

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.9.2015 RM'000	Preceding Year Quarter 30.9.2014 RM'000	Current Year- To-Date 30.9.2015 RM'000	Preceding Year- To-Date 30.9.2014 RM'000
Continuing Operations				
Revenue	120,896	121,669	378,169	364,780
Direct operating costs	(104,451)	(102,977)	(327,638)	(312,265)
Gross profit	16,445	18,692	50,531	52,515
Other operating income	1,057	672	1,706	1,572
Distribution costs	(1,498)	(1,259)	(4,442)	(4,214)
Administrative costs	(5,339)	(4,944)	(17,753)	(15,556)
Other operating costs	(1,976)	(302)	(2,782)	(1,358)
	(8,813)	(6,505)	(24,977)	(21,128)
Profit from operations	8,689	12,859	27,260	32,959
Finance costs	(2,185)	(1,498)	(6,400)	(4,675)
Profit before tax	6,504	11,361	20,860	28,284
Tax expense	(1,867)	(2,964)	(5,793)	(7,447)
Profit for the financial period	4,637	8,397	15,067	20,837
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Fair value reserve reclassified to profit or loss on disposal of available-for-sale financial assets	-	12	-	12
Exchange differences on translation of foreign operations	#	3	(7)	3
Total other comprehensive income, net of tax	-	15	(7)	15
Total comprehensive income for the financial period	4,637	8,412	15,060	20,852
Profit attributable to:				
- Owners of the Company	4,637	8,397	15,067	20,837
Total comprehensive income attributable to:				
- Owners of the Company	4,637	8,412	15,060	20,852
Earnings per share (sen) attributable to owners of the Company:				
- Basic	1.50	2.71	4.86	6.72
- Diluted	1.50	2.71	4.86	6.72

LEON FUAT BERHAD
(Company No.756407-D)

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015
(CONT'D)**

Notes:

Less than RM500

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 2014 and the accompanying explanatory notes attached to this interim financial statement.

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2015

	Unaudited As at 30.9.2015 RM'000	Audited As at 31.12.2014 RM'000
ASSETS		
Non-current assets		
Property, plant and equipment	93,761	87,146
Capital work-in-progress	5,595	1,136
Goodwill on consolidation	257	257
	<u>99,613</u>	<u>88,539</u>
Current assets		
Inventories	213,512	178,353
Trade receivables	123,801	125,342
Other receivables, deposits and prepayments	13,299	9,310
Tax recoverable	488	65
Fixed deposits with licensed banks	6,868	12,995
Cash and bank balances	1,517	9,161
	<u>359,485</u>	<u>335,226</u>
TOTAL ASSETS	<u><u>459,098</u></u>	<u><u>423,765</u></u>
EQUITY AND LIABILITIES		
Equity attributable to owners of the Company		
Share capital	155,000	155,000
Share premium	5,094	5,094
Merger deficit	(109,545)	(109,545)
Capital reserve	1	1
Retained earnings	180,658	171,791
Foreign currency translation reserve	(4)	3
Total Equity	<u>231,204</u>	<u>222,344</u>
Non-current liabilities		
Deferred tax liabilities	3,419	3,274
Borrowings	5,396	4,263
	<u>8,815</u>	<u>7,537</u>
Current liabilities		
Trade payables	45,530	42,438
Other payables and accruals	4,450	3,135
Amount owing to ultimate holding company	4,500	-
Borrowings	163,389	145,135
Tax liabilities	1,210	3,176
	<u>219,079</u>	<u>193,884</u>
Total Liabilities	<u>227,894</u>	<u>201,421</u>
TOTAL EQUITY AND LIABILITIES	<u><u>459,098</u></u>	<u><u>423,765</u></u>
Net assets per share attributable to owners of the Company (RM)	0.75	0.72

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 2014 and the accompanying explanatory notes attached to this interim financial statement.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

	< -----Attributable to owners of the Company ----- >						Distributable	Total Equity
	< ----- Non-distributable ----- >					Foreign Currency		
	Share Capital	Share Premium	Merger Deficit	Capital Reserve	Fair value Reserve	Translation Reserve	Retained Earnings	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
2015								
At 1 January 2015	155,000	5,094	(109,545)	1	-	3	171,791	222,344
Total comprehensive income	-	-	-	-	-	(7)	15,067	15,060
Transaction with owners								
Dividend	-	-	-	-	-	-	(6,200)	(6,200)
At 30 September 2015	<u>155,000</u>	<u>5,094</u>	<u>(109,545)</u>	<u>1</u>	<u>-</u>	<u>(4)</u>	<u>180,658</u>	<u>231,204</u>
2014								
At 1 January 2014	155,000	5,094	(109,545)	1	(12)	-	151,994	202,532
Total comprehensive income	-	-	-	-	12	3	20,837	20,852
Transaction with owners								
Dividend	-	-	-	-	-	-	(4,650)	(4,650)
At 30 September 2014	<u>155,000</u>	<u>5,094</u>	<u>(109,545)</u>	<u>1</u>	<u>-</u>	<u>3</u>	<u>168,181</u>	<u>218,734</u>

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 2014 and the accompanying explanatory notes attached to this interim financial statement.

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015

	Current Year-To-Date 30.9.2015 RM'000	Preceding Year-To-Date 30.9.2014 RM'000
Cash Flows from Operating Activities		
Profit before tax	20,860	28,284
Adjustments for:-		
Impairment loss on trade receivables	398	583
Reversal of impairment loss on trade receivables	(494)	(444)
Bad debts written off	6	143
Depreciation of property, plant and equipment	5,422	4,359
Interest expense	6,013	4,268
Dividend income	-	(1)
Gain on disposal of property, plant and equipment	(35)	(171)
Property, plant and equipment written off	16	136
(Gain)/Loss on foreign exchange - unrealised	(287)	37
Loss on disposal of other investments	-	5
Inventories written down	-	91
Interest income	(346)	(442)
Operating profit before working capital changes	<u>31,553</u>	<u>36,848</u>
Increase in inventories	(35,159)	(18,821)
Increase in trade and other receivables	(2,081)	(7,675)
Increase in trade and other payables	4,424	18,308
Cash (use in)/generated from operations	<u>(1,263)</u>	<u>28,660</u>
Interest received	346	442
Interest paid	(6,013)	(4,268)
Income tax paid	(8,038)	(8,134)
Net cash (used in)/from operating activities	<u>(14,968)</u>	<u>16,700</u>
Cash Flows from Investing Activities		
Dividend received	-	1
Purchase of property, plant and equipment	(6,961)	(1,884)
Placement of fixed deposits	(12)	(12)
Proceeds from disposal of property, plant and equipment	48	200
Proceeds from disposal of other investments	-	55
Capital work-in-progress paid	(5,868)	(585)
Net cash used in investing activities	<u>(12,793)</u>	<u>(2,225)</u>

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE THIRD QUARTER ENDED 30 SEPTEMBER 2015 (CONT'D)

	Current Year-To-Date 30.9.2015 RM'000	Preceding Year-To-Date 30.9.2014 RM'000
Cash Flows from Financing Activities		
Repayments of Al-Bai Bithaman Ajil Islamic (ABBA) financing	-	(544)
Payments to finance lease payables	(1,781)	(1,371)
Repayments of term loans	(150)	(225)
Net drawdown/(repayment) of bankers' acceptances	7,961	(6,223)
Advances from ultimate holding company	4,500	-
Dividend paid	(6,200)	(4,650)
Net cash from/(used in) financing activities	<u>4,330</u>	<u>(13,013)</u>
Net (decrease)/increase in cash and cash equivalents	(23,431)	1,462
Effect of exchange rate changes on cash and cash equivalents	(16)	(20)
Cash and cash equivalents at beginning of the financial period	<u>5,053</u>	<u>4,648</u>
Cash and cash equivalents at end of the financial period	<u><u>(18,394)</u></u>	<u><u>6,090</u></u>
Cash and cash equivalents at end of financial period comprises:		
Fixed deposits with licensed banks	6,868	13,900
Cash and bank balances	1,517	7,204
Bank overdrafts	(26,362)	(14,609)
	<u>(17,977)</u>	<u>6,495</u>
Less: Fixed deposit under lien	(417)	(405)
	<u><u>(18,394)</u></u>	<u><u>6,090</u></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 2014 and the accompanying explanatory notes attached to this interim financial statement.

A EXPLANATION NOTES PURSUANT TO MALAYSIA 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”), International Accounting Standard (“IAS”) 34: Interim Financial Reporting issued by the International Accounting Standard Board (“IASB”) 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 2014.

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 2014.

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 2014, except for the adoption of the following:

Amendments/Improvements to MFRSs

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 2	Share-based Payment
MFRS 3	Business Combinations
MFRS 8	Operating Segments
MFRS 13	Fair Value Measurement
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 124	Related Party Disclosures
MFRS 138	Intangible Assets
MFRS 140	Investment Property

The adoption of the above amendments/improvement to MFRSs did not have any material impact on the financial position and performance of the Group.

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

		Effective for financial periods beginning on or after
<u>New MFRS</u>		
MFRS 9	Financial Instruments	1 January 2018
MFRS 14	Regulatory Deferral Accounts	1 January 2016
MFRS 15	Revenue from Contracts with Customers	1 January 2018
<u>Amendments/Improvements to MFRSs</u>		
MFRS 5	Non-current Asset Held for Sale and Discontinued Operations	1 January 2016
MFRS 7	Financial Instruments: Disclosures	1 January 2016

A EXPLANATION NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING (CONT’D)

A1. Accounting Policies and Basis of Preparation (*Cont’d*)

		Effective for financial periods beginning on or after
<u>Amendments/Improvements to MFRSs</u>		
MFRS 10	Consolidated Financial statements	1 January 2016
MFRS 11	Joint Arrangements	1 January 2016
MFRS 12	Disclosures of Interests in Other Entities	1 January 2016
MFRS 101	Presentation of Financial Statements	1 January 2016
MFRS 116	Property, Plant and Equipment	1 January 2016
MFRS 119	Employee Benefits	1 January 2016
MFRS 127	Separate financial statements	1 January 2016
MFRS 128	Investments in Associates and Joint Ventures	1 January 2016
MFRS 138	Intangible Assets	1 January 2016
MFRS 141	Agriculture	1 January 2016

The Group is in the process of assessing the impact which may arise from adoption of the above standard and amendments.

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 2014 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 the current financial year or changes in 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.

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.

A EXPLANATION NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING (CONT’D)

A7. Dividend Paid

The final single-tier dividend of 2.0 sen per ordinary share in respect of financial year ended 31 December 2014 which had been approved by the shareholders at the last Annual General Meeting held on 25 June 2015 was paid on 5 August 2015.

A8. Segment Information

Segment information of the Group for the financial year-to-date ended 30 September 2015 is as follows:

	Trading of Steel Products RM’000	Processing of Steel Products RM’000	Others ⁽¹⁾ RM’000	Elimination RM’000	Consolidated RM’000
External revenue	148,585	229,274	310	-	378,169
Direct operating costs	(133,557)	(193,758)	(323)	-	(327,638)
Gross Profit	<u>15,028</u>	<u>35,516</u>	<u>(13)</u>	-	<u>50,531</u>
Add/(Less):					
- Other income					1,706
- Operating expenses					(24,977)
- Finance costs					<u>(6,400)</u>
Profit before tax					20,860
Tax expense					<u>(5,793)</u>
Profit for the financial period					<u><u>15,067</u></u>

Segment information of the Group for the financial year-to-date ended 30 September 2014 is as follows:

	Trading of Steel Products RM’000	Processing of Steel Products RM’000	Others ⁽¹⁾ RM’000	Elimination RM’000	Consolidated RM’000
External revenue	138,990	225,498	292	-	364,780
Direct operating costs	(121,911)	(190,125)	(229)	-	(312,265)
Gross Profit	<u>17,079</u>	<u>35,373</u>	<u>63</u>	-	<u>52,515</u>
Add/(Less):					
- Other income					1,572
- Operating expenses					(21,128)
- Finance costs					<u>(4,675)</u>
Profit before tax					28,284
Tax expense					<u>(7,447)</u>
Profit for the financial period					<u><u>20,837</u></u>

Note:

(1) 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.

A EXPLANATION NOTES PURSUANT TO MALAYSIA FINANCIAL REPORTING STANDARD (“MFRS”) 134: INTERIM FINANCIAL REPORTING (CONT’D)

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.

A12. Capital Commitments

	As at 30.9.2015 RM'000	Audited As at 31.12.2014 RM'000
Approved and contracted for:		
- Purchase of motor vehicle	64	-
- Purchase of machinery	2,495	4,472
- Purchase of furniture and fittings	-	439
- Construction of factory and warehouse buildings	10,840	-
- Purchase of vacant leasehold industrial land	25,412	-
	<u>38,811</u>	<u>4,911</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 2015.

A14. Significant Related Party Transactions

	INDIVIDUAL		CUMULATIVE	
	Current Year Quarter 30.9.2015 RM'000	Preceding Year- Quarter 30.9.2014 RM'000	Current Year- To-Date 30.9.2015 RM'000	Preceding Year- To-Date 30.9.2014 RM'000
Sales to related parties	1,312	1,338	3,507	3,556
Purchases from related parties	185	260	423	1,020
Rental expense paid to related parties	390	390	1,170	510
	<u>1,887</u>	<u>1,988</u>	<u>5,100</u>	<u>5,086</u>

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

Our revenue decreased marginally by 0.6% or RM0.77 million from RM121.67 million for the preceding year corresponding quarter to RM120.90 million for the current quarter. This was mainly due to decrease in revenue for our processing of steel products by approximately 14.7% or RM11.38 million, largely offset by the increase in revenue for our trading of steel products by approximately 24.0% or RM10.58 million.

The decrease in revenue for our processing of steel products was mainly caused by the lower tonnage sales and the lower average selling price for the current quarter by approximately 4.6% and 10.6% respectively as compared to the preceding year corresponding quarter. Whereas the increase in revenue for our trading of steel products was mainly attributable to the higher tonnage sales for the current quarter by approximately 60.4% although average selling price for the current quarter reduced by approximately 22.7% as compared to the preceding year corresponding quarter.

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 approximately 45.2% and 54.7% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of approximately 36.2% and 63.7% respectively for the preceding year corresponding quarter.

For the current quarter, gross profit decreased by RM2.25 million from RM18.69 million for the preceding year corresponding quarter to RM16.44 million for the current quarter, which was mainly due to the decrease in overall gross profit margin. The decrease in overall gross profit margin from 15.4% for the preceding year corresponding quarter to 13.6% for the current quarter was caused by the decrease in gross profit margin for trading of steel products by 4.5 percentage points, as the result of the lower average selling price by 22.7% while the average cost for input material had only decreased by 19.2%.

We recorded a higher level of other operating income of RM1.06 million for the current quarter as compared to RM0.67 million for the preceding year corresponding quarter. This was mainly due to higher reversal of impairment loss on trade receivables by RM0.19 million and an unrealised gain on foreign exchange of RM0.28 million recorded in the current quarter, partially offset by lower insurance claims by RM0.09 million for the current quarter as compared to the preceding year corresponding quarter.

Operating costs rose by approximately RM2.31 million from RM6.50 million for the preceding year corresponding quarter to RM8.81 million for the current quarter as the result of the following:

- increase in distribution costs by approximately RM0.24 million, mainly due to the increase in transportation, travelling and accommodation expenses in line with the increase in our sales volume;
- increase in administrative costs by approximately RM0.40 million, mainly caused by the higher directors and staff costs, depreciation, entertainment, insurance, road tax, petrol, parking and toll expenses as well as upkeep of office for the current quarter as compared to the preceding year corresponding quarter, partially offset by the lower expenses incurred for legal and professional services, as well as utility bills such as electricity, water and telephone; and
- increase in other operation costs by approximately RM1.67 million mainly caused by the realised loss on foreign exchange transactions arising from the settlement of trade payables denominated in United States Dollar, due to the unfavorable foreign exchange movement against Ringgit Malaysia.

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)

Finance costs had also increased by RM0.69 million as compared to the preceding year corresponding quarter. This was mainly due to a higher interest expenses for trade financing, overdraft facilities and finance lease facilities by RM0.47 million, RM0.21 million and RM0.08 million respectively, as the effect of higher utilisation of banking and credit facilities to finance the increase in inventories, purchase of machinery and motor vehicles, as well as to finance the construction of factory and warehouse buildings.

Based on the foregoing factors, our Group registered a decrease in profit before tax by RM4.86 million to RM6.50 million as compared to RM11.36 million for the preceding year corresponding quarter.

Current Financial Year-To-Date Compared To Preceding Financial Year-To-Date

Our revenue grew by 3.7% or RM13.39 million from RM364.78 million for the preceding financial year-to-date to RM378.17 million for the current financial year-to-date. This was mainly due to the increase in demand for both trading and processing of steel products, with total tonnage sales increased by 24.7% and 9.4 % respectively. However, the revenue contribution from the increase in tonnage sales for both trading and processing of steel products was largely offset by the decrease in average selling price for both trading and processing of steel products by 14.3% and 7.0% respectively.

Despite the increase in revenue, our gross profit decreased by 3.8% or approximately RM1.98 million. This was mainly due to the decrease in overall gross profit margin recorded for the current financial year-to-date as compared to the preceding financial year-to date, from 14.4% for the preceding financial year-to-date to 13.4% for the current financial year-to-date, as the result of lower gross profit margin by 2.2 percentage points for trading of steel products, from 12.3% for the preceding financial year-to-date to 10.1% for the current financial year-to-date. The decrease in gross profit margin for trading of steel products was mainly due to the average selling price had decreased by 14.3%, as compared to the average cost for input material which had only decreased by 12.7%.

We recorded a higher level of other operating income of RM1.71 million for the current financial year-to-date as compared to RM1.57 million for the preceding financial year-to-date. This was mainly due to unrealised gain on foreign exchange of RM0.28 million recognised in the current financial year-to-date, partially offset by the lower gain derived from disposal of property, plant and equipment by RM0.14 million for the current financial year-to-date as compared to the preceding financial year-to-date.

Operating costs rose by approximately RM3.85 million from RM21.13 million for the preceding financial year-to-date to RM24.98 million for the current financial year-to-date as the result of the increase in administrative costs by approximately RM2.20 million, mainly caused by the higher directors and staff costs, depreciation, rental expenses, upkeep of office as well as petrol, parking and toll expenses for the current financial year-to-date as compared to the preceding financial year-to-date. In addition, other operating costs have also rose by approximately RM1.42 million, mainly due to the realised loss on foreign exchange transactions arising from the settlement of trade payables denominated in United States Dollar, due to the unfavorable foreign exchange movement against Ringgit Malaysia. However, this increase was partially offset by lower allowance for impairment loss on trade receivables as well as lower bad debts, property, plant and equipment written off for the current financial year-to-date as compared to the preceding financial year-to-date.

Finance costs had also increased by RM1.73 million as compared to the preceding year financial year-to-date. This was mainly due to higher utilisation of trade financing, overdraft and finance lease facilities for the current financial year-to-date. The increased utilisation of trade financing was in line with the increase in our purchases from RM316.45 million for the preceding year financial year-to-date to RM338.39 million for the current financial year-to-date. Whereas the increased utilisation of overdraft and finance lease facilities was mainly caused by the purchase of machinery and motor vehicles, as well as to finance the construction of factory and warehouse buildings.

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)

Based on the foregoing factors, our Group registered a decrease in profit before tax by approximately 26.2% or RM7.42 million from RM28.28 million for the preceding financial year-to-date to RM20.86 million for the current financial year-to-date.

B2. Material Variation of Profit Before Tax Against Immediate Preceding Quarter

For the current quarter, our group achieved higher gross profit by approximately 15.4% or RM2.19 million, from RM14.25 million for the immediate preceding quarter to RM16.44 million for the current quarter mainly caused by the increase in revenue and gross profit margin by approximately 3.4% or RM3.96 million and 1.4 percentage points or 11.7% respectively as compared to immediate preceding quarter.

The increase in revenue for current quarter as compared to immediate preceding quarter was mainly caused by:

- increase in demand for trading of steel products, which recorded higher revenue by approximately 24.6% or RM10.79 million resulted from higher tonnage sales by 44.5% for the current quarter. However, the revenue contribution from the increase in tonnage sales for trading of steel products was largely reduced by the decrease in average selling price by 13.8% for the current quarter; and
- largely offset by the decrease in revenue from processing of steel products by approximately 9.4% or RM6.84 million, mainly due to lower tonnage sales by 6.3% for the current quarter, couple with the marginal lower average selling by 3.3% for the current quarter.

The increase in our gross profit margin from 12.2% for the immediate preceding quarter to 13.6% for the current quarter was mainly contributed by the increase in gross profit margin for processing of steel products by approximately 3.1 percentage points, from 14.4% for the immediate preceding quarter to 17.5% for the current quarter, mainly due to the average cost of input materials had decreased by 6.6% for the current quarter, as compared to the average selling price which had only decreased by 3.3% for the current quarter.

However, the increase in gross profit was partially reduced by the following factors:

- increase in distribution costs by RM0.30 million mainly caused by the increase in transportation, travelling and accommodation expenses by RM0.26 million which was in line with the increase in our sales volume;
- decrease in administrative costs RM0.37 million as the result of the decrease in directors' remuneration and staff costs by RM0.29 million mainly due to the absence of certain portion of directors' bonuses which were recognised in the immediate preceding quarter, lower electricity and water expenses by RM0.10 million as well as lower stamp duty by RM0.10 million being charged to the current quarter; and
- increase in other operation costs by approximately RM1.63 million, mainly as the result of the realised loss on foreign exchange of approximately RM1.71 million for the current quarter, arising from the settlement of trade payables denominated in United States Dollar, due to the unfavorable foreign exchange movement against Ringgit Malaysia.

Based on the foregoing factors, our profit before tax increased by approximately 25.7% or RM1.33 million, from RM5.17 million for the immediate preceding quarter to RM6.50 million for the current quarter.

LEON FUAT BERHAD

(Company No.756407-D)

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

B3. Commentary on Prospects

With the Group's achievement for the last three quarters of the current financial year amidst the various uncertainties including the weakening of Malaysian Ringgit, political conflicts, volatile commodity prices and effects from implementation of Goods and Services Tax in Malaysia, the Board is confident that the Group will continue to generate positive results for the remaining quarter of 2015.

B4. Variance of Forecast Profit and Profit Guarantee

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

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

B5. Profit Before Tax

Profit before tax is derived after taking into consideration the followings:-

	INDIVIDUAL		CUMULATIVE	
	Current Year Quarter 30.9.2015 RM'000	Preceding Year Quarter 30.9.2014 RM'000	Current Year- To-Date 30.9.2015 RM'000	Preceding Year- To-Date 30.9.2014 RM'000
Impairment loss on trade receivables	38	87	398	583
Bad debt recovered	-	(3)	(3)	(6)
Reversal of impairment loss on trade receivables	(404)	(218)	(494)	(444)
Bad debts written off	-	-	6	143
Depreciation of property, plant and equipment	1,878	1,468	5,422	4,359
Dividend income	-	-	-	(1)
Gain on disposal of property, plant and equipment	(25)	-	(35)	(171)
Property, plant and equipment written off	-	-	16	136
Insurance claims	(45)	(135)	(165)	(161)
Interest expense	2,086	1,332	6,013	4,268
Interest income	(103)	(153)	(346)	(442)
Rental income	(157)	(79)	(314)	(236)
Rental of premises	463	445	1,376	565
Rental of equipment	19	15	52	45
Loss/(Gain) on foreign exchange - realised	1,710	(4)	1,870	35
- unrealised	(284)	27	(287)	37
Loss on disposal of other investments	-	5	-	5
Inventories written down	-	91	-	91

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.

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

B6. Tax Expense

	INDIVIDUAL		CUMULATIVE	
	Current Year-Quarter 30.9.2015 RM'000	Preceding Year-Quarter 30.9.2014 RM'000	Current Year-To-Date 30.9.2015 RM'000	Preceding Year-To-Date 30.9.2014 RM'000
Current tax				
- for the financial period	1,614	3,014	5,555	7,492
- under/(over) provision in prior financial year	93	(19)	93	(19)
Deferred tax				
- origination and reversal of temporary differences	110	21	153	149
- under/(over) provision in prior financial year	52	(59)	-	(59)
- relating to change in income tax rate ⁽¹⁾	(2)	7	(8)	(116)
Tax expense	1,867	2,964	5,793	7,447

The effective tax rate for the current quarter and current financial year-to-date is higher than the statutory tax rate of 25% mainly due to certain expenses which are not deductible for tax purposes.

Note:

(1) Domestic income tax is calculated at the Malaysian statutory income tax rate of 25% of the estimated assessable profit for the financial year. In the Budget Speech 2014, the Government announced that the domestic corporate tax rate would be reduced to 24% from the current year's rate of 25% with effect from year of assessment 2016. The computation of deferred tax has reflected these changes.

B7. Status of Corporate Proposals and Utilisation of Proceeds

(i) Status of Corporate Proposals

On 27 August 2015, the Company announced that its wholly-owned subsidiary, Leon Fuat Hardware (Klang) Sdn Bhd ("LF Klang") had accepted the Letter of Offer dated 13 July 2015 from Perbadanan Kemajuan Negeri Selangor ("PKNS") to acquire a parcel of vacant leasehold land held under H.S. (M) 42036 Lot No. PT 65615 Mukim of Kapar District of Klang, State of Selangor measuring approximately 16.09 acres for a total cash consideration of RM31,764,874 ("Total Consideration") ("Proposed Acquisition").

LF Klang had on 30 September 2015 entered into a Sale and Purchase Agreement with PKNS for the Proposed Acquisition after making the first payment of 20% of Total Consideration to PKNS. The balance consideration is required to be paid by 12 January 2016 in accordance with the terms of the SPA.

Save as above, there was no other corporate proposal announced but not completed as at the date of this report.

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

B7. Status of Corporate Proposals and Utilisation of Proceeds (Cont'd)

(ii) Utilisation of Proceeds

The Public Issue made in conjunction with the listing exercise of the Company in 2013 raised a gross proceeds of RM35.59 million. The status of utilisation of proceeds raised from the Public Issue as at 30 September 2015 is as follows:

Purposes	Proposed utilisation ⁽¹⁾	Actual utilisation	Deviation		Balance	Intended timeframe for utilisation (from the listing date)
	RM'000	RM'000	RM'000	%		
Purchase of new industrial land with building	13,000	(12,677)	(323) ⁽³⁾	(2.5%)	-	Within 1 year
Construction of new processing plant with warehousing facilities	6,000	-	(6,000) ⁽²⁾	(100%)	-	Within 3 years
Purchase of new machines	6,000	-	(6,000) ⁽²⁾	(100%)	-	Within 3 years
Part financing for the proposed acquisition of vacant leasehold industrial land	-	(6,353)	12,000 ⁽²⁾	(100%)	5,647	Within 3 years
Working capital	7,786	(7,655)	(131) ⁽³⁾⁽⁴⁾	(1.7%)	-	Within 1 year
Estimated listing expenses	2,800	(3,254) ⁽⁴⁾	454 ⁽⁴⁾	16.2%	-	Upon listing
Total gross proceeds	35,586	(29,939)	-	-	5,647	

Notes:

- (1) The proposed utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 13 May 2013.
- (2) Revised as per the Company's announcement dated 27 August 2015.
- (3) In respect of excess of proposed utilisation over the actual early settlement sum (including a one-off fee of RM0.15 million levied by the bank for early settlement) for a term loan facility used to fund the purchase of the new industrial land with building. In accordance to the Prospectus dated 13 May 2013, any variation to the actual term loan and overdraft facility repayment shall be adjusted against the proposed utilisation for working capital.
- (4) Actual listing expenses incurred were more than the estimated listing expenses by RM0.45 million mainly due to higher printing and advertisement costs as well as other incidental costs incurred in connection to the listing exercise. In accordance to the Prospectus dated 13 May 2013, the excess of listing expenses shall be adjusted against the proposed utilisation for working capital.

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

B8. Group Borrowings

Total Group borrowings as at 30 September 2015 were as follows:-

	As at 30.9.2015 RM'000	Audited As at 31.12.2014 RM'000
<u>Current</u>		
Secured:		
Bankers' acceptances	68,353	66,710
Finance lease payables	2,708	1,928
Term loans	24	175
Bank overdrafts	17,899	13,237
	<u>88,984</u>	<u>82,050</u>
Unsecured:		
Bankers' acceptances	65,942	59,623
Bank overdrafts	8,463	3,462
	<u>74,405</u>	<u>63,085</u>
	<u>163,389</u>	<u>145,135</u>
<u>Non-current</u>		
Secured:		
Finance lease payables	5,396	4,263
	<u>5,396</u>	<u>4,263</u>
Total Borrowings	<u>168,785</u>	<u>149,398</u>

The above Group 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 were no dividend proposed or declared during the current quarter.

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 30.9.2015 RM'000	Preceding Year-Quarter 30.9.2014 RM'000	Current Year-To-Date 30.9.2015 RM'000	Preceding Year-To-Date 30.9.2014 RM'000
Profit attributable to owners of the Company	4,637	8,397	15,067	20,837
Weighted average number of ordinary shares of RM0.50 each in issue ('000)	310,000	310,000	310,000	310,000
Basic Earnings Per Share (sen)	1.50	2.71	4.86	6.72

(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.

B12. Realised and Unrealised Profits/Losses Disclosure

The breakdown of the retained profits of the Group as at the end of the current quarter and previous financial year, into realised and unrealised profits, is as follows:-

	As at 30.9.2015 RM'000	As at 31.12.2014 RM'000
Total retained earnings of the Group		
(a) Realised	187,050	178,451
(b) Unrealised	(3,896)	(4,017)
	183,154	174,434
Less: consolidated adjustments	(2,496)	(2,643)
Total retained earnings	180,658	171,791

By order of the Board
Kuala Lumpur
25 November 2015