

**LEON FUAT BERHAD**

Registration No. 200601036648 (756407-D)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2022**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2022 RM'000	Preceding Year Quarter 31.03.2021 RM'000	Current Year- To-Date 31.03.2022 RM'000	Preceding Year- To-Date 31.03.2021 RM'000
Revenue	273,020	211,479	273,020	211,479
Cost of sales	(228,242)	(158,144)	(228,242)	(158,144)
Gross profit	44,778	53,335	44,778	53,335
Other income	672	1,110	672	1,110
Distribution costs	(2,985)	(2,933)	(2,985)	(2,933)
Administrative costs	(6,602)	(5,915)	(6,602)	(5,915)
Net addition of impairment losses on financial instruments	(8)	(50)	(8)	(50)
Other costs	(214)	(126)	(214)	(126)
	(9,809)	(9,024)	(9,809)	(9,024)
Profit from operations	35,641	45,421	35,641	45,421
Finance costs	(3,833)	(2,896)	(3,833)	(2,896)
<b>Profit before tax</b>	31,808	42,525	31,808	42,525
Income tax expense	(7,916)	(6,415)	(7,916)	(6,415)
<b>Profit for the financial period</b>	23,892	36,110	23,892	36,110
<b>Other comprehensive income:</b> <i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of a foreign operation	8	16	8	16
<b>Total other comprehensive income, net of tax</b>	8	16	8	16
<b>Total comprehensive income for the financial period</b>	23,900	36,126	23,900	36,126
<b>Profit attributable to:</b>				
- Owners of the Company	23,909	36,124	23,909	36,124
- Non-controlling interests	(17)	(14)	(17)	(14)
	23,892	36,110	23,892	36,110

**LEON FUAT BERHAD**

Registration No. 200601036648 (756407-D)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FIRST QUARTER ENDED 31 MARCH 2022 (CONT'D)**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2022 RM'000	Preceding Year Quarter 31.03.2021 RM'000	Current Year- To-Date 31.03.2022 RM'000	Preceding Year- To-Date 31.03.2021 RM'000
<b>Total comprehensive income attributable to:</b>				
- Owners of the Company	23,917	36,140	23,917	36,140
- Non-controlling interests	(17)	(14)	(17)	(14)
	<u>23,900</u>	<u>36,126</u>	<u>23,900</u>	<u>36,126</u>
Earnings per share (sen) attributable to owners of the Company:				
- Basic	7.01	11.65	7.01	11.65
- Diluted	7.01	11.65	7.01	11.65

*Note:*

*The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial statement.*

**LEON FUAT BERHAD**

Registration No. 200601036648 (756407-D)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 MARCH 2022**

	<b>As at 31.03.2022 RM'000 (Unaudited)</b>	<b>As at 31.12.2021 RM'000 (Audited)</b>
<b>ASSETS</b>		
<b>Non-current assets</b>		
Property, plant and equipment	262,956	245,022
Capital work-in-progress	54,248	33,867
	<u>317,204</u>	<u>278,889</u>
<b>Current assets</b>		
Inventories	409,010	419,278
Trade receivables	275,420	259,621
Other receivables, deposits and prepayments	14,061	25,236
Tax assets	125	147
Deposits with licensed banks	506	3,015
Cash and bank balances	33,217	42,637
	<u>732,339</u>	<u>749,934</u>
<b>TOTAL ASSETS</b>	<u><u>1,049,543</u></u>	<u><u>1,028,823</u></u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	186,423	186,423
Merger deficit	(109,545)	(109,545)
Capital reserve	1	1
Retained earnings	481,849	457,940
Translation reserve	10	2
	<u>558,738</u>	<u>534,821</u>
Non-controlling interests	569	586
<b>Total Equity</b>	<u>559,307</u>	<u>535,407</u>
<b>Non-current liabilities</b>		
Loans and borrowings	80,837	69,258
Deferred tax liabilities	7,808	7,480
	<u>88,645</u>	<u>76,738</u>
<b>Current liabilities</b>		
Trade payables	22,671	14,217
Other payables and accruals	12,670	16,112
Tax liabilities	12,965	14,704
Loans and borrowings	349,837	369,608
Contract liabilities	3,448	2,037
	<u>401,591</u>	<u>416,678</u>
<b>Total Liabilities</b>	<u>490,236</u>	<u>493,416</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u><u>1,049,543</u></u>	<u><u>1,028,823</u></u>
Net assets per share attributable to owners of the Company (RM)	1.64	1.57

*Note:*

*The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial statement.*

**LEON FUAT BERHAD**

Registration No. 200601036648 (756407-D)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE FIRST QUARTER ENDED 31 MARCH 2022**

	< -----Attributable to Owners of the Company ----- >						
	Share Capital RM'000	Merger Deficit RM'000	Capital Reserve RM'000	Translation Reserve RM'000	Retained Earnings RM'000	Non- Controlling interests RM'000	Total Equity RM'000
<b>2022</b>							
<b>At 1 January 2022</b>	186,423	(109,545)	1	2	457,940	586	535,407
Profit/(Loss) for the financial period	-	-	-	-	23,909	(17)	23,892
Other comprehensive income for the financial period	-	-	-	8	-	-	8
<b>Total comprehensive income</b>	-	-	-	8	23,909	(17)	23,900
<b>At 31 March 2022</b>	186,423	(109,545)	1	10	481,849	569	559,307
<b>2021</b>							
<b>At 1 January 2021</b>	160,094	(109,545)	1	(15)	328,750	616	379,901
Profit/(Loss) for the financial period	-	-	-	-	36,124	(14)	36,110
Other comprehensive income for the financial period	-	-	-	16	-	-	16
<b>Total comprehensive income</b>	-	-	-	16	36,124	(14)	36,126
<b>At 31 March 2021</b>	160,094	(109,545)	1	1	364,874	602	416,027

*Note:*

*The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial statement.*

**LEON FUAT BERHAD**

Registration No. 200601036648 (756407-D)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2022**

	<b>Current Year-To-Date 31.03.2022 RM'000</b>	<b>Preceding Year-To-Date 31.03.2021 RM'000</b>
<b>Cash Flows from Operating Activities</b>		
Profit before tax	31,808	42,525
Adjustments for:		
Depreciation of property, plant and equipment	3,976	3,764
Impairment losses on trade receivables	126	97
Interest income	(95)	(161)
Interest expense	3,392	2,522
Net gain on a lease termination	-	(6)
Net unrealised loss/(gain) on foreign exchange	17	(44)
Reversal of impairment losses on trade receivables	(118)	(47)
Waiver of interest income	127	-
Operating profit before changes in working capital	39,233	48,650
Inventories	9,226	5,933
Trade and other receivables	(14,378)	(14,902)
Trade and other payables	4,388	(20,809)
Contract liabilities	1,411	(1,532)
Net cash generated from operation	39,880	17,340
Interest received	121	189
Interest paid	(3,058)	(2,813)
Income tax paid	(9,305)	(1,102)
Net cash from operating activities	27,638	13,614
<b>Cash Flows from Investing Activities</b>		
Capital work-in-progress paid	(11,181)	(683)
Changes in deposits pledged with licensed banks	(8)	(58)
Deposits paid for acquisition of plant and equipment	(1,352)	(1,784)
Purchase of property, plant and equipment	(2,560)	(801)
Net cash used in investing activities	(15,101)	(3,326)

**LEON FUAT BERHAD**

Registration No. 200601036648 (756407-D)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FIRST QUARTER ENDED 31 MARCH 2022 (CONT'D)**

	<b>Current Year-To-Date 31.03.2022 RM'000</b>	<b>Preceding Year-To-Date 31.03.2021 RM'000</b>
<b>Cash Flows from Financing Activities</b>		
Drawdown of term loan	759	-
Net drawdown/(repayment) of islamic financing	5,810	(4,786)
Net (repayment)/drawdown of bankers' acceptances	(35,401)	18,728
Payment of lease liabilities	(1,549)	(1,231)
Repayment of term loans	(2,431)	(509)
Net cash (used in)/from financing activities	<u>(32,812)</u>	<u>12,202</u>
<b>Net (decrease)/increase in cash and cash equivalents</b>	<b>(20,275)</b>	<b>22,490</b>
<b>Cash and cash equivalents at the beginning of the financial period</b>	<b>40,137</b>	<b>13,681</b>
Effect of exchange rate changes on cash and cash equivalents	11	84
<b>Cash and cash equivalents at the end of the financial period</b>	<b><u>19,873</u></b>	<b><u>36,255</u></b>
<b>Cash and cash equivalents at the end of the financial period comprises:</b>		
Cash and bank balances	33,217	30,286
Deposits with licensed banks	506	29,449
	<u>33,723</u>	<u>59,735</u>
Less: Bank overdrafts	(13,344)	(15,335)
Less: Deposits pledged with licensed banks	(506)	(8,145)
	<u>19,873</u>	<u>36,255</u>

*The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial statement.*

**A EXPLANATION NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING****A1. Accounting Policies and Basis of Preparation**

The interim financial statements are unaudited and have been prepared in accordance with the requirements of MFRS 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and paragraph 9.22 (Appendix 9B Part A) of the Main Market Listing Requirement (“Listing Requirements”) of the Bursa Malaysia Securities Berhad (“Bursa Securities”).

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2021.

The interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company and its subsidiaries (“the Group”) since the financial year ended 31 December 2021.

The significant accounting policies adopted by the Group in this interim financial statements are consistent with those adopted in the financial statements as disclosed in the audited financial statements of the Group for the financial year ended 31 December 2021, except for the adoption of the following:

**Amendments/Improvements to MFRSs**

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 16	Leases
MFRS 116	Property, Plant and Equipment
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 141	Agriculture

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

		<b>Effective for financial periods beginning on or after</b>
<b><u>New MFRS</u></b>		
MFRS 17	Insurance Contracts	1 January 2023
<b><u>Amendments/Improvements to MFRSs</u></b>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2023 <sup>#</sup>
MFRS 3	Business Combinations	1 January 2023 <sup>#</sup>
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023 <sup>#</sup>
MFRS 7	Financial Instruments: Disclosures	1 January 2023 <sup>#</sup>
MFRS 9	Financial Instruments	1 January 2023 <sup>#</sup>
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023 <sup>#</sup>
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023 <sup>#</sup> / 1 January 2023

**LEON FUAT BERHAD**

Registration No. 200601036648 (756407-D)

**A EXPLANATION NOTES PURSUANT TO MALAYSIAN FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING (CONT’D)****A1. Accounting Policies and Basis of Preparation (Cont’d)**

		<b>Effective for financial periods beginning on or after</b>
<b><u>Amendments/Improvements to MFRSs (cont’d)</u></b>		
MFRS 107	Statement of Cash Flows	1 January 2023 <sup>#</sup>
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income Taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2023 <sup>#</sup>
MFRS 119	Employee Benefits	1 January 2023 <sup>#</sup>
MFRS 128	Investments in Associates and Joint Ventures	1 January 2023 <sup>#</sup> / Deferred
MFRS 132	Financial instruments: Presentation	1 January 2023 <sup>#</sup>
MFRS 136	Impairment of Assets	1 January 2023 <sup>#</sup>
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2023 <sup>#</sup>
MFRS 138	Intangible Assets	1 January 2023 <sup>#</sup>
MFRS 140	Investment Property	1 January 2023 <sup>#</sup>

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

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

**A2. Auditors’ Report on Preceding Annual Financial Statements**

The Auditors’ Report for the immediate preceding annual financial statements of the Group and the Company for the financial year ended 31 December 2021 were not subject to any qualification.

**A3. Seasonality or Cyclicity of Operations**

The Group’s operations were not significantly affected by any seasonal or cyclical factors during the current quarter and current financial year-to-date.

**A4. Unusual Items**

There were no significant items affecting assets, liabilities, equity, net income, or cash flows of the Group that are unusual because of their nature, size and incidence during the current quarter and current financial year-to-date.

**A5. Changes in Estimates**

There were no changes in the estimates of amounts reported in the prior financial years that have a material effect on the results for the current quarter and current financial year-to-date.

**LEON FUAT BERHAD**

Registration No. 200601036648 (756407-D)

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

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

**A7. Dividend Paid**

No dividend was paid during the current quarter.

**A8. Segment Information**

Segment information of the Group for the financial year-to-date ended 31 March 2022 is as follows:

	<b>Trading of Steel Products RM’000</b>	<b>Processing/ of Steel Products<sup>(1)</sup> RM’000</b>	<b>Others<sup>(2)</sup> RM’000</b>	<b>Total RM’000</b>
External revenue	89,996	182,934	90	273,020
Cost of sales	(73,907)	(154,253)	(82)	(228,242)
Gross profit	<u>16,089</u>	<u>28,681</u>	<u>8</u>	<u>44,778</u>
Add/(Less):				
- Other income				672
- Operating expenses				(9,801)
- Net addition of impairment losses on financial instruments				(8)
- Finance costs				<u>(3,833)</u>
Profit before tax				31,808
Income tax expense				<u>(7,916)</u>
Profit for the financial period				<u><u>23,892</u></u>

**LEON FUAT BERHAD**

Registration No. 200601036648 (756407-D)

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

Segment information of the Group for the financial year-to-date ended 31 March 2021 is as follows:

	<b>Trading of Steel Products RM’000</b>	<b>Processing/ Manufacturing<sup>(1)</sup> of Steel Products RM’000</b>	<b>Others<sup>(2)</sup> RM’000</b>	<b>Total RM’000</b>
External revenue	74,294	137,106	79	211,479
Cost of sales	(57,785)	(100,319)	(40)	(158,144)
Gross profit	<u>16,509</u>	<u>36,787</u>	<u>39</u>	<u>53,335</u>
Add/(Less):				
- Other income				1,110
- Operating expenses				(8,974)
- Net addition of impairment losses on financial instruments				(50)
- Finance costs				<u>(2,896)</u>
Profit before tax				42,525
Income tax expense				<u>(6,415)</u>
Profit for the financial period				<u><u>36,110</u></u>

*Notes:**(1) Collectively referred to as “processing”.**(2) Mainly consists of trading of specialised steel materials including tool steel and non-ferrous metal products including bronze, brass, aluminium and copper products.***A9. Valuations of Property, Plant and Equipment**

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

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

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

**A11. Effects of Changes in Composition of the Group**

There were no changes in the composition of the Group during the current quarter and current financial year-to-date.

**LEON FUAT BERHAD**

Registration No. 200601036648 (756407-D)

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

	<b>As at 31.03.2022 RM'000</b>	<b>Audited As at 31.12.2021 RM'000</b>
<b>Approved and contracted for:</b>		
Acquisition of motor vehicles	1,413	964
Acquisition of plant and equipment	30,333	35,207
Acquisition of properties	1,471	19,854
Construction of factory and warehouse buildings	32,494	15,454
	<u>65,711</u>	<u>71,479</u>

**A13. Changes in Contingent Liabilities and Contingent Assets**

There were no contingent assets and liabilities since the end of the previous financial year up to 31 March 2022.

**A14. Significant Related Party Transactions**

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>Current Year Quarter 31.03.2022 RM'000</b>	<b>Preceding Year Quarter 31.03.2021 RM'000</b>	<b>Current Year- To-Date 31.03.2022 RM'000</b>	<b>Preceding Year- To-Date 31.03.2021 RM'000</b>
Sales to related parties	1,924	1,618	1,924	1,618
Purchases from related parties	104	174	104	174
Rental expense paid to related parties	430	513	430	513

**B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES****B1. Review of Performance****Current Quarter Compared To Preceding Year Corresponding Quarter**

	<b>Current Year Quarter 31.03.2022 RM'000</b>	<b>Preceding Year Quarter 31.03.2021 RM'000</b>	<b>Variance</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	273,020	211,479	61,541	29.1%
Gross profit	44,778	53,335	(8,557)	-16.0%
Profit before interest and tax	35,200	45,047	(9,847)	-21.9%
Profit before tax	31,808	42,525	(10,717)	-25.2%
Profit after tax	23,892	36,110	(12,218)	-33.8%
Profit attributable to owners of the Company	23,909	36,124	(12,215)	-33.8%

The revenue recorded for the current quarter and the preceding year corresponding quarter was RM273.02 million and RM211.48 million respectively, increased by 29.1% or RM61.54 million.

The increase in revenue was mainly due to increase in revenue for trading and processing of steel products by 21.1% or RM15.71 million from RM74.29 million to RM90.00 million and by 33.4% or RM45.82 million from RM137.11 million to RM182.93 million respectively.

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

- higher revenue from trading of flat carbon steel products by 68.7% mainly attributable to higher average selling price by 39.9% as well as higher tonnage sales by 20.6%; partially offset by
- lower revenue from trading of long carbon steel products by 13.1% mainly due to lower tonnage sales by 37.3%, mitigated by higher average selling price by 38.6%.

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

- higher revenue from processing of flat carbon steel products by 21.4% mainly attributable to higher average selling price by 27.0%, despite lower tonnage sales by 4.4%;
- higher revenue from processing of other flat steel products by 66.6% mainly attributable to higher average selling price by 51.0% as well as higher tonnage sales by 10.4%; and
- higher revenue from processing of long carbon steel products by 44.4% mainly due to higher average selling price by 50.1%, despite decrease in tonnage sales by 3.8%.

Our main business segments continued to be trading and processing of steel products, collectively they represent almost our entire revenue for the current quarter. The trading segment and the processing segment contributed revenue of 33.0% and 67.0% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of 35.1% and 64.8% respectively for the preceding year corresponding quarter.

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

Despite higher revenue by 29.1% or RM61.54 million, from RM211.48 million to RM273.02 million, our gross profit decreased by 16.0% or RM8.56 million, from RM53.34 million for the preceding year corresponding quarter to RM44.78 million for the current quarter, which was due to lower overall gross profit margin by 8.8 percentage points, from 25.2% for the preceding year corresponding quarter to 16.4% for the current quarter, mainly resulted from lower gross profit margin recorded for trading and processing of steel products by 4.3 percentage points from 22.2% to 17.9% and by 11.1 percentage points from 26.8% to 15.7% respectively as compared to the preceding year corresponding quarter.

The lower gross profit margin for trading of steel products was mainly resulted from:

- lower gross profit margin for trading of flat carbon steel products by 4.7 percentage points mainly due to increase in average cost for input materials by 48.4%, while the average selling price had only increased by 39.9%;
- lower gross profit margin for trading of long carbon steel products by 5.8 percentage points mainly due to increase in average cost for input materials by 50.0%, while the average selling price had only increased by 38.6%; and
- lower gross profit margin for trading of other long steel products by 4.7 percentage points mainly due to increase in average cost for input materials by 64.2%, while the average selling price had only increased by 52.8%.

The lower gross profit margin for processing of steel products was mainly due to lower gross profit margin for processing of flat carbon steel products by 16.2 percentage points mainly caused by increase in average cost for input materials by 58.0%, while the average selling price had only increased by 27.0%.

The other income for the current quarter was RM0.67 million as compared to RM1.11 million for the preceding year corresponding quarter, decreased by RM0.44 million, mainly due to decrease in rental income by RM0.39 million as a result of expiration of tenancies for part of our warehouse space in Port Klang Free Zone.

Our operating costs increased by RM0.79 million from RM9.02 million for the preceding year corresponding quarter to RM9.81 million for the current quarter mainly due to increase in administrative costs by RM0.69 million mainly caused by higher directors' remuneration and staff related costs by RM0.67 million, mainly resulted from higher provision of bonuses for directors and staff on quarterly basis as compared to the preceding year corresponding quarter.

Total finance costs for the current quarter was RM3.83 million, increased by RM0.93 million as compared to RM2.90 million for the preceding year corresponding quarter. This was mainly due to higher interest expense for bankers' acceptances, islamic financing, term loans and higher bank charges incurred in the current quarter by RM0.69 million, RM0.15 million, RM0.13 million and RM0.07 million respectively, partially offset by lower interest expense for overdraft facilities by RM0.12 million.

Based on the foregoing factors, our profit before tax decreased by 25.2% or RM10.72 million, from RM42.53 million for the preceding year corresponding quarter to RM31.81 million for the current quarter.

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

	<b>Current Quarter 31.03.2022 RM'000</b>	<b>Immediate Preceding Quarter 31.12.2021 RM'000</b>	<b>Variance</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	273,020	254,210	18,810	7.4%
Gross profit	44,778	54,059	(9,281)	-17.2%
Profit before interest and tax	35,200	42,231	(7,031)	-16.6%
Profit before tax	31,808	38,612	(6,804)	-17.6%
Profit after tax	23,892	29,091	(5,199)	-17.9%
Profit attributable to owners of the Company	23,909	29,096	(5,187)	-17.8%

Our Group achieved revenue of RM273.02 million for the current quarter, which was higher than the immediate preceding quarter's revenue by 7.4% or RM18.81 million.

The increase in revenue was mainly due to increase in revenue for trading and processing of steel products by 9.8% or RM8.05 million from RM81.95 million to RM90.00 million and by 6.2% or RM10.75 million from RM172.18 million to RM182.93 million respectively.

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

- higher revenue from trading of flat carbon steel products by 12.5% mainly attributable to higher tonnage sales by 14.2%, while average selling price decreased slightly by 1.4%; and
- higher revenue from trading of long carbon steel products by 11.3% mainly attributable to higher tonnage sales by 16.6%, despite lower average selling price by 4.6%.

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

- higher revenue from processing of flat carbon steel products by 2.7% mainly attributable to higher tonnage sales by 11.6%, despite lower average selling price by 8.0%; and
- higher revenue from processing of other flat steel products by 21.7% mainly attributable to higher tonnage sales by 20.1% as well as a slightly higher average selling price by 1.3%; offset by
- lower revenue from processing of long carbon steel products by 11.2% mainly due to decrease in tonnage sales by 24.9%, mitigated by higher average selling price by 18.3%.

Despite higher revenue by 7.4% or RM18.81 million, from RM254.21 million to RM273.02 million, our gross profit decreased by 17.2% or RM9.28 million, from RM54.06 million for the immediate preceding quarter to RM44.78 million for the current quarter, which was due to lower overall gross profit margin by 4.9 percentage points, from 21.3% for the immediate preceding quarter to 16.4% for the current quarter, mainly resulted from lower gross profit margin recorded for trading and processing of steel products by 1.6 percentage points from 19.5% to 17.9% and by 6.6 percentage points from 22.3% to 15.7% respectively as compared to the immediate preceding quarter.

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

**B2. Material Variation of Profit Before Tax Against Immediate Preceding Quarter (Cont'd)**

The lower gross profit margin for trading of steel products was mainly resulted from:

- lower gross profit margin for trading of long carbon steel products by 6.0 percentage points mainly due to decrease in average selling price by 4.6%, while the average cost for input materials had increased by 3.4%; and
- lower gross profit margin for trading of other long steel products by 5.0 percentage points mainly due to increase in average cost for input materials by 22.3%, while the average selling price had only increased by 13.2%.

The lower gross profit margin for processing of steel products was mainly resulted from:

- lower gross profit margin for processing of flat carbon steel products by 8.1 percentage points mainly due to decrease in average selling price by 8.0%, while the average cost for input materials had increased slightly by 1.8%; and
- lower gross profit margin for processing of other flat steel products by 6.2 percentage points mainly due to increase in average cost for input materials by 11.9%, while the average selling price had only increased by 1.3%.

The other income of RM0.67 million for the current quarter as compared to RM1.04 million for the immediate preceding quarter, decreased by RM0.37 million, mainly due to:

- lower interest income by RM0.23 million;
- waiver of interest income on overdue trade receivables amounting to RM0.13 million; and
- decrease in rental income by RM0.17 million due to expiration of a tenancy for part of our warehouse space in Port Klang Free Zone; partially offset by
- higher insurance claims by RM0.12 million.

Our operating costs decreased by RM2.66 million, from RM12.47 million for the immediate preceding quarter to RM9.81 million for the current quarter, as the result of the following:

1. Decrease in distribution costs by RM0.16 million mainly due to:
  - decrease in staff related costs by RM0.32 million, mainly resulted from lower provision of bonuses for staff; partially offset by
  - increase in transportation, travelling and accommodation charges by RM0.13 million.
2. Decrease in administrative costs by RM0.59 million mainly due to decrease in staff related costs and directors' remuneration by RM0.64 million mainly resulted from lower provision of bonuses for staff and directors.
3. Decrease in net addition of impairment losses of financial instruments (trade receivables) by RM1.83 million.

The finance costs for the current quarter was RM3.83 million, decreased by RM0.19 million as compared to RM4.02 million for the immediate preceding quarter mainly due to lower interest expenses incurred for overdraft facilities and bankers' acceptances by RM0.13 million and RM0.20 million respectively, partially offset by higher interest expense for term loans and higher bank charges incurred in the current quarter by RM0.07 million and RM0.04 million respectively.

Based on the foregoing factors, our profit before tax decreased by 17.6% or RM6.80 million, from RM38.61 million for the immediate preceding quarter to RM31.81 million for the current quarter.

**B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)****B3. Commentary on Prospects**

Our business operations mainly comprise trading and processing of a diverse range of flat and long steel products. Our processing facilities which include an extensive range of cutting, levelling, shearing, profiling, bending and finishing are cater for specific product requirements of our large customer base from diverse industries and to provide a one-stop solution to potential customers. The cutting and profiling facilities include a fiber laser cutting machine complete with automated loading and unloading facilities for inputs and outputs with overall processing speed of up to 5 times more than conventional laser cutting machines. In addition, our Group also has downstream manufacturing facilities for production of welded steel pipes with existing Phase 1 of the facilities having 2 production lines. Another 2 new production lines are currently being installed at the same facilities to optimise its production capacity and are expected to commence commercial production in the second quarter of 2022. We have also embarked on Phase 2 of the facilities which is only expected to be fully commissioned in the second half of 2023.

The profitability of our business is very much dependent on prices of our steel products besides demand from customers. In this respect, global factors such as volatility in commodities and crude oil prices as well as significant fluctuation in exchange rate of foreign currencies against Ringgit Malaysia will affect our suppliers pricing and hence the profitability of our steel products as some of our merchandise and raw materials are sourced from overseas. With regards to the demand from our customers, our Group is leveraging on its large and diverse customer base which in turn dependent on the condition of economies they thrived in, their resilience towards crisis as well as policy measures of the government.

Globally, growth is expected to slow significantly in 2022, largely as a consequence of the military conflict in Ukraine. The economic costs of war are expected to spread further afield through commodity markets, trade, and, to a lesser extent, financial interlinkages. Fuel and food price rises are already having a global impact, with vulnerable populations, particularly in low-income countries, most affected.

Locally, Bank Negara Malaysia (BNM) has trimmed the projected growth in the Malaysia's economy for 2022 to between 5.3% and 6.3% in 2022, slightly lower than its earlier forecast of between 5.5% and 6.5%. The growth is underpinned by factors including continued expansion in external demand, full upliftment of containment measures, reopening of international borders, further improvement in labour market conditions and implementation of investment projects and targeted policy measures. Although Malaysia will also be affected by the impact of the military conflict in Ukraine, the corresponding rise in global commodity prices are expected to provide support to commodity exports and some lift to nominal incomes. Given the rapidly evolving macroeconomic environment, BNM expects risks to the domestic growth projection remain tilted to the downside. These risks mainly stem from developments surrounding Covid-19, slower-than-expected rollout of public infrastructure projects, more persistent labour shortages, supply chain disruptions, and higher inflation.

Mindful of the uncertain economic outlook and risks involved, our Group has increased vigilant on the movement of steel prices and related foreign currencies and will take proactive measures including negotiating forward contracts, where necessary, as well as prudent inventory management, to reduce any negative impact which may arise therefrom. Our Group will also continue to enhance the operating capabilities and efficiencies in meeting customers' requirements and to ensure timely satisfaction of customer orders while keeping our operating costs at a manageable level. The risk of COVID-19 infection, although various Standard Operating Procedures had been removed by the relevant authorities upon entering into the endemic phase, will continue to be addressed by maintaining certain crucial preventive measures including work place hygiene, regular sanitisation and Covid-19 screening for entire workforce at regular intervals. The Group has also retained its emergency response team in major subsidiaries to deal with emergencies arising from the endemic as well as other health and workplace related emergencies.

**LEON FUAT BERHAD**

Registration No. 200601036648 (756407-D)

**B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)****B3. Commentary on Prospects (Cont'd)**

Mindful of the above, our Board is cautiously optimistic that our Group will achieve profitable result for the remaining quarters of 2022.

**B4. Variance of Forecast Profit and Profit Guarantee**

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

**B5. Profit Before Tax**

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2022 RM'000	Preceding Year Quarter 31.03.2021 RM'000	Current Year- To-Date 31.03.2022 RM'000	Preceding Year- To-Date 31.03.2021 RM'000
Depreciation of property, plant and equipment	3,976	3,764	3,976	3,764
Impairment losses on trade receivables	126	97	126	97
Interest expense	3,392	2,522	3,392	2,522
Net loss/(gain) on foreign exchange				
- realised	23	(30)	23	(30)
- unrealised	17	(44)	17	(44)
Waiver of interest income	127	-	127	-
Interest income	(95)	(161)	(95)	(161)
Net gain on a lease termination	-	(6)	-	(6)
Rental income from premises	(348)	(740)	(348)	(740)
Reversal of impairment losses on trade receivables	(118)	(47)	(118)	(47)

*Note:*

*Save as disclosed above, the other items as required under Appendix 9B Part A (16) of the Main Market Listing Requirements of Bursa Securities are not applicable.*

**LEON FUAT BERHAD**

Registration No. 200601036648 (756407-D)

**B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)****B6. Income Tax Expense**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.03.2022 RM'000	Preceding Year Quarter 31.03.2021 RM'000	Current Year- To-Date 31.03.2022 RM'000	Preceding Year- To-Date 31.03.2021 RM'000
Current income tax				
- for the financial period	7,588	5,627	7,588	5,627
- over provision in prior financial years	-	(#)	-	(#)
Deferred tax				
- origination of temporary differences	328	788	328	788
Income tax expense	<u>7,916</u>	<u>6,415</u>	<u>7,916</u>	<u>6,415</u>

*Note:*# *Less than RM500.*

The effective tax rate for the current quarter and current financial year-to-date are slightly higher than the statutory tax rate of 24% mainly due to certain expenses which are not deductible for tax purposes and absence of group relief for losses incurred by certain companies within the Group.

**LEON FUAT BERHAD**

Registration No. 200601036648 (756407-D)

**B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)****B7. Status of Corporate Proposals**

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

**Utilisation of Proceeds from Private Placement**

The Private Placement raised a gross proceeds of RM26.35 million. The status of utilisation of proceeds raised from the Private Placement as at 31 March 2022 is as follows:

<b>Purpose</b>	<b>Proposed Utilisation<sup>(1)</sup> (RM'000)</b>	<b>Actual Utilisation (RM'000)</b>	<b>Deviation</b>	<b>Balance unutilised (RM'000)</b>	<b>Estimated timeframe for utilisation (from the completion date of the Private Placement)</b>
Purchase of machineries for the new welded steel pipe manufacturing line	26,195	15,867	-	10,328	Within 24 months
Expenses incurred for the Private Placement	155	155	-	-	Immediate
<b>Total</b>	<b>26,350</b>	<b>16,022</b>	<b>-</b>	<b>10,328</b>	

*Note:*

(1) *The proposed utilisation of proceeds as disclosed above should be read in conjunction with the Announcement made by the Company dated 13 April 2021.*

**LEON FUAT BERHAD**

Registration No. 200601036648 (756407-D)

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

	<b>As at 31.03.2022 RM'000</b>	<b>As at 31.12.2021 RM'000</b>
<b><u>Current</u></b>		
<b>Secured:</b>		
Bankers' acceptances	163,524	161,502
Bank overdrafts	3,704	1,017
Lease liabilities	3,691	3,848
Term loans	10,793	9,193
	<u>181,712</u>	<u>175,560</u>
<b>Unsecured:</b>		
Bankers' acceptances	97,849	135,272
Bank overdrafts	9,640	4,000
Islamic financing	58,800	52,990
Lease liabilities	1,836	1,786
	<u>168,125</u>	<u>194,048</u>
	<u>349,837</u>	<u>369,608</u>
<b><u>Non-current</u></b>		
<b>Secured:</b>		
Lease liabilities	4,208	4,934
Term loans	65,574	52,847
	<u>69,782</u>	<u>57,781</u>
<b>Unsecured:</b>		
Lease liabilities	11,055	11,477
	<u>80,837</u>	<u>69,258</u>
<b>Total Borrowings</b>	<u><u>430,674</u></u>	<u><u>438,866</u></u>

The above Group's borrowings are denominated in Ringgit Malaysia.

**B9. Material Litigation**

Since the last annual financial statements up to the date of issue of this report, the Group is not engaged in any material litigation or arbitration, either as plaintiff or defendant, which have a material effect on the financial position of our Group, and the Board does not know of any proceedings pending or threatened or of any fact likely to give rise to any proceeding which may materially and adversely affect the financial position or business of the Group.

**B10. Dividend**

There was no dividend proposed or declared during the current quarter.

**LEON FUAT BERHAD**

Registration No. 200601036648 (756407-D)

**B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)****B11. Earnings Per Share**

## (a) Basic Earnings Per Share

The basic earnings per share for the current quarter and financial year-to-date are computed as follows:

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>Current Year Quarter 31.03.2022 RM'000</b>	<b>Preceding Year Quarter 31.03.2021 RM'000</b>	<b>Current Year- To-Date 31.03.2022 RM'000</b>	<b>Preceding Year- To-Date 31.03.2021 RM'000</b>
Profit attributable to owners of the Company	23,909	36,124	23,909	36,124
Weighted average number of ordinary shares in issue ('000)	341,000	310,000	341,000	310,000
Basic Earnings Per Share (sen)	7.01	11.65	7.01	11.65

## (b) Diluted Earnings Per Share

Diluted earnings per share is equivalent to basic earnings per share as the Company does not have any dilutive potential ordinary shares in issue for the current quarter and current financial year-to-date.

By order of the Board  
Kuala Lumpur  
30 May 2022