

LEON FUAT BERHAD

Registration No. 200601036648 (756407-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2023 RM'000	Preceding Year Quarter 30.09.2022 RM'000	Current Year- To-Date 30.09.2023 RM'000	Preceding Year- To-Date 30.09.2022 RM'000
Revenue	236,359	263,021	687,476	786,966
Cost of sales	(218,238)	(255,294)	(611,150)	(702,529)
Gross profit	18,121	7,727	76,326	84,437
Other income	726	665	2,805	1,773
Distribution costs	(3,518)	(3,253)	(10,170)	(9,207)
Administrative costs	(6,299)	(5,923)	(20,181)	(18,718)
Net reversal of impairment losses on financial instruments	475	403	734	435
Other costs	(164)	(321)	(555)	(1,508)
	(9,506)	(9,094)	(30,172)	(28,998)
Profit/(Loss) from operations	9,341	(702)	48,959	57,212
Finance costs	(5,353)	(4,743)	(16,011)	(12,810)
Profit/(Loss) before tax	3,988	(5,445)	32,948	44,402
Tax expense	1,310	2,214	(5,090)	(9,720)
Profit/(Loss) for the financial period	5,298	(3,231)	27,858	34,682
Other comprehensive income:				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of a foreign operation	1	26	53	58
Total other comprehensive income, net of tax	1	26	53	58
Total comprehensive income/(loss) for the financial period	5,299	(3,205)	27,911	34,740
Profit/(Loss) attributable to:				
- Owners of the Company	5,339	(3,226)	27,951	34,706
- Non-controlling interests	(41)	(5)	(93)	(24)
	5,298	(3,231)	27,858	34,682

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2023 RM'000	Preceding Year Quarter 30.09.2022 RM'000	Current Year- To-Date 30.09.2023 RM'000	Preceding Year- To-Date 30.09.2022 RM'000
Total comprehensive income/(loss) attributable to:				
- Owners of the Company	5,340	(3,200)	28,004	34,764
- Non-controlling interests	(41)	(5)	(93)	(24)
	<u>5,299</u>	<u>(3,205)</u>	<u>27,911</u>	<u>34,740</u>
Earnings/(Loss) per share (sen) attributable to owners of the Company:				
- Basic	1.57	(0.95)	8.20	10.18
- Diluted	1.57	(0.95)	8.20	10.18

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 SEPTEMBER 2023

	As at 30.09.2023 RM'000 (Unaudited)	As at 31.12.2022 RM'000 (Audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	269,337	272,373
Capital work-in-progress	92,158	69,295
	<u>361,495</u>	<u>341,668</u>
Current Assets		
Inventories	372,621	387,099
Trade receivables	242,728	249,971
Other receivables, deposits and prepayments	10,560	13,374
Tax assets	10,466	8,398
Deposits with licensed banks	11,079	4,566
Cash and bank balances	37,647	34,987
	<u>685,101</u>	<u>698,395</u>
TOTAL ASSETS	<u><u>1,046,596</u></u>	<u><u>1,040,063</u></u>
EQUITY AND LIABILITIES		
Equity		
Share capital	186,423	186,423
Merger deficit	(103,960)	(103,960)
Capital reserve	1	1
Retained earnings	497,990	475,154
Translation reserve	124	71
	<u>580,578</u>	<u>557,689</u>
Non-controlling interests	412	505
Total Equity	<u>580,990</u>	<u>558,194</u>
Non-Current Liabilities		
Loans and borrowings	91,859	82,101
Deferred tax liabilities	6,651	6,098
	<u>98,510</u>	<u>88,199</u>
Current Liabilities		
Trade payables	11,803	6,709
Other payables and accruals	13,150	17,018
Tax liabilities	423	972
Loans and borrowings	337,136	366,734
Contract liabilities	4,584	2,237
	<u>367,096</u>	<u>393,670</u>
Total Liabilities	<u>465,606</u>	<u>481,869</u>
TOTAL EQUITY AND LIABILITIES	<u><u>1,046,596</u></u>	<u><u>1,040,063</u></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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Registration No. 200601036648 (756407-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023

	< ----- Attributable to Owners of the Company ----- >					Non- Controlling Interests	Total Equity
	Share Capital	Merger Deficit	Capital Reserve	Translation Reserve	Retained Earnings		
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2023							
At 1 January 2023	186,423	(103,960)	1	71	475,154	505	558,194
Profit/(Loss) for the financial period	-	-	-	-	27,951	(93)	27,858
Other comprehensive income for the financial period	-	-	-	53	-	-	53
Total comprehensive income	-	-	-	53	27,951	(93)	27,911
Transaction with owners							
Dividends	-	-	-	-	(5,115)	-	(5,115)
At 30 September 2023	<u>186,423</u>	<u>(103,960)</u>	<u>1</u>	<u>124</u>	<u>497,990</u>	<u>412</u>	<u>580,990</u>
2022							
At 1 January 2022	186,423	(109,545)	1	2	457,940	586	535,407
Profit/(Loss) for the financial period	-	-	-	-	34,706	(24)	34,682
Other comprehensive income for the financial period	-	-	-	58	-	-	58
Total comprehensive income	-	-	-	58	34,706	(24)	34,740
Realisation of merger deficit *	-	5,585	-	-	(5,585)	-	-
Dividends	-	-	-	-	(6,820)	-	(6,820)
Total transactions with owners	-	5,585	-	-	(12,405)	-	(6,820)
At 30 September 2022	<u>186,423</u>	<u>(103,960)</u>	<u>1</u>	<u>60</u>	<u>480,241</u>	<u>562</u>	<u>563,327</u>

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 THIRD QUARTER ENDED 30 SEPTEMBER 2023

	Current Year-To-Date 30.09.2023 RM'000	Preceding Year-To-Date 30.09.2022 RM'000
Cash Flows from Operating Activities		
Profit before tax	32,948	44,402
Adjustments for:		
Depreciation of property, plant and equipment	13,765	12,421
Impairment losses on trade receivables	574	254
Interest expense	14,624	11,474
Interest income	(748)	(284)
Inventories written down	-	15,981
Net gain on a lease termination	-	(#)
Net gain on disposal of plant and equipment	(217)	(421)
Net unrealised foreign exchange gain	(355)	(185)
Plant and equipment written off	-	354
Reversal of impairment losses on trade receivables	(1,308)	(689)
Waiver of interest income	108	189
Operating profit before changes in working capital	59,391	83,496
Inventories	14,170	(43,411)
Trade and other receivables	8,805	1,221
Trade and other payables	2	(4,055)
Contract liabilities	2,347	601
Net cash generated from operation	84,715	37,852
Interest received	617	216
Interest paid	(14,466)	(11,075)
Income tax paid	(7,154)	(29,521)
Net cash from/(used in) operating activities	63,712	(2,528)
Cash Flows from Investing Activities		
Capital work-in-progress paid	(16,320)	(23,316)
Changes in deposit pledged with a licensed bank	(8)	(8)
Deposits paid for acquisition of plant and equipment	(1,483)	(3,330)
Proceeds from disposal of plant and equipment	142	431
Purchase of property, plant and equipment	(3,868)	(6,872)
Net cash used in investing activities	(21,537)	(33,095)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2023 (CONT'D)

	Current Year-To-Date 30.09.2023 RM'000	Preceding Year-To-Date 30.09.2022 RM'000
Cash Flows from Financing Activities		
Dividends paid	(5,115)	(6,820)
Drawdown of term loans	16,735	4,540
Net repayment of bankers' acceptances	(11,432)	(29,625)
Net drawdown of islamic financing	651	34,753
Payment of hire purchase payables	(4,081)	(3,107)
Payment of lease liabilities	(1,385)	(1,356)
Repayment of term loans	(8,095)	(7,828)
Net cash used in financing activities	<u>(12,722)</u>	<u>(9,443)</u>
Net increase/(decrease) in cash and cash equivalents	29,453	(45,066)
Cash and cash equivalents at the beginning of the financial period	(6,256)	40,137
Effect of exchange rate changes on cash and cash equivalents	347	190
Cash and cash equivalents at the end of the financial period	<u>23,544</u>	<u>(4,739)</u>
Cash and cash equivalents at the end of the financial period comprises:		
Cash and bank balances	37,647	32,692
Deposits with licensed banks	11,079	506
	48,726	33,198
Less: Bank overdrafts	(24,668)	(37,431)
Less: Deposit pledged with a licensed bank	(514)	(506)
	<u>23,544</u>	<u>(4,739)</u>

Notes:# *Less than RM500.*

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

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

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

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

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

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

New MFRS

MFRS 17 Insurance Contracts

Amendments/Improvements to MFRSs

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

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

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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>		Effective for financial periods beginning on or after
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 121	The Effects of Changes in Foreign Exchange Rates	1 January 2025
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 periods 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

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

A8. Segment Information

Segment information of the Group for the financial year-to-date ended 30 September 2023 is as follows:

	Trading of Steel Products RM’000	Processing/ Manufacturing ⁽¹⁾ of Steel Products RM’000	Others ⁽²⁾ RM’000	Total RM’000
External revenue	236,344	450,933	199	687,476
Cost of sales	(209,263)	(401,722)	(165)	(611,150)
Gross profit	<u>27,081</u>	<u>49,211</u>	<u>34</u>	<u>76,326</u>
Add/(Less):				
- Other income				2,805
- Operating expenses				(30,906)
- Net reversal of impairment losses on financial instruments				734
- Finance costs				<u>(16,011)</u>
Profit before tax				32,948
Tax expense				<u>(5,090)</u>
Profit for the financial period				<u><u>27,858</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 September 2022 is as follows:

	Trading of Steel Products RM’000	Processing/ Manufacturing ⁽¹⁾ of Steel Products RM’000	Others ⁽²⁾ RM’000	Total RM’000
External revenue	284,845	501,843	278	786,966
Cost of sales	(252,395)	(433,924)	(229)	(686,548)
Gross profit before inventories written down	<u>32,450</u>	<u>67,919</u>	<u>49</u>	100,418
Inventories written down				(15,981)
Gross profit				<u>84,437</u>
Add/(Less):				
- Other income				1,773
- Operating expenses				(29,433)
- Net reversal of impairment losses on financial instruments				435
- Finance costs				<u>(12,810)</u>
Profit before tax				44,402
Tax expense				<u>(9,720)</u>
Profit for the financial period				<u><u>34,682</u></u>

Notes:

⁽¹⁾ Collectively referred to as “processing”.

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

A9. Valuations of Property, Plant and Equipment

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

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

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

A11. Changes in Composition of the Group

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

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

	As at	Audited
	30.09.2023	As at
	RM’000	31.12.2022
		RM’000
Approved and contracted for:		
Acquisition of motor vehicles	44	-
Acquisition of plant and equipment	3,772	20,901
Acquisition of properties	-	1,379
Construction of factory and warehouse buildings	9,040	11,008
	<u>12,856</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 September 2023.

A14. Significant Related Party Transactions

	INDIVIDUAL		CUMULATIVE	
	QUARTER		QUARTER	
	Current	Preceding	Current	Preceding
	Year	Year	Year-	Year-
	Quarter	Quarter	To-Date	To-Date
	30.09.2023	30.09.2022	30.09.2023	30.09.2022
	RM’000	RM’000	RM’000	RM’000
Sales to related parties	1,464	900	4,193	3,858
Purchases from related parties	11	245	91	368
Rental expense paid to related parties	430	430	1,290	1,291

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

	Current Year Quarter 30.09.2023 RM'000	Preceding Year Quarter 30.09.2022 RM'000	Variance	
			RM'000	%
Revenue	236,359	263,021	(26,662)	-10.1%
Gross profit	18,121	7,727	10,394	134.5%
Profit/(Loss) before interest and tax	8,800	(1,008)	9,808	973.0%
Profit/(Loss) before tax	3,988	(5,445)	9,433	173.2%
Profit/(Loss) after tax	5,298	(3,231)	8,529	264.0%
Profit/(Loss) attributable to owners of the Company	5,339	(3,226)	8,565	265.5%

The revenue recorded for the current quarter and the preceding year corresponding quarter was RM236.36 million and RM263.02 million respectively, decreased by 10.1% or RM26.66 million.

The decrease in revenue was mainly due to decrease in revenue for trading and processing of steel products by 15.4% or RM15.16 million from RM98.46 million to RM83.30 million and by 7.0% or RM11.55 million from RM164.53 million to RM152.98 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 25.6% due to lower tonnage sales by 23.8% as well as lower average selling price by 2.3%; and
- lower revenue from trading of long carbon steel products by 30.3% due to lower tonnage sales by 16.5% as well as lower average selling price by 16.6%.

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

- lower revenue from processing of flat carbon steel products by 8.2% due to lower average selling price by 11.3%, despite higher tonnage sales by 3.4%; and
- lower revenue from processing of long carbon steel products by 16.7% due to lower average selling price by 18.7% while tonnage sales remained fairly consistent.

Our main business segments continued to be trading and processing of steel products, which collectively contributed approximately 99.9% of our total revenue for the current quarter. The trading segment and the processing segment contributed revenue of 35.2% and 64.7% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of 37.4% and 62.6% respectively for the preceding year corresponding quarter.

Despite lower revenue by 10.1% or RM26.66 million, from RM263.02 million for the preceding year corresponding quarter to RM236.36 million for the current quarter, our gross profit increased by 134.5% or RM10.39 million, from RM7.73 million for the preceding year corresponding quarter to RM18.12 million for the current quarter, mainly due to higher overall gross profit margin by 4.0 percentage points, from 3.7% for the preceding year corresponding quarter to 7.7% for the current quarter as well as absence of inventories written down of RM2.10 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 RM0.73 million as compared to RM0.67 million for the preceding year corresponding quarter, increased by RM0.06 million, as the result of the following:

- increase in interest income by RM0.11 million; and
- rental income derived from letting of a portion of warehouse space in Port Klang Free Zone (“PKFZ”) of RM0.25 million; largely offset by
- lower gain on disposal of plant and equipment by RM0.30 million.

Our operating costs increased by RM0.42 million from RM9.09 million for the preceding year corresponding quarter to RM9.51 million for the current quarter, as the result of the following:

1. Increase in distribution costs by RM0.26 million, mainly due to:
 - increase in staff related costs by RM0.14 million mainly caused by increase in salaries and wages; and
 - increase in petrol, parking, toll, transportation, travelling, accommodation and upkeep of motor vehicles expenses by RM0.11 million.
2. Increase in administrative costs by RM0.38 million mainly due to:
 - higher directors’ remuneration and staff related costs by RM0.26 million; and
 - increase in depreciation charges by RM0.27 million; offset by
 - lower professional fees incurred in the current quarter by RM0.08 million; and
 - lower upkeep of motor vehicles expenses by RM0.10 million.
3. Higher net reversal of impairment losses on financial instruments (trade receivables) by RM0.07 million.
4. Decrease in other costs by RM0.16 million, mainly due to:
 - lower stamp duty paid by RM0.40 million; and
 - lower gift and donation expenses by RM0.03 million; offset by
 - absence of reversal of realised loss on foreign exchange of RM0.28 million recorded for the preceding year corresponding quarter.

Total finance costs for the current quarter was RM5.35 million, increased by RM0.61 million as compared to RM4.74 million for the preceding year corresponding quarter. This was mainly caused by higher bank charges by RM0.24 million as well as higher interest expense for bankers’ acceptances and term loans in the current quarter by RM0.20 million and RM0.22 million respectively, mainly due to higher utilisation of term loan facilities and 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 September 2022, November 2022 and May 2023.

Based on the foregoing factors, we recorded profit before tax of RM3.99 million for the current quarter, as opposed to loss before tax of RM5.45 million 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 Financial Year-To-Date Compared To Preceding Financial Year-To-Date**

	Current Year- To-Date 30.09.2023 RM'000	Preceding Year- To-Date 30.09.2022 RM'000	Variance	
			RM'000	%
Revenue	687,476	786,966	(99,490)	-12.6%
Gross profit	76,326	84,437	(8,111)	-9.6%
Profit before interest and tax	47,572	55,876	(8,304)	-14.9%
Profit before tax	32,948	44,402	(11,454)	-25.8%
Profit after tax	27,858	34,682	(6,824)	-19.7%
Profit attributable to owners of the Company	27,951	34,706	(6,755)	-19.5%

Our revenue decreased by 12.6% or RM99.49 million from RM786.97 million for the preceding financial year-to-date to RM687.48 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 17.0% or RM48.50 million from RM284.84 million to RM236.34 million and by 10.1% or RM50.91 million from RM501.84 million to RM450.93 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 20.7% due to lower tonnage sales by 4.5% as well as lower average selling price by 17.0%; and
- lower revenue from trading of other flat steel products by 29.4% due to lower tonnage sales by 29.8% while average selling price remained fairly consistent.

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

- lower revenue from processing of flat carbon steel products by 2.0% due to lower average selling price by 18.4%, despite higher tonnage sales by 20.1%;
- lower revenue from processing of other flat steel products by 25.3% due to lower tonnage sales by 18.5% as well as lower average selling price by 8.4%; and
- lower revenue from processing of long carbon steel products by 24.6% due to decrease in tonnage sales by 9.5% as well as lower average selling price by 16.7%.

For the current financial year-to-date, our gross profit decreased by 9.6% or RM8.11 million, from RM84.44 million for the preceding financial year-to-date to RM76.33 million for the current financial year-to-date. This was due to lower revenue by 12.6% or RM99.49 million from RM786.97 million for the preceding financial year-to-date to RM687.48 million for the current financial year-to-date as well as lower overall gross profit margin by 1.7 percentage points, from 12.8% for the preceding financial year-to-date to 11.1% for the current financial year-to-date, negated by absence of inventories written down of RM15.98 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 RM2.81 million as compared to RM1.77 million for the preceding financial year-to-date, higher by RM1.04 million, as the result of the following:

- realised gain on foreign exchange of RM0.11 million and higher unrealised gain on foreign exchange by RM0.17 million recorded for the current financial year-to-date;
- increase in interest income by RM0.46 million;
- higher rental income derived from letting of a portion of warehouse space in PKFZ by RM0.39 million; and
- higher insurance claims by RM0.23 million; partially offset by
- lower gain on disposal of plant and equipment by RM0.20 million; and
- 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 RM1.17 million from RM29.00 million for the preceding financial year-to-date to RM30.17 million for the current financial year-to-date, as the result of the following:

1. Increase in distribution costs by RM0.96 million mainly due to:
 - increase in staff related costs by RM0.43 million mainly caused by increase in salaries and wages; and
 - increase in transportation, travelling and accommodation expenses by RM0.55 million.
2. Increase in administrative costs by RM1.46 million mainly due to:
 - higher directors' remuneration and staff related costs by RM0.31 million;
 - increase in depreciation charges by RM0.74 million;
 - increase in entertainment expenses by RM0.14 million; and
 - higher professional fees incurred in the current financial year-to-date by RM0.18 million.
3. Higher net reversal of impairment losses on financial instruments (trade receivables) by RM0.30 million.
4. Decrease in other costs by RM0.95 million, mainly due to:
 - absence of plant and equipment written off of RM0.35 million recorded for the preceding financial year-to-date;
 - absence of realised loss on foreign exchange of RM0.17 million recorded for the preceding financial year-to-date; and
 - lower stamp duty paid by RM0.45 million.

Total finance costs increased by RM3.20 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, term loans and hire purchase facilities by RM0.97 million, RM1.29 million, RM0.12 million, RM0.68 million and RM0.13 million respectively, mainly due to higher utilisation of overdraft, term loan and hire purchase 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 25.8% or RM11.45 million as compared to preceding financial year-to-date, from RM44.40 million for the preceding financial year-to-date to RM32.95 million for the current financial year-to-date.

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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**

	Current Quarter 30.09.2023 RM'000	Immediate Preceding Quarter 30.06.2023 RM'000	Variance	
			RM'000	%
Revenue	236,359	217,419	18,940	8.7%
Gross profit	18,121	29,661	(11,540)	-38.9%
Profit before interest and tax	8,800	21,094	(12,294)	-58.3%
Profit before tax	3,988	16,091	(12,103)	-75.2%
Profit after tax	5,298	11,878	(6,580)	-55.4%
Profit attributable to owners of the Company	5,339	11,880	(6,541)	-55.1%

Our Group achieved revenue of RM236.36 million for the current quarter, which was higher than the immediate preceding quarter's revenue by 8.7% or RM18.94 million.

The increase in revenue was mainly due to increase in revenue for trading and processing of steel products by 13.2% or RM9.70 million, from RM73.60 million to RM83.30 million and 6.4% or RM9.20 million, from RM143.78 million to RM152.98 million respectively.

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

- higher revenue from trading of flat carbon steel products by 14.4% attributable to higher tonnage sales by 26.1%, despite lower average selling price by 9.3%; and
- higher revenue from trading of other flat steel products by 55.9% attributable to higher tonnage sales by 55.0% while average selling price remained fairly consistent.

The increase in revenue for processing of steel products was mainly due to higher revenue from processing of other flat steel products by 29.4% attributable to higher tonnage sales by 44.1%, despite lower average selling price by 10.2%.

Despite higher revenue by 8.7% or RM18.94 million, from RM217.42 million for the immediate preceding quarter to RM236.36 million for the current quarter, our gross profit decreased by 38.9% or RM11.54 million, from RM29.66 million for the immediate preceding quarter to RM18.12 million for the current quarter, mainly due to lower overall gross profit margin by 5.9 percentage points, from 13.6% for the immediate preceding quarter to 7.7% for the current quarter.

The other income of RM0.73 million for the current quarter as compared to RM0.99 million for the immediate preceding quarter, was lower by RM0.26 million mainly due to:

- lower unrealised gain on foreign exchange by RM0.17 million; and
- lower insurance claims by RM0.24 million; mitigated by
- higher gain on disposal of plant and equipment by RM0.03 million;
- increase in interest income by RM0.05 million; and
- Liquidated and Ascertained Damages compensation of RM0.07 million received from a developer for the current quarter.

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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 increased by RM0.38 million, from RM9.13 million for the immediate preceding quarter to RM9.51 million for the current quarter, as the result of the following:

1. Increase in distribution costs by RM0.22 million, mainly due to:
 - increase in staff related costs by RM0.09 million mainly caused by increase in salaries and wages; and
 - increase in petrol, parking, toll, transportation, travelling, accommodation and upkeep of motor vehicles expenses by RM0.10 million.
2. Decrease in administrative costs by RM0.15 million mainly due to lower directors' remuneration and staff related costs by RM0.14 million.
3. Decrease in reversal of impairment losses on financial instruments (trade receivables) by RM0.34 million.
4. Decrease in other costs by RM0.04 million mainly due to:
 - lower stamp duty paid by RM0.03 million; and
 - lower gift and donation expenses by RM0.02 million.

The finance costs for the current quarter was RM5.35 million, remained fairly consistent as compared to RM5.44 million for the immediate preceding quarter.

Based on the foregoing factors, our profit before tax decreased by 75.2% or RM12.10 million, from RM16.09 million for the immediate preceding quarter to RM3.99 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), risks to the global economic outlook are more balanced than they were in the first half of 2023, on account of the resolution of US debt ceiling tensions and Swiss and US authorities' having acted decisively to contain financial turbulence. The likelihood of a hard landing has receded, but the balance of risks to global growth remains tilted to the downside. China's property sector crisis could deepen, with global spillovers, particularly for commodity exporters. Near-term inflation expectations have risen and could contribute to core inflation pressures persisting and requiring higher policy rates than expected. More climate and geopolitical shocks could cause additional food and energy price spikes. Intensifying geoeconomic fragmentation could constrain the flow of commodities across markets, causing additional price volatility and complicating the green transition. Amid rising debt-service costs, more than half of low-income developing countries are in or at high risk of debt distress. There is little margin for error on the policy front. Central banks need to restore price stability while using policy tools to relieve potential financial stress when needed. Effective monetary policy frameworks and communication are vital for anchoring expectations and minimizing the output costs of disinflation. Fiscal policymakers should rebuild budgetary room for maneuver and withdraw untargeted measures while protecting the vulnerable.

With the challenging global environment, Bank Negara Malaysia (BNM) projected the Malaysian economy to expand close to the lower end of the 4.0% to 5.0% range in 2023. Growth will continue to be supported by domestic demand amid improving employment and income as well as implementation of multi-year projects. Tourist arrivals are expected to continue rising, which would support tourism-related activities. Malaysia's growth outlook is subject to downside risk stemming primarily from weaker-than-expected global growth. There are, however, upside risk factors such as stronger-than-expected tourism activity and faster implementation of projects.

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

B3. Commentary on Prospects (Cont'd)

With the challenging global and local economic outlook and to stay competitive, 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 regard, our Board remained cautiously optimistic that the Group will achieve positive results for the last quarter 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 30.09.2023 RM'000	Preceding Year Quarter 30.09.2022 RM'000	Current Year- To-Date 30.09.2023 RM'000	Preceding Year- To-Date 30.09.2022 RM'000
Depreciation of property, plant and equipment	4,660	4,329	13,765	12,421
Impairment losses on trade receivables	(134)	98	574	254
Interest expense	4,812	4,437	14,624	11,474
Inventories written down	-	2,105	-	15,981
Plant and equipment written off	-	-	-	354
Waiver of interest income	34	54	108	189
Interest income	(239)	(129)	(748)	(284)
Net gain on a lease termination	-	(#)	-	(#)
Net gain on disposal of plant and equipment	(70)	(377)	(217)	(421)
Net foreign exchange (gain)/loss:				
- realised	(36)	(280)	(110)	168
- unrealised	(31)	(71)	(355)	(185)
Rental income from premises	(248)	-	(742)	(348)
Reversal of impairment losses on trade receivables	(341)	(501)	(1,308)	(689)

Notes:# *Less than RM500.**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 30.09.2023 RM'000	Preceding Year Quarter 30.09.2022 RM'000	Current Year- To-Date 30.09.2023 RM'000	Preceding Year- To-Date 30.09.2022 RM'000
Current income tax				
- for the financial period	2,999	(2,424)	7,964	12,396
- over provision in prior financial years	(2,034)	(312)	(3,427)	(312)
Deferred tax				
- (reversal)/origination of temporary differences	(1,939)	344	889	(2,542)
- (over)/under provision in prior financial year	(336)	178	(336)	178
Tax expense	<u>(1,310)</u>	<u>(2,214)</u>	<u>5,090</u>	<u>9,720</u>

The negative tax expense for the current quarter and the lower effective tax rate for the current financial year-to-date as compared to the statutory tax rate of 24% was mainly due to reversal of tax expense provided in previous financial years by a subsidiary company upon receipt of Notices of Reduced Assessment ("Forms JR") for Year of Assessment ("YA") 2012 to YA 2018 totalling approximately RM4.16 million in respect of claim for the reinvestment allowance on certain capital expenditure incurred during those YAs. The Forms JR for YA 2012 to YA 2015 for tax reduction amounting to RM1.39 million were received in the first quarter of the current financial year while the Forms JR for YA 2016 to YA 2018 for tax reduction amounting to RM2.77 million were received in the current quarter.

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 30.09.2023 RM'000	As at 31.12.2022 RM'000
<u>Current</u>		
Secured:		
Bankers' acceptances	127,877	109,378
Bank overdrafts	12,052	37,528
Hire purchase payables	5,409	3,951
Term loans	10,793	10,793
	<hr/>	<hr/>
	156,131	161,650
Unsecured:		
Bankers' acceptances	90,061	119,992
Bank overdrafts	12,616	7,775
Islamic financing	76,938	76,287
Lease liabilities	1,390	1,030
	<hr/>	<hr/>
	181,005	205,084
	<hr/>	<hr/>
	337,136	366,734
<u>Non-current</u>		
Secured:		
Hire purchase payables	5,354	4,125
Term loans	76,082	67,442
	<hr/>	<hr/>
	81,436	71,567
Unsecured:		
Lease liabilities	10,423	10,534
	<hr/>	<hr/>
	91,859	82,101
	<hr/>	<hr/>
Total Borrowings	428,995	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

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

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

(a) Basic Earnings/(Loss) Per Share

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.09.2023 RM'000	Preceding Year Quarter 30.09.2022 RM'000	Current Year- To-Date 30.09.2023 RM'000	Preceding Year- To-Date 30.09.2022 RM'000
Profit/(Loss) attributable to owners of the Company	5,339	(3,226)	27,951	34,706
Weighted average number of ordinary shares in issue ('000)	341,000	341,000	341,000	341,000
Basic Earnings/(Loss) Per Share (sen)	1.57	(0.95)	8.20	10.18

(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
27 November 2023