

**LEON FUAT BERHAD**

Registration No. 200601036648 (756407-D)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2023**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2023 RM'000	Preceding Year Quarter 30.06.2022 RM'000	Current Year- To-Date 30.06.2023 RM'000	Preceding Year- To-Date 30.06.2022 RM'000
Revenue	217,419	250,925	451,117	523,945
Cost of sales	(187,758)	(218,993)	(392,912)	(447,235)
Gross profit	29,661	31,932	58,205	76,710
Other income	995	436	2,079	1,108
Distribution costs	(3,297)	(2,969)	(6,652)	(5,954)
Administrative costs	(6,444)	(6,193)	(13,882)	(12,795)
Net reversal of impairment losses on financial instruments	815	40	259	32
Other costs	(203)	(973)	(391)	(1,187)
	(9,129)	(10,095)	(20,666)	(19,904)
Profit from operations	21,527	22,273	39,618	57,914
Finance costs	(5,436)	(4,234)	(10,658)	(8,067)
<b>Profit before tax</b>	16,091	18,039	28,960	49,847
Tax expense	(4,213)	(4,018)	(6,400)	(11,934)
<b>Profit for the financial period</b>	11,878	14,021	22,560	37,913
<b>Other comprehensive income:</b>				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of a foreign operation	36	24	52	32
<b>Total other comprehensive income, net of tax</b>	36	24	52	32
<b>Total comprehensive income for the financial period</b>	11,914	14,045	22,612	37,945
<b>Profit attributable to:</b>				
- Owners of the Company	11,880	14,023	22,612	37,932
- Non-controlling interests	(2)	(2)	(52)	(19)
	11,878	14,021	22,560	37,913

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2023 (CONT'D)**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2023 RM'000	Preceding Year Quarter 30.06.2022 RM'000	Current Year- To-Date 30.06.2023 RM'000	Preceding Year- To-Date 30.06.2022 RM'000
<b>Total comprehensive income attributable to:</b>				
- Owners of the Company	11,916	14,047	22,664	37,964
- Non-controlling interests	(2)	(2)	(52)	(19)
	<u>11,914</u>	<u>14,045</u>	<u>22,612</u>	<u>37,945</u>
<b>Earnings per share (sen) attributable to owners of the Company:</b>				
- Basic	3.48	4.11	6.63	11.12
- Diluted	3.48	4.11	6.63	11.12

*Note:*

*The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial statement.*

**LEON FUAT BERHAD**

Registration No. 200601036648 (756407-D)

**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2023**

	As at 30.06.2023 RM'000 (Unaudited)	As at 31.12.2022 RM'000 (Audited)
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	271,482	272,373
Capital work-in-progress	88,545	69,295
	<u>360,027</u>	<u>341,668</u>
<b>Current Assets</b>		
Inventories	384,819	387,099
Trade receivables	239,987	249,971
Other receivables, deposits and prepayments	12,961	13,374
Tax assets	10,609	8,398
Deposits with licensed banks	6,532	4,566
Cash and bank balances	44,946	34,987
	<u>699,854</u>	<u>698,395</u>
<b>TOTAL ASSETS</b>	<u>1,059,881</u>	<u>1,040,063</u>
<b>EQUITY AND LIABILITIES</b>		
<b>Equity</b>		
Share capital	186,423	186,423
Merger deficit	(103,960)	(103,960)
Capital reserve	1	1
Retained earnings	497,766	475,154
Translation reserve	123	71
	<u>580,353</u>	<u>557,689</u>
Non-controlling interests	453	505
<b>Total Equity</b>	<u>580,806</u>	<u>558,194</u>
<b>Non-Current Liabilities</b>		
Loans and borrowings	95,923	82,101
Deferred tax liabilities	8,926	6,098
	<u>104,849</u>	<u>88,199</u>
<b>Current Liabilities</b>		
Trade payables	18,781	6,709
Other payables and accruals	13,424	17,018
Tax liabilities	380	972
Loans and borrowings	337,421	366,734
Contract liabilities	4,220	2,237
	<u>374,226</u>	<u>393,670</u>
<b>Total Liabilities</b>	<u>479,075</u>	<u>481,869</u>
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>1,059,881</u>	<u>1,040,063</u>
Net assets per share attributable to owners of the Company (RM)	1.70	1.64

Note:

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial statement.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2023**

	< ----- Attributable to Owners of the Company ----- >					Non-	
	Share Capital	Merger Deficit	Capital Reserve	Translation Reserve	Retained Earnings	Controlling Interests	Total Equity
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
<b>2023</b>							
<b>At 1 January 2023</b>	186,423	(103,960)	1	71	475,154	505	558,194
Profit/(Loss) for the financial period	-	-	-	-	22,612	(52)	22,560
Other comprehensive income for the financial period	-	-	-	52	-	-	52
<b>Total comprehensive income</b>	-	-	-	52	22,612	(52)	22,612
<b>At 30 June 2023</b>	186,423	(103,960)	1	123	497,766	453	580,806
<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	-	-	-	-	37,932	(19)	37,913
Other comprehensive income for the financial period	-	-	-	32	-	-	32
<b>Total comprehensive income</b>	-	-	-	32	37,932	(19)	37,945
Realisation of merger deficit *	-	5,585	-	-	(5,585)	-	-
Dividends	-	-	-	-	(6,820)	-	(6,820)
<b>Total transactions with owners</b>	-	5,585	-	-	(12,405)	-	(6,820)
<b>At 30 June 2022</b>	186,423	(103,960)	1	34	483,467	567	566,532

Notes:

\* Realisation of merger deficit arising from member's voluntary winding-up of a subsidiary.

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial statement.

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2023**

	<b>Current Year-To-Date 30.06.2023 RM'000</b>	<b>Preceding Year-To-Date 30.06.2022 RM'000</b>
<b>Cash Flows from Operating Activities</b>		
Profit before tax	28,960	49,847
Adjustments for:		
Depreciation of property, plant and equipment	9,105	8,092
Impairment losses on trade receivables	709	156
Interest expense	9,812	7,037
Interest income	(509)	(155)
Inventories written down	-	13,876
Net gain on disposal of plant and equipment	(147)	(44)
Net unrealised foreign exchange gain	(324)	(114)
Plant and equipment written off	-	354
Reversal of impairment losses on trade receivables	(967)	(188)
Waiver of interest income	74	135
Operating profit before changes in working capital	46,713	78,996
Inventories	2,121	(73,031)
Trade and other receivables	8,013	1,092
Trade and other payables	6,389	(12,748)
Contract liabilities	1,983	6,041
Net cash generated from operation	65,219	350
Interest received	357	158
Interest paid	(10,257)	(7,459)
Income tax paid	(6,376)	(14,109)
Net cash from/(used in) operating activities	48,943	(21,060)
<b>Cash Flows from Investing Activities</b>		
Capital work-in-progress paid	(12,135)	(15,455)
Changes in deposit pledged with a licensed bank	(8)	(8)
Deposits paid for acquisition of plant and equipment	(50)	(1,053)
Proceeds from disposal of plant and equipment	65	46
Purchase of property, plant and equipment	(2,944)	(3,804)
Net cash used in investing activities	(15,072)	(20,274)

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2023 (CONT'D)**

	<b>Current Year-To-Date 30.06.2023 RM'000</b>	<b>Preceding Year-To-Date 30.06.2022 RM'000</b>
<b>Cash Flows from Financing Activities</b>		
Drawdown of term loans	16,735	4,540
Net drawdown of bankers' acceptances	14,031	23,365
Net (repayment)/drawdown of islamic financing	(31,398)	4,989
Payment of hire purchase payables	(2,659)	(2,233)
Payment of lease liabilities	(937)	(900)
Repayment of term loans	(5,397)	(5,130)
Net cash (used in)/from financing activities	<u>(9,625)</u>	<u>24,631</u>
<b>Net increase/(decrease) in cash and cash equivalents</b>	24,246	(16,703)
<b>Cash and cash equivalents at the beginning of the financial period</b>	(6,256)	40,137
Effect of exchange rate changes on cash and cash equivalents	305	139
<b>Cash and cash equivalents at the end of the financial period</b>	<u>18,295</u>	<u>23,573</u>
<b>Cash and cash equivalents at the end of the financial period comprises:</b>		
Cash and bank balances	44,946	43,752
Deposits with licensed banks	6,532	506
	<u>51,478</u>	<u>44,258</u>
Less: Bank overdrafts	(32,669)	(20,179)
Less: Deposit pledged with a licensed bank	(514)	(506)
	<u>18,295</u>	<u>23,573</u>

*Note:*

*The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial statement.*

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

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

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2022.

The interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company and its subsidiaries (“the Group”) since the financial year ended 31 December 2022.

The significant accounting policies adopted by the Group in this interim financial statements are consistent with those adopted in the financial statements as disclosed in the audited financial statements of the Group for the financial year ended 31 December 2022, except for the adoption of the following:

**New MFRS**

MFRS 17 Insurance Contracts

**Amendments/Improvements to MFRSs**

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

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

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

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

<u>Amendments/Improvements to MFRSs</u>		<b>Effective for financial periods beginning on or after</b>
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	Statement of Cash Flows	1 January 2024
MFRS 128	Investments in Associates and Joint Ventures	Deferred

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

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

The Auditors’ Report for the immediate preceding annual financial statements of the Group and the Company for the financial year ended 31 December 2022 were not subject to any qualification.

**A3. Seasonality or Cyclicity of Operations**

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

**A4. Unusual Items**

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

**A5. Changes in Estimates**

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

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

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

**A7. Dividend Paid**

No dividend was paid during the current quarter.

**A8. Segment Information**

Segment information of the Group for the financial year-to-date ended 30 June 2023 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	153,043	297,956	118	451,117
Cost of sales	(132,846)	(259,975)	(91)	(392,912)
Gross profit	<u>20,197</u>	<u>37,981</u>	<u>27</u>	<u>58,205</u>
Add/(Less):				
- Other income				2,079
- Operating expenses				(20,925)
- Net reversal of impairment losses on financial instruments				259
- Finance costs				<u>(10,658)</u>
Profit before tax				28,960
Tax expense				<u>(6,400)</u>
Profit for the financial period				<u><u>22,560</u></u>

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

Segment information of the Group for the financial year-to-date ended 30 June 2022 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	186,387	337,314	244	523,945
Cost of sales	(153,723)	(279,426)	(210)	(433,359)
Gross profit before inventories written down	<u>32,664</u>	<u>57,888</u>	<u>34</u>	<u>90,586</u>
Inventories written down				<u>(13,876)</u>
Gross profit				76,710
Add/(Less):				
- Other income				1,108
- Operating expenses				(19,936)
- Net reversal of impairment losses on financial instruments				32
- Finance costs				<u>(8,067)</u>
Profit before tax				49,847
Tax expense				<u>(11,934)</u>
Profit for the financial period				<u><u>37,913</u></u>

Notes:

<sup>(1)</sup> Collectively referred to as “processing”.

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

**A9. Valuations of Property, Plant and Equipment**

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

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

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

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

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

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

	<b>As at 30.06.2023 RM'000</b>	<b>Audited As at 31.12.2022 RM'000</b>
<b>Approved and contracted for:</b>		
Acquisition of motor vehicles	2,010	-
Acquisition of plant and equipment	4,627	20,901
Acquisition of properties	-	1,379
Construction of factory and warehouse buildings	10,409	11,008
	<u>17,046</u>	<u>33,288</u>

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

There were no contingent assets and liabilities since the end of the previous financial year up to 30 June 2023.

**A14. Significant Related Party Transactions**

	<b>INDIVIDUAL QUARTER</b>		<b>CUMULATIVE QUARTER</b>	
	<b>Current Year Quarter 30.06.2023 RM'000</b>	<b>Preceding Year Quarter 30.06.2022 RM'000</b>	<b>Current Year- To-Date 30.06.2023 RM'000</b>	<b>Preceding Year- To-Date 30.06.2022 RM'000</b>
Sales to related parties	948	1,034	2,729	2,959
Purchases from related parties	47	19	80	123
Rental expense paid to related parties	430	430	860	860

**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 30.06.2023 RM'000</b>	<b>Preceding Year Quarter 30.06.2022 RM'000</b>	<b>Variance</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	217,419	250,925	(33,506)	-13.4%
Gross profit	29,661	31,932	(2,271)	-7.1%
Profit before interest and tax	21,094	21,684	(590)	-2.7%
Profit before tax	16,091	18,039	(1,948)	-10.8%
Profit after tax	11,878	14,021	(2,143)	-15.3%
Profit attributable to owners of the Company	11,880	14,023	(2,143)	-15.3%

The revenue recorded for the current quarter and the preceding year corresponding quarter was RM217.42 million and RM250.93 million respectively, decreased by 13.4% or RM33.51 million.

The decrease in revenue was mainly due to decrease in revenue for trading and processing of steel products by 23.6% or RM22.79 million from RM96.39 million to RM73.60 million and by 6.9% or RM10.60 million from RM154.38 million to RM143.78 million respectively.

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

- lower revenue from trading of flat carbon steel products by 25.5% due to lower tonnage sales by 15.1% as well as lower average selling price by 12.2%; and
- lower revenue from trading of other flat steel products by 48.9% due to lower tonnage sales by 47.6% as well as lower average selling price by 2.5%.

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

- lower revenue from processing of other flat steel products by 46.1% due to lower tonnage sales by 39.2% as well as lower average selling price by 11.4%; and
- lower revenue from processing of long carbon steel products by 36.4% due to decrease in tonnage sales by 21.6% as well as lower average selling price by 18.9%; mitigated by
- higher revenue from processing of flat carbon steel products by 21.4% attributable to higher tonnage sales by 63.7%, despite lower average selling price by 25.8%.

Our main business segments continued to be trading and processing of steel products, which collectively contributed approximately 100.0% of our total revenue for the current quarter. The trading segment and the processing segment contributed revenue of 33.9% and 66.1% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of 38.4% and 61.5% respectively for the preceding year corresponding quarter.

For the current quarter, our gross profit decreased by 7.1% or RM2.27 million, from RM31.93 million for the preceding year corresponding quarter to RM29.66 million for the current quarter. This was due to the decrease in revenue by 13.4% or RM33.51 million, from RM250.93 million to RM217.42 million as well as lower overall gross profit margin by 4.7 percentage points, from 18.3% for the preceding year corresponding quarter to 13.6% for the current quarter, negated by absence of inventories written down of RM13.88 million which was recorded in 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)**

The other income for the current quarter was RM0.99 million as compared to RM0.44 million for the preceding year corresponding quarter, increased by RM0.55 million, mainly due to:

- increase in interest income by RM0.13 million;
- rental income derived from letting of a portion of warehouse space in Port Klang Free Zone (“PKFZ”) by RM0.25 million; and
- higher insurance claims by RM0.12 million.

Our operating costs decreased by RM0.96 million from RM10.09 million for the preceding year corresponding quarter to RM9.13 million for the current quarter, as the result of the following:

1. Increase in distribution costs by RM0.33 million mainly due to:
  - increase in staff related costs by RM0.07 million mainly caused by increase in salary, wage and overtime payments; and
  - increase in transportation, travelling and accommodation expenses by RM0.25 million.
2. Increase in administrative costs by RM0.25 million mainly due to:
  - increase in depreciation charges by RM0.25 million;
  - higher professional fees incurred in the current quarter by RM0.11 million; and
  - higher upkeep of motor vehicles, office and office equipment expenses by RM0.07 million; offset by
  - lower directors’ remuneration and staff related costs by RM0.20 million, mainly resulted from lower provision of bonuses for staff and directors.
3. Higher net reversal of impairment losses on financial instruments (trade receivables) by RM0.77 million.
4. Decrease in other costs by RM0.77 million mainly due to absence of plant and equipment written off and realised loss on foreign exchange of RM0.35 million and RM0.43 million respectively recorded for the preceding year corresponding quarter.

Total finance costs for the current quarter was RM5.44 million, increased by RM1.21 million as compared to RM4.23 million for the preceding year corresponding quarter. This was mainly caused by higher interest expense for overdraft facilities, bankers’ acceptances, islamic financing and term loans in the current quarter by RM0.28 million, RM0.66 million, RM0.17 million and RM0.20 million respectively, mainly due to higher utilisation of term loan and overdraft facilities as well as higher interest rates for the current quarter as compared to the preceding year corresponding quarter resulted from the increase of Overnight Policy Rate by Bank Negara Malaysia in May 2022, July 2022, September 2022, November 2022 and May 2023.

Based on the foregoing factors, our profit before tax decreased by 10.8% or RM1.95 million, from RM18.04 million for the preceding year corresponding quarter to RM16.09 million for the current quarter.

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

	<b>Current Year- To-Date 30.06.2023 RM'000</b>	<b>Preceding Year- To-Date 30.06.2022 RM'000</b>	<b>Variance</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	451,117	523,945	(72,828)	-13.9%
Gross profit	58,205	76,710	(18,505)	-24.1%
Profit before interest and tax	38,772	56,884	(18,112)	-31.8%
Profit before tax	28,960	49,847	(20,887)	-41.9%
Profit after tax	22,560	37,913	(15,353)	-40.5%
Profit attributable to owners of the Company	22,612	37,932	(15,320)	-40.4%

Our revenue decreased by 13.9% or RM72.83 million from RM523.95 million for the preceding financial year-to-date to RM451.12 million for the current financial year-to-date.

The decrease in revenue was mainly due to decrease in revenue for trading and processing of steel products by 17.9% or RM33.35 million from RM186.39 million to RM153.04 million and by 11.7% or RM39.35 million from RM337.31 million to RM297.96 million respectively.

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

- lower revenue from trading of flat carbon steel products by 30.3% due to lower tonnage sales by 18.0% as well as lower average selling price by 14.9%; and
- lower revenue from trading of other flat steel products by 31.8% due to lower tonnage sales by 33.5%, despite higher average selling price by 2.6%; mitigated by
- higher revenue from trading of long carbon steel products by 12.6% attributable to higher tonnage sales by 31.8%, despite lower average selling price by 14.6%.

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

- lower revenue from processing of other flat steel products by 34.2% due to lower tonnage sales by 30.6% as well as lower average selling price by 5.2%; and
- lower revenue from processing of long carbon steel products by 28.8% due to decrease in tonnage sales by 16.0% as well as lower average selling price by 15.2%.

For the current financial year-to-date, our gross profit decreased by 24.1% or RM18.50 million, from RM76.71 million for the preceding financial year-to-date to RM58.21 million for the current financial year-to-date. This was due to lower revenue by 13.9% or RM72.83 million from RM523.95 million for the preceding financial year-to-date to RM451.12 million for the current financial year-to-date as well as lower overall gross profit margin by 4.4 percentage points, from 17.3% for the preceding financial year-to-date to 12.9% for the current financial year-to-date, negated by absence of inventories written down of RM13.88 million which was recorded in the preceding financial year-to-date.

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

The other income for the current financial year-to-date was RM2.08 million as compared to RM1.11 million for the preceding financial year-to-date, was higher by RM0.97 million, mainly due to:

- higher gain on disposal of plant and equipment by RM0.10 million;
- higher unrealised gain on foreign exchange by RM0.21 million recorded for the current financial year-to-date;
- increase in interest income by RM0.35 million;
- higher rental income derived from letting of a portion of warehouse space in PKFZ by RM0.15 million; and
- higher insurance claims by RM0.19 million; partially offset by
- absence of wage subsidy of RM0.11 million received from Government under the Wage Subsidy Programme for the preceding financial year-to-date.

Our operating costs increased by RM0.77 million from RM19.90 million for the preceding financial year-to-date to RM20.67 million for the current financial year-to-date, as the result of the following:

1. Increase in distribution costs by RM0.70 million mainly due to:
  - increase in staff related costs by RM0.30 million mainly caused by increase in salary, wage and overtime payments; and
  - increase in transportation, travelling and accommodation expenses by RM0.47 million.
2. Increase in administrative costs by RM1.09 million mainly due to:
  - increase in depreciation charges by RM0.46 million;
  - increase in entertainment expenses by RM0.15 million;
  - higher professional fees incurred in the current financial year-to-date by RM0.26 million; and
  - higher upkeep of office and office equipment expenses by RM0.16 million.
3. Higher net reversal of impairment losses on financial instruments (trade receivables) by RM0.23 million.
4. Decrease in other costs by RM0.80 million mainly due to absence of plant and equipment written off and realised loss on foreign exchange of RM0.35 million and RM0.45 million respectively recorded for the preceding financial year-to-date.

Total finance costs increased by RM2.59 million as compared to the preceding financial year-to-date. This was mainly due to higher interest expense for overdraft facilities, bankers' acceptances, Islamic financing and term loans by RM0.93 million, RM1.08 million, RM0.29 million and RM0.46 million respectively, mainly due to higher utilisation of term loan and overdraft facilities as well as higher interest rates for the current financial year-to-date as compared to the preceding financial year-to-date resulted from the increase of Overnight Policy Rate by Bank Negara Malaysia in May 2022, July 2022, September 2022, November 2022 and May 2023.

Based on the foregoing factors, our profit before tax for the current financial year-to-date decreased by 41.9% or RM20.89 million as compared to preceding financial year-to-date, from RM49.85 million for the preceding financial year-to-date to RM28.96 million for the current financial year-to-date.

**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 30.06.2023 RM'000</b>	<b>Immediate Preceding Quarter 31.03.2023 RM'000</b>	<b>Variance</b>	
			<b>RM'000</b>	<b>%</b>
Revenue	217,419	233,698	(16,279)	-7.0%
Gross profit	29,661	28,544	1,117	3.9%
Profit before interest and tax	21,094	17,678	3,416	19.3%
Profit before tax	16,091	12,869	3,222	25.0%
Profit after tax	11,878	10,682	1,196	11.2%
Profit attributable to owners of the Company	11,880	10,732	1,148	10.7%

Our Group achieved revenue of RM217.42 million for the current quarter, which was lower than the immediate preceding quarter's revenue by 7.0% or RM16.28 million.

The decrease in revenue was mainly due to decrease in revenue for trading and processing of steel products by 7.4% or RM5.85 million from RM79.45 million to RM73.60 million and by 6.7% or RM10.40 million from RM154.18 million to RM143.78 million respectively.

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

- lower revenue from trading of other flat steel products by 22.5% due to lower tonnage sales by 16.0% as well as lower average selling price by 7.7%;
- lower revenue from trading of long carbon steel products by 19.3% due to lower tonnage sales by 20.6%, despite slightly higher average selling price by 1.7%; and
- lower revenue from trading of other long steel products by 36.7% due to lower tonnage sales by 31.4% as well as lower average selling price by 7.8%; mitigated by
- higher revenue from trading of flat carbon steel products by 18.2% attributable higher tonnage sales by 13.2% as well as higher average selling price by 4.4%.

The decrease in revenue for processing of steel products was mainly due to lower revenue from processing of other flat steel products by 26.1% resulted from lower tonnage sales by 22.6% and lower average selling price by 4.5%.

Despite lower revenue by 7.0% or RM16.28 million, from RM233.70 million to RM217.42 million, our gross profit increased slightly by 3.9% or RM1.12 million, from RM28.54 million for the immediate preceding quarter to RM29.66 million for the current quarter, which was due to higher overall gross profit margin by 1.4 percentage points, from 12.2% for the immediate preceding quarter to 13.6% for the current quarter.

The other income of RM0.99 million for the current quarter as compared to RM1.08 million for the immediate preceding quarter, was lower by RM0.09 million mainly due to decrease in interest income by RM0.12 million.

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

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

Our operating costs decreased by RM2.41 million, from RM11.54 million for the immediate preceding quarter to RM9.13 million for the current quarter, as the result of the following:

1. Decrease in administrative costs by RM0.99 million mainly due to:
  - lower staff related costs by RM0.66 million;
  - decrease in entertainment expenses by RM0.14 million; and
  - lower professional fees incurred in the current quarter by RM0.26 million.
  
2. Decrease in impairment losses on financial instruments (trade receivables) by RM1.37 million due to net reversal of impairment losses on financial instruments of RM0.81 million for the current quarter as opposed to net addition of impairment losses of RM0.56 million for the immediate preceding quarter.

The finance costs for the current quarter was RM5.44 million, remained fairly consistent as compared to RM5.22 million for the immediate preceding quarter.

Based on the foregoing factors, our profit before tax increased by 25.0% or RM3.22 million, from RM12.87 million for the immediate preceding quarter to RM16.09 million for the current quarter.

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

**B3. Commentary on Prospects**

Our business operations mainly comprise trading and processing of a diverse range of flat and long steel products. Our processing facilities which include an extensive range of cutting, levelling, shearing, profiling, bending and finishing are catered for specific product requirements of our large customer base from diverse industries and to provide a one-stop solution to potential customers. The cutting and profiling facilities include a fiber laser cutting machine complete with automated loading and unloading facilities for inputs and outputs with overall processing speed of up to 5 times more than conventional laser cutting machines. In addition, our Group also has downstream manufacturing facilities for production of welded steel pipes with existing Phase 1 of the facilities currently having 4 production lines. We have also embarked on Phase 2 of the facilities which is only expected to be fully commissioned in early 2024.

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

According to the International Monetary Fund (“IMF”), stronger growth and lower inflation than expected are suggesting the global economy is headed in the right direction. However, there are growing signs that global activity is losing momentum. The global tightening of monetary policy has brought interest rates into contractionary territory. This has started to weigh down on activity, slowing the growth of credit to the non-financial sector, increasing households' and firms' interest payments, and putting pressure on real estate markets.

Locally, IMF is expecting lower growth and elevated inflation in the near-term outlook. Downside risks, mostly external, cloud the near-term outlook. External risks include the possibility of an abrupt global slowdown or recession. Geo-economic fragmentation and geopolitical tensions resulting in a reconfiguration of trade, supply disruptions, and rising input costs among other disturbances, could negatively affect Malaysia's growth prospects. The gradual fiscal consolidation strategy set out in the 2023 Malaysian Budget is appropriate, but it should be credibly underpinned by high-quality and durable measures.

In view of the challenging global and local economic outlook and to stay ahead of competition, our Group will remain vigilant on the movement of steel prices and related foreign currencies and will take proactive measures including negotiating forward contracts, where necessary, as well as prudent inventory management, to reduce any negative impact which may arise therefrom. Our Group will also continue to enhance the operating capabilities and efficiencies in meeting customers' requirements and to ensure timely satisfaction of customer orders while keeping our operating costs at a manageable level.

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

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**B. ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)****B4. Variance of Forecast Profit and Profit Guarantee**

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

**B5. Profit Before Tax**

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2023 RM'000	Preceding Year Quarter 30.06.2022 RM'000	Current Year- To-Date 30.06.2023 RM'000	Preceding Year- To-Date 30.06.2022 RM'000
Depreciation of property, plant and equipment	4,584	4,116	9,105	8,092
Impairment losses on trade receivables	(189)	30	709	156
Interest expense	5,003	3,645	9,812	7,037
Inventories written down	-	13,876	-	13,876
Plant and equipment written off	-	354	-	354
Waiver of interest income	74	8	74	135
Interest income	(193)	(60)	(509)	(155)
Net gain on disposal of plant and equipment	(35)	(44)	(147)	(44)
Net foreign exchange (gain)/loss:				
- realised	(58)	425	(74)	448
- unrealised	(205)	(131)	(324)	(114)
Rental income from premises	(247)	-	(494)	(348)
Reversal of impairment losses on trade receivables	(626)	(70)	(967)	(188)

*Note:*

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

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2023 RM'000	Preceding Year Quarter 30.06.2022 RM'000	Current Year- To-Date 30.06.2023 RM'000	Preceding Year- To-Date 30.06.2022 RM'000
<b>Current income tax</b>				
- for the financial period	3,598	7,232	4,965	14,820
- over provision in prior financial years	-	-	(1,393)	-
<b>Deferred tax</b>				
- origination of temporary differences	615	(3,214)	2,828	(2,886)
Tax expense	<u>4,213</u>	<u>4,018</u>	<u>6,400</u>	<u>11,934</u>

The effective tax rate for the current quarter is 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. The effective tax rate for the current financial year-to-date is lower than the statutory tax rate of 24% mainly due to adjustment for overprovision of taxation by a subsidiary company upon receipt of Notices of Reduced Assessment for Year of Assessment ("YA") 2012 to YA 2015 amounting to RM1.39 million in respect of claim for the reinvestment allowance on certain capital expenditure incurred during those YAs.

**B7. Status of Corporate Proposals**

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

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

	As at 30.06.2023 RM'000	As at 31.12.2022 RM'000
<b><u>Current</u></b>		
<b>Secured:</b>		
Bankers' acceptances	115,682	109,378
Bank overdrafts	27,640	37,528
Hire purchase payables	5,498	3,951
Term loans	10,793	10,793
	159,613	161,650
<b>Unsecured:</b>		
Bankers' acceptances	127,719	119,992
Bank overdrafts	5,029	7,775
Islamic financing	44,889	76,287
Lease liabilities	171	1,030
	177,808	205,084
	337,421	366,734
<b><u>Non-current</u></b>		
<b>Secured:</b>		
Hire purchase payables	6,687	4,125
Term loans	78,780	67,442
	85,467	71,567
<b>Unsecured:</b>		
Lease liabilities	10,456	10,534
	95,923	82,101
<b>Total Borrowings</b>	433,344	448,835

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**

A final single tier dividend of 1.5 sen per share in respect of the financial year ended 31 December 2022 (financial year ended 31 December 2021: 2.0 sen) has been approved by the shareholders at the Annual General Meeting of the Company held on 23 May 2023. The final dividend was paid on 14 July 2023.

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

## (a) Basic Earnings Per Share

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2023 RM'000	Preceding Year Quarter 30.06.2022 RM'000	Current Year- To-Date 30.06.2023 RM'000	Preceding Year- To-Date 30.06.2022 RM'000
Profit attributable to owners of the Company	11,880	14,023	22,612	37,932
Weighted average number of ordinary shares in issue ('000)	341,000	341,000	341,000	341,000
Basic Earnings Per Share (sen)	3.48	4.11	6.63	11.12

## (b) Diluted Earnings Per Share

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

By order of the Board  
Kuala Lumpur  
28 August 2023