), Leon Fuat is poised to navigate the evolving landscape of the steel and construction sectors in ASEAN and Malaysia with informed precision. Worldsteel's Short Range Outlook ("SRO") for 2024 and 2025 forecasts a global steel demand rebound of 1.7% in 2024 to 1,793 Mt, followed by a 1.2% growth in 2025 to 1,815 Mt¹⁰. This gradual recovery, emerging after years of market volatility, signifies a settling of global steel demand on a growth trajectory, despite the array of challenges such as the ongoing impacts of the pandemic and geopolitical tensions, including Russia's invasion of Ukraine.

For Leon Fuat, this revitalised focus on infrastructure heralds a period of potential growth and opportunity. The Mass Rapid Transit 3 ("MRT3") project, in particular, stands out as a catalyst for sustained growth in order books, given its extensive steel requirements. The array of upcoming projects, coupled with the government's RM27.0 billion MADANI budgets specifically for infrastructure developments, presents a fertile ground for Leon Fuat to expand its footprint in the supply of steel products essential for these large-scale constructions¹¹. The emphasis on infrastructure not only underscores the construction sector's pivotal role in Malaysia's socioeconomic development but also aligns with Leon Fuat's strategic vision to harness industry opportunities, reinforcing its position as a key contributor to the nation's growth trajectory.

In this context, Leon Fuat approaches 2024 with strategic caution and optimism. Guided by both BNM's domestic economic outlook and global market trends, we remain committed to adaptive strategies, including vigilant monitoring of steel prices and raw material costs. Our focus on forward contracting and efficient inventory management underpins our efforts to sustain operational excellence and cost efficiency.

Navigating through 2024, Leon Fuat's resilience, strategic agility and unwavering commitment to operational excellence will be pivotal in harnessing growth opportunities and overcoming challenges, ensuring we continue to deliver value to our shareholders and strengthen our market presence.

Appreciation Note

As we reflect on FY2023, it's clear that it was a year marked by resilience and achievement, despite the myriad of challenges encountered along the way. The commitment and dedication of the Leon Fuat team played a critical role in navigating these hurdles, embodying the spirit of perseverance that defines our Group.

I extend my heartfelt appreciation to our esteemed customers, suppliers, business associates and shareholders for your support throughout this year. Your trust and partnership have been instrumental in our journey and success. Additionally, I wish to express my gratitude to our Board of Directors for their invaluable guidance, support and insights, which have been crucial in steering Leon Fuat towards its goals.

Together, we have forged a path of growth and innovation, and I look forward to continuing this journey with all of you, as we embrace the opportunities and possibilities that lie ahead.

Warm regards,

Dato' Lim Cheng Poh

Independent Non-Executive Chairman

¹⁰ <https://worldsteel.org/media/press-releases/2024/worldsteel-short-range-outlook-april-2024/>

¹¹ <https://www.cidb.gov.my/eng/economic-impact-of-madani-framework-and-budget-2024-on-the-construction-industry/>

MANAGEMENT DISCUSSION AND ANALYSIS

Leon Fuat Group (“Leon Fuat” or “the Group”) stands as one of the premier entity in the realm of carbon steel processing and trading, extending its expertise to encompass stainless and alloy steel, with a keen emphasis on both flat and long product ranges.

Within its trading division, the Group boasts an expansive array of steel products, including but not limited to flat offerings like coils, plates, sheets, along with welded tubes and pipes, and rectangular and square sections. The long product range features an assortment of bars, rods, shafts, and various sections, complemented by seamless tubes and pipes.

Leon Fuat serves a diverse clientele across multiple industries, fulfilling specialised requirements through its processing segment. Here, a suite of value-added services is provided using the Group’s comprehensive in-house capabilities, ranging from cutting and levelling to shearing, profiling, bending, and finishing, alongside the production of expanded metal, perforated metal and welded steel pipes.



Ooi Seng Khong

Group Managing Director

The Group’s robust customer base, numbering over 3,000, is the result of years of dedicated service and relationship-building, with many customers having remained loyal to Leon Fuat for over a decade. This esteemed clientele primarily comprises manufacturers of metal products and components, alongside fabricators specialising in machinery, equipment, and metal structures.

Additionally, Leon Fuat’s reach extends beyond Malaysia, catering to international clients from Australia, Thailand, Singapore, Philippines and Indonesia. These global partnerships collectively accounted for approximately 2.4% of the Group’s revenue for the financial year ended 31 December 2023 (“FY2023”).

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL PERFORMANCE

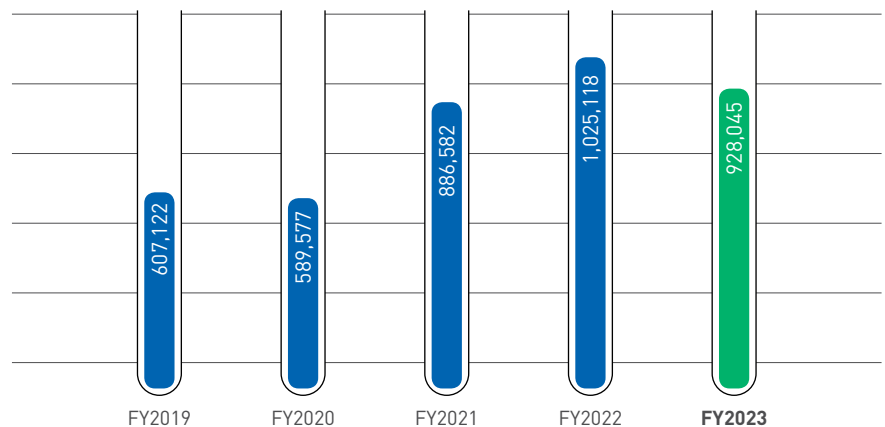
For the FY2023, Leon Fuat Group experienced a contraction in revenue, registering RM928.05 million, a decrease of 9.5% or RM97.07 million from the previous year's figure of RM1.025 billion. This downturn was primarily observed within both our trading and processing segments, which saw declines of 11.0% and 8.6%, amounting to reductions of RM39.95 million and RM57.12 million, respectively.

In the trading segment, the decrease was largely due to a 17.0% reduction in revenue from flat carbon steel products, influenced by a 3.0% drop in tonnage sales and a 14.4% fall in average selling price. Additionally, revenue from other flat steel products diminished by 22.3%, driven by a 16.4% decrease in tonnage sales coupled with a 7.0% reduction in average selling price. Within the processing segment, the decline was marked by a 26.6% decrease in revenue from long carbon steel products, owing to an 11.8% fall in tonnage sales and a 16.8% decrease in average selling price, alongside a 24.3% reduction in revenue from other flat steel products due to a 19.1% decrease in tonnage sales and a 6.4% drop in average selling price.

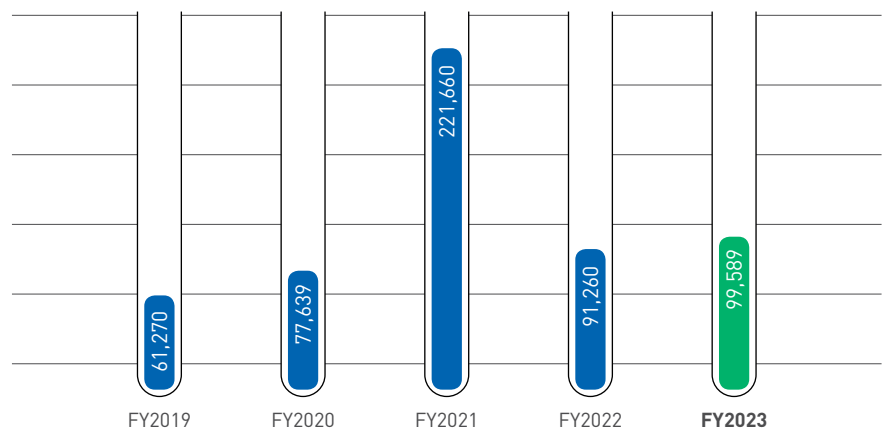
Despite the fall in revenue, the Group observed a 9.1% increase in gross profit, rising from RM91.26 million in the preceding financial year to RM99.59 million in FY2023. This improvement was attributed to the enhancement in the overall gross profit margin by 0.8 percentage points, from 10.2% to 11.0%, and a substantial reduction in inventories written down by RM10.50 million, from RM12.93 million in the previous financial year to RM2.43 million in FY2023, as certain inventories were assessed at their estimated net realisable value.

Consequently, the profit before tax for FY2023 experienced an uplift of 7.7% or RM2.85 million, culminating in RM39.76 million, compared to RM36.91 million in the preceding financial year, reflecting the Group's resilient performance amidst challenging market conditions.

Revenue (RM'000)



Gross Profit (RM'000)



MANAGEMENT DISCUSSION AND ANALYSIS

OPERATIONS REVIEW BY BUSINESS SEGMENT

The Group's business segments are as follows:

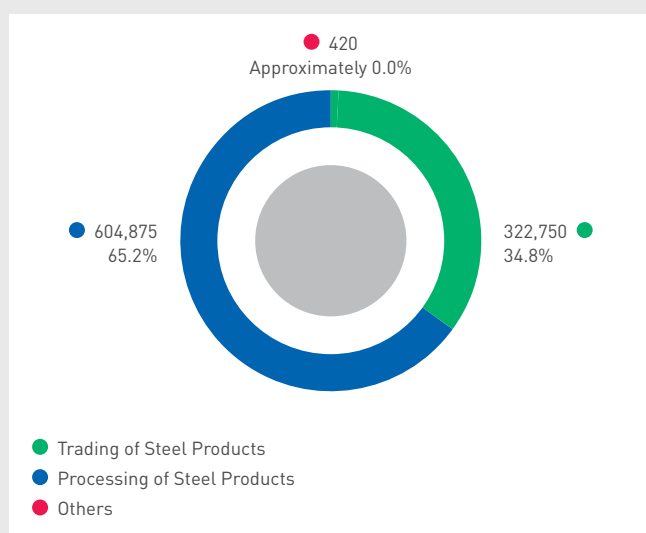
1. Processing of steel products

- Processing of flat carbon steel products
- Processing of other flat steel products
- Processing of long carbon steel products
- Processing of other long steel products

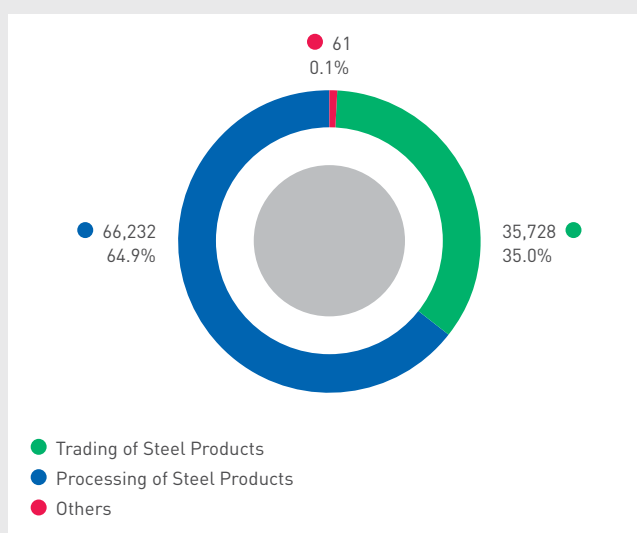
2. Trading of steel products

- Trading of flat carbon steel products
- Trading of other flat steel products
- Trading of long carbon steel products
- Trading of other long steel products

FY2023 Segmented Revenue
(RM'000)

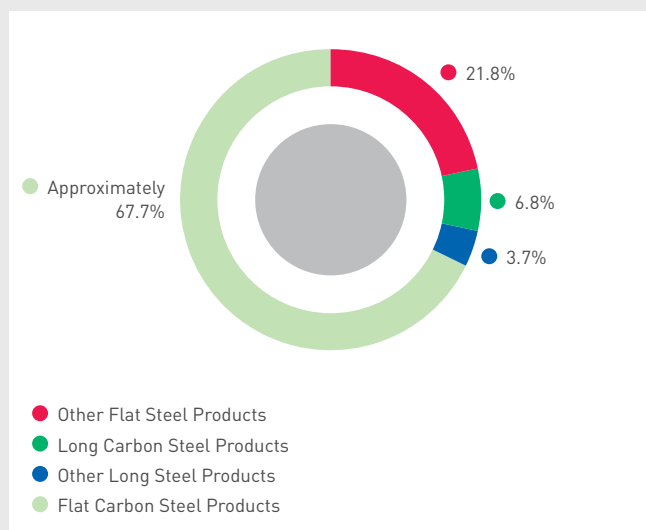


FY2023 Segmented Gross Profit*
(RM'000)

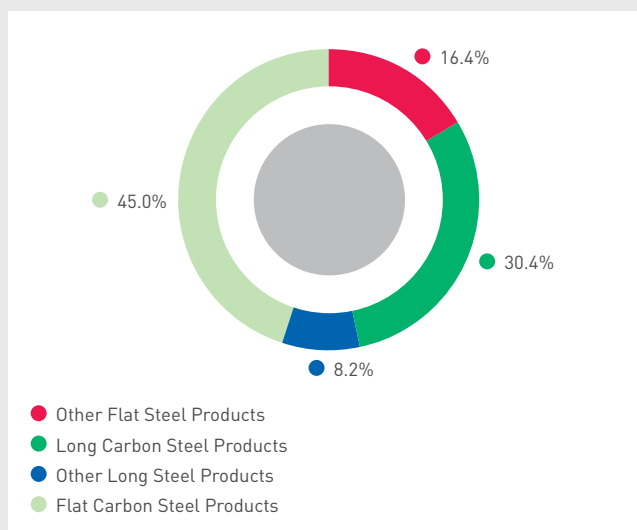


* Before inventories written down

FY2023 Segmented Revenue for Processing of Steel Products
[%]

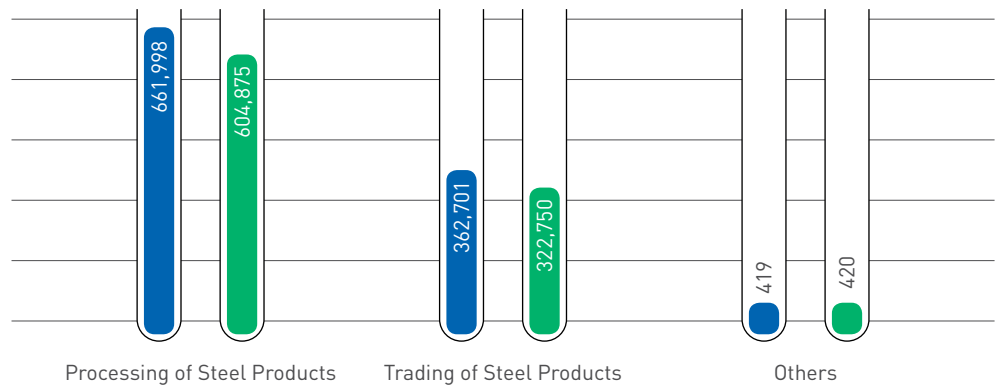


FY2023 Segmented Revenue for Trading of Steel Products
[%]

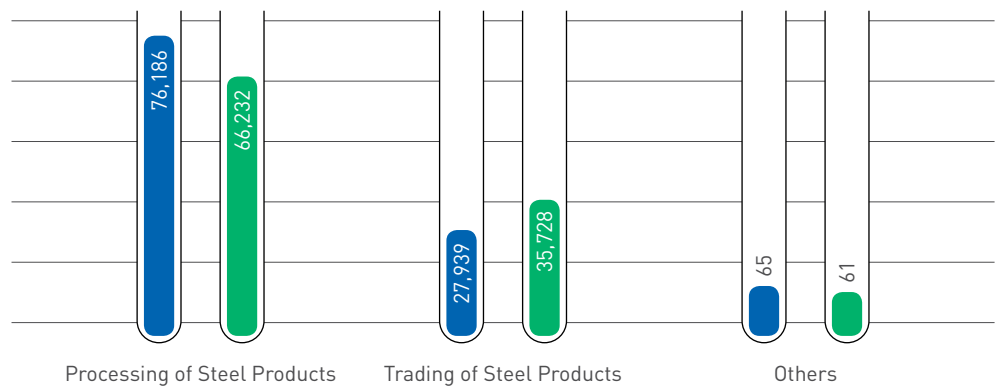


MANAGEMENT DISCUSSION AND ANALYSIS

**FY2022 & FY2023
Segmented Revenue**
(RM'000)

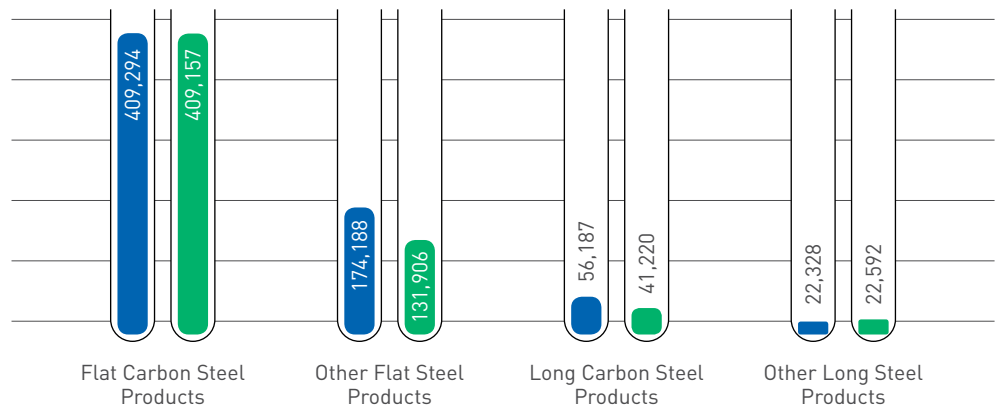


**FY2022 & FY2023
Segmented Gross Profit***
(RM'000)

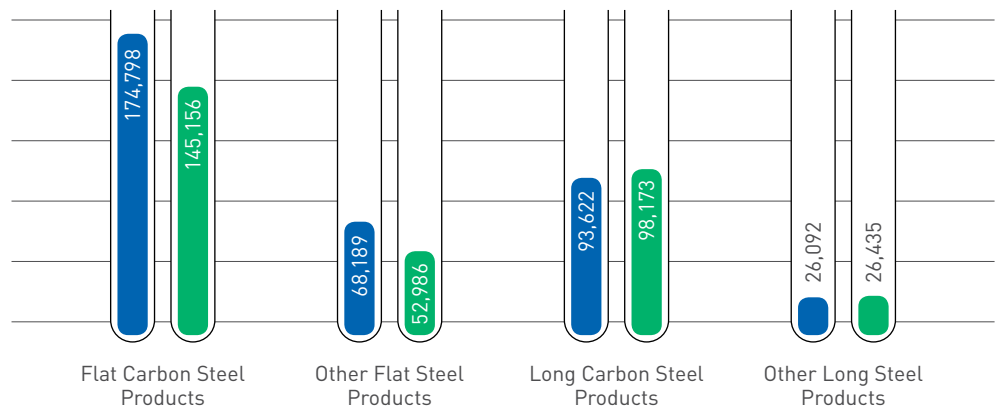


* Before inventories
written down

**FY2022 & FY2023
Revenue for Processing
of Steel Products**
(RM'000)



**FY2022 & FY2023
Revenue for Trading
of Steel Products**
(RM'000)



● FY2022 ● FY2023

MANAGEMENT DISCUSSION AND ANALYSIS

DIVIDEND

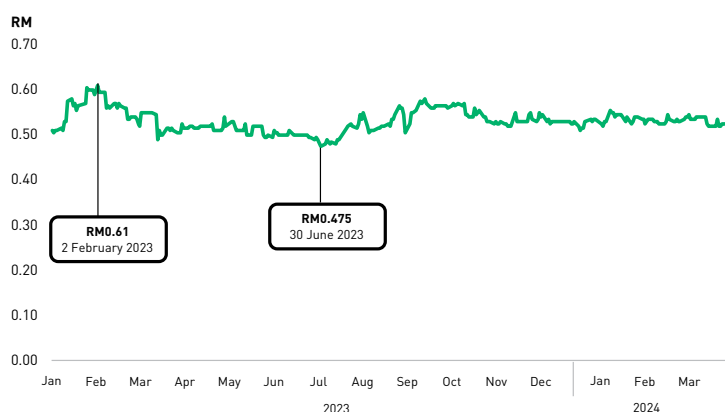
For FY2023, as a prudent decision by the Board, taking into consideration the need to conserve cash amidst the prevailing market challenges, the Board is proposing a final dividend of 1.5 sen per share amounting to approximately RM5.12 million, which is subject to shareholders' approval at the 17th Annual General Meeting to be held on 13 June 2024. This will bring the total dividend pay-out ratio for FY2023 to 14.3%. This approach is aligned with our strategic priority to maintain a robust capital structure, ensuring the Group's resilience and capacity to navigate through current uncertainties. While this diverges from our customary practice of distributing up to 30% of our net profit as dividends, it is deemed essential to fortify our financial foundation, allowing for sustained growth and investment in capital expenditures. The Group remains committed to delivering value to our shareholders and is confident in our strategic measures to support long-term profitability and stability, with bank borrowings continuing to be a pivotal source of funding for our ventures.



SHARE PRICE PERFORMANCE & TRADING VOLUME

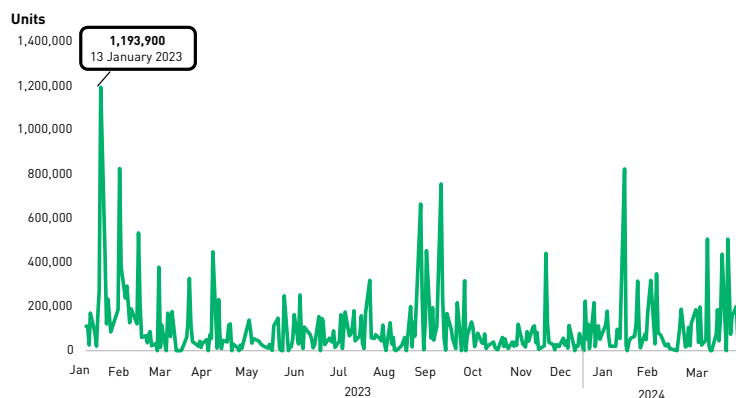
Daily Share Price Performance (Closing)

3 January 2023 – 29 March 2024



Daily Trading Volume (Closing)

3 January 2023 – 29 March 2024



As at 29 March 2024, the Group's share price closed at RM0.525 with a total market capitalisation of approximately RM179.03 million.

For the 15 months period ended 31 March 2024, the share's highest and lowest closing price stood at RM0.61 and RM0.475 respectively, with average daily trading volume of approximately 100,276 units.

MANAGEMENT DISCUSSION AND ANALYSIS



ANTICIPATED OR KNOWN RISKS

As a key player in the steel processing and trading industry, Leon Fuat Group remains subject to the inherent risks associated with the volatility of steel prices and the costs of primary raw materials such as iron ore, coking coal, and nickel. These price fluctuations are influenced by a myriad of global macroeconomic and sector-specific dynamics, posing potential challenges to our cost structure, margins and overall profitability.

In response to these risks, our strategy involves meticulous monitoring of steel prices and inventory levels throughout the fiscal cycle, enabling us to proactively address potential threats to our operational costs and profit margins.

Furthermore, the Group is exposed to foreign currency exchange volatility, particularly due to our procurement of materials like flat and long stainless steel, alloy steel, and carbon steel from international sources including China, Europe, Japan, and Korea. To mitigate the risk of exchange rate fluctuations potentially escalating material costs, we employ hedging mechanisms such as forward contracts and maintain foreign currency accounts, ready for activation if necessary.

For the financial year under review, the Group recorded a realised gain on foreign exchange of RM0.12 million, a contrast to the realised loss of RM0.43 million in the previous financial year.

Inventory management is another critical area of focus, ensuring timely fulfilment of customer orders while minimising the risk associated with high inventory holding costs. In FY2023, our inventory turnover period was 169 days, reflecting an adjustment from 156 days in FY2022. Nevertheless, the impact of inventory holding was not materially significant, given the enduring nature of steel products which are not prone to obsolescence. However, inventory write-downs amounted to RM2.43 million for FY2023, as certain stock items were adjusted to their estimated net realisable value.

Credit risk associated with trade receivables also poses a potential concern, with the Group extending credit terms ranging from 14 to 90 days to our customers. Any substantial delays in collections could necessitate the provision for impairment losses on trade receivables or the writing off of bad debts, which could adversely impact our financial outcomes.

MANAGEMENT DISCUSSION AND ANALYSIS

FORWARD LOOKING STATEMENT

The unfolding global financial and economic landscape is expected to be significantly shaped by inflationary pressures, central banks' policy responses, and the ongoing geopolitical tensions, particularly the ramifications of the Russia-Ukraine conflict on global supply chains and commodity markets.

The International Monetary Fund (IMF), in its latest World Economic Outlook, forecasts a global economic growth rate of 2.9% for 2024¹, a projection that accounts for the tightening monetary policies in advanced economies aimed at curbing inflation and the continuing impact of the Russia-Ukraine war. This anticipated deceleration, especially in advanced economies, contrasts with the stabilising growth prospects in emerging markets and developing economies, with China's economy expected to gain momentum following its comprehensive reopening.

On the domestic front, Malaysia's GDP growth is projected to maintain a steady pace, with expectations anchored between 4% and 5% for 2024², as outlined in the latest Economic Outlook Report. However, the balance of risks to global growth leans towards the downside, with potential escalations in geopolitical tensions, unexpected slowdowns in major economies, and abrupt financial market adjustments posing significant challenges.



As we navigate through FY2024, Leon Fuat Group remains cautiously optimistic about achieving a commendable financial performance, underpinned by our continuous efforts to bolster operational productivity and efficiency. While the past year saw a robust acceleration in domestic economic growth, we anticipate a more complex operating environment in the year ahead, poised to influence businesses across the spectrum.”

In this context, Leon Fuat is strategically positioned to navigate these uncertainties, leveraging our robust customer relationships and network to broaden our market reach while enhancing our operational efficiencies. Our existing facilities are equipped with a comprehensive suite of advanced machinery, including state-of-the-art cutting, levelling, shearing, profiling, bending, and polishing equipment, alongside expanded metal and perforated metal processing as well as pipe forming machines, ensuring our competitive edge in the market.



¹ <https://www.imf.org/en/Publications/WEO/Issues/2023/10/10/world-economic-outlook-october-2023>

² <https://www.cnn.com/2024/02/16/malaysia-2023-economic-growth-misses-expectations.html#:~:text=The%20government%20and%20central%20bank,%25%20in%202022%2C%20BNM%20said>

MANAGEMENT DISCUSSION AND ANALYSIS



As of 31 December 2023, our arsenal of 115 major machines, valued at a total carrying amount of RM51.01 million, underscores our commitment to technological advancement and operational excellence across our facilities, as listed below:

Machinery & Equipment	No. of Units
Coil levelling machine	7
Slitter line	2
Pipe forming line	4
CNC oxy-gas and plasma cutting machine	3
CNC oxy-gas cutting machine	3
CNC plasma cutting machine	5
CNC laser cutting machine	9
CNC waterjet cutting machine	2
Shearing machine	11
Portable plasma cutting machine	6
Portable oxy-gas cutting machine	5
Expanded metal machine	3
Bandsaw machine	36
High precision CNC press brake machine	7
Surface grinding machine	3
Punching machine	2
External pipe blasting machine	3
Polishing machine	2
Rolling machine	1
Perforated metal machine	1
Total	115

Looking ahead, we anticipate significant growth in our welded steel pipe manufacturing segment, propelled by the expansion of our facilities to accommodate larger-sized steel pipes. With the ongoing construction of an additional welded steel pipe manufacturing plant, we are cognizant of the requisite capital commitments, necessitating vigilant capital structure management. We are poised for the comprehensive completion of the welded steel pipe manufacturing plant project by 2024, setting the stage for enhanced production capabilities and market outreach.





Harnessing Innovation and Efficiencies



SUSTAINABILITY REPORT

A BRIEF INSIGHT INTO OUR REPORT

Steel, an indispensable part of human civilisation, comprises key components of our infrastructure, transportation, everyday appliances and even lifesaving surgical instruments. As a specialised steel trading, processing and manufacturing (collectively referred to as “processing”) company, we at Leon Fuat Berhad (“Leon Fuat” or “the Group”) are dedicated to pursuing operational excellence while making a sustainable impact within this important industry.

We are honoured to present our Sustainability Report for the financial year 2023 (“FY2023”). This report provides insights into our ongoing sustainability journey within the steel industry. It elaborates on the environmental, social and governance (“ESG”) developments that shaped our operations during this period and the strides we have taken to advance the steel industry’s contribution to a more sustainable world.

Establishing the Scope and Boundary

The sustainability report covers data from 1st January to 31st December of 2023 and will also incorporate comparative data from the past two (2) financial years (FY2022 and FY2021) where applicable to demonstrate our annual trends and monitor our performance.

This report discloses the ESG performance of Leon Fuat’s three (3) main subsidiaries located in Selangor and Kuala Lumpur:

1. Leon Fuat Hardware Sdn. Bhd. (“LF Hardware”)
2. Leon Fuat Metal Sdn. Bhd. (“LF Metal”)
3. Supreme Steelmakers Sdn. Bhd. (“Supreme Steelmakers”)

Our Reporting Framework

The Group’s sustainability report was prepared with reference to the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Bursa Securities”), the Sustainability Reporting Guide (3rd edition) and the Illustrative Sustainability Reporting Guide issued by Bursa Securities. Our report also references the Global Reporting Initiative (“GRI”) Standards and the United Nations Sustainable Development Goals (“UN SDGs”). These guidelines ensure reliable reporting regarding our sustainability performance and goals.



SUSTAINABILITY REPORT



Contribute Your Feedback

External feedback continuously enhances our sustainability reporting. Any feedback regarding any aspect of our sustainability practices, performance and the report itself is most welcome. Please send any feedback or questions to the point of contact listed below:

Tan Kien Yap

Chief Financial Officer

Email: tanky@lfb.com.my

Wisma Leon Fuat

No. 11, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan.

Memberships and Associations

Leon Fuat stays actively engaged with our industry by holding memberships in the following industry associations, allowing us to remain up-to-date on industry trends and informed on important matters impacting the industry.



Federation of Malaysian Manufacturers



Persatuan Tinsmith Wilayah Persekutuan dan Selangor



Malaysia Steel and Metal Distributor's Association



Malaysia Institute of Human Resource Management



The Selangor & Kuala Lumpur Foundry & Engineering Industries Association

Assurance Statement

All non-financial data were internally validated by the respective data owners and subsidiaries. While Leon Fuat had not sought independent data verification as of this publication, we recognise its importance in upholding the credibility of our sustainability reporting. Thus, we plan to garner external assurance for future disclosures.

SUSTAINABILITY REPORT

REFLECTING ON OUR SUSTAINABILITY PERFORMANCE

RESPONSIBLE GOVERNANCE



Cases of Bribery and
Corruption

ZERO



Whistleblowing Cases
Reported

ZERO



Incidents of Data Privacy and
Cybersecurity Breach

ZERO

ECONOMIC PROSPERITY



Economic Value Generated (Revenue)

RM928.05 Million



Proportion of Spending on Local Suppliers

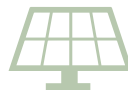
17.4%

ENVIRONMENTAL STEWARDSHIP



Initiated

**Scope 3 GHG
Emissions Reporting**



Renewable Energy Generated
from Solar Panels

2,834,262 kWh



Reduction in Water
Consumption

15.4%

SOCIAL RESPONSIBILITY



Reduction in Lost-Time
Incident Rate

23.8%



Cases of Human Rights
Violation

ZERO



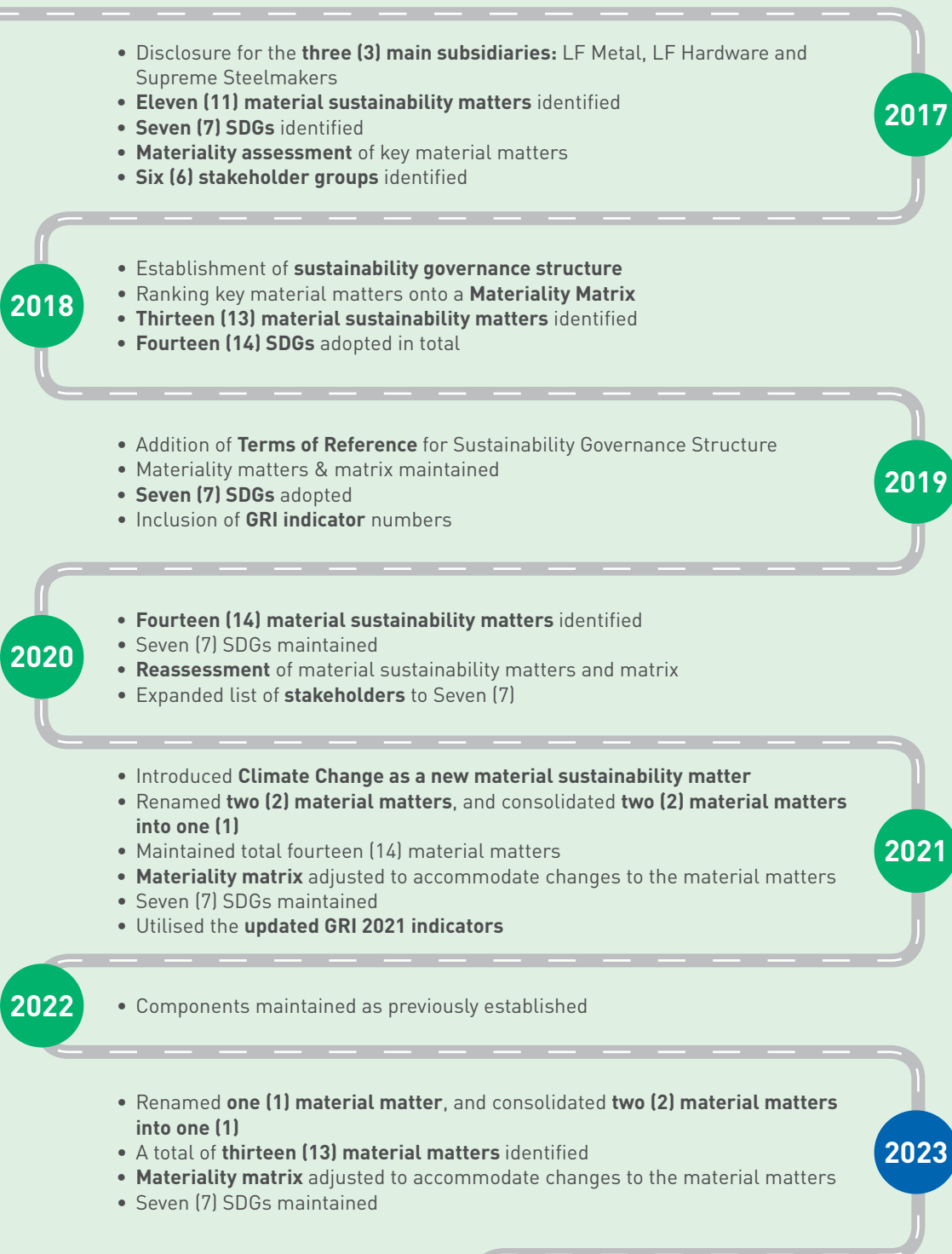
Total Training Hours

1,837 hours

SUSTAINABILITY REPORT

FORGING AHEAD IN OUR SUSTAINABILITY JOURNEY

Since the initiation of our reporting in FY2017, Leon Fuat has consistently dedicated efforts to improving our sustainability disclosures. The Group has increasingly emphasised the integration of robust business practices and initiatives with our ESG aspirations, resulting in further advancements towards our sustainability goals. Over the past seven (7) years, our journey has reflected our progression, positioning the Group on a promising path towards attaining our sustainability objectives.

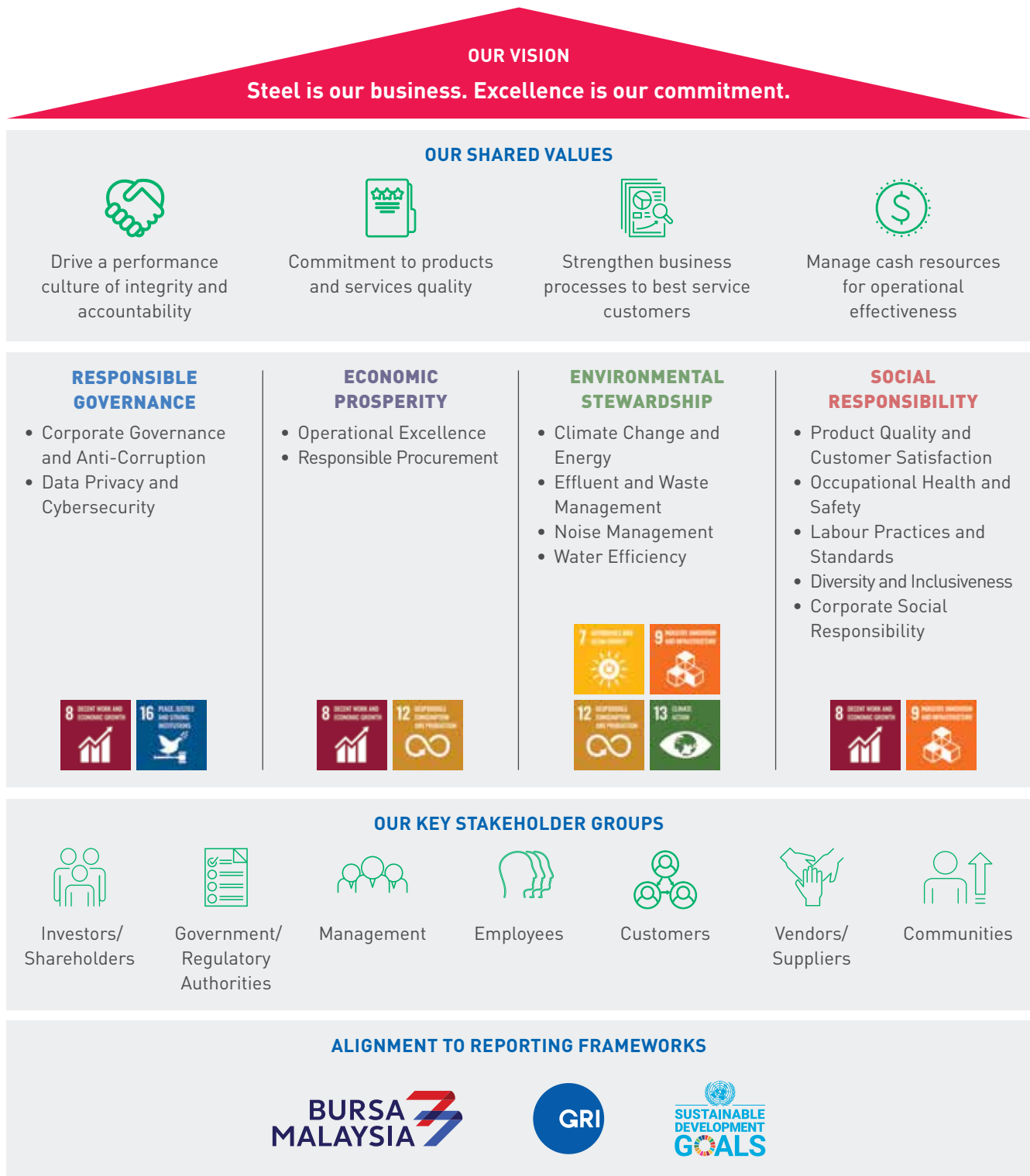


SUSTAINABILITY REPORT

OVERVIEW OF OUR SUSTAINABILITY APPROACH

ESG Framework

For FY2023, we developed an overarching ESG framework that encompasses our mission, vision and core values. The framework is built on pillars that guide our sustainability initiatives, with each anchored in specific material sustainability matters that are critical for our business operations and our stakeholders.



SUSTAINABILITY REPORT

Furthering the UN SDGs

Aligned with the 2030 Agenda for Sustainable Development, Leon Fuat has embraced seven (7) UN SDGs and their corresponding targets that are relevant to our steel trading and processing operations (hereinafter collectively referred to as “operations”, unless otherwise specified). This reaffirms our dedication to the worldwide effort of fostering peace and prosperity for both humanity and the environment.



SUSTAINABILITY REPORT

Reinforcing Our Foundations

Leon Fuat's three-tiered Sustainability Governance Structure allocates distinct roles and responsibilities for the development and implementation of sustainability policies, practices and procedures.

At the top, the Board of Directors ("the Board") provides oversight for sustainability strategies, policies and targets. Their guidance ensures that sustainability remains at the core of our corporate governance. Supporting the Board, the Sustainability Committee ("SC") operates at the management level, supervising the execution of the Group's sustainable activities in alignment with our broader sustainability objectives.

On a day-to-day basis, the Sustainability Task Force Committee ("STFC") takes the reins in administering our sustainability programmes and projects. Their diligent efforts translate our sustainability aspirations into tangible actions and they consistently report progress to the SC.

Leon Fuat's Sustainability Governance Structure



SUSTAINABILITY REPORT

Leon Fuat's Sustainability Policy

In FY2023, we established a Board-approved Sustainability Policy across Leon Fuat's three (3) main subsidiaries. This policy serves as a guiding framework based on our four (4) pillars: Responsible Governance, Economic Prosperity, Environmental Stewardship and Social Responsibility. The Group also incorporated greenhouse gas mitigation commitments into our policy, facilitating our transition to a low-carbon future.

01

RESPONSIBLE GOVERNANCE

- Adhere strictly to laws, regulations and industry standards relevant to our operations by regularly assessing our compliance mechanisms and updating policies as needed to meet evolving legal requirements.
- Maintain transparent and open communication with our stakeholders.
- Uphold the highest level of ethics and integrity in our business operations, encouraging a culture of honesty, fairness and accountability.
- Implement robust risk management strategies, identifying potential risks associated with environmental impact, social issues and governance concerns and proactively taking measures to mitigate them.

02

ECONOMIC PROSPERITY

- Adopt a sustainable business model that emphasises quality products, value-added services and ethical practices.
- Prioritise delivering superior returns to our shareholders while considering the long-term impacts of our actions.
- Prioritise suppliers with strong sustainability practices.
- Conduct regular assessments to identify and mitigate any potential risks associated with our supply chain, ensuring compliance with ethical and responsible sourcing practices.
- Drive the continuous innovation of sustainable products and services.

03

ENVIRONMENTAL STEWARDSHIP

- Continuously improve energy efficiency, monitor and reduce our carbon footprint.
- Ensure compliance with environmental regulations and legal requirements.
- Prevent environmental pollution and improve the quality of environmental management.
- Embrace the principles of a circular economy, with a focus on recycling, reusing and reducing waste.
- Develop initiatives to extend the lifecycle of products, promoting responsible consumption and production.
- Monitor water consumption and implement water conservation practices in our facilities.

04

SOCIAL RESPONSIBILITY

- Prioritise the health, safety and well-being of our employees by implementing stringent safety guidelines and protocols.
- Conduct regular health and safety training to foster a safe and healthy work environment.
- Support the well-being and growth of our employees by cultivating a workplace culture that encourages their development.
- Encourage employee growth and development through training programmes, career advancement opportunities and performance recognition.
- Foster a culture of diversity and inclusion by implementing policies and practices that promote equal opportunities and eliminate discrimination.
- Engage in community development initiatives.

SUSTAINABILITY REPORT

Steering Towards Net-Zero

Leon Fuat is keenly aware of the growing significance of climate issues and green advancements within the steel industry. Keeping with our ongoing ESG efforts, we took proactive steps towards bolstering our decarbonisation efforts by adopting best practices in climate-related reporting.

Through implementing these practices, we deepen our understanding of our climate-related risks and opportunities, enhancing the resilience of our operations and our contributions to a lower carbon economy.

Governance

Board's oversight on climate-related risks and opportunities

The Board of Directors at Leon Fuat plays a pivotal role in providing strategic oversight over ESG-related matters, including climate-related risks and opportunities. It provides approval for sustainability strategies proposed by the SC and conducts an annual review of sustainability policies and initiatives.

Quarterly board meetings serve as forums for in-depth discussions on various business matters, prominently featuring deliberations on climate-related risks and opportunities. In FY2023, the Board demonstrated its resolution to stay abreast of industry best practices by participating in a training session covering Carbon Footprint and Reporting Guide. This training equips the Board with the knowledge necessary for accurate reporting of environmental performance and impacts, fostering more informed decision-making processes for the benefit of the Group and its stakeholders.

Management's role in assessing and managing climate-related risks and opportunities

The assessment and management of climate-related risks and opportunities at Leon Fuat are entrusted to the SC, which is spearheaded by the Executive Director and Chief Financial Officer, with additional support from selected managers across various subsidiaries.

The SC, functioning as the driving force behind sustainability initiatives, assumes the responsibility of implementing these strategies and reporting the outcomes to the Board. Through its dedicated efforts, the SC conducts thorough assessments of climate-related risks and opportunities, subsequently formulating strategic recommendations for consideration by the Board. This dynamic process ensures that management actively engages with and addresses the evolving sustainability landscape.

Strategy

Leon Fuat's climate-related risks can be divided into two (2) categories: transition risks and physical risks. Transition risks are challenges linked to the shift toward a sustainable, low-carbon economy, driven by regulatory changes and market shifts. Physical risks result from the direct impacts of climate change, such as extreme weather events and rising temperatures, affecting assets and operations. The impacts primarily involve increased costs, revenue fluctuations, as well as the potential for damages and disruptions caused by short-term and long-term climate-related events.

Transition Risks

Transition Risks	Potential Impact	Opportunities
Policy and Legal	Stringent environmental regulations and policies aimed at reducing carbon emissions may impact the steel industry. This includes Carbon Border Adjust Mechanisms ("CBAM"), emissions trading systems or carbon taxes.	Aligning with or surpassing anticipated environmental regulations enables us to successfully enter new markets and pre-emptively address potential legal challenges.
Technology	Advances in technology, such as breakthroughs in low-carbon steel production or the development of alternative materials, could disrupt the traditional steel processing operations. Failing to adopt or invest in innovative technologies may face competitive disadvantages.	Investing in and adopting innovative technologies that reduce carbon emissions in the steel processing operations can position Leon Fuat as a leader in sustainable steel processing segment.

SUSTAINABILITY REPORT

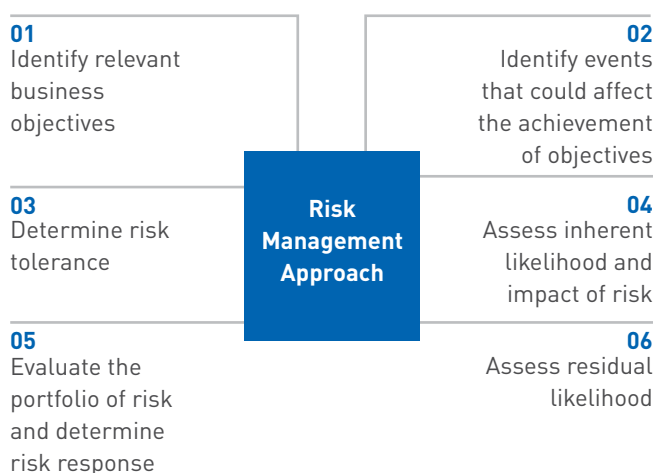
Transition Risks	Potential Impact	Opportunities
Market	Changes in consumer preferences and increasing demand for low-carbon products may affect the market for traditional steel products. The industry may face challenges if there is a shift towards alternative materials or a preference for products with lower embedded carbon.	By communicating and marketing our commitment to sustainability, we can differentiate ourselves and attract environmentally conscious customers.
Supply Chain	The shift toward a low-carbon economy may necessitate changes in our supply chain. Suppliers not aligning with sustainability goals or failing to adapt to evolving environmental standards pose risks to our operations.	Ensuring a sustainable and transparent supply chain, from raw material sourcing to end-product delivery, can appeal to customers who prioritise sustainability in their value chain.

Physical Risk

Physical Risks	Potential Impact	Opportunities
Acute	Severe weather events or natural disasters may disrupt supply chains, damage infrastructure, and threaten safety, impacting operational continuity.	Proactive planning for acute physical risks presents an opportunity to enhance strategic resilience. Thorough risk assessments and investments in resilient infrastructure can mitigate immediate impacts.
Chronic	Prolonged environmental changes, such as rising temperatures and shifting precipitation patterns, pose persistent challenges, potentially affecting infrastructure, resource availability and our worker's health over the long term.	Integrating sustainable practices, investing in energy-efficient technologies, and adopting climate-resilient infrastructure can mitigate long-term impacts.

Risk Management

The Group's risk management framework adheres to international principles, encompassing four (4) key elements: risk identification, impact assessment, profiling matrix and risk mitigation plans, which are subject to ongoing review and enhancement. In FY2023, recognising the escalating significance of climate risk, particularly as a steel trader and manufacturer, we are actively integrating this dimension into our Enterprise Risk Management.



Metrics and Targets

Leon Fuat quantifies carbon emissions, waste, energy and water consumption. We measure carbon emissions in tonnes of carbon dioxide equivalent ("tCO₂e"), water consumption in cubic metres ("m³"), waste in tonnes and total energy consumption in gigajoules ("GJ") which comprises electricity consumption in kilowatt-hour ("kWh") and fuel consumption in litres ("L"). To determine greenhouse gas ("GHG"), energy and water intensity, we calculate absolute values and normalise them by dividing against the floor space of our operations in square feet ("ft²"). Additionally, we quantify the contribution of renewable energy from our solar panels within our overall energy consumption mix in kWh.

Leon Fuat monitors and reports Scope 1, Scope 2 and limited Scope 3 emissions. Our Scope 3 coverage includes emissions from business travel and employee commute. Additional details regarding our management approach and performance data can be found in the "Climate Change and Energy", page 54-57.





SUSTAINABILITY REPORT

ENGAGING WITH OUR STAKEHOLDERS




Delivering Beyond Expectations

Leon Fuat places great emphasis on understanding our stakeholders' expectations. We recognise that their perspectives are fundamental to our decision-making, with successful engagement strengthening our reputation as a trusted steel specialist. As a result, we cultivate robust relationships with our stakeholders through proactive engagement across multiple channels. This enables us to gain insight into the material concerns most important to them. Overall, we gain a great awareness of their needs and interests, further refining our goals and sustainability initiatives to better serve them.

We maintain open communication with seven (7) stakeholder groups to effectively meet their needs and expectations.

Engagement Platforms	Areas of Interest	Our Responses
 INVESTORS/SHAREHOLDERS Their ownership, voting rights, financial contributions and return expectations collectively shape the Group's direction, enabling us to fulfil our mission in providing high quality steel products.		
Ongoing <ul style="list-style-type: none"> Investor Relations in corporate website Quarterly <ul style="list-style-type: none"> Financial results announcements Annually <ul style="list-style-type: none"> Annual General Meeting 	<ul style="list-style-type: none"> Financial and operational performance Company reputation Mitigation and adaptation to climate change 	<ul style="list-style-type: none"> Quarterly financial results and annual reports Uphold good governance practices Outline carbon reduction strategies Monitor sustainability performance and targets
 GOVERNMENT/REGULATORY AUTHORITIES The government and regulatory authorities play an important role in providing regulatory frameworks and legal authorisations necessary for operations.		
As needed <ul style="list-style-type: none"> Meetings Seminars/Webinars Reporting 	<ul style="list-style-type: none"> Anti-bribery and corruption Corporate governance practices Regulatory compliance 	<ul style="list-style-type: none"> Compliance with ISO37001: 2016 Anti-Bribery Management System ("ABMS") Establishment of Good Corporate Governance and Whistleblowing Policy Full compliance with regulatory requirements
 MANAGEMENT The management is responsible for guiding and overseeing our organisational operations to achieve strategic goals and ensure sustained success.		
As needed <ul style="list-style-type: none"> Coordination meetings Quarterly <ul style="list-style-type: none"> Business unit meetings Annually <ul style="list-style-type: none"> ISO management review 	<ul style="list-style-type: none"> Risk management Service requirements 	<ul style="list-style-type: none"> Risk Management Framework adhering to international principles Compliant with ISO9001:2015 Quality Management System
 EMPLOYEES Employees serve as the valuable human capital of Leon Fuat, actively contributing their skills and efforts to propel the Group toward our objectives and overall success.		
Ongoing <ul style="list-style-type: none"> Internal communications As needed <ul style="list-style-type: none"> Workshops and trainings Staff meetings Annually <ul style="list-style-type: none"> Employee performance appraisals Annual dinner 	<ul style="list-style-type: none"> Capacity building Occupational health and safety Fair labour practices Whistleblowing policy/procedures 	<ul style="list-style-type: none"> Provide relevant upskilling and development opportunities Compliant with Occupational Safety and Health Act 1994 Compliant with laws governing work hours and wages Promote transparent communication with employees

SUSTAINABILITY REPORT

Engagement Platforms	Areas of Interest	Our Responses
 CUSTOMERS Customers drive Leon Fuat's success by engaging in transactions and providing valuable feedback that informs product and service enhancements.		
As needed <ul style="list-style-type: none"> Meetings Feedback survey Annually <ul style="list-style-type: none"> Satisfaction assessment 	<ul style="list-style-type: none"> Product quality and safety Customer data privacy 	<ul style="list-style-type: none"> Compliant with ISO9001:2015 Quality Management System Compliant with Personal Data Protection Act 2010
 VENDORS/SUPPLIERS Vendors and suppliers collaborate with Leon Fuat to provide essential goods and services, ensuring a reliable supply chain and contributing to the overall efficiency of operations.		
As needed <ul style="list-style-type: none"> Product quality feedback Bi-annually <ul style="list-style-type: none"> Performance reviews Procurement processes 	<ul style="list-style-type: none"> Fair procurement practices Support of local suppliers 	<ul style="list-style-type: none"> Supplier Selection Procedure Supplier Performance Assessment 17.4% of procurement sourced from local suppliers
 COMMUNITY The community plays a reciprocal role, shaping and being shaped by the Group's actions, contributions and engagement, fostering a mutually beneficial relationship.		
As needed <ul style="list-style-type: none"> Community impact programmes 	<ul style="list-style-type: none"> Community development and support 	<ul style="list-style-type: none"> Local community development Philanthropy

UNDERSTANDING WHAT IS MATERIAL

Materiality Assessment

Materiality assessments are invaluable tools for identifying the material matters that most significantly impacts our business and stakeholders. These matters encapsulate the influence our business has on the local economy, the environment and most importantly, the welfare of people. Having a comprehensive grasp of our material matters empowers us to delineate our strategy and allocate resources effectively. This enables us to capitalise on opportunities and mitigate risks effectively.

In FY2023, we conducted a comprehensive reassessment to realign our material concerns with the latest sustainability trends and evolving industry dynamics. This process led us to identify thirteen (13) key sustainability matters.



1.

Identification

Thirteen (13) material sustainability matters were identified based on relevance to Leon Fuat and our stakeholders, including global trends, and streamlined according to Bursa Malaysia's Enhanced Sustainability Reporting requirements in the current reporting period.



2.

Ranking

Stakeholders were engaged via an online Google survey form to rank material matters in order of importance to the business and to stakeholders.



3.

Prioritisation

A materiality matrix was generated to visualise the prioritised material matters.



4.

Validation

The materiality matrix was presented to the Senior Management for validation and the Board of Directors for approval.

SUSTAINABILITY REPORT

Materiality Matrix

We plotted our thirteen (13) material sustainability matters onto a materiality matrix to illustrate their importance to stakeholders and influence on our business. These concerns were classified into three (3) levels of significance: medium, high and very high.

In doing so, we identified our top three (3) material matters as Operational Excellence, Product Quality and Customer Satisfaction, and Occupational Health and Safety. By prioritising these aspects, we emphasise their centrality in guiding our Group's sustainability initiatives. These strategic focal points are instrumental in ensuring that our operations meet the highest standards, embodying excellence and responsibility in every facet of our business.



RESPONSIBLE GOVERNANCE	ECONOMIC PROSPERITY	ENVIRONMENTAL STEWARDSHIP	SOCIAL RESPONSIBILITY
4 Corporate Governance and Anti-Corruption	1 Operational Excellence	7 Climate Change and Energy	2 Product Quality and Customer Satisfaction
6 Data Privacy and Cybersecurity	8 Responsible Procurement	9 Effluent and Waste Management	3 Occupational Health and Safety
		12 Noise Management	5 Labour Practices and Standards
		13 Water Efficiency	10 Diversity and Inclusiveness
			11 Corporate Social Responsibility

SUSTAINABILITY REPORT

Mapping of Material Sustainability Matters

To demonstrate the integration of our sustainability commitments and efforts, we aligned the material sustainability matters with the UN SDGs adopted by the Group, relevant stakeholder groups, and GRI indicators.

Material Matter	GRI Indicators	UN SDGs	Stakeholder Groups
RESPONSIBLE GOVERNANCE			
Corporate Governance and Anti-Corruption	2: General Disclosures 3: Material Topics 205: Anti-Corruption		<ul style="list-style-type: none"> Investors/Shareholders Government/Regulatory Authorities Management Employees Vendors/Suppliers
Data Privacy and Cybersecurity	2: General Disclosures 3: Material Topics 418: Customer Privacy		<ul style="list-style-type: none"> Investors/Shareholders Management Customers Employees
ECONOMIC PROSPERITY			
Operational Excellence	2-27: Compliance with Laws and Regulations 3: Material Topics		<ul style="list-style-type: none"> Investors/Shareholders Management Customers Suppliers
Responsible Procurement	2: General Disclosures 3: Material Topics 204: Procurement Practices		<ul style="list-style-type: none"> Customers Suppliers
ENVIRONMENTAL STEWARDSHIP			
Climate Change and Energy	2: General Disclosures 3: Material Topics 302: Energy 305: Emissions	 	<ul style="list-style-type: none"> Investors/Shareholders Government/Regulatory Authorities Communities
Effluent and Waste Management	2: General Disclosures 3: Material Topics 303: Water and Effluents 306: Waste		<ul style="list-style-type: none"> Government/Regulatory Authorities Communities
Noise Management	3: Material Topics		<ul style="list-style-type: none"> Government/Regulatory Authorities Communities
Water Efficiency	3: Material Topics 303: Water and Effluents		<ul style="list-style-type: none"> Government/Regulatory Authorities Communities
SOCIAL RESPONSIBILITY			
Product Quality and Customer Satisfaction	3: Material Topics 417: Marketing and Labelling		<ul style="list-style-type: none"> Management Customers
Occupational Health and Safety	2: General Disclosures 3: Material Topics 403: Occupational Health and Safety		<ul style="list-style-type: none"> Government/Regulatory Authorities Management Employees
Labour Practices and Standards	2: General Disclosures 3: Material Topics 401: Employment 404: Training and Education 408: Child Labour 409: Forced or Compulsory Labour		<ul style="list-style-type: none"> Government/Regulatory Authorities Management Employees
Diversity and Inclusiveness	2: General Disclosures 3: Material Topics 405: Diversity and Equal Opportunity 406: Non-discrimination		<ul style="list-style-type: none"> Employees
Corporate Social Responsibility	3: Material Topics 413: Local Communities		<ul style="list-style-type: none"> Communities

SUSTAINABILITY REPORT

RESPONSIBLE GOVERNANCE



Leon Fuat's comprehensive governance framework, policies, management systems and code of conduct lay out our ethical principles, ensuring the maintenance of high ethical standards throughout our operations.

Key Stakeholders	Material Sustainability Matters	Our Shared Values
Investors/Shareholders Government/Regulatory Authorities Management Employees Customers Vendors/Suppliers	<ul style="list-style-type: none"> Corporate Governance and Anti-Corruption Data Privacy and Cybersecurity 	Drive a performance culture of integrity and accountability

CORPORATE GOVERNANCE AND ANTI-CORRUPTION

Why is this Important?

Effective corporate governance is crucial for the long-term success of any organisation. It establishes a framework for ethical decision-making, transparency and accountability, fostering trust among stakeholders and minimising the risk of misconduct.

Our Approach

The dedication to ethical business practices, good conduct and transparency across our business segments is anchored by our fundamental policies, reinforced by our Anti-Bribery Management System.



Anti-Bribery Policy



Whistleblowing Policy



Code of Ethics and Conduct

In addition to our fundamental policies and Anti-Bribery Management System, we are committed to complying with all applicable rules and regulations in the places we operate.



Regulatory Compliance

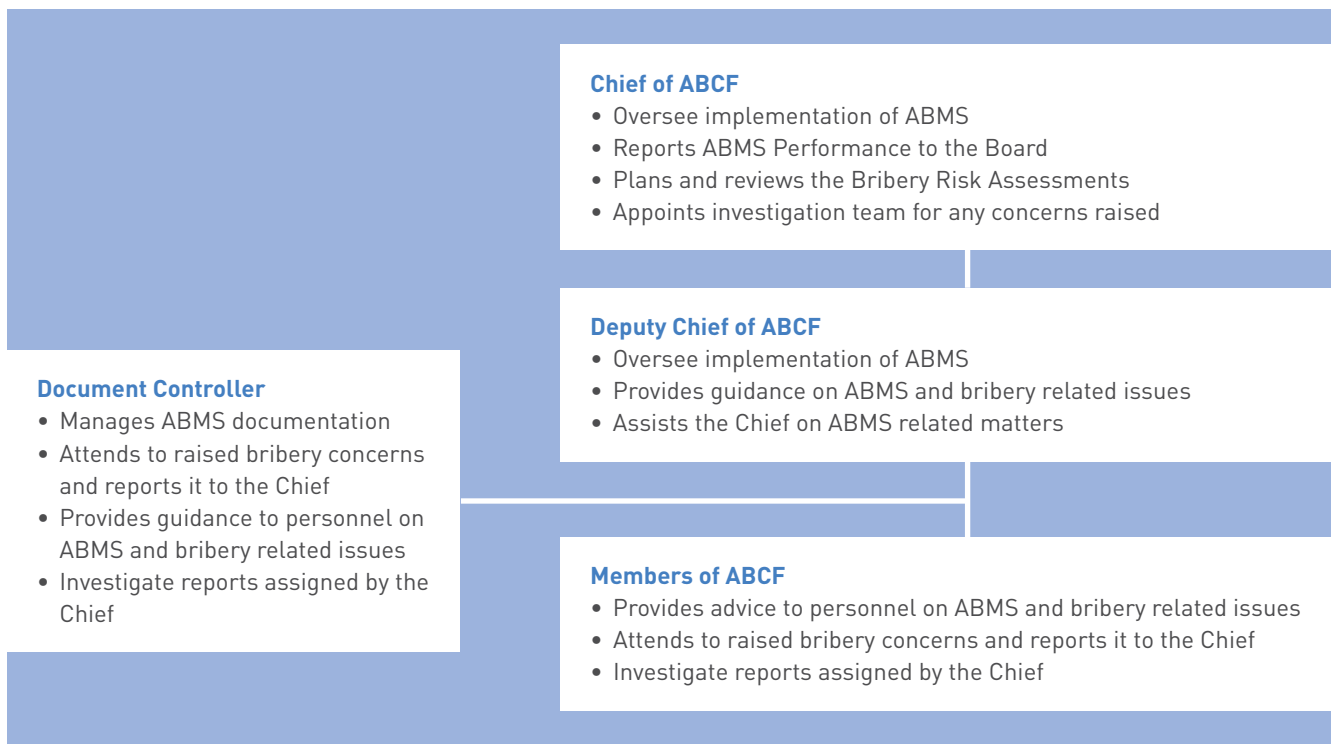
- Capital Markets and Services Act 2007
- Companies Act 2016
- Employment Act 1955
- Environmental Quality Act 1974
- Factories and Machinery Act 1967
- Income Tax Act 1967
- Minimum Wages Order 2018
- Occupational Safety and Health Act 1994

SUSTAINABILITY REPORT

Anti-Bribery Management System ("ABMS")

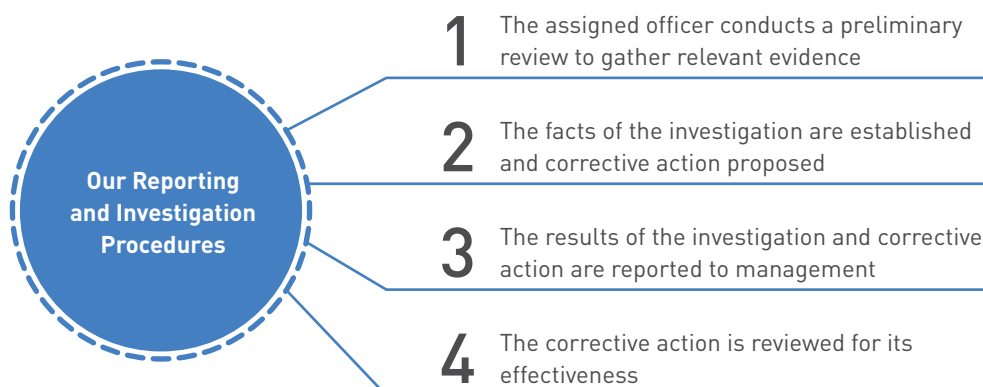
In FY2020, the Group implemented the ABMS to foster ethical operations. This system employs a preventative risk-based approach to identify and address bribery risks in our business activities and organisational committee. We are committed to conforming with the principles of ABMS (MS ISO 37001). The ABMS is complemented by the Anti-Bribery Manual which comprehensively defines the scope of the management system.

The Group also established the Anti-Bribery Compliance Function ("ABCF"), which oversees the implementation and management of the ABMS, maintains its documentation and handles bribery-related concerns.



Grievance Mechanism and Whistleblowing Procedures

We have a grievance mechanism in place to address any suspected unlawful or improper conduct within the Group. Any interested party can file a complaint by sending an email to the Group's designated personnel. Throughout the process, all reports filed in good faith will be treated with confidentiality. Whistleblowers are shielded from reprisal, and their identities are kept strictly confidential until prior authorisation to reveal them is obtained.



SUSTAINABILITY REPORT

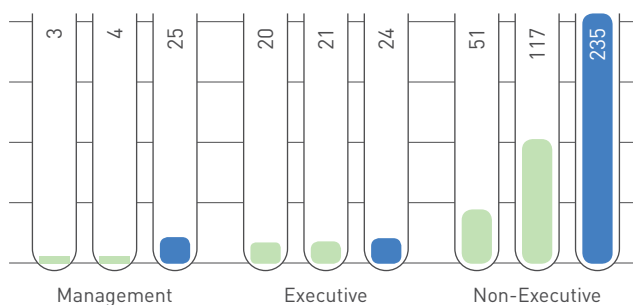
Our Performance

Bribery Prevention via Communication and Training

We effectively communicate our anti-bribery policies to our employees through various channels, including the employee handbook, orientation programmes for new hires and regular anti-bribery training sessions. Our policies are also readily accessible on our corporate website.

In FY2023, anti-bribery training was attended by two hundred and thirty-five (235) Non-Executive employees, twenty-four (24) Executive employees and twenty-five (25) Management employees across LF Hardware and LF Metal.

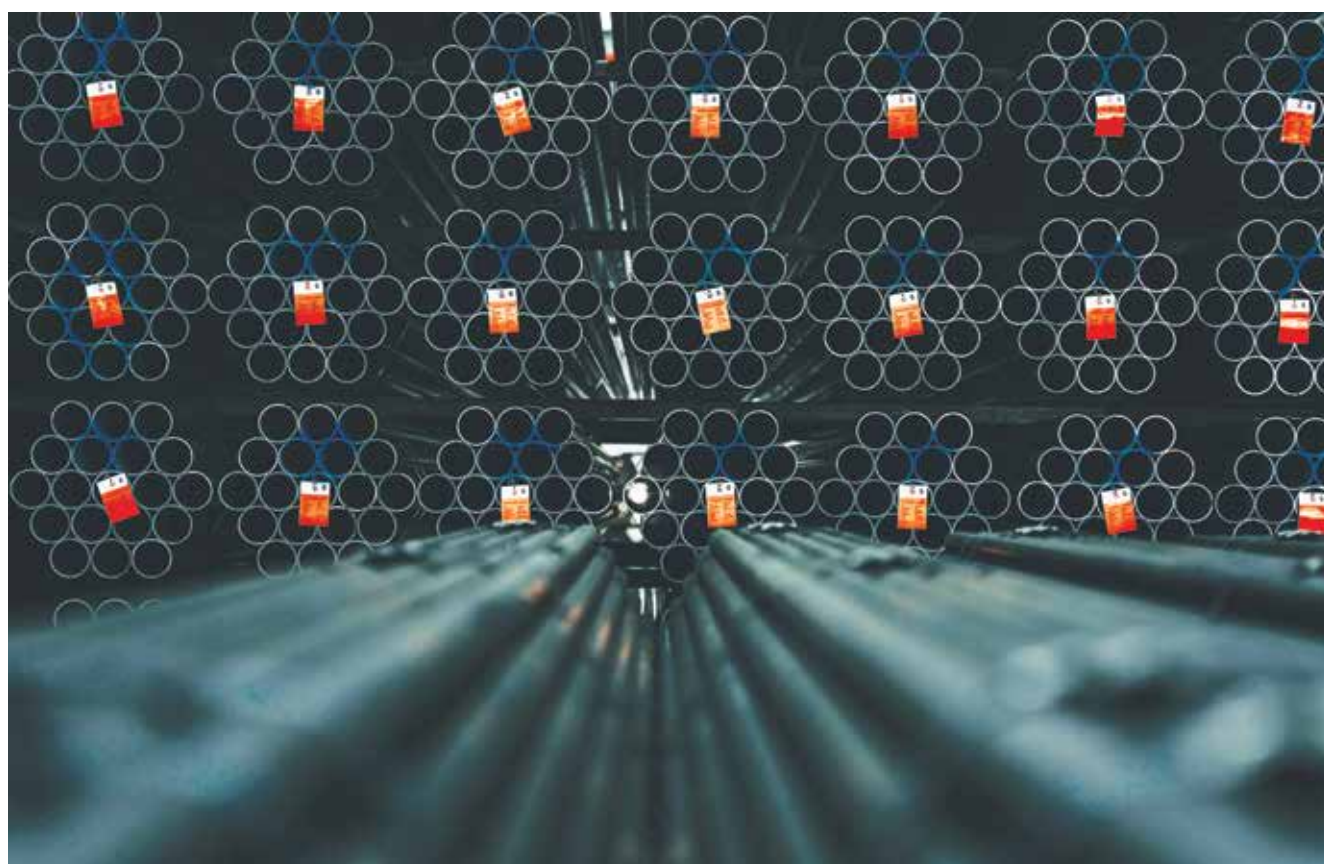
Employee Category	Attendance		
	FY2021	FY2022	FY2023
Management	3	4	25
Executive	20	21	24
Non-Executive	51	117	235



Bribery, Corruption and Whistleblowing Incidents

In FY2023, we maintained our outstanding record of zero (0) bribery and corruption cases as well as whistleblowing incidents across the Group. This achievement is a testament to the effectiveness of our comprehensive anti-bribery and anti-corruption trainings and our robust grievance mechanism.

	FY2021	FY2022	FY2023
No. of confirmed bribery and corruption incidents	0	0	0
No. of incidents of whistleblowing	0	0	0



SUSTAINABILITY REPORT

DATA PRIVACY AND CYBERSECURITY

Why is this Important?

In an era where digital transformation is integral to business operations, the pervasive shift to remote work and reliance on digital technologies underscore the importance of data privacy and cybersecurity. As cyber threats continue to escalate, safeguarding sensitive information from potential breaches is a legal requirement and a strategic imperative for maintaining trust, integrity, and the uninterrupted flow of business activities.

Our Approach

At Leon Fuat, our approach to data privacy and cybersecurity is guided by the Personal Data Protection Act of 2010 ("PDPA 2010"). This regulation governs the acquisition, use, disclosure and maintenance of personal data, forming the legal foundation for our operations. In accordance with PDPA 2010, we provide clear communication through a Personal Data Protection Notice to our employees and customers, outlining the purposes of personal data processing and any potential disclosures.



Our Performance

In FY2023, there were zero (0) substantiated complaints related to data privacy and cybersecurity breaches.

	FY2021	FY2022	FY2023
No. of substantiated complaints concerning breaches in customer privacy or data loss	0	0	0

SUSTAINABILITY REPORT

ECONOMIC PROSPERITY



Leon Fuat delivers value to customers, partners and communities through sustainable business practices and nurturing innovative culture. We prioritise excellence across the steel value chain, from raw material procurement to the final product delivered to customers, promoting efficiency and effectiveness.

Key Stakeholders	Material Sustainability Matters	Our Shared Values
Investors/Shareholders Management Customers Vendors/Suppliers	<ul style="list-style-type: none"> Operational Excellence Responsible Procurement 	<ul style="list-style-type: none"> Commitment to products and services quality Manage cash resources for operational effectiveness

OPERATIONAL EXCELLENCE

Why is this Important?

Our economic performance showcased robust growth, highlighting the success attributed to our operational excellence achieved through strategic and efficient resource allocation. This secures the creation of long-term value in alignment with the Group's sustainability agenda. With an unwavering resolve, we aim to achieve long-term resilience by leveraging our assets and sharing the generated wealth with our stakeholders.

Our Approach

At Leon Fuat, we prioritise sustainable steel processing, optimising material input while maximising economic output. With a primary focus on steel trading and processing – specialising in carbon steel, alloy steel and stainless steel – we bolstered our economic performance through investments in cutting-edge technologies, streamlined operational processes and a customer-centric approach.

We have designated three (3) machines for permanent night shifts, with plans to further increase capacity next year to bolster operational excellence. Ad-hoc night shifts are scheduled based on order volume and delivery lead times, utilising advanced technology like fibre laser cutting. This approach enhances production efficiency, operating faster and consuming less power compared to conventional laser technology, contributing to increased overall productivity and enhanced energy efficiency at LF Metal and Supreme Steelmakers.

Our Performance

In FY2023, economic performance of our three (3) main subsidiaries and other entities within our Group showcased robust growth, a testament to our operational excellence achieved through strategic and efficient resource allocation.

Economic Performance	Ringgit Malaysia (RM 'million)		
	FY2021	FY2022	FY2023
Economic value generated (revenue)	886.58	1,025.12	928.05
Less: Economic value distributed			
• Operating cost	653.86	922.34	815.73
• Employee wages and benefits	34.84	33.89	36.92
• Payment to provider of capital (dividends)	6.82	6.82	5.12
• Payment to government (tax)	16.77	30.78	7.38
• Community investments	0.02	#	0.01
Net economic value generated	174.27	31.29	62.89

Less than RM10,000.

SUSTAINABILITY REPORT

RESPONSIBLE PROCUREMENT

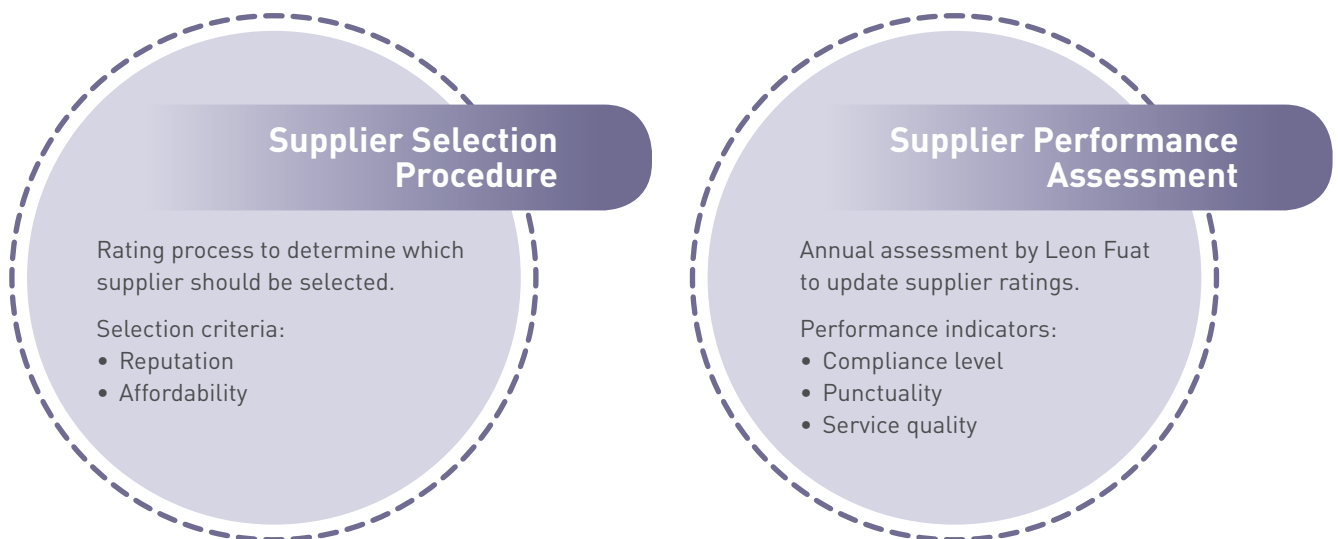
Why is this Important?

Responsible procurement is paramount for our operations, aligning seamlessly with our mission to both decarbonise our supply chain and fortify the local economy. By engaging local suppliers, we stimulate local economic growth and foster job creation. Responsible sourcing also curtails the environmental impact associated with the long-distance transportation of materials.

Our Approach

The Procurement Policies articulate the fair business practices that form the foundation of Leon Fuat's operations, and we expect our suppliers to uphold these principles. We require that our suppliers, service providers and other collaborators adhere to ethical standards in accordance with Leon Fuat's corporate values.

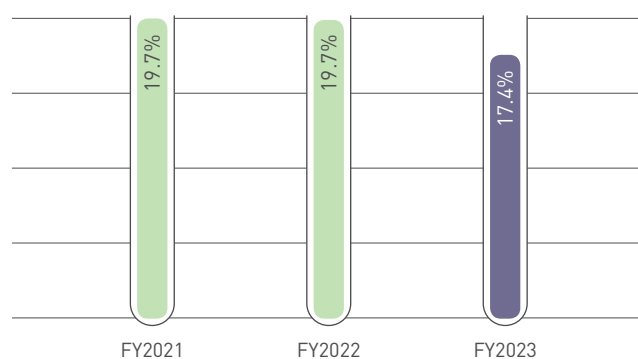
At Leon Fuat, we prioritise ensuring that our selected suppliers are committed to the standards that drive procurement excellence. We mandate new suppliers to complete a Vendor Registration Form. Our approach involves the application of precise selection criteria and the implementation of thorough supplier performance evaluations.



Our Performance

In FY2023, local suppliers accounted for 17.4% of our total supplier distribution.

Group Proportion of Spending on Local Suppliers



SUSTAINABILITY REPORT

ENVIRONMENTAL STEWARDSHIP



We are aware that the steel production and trade industries are resource-intensive, potentially impacting the environment through emissions and effluents. To reduce our environmental footprint, we pledge to adopt the most efficient processing routes, actively minimise waste output and invest in cutting-edge technologies. Through these initiatives, we aim to balance the indispensable role of steel with a dedication to environmentally conscious and sustainable practices.

Key Stakeholders	Material Sustainability Matters	Our Shared Values
Investors/Shareholders Government/Regulatory Authorities Communities	<ul style="list-style-type: none"> Climate Change and Energy Effluent and Waste Management Noise Management Water Efficiency 	<ul style="list-style-type: none"> Strengthen business processes to best service customers Manage cash resources for operational effectiveness

CLIMATE CHANGE AND ENERGY

Why is this Important?

Our operations are energy-intensive processes and can exert a notable influence on both the environment and operational costs if not effectively controlled. Prioritising climate action positions us to actively contribute to a sustainable future in line with our dedication to mitigating the adverse impacts of climate change.

Our Approach

Our GHG emissions disclosure encompasses Scope 1, addressing direct emissions from fuel combustion; Scope 2, which includes indirect emissions from purchased electricity; and limited Scope 3, relating to emissions stemming from employee commutes and business travels, which we started tracking in FY2023.

In our ongoing efforts to mitigate GHG emissions from fuel consumption, we implemented the use of delivery vehicles fuelled by Euro5 diesel, featuring a significantly lower emission limit (0.5g/km of CO compared to Euro2's 1.0g/km of CO) and reduced maximum sulphur content (10ppm for Euro5 versus 500ppm for Euro2). Currently, our fleet comprises 97.1% green diesel trucks and 2.9% conventional diesel trucks. This strategic composition allows for efficient fuel utilisation and a substantial reduction in our overall GHG emissions.

To further mitigate our energy consumption, we deployed solar panels across LF Metal factories. Commencing in FY2021, we initiated installations at two (2) factories and expanded to two (2) more in FY2022. The cumulative solar panel capacity across these four (4) factories now reaches approximately 2,300 kilowatts peak ("kWp"). Moreover, we successfully converted twenty-four (24) conventional 400W building street lights in the vicinity of LF Metal factory to solar-powered units. This initiative is expected to yield an annual energy savings of 42,048 kWh. Supreme Steelmakers is also currently in the process of transitioning to solar-powered street lights.



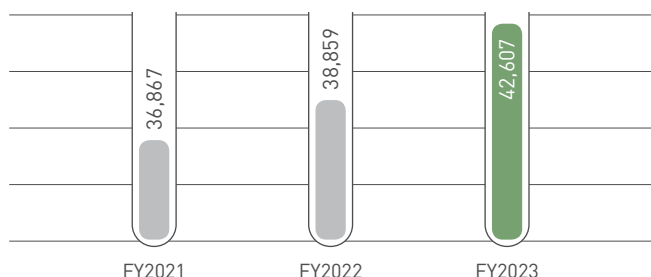
SUSTAINABILITY REPORT

Our Performance

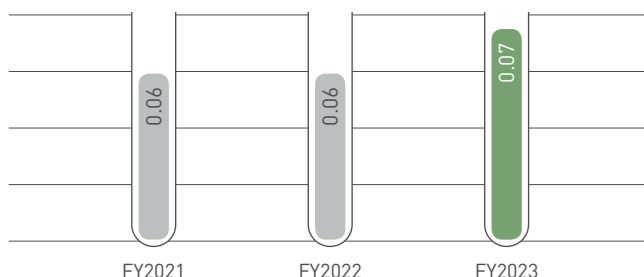
Total Energy Consumption

Overall, our Group's total energy consumption, encompassing fuel, electricity and renewable energy generated from our solar panels, amounted to 42,607 GJ. The excess energy generated from our solar panels was exported to the grid through our subscription to the Net Energy Metering Scheme.

Group Total Energy Consumption (GJ)



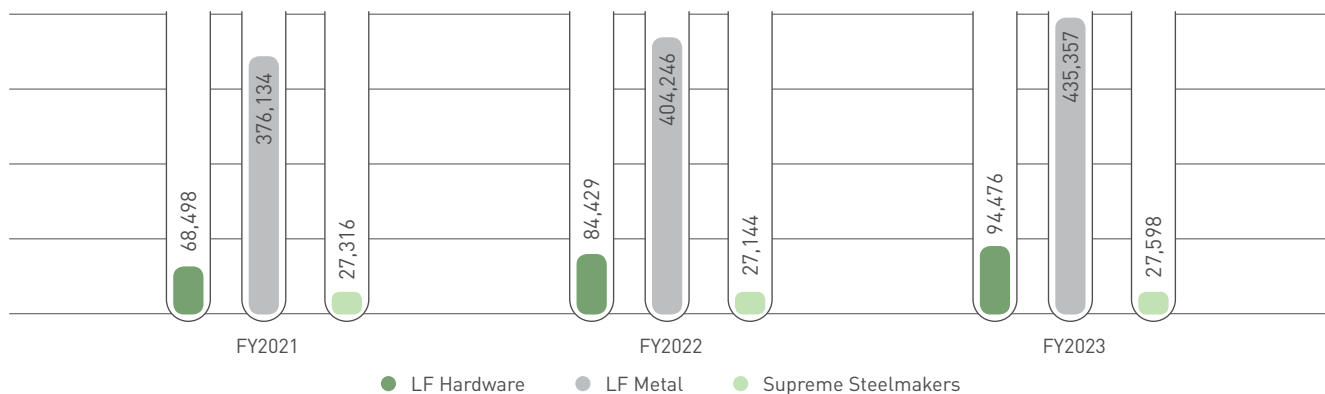
Group Energy Intensity (GJ/ft²)



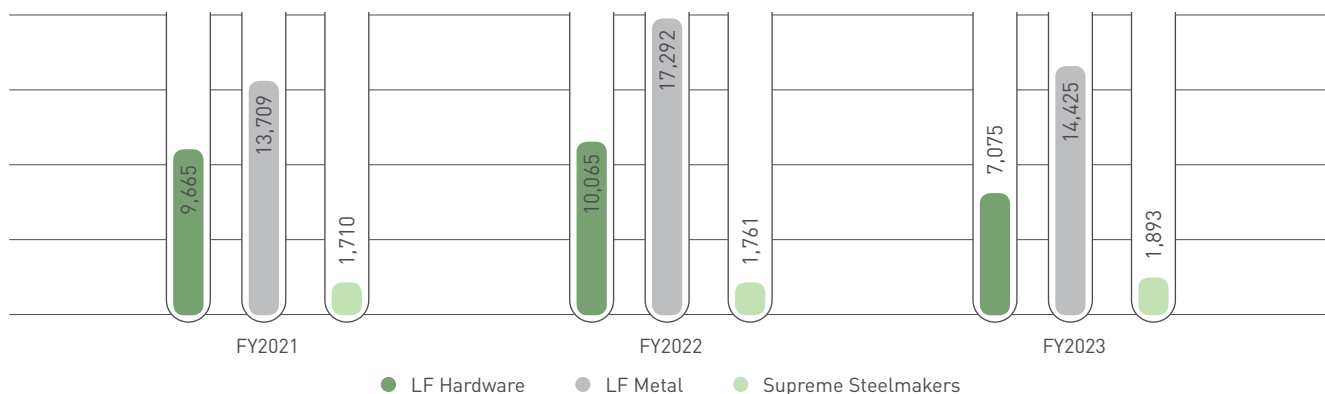
Fuel Consumption

The Group's overall diesel consumption totalled 557,431L in FY2023, displaying an 8.1% increase as compared to FY2022. Petrol consumption in FY2023 totalled 23,393L, reflecting a 19.7% reduction from the previous year.

Diesel Consumption (L)



Petrol Consumption (L)

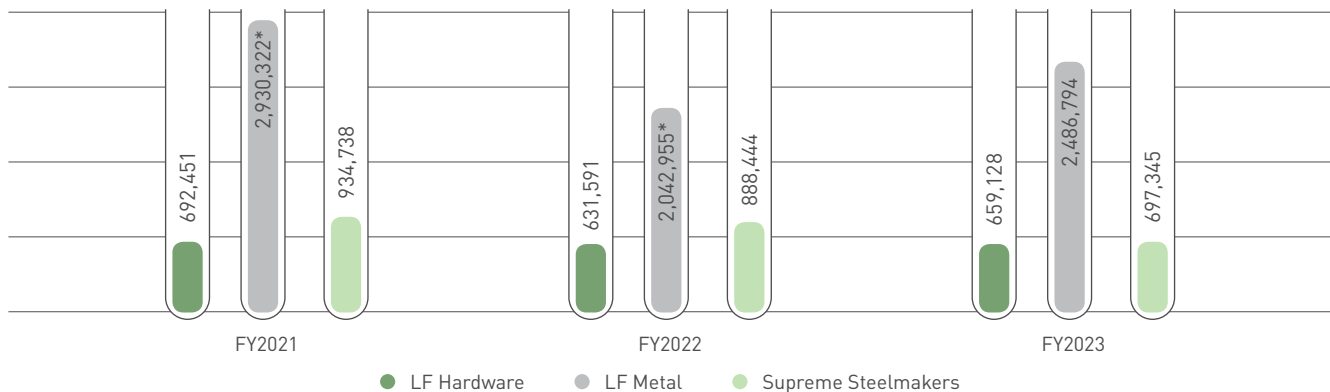


SUSTAINABILITY REPORT

Electricity Consumption and Intensity

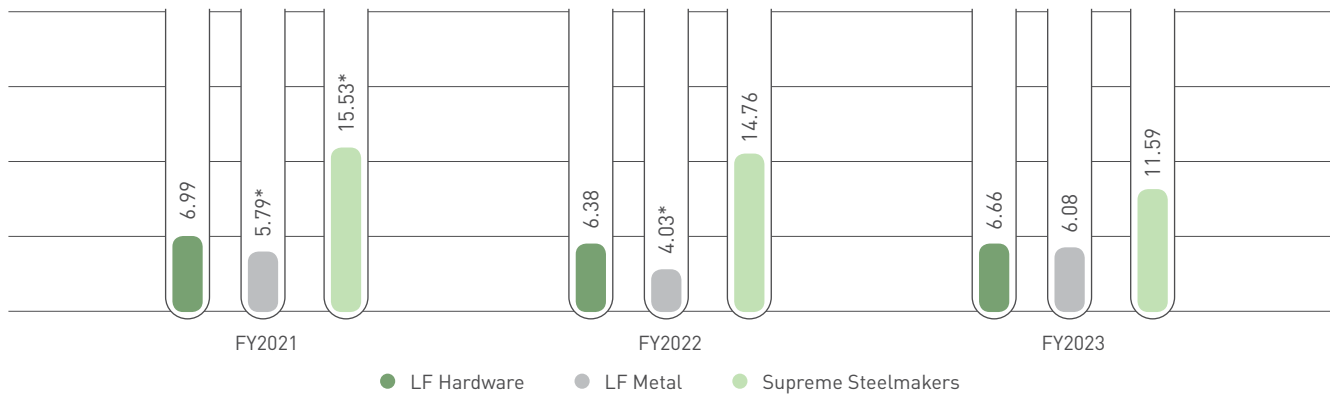
In FY2023, our combined electricity consumption reached 3,843,267 kWh, representing a 7.9% increase compared to the prior year.

Electricity Consumption (kWh)



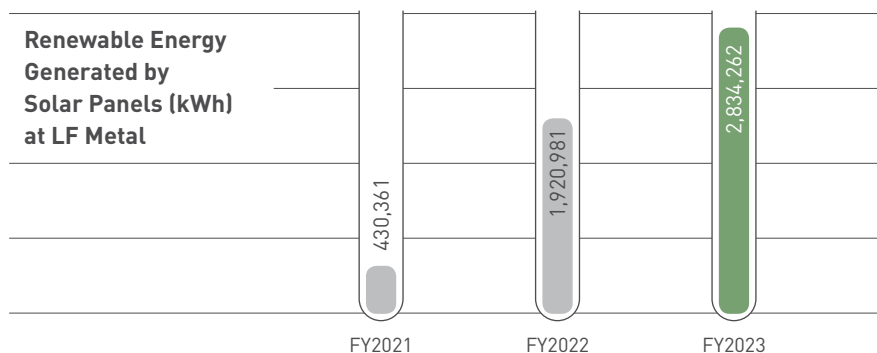
At Supreme Steelmakers, our electricity intensity decreased by 21.5%, attributable to enhanced efficiency measures. Meanwhile, despite excluding the floorspace no longer utilised for business operations in FY2023 at LF Metal, our electricity consumption increased, resulting in an increased intensity to 6.08 kWh/ft².

Electricity Intensity (kWh/ft²)



Renewable Energy

In FY2023, our renewable energy generation reached an impressive milestone of 2,834,262 kWh, leading to a remarkable 47.5% increase in our renewable energy production.



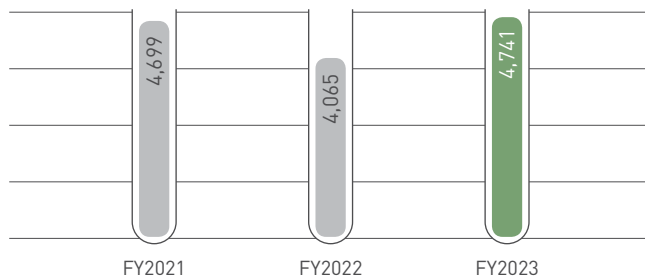
* Data has been restated.

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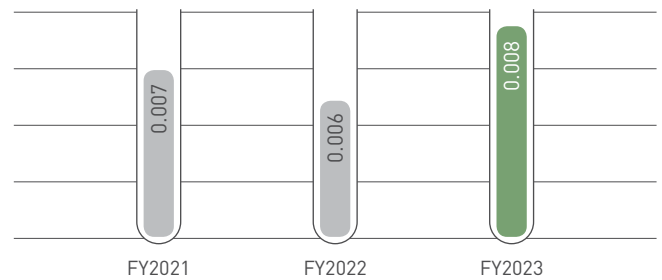
GHG Emissions

In FY2023, the combined emissions from our three (3) main subsidiaries amounted to 4,741 tCO₂e. The breakdown includes 1,455 tCO₂e under Scope 1, 2,914 tCO₂e under Scope 2 and 373 tCO₂e under Scope 3.

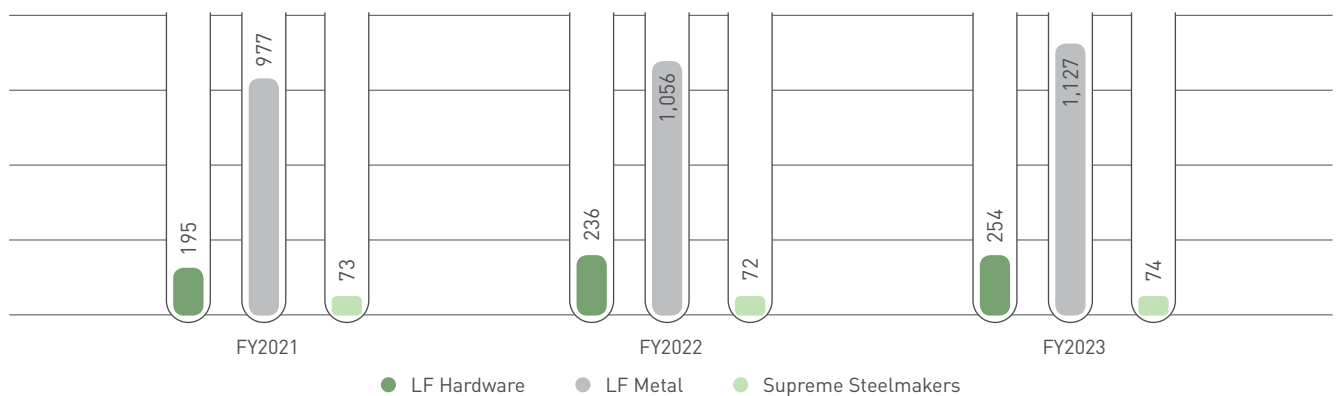
Total GHG Emissions (tCO₂e)



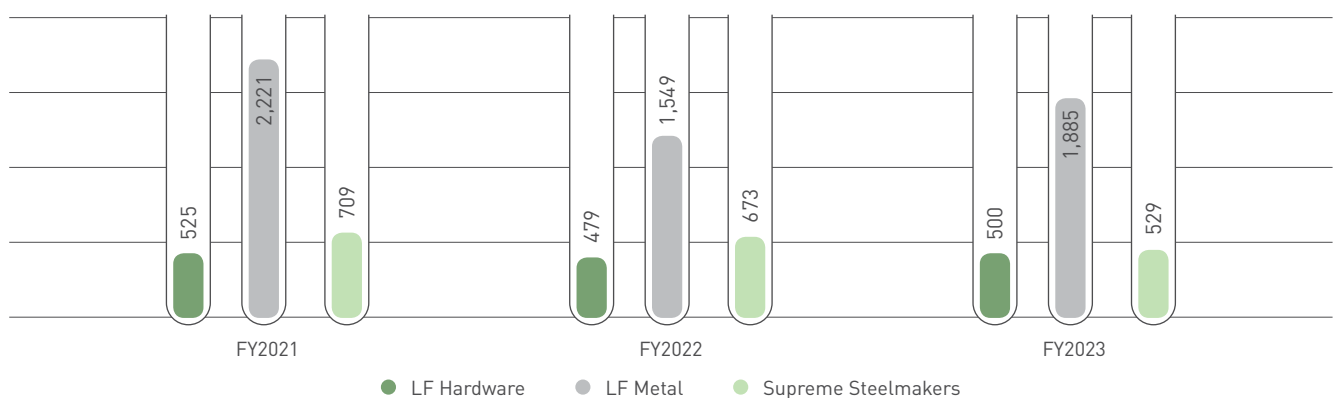
Total GHG Intensity (tCO₂e/ft²)



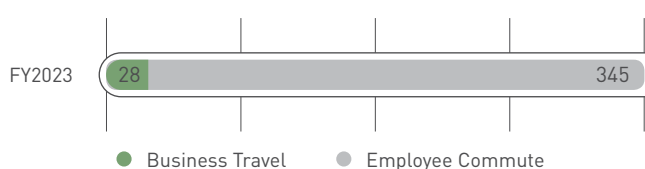
Scope 1 GHG Emissions (tCO₂e)



Scope 2 GHG Emissions (tCO₂e)



Scope 3 GHG Emissions (tCO₂e)



Note:

1. FY2021 and FY2022 data for Scope 1 and Scope 2 GHG Emissions has been restated.
2. Business Travel data is limited to LF Metal.
3. Calculation methodology is based on the GHG Protocol Corporate Accounting and Reporting Standards.
4. Scope 1 and 3 emissions factors were sourced from the UK Government's GHG Conversion Factor 2023.
5. Scope 2 emissions factor were sourced from the National Energy Commission: Grid Emissions Factor (GEF) in Malaysia 2021.

SUSTAINABILITY REPORT

WASTE AND EFFLUENT MANAGEMENT

Why is this Important?

Effective effluent and waste management is integral to our environmental sustainability and regulatory compliance. By implementing robust waste management practices, we minimise the environmental impact of our steel processing, reduce the risk of pollution and contribute to the overall well-being of the communities in which we operate.

Our Approach

Leon Fuat remains dedicated to upholding the Environmental Quality Act of 1974 ("EQA 1974") and the Local Government Act of 1976. These particularly concern the handling and disposal of both scheduled and non-scheduled waste, as well as the discharge of effluents. In strict adherence to these regulations, we established a waste management system designed to efficiently control the treatment and disposal processes for all categories of waste.

Oversight of this system is entrusted to a designated safety and health officer, who collaborates with production and procurement staff for the effective implementation of waste management protocols. This underscores our proactive approach to environmental responsibility and regulatory compliance.

Our Performance

Waste

LF Metal observed a decrease in SW104 and SW409 waste generation by 1.58 tonnes and 0.75 tonnes respectively in FY2023 as compared to FY2022.

Amount of Scheduled Waste Generated (tonnes)

Code	Description	LF Metal			Supreme Steelmakers		
		FY2021	FY2022	FY2023	FY2021	FY2022	FY2023
SW104	Dust, slag, dross or ash containing aluminium, arsenic, mercury, lead, cadmium, chromium, nickel, copper, vanadium, beryllium, antimony, tellurium, thallium or selenium excluding slag from iron and steel factory	1.10	3.42	1.84	0	0	0
SW306	Spent lubricating oil	0	0	0	2.28	2.11	2.30
SW409	Disposed containers, bags or equipment contaminated with chemicals, pesticides, mineral oil or scheduled wastes	0.41	0.93	0.18	0	0	0

SUSTAINABILITY REPORT

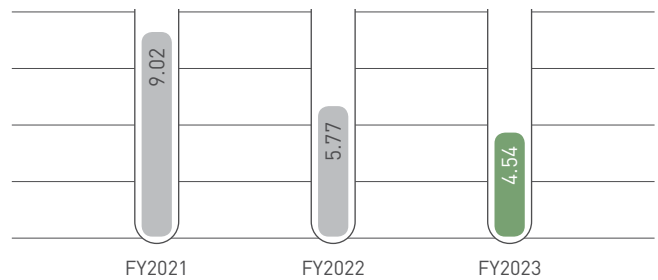
LF Metal recorded a steady decline in the quantity of its non-scheduled waste over the past three (3) years. This positive trend can be attributed to the efficacy of our environmentally conscious initiatives, including the installation of recycling bins in offices and a strategic transition towards minimising hardcopy information distribution, such as ISO manuals and regulations. Instead, we prioritise digital formats to share information.

Amount of Non-Scheduled Waste Generated (tonnes)

Types of Waste	LF Hardware			LF Metal			Supreme Steelmakers		
	FY2021	FY2022	FY2023	FY2021	FY2022	FY2023	FY2021	FY2022	FY2023
Papers	0.26	0.05	0.05	-	-	-	0.66	-	-
Plastics	0.01	-	-	-	-	-	-	-	-
General	0.10	0.10	0.21	5.30	4.84	4.28	-	-	0.06

In FY2023, our total recycled waste across all subsidiaries amounted to 4.54 tonnes.

Waste Recycled/Recovered (tonnes)



Effluent

We actively monitor and document the quality of LF Metal's effluent discharge, ensuring strict adherence to the legal limits stipulated by the EQA 1974. The evaluation encompasses five (5) key water quality criteria: Chemical Oxygen Demand ("COD"), Biological Oxygen Demand ("BOD"), Total Suspended Solids ("TSS"), Oil and Grease and Ammoniacal Nitrogen ("NH₃-N"). As illustrated in the accompanying table, our effluent discharge for the current reporting period remains well below the established minimum levels of Standards A and B outlined in the EQA 1974.

Effluent Sampling Results (mg/L)	Std. A	Std. B	FY2021	FY2022	FY2023
COD	120	200	31	67	58
BOD	20	50	9	18	17
TSS	50	100	10	15	23
Oil and Grease	20	20	0	0	0
NH ₃ -N	50	50	11	11	16

SUSTAINABILITY REPORT

NOISE MANAGEMENT

Why is this Important?

Prolonged exposure to elevated noise levels can impact the workforce by heightening stress levels, diminishing concentration, increasing fatigue, reducing productivity and potentially leading to hearing impairments. By actively addressing noise control, we prioritise the well-being of our employees, fostering a healthier and more conducive working environment.

Our Approach and Performance

At Leon Fuat, we strictly observe the latest noise laws and legal requirements which is exemplified by our compliance with the 2019 Noise Regulations. In FY2022, Supreme Steelmakers conducted its Noise Risk Assessment over the course of two (2) days, with a total of thirty-two (32) non-executive employees participating in this assessment. Noise Risk Assessments are conducted every five (5) years, with the next scheduled for FY2026.

Meanwhile, LF Metal performs audiometric checks on an annual basis. In FY2023, a total of fifty-three (53) employees were tested for a duration of three (3) hours. Our top priority is increasing staff awareness through Noise Awareness Training, delivering safety briefings regarding potential hearing problems. In addition, we equip employees with hearing protectors, such as Anti-Noise Ear Shields, to effectively mitigate the impact of noise levels at our plants.



SUSTAINABILITY REPORT

WATER EFFICIENCY

Why is this Important?

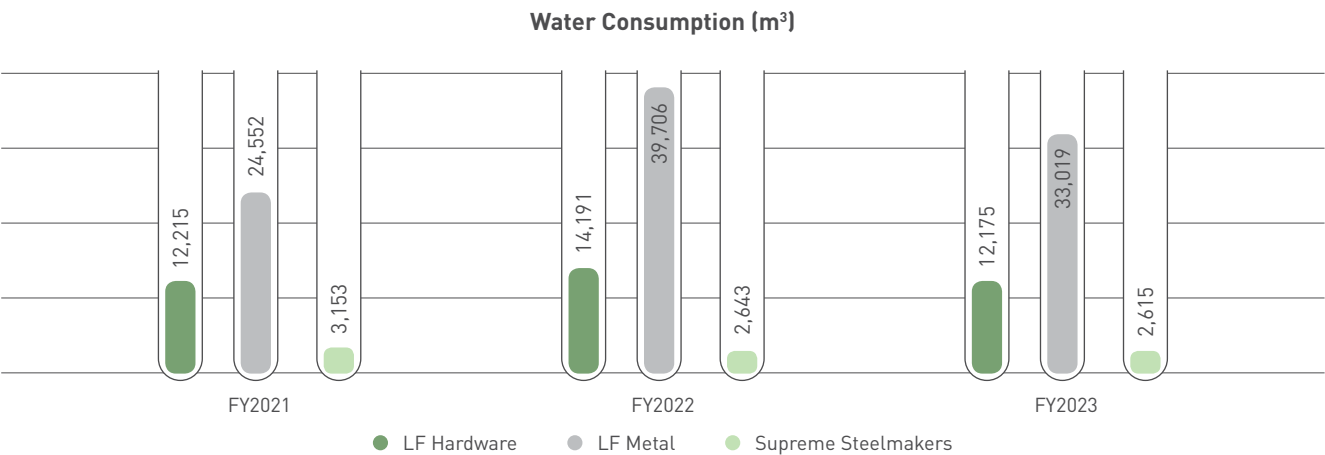
Recognising the substantial water demands inherent to the steel production process, notably during the chilling and descaling stages, Leon Fuat places a high value on efficient water management within our steel processing operations. By prioritising water efficiency, we contribute to sustainable resource utilisation, minimising our impact on water resources and promoting long-term operational sustainability.

Our Approach

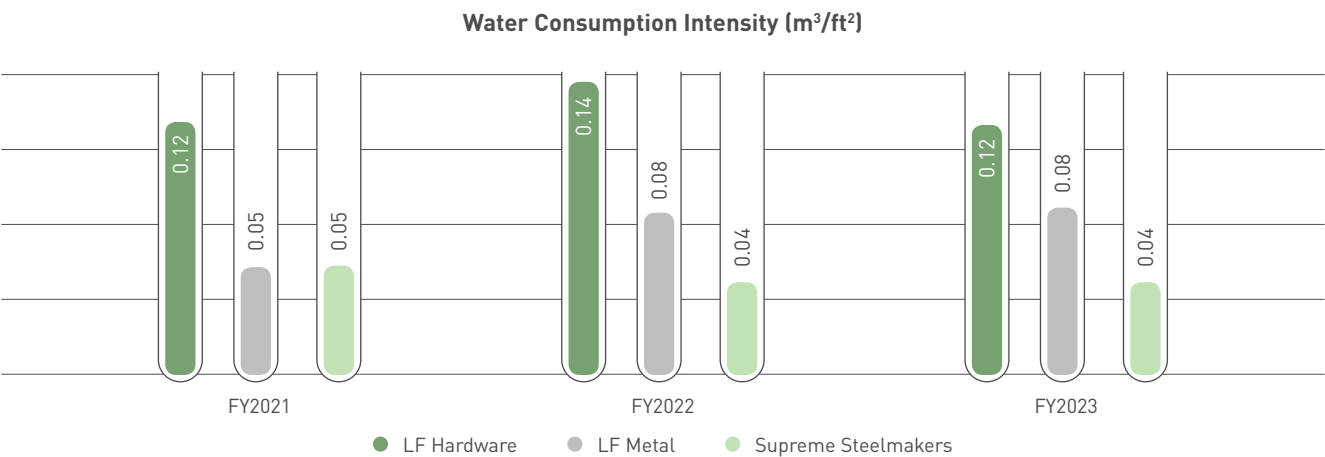
We adopted a proactive water efficiency strategy that entails ongoing water consumption monitoring across all subsidiaries. This meticulous approach allows us to precisely pinpoint our steel processing operations and machinery that may require optimisation for enhanced water conservation. By regularly analysing and identifying areas for improvement, we promote responsible water usage and streamline our production processes, contributing to overall operational efficiency.

Our Performance

In FY2023, the total water consumption for the three (3) main subsidiaries amounted to 47,809 m³. Over the course of the three (3) financial years, LF Metal consistently registered the highest water consumption, reaching 33,019 m³, attributed to the extensive machinery within its facility. Conversely, Supreme Steelmakers recorded the lowest water consumption at 2,615 m³.



For FY2023, LF Hardware achieved a 14.3% decrease in water consumption intensity, signalling improved water efficiency. However, water consumption intensity at LF Metal remained at 0.08 m³/ft² after excluding the floorspace no longer utilised for business.



SUSTAINABILITY REPORT

SOCIAL RESPONSIBILITY



The social responsibility initiatives at Leon Fuat are centred on the welfare of our employees, the local community and society at large. Achieving equilibrium between economic development, environmental sustainability and community benefits is integral to our business practices. Accordingly, we proactively uphold a solid foundation for corporate social responsibility and adhere to a robust Corporate Social Responsibility framework. This pledge exemplifies our drive to meaningfully contribute to our people and the broader societal landscape.

Key Stakeholders	Material Sustainability Matters	Our Shared Values
Government/Regulatory Authorities Management Employees Customers Communities	<ul style="list-style-type: none"> Product Quality and Customer Satisfaction Occupational Health and Safety Labour Practices and Standards Diversity and Inclusiveness Corporate Social Responsibility 	<ul style="list-style-type: none"> Strengthen business processes to best service customers Commitment to products and services quality

OCCUPATIONAL HEALTH AND SAFETY

Why is this Important?

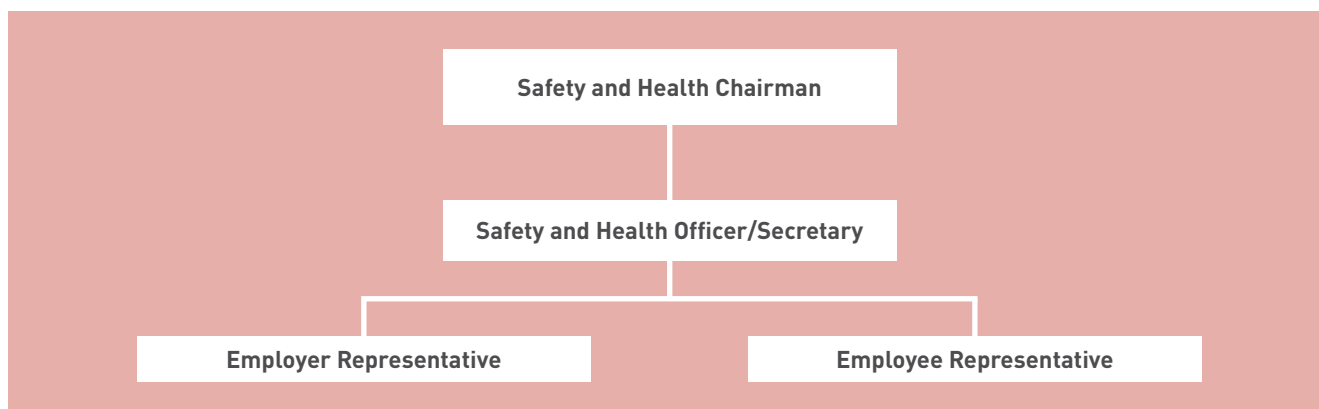
By preserving the health and safety of our employees, we safeguard their physical and mental well-being while bolstering overall productivity and job satisfaction. Our dedication to maintaining a secure working environment is rooted in this awareness. Leon Fuat works to safeguard our employees by adhering to stringent health and safety standards, actively mitigating workplace risks and fostering a culture of responsibility.

Our Approach

Our mission to attain zero (0) injuries among our employees, contractors and the communities where we operate is steered by our Safety and Health Policy. It directs us in cultivating a safety-conscious culture through frequent training sessions that emphasises the development and upkeep of safe workplace practices.

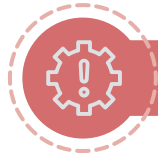
In tandem with our policy, we implemented a comprehensive Safety and Health Manual. This manual serves as a control system overseen by the Safety and Health Committee to ensure operational safety. It delineates the tasks and responsibilities of the appointed Safety and Health Officer, along with essential safety procedures tailored to our steel trading and processing facilities. Routine inspections are conducted to uphold health and safety standards.

At LF Metal, a three-tiered Safety and Health Committee allows us to establish robust OHS performance. Led by the Safety and Health Chairman, which is assisted by the Safety and Health Officer, the third tier comprises employer and employee representatives, fostering a collaborative approach to workplace safety.



SUSTAINABILITY REPORT

We employ two (2) risk assessment procedures, each crucial in identifying potential hazards and implementing the requisite control measures. By strategically applying these procedures we enhance our ability to pre-emptively address risks, creating an environment where safety is a top priority.



Hazard Identification, Risk Assessment, and Risk Control ("HIRARC") Procedure

- Established in FY2017 as a mechanism to facilitate the identification of potential hazards and to establish appropriate control measures.
- The HIRARC Procedure calculates the level of risk associated with a particular activity from two (2) interconnected factors:
 - the severity of an injury or illness resulting from the hazard; and
 - the likelihood of the injury or illness occurring.



2-Minute Hazard Report Card

- Used to identify the severity of a hazard and indicates whether to stop or continue an activity.

Our Performance

In the course of this reporting period, the three (3) main subsidiaries documented a collective total of 928,225 working hours. This year marked a significant 23.8% reduction in the Lost-Time Incident Rate compared to FY2022. In FY2023, we recorded one (1) fatality case, prompting immediate response. We implemented a series of safety measures including the installation of a full interlocking system, erection of fencing barriers and the installation of rotating safety warning lights and sirens. Rotating warning lights are lights that provide an eye-catching warning of hazardous conditions and obstacles. Workers involved in machine slitter operations were provided rigorous Safe Work Procedures ("SWP") training sessions. To further emphasise safety protocols, Leon Fuat prominently displayed operation protocols and outlined the SWP on the machines.

Health and Safety Performance

	FY2021	FY2022	FY2023
Total Hours Worked	749,569	832,897*	928,225
No. of Lost-Time Incidents**	14	20	17
Lost-Time Incident Rate	3.74	4.80	3.66

* Data has been restated.

** Included in the Lost-Time Incidents was one (1) fatality each recorded for FY2021 and FY2023 respectively.

SUSTAINABILITY REPORT

Our dedication in cultivating a safety-conscious work environment is evident through the implementation of various training programmes. These initiatives aim to enhance the skills and knowledge of our workforce and instil a culture where safety is paramount.

Throughout FY2023, we documented a total of seventy-one (71) attendees for our health and safety training sessions.

Occupational Health and Safety Training Programmes	No. of Attendees	Duration
FMM Briefing on Dengue at the workplace by Jabatan Kesihatan Negeri Selangor ("JKNS")	1	3
Internal Training: Preparation Briefing and Actions to Take Before & After Getting Treatment in the Case of an Emergency (Injury)	11	4
Hazard Identification, Risk Assessment and Determining Control at The Workplace ("HIRADC")	1	14
Basic Occupational First Aid, CPR and AED	23	21
Emergency Response Plan & Preparedness	18	7
Safe Work Procedure – The Activity of Removing Coil Pieces from the Machine	4	1
Overhead Travelling Crane (OTC) Train The Trainer Course	1	21
Internal Training: Forklift Driver Training	8	2
Basic Occupational Fire Fighting	1	14
Occupational Safety & Health Coordinator Programme	3	21

LABOUR PRACTICES AND STANDARDS

Why is this important?

Upholding fundamental human rights within Leon Fuat necessitates equitable employment and decent work conditions. We strive to promote an environment where every employee is treated with respect, aligning with our ethical principles and responsible business practices, thus contributing to the overall well-being of our workforce.

Our Approach

Upskilling and Talent Acquisition of Our Employees

At Leon Fuat, we cultivate performance excellence through continuous development and unique incentive programmes. Our training initiatives foster a culture that embraces diverse ideas, nurtures new skill sets and attracts top talent. New hires experience a two-session induction: the first introduces them to the Group and operations, while the second focuses on department-specific SOPs. Regardless of their position, we provide ongoing skill development for all employees through regular training sessions.

Training Programmes

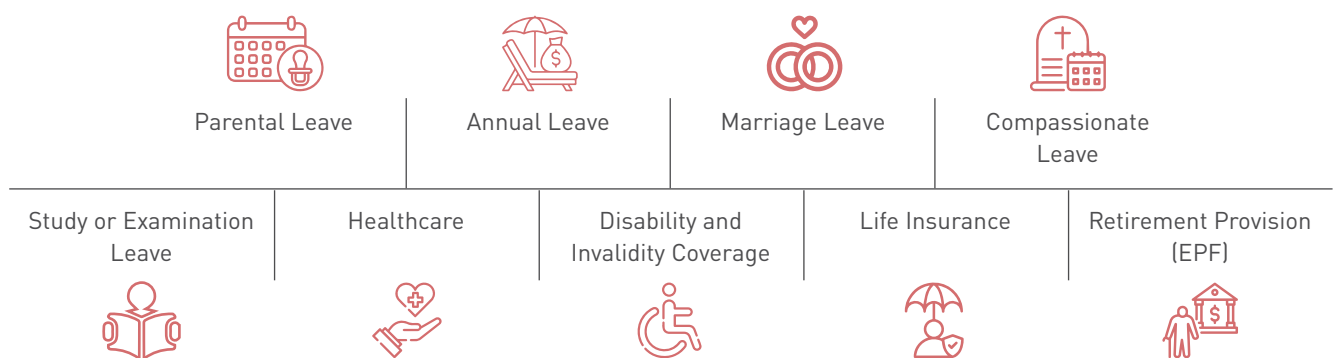
- Amazing Microsoft Excel Time Saving Workshop
- Budget 2024 Unleash the T.I.G.E.R.
- Climate Change
- Financial Modelling for Forecasting, Budgeting & Financial Statements in Excel
- FMM Selangor & Kuala Lumpur and MACC Selangor – Workshop on Corporate Liability Provision (Section 17A of MACC Act 2009)
- How To Handle Difficult Customers and Complaints Effectively
- Internal Training: Basic Machine Operation
- Internal Training: The Employment (Amendment) Act 2022
- Internal Training: One-To-One Excel Training
- Internal ISO 9001 (QMS) Auditor Training
- ISO 9001:2015 Understanding and Implementing (QMS02)
- Microsoft Office Excel 2013 - (Intermediate & Advanced)
- Overhead Travelling Crane (OTC) Train the Trainer Course
- Practical Approach to Accounting Principles and Practices Series
- Professional Course in Electrical Services Operation and Maintenance
- Root Cause Analysis Training
- SAP e-Invoicing Workshop
- Seminar on Foreign Worker Management
- Smart Warehousing Operation & Management
- Task Force on Climate-Related Financial Disclosures (TFCD), Carbon Footprint and Reporting Guide
- Taxation on Foreign Workers
- Vistage Chief Executive (VCE) Programme
- Vistage Small Business (VSB) Programme
- Whistleblowing, PDPA & No Gift Policy Training

SUSTAINABILITY REPORT

At LF Metal, we actively promote employee participation in educational initiatives that mutually benefit individuals and the business. Our department heads conduct education counselling sessions, guiding employees toward educational opportunities that correlate with their career aspirations. To support our employees, we offer paid examination leave, providing up to five (5) days for them to concentrate on their academic pursuits.

Employee Benefits

We believe that the provision of employee benefits enhances the quality of life of our valued employees. These benefits, ranging from healthcare and insurance coverage to flexible working and professional development opportunities, are designed to prioritise the welfare of our employees.



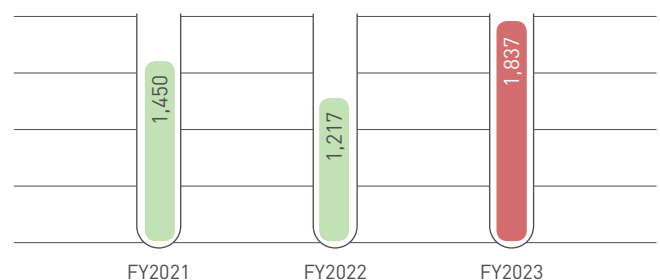
Our Performance

Training and Talent Management

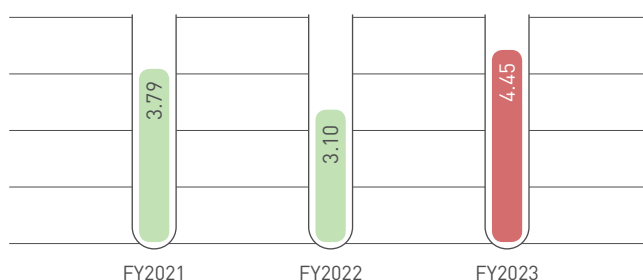
Leon Fuat nurtures the professional growth of our employees through a diverse array of training programmes. In FY2023, we allocated approximately 1,837 training hours to this initiative, leveraging a combination of virtual and physical training sessions for accessibility.

Employee Category	Total Training Hours		
	FY2021	FY2022	FY2023
Senior Management	180	126	127
Management	130	212	333
Executive	431	276	355
Non-Executive	709	603	1,022

Total Training Hours



Average Training Hours per Employee



Average Training Hours by Gender



SUSTAINABILITY REPORT

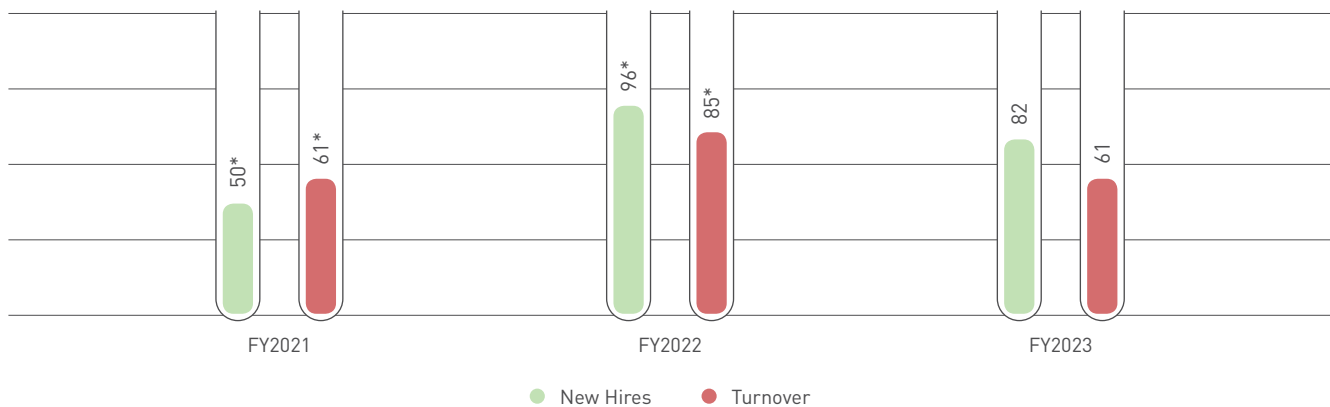
Employee Category	Average Training Hours		
	FY2021	FY2022	FY2023
Senior Management	17.95	12.55	12.70
Management	3.82	6.43	10.08
Executive	7.18	4.52	6.24
Non-Executive	2.55	2.09	3.27

Note: FY2021 and FY2022 data for "Training and Talent Management" has been restated.

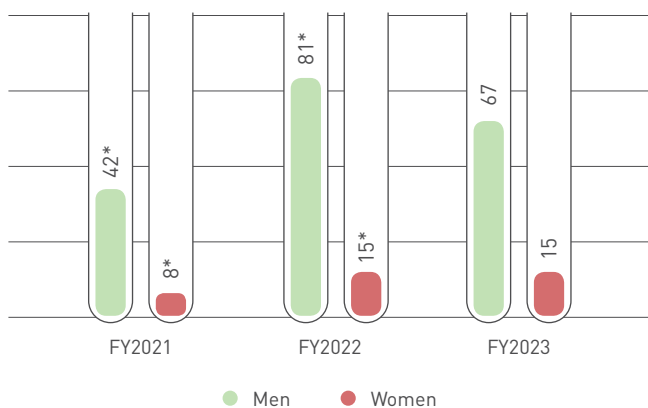
Employee New Hires and Turnover

The Group recorded eighty-two (82) new hires, demonstrating the Group's capacity to provide qualified individuals with new employment opportunities.

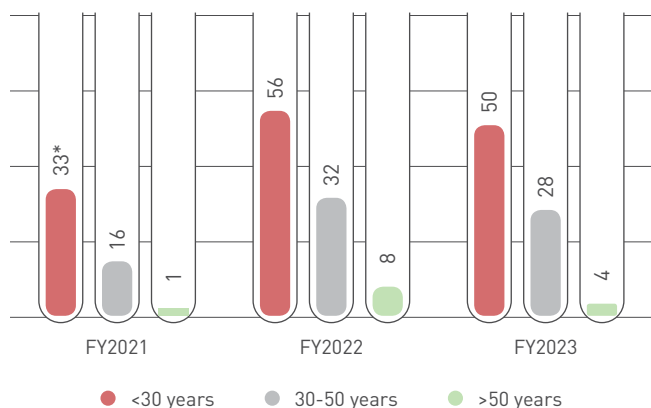
Total New Hires and Turnovers



New Hires by Gender



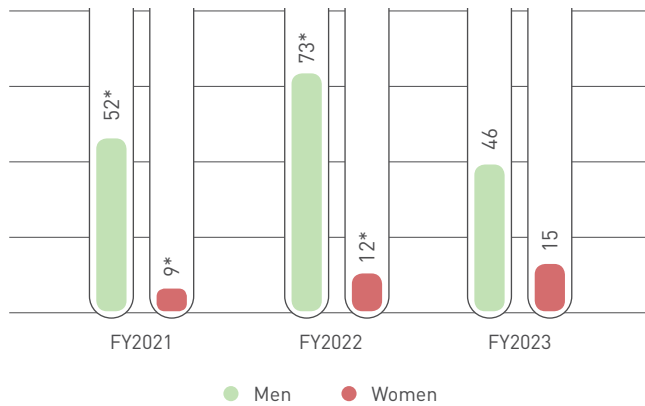
New Hires by Age



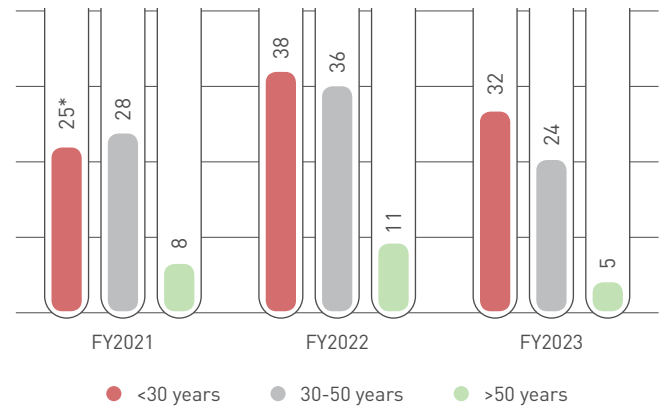
* Data has been restated.

SUSTAINABILITY REPORT

Turnover by Gender



Turnover by Age



* Data has been restated.

Employee Category	Total Number of Employee Turnover		
	FY2021	FY2022	FY2023
Senior Management	0	0	0
Management	0	0	1
Executive	8	8	9
Non-Executive	53	77	51

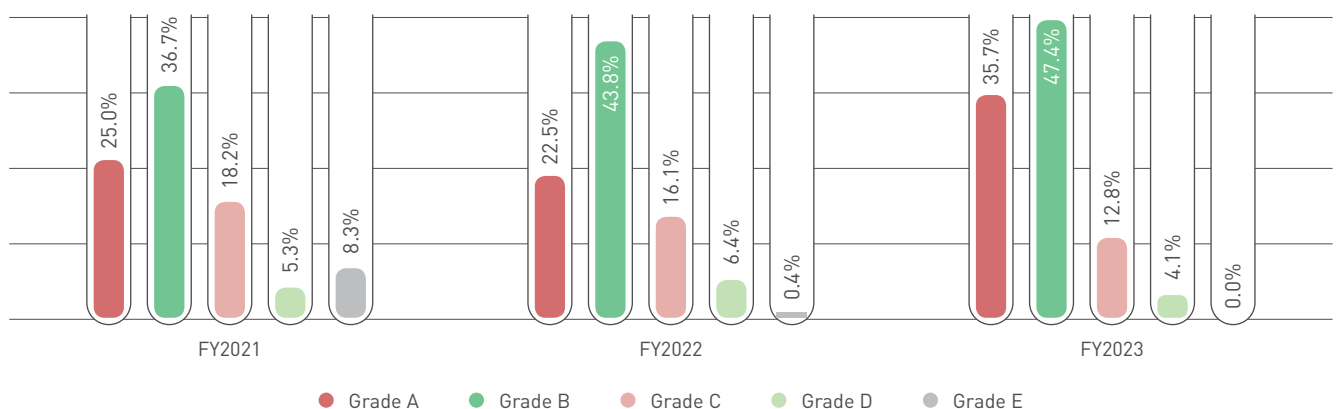
Note: FY2021 and FY2022 data for "Employee New Hires and Turnover" has been restated.

Employee Appraisal

At Leon Fuat, we conduct annual assessments for our employees to understand their preferences and needs, enabling us to create a motivating work environment that maximises the productivity of our personnel.

The Group provides our employees upskilling courses, offering them opportunities to advance their careers and enhance key competencies. In FY2023, two hundred and sixty-six (266) employees at LF Metal underwent annual performance evaluations to assess their performance. The results revealed that 35.7% of employees achieved Grade A and 47.4% Grade B, indicating excellent performance.

Employee Performance Appraisal



SUSTAINABILITY REPORT

Parental Leave

The Group recorded a 70% return-to-work rate among the eight (8) women and twelve (12) men employees who took parental leave in FY2023. Twelve (12) months after their return from parental leave, fourteen (14) out of twenty (20) of employees maintained their employment.

	FY2021		FY2022		FY2023	
	Men	Women	Men	Women	Men	Women
No. of employees that took parental leave	0	4	0	0	12	8
No. of employees that returned after parental leave	0	3	0	0	12	5
No. of employees that returned to work after parental leave ended that were still employed 12 months after their return to work	0	3	0	0	10	4

Note: FY2021 and FY2022 data for "Parental leave" has been restated.

DIVERSITY AND INCLUSIVENESS

Why is this important?

Promoting diversity and inclusiveness is of utmost importance to Leon Fuat, reflective of our aspiration to create a harmonious work environment. Embracing diversity enhances our workplace and fortifies our capacity for innovation, ensuring a dynamic organisational culture.

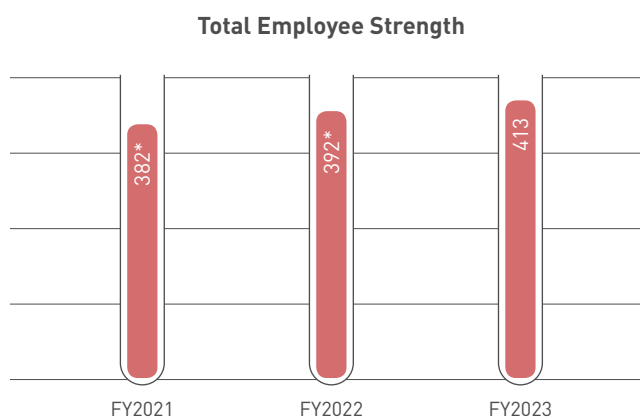
Our Approach

Prioritising an equitable workplace and a diverse workforce is a central focus for us. At Leon Fuat, we actively embrace diversity across cultural, ethnic, age and gender dimensions within our workforce.

We reinforce this directive through our Discrimination and Harassment Policy, clearly stating our zero-tolerance stance towards any form of discrimination and harassment. To establish strict adherence to the policy at all levels, we consistently disseminate it among our workforce through comprehensive awareness training.

Our Performance

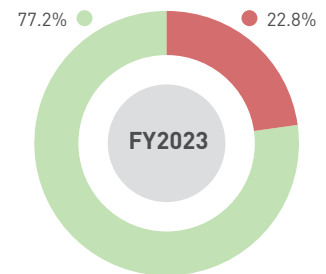
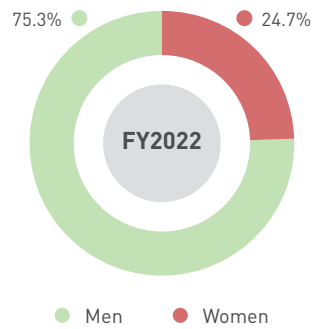
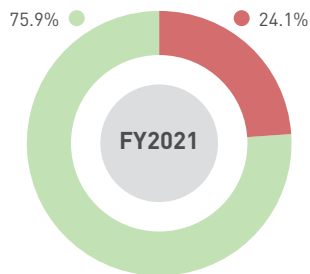
Leon Fuat recognises that men aged between thirty (30) and fifty (50) years currently constitute the majority of our workforce, largely due to the labour-intensive nature of the steel trading and processing industry. However, we actively advocate for and welcome individuals of all genders, ages, ethnicities and nationalities to contribute and be part of our diverse team.



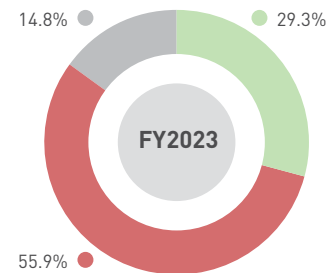
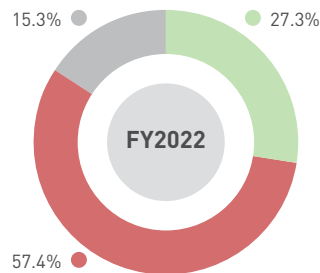
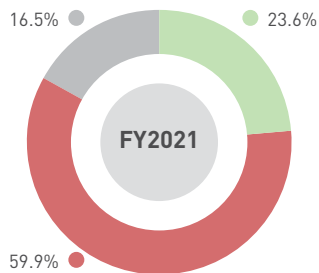
* Data has been restated.

SUSTAINABILITY REPORT

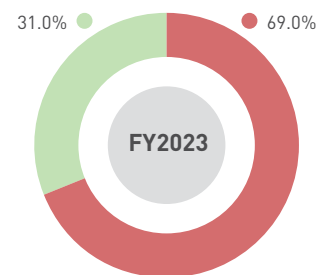
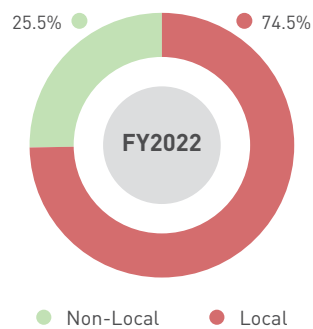
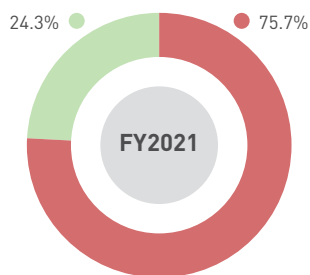
Employee Diversity by Gender



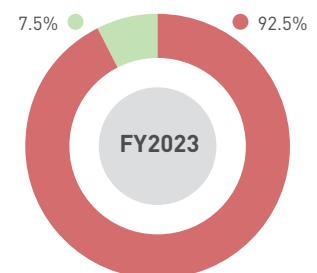
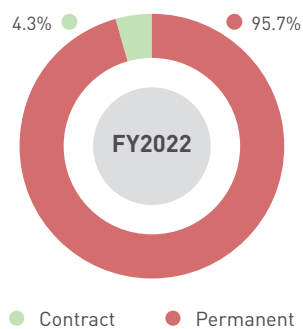
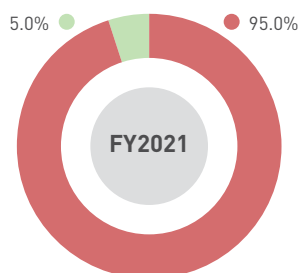
Employee Diversity by Age



Employee Diversity by Nationality



Employee Composition



SUSTAINABILITY REPORT

Gender Diversity by Employee Category (%)

Employee Category	Gender	FY2021	FY2022	FY2023
Senior Management	Men	100.0	100.0	100.0
	Women	0.0	0.0	0.0
Management	Men	47.1	48.5	48.5
	Women	52.9	51.5	51.5
Executive	Men	20.0	19.7	19.3
	Women	80.0	80.3	80.7
Non-Executive	Men	90.6	89.2	90.1
	Women	9.4	10.8	9.9

Age Diversity by Employee Category (%)

Employee Category	Age	FY2021	FY2022	FY2023
Senior Management	<30	0.0	0.0	0.0
	30-50	20.0	20.0	20.0
	>50	80.0	80.0	80.0
Management	<30	2.9	3.0	3.0
	30-50	85.3	87.9	87.9
	>50	11.8	9.1	9.1
Executive	<30	25.0	26.2	19.3
	30-50	58.3	59.0	64.9
	>50	16.7	14.8	15.8
Non-Executive	<30	26.6	31.3	34.8
	30-50	58.6	54.9	52.1
	>50	14.7	13.9	13.1

Note: FY2021 and FY2022 data for "Diversity and Inclusiveness" has been restated.

PRODUCT QUALITY AND CUSTOMER SATISFACTION

Why is this important?

Understanding the inherent connection between high-quality goods, first-rate services and satisfied customers, we are dedicated to consistently delivering products that meet and exceed expectations. Combined with attentive customer service, these efforts bolster our reputation and cultivate lasting relationships with our valued customers.

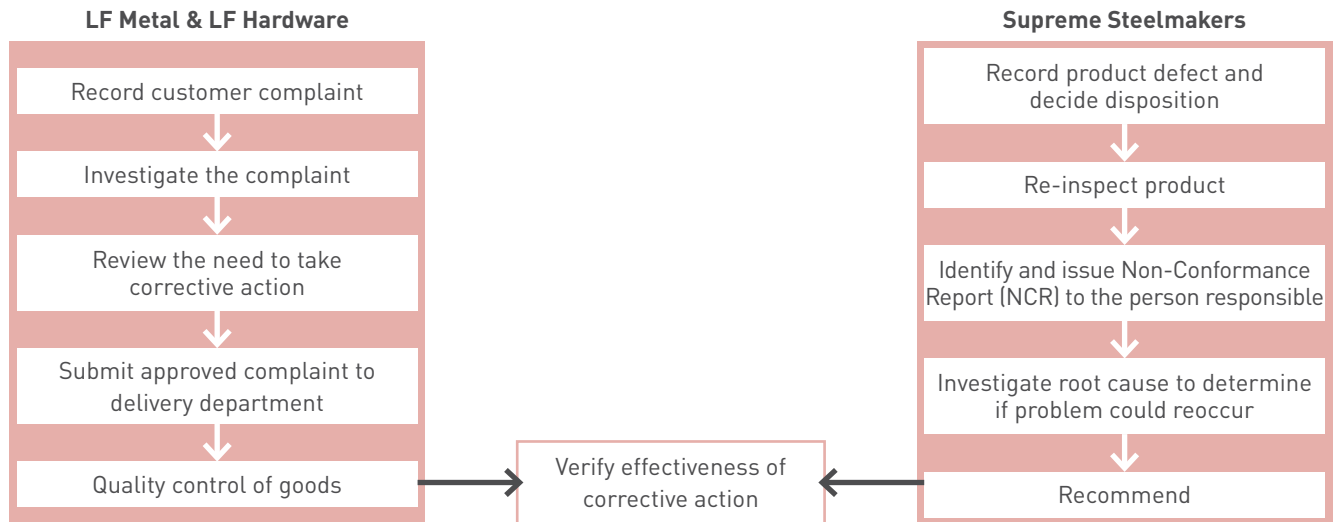
Our Approach

Leon Fuat employs a multifaceted approach to uphold product quality and customer satisfaction. Regular customer engagement and annual satisfaction surveys foster positive relationships and provide valuable insights. Our established customer complaint procedure addresses issues, with the Customer Return Note system ensuring a systematic approach to recording and addressing customer concerns.

Our three (3) main subsidiaries adhere to the ISO 9001:2015 (Quality Management Systems), enabling us to identify potential areas for improvement and also assures our capacity to surpass customer expectations.

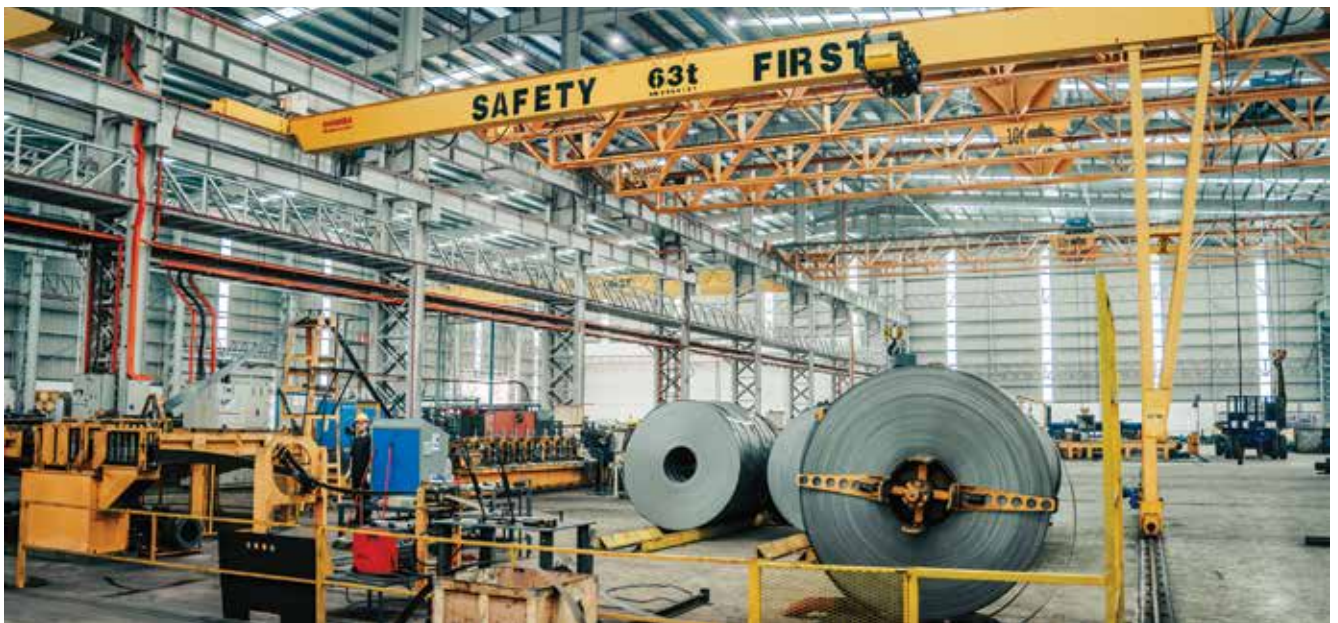
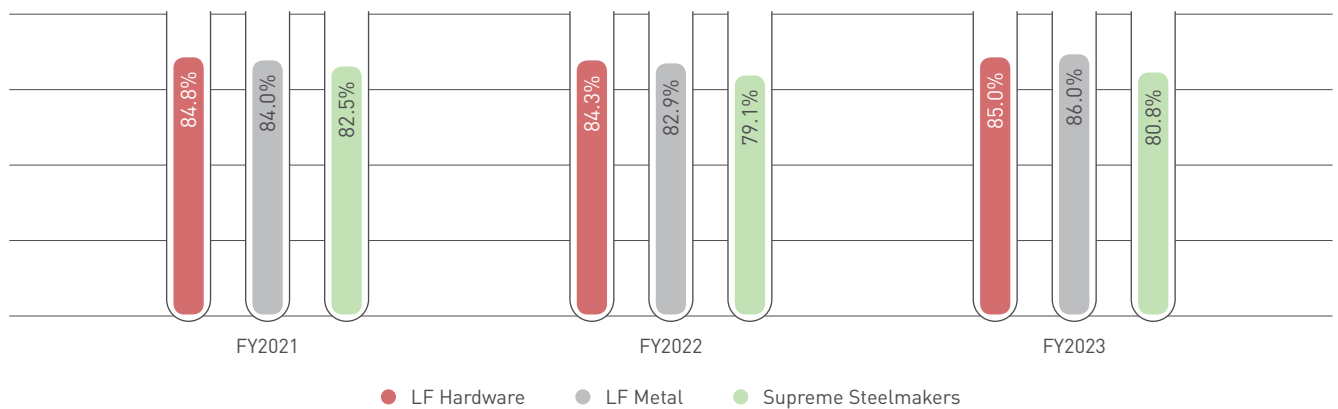
SUSTAINABILITY REPORT

Our Performance



At Leon Fuat, we consistently maintain the highest standards in the quality of our steel products, as evidenced by our customer satisfaction ratings. LF Hardware achieved an impressive 85.0%, LF Metal reached 86.0% and Supreme Steelmakers also attained 80.8%.

Customer Satisfaction Scores



SUSTAINABILITY REPORT

CORPORATE SOCIAL RESPONSIBILITY

Why is this important?

In an era where businesses play a significant role in shaping social and environmental landscapes, Leon Fuat strongly believes that corporate social responsibility ("CSR") is crucial for fostering positive relationships between businesses and communities. It is the pathway to achieving social inclusion and long-term benefits, nurturing trust among stakeholders and establishing our reputation as a responsible corporate citizen.

Our Approach

We are motivated to positively impact communities through meaningful community investment initiatives and active participation in CSR programmes, made possible by the work of Leon Fuat's CSR team. The team collaborates with other companies to co-create efficient and long-term solutions to development concerns.

Our Performance

In FY2023, we channeled up to RM9,650 worth of donations towards community investments.

	FY2021	FY2022	FY2023
Total Amount Invested in CSR Programmes	RM20,500	RM3,000	RM9,650
Number of Individual or Organisation Beneficiaries	45 Individuals	3 Organisations and 1 Individual	10 Organisations

No.	Project Title	Donation Amount (RM)
1.	Yuk Chyun LPS Fund – Smart Classroom Equipment Upgrade	3,000
2.	PIBG SJK (C) Yak Chee – Classroom Upgrade Fundraising	100
3.	SJK @ Connaught 2 – Jogathon 2023 (Classroom Upgrade Fundraising)	50
4.	SJK (C) Yak Chee Teaching Board – School Magazine Sponsorship	600
5.	Malaysian Red Crescent Society (MRCS) Penang Branch – Annual Fundraising	1,000
6.	Lions Nilai Abad Club – Fundraising	1,000
7.	Unilifesity Sdn Bhd – Seniors Citizens Education Development	300
8.	The Beacon Society – Charity	1,000
9.	Persatuan Kebajikan Kasih OKU Selangor – Charity	600
10.	Persatuan Kebajikan Amal Da Ai Malaysia – Medical and Surgery Support	2,000

SUSTAINABILITY REPORT

REFLECTING ON OUR WAY FORWARD

Leon Fuat's resolution to making a positive impact on the environment and society drives us forward, guiding us to optimise energy consumption while prioritising worker health and safety across our steel processing operations. Embracing a continuous improvement mindset, we are devoted to adopting industry best practices that ensure sustained long-term value creation, reaffirming our vision: "Steel is our business. Excellence is our commitment".

As we look ahead, sustainability remains the core of our vision, providing stability amid the dynamic challenges of the steel industry. Leon Fuat pledges to continue the pursuit of environmental responsibility and operational excellence, shaping a greener and more promising tomorrow.

PERFORMANCE DATA TABLE FROM ESG REPORTING PLATFORM OF BURSA SECURITIES

Indicator	Measurement Unit	2021	2022	2023
Bursa (Anti-corruption)				
Bursa C1(a) Percentage of employees who have received training on anti-corruption by employee category				
Management	Percentage	8.80	12.10	75.80
Executive	Percentage	33.30	34.40	42.10
Non-executive	Percentage	18.30	40.60	75.10
Bursa C1(b) Percentage of operations assessed for corruption-related risks	Percentage	0.00	0.00	0.00
Bursa C1(c) Confirmed incidents of corruption and action taken	Number	0	0	0
Bursa (Data privacy and security)				
Bursa C8(a) Number of substantiated complaints concerning breaches of customer privacy and losses of customer data	Number	0	0	0
Bursa (Supply chain management)				
Bursa C7(a) Proportion of spending on local suppliers	Percentage	19.70	19.70	17.40
Bursa (Energy management)				
Bursa C4(a) Total energy consumption	Megawatt	10,241.00	10,794.00	11,835.00
Bursa C4(a) Total energy consumption	Gigajoules	36,867.00	38,859.00	42,607.00
Bursa (Emissions management)				
Bursa C11(a) Scope 1 emissions in tonnes of CO ₂ e	Metric tonnes	1,245.00	1,364.00	1,455.00
Bursa C11(b) Scope 2 emissions in tonnes of CO ₂ e	Metric tonnes	3,455.00	2,701.00	2,914.00
Bursa C11(c) Scope 3 emissions in tonnes of CO ₂ e (at least for the categories of business travel and employee commuting)	Metric tonnes	-	-	373.00
Bursa (Waste management)				
Bursa C10(a) Total waste generated	Metric tonnes	10.12	11.45	8.92
Bursa C10(a)(i) Total waste diverted from disposal	Metric tonnes	9.02	5.77	4.54
Bursa C10(a)(iii) Total waste directed to disposal	Metric tonnes	1.10	5.68	4.38
Bursa (Water)				
Bursa C9(a) Total volume of water used	Megalitres	39.920000	56.540000	47.809000
Bursa (Health and safety)				
Bursa C5(a) Number of work-related fatalities	Number	1	0	1
Bursa C5(b) Lost time incident rate ("LTIR")	Rate	3.74	4.80	3.66
Bursa C5(c) Number of employees trained on health and safety standards	Number	276	111	71

SUSTAINABILITY REPORT

PERFORMANCE DATA TABLE FROM ESG REPORTING PLATFORM OF BURSA SECURITIES

Indicator	Measurement Unit	2021	2022	2023
Bursa (Labour practices and standards)				
Bursa C6(a) Total hours of training by employee category				
Senior Management	Hours	180	126	127
Management	Hours	130	212	333
Executive	Hours	431	276	355
Non-executive	Hours	709	603	1,022
Bursa C6(b) Percentage of employees that are contractors or temporary staff	Percentage	5.00	4.30	7.50
Bursa C6(c) Total number of employee turnover by employee category				
Senior Management	Number	0	0	0
Management	Number	0	0	1
Executive	Number	8	8	9
Non-executive	Number	53	77	51
Bursa C6(d) Number of substantiated complaints concerning human rights violations	Number	0	0	0
Bursa (Diversity)				
Bursa C3(a) Percentage of employees by gender and age group, for each employee category				
Age Group by Employee Category				
Senior Management Under 30	Percentage	0.00	0.00	0.00
Senior Management Between 30-50	Percentage	20.00	20.00	20.00
Senior Management Above 50	Percentage	80.00	80.00	80.00
Management Under 30	Percentage	2.90	3.00	3.00
Management Between 30-50	Percentage	85.30	87.90	87.90
Management Above 50	Percentage	11.80	9.10	9.10
Executive Under 30	Percentage	25.00	26.20	19.30
Executive Between 30-50	Percentage	58.30	59.00	64.90
Executive Above 50	Percentage	16.70	14.80	15.80
Non-executive Under 30	Percentage	26.60	31.30	34.80
Non-executive Between 30-50	Percentage	58.60	54.90	52.10
Non-executive Above 50	Percentage	14.70	13.90	13.10
Gender Group by Employee Category				
Senior Management Male	Percentage	100.00	100.00	100.00
Senior Management Female	Percentage	0.00	0.00	0.00
Management Male	Percentage	47.10	48.50	48.50
Management Female	Percentage	52.90	51.50	51.50
Executive Male	Percentage	20.00	19.70	19.30
Executive Female	Percentage	80.00	80.30	80.70
Non-executive Male	Percentage	90.60	89.20	90.10
Non-executive Female	Percentage	9.40	10.80	9.90
Bursa C3(b) Percentage of directors by gender and age group				
Male	Percentage	100.00	100.00	88.90
Female	Percentage	0.00	0.00	11.10
Under 30	Percentage	0.00	0.00	0.00
Between 30-50	Percentage	33.30	33.30	33.30
Above 50	Percentage	66.70	66.70	66.70
Bursa (Community/Society)				
Bursa C2(a) Total amount invested in the community where the target beneficiaries are external to the listed issuer	MYR	20,500.00	3,000.00	9,650.00
Bursa C2(b) Total number of beneficiaries of the investment in communities	Number	45	4	10

SUSTAINABILITY REPORT

GRI CONTENT INDEX

Statement of use	Leon Fuat Berhad has reported the information cited in this GRI content index for the period 1 January 2023 to 31 December 2023 with reference to the GRI Standards.	
GRI 1 used	GRI 1: Foundation 2021	
GRI STANDARD	DISCLOSURE	LOCATION (PAGE)
GRI 2: General Disclosures 2021	2-1 Organisational details	34
	2-2 Entities included in the organisation's sustainability reporting	34
	2-3 Reporting period, frequency and contact point	34
	2-5 External assurance	-
	2-6 Activities, value chain and other business relationships	-
	2-7 Employees	68
	2-8 Workers who are not employees	-
	2-9 Governance structure and composition	40
	2-10 Nomination and selection of the highest governance body	-
	2-11 Chair of the highest governance body	-
	2-12 Role of the highest governance body in overseeing the management of impacts	-
	2-13 Delegation of responsibility for managing impacts	-
	2-14 Role of the highest governance body in sustainability reporting	-
	2-16 Communication of critical concerns	-
	2-17 Collective knowledge of the highest governance body	-
	2-18 Evaluation of the performance of the highest governance body	-
	2-19 Remuneration policies	-
	2-20 Process to determine remuneration	-
	2-22 Statement on sustainable development strategy	-
	2-23 Policy commitments	41
	2-24 Embedding policy commitments	-
	2-25 Processes to remediate negative impacts	42-43
	2-26 Mechanisms for seeking advice and raising concerns	49
	2-27 Compliance with laws and regulations	48
	2-28 Membership associations	35
	2-29 Approach to stakeholder engagement	44-45
	2-30 Collective bargaining agreements	-
GRI 3: Material Topics 2021	3-1 Process to determine material topics	45
	3-2 List of material topics	46
	3-3 Management of material topics	Throughout

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GRI STANDARD	DISCLOSURE	LOCATION (PAGE)
GRI 201: Economic Performance 2016	201-2 Financial implications and other risks and opportunities due to climate change	-
GRI 204: Procurement Practices 2016	204-1 Proportion of spending on local suppliers	53
GRI 205: Anti-corruption 2016	205-1 Operations assessed for risks related to corruption	-
	205-2 Communication and training about anti-corruption policies and procedures	48-50
	205-3 Confirmed incidents of corruption and actions taken	50
GRI 301: Materials 2016	301-1 Materials used by weight or volume	-
	301-2 Recycled input materials used	-
GRI 302: Energy 2016	302-1 Energy consumption within the organisation	55
	302-2 Energy consumption outside of the organisation	57
	302-3 Energy intensity	55
	302-4 Reduction of energy consumption	-
	302-5 Reductions in energy requirements of products and services	-
GRI 303: Water and Effluents 2018	303-1 Interactions with water as a shared resource	-
	303-2 Management of water discharge-related impacts	-
	303-3 Water withdrawal	-
	303-4 Water discharge	-
	303-5 Water consumption	61
GRI 305: Emissions 2016	305-1 Direct (Scope 1) GHG emissions	57
	305-2 Energy indirect (Scope 2) GHG emissions	57
	305-3 Other indirect (Scope 3) GHG emissions	57
	305-4 GHG emissions intensity	57
	305-5 Reduction of GHG emissions	-
GRI 306: Waste 2020	306-1 Waste generation and significant waste-related impacts	58-59
	306-2 Management of significant waste-related impacts	-
	306-3 Waste generated	58-59
	306-4 Waste diverted from disposal	59
	306-5 Waste directed to disposal	-
GRI 401: Employment 2016	401-1 New employee hires and employee turnover	66-67
	401-2 Benefits provided to full-time employees that are not provided to temporary or part-time employees	-
	401-3 Parental leave	68

SUSTAINABILITY REPORT

GRI STANDARD	DISCLOSURE	LOCATION (PAGE)
GRI 403: Occupational Health and Safety 2018	403-1 Occupational health and safety management system	62-64
	403-2 Hazard identification, risk assessment, and incident investigation	63
	403-3 Occupational health services	-
	403-4 Worker participation, consultation, and communication on occupational health and safety	-
	403-5 Worker training on occupational health and safety	64
	403-6 Promotion of worker health	-
	403-7 Prevention and mitigation of occupational health and safety impacts directly linked by business relationships	-
	403-8 Workers covered by an occupational health and safety management system	-
	403-9 Work-related injuries	63
	403-10 Work-related ill health	-
GRI 404: Training and Education 2016	404-1 Average hours of training per year per employee	65
	404-2 Programmes for upgrading employee skills and transition assistance programs	64
GRI 405: Diversity and Equal Opportunity 2016	405-1 Diversity of governance bodies and employees	69-70
GRI 406: Non-discrimination 2016	406-1 Incidents of discrimination and corrective actions taken	-
GRI 407: Freedom of Association and Collective Bargaining 2016	407-1 Operations and suppliers in which the right to freedom of association and collective bargaining may be at risk	-
GRI 408: Child Labour 2016	408-1 Operations and suppliers at significant risk for incidents of child labour	-
GRI 409: Forced or Compulsory Labour 2016	409-1 Operations and suppliers at significant risk for incidents of forced or compulsory labour	-
GRI 413: Local Communities 2016	413-1 Operations with local community engagement, impact assessments, and development programmes	-
	413-2 Operations with significant actual and potential negative impacts on local communities	-
GRI 417: Marketing and Labelling 2016	417-2 Incidents of non-compliance concerning product and service information and labelling	-
GRI 418: Customer Privacy 2016	418-1 Substantiated complaints concerning breaches of customer privacy and losses of customer data	51





Honing Strengths with Resilience



CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of Leon Fuat Berhad ("Board") continues to ensuring that the Company and its subsidiaries ("Group") support the recommendations of the Malaysian Code on Corporate Governance ("MCCG") and comply with the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") ("Bursa Securities") as part of the Board's fundamental duties and responsibilities to protect and enhance shareholders' value and achieve the corporate objectives.

This Statement provides an overview of the application of the principles of MCCG which should be read together with the Corporate Governance ("CG") Report that sets out details of the application of the corporate governance practices by the Group in the financial year ended 31 December 2023 ("FY2023"). The CG Report is available on the Company's website at www.leonfuat.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

The Company continues to be led and managed by the Board with diverse background and experience with abroad range of skills and expertise. The Board continues to assume following key responsibilities in the discharge of the Board's fiduciary and leadership functions in pursuit of the Group's objectives:

- (a) Adopting and reviewing the strategic plan of the Group;
- (b) Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed and sustainable;
- (c) Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- (d) Succession planning, including promotion, re-designation, appointing, training, fixing the remuneration of and where appropriate, replacing director and senior management personnel of the Group;
- (e) Developing and implementing an investor relations programme for the Group and proactive communication with shareholders at the general meetings of the Company; and
- (f) Reviewing the adequacy and integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

Specific responsibilities and oversight functions of the Board are delegated to the Board Committees namely, the Audit Committee, Remuneration Committee and Nomination Committee, each operate within clearly defined terms of reference, to assist the Board in the execution and ensure proper and effective discharge of its fiduciary duties and responsibilities.

The positions of the Chairman, Executive Deputy Chairman and Group Managing Director are separated, each with clear and distinct divisions of responsibilities with details outlined in the Board Charter to ensure appropriate balance of roles and duties.

The formalised Board Charter sets out the principles and guidelines in the performance of the Board's functions, which include formal schedule of matters specifically reserved for its decision, delegation and/or approval covering issues relating to strategy and management, financial reporting, board appointment and remuneration, corporate governance, regulatory and compliance, major transactions and internal controls.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Company Secretary plays a key role in ensuring the effectiveness of board procedures and compliance with the laws. The Company Secretary works closely with the Chairman and Board to ensure smooth and effective functioning of the Board besides playing an advisory role and keep the Board abreast on legal responsibilities, statutory requirements and, changes to rules and legislation relevant to the Company, corporate governance practices and developments of corporate guidelines applicable to the Group. The Board have full and unrestricted access to the Company Secretaries.

The adopted Code of Ethics and Conduct outlines the ethical principles and standard of good conduct expected of the Directors, Management and employees of the Group.

The Whistle-Blowing Policy provides an appropriate platform for raising by employees and other stakeholders of genuine concerns on malpractice, wrongdoing or risk that may have an impact to the Group and outlines the reporting procedures and channels for appropriate actions to be taken. The Whistle-Blowing Policy is published on the Company's website and will be regularly reviewed by the Board to remain consistent with the Board's objectives and responsibilities.

In its efforts and commitment to fighting against bribery in the organisation and working environment and all business dealings involving the Group, the Board has implemented the Anti-Bribery and Corruption Policy and management system based on the principles of the Anti-Bribery Management System (MS ISO 37001). In line with the adoption of the Anti-Bribery and Corruption Policy, the Group has identified at each subsidiary level the chief in the anti-bribery compliance functions as the contact point for reporting of bribery related issues or any grievances in the workplace. The Anti-Bribery and Corruption Policy is published on the Company's website.

The Directors' Fit and Proper Policy sets out, amongst other, the fit and proper criteria to be considered for appointment and re-election of Directors of the Company and its subsidiaries. The Board seeks to ensure that board appointments are made based on assessment of character and integrity, experience and competence, time and commitment. The fit and proper assessment on a Director may also be conducted whenever the Company becomes aware of information that may materially compromise a Director's fitness and propriety. The Directors' Fit and Proper Policy is published on the Company's website.

The Board has established a process to review conflict of interest ("COI") or potential COI whereby all the Directors and Key Senior Management of the Group are required to declare on a quarterly basis for tabling to the Board and Audit Committee whether they are involved or having interest in any competing business with that of the Group, which may pose a COI or interfere with the exercise of their judgement in their capacity as Directors or Key Senior Management of the Group which would be disadvantageous to the Group or its interest.

A Director who is in any way, whether directly or indirectly, interested in a transaction entered into or proposed to be entered into by the Company and/or its subsidiaries, shall declare his interest and shall not participate in deliberating at board meeting and voting on the proposed transaction.

For Board and Board Committees' meetings, the meetings' agendas and materials are compiled and distributed to the Directors at least seven (7) days before the meetings. The timely receipt of the meetings papers allows effective review by the Directors of the matters to be tabled, form an opinion and be prepared for discussion prior to arriving at a sound and informed decision. The information provided can be of financial or non-financial in nature, quantitative or qualitative and whenever required, key management and/or senior management personnel will be invited to attend these meetings to explain and clarify on the matters being discussed to facilitate effective deliberation and decision by the Board.

The annual meetings schedule for the Board and Board Committees would be prepared in advance before the end of the preceding financial year to enable the Directors to plan and organise their schedule for the year. The Board meets regularly with at least five (5) meetings convened during a financial year in the discharge of its functions. When there are urgent matters arise between the scheduled meetings, additional meetings would be convened by the Board and/or Board Committees as necessary. For decision by the Board which is administrative in nature or matters which the Board have discussed pending confirmation or follow ups by Management prior to final decision with no significant changes to the proposal tabled to the Board previously, circular resolutions of the Board and/or Board Committee will be passed for expediency.

To ensure compliance with the Listing Requirements, the Directors and Principal Officers of the Group would be advised and reminded every quarter of the closed periods for dealings in the securities of the Company based on the targeted date of announcements of the Group's interim financial results.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Directors are expected to devote sufficient time to carry out their duties and responsibilities and are required to notify the Chairman of the Board through the Company Secretary of changes in their other directorship as soon as practicable for notification to the Board. All the members of the Board hold less than five (5) directorships in listed issuers, in compliance with Paragraph 15.06 of the Listing Requirements.

The Board held five (5) meetings during FY2023. Details of the attendance records are as follows:

Directors	Attendance
Dato' Lim Cheng Poh	5 out of 5
Dato' Sri Ooi Bin Keong	5 out of 5
Ooi Seng Khong	5 out of 5
Ooi Kong Tiong	4 out of 5
Ng Kok Teong	5 out of 5
Ooi Shang How	4 out of 5
Chan Kee Loin	5 out of 5
Tan Did Heng ⁽¹⁾	5 out of 5
Tan Sack Sen ⁽²⁾	3 out of 3
Thien Shy Wei ⁽³⁾	2 out of 2

Notes:

⁽¹⁾ Resigned on 31 December 2023.

⁽²⁾ Resigned on 31 May 2023.

⁽³⁾ Appointed on 31 May 2023.

The Board takes cognisance that continuous development programmes are important for Directors to equip themselves and enhance their skills and knowledge and keep abreast of regulatory updates, emerging trend and developments in the industry relevant to the Group.

The training programmes attended by the Directors during the financial year under review are summarised as follows:

Name	Date of Training	Subject
Dato' Lim Cheng Poh Dato' Sri Ooi Bin Keong Ooi Seng Khong Ooi Kong Tiong Ng Kok Teong Ooi Shang How Chan Kee Loin Thien Shy Wei	7 December 2023	Task Force on Climate-Related Financial Disclosures (TCFD), Carbon Footprint and Reporting Guide
Tan Did Heng	6 April 2023	2023 Budget Seminar
	22 June 2023	Tax Audit and Investigations
	26 June 2023	Environmental, Social and Governance (ESG) in Financial Reporting
	10 August 2023	Withholding Tax & Tax Implications of Cross Border Transactions
	19 September 2023	Advocacy Sessions for Directors and CEOs of Main Market Listed Issuers
	5 October 2023	Corporate Tax Strategies
	31 October 2023	2024 Budget Seminar
	7 December 2023	Task Force on Climate-Related Financial Disclosures (TCFD), Carbon Footprint and Reporting Guide

CORPORATE GOVERNANCE OVERVIEW STATEMENT

II. BOARD COMPOSITION

Currently, the Company has nine (9) board members, comprises five (5) Executive Directors and four (4) Non-Executive Directors, with three (3) including the Chairman being Independent Non-Executive Directors, which complies with the requirements of Paragraph 15.02(1) of the Listing Requirements.

In compliance with the enhanced Listing Requirements of Bursa Securities, the Board on 9 April 2024 endorsed the recommendation of the Nomination Committee ("NC") the retention and re-designation of Mr. Chan Kee Loin as a Non-Independent Non-Executive Director of the Company. The Board and NC have reviewed the recommendation from the Management, in consideration of his accumulated knowledge of the Group's operations and has demonstrated competence in advising the management of the Group. The Board and NC noted that despite his tenure of service as an Independent Non-Executive Director on the Board, there was no issue of independence as Mr. Chan continues to provide unbiased and objective view in Board deliberations.

As provided in the formalised Directors' Fit and Proper Policy, the Board in its selection criteria for board membership would ensure that besides the skills, experience, educational and professional background, diversity including race, age and gender will also be sought and considered to provide a range of perspectives and insights for effective discharge of the Board's function.

The Board will also seek to develop diversity in the workforce within the Group including senior roles held by female executives when vacancies arise and suitable candidates are identified.

Details of the diversity in the age, gender, nationality and composition of the employees of our three (3) main subsidiaries in respect of FY2023 are disclosed in our Sustainability Report in this Annual Report.

During the financial year, to meet the requirements of female board representation, the Board has appointed Ms. Thien Shy Wei as an Independent Non-Executive Director after having reviewed and considered the recommendations from the Management and Nomination Committee, and upon assessment of the requirements of the Board and the criteria set out in the adopted Directors' Fit and Proper Policy. No other independent sources or recommendation were considered by the Management and Board for the appointment.

The Board had through the Nomination Committee performed annual review of its size and composition and assessed the performance of the Board, Board Committees and individual Director facilitated by the Company Secretary. The Nomination Committee has also been tasked to carry out assessment of the independence of the Independent Directors annually, upon admission and when any new interest or relationship develops.

The Board was satisfied that for the financial year under review, the performance of the Board, Board Committees and Directors have been satisfactory with effective performance of respective functions and discharge of roles and responsibilities.

Nomination Committee

The current composition of Nomination Committee is set out below.

Directors	Positions
Chan Kee Loin ⁽¹⁾	Chairman, Non-Independent Non-Executive Director
Thien Shy Wei ⁽²⁾	Member, Independent Non-Executive Director
Wong Sze Yan ⁽³⁾	Member, Independent Non-Executive Director

The Nomination Committee held two (2) meetings during the financial year under review. Details of the attendance records are as follows:

Directors	Attendance
Chan Kee Loin	2 out of 2
Thien Shy Wei	Not Applicable
Tan Did Heng ⁽⁴⁾	2 out of 2
Tan Sack Sen ⁽⁵⁾	1 out of 2

Notes:

⁽¹⁾ Re-designated on 9 April 2024.

⁽⁴⁾ Resigned on 31 December 2023.

⁽²⁾ Appointed on 31 May 2023.

⁽⁵⁾ Resigned on 31 May 2023.

⁽³⁾ Appointed on 1 February 2024.

The Terms of Reference of the Nomination Committee is available on the Company's website.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Activities of the Nomination Committee

During the FY2023, the Nomination Committee carried out the following activities in the discharge of its duties:

1. Reviewed and recommended to the Board the proposed appointment of Ms. Thien Shy Wei as an Independent Non-Executive Director recommended by the Management, after due consideration of the assessment criteria outlined in the Directors' Fit & Proper Policy with key factors encompassing 'Character and Integrity', 'Experience and Competence' and 'Time and Commitment', the current composition of the Board and required mix of skills and expertise of the Directors which the Nomination Committee considered would be suitable and qualified.
2. Reviewed the existing Board's structure, size and composition, as well as the effectiveness of the Board and Board Committees. The annual evaluation of the Board and Board Committee, and individual Director self and peer evaluation was conducted through the adopted evaluation questionnaires facilitated by the Company Secretary.

The Nomination Committee and the Board were satisfied with the Board size and composition and that all the Directors had performed their respective roles and functions effectively during the financial year and all the Board Committees were assessed to be effective as a whole in discharging their roles and responsibilities. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions were properly documented.

3. Reviewed the independence of the Independent Non-Executive Directors of the Company and noted that all the Independent Non-Executive Directors have satisfied the independence test under the Listing Requirements and free from management. The Nomination Committee and Board of Directors were satisfied that there were no issues of independence in the Board of the Company and the Independent Non-Executive Directors continues to demonstrate objective, independent view and judgement in board deliberations.
4. Reviewed the tenure of the Independent Non-Executive Directors of the Company and considered Practice 5.3 under the MCCG governing the tenure of independent directors. The Nomination Committee has recommended to the Board retention of the Independent Non-Executive Directors exceeding the term limit of 9 years for approval by the shareholders of the Company through a two-tier voting process at the 2023 Annual General Meeting ("AGM") of the Company.
5. Reviewed the term of office and performance of the Audit Committee in accordance with the Listing Requirements and was satisfied that the Audit Committee and its members have carried out and discharged their duties and responsibilities in accordance with its Terms of Reference.
6. In accordance with the Constitution of the Company, one-third (1/3) of the Directors shall retire from office and subject themselves to re-election at least once every three (3) years. For the financial year under review, the Board, via the Nomination Committee has reviewed and determined the Directors retiring by rotation and has recommended their re-election subject to shareholders' approval at the 2023 AGM of the Company.
7. Reviewed the training needs of the Directors and together with the Board ensures that all Directors continue to possess the required skills and knowledge and keep abreast with emerging trends and latest developments relevant to the Group and other regulatory developments to effectively discharge their duties.
8. Reviewed the activities carried out by the Nomination Committee for inclusion in the Annual Report.
9. Reviewed its Terms of Reference to ensure its adequacy for the current circumstances, the Company's policies and/or compliance with applicable rules and regulations.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

III. REMUNERATION

The current composition of Remuneration Committee is set out below.

Directors	Positions
Thien Shy Wei ⁽¹⁾	Chairman, Independent Non-Executive Director
Chan Kee Loin ⁽²⁾	Member, Non-Independent Non-Executive Director
Wong Sze Yan ⁽³⁾	Member, Independent Non-Executive Director

The Remuneration Committee held five (5) meetings during the financial year. Details of the attendance records are as follows:

Directors	Attendance
Thien Shy Wei	2 out of 2
Tan Sack Sen ⁽⁴⁾	2 out of 3
Chan Kee Loin	5 out of 5
Tan Did Heng ⁽⁵⁾	5 out of 5

Notes:

⁽¹⁾ Appointed on 31 May 2023.

⁽²⁾ Re-designated on 9 April 2024.

⁽³⁾ Appointed on 1 February 2024.

⁽⁴⁾ Resigned on 31 May 2023.

⁽⁵⁾ Resigned on 31 December 2023.

The Terms of Reference of the Remuneration Committee is available on the Company's website.

The Remuneration Committee is responsible for reviewing the remuneration framework including packages of the Executive Directors of the Company and its subsidiaries and Key Management Personnel. The Board agrees that fair remuneration is important to attract, retain and motivate Directors and Key Management Personnel needed to run and manage the Company successfully to achieve its business objectives.

In determining the remuneration packages of the Directors and/or Key Management Personnel, the Remuneration Committee is guided by the following criteria provided in the adopted Remuneration Policy of the Group:

- The remuneration to Board members and Key Management Personnel involves a balance between fixed and variable pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals;
- The level and composition of remuneration is reasonable and sufficient to reward, retain and motivate Directors and Key Management Personnel of the quality required to run the Company successfully;
- The relationship of remuneration to performance is clear and meets appropriate performance benchmarks, commensurate with the position and responsibilities of the Directors and Key Management Personnel;
- Payment of performance-related remuneration to Executive Directors and/or Key Management Personnel is linked to individual and corporate performance measured against the achievement of pre-determined performance targets which are closely aligned to the Company's objectives;
- There should be appropriate procedures and framework in place for setting key performance targets whether financial or non-financial and the Company applies pre-determined benchmarks which must be met in rewarding the Executive Directors and/or Key Management Personnel accordingly; and
- Remuneration of Non-Executive Directors is determined with regards to the Company's needs to maintain suitably and experienced Board members in accordance with competitive pressures in the market place.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Activities of the Remuneration Committee

During the FY2023, the Remuneration Committee carried out the following activities to discharge its duties:

1. Reviewed and determined the remuneration framework and packages of the Executive Directors of the Company, its subsidiaries and Key Management Personnel to ensure the remuneration packages offered to the Directors and Key Management Personnel is reasonable, appropriate and competitive in light of the Company's performance in order to attract, motivate and retain the individual towards the achievement of performance and business objective of the Group.
2. Reviewed and determined the bonus entitlement of the Executive Directors of the Company and its subsidiaries measured against the achievement of pre-determined targets and performance of the Company and individual subsidiary companies for recommendation to the Board. In reviewing and determining the remuneration packages and compensation, the Remuneration Committee would be guided by the criteria stated in the adopted Remuneration Policy.
3. Reviewed and recommended to the Board the Directors' fees and meeting allowances for the Non-Executive Directors of the Company for tabling to the shareholders for approval at the 2023 AGM of the Company.
4. Reviewed and recommended to the Board for approval the remuneration of the new Independent Non-Executive Director of the Board.
5. Reviewed the activities carried out by the Remuneration Committee for inclusion in the Annual Report.
6. Reviewed its Terms of Reference to ensure its adequacy for current circumstances, the Company's policies and/or compliance with applicable rules and regulations.
7. Reviewed the Remuneration Policy of Directors and Senior Management to ensure its adequacy and in line with the changes in regulations and/or best practices applicable to the Group. The Remuneration Policy will be reviewed periodically or when necessary and made available on the Company's website.

Remuneration

Details of the remuneration paid to and/or provided for the Directors for the FY2023, categorised into appropriate component is as follows:

	Fees RM	Meeting Allowance RM	Salaries RM	Bonus RM	Other Emoluments ⁽¹⁾ RM	Total RM
Group						
Non-Executive Directors						
Dato' Lim Cheng Poh	90,000	5,000	-	-	-	95,000
Chan Kee Loin	70,000	5,000	-	-	-	75,000
Tan Did Heng	70,000	5,000	-	-	-	75,000
Tan Sack Sen	29,170	3,000	-	-	-	32,170
Thien Shy Wei	40,830	2,000	-	-	-	42,830
Executive Directors						
Dato' Sri Ooi Bin Keong	220,000	-	720,000	330,000	163,892	1,433,892
Ooi Seng Khong	120,000	-	768,000	396,000	178,131	1,462,131
Ooi Kong Tiong	220,000	-	576,000	96,000	108,600	1,000,600
Ng Kok Teong	170,000	-	504,000	84,000	109,223	867,223
Ooi Shang How	120,000	-	537,600	277,200	132,019	1,066,819
Total	1,150,000	20,000	3,105,600	1,183,200	691,865	6,150,665

CORPORATE GOVERNANCE OVERVIEW STATEMENT

	Fees RM	Meeting Allowance RM	Salaries RM	Bonus RM	Other Emoluments ⁽¹⁾ RM	Total RM
Company						
Non-Executive Directors						
Dato' Lim Cheng Poh	90,000	5,000	-	-	-	95,000
Chan Kee Loin	70,000	5,000	-	-	-	75,000
Tan Did Heng	70,000	5,000	-	-	-	75,000
Tan Sack Sen	29,170	3,000	-	-	-	32,170
Thien Shy Wei	40,830	2,000	-	-	-	42,830
Executive Directors						
Dato' Sri Ooi Bin Keong	70,000	-	-	-	-	70,000
Ooi Seng Khong	70,000	-	-	-	-	70,000
Ooi Kong Tiong	70,000	-	-	-	-	70,000
Ng Kok Teong	70,000	-	-	-	-	70,000
Ooi Shang How	70,000	-	-	-	-	70,000
Total	650,000	20,000	-	-	-	670,000

Note:

⁽¹⁾ Other emoluments comprise estimated monetary value of benefits-in-kind, monetary value of long service token for certain Executive Directors, employer's contribution to Employees Provident Fund, Social Security Organisation and Employment Insurance Scheme.

Total remuneration paid to and/or provided for the top five (5) Key Management Personnel including salary, bonus, directors' fees, benefits-in-kind and other emoluments for the FY2023, analysed into bands of RM50,000 is as follows:

Remuneration band	Number of Key Management Personnel
RM450,001 to RM500,000	1
RM550,001 to RM600,000	1
RM600,001 to RM650,000	1
RM700,001 to RM750,000	1
RM1,100,001 to RM1,150,000	1

The names of Key Management Personnel and their remuneration components are not disclosed due to confidentiality and security concerns.

Note: Successive bands of RM50,000 are not shown entirely as they are not represented.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

The Audit Committee is entrusted by the Board to oversee the financial reporting and the Group's risk management and internal control systems. The Audit Committee is supported by the Risk Management Working Group ("RMWG") comprising senior management team headed by the Executive Directors from the operating subsidiaries for effective review and governance of risk management and processes.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

As an integral component of the Group's corporate governance, the Audit Committee and RMWG, in their ongoing risk assessment and management efforts, will assume, amongst others, the following duties and responsibilities:

- Reviewing and discussing with Management the risk governance structure, risk assessment and risk management practices and the guidelines, policies and processes for risk assessment and risk management;
- Reviewing and discussing with the Management the risk appetite and strategy relating to key risks, including credit risk, liquidity and funding risk, market risk, product risk and reputation risk, as well as the guidelines, policies and processes for monitoring and mitigation of such risks;
- Reviewing the reports from the Internal Auditors on the outcome of risk management reviews and assessments;
- Reviewing the Statement on Risk Management and Internal Control prepared for the Group for inclusion in the Annual Report;
- Reviewing the reports on identified risk topics as the Audit Committee deems appropriate from time to time;
- Having unrestricted access to the Management and accurate and complete information pertaining to the Group; and
- Discharging any other duties or responsibilities delegated to the Audit Committee by the Board.

The risk assessment approach is summarised as follows:

- Identify relevant business objectives;
- Identify events that could affect the achievement of objectives;
- Determine risk tolerance;
- Assess inherent likelihood and impact of the risks;
- Evaluate the portfolio of risks and determine risk responses; and
- Assess residual likelihood.

The internal audit function of the Group is carried out by the outsourced Internal Auditors which performed the audit review based on the approved internal audit plan. The Internal Auditors report directly and functionally to the Audit Committee and provide the Board with the required assurance in relation to the adequacy and integrity of the Group's system of internal controls.

Further details of the Group's risk management and internal control are presented in the Statement on Risk Management and Internal Control set out in this Annual Report.

The Audit Committee has established policies and procedures to review and assess the performance, suitability and independence of the External and Internal Auditors. Evaluation of the performance of the External and Internal Auditors has been conducted by the Audit Committee annually based on the established guidelines and procedures having regard to the independence, competency, reliability and compliance, and relevant recommendations were made to the Board to re-appoint the External Auditors and Internal Auditors of the Company. The evaluation process and assessment result were properly documented and recorded.

The External Auditor Policy adopted by the Audit Committee provides amongst others, that the former partners of the External Auditors of the Company to observe a cooling-off period of at least three (3) years before being considered for appointment as a member of the Audit Committee.

Written confirmation has been obtained from the External Auditors on their independence in accordance with the independence requirements of the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants as an integral part of the evaluation of the External Auditors. Confirmations have also been obtained from the External Auditors that their firm and relevant partner in-charge had duly registered with the Audit Oversight Board of the Securities Commission Malaysia.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE C: INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

I. COMMUNICATION WITH STAKEHOLDERS

- **Corporate Disclosure Policies and Procedures**

The Board has formalised an Investors Relation Policy which serves as the guide for the Group when communicating with shareholders and public including investors, analysts and other stakeholders to facilitate effective communication with the Company. The Company ensures that all shareholders and stakeholders have equal access to the information of the Company, including the Company's business strategies and updates, stock and financial performance in a timely manner.

The Board ensures that the Company complies with all applicable corporate disclosure laws and regulations. The release of the Group's financial and non-financial information in any form to the public shall be made in accordance with the Group's internal policies and procedures and complies with applicable laws and regulations. The draft announcements of the Company are prepared by the Company Secretary in consultation with the Executive Director and/or the Chief Financial Officer for review before it is circulated to the Board for subsequent review and approval.

The Investors Relation Policy is published on the Company's website and the Board will regularly review the same and make any changes it deemed necessary or desirable to remain consistent with the Board's objectives and responsibilities.

- **Dissemination of Information**

The Company's website provides a platform where the public can access to the Company's information including its products and services, share prices, financial results, future plan and media releases as well as the Company's announcements made to Bursa Securities. All announcements made by the Company are uploaded to its website as soon as practicable after the same are released to Bursa Securities.

II. CONDUCT OF GENERAL MEETING

The general meeting remains the principal forum for dialogue and interaction with the shareholders of the Company and continues to serve as a platform for shareholders to engage directly with members of the Board and senior management on the business performance and operations of the Group and provide opportunities for them to communicate their feedback to the Board and Management.

The notice convening the 16th AGM of the Company held on 23 May 2023 was issued to the shareholders on 28 April 2023, more than the requisite 21 days' notice period prescribed by the Companies Act 2016 and the Listing Requirements.

The notice convening the 16th AGM which sets out the business to be transacted at the AGM, was advertised in the newspaper giving shareholders sufficient time to prepare and/or to appoint proxy holder(s) to attend and vote for their behalf.

In line with paragraph 8.29A of the Listing Requirements, all the resolutions tabled for shareholders' approval at the 16th AGM were voted on by poll, and the Company has appointed a scrutineer to validate the poll results. The Company will explore the suitability of electronic voting and leverage on technology for its future general meetings.

All the Directors of the Company and Key Management Personnel attended the AGM of the Company held on 23 May 2023.

This Statement was reviewed and approved by the Board on 9 April 2024.

DIRECTORS' RESPONSIBILITY STATEMENT IN PREPARING THE AUDITED FINANCIAL STATEMENTS

The Board is responsible to ensure that the financial statements are properly drawn up in accordance with the provisions of the Companies Act 2016 and approved accounting standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at the financial year ended 31 December 2023 and of their financial performance and cash flows for the financial year then ended.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2023, the Group has adopted suitable accounting policies and applied them consistently, prudently and reasonably. The Directors also consider that all applicable approved accounting standards have been followed in the preparation of the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The financial statements have been prepared on going concern basis.

The Directors are responsible for ensuring that the Group keeps sufficient accounting records which disclose with reasonable accuracy the financial position of the Group and of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2016.

AUDIT COMMITTEE REPORT

The current position of Audit Committee is set out below.

Directors	Positions
Wong Sze Yan ⁽¹⁾	Chairman, Independent Non-Executive Director
Chan Kee Loin ⁽²⁾	Member, Non-Independent Non-Executive Director
Thien Shy Wei ⁽³⁾	Member, Independent Non-Executive Director

MEETINGS AND ATTENDANCE

The Audit Committee held five (5) meetings during the financial year. Details of the attendance records are as follows:

Directors	Attendance
Tan Did Heng ⁽⁴⁾	5 out of 5
Chan Kee Loin	5 out of 5
Thien Shy Wei	2 out of 2
Tan Sack Sen ⁽⁵⁾	3 out of 3

Notes:

⁽¹⁾ Appointed on 1 February 2024.

⁽²⁾ Re-designated on 9 April 2024.

⁽³⁾ Appointed on 31 May 2023.

⁽⁴⁾ Resigned on 31 December 2023.

⁽⁵⁾ Resigned on 31 May 2023.

TERMS OF REFERENCE

The Terms of Reference of the Audit Committee are available on the Company's website.

ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year, the Audit Committee carried out the following activities in discharging its duties:

- i. Reviewed the unaudited quarterly financial results and audited financial statements of the Group and deliberated the disclosure's compliances with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards, Companies Act 2016 and the Main Market Listing Requirements of Bursa Securities. The Audit Committee also considered, enquired of, and discussed with Management the scope and integrity of these reports prepared by the Management;
- ii. Reviewed and discussed with the External Auditors the following pertinent matters during the audit planning process and the conduct of the audit of the financial statements of the Group:
 - Independence of the External Auditors;
 - Consideration of fraud in an audit of financial statements;
 - Related party disclosures and procedures;
 - Risk assessment and audit approach;
 - Communication of key audit matters and matters for control improvements;
 - Accounting developments including the adoption of new MFRS and amendments/improvements to the MFRSs as well as amendments/improvements to MFRSs that have been issued but yet to be effective; and
 - Proposed audit fees for the External Auditors.

AUDIT COMMITTEE REPORT

- iii. Reviewed the nature and extent of non-audit services provided by the External Auditors to the Company;
- iv. Conducted private sessions with the External Auditors without the presence of Management on 28 February 2023 and 10 April 2023 and noted positive responses from the External Auditors during the audit and the assistance provided by Management to the External Auditors;
- v. Conducted ongoing reviews and monitoring of the inventory reduction and rationalisation plan formulated by Management to optimise inventory levels and enhance the liquidity of the Group;
- vi. Reviewed the quarterly report issued by the Internal Auditors on the review of recurrent related party transactions ("RRPT") entered by the Group to ensure that the RRPT are within the transaction limits and the control procedures are in accordance with the shareholders' mandate;
- vii. Reviewed the circular to the shareholders for the proposed RRPT mandate covering the proposed limits, guidelines and procedures and satisfied that the procedures are sufficient to ensure that the RRPT are conducted at arm's length and on normal commercial terms, which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders. The declarations by the members of Audit Committee that they do not have any interests with respect to any RRPT with the Group were noted;
- viii. Reviewed and discussed with the Internal Auditors the Internal Audit Plan to ensure adequacy and that the auditable areas aligned with the Group's activities level and key risk areas;
- ix. Reviewed and overseen the risk management measures reported by the Risk Management Working Group ("RMWG") during the quarterly Audit Committee meetings;
- x. Reviewed the internal audit reports comprising quarterly audit reports, follow-up audit reports, special reports based on agreed-upon procedures and reports on risk assessment presented by the Internal Auditors and sought clarifications from Management and the Internal Auditors on the issues highlighted;
- xi. Reviewed the updates presented by the Internal Auditors on the progress of risk assessment review, the quantitative and qualitative risk appetite and exposures and the risk mitigation measures undertaken by the Management of the key subsidiaries every quarter;
- xii. Conducted regular private sessions with the Internal Auditors without the presence of Management on 28 February 2023, 29 May 2023, 28 August 2023 and 27 November 2023. Except for the safety risk management procedures for the welded steel pipe manufacturing plant, there were no significant internal control deficiencies and lack of cooperation and assistance from the Management;
- xiii. Conducted annual evaluation of the External Auditors' performance, considering the audit team's competency, independence, audit scope and planning, amongst others criteria. The External Auditors have provided annual confirmation of their independence in accordance with relevant auditing standards and requirements. The Audit Committee was satisfied with the service performance and independence of the External Auditors and had recommended to the Board for approval the re-appointment of the External Auditors;
- xiv. Conducted annual evaluation of the performance, resources and competency of the Internal Auditors and was satisfied with their effectiveness and performance;
- xv. Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report of the Company; and
- xvi. Reviewed and ensured the Terms of Reference of the Audit Committee and the policy on the evaluation of the External and Internal Auditors are up-to-date.

AUDIT COMMITTEE REPORT

REVIEW OF AUDIT COMMITTEE

The Nomination Committee is mandated to review the term of office and performance of the Audit Committee under the Listing Requirements of Bursa Securities. During the financial year, the Nomination Committee undertook an annual review of the Audit Committee and was satisfied that the Audit Committee and its members had discharged their functions, duties and responsibilities in accordance with its Terms of Reference.

INTERNAL AUDIT FUNCTION

The internal audit function of the Group is outsourced to IA Essential Sdn Bhd ("IAE"), a professional independent consulting firm providing governance, risk and compliance advisory services. IAE has carried out the internal audit work with reference to the principles of the International Professional Practice Framework ("IPPF") of the Institute of Internal Auditors ("IIA"). These principles include the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders.

Besides the provision of internal audit services, IAE is engaged in assisting and guiding the RMWG and facilitating the risk assessment functions of the Group. There is no other engagement between the Group and the Internal Auditors, which may create a conflict of interest or impair their objectivity and independence.

The following are the activities carried out by the Internal Auditors during the financial year based on the approved internal audit plan:

- Reviewed and reported the progress of risk assessment, the quantitative and qualitative risk appetite and exposures and the risk mitigation measures undertaken by the management of the key subsidiaries every quarter;
- Reported to the Audit Committee the potential impact of high stock balance, interest rate hike and contemporary market outlook on the performance of the Group for the financial year 2023;
- Facilitated management in identifying, evaluating and measuring risks in the major subsidiary, covering corruption, competition, financial, plant and production as well as working capital liquidity risks, amongst others;
- Developed and presented the Internal Audit Plan for 2023-2025, identifying the auditable areas, which outlines the review of the identified key areas or functions of the key subsidiaries, including risk areas highlighted by the External Auditors and new disclosure requirements for public listed companies;
- Evaluated the adequacy and effectiveness of management control procedures and health and safety for the welded steel pipe manufacturing plant and reported to the Audit Committee the areas reviewed, audit findings and management improvement actions with a targeted date of completion;
- Conducted an Agreed-Upon Procedures review for the credit control procedures in Supreme Steelmakers and reported to the Audit Committee the current status of credit control practices, management's responses, and action plans to address, rectify and strengthen the control lapses alongside the target completion date;
- Conducted follow-up reviews to ascertain the progress of the Management's implementation of the agreed action plans highlighted in the internal audit reports and reported to the Audit Committee; and
- Conducted quarterly reviews on the RRPT entered by the Group to ensure that the transactions were within the estimated transaction limits and that the control procedures were in accordance with the approved shareholder's mandate.

The cost incurred for the internal audit function for FY2023 was RM235,584.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors of Leon Fuat Berhad is pleased to present the Statement on Risk Management and Internal Control ("Statement") for the financial year ended 31 December 2023 pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Securities.

This Statement is prepared in accordance with the disclosure requirements under the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers and the Malaysian Code on Corporate Governance.

BOARD RESPONSIBILITIES

The Board acknowledges its responsibility for maintaining a sound internal control system for the Group to safeguard the shareholders' investment and the Group's assets and to discharge their stewardship responsibilities in identifying and reviewing risks and ensuring the implementation of appropriate systems to manage risks. While the Board has delegated its oversight role in risk management and the system of internal controls to the Audit Committee ("AC"), the Board understands the principal risks of the business that the Group is engaged in and is collectively responsible for ensuring a sound risk management, governance and internal control framework is maintained in the Group.

RISK MANAGEMENT AND INTERNAL CONTROL

The risk management framework adopted by the Group is aligned with the principles of the international risk management framework. The risk management framework includes risk identification, impact assessment, profiling matrix, and mitigation plans.

At the management level, the management team from the operating subsidiaries formed the Risk Management Working Group ("RMWG"). RMWG is chaired by an Executive Director, and its members comprise managerial and senior staffs from each operating subsidiary.

The RMWG conducted four (4) meetings during the financial year on 8 February 2023, 10 May 2023, 11 August 2023 and 15 November 2023 to review and discuss the identified key risks and the effectiveness and adequacy of risk mitigation actions. The members of the Audit Committee and Internal Auditors were also invited to attend these meetings as observers and to share their views on the issues discussed.

Besides customer demands, the Group's profitability during the financial year was affected by the fluctuation in steel prices driven by the volatility in the commodities and crude oil prices as well as the exchange rate of foreign currencies against the Ringgit Malaysia.

To counter this risk, the Group has taken the following measures:

- i. Negotiating forward contracts with suppliers to minimise the steel price uncertainty as appropriate;
- ii. Managing and optimising the inventory levels and working capital liquidity prudently; and
- iii. Leveraging and capitalising on the Group's extensive and diverse customer base to maintain the overall Group's revenue.

Considering the market slowdown, the Group endeavours to reduce its credit risk by tightening the control on its credit customers. The Internal Auditor also conducted a special review of the credit control procedures. This review aims to identify and strengthen the control procedures needed to safeguard the Group's current assets and keep the credit risks within the Group's risk appetite.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Group has commissioned the manufacture of its welding steel pipe. Recognising the inherent health and safety risks of these new production lines, the Management took various measures to increase the employee's safety awareness and accident preventive measures in the plant. Some of these measures include:

- a. provide safety helmet with clearer vision and lighter weight.
- b. all employees and visitors are required to wear safety helmet at factory area under Personal protective equipment compliance.
- c. identify suitable glove for high-risk activities to prevent finger injury.
- d. promote Sort, Set in order and Shine (3S) activities.
- e. establish Safe Work Procedure (SWP) for each process.

In addition to the above, the Group continues to enforce its internal control procedures and systems under the respective management functions, the reporting line and approval authority limits mapped out in the management organisation structure and the standard operating procedures. These controls are reviewed by the Internal Auditors and strengthened by the Management constantly to ensure their effectiveness.

The risk management process has been in place for the financial year under review and up to the date of issuance of this Statement.

BOARD OVERSIGHT

In its role of overseeing the effectiveness of the systems of risk management and internal control, the Board, together with the AC and RMWG, diligently and comprehensively applies and uses the following processes and review mechanisms during the financial year to derive its comfort on the adequacy and effectiveness of these systems:

- The quarterly Board's review of the unaudited financial results and management reports comprising key financial data, significant financial and operational matters, and detailed analysis of the performance of the Group;
- The subsidiaries' financial performance is reviewed against the budget. Variances are highlighted and explained by the Chief Financial Officer to the Board. The Board ensures and closely follows up on business and operational issues and action plans designed and implemented by Management. The budget will be revised as appropriate when the business environment evolves;
- The AC's review of the audit findings in consultation with the External and Internal Auditors and clarifications from the Management on the corrective or improvement actions, including the deadlines for implementation thereof; and
- The quarterly review of the risk assessment report of the key subsidiaries, the new and emerging risks, and the adequacy of the current or further controls to contain the risks within the respective subsidiaries' quantitative and qualitative risk appetite.

MANAGEMENT RESPONSIBILITIES AND ASSURANCE

In accordance with the Listing Requirements, the Management is responsible for identifying the risks relevant to the Group's business, implementing strategies, maintaining sound systems of risk management and internal control, and monitoring and reporting to the Board on significant control deficiencies and changes in risks that could significantly affect the Group's financial performance.

In producing this Statement, the Board has received assurance from the Group Managing Director and Chief Financial Officer that the Group's risk management and internal control systems are operating adequately and effectively for the financial year ended 31 December 2023 and up to 9 April 2024, being the date of this Statement.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

BOARD ASSURANCE AND LIMITATION

The Board recognises that risk management and internal control systems should be continuously improved to be consistent with the evolving business and operating environment. Nonetheless, it should be noted that all risk management and internal control systems could only manage rather than eliminate the risks of failure to achieve business objectives. Therefore, the risk management and internal control systems in the Group can only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

For the financial year under review, the Board is satisfied that the existing level of risk management and internal control systems are adequate and effective under the present business and cash flow positions of the Group. There were no material control deficiencies, losses, contingencies or uncertainties arising from weaknesses in the internal control system that would require disclosure in this Annual Report.

This Statement was reviewed and approved by the Board on 9 April 2024.

REVIEW BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the MMLR, the External Auditors have reviewed this Statement in accordance with the Audit and Assurance Practice Guide 3 ("AAPG 3"), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control.

Based on their review, the External Auditors reported to the Board that nothing had come to their attention that causes them to believe that this Statement has not been prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, or is factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSAL

The Company did not undertake any corporate proposal during the financial year under review.

2. AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid and payable to the External Auditors for services rendered for the financial year ended 31 December 2023 are as follows:

	Group RM	Company RM
Audit fees	279,194	49,000
Non-audit fees	8,000	8,000
Total	287,194	57,000

3. MATERIAL CONTRACT INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

There were no material contracts of the Company and its subsidiaries involving the interests of the Directors or major shareholders, either still subsisting at the end of the financial year under review, or entered into since the end of the previous financial year.

4. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPT")

Details of the RRPT conducted pursuant to the shareholders' mandate obtained at the AGM of the Company held on 23 May 2023 are set out in Section 2.5 of the Circular to Shareholders dated 30 April 2024.



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DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2023.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year, net of tax	35,852,280	7,380,790
Attributable to:		
Owners of the Company	35,998,765	7,380,790
Non-controlling interests	(146,485)	-
	35,852,280	7,380,790

DIVIDENDS

The amount of dividend declared and paid by the Company since the end of the previous financial year were as follows:

	RM
Single-tier final dividend of 1.5 sen per ordinary share for the financial year ended 31 December 2022, paid on 14 July 2023	5,115,000

At the forthcoming Annual General Meeting, a single-tier final dividend of 1.5 sen per ordinary share amounting to RM5,115,000 in respect of the current financial year, based on the number of outstanding ordinary shares in issue as at 31 December 2023, will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2024.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than those disclosed in the financial statements.

BAD AND DOUBTFUL DEBTS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and had satisfied themselves that there were no known bad debts and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

DIRECTORS' REPORT (CONTINUED)

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

At the date of this report, the directors are not aware of any circumstances which would render the values attributed to the current assets in the financial statements of the Group and of the Company misleading.

VALUATION METHODS

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

CONTINGENT AND OTHER LIABILITIES

At the date of this report, there does not exist:

- (i) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liabilities of any other person; and
- (ii) any contingent liability in respect of the Group or of the Company which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability of the Group or of the Company has become enforceable, or is likely to become enforceable, within the period of twelve months after the end of the financial year which will or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

CHANGE OF CIRCUMSTANCES

At the date of this report, the directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

- (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

AUDITORS' REMUNERATION AND INDEMNITY

The remuneration paid or payable to auditors of the Group and the Company during the financial year were RM279,194 and RM49,000 respectively.

The Company has agreed to indemnify the auditors of the Company as permitted under Section 289 of the Companies Act 2016 in Malaysia.

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares or debentures were made by the Company.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS

The directors in office during the financial year and during the period from the end of the financial year to the date of this report are:

Dato' Lim Cheng Poh	
Dato' Sri Ooi Bin Keong*	
Ooi Kong Tiong*	
Ooi Seng Khong*	
Ng Kok Teong*	
Ooi Shang How*	
Chan Kee Loin	
Thien Shy Wei	[Appointed on 31 May 2023]
Wong Sze Yan	[Appointed on 1 February 2024]
Tan Did Heng	[Resigned on 31 December 2023]
Tan Sack Sen	[Resigned on 31 May 2023]

* Directors of the Company and certain subsidiaries

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Ng Kok Wee	
Ng Lam Keong	
Ooi Pek Kuan	
Ooi Shang Yao	
Teo Chee Hiong	
Yoshiaki Imono	[Resigned on 20 March 2024]

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	At 1 January 2023/Date of appointment	Number of ordinary shares		At 31 December 2023
		Bought	Sold	
Shareholdings in the ultimate holding company				
- Leon Fuat Holdings Sdn. Bhd.				
<i>Direct interests</i>				
Dato' Sri Ooi Bin Keong	1,900,000	150,000	-	2,050,000
Ooi Kong Tiong	1,000,000	-	-	1,000,000
Ooi Seng Khong	670,000	50,000	-	720,000
Ng Kok Teong	1,000,000	-	(200,000)	800,000
Ooi Shang How	600,000	-	-	600,000
<i>Indirect interests</i>				
Dato' Sri Ooi Bin Keong ⁽¹⁾	600,000	-	-	600,000
Ooi Kong Tiong ⁽¹⁾	600,000	-	-	600,000
Ng Kok Teong ⁽²⁾	2,300,000	-	-	2,300,000

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS (CONTINUED)

	Number of ordinary shares			
	At 1 January 2023/Date of appointment	Bought	Sold	At 31 December 2023
Shareholdings in the Company				
<i>Direct interests</i>				
Dato' Sri Ooi Bin Keong	200,000	-	-	200,000
Ooi Kong Tiong	200,000	-	-	200,000
Ooi Seng Khong	-	250,800	-	250,800
Ng Kok Teong	221,000	-	-	221,000
Ooi Shang How	200,000	-	-	200,000
Chan Kee Loin	100,000	-	-	100,000
<i>Indirect interests</i>				
Dato' Lim Cheng Poh ⁽³⁾	175,000	-	-	175,000
Dato' Sri Ooi Bin Keong ^{(1) (4)}	219,715,000	-	-	219,715,000
Ng Kok Teong ⁽⁴⁾	219,690,000	-	-	219,690,000
Thien Shv Wei ⁽³⁾	20,200	-	-	20,200

⁽¹⁾ Disclosure of shares held by children of the director who themselves are not directors of the Company pursuant to Section 59(11)(c) of the Companies Act 2016.

⁽²⁾ Shares held through a corporation in which the director has substantial interests.

⁽³⁾ Disclosure of shares held by spouse pursuant to Section 59(11)(c) of the Companies Act 2016.

⁽⁴⁾ 219,690,000 shares held through the ultimate holding company, Leon Fuat Holdings Sdn. Bhd..

By virtue of their interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Dato' Sri Ooi Bin Keong and Ng Kok Teong are deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in ordinary shares of the Company and its related corporations during the financial year.

DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as shown below) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest other than any deemed benefit which may arise from transactions as disclosed in Note 28 to the financial statements.

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' BENEFITS (CONTINUED)

The directors' benefits of the Group and of the Company during the financial year were as follows:

	Group RM	Company RM
Directors of the Company		
Executive directors:		
- Fees	850,000	350,000
- Other emoluments	4,297,037	-
- Defined contribution plan	514,656	-
- Estimated monetary value of benefits-in-kind	168,972	-
	5,830,665	350,000
Non-executive directors:		
- Fees	300,000	300,000
- Other emoluments	20,000	20,000
	320,000	320,000
Directors of subsidiaries		
Executive directors:		
- Fees	200,000	-
- Other emoluments	2,586,316	-
- Defined contribution plan	304,885	-
- Estimated monetary value of benefits-in-kind	95,036	-
	3,186,237	-
Total directors' remuneration	9,336,902	670,000

Neither during, nor at the end of the financial year, was the Company a party to any arrangements where the object is to enable the directors to acquire benefits by means of the acquisition of shares in, or debentures of the Company or any other body corporate.

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, no indemnity was given to or insurance effected for the directors and officers of the Company.

DIRECTORS' REPORT (CONTINUED)

SUBSIDIARIES

The details of the Company's subsidiaries are as follows:

Name of company	Principal place of business/country of incorporation	Principal activities	Effective ownership interest/ voting rights	
			2023	2022
Direct subsidiaries				
Leon Fuat Hardware Sdn. Bhd.	Malaysia	Trading and processing of steel products	100%	100%
Leon Fuat Metal Sdn. Bhd.	Malaysia	Trading, processing and/or manufacturing of steel and other related products	100%	100%
Supreme Steelmakers Sdn. Bhd.	Malaysia	Trading and processing of stainless steel and other steel products	100%	100%
Overum Wear Parts (Far East) Pte. Ltd.*	Republic of Singapore	Trading and processing of steel products	100%	100%
Indirect subsidiaries through Leon Fuat Metal Sdn. Bhd.				
Leon Fuat Industrial Products Sdn. Bhd.	Malaysia	Manufacturing, trading and processing of steel products	100%	100%
PCM Steel Processing Sdn. Bhd.	Malaysia	Slitting and processing metal coil and sheets	87% (Approximately)	87% (Approximately)

* Audited by an independent member firm of Baker Tilly International.

The auditors' reports on the financial statements of the subsidiaries did not contain any qualification.

INTERESTS IN HOLDING COMPANY AND OTHER RELATED CORPORATIONS

The Company does not have any interests in shares in the holding company and its other related corporations during the financial year.

DIRECTORS' REPORT (CONTINUED)

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 20 March 2024, the Company's wholly-owned subsidiary, Leon Fuat Metal Sdn. Bhd. had acquired the remaining 1,546,000 ordinary shares representing approximately 12.99% of the total issued share capital of PCM Steel Processing Sdn. Bhd. ("PCM") from Nippon Steel Trading Corporation for a cash consideration of RM270,605. Consequently, PCM became an indirect wholly-owned subsidiary of the Company.

ULTIMATE HOLDING COMPANY

The directors regard Leon Fuat Holdings Sdn. Bhd., a private limited liability company incorporated in Malaysia, as the ultimate holding company of the Company.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT, have expressed their willingness to continue in office.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors.

DATO' SRI OOI BIN KEONG

Director

OOI SENG KHONG

Director

Date: 9 April 2024

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

		Group		Company	
	Note	2023 RM	2022 RM	2023 RM	2022 RM
Revenue	4	928,045,128	1,025,117,767	10,101,608	10,076,346
Cost of sales	5	(828,456,073)	(933,858,119)	-	-
Gross profit		99,589,055	91,259,648	10,101,608	10,076,346
Other income		3,334,907	2,681,219	45,105	13,687
Distribution costs		(13,912,201)	(12,432,398)	-	-
Administrative costs		(27,287,290)	(24,575,157)	(2,154,404)	(2,130,666)
Net reversal of impairment losses on financial instruments		975,864	445,530	-	-
Other costs		(1,179,489)	(2,544,058)	(326,449)	(70,050)
Profit from operations		61,520,846	54,834,784	7,665,860	7,889,317
Finance costs		(21,758,981)	(17,920,368)	(178)	(180)
Profit before tax	6	39,761,865	36,914,416	7,665,682	7,889,137
Tax expense	7	(3,909,585)	(7,376,599)	(284,892)	(271,461)
Profit for the financial year		35,852,280	29,537,817	7,380,790	7,617,676
Other comprehensive income, net of tax					
<i>Item that may be reclassified subsequently to profit or loss</i>					
Exchange differences on translation of a foreign operation		63,499	68,779	-	-
Total comprehensive income for the financial year		35,915,779	29,606,596	7,380,790	7,617,676
Profit for the financial year attributable to:					
Owners of the Company		35,998,765	29,619,039	7,380,790	7,617,676
Non-controlling interests		(146,485)	(81,222)	-	-
		35,852,280	29,537,817	7,380,790	7,617,676
Total comprehensive income attributable to:					
Owners of the Company		36,062,264	29,687,818	7,380,790	7,617,676
Non-controlling interests		(146,485)	(81,222)	-	-
		35,915,779	29,606,596	7,380,790	7,617,676
Earnings per share (sen):					
Basic/Diluted	8	10.56	8.69		

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

		Group		Company	
	Note	2023 RM	2022 RM	2023 RM	2022 RM
ASSETS					
Non-current assets					
Property, plant and equipment	9	318,267,302	272,373,100	7,566	6,384
Capital work-in-progress	10	53,351,640	69,294,497	-	-
Investment in subsidiaries	11	-	-	185,324,071	185,604,020
Total non-current assets		371,618,942	341,667,597	185,331,637	185,610,404
Current assets					
Inventories	12	370,931,184	387,099,486	-	-
Trade and other receivables	13	260,141,172	263,344,424	4,500	7,500
Amount due from subsidiaries	14	-	-	3,992,517	2,576,030
Dividend receivables		-	-	8,000,000	8,000,000
Tax assets		12,828,762	8,397,818	-	-
Deposits with licensed banks	15	10,654,197	4,566,324	2,011,381	-
Cash and bank balances	16	39,041,505	34,987,150	803,230	1,617,111
Total current assets		693,596,820	698,395,202	14,811,628	12,200,641
TOTAL ASSETS		1,065,215,762	1,040,062,799	200,143,265	197,811,045
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	17	186,422,515	186,422,515	186,422,515	186,422,515
Reserves	18	402,212,965	371,265,701	12,716,817	10,451,027
		588,635,480	557,688,216	199,139,332	196,873,542
Non-controlling interests		358,578	505,063	-	-
TOTAL EQUITY		588,994,058	558,193,279	199,139,332	196,873,542
Non-current liabilities					
Loans and borrowings	19	92,050,589	82,100,579	-	-
Deferred tax liabilities	20	7,815,908	6,098,527	-	-
Total non-current liabilities		99,866,497	88,199,106	-	-
Current liabilities					
Trade and other payables	21	32,245,500	23,727,321	922,933	903,503
Tax liabilities		247,117	971,703	81,000	34,000
Loans and borrowings	19	340,704,010	366,734,438	-	-
Contract liabilities	22	3,134,620	2,236,952	-	-
Derivative financial liabilities	23	23,960	-	-	-
Total current liabilities		376,355,207	393,670,414	1,003,933	937,503
TOTAL LIABILITIES		476,221,704	481,869,520	1,003,933	937,503
TOTAL EQUITY AND LIABILITIES		1,065,215,762	1,040,062,799	200,143,265	197,811,045

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Group	Note	Attributable to owners of the Company						Non-controlling interests	Total equity
		Share capital	Merger deficit	Capital reserve	Translation reserve	Retained earnings	Sub-total		
		RM	RM	RM	RM	RM	RM	RM	RM
At 1 January 2023		186,422,515	(103,959,997)	923	70,582	475,154,193	557,688,216	505,063	558,193,279
Total comprehensive income for the financial year									
Profit/(Loss) for the financial year		-	-	-	-	35,998,765	35,998,765	(146,485)	35,852,280
Other comprehensive income for the financial year		-	-	-	63,499	-	63,499	-	63,499
Total comprehensive income		-	-	-	63,499	35,998,765	36,062,264	(146,485)	35,915,779
Transaction with owners									
Dividends, representing total transaction with owners	24	-	-	-	-	(5,115,000)	(5,115,000)	-	(5,115,000)
At 31 December 2023		186,422,515	(103,959,997)	923	134,081	506,037,958	588,635,480	358,578	588,994,058

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Group	Note	Attributable to owners of the Company						Non-controlling interests RM	Total equity RM
		Share capital RM	Merger deficit RM	Capital reserve RM	Translation reserve RM	Retained earnings RM	Sub-total RM		
At 1 January 2022		186,422,515	(109,544,997)	923	1,803	457,940,154	534,820,398	586,285	535,406,683
Total comprehensive income for the financial year									
Profit/(Loss) for the financial year		-	-	-	-	29,619,039	29,619,039	(81,222)	29,537,817
Other comprehensive income for the financial year		-	-	-	68,779	-	68,779	-	68,779
Total comprehensive income		-	-	-	68,779	29,619,039	29,687,818	(81,222)	29,606,596
Transactions with owners									
Realisation of merger deficit	18(b)	-	5,585,000	-	-	(5,585,000)	-	-	-
Dividends	24	-	-	-	-	(6,820,000)	(6,820,000)	-	(6,820,000)
Total transactions with owners		-	5,585,000	-	-	(12,405,000)	(6,820,000)	-	(6,820,000)
At 31 December 2022		186,422,515	(103,959,997)	923	70,582	475,154,193	557,688,216	505,063	558,193,279

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

Company	Note	Share capital RM	Retained earnings RM	Total equity RM
At 1 January 2022		186,422,515	9,653,351	196,075,866
Profit for the financial year, representing total comprehensive income for the financial year		-	7,617,676	7,617,676
Dividends, representing total transaction with owners	24	-	(6,820,000)	(6,820,000)
At 31 December 2022/1 January 2023		186,422,515	10,451,027	196,873,542
Profit for the financial year, representing total comprehensive income for the financial year		-	7,380,790	7,380,790
Dividends, representing total transaction with owners	24	-	(5,115,000)	(5,115,000)
At 31 December 2023		186,422,515	12,716,817	199,139,332

The accompanying notes form an integral part of these financial statements.

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

	Note	Group 2023 RM	Group 2022 RM	Company 2023 RM	Company 2022 RM
Cash flows from operating activities					
Profit before tax		39,761,865	36,914,416	7,665,682	7,889,137
Adjustments for:					
Depreciation of property, plant and equipment		18,759,594	16,948,922	4,027	3,720
Dividend income		-	-	(8,000,000)	(8,000,000)
Fair value loss on derivatives		23,960	-	-	-
Gain on disposal of plant and equipment		(345,196)	(768,929)	-	-
Impairment losses on:					
- trade receivables		497,139	494,162	-	-
- investment in a subsidiary		-	-	279,949	13,601
Interest expense		19,604,531	16,139,295	-	-
Interest income		(1,025,114)	(564,597)	(45,105)	(13,687)
Inventories written down		2,432,277	12,929,457	-	-
Loss on winding up of a subsidiary		-	-	-	8,623
Net gain on lease termination		-	(135)	-	-
Net unrealised foreign exchange (gain)/loss		(119,736)	166,470	-	-
Plant and equipment written off		409,757	353,663	-	-
Reversal of impairment losses on trade receivables		(1,473,003)	(939,692)	-	-
Waiver of interest income		107,977	188,568	-	-
Operating profit/(loss) before changes in working capital		78,634,051	81,861,600	(95,447)	(98,606)
Inventories		13,372,382	17,998,653	-	-
Trade and other receivables		(297,911)	14,355,452	(1,413,487)	(1,281,413)
Trade and other payables		1,762,112	(9,946,603)	19,430	(41,648)
Contract liabilities		897,668	200,300	-	-
Net cash generated from/(used in) operation		94,368,302	104,469,402	(1,489,504)	(1,421,667)
Interest received		960,722	398,185	45,105	13,687
Interest paid		(19,448,856)	(15,866,968)	-	-
Income tax paid		(7,347,734)	(30,741,806)	(237,892)	(101,357)
Net cash from/(used in) operating activities		68,532,434	58,258,813	(1,682,291)	(1,509,337)

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

		Group		Company	
	Note	2023 RM	2022 RM	2023 RM	2022 RM
Cash flows from investing activities					
Capital distribution from a subsidiary	11	-	-	-	27,605
Capital work-in-progress paid	(a)	(22,965,823)	(33,861,874)	-	-
Changes in a deposit pledged with a licensed bank		(8,145)	(7,973)	-	-
Deposits paid for acquisition of plant and equipment		-	(3,871,103)	-	-
Dividends received		-	-	8,000,000	8,000,000
Proceeds from disposal of plant and equipment		277,500	779,000	-	-
Purchase of property, plant and equipment	(b)	(5,368,910)	(8,141,376)	(5,209)	-
Net cash (used in)/from investing activities		(28,065,378)	(45,103,326)	7,994,791	8,027,605
Cash flows from financing activities					
Dividends paid	(d) 24	(5,115,000)	(6,820,000)	(5,115,000)	(6,820,000)
Drawdown of term loans		20,579,718	7,912,981	-	-
Net drawdown of islamic financing		5,279,253	23,297,521	-	-
Net repayment of bankers' acceptances		(22,951,954)	(67,403,443)	-	-
Payment of hire purchase payables		(5,536,537)	(4,073,419)	-	-
Payment of lease liabilities		(1,834,169)	(1,817,028)	-	-
Repayment of term loans		(10,793,052)	(10,526,384)	-	-
Net cash used in financing activities		(20,371,741)	(59,429,772)	(5,115,000)	(6,820,000)
Net increase/(decrease) in cash and cash equivalents		20,095,315	(46,274,285)	1,197,500	(301,732)
Cash and cash equivalents at the beginning of the financial year		(6,255,901)	40,136,845	1,617,111	1,918,843
Effect of exchange rate changes on cash and cash equivalents		264,202	(118,461)	-	-
Cash and cash equivalents at the end of the financial year	25	14,103,616	(6,255,901)	2,814,611	1,617,111

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

(a) Additions in capital work-in-progress:

	2023 RM	2022 RM
Group		
Additions in capital work-in-progress	33,633,347	48,956,768
Less: Transferred from deposits paid in prior years	(3,747,273)	(8,401,510)
Less: Transferred from inventories	(355,037)	(1,250,855)
Less: Financed by term loan	-	(2,808,258)
Less: Contra against trade receivables	(2,253)	(26,451)
Less: Owing to other payables	(6,562,961)	(2,607,820)
Cash payments on capital work-in-progress	22,965,823	33,861,874

(b) Purchase of property, plant and equipment:

	2023 RM	2022 RM
Group		
Purchase of property, plant and equipment	15,496,257	31,140,777
Less: Transferred from deposits paid and prepayment in prior year	(695,385)	(3,485,753)
Less: Transferred from inventories	(8,606)	-
Less: Financed by hire purchase arrangements	(7,768,448)	(3,366,000)
Less: Financed by lease arrangements	(1,633,309)	(124,548)
Less: Financed by term loans	-	(16,000,000)
Less: Contra against trade and other receivables	(200)	(6,950)
Less: Owing to other payables	(21,399)	(16,150)
Cash payments on purchase of property, plant and equipment	5,368,910	8,141,376
Company		
Cash payment on purchase of office equipment	5,209	-

(c) Total cash outflows for leases

During the financial year, the Group had total cash outflows for leases amounting to RM2,549,105 (2022: RM2,562,453).

STATEMENTS OF CASH FLOWS (CONTINUED)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2023

(d) Reconciliation of liabilities arising from financing activities:

Group	1 January 2023 RM	Cash flows RM	Non-cash Acquisition RM	31 December 2023 RM
Bankers' acceptances	229,370,231	(22,951,954)	-	206,418,277
Hire purchase payables	8,075,102	(5,536,537)	7,768,448	10,307,013
Islamic financing	76,287,394	5,279,253	-	81,566,647
Lease liabilities	11,564,503	(1,834,169)	1,633,309	11,363,643
Term loans	78,234,693	9,786,666	-	88,021,359
	403,531,923	(15,256,741)	9,401,757	397,676,939

Group	1 January 2022 RM	Cash flows RM	Non-cash Acquisition RM	Others RM	31 December 2022 RM
Bankers' acceptances	296,773,674	(67,403,443)	-	-	229,370,231
Hire purchase payables	8,782,521	(4,073,419)	3,366,000	-	8,075,102
Islamic financing	52,989,873	23,297,521	-	-	76,287,394
Lease liabilities	13,263,323	(1,817,028)	124,548	(6,340)	11,564,503
Term loans	62,039,838	(2,613,403)	18,808,258	-	78,234,693
	433,849,229	(52,609,772)	22,298,806	(6,340)	403,531,923

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Leon Fuat Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Lot 5, Level 10, Menara Great Eastern 2, No. 50, Jalan Ampang, 50450 Kuala Lumpur. The principal place of business of the Company is located at No. 11, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan.

The principal activities of the Company are investment holding and the provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 11. There have been no significant changes in the nature of these activities during the financial year.

The ultimate holding company is Leon Fuat Holdings Sdn. Bhd., a private limited liability company incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 9 April 2024.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), the International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

2.2 Adoption of amendments/improvements to MFRSs

The Group and the Company have adopted the following applicable new MFRS and amendments to MFRSs for the current financial year:

New MFRS

MFRS 17	Insurance Contracts
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Amendments to MFRSs

MFRS 101	Presentation of Financial Statements
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
MFRS 112	Income Taxes

The adoption of the above new MFRS and amendments to MFRSs did not have any significant effect on the financial statements of the Group and of the Company and did not result in significant changes to the Group's and the Company's existing accounting policies, except as discussed below:

Amendments to MFRS 101 Presentation of Financial Statements

The amendments require an entity to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements.

Accordingly, the Group and the Company disclosed their material accounting policy information in these financial statements. However, the amendments did not result in changes to the accounting policies of the Group and of the Company.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 Amendments to MFRSs that have been issued, but yet to be effective

The Group and the Company have not adopted the following amendments to MFRSs that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
<u>Amendments/Improvements to MFRSs</u>		
MFRS 7	Financial Instruments: Disclosures	1 January 2024
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 16	Leases	1 January 2024
MFRS 101	Presentation of Financial Statements	1 January 2024
MFRS 107	Statements of Cash Flows	1 January 2024
MFRS 121	The Effects of Changes in Foreign Exchange Rate	1 January 2025
MFRS 128	Investments in Associates and Joint Ventures	Deferred

The Group and the Company plan to adopt the above applicable amendments to MFRSs when they become effective. A brief discussion on the above significant amendments to MFRSs that may be applicable to the Group and the Company are summarised below.

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The latest amendments to MFRS 101 clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability. As such, the amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require an entity to disclose information about these covenants in the notes to the financial statements.

2.4 Functional and presentation currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency, and has been rounded to the nearest RM, unless otherwise stated.

2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis except for those as disclosed in Note 3.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.6 Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The area involving a higher degree of judgement or complexity that have the most significant effect on the Group's financial statements, or area where assumptions and estimates that have a significant risk of resulting in a material adjustment to the Group's financial statements within the next financial year is disclosed as follows:

Write-down of obsolete or slow-moving inventories

Inventories are stated at the lower of cost and net realisable value. Reviews are made periodically by the Group on damaged and slow-moving inventories. These reviews require judgement and estimates. In determining the net realisable value of the inventories, an estimation of the recoverable amount of inventories on hand is performed by the Group based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration the fluctuations of selling price or cost, or any inventories on hand that may not be realised, as a result of events occurring after the end of the reporting period to the extent such events confirm conditions existing at the end of the reporting period. Possible changes in these estimates could result in revisions to the valuation of inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

The carrying amount of the Group's inventories is disclosed in Note 12.

3. MATERIAL ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

(a) Subsidiaries and business combination

The Group applies the acquisition method of accounting except for those business combinations which were accounted for using merger method of accounting.

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of subsidiaries are presented as if the business combination had been affected throughout the current and previous financial years. The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. On consolidation, the difference between cost of acquisition over the nominal value of share capital of the subsidiaries is taken to merger reserve or merger deficit.

(b) Non-controlling interest

At the acquisition date, components of non-controlling interest of the Group are measured at their acquisition-date fair values.

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries is measured at cost less any accumulated impairment losses.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.3 Revenue and other income

Financing components

The Group and the Company has applied the practical expedient for not to adjust the promised amount of consideration for the effects of a significant financing components as the Group and the Company expect that the period between the transfer of the promised goods or services to the customers and payment by the customers will be one year or less.

(a) Sale of goods

Revenue from sale of goods is recognised when at a point in time when control of goods is transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

Sales are made with credit terms ranging from 14 days to 90 days, which is consistent with market practice, therefore, no element of financing is deemed present.

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

(b) Dividend income

Dividend income is recognised when the rights to receive payment is established.

(c) Interest income

Interest income is recognised on an accrual basis using the effective interest method.

(d) Rental income

Rental income is recognised in profit or loss on time-proportion basis over the term of the lease.

(e) Management and corporate guarantee fees

Management and corporate guarantee fees are recognised when services are rendered.

3.4 Financial instruments

Financial assets - subsequent measurement and gains and losses

Debt instruments at amortised cost

The Group and the Company subsequently measure these assets at amortised cost under the effective interest method. The gross carrying amount is reduced by impairment losses. Interest income, foreign exchange gains and losses and impairment are recognised in profit or loss. Any gain or loss on derecognition is recognised in profit or loss.

Financial liabilities – subsequent measurement and gains and losses

The Group and the Company classify the financial liabilities at amortised cost or fair value through profit or loss. Financial liabilities are classified as fair value through profit or loss if it is classified as held for trading, it is a derivative, it is contingent consideration of an acquirer in a business combination or it is designated as such on initial recognition. Financial liabilities at fair value through profit or loss are measured at fair value and net gains and losses, including any interest expense, are recognised in profit or loss.

The Group and the Company subsequently measure other financial liabilities at amortised cost under the effective interest method. Interest expense and foreign exchange gains and losses are recognised in profit or loss. Any gain or loss on derecognition is also recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)

3.5 Property, plant and equipment

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses.

Freehold land has an unlimited useful life and therefore is not depreciated. Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

Short-term leasehold land is depreciated over the lease term between 30 years and 43 years. Long-term leasehold land is depreciated over the lease term of approximately 96 years.

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives. The principal depreciation rates are as follows:

Buildings	2% - approximate 4%
Furniture, fittings and electrical fittings	10% - 20%
Office equipment and renovation	10% - 50%
Forklift, plant and machinery	10% - 20%
Motor vehicles	20%

3.6 Leases

(a) Lessee accounting

The Group presents right-of-use assets that do not meet the definition of investment property as property, plant and equipment in Note 9 and lease liabilities as loans and borrowings in Note 19.

Short-term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets. Accordingly, the Group recognises the lease payments as an operating expenses on a straight-line basis over the term of the lease.

Right-of-use assets

The right-of-use assets are measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use assets are depreciated using the straight-line method from the commencement date to the earlier of the end of useful life of the right-of-use asset or the end of the lease term.

Lease liabilities

The lease liabilities are initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the incremental borrowing rate.

The Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

(b) Lessor accounting

The Group recognises lease payments received from investment properties under operating leases as income on a straight-line basis over the lease term as part of revenue. Rental income from sublease properties which recognise as other income.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. MATERIAL ACCOUNTING POLICIES (CONTINUED)**3.7 Capital work-in-progress**

Capital work-in-progress is stated at cost less any accumulated impairment losses and includes borrowing costs incurred during the period of construction. Capital work-in-progress is not depreciated and upon completion of construction, the cost will be transferred to property, plant and equipment.

3.8 Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Trading goods: the actual costs of purchase and incidentals in bringing the inventories into store. These costs are assigned on a weighted average cost basis.
- Spare parts: purchase costs on first-in first-out basis.

Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sale.

4. REVENUE

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Revenue from contract customers				
Sale of goods	928,045,128	1,025,117,767	-	-
Management fees	-	-	590,159	565,179
Corporate guarantee fees charged to subsidiaries	-	-	1,511,449	1,511,167
	928,045,128	1,025,117,767	2,101,608	2,076,346
Revenue from other sources				
Dividend income from subsidiaries	-	-	8,000,000	8,000,000
	928,045,128	1,025,117,767	10,101,608	10,076,346

(a) Disaggregation of revenue

The Group reports the following major segments: trading, processing and/or manufacturing and others in accordance with MFRS 8 *Operating Segments*. For the purpose of disclosure for disaggregation of revenue, it disaggregates revenue into major goods.

The information on disaggregation of revenue and gross profit into the major segments are disclosed in Note 26.

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Timing of revenue recognition				
At a point in time	928,045,128	1,025,117,767	-	-
Over time	-	-	2,101,608	2,076,346
	928,045,128	1,025,117,767	2,101,608	2,076,346

(b) Transaction price allocated to the remaining performance obligation

The Group and the Company applied the practical expedient in paragraph 121(a) of MFRS 15 and did not disclose information about remaining performance for contracts that have original expected duration of one year or less.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. COST OF SALES

	2023 RM	Group 2022 RM
Direct costs	801,335,982	906,332,016
Other operating costs	27,120,091	27,526,103
	828,456,073	933,858,119

6. PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at profit before tax:

	Note	2023 RM	Group 2022 RM	2023 RM	Company 2022 RM
Auditors' remuneration					
- statutory audit:					
- Baker Tilly Monteiro Heng PLT		252,000	240,000	49,000	45,000
- Member firms of Baker Tilly International		27,194	25,565	-	-
- other services:					
- Baker Tilly Monteiro Heng PLT		8,000	7,000	8,000	7,000
- Member firms of Baker Tilly International		8,498	7,989	-	-
Depreciation of property, plant and equipment	9	18,759,594	16,948,922	4,027	3,720
Employee benefits expenses	(a)	36,920,759	33,885,826	1,709,418	1,646,560
Expenses relating to short-term leases:					
- premises		153,829	143,779	-	-
Fair value loss on derivatives	23	23,960	-	-	-
Impairment losses on:					
- trade receivables	29(b)(i)	497,139	494,162	-	-
- investment in a subsidiary	11	-	-	279,949	13,601
Interest expenses in respect of:					
- bank overdrafts		2,502,089	1,618,693	-	-
- bankers' acceptances		9,544,448	8,276,226	-	-
- hire purchase		522,637	342,096	-	-
- islamic financing		2,697,850	2,383,924	-	-
- lease liabilities		561,107	601,646	-	-
- term loans		3,776,400	2,916,710	-	-
Inventories written down		2,432,277	12,929,457	-	-
Loss on winding up of a subsidiary		-	-	-	8,623
Net realised foreign exchange (gain)/loss		(115,520)	425,447	-	-
Net unrealised foreign exchange (gain)/loss		(119,736)	166,470	-	-
Plant and equipment written off		409,757	353,663	-	-
Waiver of interest income		107,977	188,568	-	-
Gain on disposal of plant and equipment		(345,196)	(768,929)	-	-
Interest income from:					
- cash at banks		(565,548)	(178,531)	(33,725)	(13,687)
- deposits with licensed banks		(200,637)	(20,742)	(11,380)	-
- trade receivables' overdue balances		(258,929)	(365,324)	-	-
Net gain on lease termination		-	(135)	-	-
Rental income from premises		(989,304)	(430,612)	-	-
Reversal of impairment losses on trade receivables	29(b)(i)	(1,473,003)	(939,692)	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

6. PROFIT BEFORE TAX (CONTINUED)

(a) Employee benefits expenses

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Salaries, bonuses, allowances and others	32,379,959	30,189,017	1,591,339	1,536,057
Defined contribution plan	3,130,311	3,005,091	109,893	103,216
Social security contributions	307,313	275,723	5,360	4,686
Staff welfare	1,103,176	415,995	2,826	2,601
	36,920,759	33,885,826	1,709,418	1,646,560
Recognised in:				
Cost of sales	12,725,041	11,516,114	-	-
Distribution and administrative costs	24,195,718	22,369,712	1,709,418	1,646,560
	36,920,759	33,885,826	1,709,418	1,646,560

Directors' remuneration

Included in employee benefits expenses is the aggregate amount of remuneration received and receivable by the directors of the Company and its subsidiaries during the financial years ended 31 December 2023 and 31 December 2022 as follows:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Directors of the Company				
Executive directors:				
- Fees	850,000	850,000	350,000	350,000
- Other emoluments	4,297,037	4,285,090	-	-
- Defined contribution plan	514,656	513,720	-	-
	5,661,693	5,648,810	350,000	350,000
Non-executive directors:				
- Fees	300,000	300,000	300,000	300,000
- Other emoluments	20,000	23,000	20,000	23,000
	320,000	323,000	320,000	323,000
Directors of subsidiaries				
Executive directors:				
- Fees	200,000	200,000	-	-
- Other emoluments	2,586,316	2,428,116	-	-
- Defined contribution plan	304,885	286,641	-	-
	3,091,201	2,914,757	-	-
Total directors' remuneration	9,072,894	8,886,567	670,000	673,000

The estimated monetary value of benefits-in-kind of the Group (which were not included in the above directors' remunerations) received by the executive directors of the Company and of the subsidiaries otherwise than in cash from the Group amounted to RM168,972 (2022: RM129,936) and RM95,036 (2022: RM70,274) respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. TAX EXPENSE

The major components of tax expense for the financial years ended 31 December 2023 and 31 December 2022 are as follows:

		Group		Company	
	Note	2023 RM	2022 RM	2023 RM	2022 RM
Current income tax:					
- Current income tax charge		5,618,835	9,070,517	285,000	274,000
- Adjustment in respect of prior years		(3,426,631)	(312,063)	(108)	(2,539)
		2,192,204	8,758,454	284,892	271,461
Deferred tax:					
	20				
- Origination/(Reversal) of temporary differences		1,930,822	(1,559,754)	-	-
- Adjustment in respect of prior year		(213,441)	177,899	-	-
		1,717,381	(1,381,855)	-	-
Tax expense		3,909,585	7,376,599	284,892	271,461

Domestic income tax is calculated at the Malaysian statutory income tax rate of 24% (2022: 24%) of the estimated assessable profit for the financial year. Taxation for other jurisdictions is calculated at the rate prevailing in the respective jurisdictions.

The reconciliations from the tax amount at the statutory income tax rate to the Group's and the Company's tax expense are as follows:

		Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
Profit before tax		39,761,865	36,914,416	7,665,682	7,889,137
Tax at Malaysian statutory income tax rate of 24% (2022: 24%)		9,542,800	8,859,500	1,839,800	1,893,400
Effect of different tax rate in a foreign jurisdiction		24,042	5,766	-	-
Tax effects of:					
- non-deductible expenses		1,484,718	1,575,703	358,320	310,528
- non-taxable income		(32,806)	(149,892)	(1,920,000)	(1,920,000)
- double deduction expenses		(18,878)	(53,298)	-	-
Green investment tax allowance claimed		-	(1,136,551)	-	-
Reinvestment allowance claimed		(3,788,348)	(1,706,844)	-	-
Utilisation of previously unrecognised deferred tax assets		-	(9,928)	-	(9,928)
Deferred tax assets not recognised on business losses and temporary differences		338,129	126,307	6,880	-
Adjustments in respect of prior years:					
- income tax		(3,426,631)	(312,063)	(108)	(2,539)
- deferred tax		(213,441)	177,899	-	-
Tax expense		3,909,585	7,376,599	284,892	271,461

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

8. EARNINGS PER SHARE

(a) Basic earnings per share

The basic earnings per share of the Group is calculated by dividing the Group's profit for the financial year attributable to owners of the Company of RM35,998,765 (2022: RM29,619,039) by the weighted average number of ordinary shares in issue during the financial year of 341,000,000 (2022: 341,000,000) ordinary shares.

(b) Diluted earnings per share

Diluted earnings per share is equivalent to the basic earnings per share as there were no potential dilutive ordinary shares.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. PROPERTY, PLANT AND EQUIPMENT

Group 2023	Freehold land RM	Buildings RM	Furniture, fittings and electrical fittings RM	Office equipment and renovation RM	Forklift, plant and machinery RM	Motor vehicles RM	Right-of- use assets RM	Total RM
Cost								
At 1 January 2023	51,083,310	101,400,141	3,894,960	7,764,957	150,120,821	16,792,647	73,657,872	404,714,708
Additions	-	45,676	126,258	247,770	8,762,621	4,680,623	1,633,309	15,496,257
Reclassification	-	-	-	-	32,649	-	(32,649)	-
Transfer from capital work-in-progress (Note 10)	-	48,660,269	-	-	906,285	-	-	49,566,554
Disposals	-	-	-	(6,348)	(198,000)	(1,732,502)	-	(1,936,850)
Derecognition	-	-	-	-	-	-	(3,299,264)	(3,299,264)
Written off	-	-	(3,350)	(183,448)	(8,746,537)	-	-	(8,933,335)
Exchange differences	-	-	239	1,232	-	-	-	1,471
At 31 December 2023	51,083,310	150,106,086	4,018,107	7,824,163	150,877,839	19,740,768	71,959,268	455,609,541
Accumulated depreciation								
At 1 January 2023	-	18,167,058	2,898,037	6,026,527	84,910,412	11,208,575	9,130,999	132,341,608
Depreciation charge for the financial year	-	2,464,208	257,977	593,121	10,750,215	1,918,601	2,775,472	18,759,594
Reclassification	-	-	-	-	6,530	-	(6,530)	-
Disposals	-	-	-	(6,348)	(198,000)	(1,732,498)	-	(1,936,846)
Derecognition	-	-	-	-	-	-	(3,299,264)	(3,299,264)
Written off	-	-	(3,350)	(183,415)	(8,336,813)	-	-	(8,523,578)
Exchange differences	-	-	230	495	-	-	-	725
At 31 December 2023	-	20,631,266	3,152,894	6,430,380	87,132,344	11,394,678	8,600,677	137,342,239
Carrying amount								
At 31 December 2023	51,083,310	129,474,820	865,213	1,393,783	63,745,495	8,346,090	63,358,591	318,267,302

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2022	Freehold land RM	Buildings RM	Furniture, fittings and electrical fittings RM	Office equipment and renovation RM	Forklift, plant and machinery RM	Motor vehicles RM	Right-of- use assets RM	Total RM
Cost								
At 1 January 2022	51,083,310	101,400,141	3,830,718	7,404,328	133,447,850	15,780,641	52,385,780	365,332,768
Additions	-	-	64,022	476,016	4,332,692	4,877,841	21,390,206	31,140,777
Transfer from capital work-in-progress (Note 10)	-	-	-	-	13,529,019	-	-	13,529,019
Disposals	-	-	-	(33,499)	(121,001)	(3,774,129)	-	(3,928,629)
Derecognition	-	-	-	-	-	-	(118,114)	(118,114)
Written off	-	-	-	(84,729)	(1,067,739)	(91,706)	-	(1,244,174)
Exchange differences	-	-	220	2,841	-	-	-	3,061
At 31 December 2022	51,083,310	101,400,141	3,894,960	7,764,957	150,120,821	16,792,647	73,657,872	404,714,708
Accumulated depreciation								
At 1 January 2022	-	15,822,699	2,652,312	5,529,783	75,699,441	14,124,897	6,481,670	120,310,802
Depreciation charge for the financial year	-	2,344,359	245,522	602,255	10,046,045	949,503	2,761,238	16,948,922
Disposals	-	-	-	(22,841)	(120,997)	(3,774,120)	-	(3,917,958)
Derecognition	-	-	-	-	-	-	(111,909)	(111,909)
Written off	-	-	-	(84,729)	(714,077)	(91,705)	-	(890,511)
Exchange differences	-	-	203	2,059	-	-	-	2,262
At 31 December 2022	-	18,167,058	2,898,037	6,026,527	84,910,412	11,208,575	9,130,999	132,341,608
Carrying amount								
At 31 December 2022	51,083,310	83,233,083	996,923	1,738,430	65,210,409	5,584,072	64,526,873	272,373,100

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Included in buildings of the Group are warehouse buildings of a subsidiary with carrying amount of RM13,220,113 (2022: RM13,858,774) which are erected on a land leased from a third party landlord which has a remaining lease term of approximately 21 years (2022: 22 years).

Further information about the lease of land is disclosed in Note 9(d)(iii).

	Company	
	2023 RM	2022 RM
Office equipment		
Cost		
At 1 January	18,605	18,605
Additions	5,209	-
At 31 December	23,814	18,605
Accumulated depreciation		
At 1 January	12,221	8,501
Charge for the financial year	4,027	3,720
At 31 December	16,248	12,221
Carrying amount		
At 31 December	7,566	6,384

(a) Assets pledged as security

The carrying amount of assets pledged as security to secure loans and borrowings granted to certain subsidiaries as disclosed in Note 19 are as follows:

	Group	
	2023 RM	2022 RM
Freehold land	35,401,710	35,401,710
Buildings	101,322,259	57,435,855
Plant and machinery	14,997,406	17,821,201
	151,721,375	110,658,766

(b) Assets under hire purchase

The carrying amount of plant and equipment held under hire purchase arrangements are as follows:

	Group	
	2023 RM	2022 RM
Motor vehicles	6,124,715	4,075,076
Plant and machinery	12,277,107	9,143,051
	18,401,822	13,218,127

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) Asset subject to operating leases

The Group leases certain of its warehouse buildings to third parties.

In the previous financial year, the Group had entered into a lease contract with a new tenant to lease part of the warehouse space. The lease contains an initial non-cancellable period of 2 years with an option to renew for subsequent 1 year. Subsequent renewal is subject to negotiation with the lessee.

Information about leases for which the Group is lessor is presented below:

	Buildings (own use) RM	Building (subject to operating lease) RM	Total RM
Group Cost			
At 1 January 2022	95,649,903	5,750,238	101,400,141
Reclassification	(11,548,068)	11,548,068	-
At 31 December 2022	84,101,835	17,298,306	101,400,141
Addition	45,676	-	45,676
Transfer from capital work-in-progress	48,660,269	-	48,660,269
At 31 December 2023	132,807,780	17,298,306	150,106,086
Accumulated depreciation			
At 1 January 2022	15,377,591	445,108	15,822,699
Depreciation charge for the financial year	1,705,698	638,661	2,344,359
Reclassification	(2,355,763)	2,355,763	-
At 31 December 2022	14,727,526	3,439,532	18,167,058
Depreciation charge for the financial year	1,825,547	638,661	2,464,208
At 31 December 2023	16,553,073	4,078,193	20,631,266
Carrying amount			
At 31 December 2022	69,374,309	13,858,774	83,233,083
At 31 December 2023	116,254,707	13,220,113	129,474,820

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(d) Right-of-use assets

The Group leases several assets and the information about leases of the Group as a lessee is presented below:

	Leasehold land RM	Buildings RM	Plant and machinery RM	Motor vehicles RM	Total RM
Group					
Carrying amount					
At 1 January 2022	43,311,735	2,527,487	31,833	33,055	45,904,110
Additions	21,265,658	124,548	-	-	21,390,206
Depreciation	(1,037,723)	(1,696,922)	(3,265)	(23,328)	(2,761,238)
Derecognition*	-	(6,205)	-	-	(6,205)
At 31 December 2022	63,539,670	948,908	28,568	9,727	64,526,873
Additions	-	1,633,309	-	-	1,633,309
Depreciation	(1,056,235)	(1,707,061)	(2,449)	(9,727)	(2,775,472)
Transfer to property, plant and equipment	-	-	(26,119)	-	(26,119)
At 31 December 2023	62,483,435	875,156	-	-	63,358,591

* Derecognition of right-of-use assets is a result of termination of certain leases of the Group and the net gain of lease termination is disclosed in Note 6.

(i) Lease term

The Group leases land and buildings for its office space, operation site and staff accommodation. The leases generally have lease term between 1 year and approximately 96 years (2022: 2 years and 96 years).

The remaining lease terms of the leasehold land are approximately between 21 years and 94 years (2022: 22 years and 95 years).

(ii) Asset pledged as security

The leasehold land with a carrying amount of RM54,971,905 (2022: RM55,664,672) has been pledged as security to secure loans and borrowings granted to certain subsidiaries as disclosed in Note 19.

(iii) Extension and termination options

Included in the lease contracts of a subsidiary is a lease for an industrial land which has a 30 years extension period upon the expiry of the current lease tenure in 2044 ("the lease extension"). As at the reporting date, the Group is still in the midst of assessing the lease extension. As the rental payments for the lease extension period are subject to discretion of the lessor, the subsidiary is unable to reliably estimate the future cash outflow pertaining to the lease extension period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

10. CAPITAL WORK-IN-PROGRESS

		2023 RM	Group 2022 RM
	Note		
At 1 January		69,294,497	33,866,748
Additions		33,633,347	48,956,768
Transfer to property, plant and equipment	9	(49,566,554)	(13,529,019)
Expense off		(9,650)	-
At 31 December		53,351,640	69,294,497

Capital work-in-progress ("CWIP") is in respect of construction of factory and warehouse buildings, plant and machinery.

Included in construction of factory and warehouse buildings, plant and machinery is an amount of RM48,916,593 (2022: RM33,682,473) pledged as security to secure certain loans and borrowings of a subsidiary as disclosed in Note 19.

Borrowing costs capitalised in relation to capital work-in-progress during the financial year amounts to RM993,427 (2022: RM510,549).

11. INVESTMENT IN SUBSIDIARIES

		2023 RM	Company 2022 RM
	Note		
Unquoted shares, at cost			
At 1 January		186,571,997	188,756,997
Capital distribution from a subsidiary		-	(27,605)
Winding up of a subsidiary		-	(2,157,395)
At 31 December		186,571,997	186,571,997
Accumulated impairment losses			
At 1 January		967,977	3,103,148
Additions	6	279,949	13,601
Winding up of a subsidiary		-	(2,148,772)
At 31 December		1,247,926	967,977
Carrying amount			
At 31 December		185,324,071	185,604,020

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. INVESTMENT IN SUBSIDIARIES (CONTINUED)

The details of subsidiaries are as follows:

Name of company	Principal place of business/country of incorporation	Principal activities	Effective ownership interest/ voting rights	
			2023	2022
Direct subsidiaries				
Leon Fuat Hardware Sdn. Bhd.	Malaysia	Trading and processing of steel products	100%	100%
Leon Fuat Metal Sdn. Bhd.	Malaysia	Trading, processing and/or manufacturing of steel and other related products	100%	100%
Supreme Steelmakers Sdn. Bhd.	Malaysia	Trading and processing of stainless steel and other steel products	100%	100%
Overum Wear Parts (Far East) Pte. Ltd.*	Republic of Singapore	Trading and processing of steel products	100%	100%
Indirect subsidiaries through Leon Fuat Metal Sdn. Bhd.				
Leon Fuat Industrial Products Sdn. Bhd.	Malaysia	Manufacturing, trading and processing of steel products	100%	100%
PCM Steel Processing Sdn. Bhd.	Malaysia	Slitting and processing metal coil and sheets	87% (Approximately)	87% (Approximately)

* Audited by an independent member firm of Baker Tilly International.

The Group's subsidiary which has non-controlling interests is not material to the financial position, financial performance and cash flows of the Group and therefore its details are not presented in the financial statements.

There is no restriction in the ability of the Group to access or use the assets and settle the liabilities of the subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

12. INVENTORIES

	2023 RM	Group 2022 RM
At cost		
Trading inventories	305,197,191	281,271,831
Goods-in-transit	11,527,125	4,011,873
Spare parts	409,523	327,713
	317,133,839	285,611,417
At net realisable value		
Trading inventories	53,797,345	101,488,069
	370,931,184	387,099,486

(a) During the financial year, the cost of inventories recognised as an expense in cost of sales of the Group is RM801,335,982 (2022: RM906,332,016).

(b) The cost of inventories of the Group recognised as an expense in cost of sales during the financial year in respect of write-down of inventories to net realisable value is RM2,432,277 (2022: RM12,929,457).

13. TRADE AND OTHER RECEIVABLES

	Note	2023 RM	Group 2022 RM	Company 2023 RM	2022 RM
Trade receivables					
External parties	(a)	252,650,991	252,407,746	-	-
Related party	(b)	211,876	399,009	-	-
		252,862,867	252,806,755	-	-
Less: Impairment losses on external parties	29(b)(i)	(1,847,660)	(2,836,236)	-	-
Total trade receivables		251,015,207	249,970,519	-	-
Other receivables					
Other receivables		475,307	402,216	-	-
Advances to suppliers	(c)	2,986,796	2,982,693	-	-
GST refundable		4,029	-	-	-
Deposits	(d)	920,642	5,339,581	4,500	4,500
Prepayments		4,739,191	4,649,415	-	3,000
Total other receivables		9,125,965	13,373,905	4,500	7,500
Total trade and other receivables		260,141,172	263,344,424	4,500	7,500

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

13. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables

The Group's trade receivables normal credit term range from 14 to 90 days (2022: 14 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition. Other credit terms are assessed and approved on a case by case basis.

The information about the credit risk exposure is disclosed in Note 29(b)(i).

(b) The amount due from a related party is subject to normal trade term and its further information are disclosed in Note 28.

(c) The amount of advances to suppliers of the Group is denominated in United States Dollar, being advances to foreign suppliers for purchase of inventories.

(d) Included in deposits of the Group are:

- (i) an amount of RM60,000 (2022: RM60,000) represents rental and utilities deposits paid to a fellow subsidiary;
- (ii) an amount of RM125,100 (2022: RM125,100) represents rental deposits paid to ultimate holding company;
- (iii) an amount of RM Nil (2022: RM4,442,658) being down payments for acquisition of plant and equipment; and
- (iv) down payments for acquisition of plant and equipment are amounts of RM Nil (2022: RM1,499,955) and RM Nil (2022: RM1,379,901) denominated in United States Dollar and Chinese Yuan Renminbi respectively.

(e) The foreign currency exposure profile of trade receivables of the Group is as follows:

	Group	
	2023 RM	2022 RM
United States Dollar	5,840,359	593,028
Singapore Dollar	670,957	867,826

14. AMOUNT DUE FROM SUBSIDIARIES

This amount is non-trade in nature, unsecured, non-interest bearing, repayable on demand and is expected to be settled in cash.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

15. DEPOSITS WITH LICENSED BANKS

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Deposits with licensed banks:				
- pledged	514,426	506,281	-	-
- not pledged	10,139,771	4,060,043	2,011,381	-
	10,654,197	4,566,324	2,011,381	-

The interest rates as at the reporting date and the maturities of the deposits placed with licensed banks are as follows:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Interest rate (%) (per annum)	2.15 - 3.40	1.60 - 2.98	3.40	-
Maturity (days)	30 - 365	18 - 365	30	-

Deposit of the Group amounting to RM514,426 (2022: RM506,281) is pledged with a licensed bank as security for banking facilities granted to a subsidiary as disclosed in Note 19(d).

16. CASH AND BANK BALANCES

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Cash at banks	39,013,730	34,965,701	803,227	1,617,108
Cash in hand	27,775	21,449	3	3
	39,041,505	34,987,150	803,230	1,617,111

The foreign currency exposure profile of cash and bank balances of the Group is as follows:

	Group	
	2023 RM	2022 RM
United States Dollar	5,912,699	8,133,715
Singapore Dollar	340,996	676,762

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

17. SHARE CAPITAL

	Group		Company	
	2023	2022	2023	2022
	Number of ordinary shares Unit	Amount RM	Number of ordinary shares Unit	Amount RM
Issued and fully paid up (no par value):				
At 1 January/ 31 December	341,000,000	186,422,515	341,000,000	186,422,515

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual interests.

18. RESERVES

	Note	Group		Company	
		2023 RM	2022 RM	2023 RM	2022 RM
Capital reserve	(a)	923	923	-	-
Merger deficit	(b)	(103,959,997)	(103,959,997)	-	-
Retained earnings		506,037,958	475,154,193	12,716,817	10,451,027
Translation reserve	(c)	134,081	70,582	-	-
		402,212,965	371,265,701	12,716,817	10,451,027

(a) Capital reserve

This is arising from the takeover of the unincorporated business of Leong Huat Trading & Co.

(b) Merger deficit

The merger deficit resulted from the difference between the carrying value of the investment in subsidiaries and the nominal value of the shares of the Company's subsidiaries upon consolidation under the merger accounting principle.

In the previous financial year, the Company had realised part of its merger deficit for an amount of RM5,585,000 arising from member's voluntary winding up of a subsidiary.

(c) Translation reserve

The translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of a foreign operation whose functional currency is different from that of the Group's presentation currency.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. LOANS AND BORROWINGS

		2023	Group 2022
	Note	RM	RM
Non-current			
Secured			
Hire purchase payables	(a)	4,809,044	4,124,574
Term loans	(b)	76,867,001	67,441,641
		81,676,045	71,566,215
Unsecured			
Lease liabilities	(c)	10,374,544	10,534,364
Total non-current		92,050,589	82,100,579
Current			
Secured			
Hire purchase payables	(a)	5,497,969	3,950,528
Term loans	(b)	11,154,358	10,793,052
Bankers' acceptances	(d)	109,255,000	109,378,000
Bank overdrafts	(d)	25,791,446	37,528,415
		151,698,773	161,649,995
Unsecured			
Lease liabilities	(c)	989,099	1,030,139
Bankers' acceptances	(d)	97,163,277	119,992,231
Bank overdrafts	(d)	9,286,214	7,774,679
Islamic financing	(e)	81,566,647	76,287,394
		189,005,237	205,084,443
Total current		340,704,010	366,734,438
Total loans and borrowings			
Hire purchase payables	(a)	10,307,013	8,075,102
Term loans	(b)	88,021,359	78,234,693
Lease liabilities	(c)	11,363,643	11,564,503
Bankers' acceptances	(d)	206,418,277	229,370,231
Bank overdrafts	(d)	35,077,660	45,303,094
Islamic financing	(e)	81,566,647	76,287,394
		432,754,599	448,835,017

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. LOANS AND BORROWINGS (CONTINUED)**(a) Hire purchase payables**

The secured hire purchase payables are to secure certain plant and machinery and motor vehicles of the Group as disclosed in Note 9(b).

The hire purchase payables bear interest at rates ranging from 2.19% to 2.93% (2022: 2.19% to 2.80%) per annum.

Future minimum hire purchase payments together with the present value of net minimum hire purchase payments are as follows:

	2023 RM	Group 2022 RM
Minimum hire purchase payments:		
Not later than 1 year	5,873,321	4,223,570
Later than 1 year and not later than 5 years	4,975,243	4,274,883
	10,848,564	8,498,453
Less: Future finance charges	(541,551)	(423,351)
Present value of net minimum hire purchase payments	10,307,013	8,075,102
Present value of net minimum hire purchase payments:		
Not later than 1 year	5,497,969	3,950,528
Later than 1 year and not later than 5 years	4,809,044	4,124,574
	10,307,013	8,075,102
Less: Amount due within 12 months	(5,497,969)	(3,950,528)
Amount due after 12 months	4,809,044	4,124,574

(b) Term loans – Secured

Details of the repayment terms are as follows:

Term Loan 1

Term loan 1 of a subsidiary of RM3,900,000 (2022: RM5,700,000) bears interest at a rate of 4.60% (2022: 4.35%) per annum and is repayable by monthly principal instalments of RM150,000 over 10 years commenced from the day of first drawdown and is secured and supported as follows:

- (i) a corporate guarantee given by the Company; and
- (ii) legal charge over the leasehold land of a subsidiary (Note 9).

Term Loan 2

Term loan 2 of a subsidiary of RM13,736,544 (2022: RM18,584,736) bears interest at a rate of 5.50% (2022: 5.07%) per annum and is repayable by monthly principal instalments of RM404,016 over 5 years commenced on the first day of the 25th month from the expiry of the availability period and is secured and supported as follows:

- (i) a corporate guarantee given by the Company; and
- (ii) legal charge over certain machinery of a subsidiary (Note 9).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. LOANS AND BORROWINGS (CONTINUED)

(b) Term loans – Secured (continued)

Details of the repayment terms are as follows: (continued)

Term Loan 3

Term loan 3 of a subsidiary of RM11,808,359 (2022: RM13,315,811) bears interest at a rate of 6.20% (2022: 5.95%) per annum and is repayable by monthly principal instalments of RM125,621 and a final instalment of RM125,606 over 10 years commenced on the first day of the 25th month from the expiry of the availability period and is secured and supported as follows:

- (i) a corporate guarantee given by the Company; and
- (ii) legal charge over the leasehold land and building of a subsidiary (Note 9).

Term Loan 4

Term loan 4 of a subsidiary of RM19,510,470 (2022: RM13,585,792) bears interest at a rate of 6.20% (2022: 5.95%) per annum and is repayable by monthly instalments over 9 years commencing on the first day of the 37th month from the date of first drawdown and is secured and supported as follows:

- (i) a corporate guarantee given by the Company; and
- (ii) legal charge over the leasehold land, building and CWIP of a subsidiary (Notes 9 and 10).

Term Loan 5

Term loan 5 of a subsidiary of RM1,639,250 (2022: RM1,876,250) bears interest at a rate of 6.02% (2022: 5.48%) per annum and is repayable by monthly principal instalments of RM19,750 over 10 years commenced on the first day of the following month after full drawdown and is secured and supported as follows:

- (i) corporate guarantee given by the Company; and
- (ii) legal charge over the leasehold land and building of a subsidiary (Note 9).

Term Loan 6

Term loan 6 of a subsidiary of RM6,332,500 (2022: RM7,132,900) bears interest at a rate of 5.84% (2022: 5.61%) per annum and is repayable by monthly principal instalments of RM66,700 and a final instalment of RM62,700 over 10 years commenced on the first day of the following month after full drawdown and is secured and supported as follows:

- (i) a corporate guarantee given by the Company; and
- (ii) legal charge over the freehold land of a subsidiary (Note 9) and ultimate holding company.

Term Loan 7

Term loan 7 of a subsidiary of RM13,066,652 (2022: RM14,666,660) bears interest at a rate of 5.69% (2022: 4.81%) per annum and is repayable by monthly principal instalments of RM133,334 and a final instalment of RM133,254 over 10 years commenced on the first day of the month following the full release of the facility and is secured and supported as follows:

- (i) a corporate guarantee given by the Company; and
- (ii) legal charge over the leasehold land and certain freehold land and buildings of a subsidiary (Note 9).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. LOANS AND BORROWINGS (CONTINUED)**(b) Term loans – Secured (continued)**

Details of the repayment terms are as follows: (continued)

Term Loan 8

Term loan 8 of a subsidiary of RM18,027,584 (2022: RM3,372,544) bears interest at a rate of 5.45% (2022: 5.07%) per annum and is repayable by monthly instalments over 4 years commencing on the first day of the 37th month from the date of first drawdown and is secured and supported as follows:

- (i) a corporate guarantee given by the Company; and
- (ii) legal charge over certain machinery of a subsidiary (Note 9).

(c) Lease liabilities

The incremental borrowing rates applied to lease liabilities ranging from 3.25% to 6.20% (2022: 2.70% to 5.14%) per annum.

Future minimum lease payments together with the present value of net minimum lease payments are as follows:

	2023 RM	Group 2022 RM
Minimum lease payments:		
Not later than 1 year	1,508,967	1,555,276
Later than 1 year and not later than 5 years	2,776,599	2,756,916
Later than 5 years	14,209,281	14,897,931
	18,494,847	19,210,123
Less: Future finance charges	(7,131,204)	(7,645,620)
Present value of net minimum lease payments	11,363,643	11,564,503
Present value of net minimum lease payments:		
Not later than 1 year	989,099	1,030,139
Later than 1 year and not later than 5 years	823,497	768,320
Later than 5 years	9,551,047	9,766,044
	11,363,643	11,564,503
Less: Amount due within 12 months	(989,099)	(1,030,139)
Amount due after 12 months	10,374,544	10,534,364

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. LOANS AND BORROWINGS (CONTINUED)

(d) Bankers' acceptances and bank overdrafts

Secured

The secured bankers' acceptances and bank overdrafts as at the end of the financial year bear interest at rates ranging from 3.96% to 4.89% (2022: 3.22% to 4.45%) per annum and 6.95% to 7.70% (2022: 6.95% to 7.45%) per annum respectively and are secured and supported by:

- (i) legal charge over certain properties of subsidiaries (Note 9) and ultimate holding company;
- (ii) deposit placed with a licensed bank of a subsidiary (Note 15); and
- (iii) corporate guarantees given by the Company.

Unsecured

The unsecured bankers' acceptances and bank overdrafts as at the end of the financial year bear interest at rates ranging from 4.09% to 4.57% (2022: 3.15% to 4.42%) per annum and 7.45% to 7.82% (2022: 7.42% to 7.57%) per annum respectively and are supported by corporate guarantees given by the Company.

(e) Islamic financing

Islamic financing represents the Structured Commodity Financing-i facilities. This amount as at the end of the financial year is unsecured and bears interest at rates ranging from 4.34% to 4.71% (2022: 3.75% to 4.47%) per annum. The unsecured facility is supported by a corporate guarantee provided by the Company.

20. DEFERRED TAX LIABILITIES

		2023 RM	Group 2022 RM
At 1 January		6,098,527	7,480,382
Recognised in profit or loss	7	1,717,381	(1,381,855)
At 31 December		7,815,908	6,098,527

Presented after appropriate offsetting as follows:

	2023 RM	Group 2022 RM
Deferred tax liabilities	15,508,203	14,402,426
Deferred tax assets	(7,692,295)	(8,303,899)
	7,815,908	6,098,527

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. DEFERRED TAX LIABILITIES (CONTINUED)

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

	At 1 January 2022 RM	Recognised in profit or loss RM	At 31 December 2022 RM	Recognised in profit or loss RM	At 31 December 2023 RM
Group					
Deferred tax liabilities:					
Property, plant and equipment	12,196,489	1,492,426	13,688,915	1,134,602	14,823,517
Fair value adjustment in respect of a subsidiary acquired	589,606	(20,488)	569,118	(20,488)	548,630
Others	151,704	(7,311)	144,393	(8,337)	136,056
Total deferred tax liabilities	12,937,799	1,464,627	14,402,426	1,105,777	15,508,203
Deferred tax assets:					
Impairment losses on trade receivables	(722,655)	54,587	(668,068)	451,786	(216,282)
Accrual of bonus	(1,157,401)	(103,064)	(1,260,465)	(50,425)	(1,310,890)
Inventories written down	(193,116)	(3,086,671)	(3,279,787)	131,329	(3,148,458)
Lease liabilities	(3,168,241)	398,144	(2,770,097)	42,822	(2,727,275)
Unrealised profits on inventories	(215,971)	(106,961)	(322,932)	54,520	(268,412)
Others	(33)	(2,517)	(2,550)	(18,428)	(20,978)
Total deferred tax assets	(5,457,417)	(2,846,482)	(8,303,899)	611,604	(7,692,295)
	7,480,382	(1,381,855)	6,098,527	1,717,381	7,815,908

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group 2023 RM	Group 2022 RM
Deductible temporary differences	586,788	791,382
Unabsorbed capital allowances	3,579,772	3,360,312
Unused tax losses	7,933,760	6,539,756
	12,100,320	10,691,450

The availability of unused tax losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to requirements under Income Tax Act, 1967 and guidelines issued by the tax authority.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. DEFERRED TAX LIABILITIES (CONTINUED)

The unused tax losses are available indefinitely for offset against future taxable profits of the Group, except for certain unused tax losses which are available for utilisation up to the following financial years:

	Group	
	2023 RM	2022 RM
2028	5,643,625	5,643,625
2032	46,910	46,910
2033	998,598	-

21. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2023 RM	2022 RM	2023 RM	2022 RM
Trade payables					
External parties	(a)	11,039,936	6,706,966	-	-
Related party	(b)	-	2,253	-	-
Total trade payables		11,039,936	6,709,219	-	-
Other payables					
Other payables	(c)	7,614,996	3,901,855	-	-
GST payable		-	5,441	-	-
SST payable		96,645	162,159	-	-
Withholding tax payable		3,131	-	-	-
Rental deposits received		523,054	523,054	-	-
Advances from customers		461,331	907,082	-	-
Accruals	(c)	12,506,407	11,518,511	922,933	903,503
Total other payables		21,205,564	17,018,102	922,933	903,503
Total trade and other payables		32,245,500	23,727,321	922,933	903,503

(a) Trade payables

The Group's trade payables normal trade credit term range from 14 to 90 days (2022: 14 to 90 days).

(b) The amount due to a related party is subject to normal trade term and its further information is disclosed in Note 27.

(c) Included in other payables and accruals of the Group are RM6,562,961 (2022: RM2,192,647) and RM Nil (2022: RM415,173) due to external parties and a fellow subsidiary respectively in relation to the construction of machineries, factory and warehouse buildings.

Included in accruals of the Group and of the Company are directors' fees amounting to RM1,350,000 (2022: RM1,350,000) and RM650,000 (2022: RM650,000) respectively.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

21. TRADE AND OTHER PAYABLES (CONTINUED)

(d) The foreign currency exposure profile of trade and other payables of the Group are as follows:

	2023 RM	Group 2022 RM
Trade payables		
United States Dollar	396,394	558,976
Other payables		
Chinese Yuan Renmimbi	1,162,440	-
Euro	28,592	-
Singapore Dollar	10,710	149,358

(e) For explanations on the Group's and the Company's liquidity risk management processes, refer to Note 29(b)(iii).

22. CONTRACT LIABILITIES

	2023 RM	Group 2022 RM
At 1 January	2,236,952	2,036,652
Recognised in profit or loss	(1,258,935)	(1,607,769)
Additions	2,156,603	1,808,069
At 31 December	3,134,620	2,236,952

Contract liabilities relate to advance billings for which consideration may or may not be received for goods and services yet to be delivered and rendered.

23. DERIVATIVE FINANCIAL LIABILITIES

	2023 RM	Group 2022 RM
Contract notional amount		
Hedging derivative:		
Forward currency contracts	7,362,800	-
At fair value through profit or loss		
Hedging derivative:		
Current liabilities		
Forward currency contracts	23,960	-

The Group uses forward contracts to manage purchases transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value change exposure. Such derivatives do not qualify for hedge accounting. Forward currency contracts are used to hedge the Company's trade payables and purchases denominated in United States Dollar, extending to December 2023.

During the financial year, the Group recognised a loss of RM23,960 (2022: RM Nil) arising from fair value changes of derivative financial instruments. The method and assumption applied in determining the fair value of derivative is disclosed in Note 29(c)(i).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

24. DIVIDENDS

	Group/Company	
	2023 RM	2022 RM
Recognised during the financial year:		
Dividends on ordinary shares:		
- Single-tier final dividend of 2.0 sen per ordinary share for the financial year ended 31 December 2021, paid on 5 August 2022	-	6,820,000
- Single-tier final dividend of 1.5 sen per ordinary share for the financial year ended 31 December 2022, paid on 14 July 2023	5,115,000	-

At the forthcoming Annual General Meeting, a single-tier final dividend of 1.5 sen per ordinary share amounting to RM5,115,000 in respect of the current financial year, based on the number of outstanding ordinary shares in issue as at 31 December 2023, will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2024.

25. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise of the following:

		Group		Company	
	Note	2023 RM	2022 RM	2023 RM	2022 RM
Cash and bank balances	16	39,041,505	34,987,150	803,230	1,617,111
Deposits with licensed banks	15	10,654,197	4,566,324	2,011,381	-
		49,695,702	39,553,474	2,814,611	1,617,111
Less: Bank overdrafts	19	(35,077,660)	(45,303,094)	-	-
Less: Deposit pledged with a licensed bank	15	(514,426)	(506,281)	-	-
		14,103,616	(6,255,901)	2,814,611	1,617,111

26. SEGMENT INFORMATION

General information

The Group is principally engaged in trading, processing and/or manufacturing of steel related products.

The Group has arrived at three (3) reportable segments that are based on information reported internally to the Management and the Board of Directors. The reportable segments are summarised as follows:

- (i) Trading of steel products;
- (ii) Processing and/or manufacturing of steel products; and
- (iii) Others.

The accounting policies of the segments are the same as the Group's accounting policies described in Note 3.

The Group evaluates performance based on segment operating revenue and gross profit. Inter-segment transactions are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

Segment results, assets and liabilities information are neither included in the internal management reports nor provided regularly to the management. Hence, no disclosures are made on segment results, assets and liabilities. All results, assets and liabilities are managed on a group basis.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. SEGMENT INFORMATION (CONTINUED)

Measurement of reportable segment

	Trading of steel products RM	Processing/ Manufacturing of steel products RM	Others RM	Total RM
2023				
External revenue	322,750,246	604,874,924	419,958	928,045,128
Cost of sales	(287,021,693)	(538,642,834)	(359,269)	(826,023,796)
Gross profit before inventories written down	35,728,553	66,232,090	60,689	102,021,332
Inventories written down				(2,432,277)
Gross profit				99,589,055
Add/(Less):				
Other income				3,334,907
Operating expenses				(42,378,980)
Net reversal of impairment losses on financial instruments				975,864
Finance costs				(21,758,981)
Profit before tax				39,761,865
Tax expense				(3,909,585)
Profit for the financial year				35,852,280
2022				
External revenue	362,700,896	661,997,771	419,100	1,025,117,767
Cost of sales	(334,762,282)	(585,811,990)	(354,390)	(920,928,662)
Gross profit before inventories written down	27,938,614	76,185,781	64,710	104,189,105
Inventories written down				(12,929,457)
Gross profit				91,259,648
Add/(Less):				
Other income				2,681,219
Operating expenses				(39,551,613)
Net reversal of impairment losses on financial instruments				445,530
Finance costs				(17,920,368)
Profit before tax				36,914,416
Tax expense				(7,376,599)
Profit for the financial year				29,537,817

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

26. SEGMENT INFORMATION (CONTINUED)**Geographical segment**

Revenue from external customers based on the location of its customers has not been disclosed as revenue earned outside Malaysia is insignificant. Non-current assets information is presented based on the segment's country of domicile. Non-current assets do not include financial instruments.

	Non-current assets	
	2023	2022
	RM	RM
Malaysia	371,607,563	341,654,822
Republic of Singapore	11,379	12,775
	371,618,942	341,667,597

Information about major customers

There is no single customer with revenue equal or more than 10% of the Group's total revenue.

27. COMMITMENTS**(a) Commitments**

The Group has made commitments for the following capital expenditures:

	2023	Group
	RM	2022
		RM
Approved and contracted for:		
Acquisition of plant and equipment	1,673,504	20,901,412
Acquisition of properties	-	1,378,982
Construction of factory and warehouse buildings	-	11,007,820
	1,673,504	33,288,214

(b) Operating lease commitments – as lessor

The Group leases its warehouse buildings with non-cancellable period of 2 years to a third party with an option to renew for subsequent 1 year and the subsequent renewal is subject to negotiation with the lessee.

The maturity analysis of the undiscounted lease payments to be received after the reporting date is as follows:

	2023	Group
	RM	2022
		RM
Not later than 1 year	906,862	989,304
1 to 2 years	-	906,862
	906,862	1,896,166

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. RELATED PARTIES

(a) Identity of related parties

A party is considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

- (i) Ultimate holding company;
- (ii) Subsidiaries;
- (iii) Fellow subsidiaries;
- (iv) Entities in which directors or a person connected to the directors of the Company have substantial financial interests; and
- (v) Key management personnel of the Group, comprising persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Transaction with ultimate holding company				
- Rental paid and payable	1,420,800	1,420,800	-	-
Transactions with subsidiaries				
- Management fees received and receivables	-	-	(590,159)	(565,179)
- Dividend income received and receivables	-	-	(8,000,000)	(8,000,000)
- Corporate guarantee fees received and receivables	-	-	(1,511,449)	(1,511,167)
Transactions with fellow subsidiaries				
- Purchases	90,718	688,146	-	-
- Rental paid and payable	300,000	300,000	-	-
Transactions with an entity in which directors or a person connected to the directors of the Company have substantial financial interests				
- Sales	(5,309,158)	(5,522,413)	-	-
- Purchases	900	97,330	-	-

Significant outstanding balances with related parties at the end of the reporting period are as disclosed in Notes 13, 14, and 21.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. RELATED PARTIES (CONTINUED)

(c) Compensation of key management personnel

	Group		Company	
	2023 RM	2022 RM	2023 RM	2022 RM
Short-term employee benefits	7,649,671	7,431,310	457,959	432,002
Fees	1,350,000	1,350,000	650,000	650,000
Benefits-in-kind	272,757	207,023	1,550	106
	9,272,428	8,988,333	1,109,509	1,082,108
Post-employment benefits	908,821	883,533	52,416	48,960
	10,181,249	9,871,866	1,161,925	1,131,068

29. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

	Carrying amount RM	Amortised cost RM	Fair value through profit or loss RM
At 31 December 2023			
Financial assets			
Group			
Trade and other receivables (i)	252,411,156	252,411,156	-
Deposits with licensed banks	10,654,197	10,654,197	-
Cash and bank balances	39,041,505	39,041,505	-
	302,106,858	302,106,858	-
Company			
Other receivable (i)	4,500	4,500	-
Amount due from subsidiaries	3,992,517	3,992,517	-
Dividend receivables	8,000,000	8,000,000	-
Deposits with a licensed bank	2,011,381	2,011,381	-
Cash and bank balances	803,230	803,230	-
	14,811,628	14,811,628	-
Financial liabilities			
Group			
Trade and other payables (ii)	31,684,393	31,684,393	-
Loans and borrowings (iii)	421,390,956	421,390,956	-
Derivative financial liabilities	23,960	-	23,960
	453,099,309	453,075,349	23,960
Company			
Other payables	922,933	922,933	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned: (continued)

	Carrying amount RM	Amortised cost RM
At 31 December 2022		
Financial assets		
Group		
Trade and other receivables (i)	251,269,658	251,269,658
Deposits with licensed banks	4,566,324	4,566,324
Cash and bank balances	34,987,150	34,987,150
	290,823,132	290,823,132
Company		
Other receivable (i)	4,500	4,500
Amount due from subsidiaries	2,576,030	2,576,030
Dividend receivables	8,000,000	8,000,000
Cash and bank balances	1,617,111	1,617,111
	12,197,641	12,197,641
Financial liabilities		
Group		
Trade and other payables (ii)	22,652,639	22,652,639
Loans and borrowings (iii)	437,270,514	437,270,514
	459,923,153	459,923,153
Company		
Other payables	903,503	903,503

(i) Excluding advances to suppliers, GST refundable, prepayments and down payments for acquisition of plant and equipment.

(ii) Excluding GST payable, SST payable, withholding tax payable and advances from customers.

(iii) Excluding lease liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, interest rate risk, liquidity risk, and foreign currency risk. The Group's and the Company's overall financial risk management objective is to minimise potential effects on the financial performance of the Group and the Company.

Financial risk management is carried out through risk review, internal control systems and adherence to the Group's and the Company's financial risk management policies. The Board regularly reviews these risks and approves the policies covering the management of these risks.

(i) Credit risk

Credit risk is the risk of financial loss to the Group that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

Trade receivables

At the reporting date, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amount in the statements of financial position.

The carrying amount of trade receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group considers any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The Group applies the simplified approach to providing for expected credit losses ("ECL") prescribed by MFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The determination of ECL also incorporates economic conditions during the period of historical data, current conditions and forward-looking information on economic conditions over the expected settlement period of the receivables. The Group believes that changes in economic conditions over these periods would not materially impact the calculation of impairment of receivables.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables (continued)

The information about the credit risk exposure on the Group's trade receivables using provision matrix are as follows:

	Gross carrying amount RM	Individual impairment RM	ECL rate %	Collective impairment RM	Net carrying amount RM
Group 2023					
Current	133,845,895	-	0.01 - 0.10	(112,795)	133,733,100
Past due					
1 - 30 days	58,046,198	-	0.02 - 0.27	(136,830)	57,909,368
31 - 60 days	34,099,254	(788)	0.03 - 0.40	(126,392)	33,972,074
61 - 90 days	11,808,676	(1,364)	0.21 - 1.16	(114,215)	11,693,097
> 90 days	15,062,844	(944,334)	0.60 - 5.00	(410,942)	13,707,568
Total	252,862,867	(946,486)		(901,174)	251,015,207
2022					
Current	124,090,849	(12,121)	0.00 - 0.39	(153,181)	123,925,547
Past due					
1 - 30 days	53,846,202	(7,003)	0.00 - 0.95	(184,702)	53,654,497
31 - 60 days	41,565,658	(7,337)	0.00 - 1.27	(219,430)	41,338,891
61 - 90 days	16,225,853	(8,122)	0.01 - 3.23	(216,745)	16,000,986
> 90 days	17,078,193	(1,287,960)	0.16 - 5.00	(739,635)	15,050,598
Total	252,806,755	(1,322,543)		(1,513,693)	249,970,519

The movement in the allowance for impairment losses on trade receivables during the financial years ended 31 December 2023 and 31 December 2022 were:

	Note	Individual impairment RM	Collective impairment RM	Total RM
Group 2023				
At 1 January 2023		1,322,543	1,513,693	2,836,236
Additions	6	477,015	20,124	497,139
Reversal	6	(840,360)	(632,643)	(1,473,003)
Written off		(12,712)	-	(12,712)
At 31 December 2023		946,486	901,174	1,847,660
2022				
At 1 January 2022		2,193,632	1,126,166	3,319,798
Additions	6	100,034	394,128	494,162
Reversal	6	(933,091)	(6,601)	(939,692)
Written off		(38,032)	-	(38,032)
At 31 December 2022		1,322,543	1,513,693	2,836,236

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables (continued)

Trade receivables that are individually determined to be credit-impaired at the reporting date relate to receivables that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

Other receivables and other financial assets

For other receivables and other financial assets (including cash and cash equivalents and refundable deposits), the Group and the Company minimise credit risk by dealing exclusively with counterparties with high credit rating.

At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and the Company consider the probability of default upon the initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, impairment losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

As at the end of the reporting date, the Group and the Company consider these financial assets to be of low credit risk, for which no material loss allowance for impairment is required.

Financial guarantee contracts

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of loans granted to certain subsidiaries. The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks amounts to RM411,083,943 (2022: RM429,195,412) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 19. As at the reporting date, there was no indication that the subsidiaries would default on repayment and hence no loss allowance for impairment as determined by the Company for the financial guarantees.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(ii) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the Group's financial instruments will fluctuate because of changes in market interest rates.

The Group's and the Company's exposure to interest rate risk arises primarily relates to deposits with licensed banks and interest-bearing financial liabilities which include hire purchase payables, lease liabilities, term loans, islamic financing, bankers' acceptances and bank overdrafts.

Borrowings at floating rate amounting to RM411,083,943 (2022: RM429,195,412) expose the Group to cash flow interest rate risk whilst borrowings at fixed rate amounting to RM21,670,656 (2022: RM19,639,605) expose the Group to fair value interest rate risk.

The Group manages its interest rate risk exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group also monitors the interest rate on borrowings closely to ensure that the borrowings are maintained at favourable rates.

Sensitivity analysis for interest rate risk

If the interest rate had been 50 basis point higher/lower and all other variables held constant, the Group's profit for the financial year ended 31 December 2023 would decrease/increase by RM1,562,119 (2022: RM1,630,943) as a result of exposure to floating rate borrowings.

(iii) Liquidity risk

Liquidity risk is the risk that the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities. The Group's objective is to maintain a balance between continuity of funding and flexibility through the use of stand-by credit facilities.

The Group manages its operating cash flows by maintaining sufficient level of cash to meet its working capital requirements and availability of funding through an adequate amount of credit facilities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations:

	Carrying amount RM	Contractual cash flows RM	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	Over 5 years RM
2023						
Group						
Financial liabilities						
Trade and						
other payables	31,684,393	31,684,393	31,684,393	-	-	-
Hire purchase						
payables	10,307,013	10,848,564	5,873,321	3,781,275	1,193,968	-
Term loans	88,021,359	107,977,658	16,006,061	17,134,881	44,791,787	30,044,929
Lease liabilities	11,363,643	18,494,847	1,508,967	701,850	2,074,749	14,209,281
Bankers'						
acceptances	206,418,277	206,418,277	206,418,277	-	-	-
Bank overdrafts	35,077,660	35,077,660	35,077,660	-	-	-
Islamic financing	81,566,647	83,207,153	83,207,153	-	-	-
Derivative financial						
liabilities	23,960	23,960	23,960	-	-	-
	464,462,952	493,732,512	379,799,792	21,618,006	48,060,504	44,254,210
Company						
Financial liabilities						
Other payables	922,933	922,933	922,933	-	-	-
Financial guarantee *	-	411,083,943	411,083,943	-	-	-
	922,933	412,006,876	412,006,876	-	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities (continued)

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations: (continued)

	Carrying amount RM	Contractual cash flows RM	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	Over 5 years RM
2022						
Group						
Financial liabilities						
Trade and						
other payables	22,652,639	22,652,639	22,652,639	-	-	-
Hire purchase						
payables	8,075,102	8,498,453	4,223,570	3,070,205	1,204,678	-
Term loans	78,234,693	95,821,225	14,757,796	14,458,708	36,335,483	30,269,238
Lease liabilities	11,564,503	19,210,123	1,555,276	668,967	2,087,949	14,897,931
Bankers'						
acceptances	229,370,231	229,370,231	229,370,231	-	-	-
Bank overdrafts	45,303,094	45,303,094	45,303,094	-	-	-
Islamic financing	76,287,394	77,926,696	77,926,696	-	-	-
	471,487,656	498,782,461	395,789,302	18,197,880	39,628,110	45,167,169
Company						
Financial liabilities						
Other payables	903,503	903,503	903,503	-	-	-
Financial guarantee*	-	429,195,412	429,195,412	-	-	-
	903,503	430,098,915	430,098,915	-	-	-

* The Company has given corporate guarantees to banks of certain subsidiaries for banking facilities. The potential exposure of the financial guarantee is equivalent to the amount of the banking facilities being utilised by the said subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iv) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Group has foreign currency exposure primarily arising from its trade receivables, cash at banks, trade and other payables and derivatives which are denominated in United States Dollar ("USD"), Singapore Dollar ("SGD"), Chinese Yuan Renminbi ("RMB") and Euro ("EURO") as disclosed in Notes 13, 16, 21 and 23.

The Group ensures that the net exposure to this risk is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. Management does not enter into currency hedging transactions since it considers that the cost of such instruments outweighs the potential risk of exchange rate fluctuations.

Sensitivity analysis for foreign currency risk

The Group's principal foreign currency exposure relates mainly to USD, SGD, RMB and EURO.

The following table demonstrates the sensitivity to a reasonably possible change in the USD, SGD, RMB and EURO, with all other variables held constant on the Group's total equity and profit for the financial year.

		Group	
		2023 RM	2022 RM
USD/RM	- Strengthened 5%	151,767	310,375
	- Weakened 5%	(151,767)	(310,375)
SGD/RM	- Strengthened 5%	38,047	53,019
	- Weakened 5%	(38,047)	(53,019)
RMB/RM	- Strengthened 5%	(44,173)	-
	- Weakened 5%	44,173	-
EURO/RM	- Strengthened 5%	(1,086)	-
	- Weakened 5%	1,086	-

(c) Fair value measurement

(i) Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short-term receivables and payables are reasonable approximation of fair values due to relatively short-term nature of these financial instruments.

The carrying amounts of short-term and long-term floating rate borrowings are reasonable approximation of fair values as the borrowings will be re-priced to market interest rate on or near reporting date.

The fair value of derivatives is determined by reference to the mark-to-market rate at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

29. FINANCIAL INSTRUMENTS (CONTINUED)

(c) Fair value measurement (continued)

(ii) Fair value hierarchy

Analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

- (i) Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities;
- (ii) Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- (iii) Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The following table provides the fair value measurement hierarchy of the Group's financial instruments that are not carried at fair value:

	Carrying amount RM	Fair value of financial instruments not carried at fair value			
		Fair value			Total RM
		Level 1 RM	Level 2 RM	Level 3 RM	
<hr/>					
Group					
2023					
Financial liability					
Hire purchase payables	10,307,013	-	-	10,299,487	10,299,487
<hr/>					
2022					
Financial liability					
Hire purchase payables	8,075,102	-	-	8,070,378	8,070,378

Level 3 fair valueFair value of financial instruments not carried at fair value

The fair value of hire purchase payables is estimated by discounting future cash flows using effective interest rates for similar type of hire purchase arrangements.

During the financial year ended 31 December 2023, there have been no transfers within the fair value measurement hierarchy (2022: no transfer in either directions).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, or issue new shares. There were no changes in the Group approach to capital management since the financial year ended 31 December 2022. The Group is not subject to any externally imposed capital requirements.

The Group monitors capital using a gearing ratio, which is net debts divided by total capital plus net debts. Net debts comprise bankers' acceptances, bank overdrafts, term loans, islamic financing, hire purchase payables and lease liabilities less deposits with licensed banks, cash and bank balances whilst total capital is total equity of the Group.

	Group	
	2023 RM	2022 RM
Total interest-bearing borrowings	432,754,599	448,835,017
Less: Deposits with licensed banks, cash and bank balances	(49,695,702)	(39,553,474)
Total net debts	383,058,897	409,281,543
Total equity	588,994,058	558,193,279
Total net debts plus equity	972,052,955	967,474,822
Gearing ratio	39%	42%

Certain subsidiaries of the Company are required to comply with gearing ratio in respect of their borrowings.

31. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

On 20 March 2024, the Company's wholly-owned subsidiary, Leon Fuat Metal Sdn. Bhd. had acquired the remaining 1,546,000 ordinary shares representing approximately 12.99% of the total issued share capital of PCM Steel Processing Sdn. Bhd. ("PCM") from Nippon Steel Trading Corporation for a cash consideration of RM270,605. Consequently, PCM became an indirect wholly-owned subsidiary of the Company.

STATEMENT BY DIRECTORS

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, **DATO' SRI OOI BIN KEONG** and **OOI SENG KHONG**, being two of the directors of LEON FUAT BERHAD, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 106 to 158 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023 and of their financial performance and cash flows for the financial year then ended.

Signed on behalf of the Board of Directors in accordance with a resolution of the directors.

DATO' SRI OOI BIN KEONG

Director

OOI SENG KHONG

Director

Kuala Lumpur

Date: 9 April 2024

STATUTORY DECLARATION

PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, **TAN KIEN YAP**, being the officer primarily responsible for the financial management of LEON FUAT BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements as set out on pages 106 to 158 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

TAN KIEN YAP

[MIA 15963]

Subscribed and solemnly declared by the abovenamed at the Federal Territory of Kuala Lumpur on 9 April 2024.

Before me,

HADINUR MOHD SYARIF (W761)

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LEON FUAT BERHAD (Incorporated in Malaysia)

REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Leon Fuat Berhad, which comprise the statements of financial position as at 31 December 2023 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including material accounting policies, as set out on pages 106 to 158.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2023, and of their financial performance and their cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Group

Inventories (Note 12 to the financial statements)

As at 31 December 2023, the Group's inventories amounted to RM370.93 million. The Group's inventories are measured at the lower of cost and net realisable value. Judgement is required in estimating their net realisable values and identifying slow-moving inventories.

Our audit response:

Our audit procedures included, among others:

- understand the design and implementation of controls associated with monitoring, detection and write-down of slow-moving inventories;
- attending year end physical inventory count to observe physical existence and condition of the inventories and reviews the design and implementation of controls during the count;
- checking subsequent sales and Group's assessment on estimated net realisable value on selected inventory items; and
- discussing with the Group whether the inventories have been written down to their net realisable value for inventory items with net realisable value lower than their cost.

Company

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to be communicated in our auditors' report.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF LEON FUAT BERHAD (Incorporated in Malaysia)

Information Other than the Financial Statements and Auditors' Report Thereon

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit, or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

INDEPENDENT AUDITORS' REPORT (CONTINUED)

TO THE MEMBERS OF LEON FUAT BERHAD (Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

INDEPENDENT AUDITORS' REPORT (CONTINUED) TO THE MEMBERS OF LEON FUAT BERHAD (Incorporated in Malaysia)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, are disclosed in Note 11 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Jason Wong Yew Ming
No. 03668/06/2024 J
Chartered Accountant

Kuala Lumpur
Date: 9 April 2024

LIST OF PROPERTIES

AS AT 31 DECEMBER 2023

Registered/ Beneficial Owner	Address/Title	Description/Existing Use	Tenure	Approximate Land/ Built-up Areas (sq. ft. *)	Approximate Age of Buildings (No. of Years)	Net Carrying Amount at Group Level as at 31 December 2023 (RM)	Year of Acquisition/ Revaluation
LF Metal	No. 11, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan held under GRN 290613, Lot 26102, (formerly H.S. (D) 30968, Lot No. PT 17395), Mukim Kapar, Daerah Klang, Negeri Selangor Darul Ehsan	A unit of single-storey detached factory cum warehouse building with an annexed 4 storey office and a unit of single-storey factory cum warehouse building with annexed single-storey office and 2 storey store/Used as a steel processing plant, warehouse and office	Freehold	179,736/19,754 (office built-up area) & 102,882 (factory built-up area)	16	Office and factory: 16,084,035 & Land: 6,890,000	2004
LF Metal	No. 6, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan held under GRN 290612, Lot 26104, (formerly H.S. (D) 30970, Lot No. PT 17397), Mukim Kapar, Daerah Klang, Negeri Selangor Darul Ehsan	A unit of 4 1/2 storey office with an annexed 2 units of single-storey warehouse cum factory/Used as a steel processing plant, warehouse and office	Freehold	116,928/29,600 (office built-up area) & 51,200 (factory built-up area)	27	Office and factory: 2,439,293 & Land: 2,536,281	1994
LF Metal	No. 16, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan held under H.S. (D) 30972, Lot No. PT 17399, Mukim Kapar, Daerah Klang, Negeri Selangor Darul Ehsan	A unit of single-storey detached factory building with annexed double-storey office building/Used as a steel processing plant, warehouse and office	Freehold	130,680/16,402 (office built-up area) & 60,838 (factory built-up area)	#	Office and factory: 10,927,837 & Land: 15,681,600	2012
LF Metal	No. 17, Persiaran Sultan Alauddin KU 17, Kawasan Perindustrian Bandar Sultan Suleiman Fasa 4, Pelabuhan Klang, 42000 Selangor Darul Ehsan held under H.S.(M) 42036, PT 65615, Mukim Kapar, Daerah Klang, Negeri Selangor Darul Ehsan	Three units of single-storey detached factory cum warehouse building/Used as steel pipe manufacturing plant, warehouse and office	Leasehold expiring on 07.12.2110	700,864/411,384 (factory and warehouse built-up area)	1 - 5	Factory and warehouse: 68,082,469 & Land: 30,370,982	2016
LF Metal	P136 - P138 and part of P139, Jalan Persiaran Port Klang FZ4, Precinct 1, Port Klang Free Zone (PKFZ), K/S12, 42920 Pulau Indah, Selangor Darul Ehsan	Two units of single-storey detached warehouse with a double-storey office building/ Currently approximately 45,801 sq. ft. of the warehouse space is rented by a third party and the remaining warehouse space and office are for own use	Lease Agreement expiring on 31.08.2044	1,862 (office built-up area) & 192,147 (warehouse built-up area)	8	Office and warehouse: 13,220,114	2016
LF Metal	H.S.(M) 47185, Lot No. P165648, Mukim Kapar, Daerah Klang, Negeri Selangor Darul Ehsan	A parcel of vacant industrial land	Leasehold expiring on 15.10.2117	291,804	N/A	Land: 20,839,886	2022

LIST OF PROPERTIES AS AT 31 DECEMBER 2023

Registered/ Beneficial Owner	Address/Title	Description/Existing Use	Tenure	Approximate Land/ Built-up Areas (sq. ft. *)	Approximate Age of Buildings (No. of Years)	Net Carrying Amount at Group Level as at 31 December 2023 (RM)	Year of Acquisition/ Revaluation
LF Metal	No. 47, 49, 51, 53, 55, 57, 59, 61, Jalan Sultan Abdul Samad 45, Bandar Sultan Suleiman, 42000 Pelabuhan Klang, Selangor Darul Ehsan held under H.S.(M) 41376, PT 65757, Mukim Kapar, Daerah Klang, Negeri Selangor Darul Ehsan	Eight units of double-storey link house/ Used as workers' hostel	Leasehold expiring on 7.12.2110	6 units with 1,540/1,584 (built-up area) each; 1 unit with 1,960/1,584 (built-up area) & 1 unit with 3,100/1,584 (built-up area)	1	Double-storey link house: 3,279,296	2023
LF Hardware	No. 6A, Jalan Tiga, Off Jalan Sungai Besi, Kawasan Perusahaan Sungai Besi, Kuala Lumpur held under PN 37429, Lot No. 443 (formerly H.S. (D) 66962, Lot No. P.T. 413), Seksyen 92, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur	A unit of single-storey detached factory/ Used as a steel processing plant	Leasehold expiring on 09.07.2050	25,957/12,938 (factory built-up area)**	26	Factory: 271,662 & Land: 318,777	1991
LF Hardware	GRN 26499, Lot No. 10324, Mukim Klang, Daerah Klang, Negeri Selangor Darul Ehsan	A parcel of vacant land	Freehold	227,334	N/A	Land: 10,384,000	2021
PSP	Lot Plo 122, Jalan Firma 1/3, Tebrau Industrial Estate (1), 81100 Johor Bahru, Johor Darul Takzim held under Lot 44900, Title No. GRN 190371, Mukim Tebrau, District of Johor Bahru, State of Johor	A unit of single-storey detached factory with an annexed 3 storey office building/ Used as a steel processing plant, warehouse and office	Lease Agreement expiring on 25.06.2055	92,602/6,903 (office built-up area) & 54,632 (factory built-up area)	24	Office and factory: 2,950,107 & Land: 3,442,260	2017
Supreme Steelmakers	B09-F2-1, Pangsapuri Mutiara, Taman Balakong Jaya, 43300 Balakong, Selangor Darul Ehsan Strata Title No. PM204/M1/3/64, No. Bangunan M1, No. Tingkat 3, No. Petak 64, Lot No. 41233, Pekan of Kajang, District of Hulu Langat, State of Selangor	A unit of residential apartment/ Used as workers' hostel	Lease Agreement expiring on 29.07.2095	741 (apartment built-up area)	23	Apartment: 142,518	2018
Supreme Steelmakers	B10-F1-2, Pangsapuri Mutiara, Jalan Balakong Jaya, Taman Balakong Jaya, 43300 Balakong, Selangor Darul Ehsan Strata Title No. PM204/M1/2/51, No. Bangunan M1, No. Tingkat 2, No. Petak 51, Lot No. 41233, Pekan of Kajang, District of Hulu Langat, State of Selangor	A unit of residential apartment/ Used as workers' hostel	Lease Agreement expiring on 29.07.2095	741 (apartment built-up area)	23	Apartment: 155,894	2018

LIST OF PROPERTIES AS AT 31 DECEMBER 2023

Registered/ Beneficial Owner	Address/Title	Description/Existing Use	Tenure	Approximate Land/ Built-up Areas (sq. ft. *)	Approximate Age of Buildings (No. of Years)	Net Carrying Amount at Group Level as at 31 December 2023 (RM)	Year of Acquisition/ Revaluation
Supreme Steelmakers	No. 3, Jalan Balakong Jaya 5, Taman Balakong Jaya, 43000 Balakong, Selangor Darul Ehsan H.S.(M) 20117, No PT 34509, Tempat BT 12, Jalan Balakong Mukim Kajang, Daerah Hulu Langat, State of Selangor	A unit of double-storey link house/ Used as workers' hostel	Lease Agreement expiring on 29.07.2095	1,076/1,350 (double-storey link house built-up area)	14	Double-storey link house: 426,903	2018
Supreme Steelmakers	Lot 5176, Jalan Perindustrian Balakong, Kawasan Perindustrian Balakong Jaya, 43000 Seri Kembangan, Selangor Darul Ehsan held under Geran Mukim No. 6958, Lot 60240, Pekan Kajang, Daerah Hulu Langat, Negeri Selangor Darul Ehsan	A unit of single-storey detached warehouse with an annexed 4 storey office block and a unit of single-storey detached factory/ Used as a steel processing plant, warehouse and office	Freehold	107,058/21,400 (office built-up area) & 36,594 (factory & warehouse built-up area)	4	Office, factory and warehouse: 11,494,693 & Land: 15,591,429	2021

Notes:

- * Conversion of original measurements for properties in square meters (sq.m.) to square feet (sq.ft.) at 1 sq.m. = 10.7639 sq.ft.
- ** Estimated remaining land and factory built-up area after compulsory acquisition pursuant to the Land Acquisition Act, 1960 for the purpose of "Projek Mass Rapid Transit (MRT) Lembah Klang – Jajaran Sungai Buloh-Serdang – Putrajaya (SSP)".
- # This land with existing double-storey detached building with annexed double-storey office building was acquired on 2 July 2012. The strengthening of floor foundation as well as major renovation on its existing building was completed during the financial year ended 31 December 2016. The Certificate of Completion and Compliance for this property had been obtained on 4 November 2016.

STATISTICS OF SHAREHOLDINGS

AS AT 29 MARCH 2024

SHARE CAPITAL

Total number of Issued Shares	:	341,000,000 ordinary shares
Class of Shares	:	Ordinary shares
Voting Rights	:	One (1) vote per ordinary share

Size of Shareholdings	No. of Shareholders	%	No. of Shares held	%
Less than 100	6	0.21	89	0.00
100 - 1,000	272	9.48	175,300	0.05
1,001 - 10,000	1,393	48.55	8,280,711	2.43
10,001 - 100,000	994	34.65	32,339,000	9.48
100,001 - 17,049,999	203	7.08	80,514,900	23.61
17,050,000 and above	1	0.03	219,690,000	64.43
Total	2,869	100.00	341,000,000	100.00

DIRECTORS' SHAREHOLDINGS

(As per Register of Directors' Shareholdings)

Name of Directors	Direct No. of Shares held	%	Indirect No. of Shares held	%
Dato' Lim Cheng Poh	-	-	175,000 ^[1]	0.05
Dato' Sri Ooi Bin Keong	200,000	0.06	219,690,000 ^[2]	64.43
Ooi Kong Tiong	200,000	0.06	-	-
Ooi Seng Khong	250,800	0.07	-	-
Ng Kok Teong	221,000	0.06	219,690,000 ^[3]	64.43
Ooi Shang How	200,000	0.06	-	-
Chan Kee Loin	100,000	0.03	-	-
Thien Shy Wei	-	-	20,200 ^[1]	0.01
Wong Sze Yan	-	-	-	-
Others ^[4]				
Ooi Shang Yao	20,000	0.01	-	-
Ooi Shang Chieh	5,000	Negligible	-	-

Notes:

¹ Disclosure of interest held by spouse pursuant to Section 59(11)(c) of the Companies Act 2016 ("Act").

² Deemed interest by virtue of his interest in Leon Fuat Holdings Sdn Bhd pursuant to Section 8(4) of the Act.

³ Deemed interest by virtue of his interest in NCT & Sons Sdn Bhd, a substantial shareholder of Leon Fuat Holdings Sdn Bhd pursuant to Section 8(4) of the Act.

⁴ Disclosure of interests held by children of Dato' Sri Ooi Bin Keong pursuant to Section 59(11)(c) of the Act.

STATISTICS OF SHAREHOLDINGS AS AT 29 MARCH 2024

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

(As per Register of Substantial Shareholders' Shareholdings)

Name of Substantial Shareholders	Direct		Indirect	
	No. of Shares held	%	No. of Shares held	%
Leon Fuat Holdings Sdn Bhd	219,690,000	64.43	-	-
Dato' Sri Ooi Bin Keong	200,000	0.06	219,690,000 ⁽¹⁾	64.43
NCT & Sons Sdn Bhd	-	-	219,690,000 ⁽¹⁾	64.43
Ng Kok Teong	221,000	0.06	219,690,000 ⁽²⁾	64.43
Ng Kok Wee	200,000	0.06	219,690,000 ⁽²⁾	64.43
Ong Mung Hsia	-	-	219,690,000 ⁽²⁾	64.43
Ng Bee Fong	-	-	219,690,000 ⁽²⁾	64.43

Notes:

¹ Deemed interest by virtue of their interest in Leon Fuat Holdings Sdn Bhd pursuant to Section 8(4) of the Act.

² Deemed interest by virtue of their interest in NCT & Sons Sdn Bhd, a substantial shareholder of Leon Fuat Holdings Sdn Bhd pursuant to Section 8(4) of the Act.

TOP 30 SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1.	Leon Fuat Holdings Sdn Bhd	219,690,000	64.43
2.	Lim Pei Tiam @ Liam Ahat Kiat	3,500,000	1.03
3.	Tan Kok Choon	3,457,900	1.01
4.	Do Hock Kwong	2,813,000	0.82
5.	Sin Hock	2,386,800	0.70
6.	Jeffrey Ng Pow Kong	2,050,700	0.60
7.	Tan Aik Choon	1,986,500	0.58
8.	Loo Suo Li	1,545,800	0.45
9.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Toh Su See	1,500,000	0.44
10.	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kong Kok Choy (8092812)	1,480,000	0.43
11.	Maybank Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Chiau Beng Teik	1,456,300	0.43
12.	Lim Hong Choon	1,416,300	0.42
13.	Liau Keen Yee	1,403,000	0.41
14.	Maybank Nominees (Tempatan) Sdn Bhd Wong Choy Fong	1,200,000	0.35
15.	HLB Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Koing @ Lee Kim Sin	1,066,600	0.31

STATISTICS OF SHAREHOLDINGS

AS AT 29 MARCH 2024

TOP 30 SHAREHOLDERS (CONTINUED)

No.	Name of Shareholders	No. of Shares	%
16.	Lim Jit Hai	1,053,700	0.31
17.	PM Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Kong Kok Choy (B)	1,000,000	0.29
18.	CGS International Nominees Malaysia (Tempatan) Sdn. Bhd. Pledged Securities Account for Goalkey System Sdn Bhd (MY14 61)	976,000	0.29
19.	Tan Jian Jong	968,600	0.28
20.	AllianceGroup Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lee Choon Fook (8027431)	968,500	0.28
21.	Maybank Nominees (Tempatan) Sdn Bhd Bong Choon Fah	911,800	0.27
22.	Kenanga Nominees (Asing) Sdn Bhd Pledged Securities Account for Wu Teng Siong	900,000	0.26
23.	Lim Choon	850,000	0.25
24.	Liau Yuan Hin	820,000	0.24
25.	Eng Kong Chuan	768,900	0.23
26.	Chay Chee Ken	735,600	0.22
27.	Lau Sau Mooi	707,500	0.21
28.	CGS International Nominees Malaysia (Tempatan) Sdn. Bhd. Pledged Securities Account for Lai Chin Yang (T Mutiara-CL)	694,600	0.20
29.	Ng Teck Lin	682,900	0.20
30.	Lim Yoong Fah	633,000	0.19
Total		259,624,000	76.14

NOTICE OF 17TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 17th Annual General Meeting (“AGM”) of Leon Fuat Berhad (“LFB” or “Company”) will be held at Greens III, Sports Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 13 June 2024 at 2.30 p.m. for the following purposes:

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2023 together with the Directors’ and Auditors’ Reports thereon.
2. To approve the payment of Directors’ fees and allowances up to RM1,850,000 from 14 June 2024 until the next AGM of the Company. Resolution 1
3. To approve a final single tier dividend of 1.5 sen per share for the financial year ended 31 December 2023. Resolution 2
4. To re-elect the following Directors who retire in accordance with Article 92 of the Company’s Constitution:
 - (i) Ooi Shang How Resolution 3
 - (ii) Chan Kee Loin Resolution 4
5. To re-elect the following Directors who retire in accordance with Article 99 of the Company’s Constitution:
 - (i) Thien Shy Wei Resolution 5
 - (ii) Wong Sze Yan Resolution 6
6. To re-appoint Messrs Baker Tilly Monteiro Heng PLT as the Company’s Auditors for the financial year ending 31 December 2024 and to authorise the Directors to fix their remuneration. Resolution 7

SPECIAL BUSINESS

To consider and if thought fit, to pass with or without modifications, the following resolutions:

7. **ORDINARY RESOLUTION** Resolution 8
AUTHORITY FOR THE DIRECTORS TO ISSUE SHARES

“THAT pursuant to Sections 75 and 76 of the Companies Act 2016 (“Act”), and subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the approvals of the relevant governmental and/or regulatory authorities (if applicable), the Directors be and are hereby empowered to issue and allot new shares in the Company at any time, to such person or persons at such price, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company at the time of issue.

AND THAT the Directors be and are also empowered to obtain the approval from Bursa Securities for the listing of and quotation for the additional shares so issued AND THAT such authority shall continue to be in force until the conclusion of the next AGM of the Company.”

NOTICE OF 17TH ANNUAL GENERAL MEETING

8. ORDINARY RESOLUTION

Resolution 9

PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED RENEWAL OF RRPT MANDATE")

"THAT subject always to the provisions of the Main Market Listing Requirements of Bursa Securities, approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature, details as set out in Section 2.5 of the Circular to Shareholders dated 30 April 2024 with the specified classes of related parties mentioned therein which are necessary for the Group's day-to-day operations and are carried out in the ordinary course of business on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to the minority shareholders of the Company.

THAT the approval shall continue to be in force until:

- (i) the conclusion of the next AGM of the Company at which time it will lapse, unless by a resolution passed at the AGM whereby the authority is renewed; or
- (ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) revoked or varied by a resolution passed by the shareholders in a general meeting;

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Proposed Renewal of RRPT Mandate."

- 9. To transact any other business of which due notice shall have been given in accordance with the Act and the Company's Constitution.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT the final single tier dividend of 1.5 sen per share for the financial year ended 31 December 2023, if approved by the shareholders at the AGM, will be paid on 19 July 2024 to depositors registered in the Record of Depositors at the close of business on 28 June 2024.

A depositor shall qualify for entitlement only in respect of:

- (a) Shares transferred into the depositor's securities account before 4.00 p.m. on 28 June 2024 in respect of transfer; and
- (b) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Securities.

BY ORDER OF THE BOARD

YEOH CHONG KEAT
SSM PC NO. 201908004096
MIA 2736

LIM FEI CHIA
SSM PC NO. 202008000515
MAICSA 7036158

Company Secretaries
Kuala Lumpur

30 April 2024

NOTICE OF 17TH ANNUAL GENERAL MEETING

NOTES:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 7 June 2024 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the AGM.
2. A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the AGM. A proxy may but need not be a member of the Company.
3. Where a member appoints two (2) proxies, the member shall specify the proportions of his/her shareholdings to be represented by each proxy failing which, the appointment shall be invalid.
4. Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5. To be valid, the original Proxy Form, duly completed must be deposited at the registered office of the Company at Lot 5, Level 10, Menara Great Eastern 2, No. 50, Jalan Ampang, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the AGM or any adjournment thereof.
6. If the appointor is a corporation, the Proxy Form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
7. Audited Financial Statements for the financial year ended 31 December 2023
The Audited Financial Statements for the financial year ended 31 December 2023 are laid in accordance with Section 340(1)(a) of the Act for discussion only and do not require shareholders' approval. As such, this item will not be put for voting.
8. Directors' Fees and Allowances (Resolution 1)

Pursuant to Section 230(1) of the Act, the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. The proposed Directors' fees and allowances payable to the Directors of the Company and its subsidiaries for the period from 14 June 2024 to the next AGM takes into account the increased fees of the Directors and the estimated number of Board meetings to be held during the period.

9. Final dividend (Resolution 2)

At its meeting held on 9 April 2024, the Board had considered the amount of dividend payout and satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within 12 months immediately after the date of payment in accordance with the requirements of Section 132(2) and (3) of the Act.

10. Re-election of Directors (Resolutions 3 to 6)

The Board had through the Nomination Committee considered and noted that the retiring Directors have met the criteria as set out in the Directors' Fit and Proper Policy on character and integrity, experience and competence, time and commitment to effectively discharge their duties as Directors. The Board also noted the Director Self and Peer Performance Evaluation conducted encompassing fit and proper assessment on the Directors of the Company and satisfied that the Directors including the retiring Directors have effectively discharge their role as Directors of the Company.

11. Re-appointment of Auditors (Resolution 7)

The Board had through the Audit Committee carried out annual review of performance of the External Auditors, Messrs. Baker Tilly Monteiro Heng PLT and having assessed the competency, audit scope and planning, independence and suitability, was satisfied with the service and performance of the External Auditors for the financial year under review.

12. Authority for the Directors to issue shares (Resolution 8)

This resolution, if passed, will renew the authority given to and empower the Directors of the Company to issue and allot new shares in the Company at any time and for such purposes as the Directors may, in their absolute discretion, deem fit ("General Mandate"), provided that the number of shares issued pursuant to the General Mandate, when aggregated with the number of shares issued during the preceding twelve (12) months, does not exceed 10% of the total number of issued shares of the Company at the time of issue. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

The Company did not issue any new shares pursuant to the mandate obtained at the last annual general meeting of the Company.

With the General Mandate, the Company will be able to raise funds expeditiously for the purpose of funding future investments projects, working capital and/or corporate proposals including placement of shares without having to convene a general meeting to seek shareholders' approval when such opportunities or needs arise.

13. Proposed Renewal of RRPT Mandate (Resolution 9)

This resolution, if passed, will renew the authority given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the Group, particulars of which are set out in Section 2.5 of the Circular to Shareholders dated 30 April 2024. This authority, unless revoked or varied by the Company in a general meeting, will expire at the next AGM of the Company.

14. Personal Data Privacy

The Personal Data Protection Act 2010, which regulates the processing of personal data in commercial transactions, applies to the Company. By providing to the Company and/or its agents the personal data which may include the name, contact details and mailing address, a member of the Company hereby consent, agree and authorise the processing and/or disclosure of any personal data of or relating to the member for the purposes of issuing the notice of and convening the AGM (including any adjournment thereof), including but not limited to preparation and compilation of documents and other matters, whether or not supplied by the member. The member further confirms to have obtained the consent, agreement and authorisation of all persons whose personal data the member have disclosed and/or processed in connection with the foregoing.

STATEMENT ACCOMPANYING NOTICE OF AGM

(PURSUANT TO PARAGRAPH 8.27(2) OF THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES)

No individual is standing for election as Director at the AGM of the Company.

PROXY FORM

NUMBER OF SHARES HELD	
CDS ACCOUNT NO.	
CONTACT NO.	



LEON FUAT BERHAD

Registration No. 200601036648 (756407-D)
(Incorporated in Malaysia)

I/We _____ NRIC No./Passport No./Company No. _____
(Full Name in Block Letters)

of _____
(Full Address)

being a member of **LEON FUAT BERHAD**, hereby appoint

Full Name (in Block Letters)	NRIC No./Passport No.	Contact No.	Proportion of Shareholdings	
			No. of Shares	%
Full Address				

and (if more than one (1) proxy)

Full Name (in Block Letters)	NRIC No./Passport No.	Contact No.	Proportion of Shareholdings	
			No. of Shares	%
Full Address				

or failing him/her, the *Chairman of the meeting as *my/our proxy to vote for *me/us on *my/our behalf at the 17th Annual General Meeting (AGM) of the Company to be held at Greens III, Sports Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Thursday, 13 June 2024 at 2.30 p.m. and at any adjournment thereof on the following resolutions referred to in the Notice of AGM.

My/Our proxy(ies) is/are to vote as indicated hereunder:

RESOLUTIONS	FOR	AGAINST
1. To approve the payment of Directors' fees and allowances up to RM1,850,000 from 14 June 2024 until the next AGM of the Company		
2. To approve a final dividend of 1.5 sen per share for the financial year ended 31 December 2023		
3. To re-elect Ooi Shang How who retires in accordance with Article 92 of the Company's Constitution		
4. To re-elect Chan Kee Loin who retires in accordance with Article 92 of the Company's Constitution		
5. To re-elect Thien Shy Wei who retires in accordance with Article 99 of the Company's Constitution		
6. To re-elect Wong Sze Yan who retires in accordance with Article 99 of the Company's Constitution		
7. To re-appoint Messrs Baker Tilly Monteiro Heng PLT as the Company's Auditors for the financial year ending 31 December 2024 and to authorise the Directors to fix their remuneration		
8. Authority for the Directors to issue shares		
9. Proposed Renewal of RRPT Mandate		

Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion.

* Delete if not applicable.

Date this _____ day of _____, 2024.

Signature or Common Seal of Shareholder(s)

Fold this flap for sealing

NOTES:

1.

In respect of deposited securities, only members whose names appear in the Record of Depositors on 7 June 2024 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at the AGM.
2.

A member shall be entitled to appoint not more than two (2) proxies to attend and vote at the AGM. A proxy may but need not be a member of the Company.
3.

Where a member appoints two (2) proxies, the member shall specify the proportions of his/her shareholdings to be represented by each proxy failing which, the appointment shall be invalid.
4.

Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
5.

To be valid, the original Proxy Form, duly completed must be deposited at the registered office of the Company at Lot 5, Level 10, Menara Great Eastern 2, No. 50, Jalan Ampang, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the AGM or any adjournment thereof.
6.

If the appointor is a corporation the Proxy Form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
7.

By submitting the duly executed Proxy Form, the member and his/her proxy consent to the Company and/or its agents collecting, processing, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for the purpose of the AGM and any adjournment thereof.

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AFFIX
STAMP

The Company Secretaries

LEON FUAT BERHAD
Registration No. 200601036648 (756407-D)
C/o Archer Corporate Services Sdn Bhd
Lot 5, Level 10
Menara Great Eastern 2
No. 50 Jalan Ampang
50450 Kuala Lumpur
Malaysia

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LEON FUAT BERHAD

Wisma Leon Fuat, No. 11, Lorong Keluli 1B
Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7
40000 Shah Alam, Selangor Darul Ehsan

Tel: (603) 3375 3333 Fax: (603) 3344 7777