

LEON FUAT BERHAD

Registration No. 200601036648 (756407-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2023

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2023 RM'000	Preceding Year Quarter 31.12.2022 RM'000	Current Year- To-Date 31.12.2023 RM'000	Preceding Year- To-Date 31.12.2022 RM'000
Revenue	240,569	238,152	928,045	1,025,118
Cost of sales	(217,306)	(231,329)	(828,456)	(933,858)
Gross profit	23,263	6,823	99,589	91,260
Other income	530	908	3,335	2,681
Distribution costs	(3,742)	(3,225)	(13,912)	(12,432)
Administrative costs	(7,106)	(5,857)	(27,287)	(24,575)
Net reversal of impairment losses on financial instruments	242	10	976	445
Other costs	(625)	(1,036)	(1,180)	(2,544)
	(11,231)	(10,108)	(41,403)	(39,106)
Profit/(Loss) from operations	12,562	(2,377)	61,521	54,835
Finance costs	(5,748)	(5,110)	(21,759)	(17,920)
Profit/(Loss) before tax	6,814	(7,487)	39,762	36,915
Tax expense	1,180	2,343	(3,910)	(7,377)
Profit/(Loss) for the financial period/year	7,994	(5,144)	35,852	29,538
Other comprehensive income:				
<i>Item that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of a foreign operation	10	11	63	69
Total other comprehensive income, net of tax	10	11	63	69
Total comprehensive income/(loss) for the financial period/year	8,004	(5,133)	35,915	29,607
Profit/(Loss) attributable to:				
- Owners of the Company	8,048	(5,087)	35,999	29,619
- Non-controlling interests	(54)	(57)	(147)	(81)
	7,994	(5,144)	35,852	29,538

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2023 (CONT'D)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2023 RM'000	Preceding Year Quarter 31.12.2022 RM'000	Current Year- To-Date 31.12.2023 RM'000	Preceding Year- To-Date 31.12.2022 RM'000
Total comprehensive income/(loss) attributable to:				
- Owners of the Company	8,058	(5,076)	36,062	29,688
- Non-controlling interests	(54)	(57)	(147)	(81)
	<u>8,004</u>	<u>(5,133)</u>	<u>35,915</u>	<u>29,607</u>
Earnings/(Loss) per share (sen) attributable to owners of the Company:				
- Basic	2.36	(1.49)	10.56	8.69
- Diluted	2.36	(1.49)	10.56	8.69

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.

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Registration No. 200601036648 (756407-D)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 31 DECEMBER 2023

	As at 31.12.2023 RM'000 (Unaudited)	As at 31.12.2022 RM'000 (Audited)
ASSETS		
Non-Current Assets		
Property, plant and equipment	318,267	272,373
Capital work-in-progress	53,352	69,295
	<u>371,619</u>	<u>341,668</u>
Current Assets		
Inventories	370,931	387,099
Trade receivables	251,015	249,971
Other receivables, deposits and prepayments	9,126	13,374
Tax assets	12,829	8,398
Deposits with licensed banks	10,654	4,566
Cash and bank balances	39,042	34,987
	<u>693,597</u>	<u>698,395</u>
TOTAL ASSETS	<u>1,065,216</u>	<u>1,040,063</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	186,423	186,423
Merger deficit	(103,960)	(103,960)
Capital reserve	1	1
Retained earnings	506,038	475,154
Translation reserve	134	71
	<u>588,636</u>	<u>557,689</u>
Non-controlling interests	358	505
Total Equity	<u>588,994</u>	<u>558,194</u>
Non-Current Liabilities		
Loans and borrowings	92,051	82,101
Deferred tax liabilities	7,816	6,098
	<u>99,867</u>	<u>88,199</u>
Current Liabilities		
Trade payables	11,040	6,709
Other payables and accruals	21,206	17,018
Tax liabilities	246	972
Loans and borrowings	340,704	366,734
Contract liabilities	3,135	2,237
Derivative financial liabilities	24	-
	<u>376,355</u>	<u>393,670</u>
Total Liabilities	<u>476,222</u>	<u>481,869</u>
TOTAL EQUITY AND LIABILITIES	<u>1,065,216</u>	<u>1,040,063</u>
Net assets per share attributable to owners of the Company (RM)	1.73	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 YEAR ENDED 31 DECEMBER 2023

	< ----- Attributable to Owners of the Company ----- >					Non-	Total Equity RM'000
	Share Capital RM'000	Merger Deficit RM'000	Capital Reserve RM'000	Translation Reserve RM'000	Retained Earnings RM'000	Controlling Interests RM'000	
2023							
At 1 January 2023	186,423	(103,960)	1	71	475,154	505	558,194
Profit/(Loss) for the financial year	-	-	-	-	35,999	(147)	35,852
Other comprehensive income for the financial year	-	-	-	63	-	-	63
Total comprehensive income	-	-	-	63	35,999	(147)	35,915
Transaction with owners							
Dividends	-	-	-	-	(5,115)	-	(5,115)
At 31 December 2023	186,423	(103,960)	1	134	506,038	358	588,994
2022							
At 1 January 2022	186,423	(109,545)	1	2	457,940	586	535,407
Profit/(Loss) for the financial year	-	-	-	-	29,619	(81)	29,538
Other comprehensive income for the financial year	-	-	-	69	-	-	69
Total comprehensive income	-	-	-	69	29,619	(81)	29,607
Realisation of merger deficit *	-	5,585	-	-	(5,585)	-	-
Dividends	-	-	-	-	(6,820)	-	(6,820)
Total transactions with owners	-	5,585	-	-	(12,405)	-	(6,820)
At 31 December 2022	186,423	(103,960)	1	71	475,154	505	558,194

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 YEAR ENDED 31 DECEMBER 2023

	Current Year-To-Date 31.12.2023 RM'000	Preceding Year-To-Date 31.12.2022 RM'000
Cash Flows from Operating Activities		
Profit before tax	39,762	36,915
Adjustments for:		
Depreciation of property, plant and equipment	18,759	16,949
Fair value loss on derivatives	24	-
Impairment losses on trade receivables	497	494
Interest expense	19,605	16,139
Interest income	(1,025)	(565)
Inventories written down	2,432	12,929
Net gain on a lease termination	-	(#)
Net gain on disposal of plant and equipment	(345)	(769)
Net unrealised foreign exchange (gain)/loss	(120)	167
Plant and equipment written off	410	354
Reversal of impairment losses on trade receivables	(1,473)	(940)
Waiver of interest income	108	189
Operating profit before changes in working capital	78,634	81,862
Inventories	13,372	17,999
Trade and other receivables	(298)	14,355
Trade and other payables	1,762	(9,947)
Contract liabilities	898	200
Net cash generated from operation	94,368	104,469
Interest received	961	398
Interest paid	(19,449)	(15,867)
Income tax paid	(7,348)	(30,742)
Net cash from operating activities	68,532	58,258
Cash Flows from Investing Activities		
Capital work-in-progress paid	(22,966)	(33,862)
Changes in deposit pledged with a licensed bank	(8)	(8)
Deposits paid for acquisition of plant and equipment	-	(3,871)
Proceeds from disposal of plant and equipment	278	779
Purchase of property, plant and equipment	(5,369)	(8,141)
Net cash used in investing activities	(28,065)	(45,103)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2023 (CONT'D)

	Current Year-To-Date 31.12.2023 RM'000	Preceding Year-To-Date 31.12.2022 RM'000
Cash Flows from Financing Activities		
Dividends paid	(5,115)	(6,820)
Drawdown of term loans	20,580	7,913
Net repayment of bankers' acceptances	(22,952)	(67,404)
Net drawdown of islamic financing	5,280	23,297
Payment of hire purchase payables	(5,537)	(4,073)
Payment of lease liabilities	(1,834)	(1,817)
Repayment of term loans	(10,793)	(10,526)
Net cash used in financing activities	<u>(20,371)</u>	<u>(59,430)</u>
Net increase/(decrease) in cash and cash equivalents	20,096	(46,275)
Cash and cash equivalents at the beginning of the financial year	(6,256)	40,137
Effect of exchange rate changes on cash and cash equivalents	264	(118)
Cash and cash equivalents at the end of the financial year	<u>14,104</u>	<u>(6,256)</u>
Cash and cash equivalents at the end of the financial year comprises:		
Cash and bank balances	39,042	34,987
Deposits with licensed banks	10,654	4,566
	49,696	39,553
Less: Bank overdrafts	(35,078)	(45,303)
Less: Deposit pledged with a licensed bank	(514)	(506)
	<u>14,104</u>	<u>(6,256)</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 31 December 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	322,750	604,875	420	928,045
Cost of sales	(287,022)	(538,643)	(359)	(826,024)
Gross profit before inventories written down	<u>35,728</u>	<u>66,232</u>	<u>61</u>	102,021
Inventories written down				<u>(2,432)</u>
Gross profit				99,589
Add/(Less):				
- Other income				3,335
- Operating expenses				(42,379)
- Net reversal of impairment losses on financial instruments				976
- Finance costs				<u>(21,759)</u>
Profit before tax				39,762
Tax expense				<u>(3,910)</u>
Profit for the financial year				<u><u>35,852</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 31 December 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	362,701	661,998	419	1,025,118
Cost of sales	(334,762)	(585,812)	(355)	(920,929)
Gross profit before inventories written down	<u>27,939</u>	<u>76,186</u>	<u>64</u>	104,189
Inventories written down				<u>(12,929)</u>
Gross profit				91,260
Add/(Less):				
- Other income				2,681
- Operating expenses				(39,551)
- Net reversal of impairment losses on financial instruments				445
- Finance costs				<u>(17,920)</u>
Profit before tax				36,915
Tax expense				<u>(7,377)</u>
Profit for the financial year				<u><u>29,538</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 31.12.2023 RM'000	Audited As at 31.12.2022 RM'000
Approved and contracted for:		
Acquisition of plant and equipment	1,674	20,901
Acquisition of properties	-	1,379
Construction of factory and warehouse buildings	-	11,008
	<u>1,674</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 31 December 2023.

A14. Significant Related Party Transactions

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 31.12.2023 RM'000	Preceding Year Quarter 31.12.2022 RM'000	Current Year- To-Date 31.12.2023 RM'000	Preceding Year- To-Date 31.12.2022 RM'000
Sales to related parties	1,117	1,664	5,309	5,522
Purchases from related parties	-	417	92	785
Rental expense paid to related parties	430	430	1,721	1,721
			<u>1,721</u>	<u>1,721</u>

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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 31.12.2023 RM'000	Preceding Year Quarter 31.12.2022 RM'000	Variance	
			RM'000	%
Revenue	240,569	238,152	2,417	1.0%
Gross profit	23,263	6,823	16,440	240.9%
Profit/(Loss) before interest and tax	11,795	(2,822)	14,617	518.0%
Profit/(Loss) before tax	6,814	(7,487)	14,301	191.0%
Profit/(Loss) after tax	7,994	(5,144)	13,138	255.4%
Profit/(Loss) attributable to owners of the Company	8,048	(5,087)	13,135	258.2%

The revenue recorded for the current quarter and the preceding year corresponding quarter was RM240.57 million and RM238.15 million respectively, increased marginally by 1.0% or RM2.42 million, mainly as the result of the following:

1. Increase in revenue for trading of steel products by 11.0% or RM8.55 million, from RM77.86 million to RM86.41 million, mainly attributable to higher revenue from trading of long carbon steel products by 40.4% due to higher tonnage sales by 55.8%, despite lower average selling price by 9.8%.
2. Decrease in revenue for processing of steel products by 3.9% or RM6.21 million from RM160.15 million to RM153.94 million, mainly resulted from:
 - lower revenue from processing of long carbon steel products by 32.7% due to lower tonnage sales by 18.3% as well as lower average selling price by 17.7%; and
 - lower revenue from processing of other flat steel products by 20.6% due to lower tonnage sales by 21.4%, despite slightly higher average selling price by 1.1%; mitigated by
 - higher revenue from processing of flat carbon steel products by 5.8% due to higher tonnage sales by 9.7%, despite lower average selling price by 3.6%.

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 35.9% and 64.0% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of 32.7% and 67.2% respectively for the preceding year corresponding quarter.

For the current quarter, our gross profit increased by 240.9% or RM16.44 million, from RM6.82 million for the preceding year corresponding quarter to RM23.26 million for the current quarter, mainly due to higher overall gross profit margin by 9.1 percentage points, from 1.6% for the preceding year corresponding quarter to 10.7% for the current quarter, slightly negated by inventories written down of RM2.43 million in the current quarter as opposed to net reversal of inventories written down of RM3.05 million for the preceding year corresponding quarter as certain inventories were measured at its estimated net realisable value.

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 of RM0.53 million as compared to RM0.91 million for the preceding year corresponding quarter, was lower by RM0.38 million mainly due to:

- lower gain on disposal of plant and equipment by RM0.22 million; and
- lower insurance claims by RM0.21 million.

Our operating costs increased by RM1.12 million from RM10.11 million for the preceding year corresponding quarter to RM11.23 million for the current quarter, as the result of the following:

1. Increase in distribution costs by RM0.52 million, mainly due to:
 - increase in staff related costs by RM0.29 million mainly caused by increase in salary, wage and overtime payments as well as higher provision of bonuses; and
 - increase in petrol, parking, toll, transportation, travelling and accommodation expenses by RM0.19 million.
2. Increase in administrative costs by RM1.25 million, mainly due to:
 - higher directors' remuneration and staff related costs by RM0.79 million mainly caused by higher provision of bonuses;
 - increase in depreciation charges by RM0.21 million; and
 - higher upkeep of office equipment expenses by RM0.14 million.
3. Higher net reversal of impairment losses on financial instruments (trade receivables) by RM0.23 million.
4. Decrease in other costs by RM0.41 million, mainly due to:
 - absence of realised and unrealised loss on foreign exchange of RM0.26 million and RM0.17 million respectively recorded for the preceding year corresponding quarter; and
 - lower stamp duty paid by RM0.45 million; partially offset by
 - plant and equipment written off of RM0.41 million recorded for the current quarter.

Total finance costs for the current quarter was RM5.75 million, increased by RM0.64 million as compared to RM5.11 million for the preceding year corresponding quarter. This was mainly caused by higher bank charges by RM0.32 million as well as higher interest expense for islamic financing and term loans in the current quarter by RM0.19 million and RM0.18 million respectively, mainly due to higher utilisation of aforementioned 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 November 2022 and May 2023.

Based on the foregoing factors, we recorded profit before tax of RM6.81 million for the current quarter, as opposed to loss before tax of RM7.49 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 31.12.2023 RM'000	Preceding Year- To-Date 31.12.2022 RM'000	Variance	
			RM'000	%
Revenue	928,045	1,025,118	(97,073)	-9.5%
Gross profit	99,589	91,260	8,329	9.1%
Profit before interest and tax	59,367	53,054	6,313	11.9%
Profit before tax	39,762	36,915	2,847	7.7%
Profit after tax	35,852	29,538	6,314	21.4%
Profit attributable to owners of the Company	35,999	29,619	6,380	21.5%

Our revenue decreased by 9.5% or RM97.07 million from RM1,025.12 million for the preceding financial year-to-date to RM928.05 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 11.0% or RM39.95 million from RM362.70 million to RM322.75 million and by 8.6% or RM57.12 million from RM662.00 million to RM604.88 million respectively.

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

- lower revenue from trading of flat carbon steel products by 17.0% due to lower tonnage sales by 3.0% as well as lower average selling price by 14.4%; and
- lower revenue from trading of other flat steel products by 22.3% due to lower tonnage sales by 16.4% as well as lower average selling price by 7.0%.

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

- lower revenue from processing of long carbon steel products by 26.6% due to lower tonnage sales by 11.8% as well as lower average selling price by 16.8%; and
- lower revenue from processing of other flat steel products by 24.3% due to lower tonnage sales by 19.1% as well as lower average selling price by 6.4%.

Despite lower revenue by 9.5% or RM97.07 million from RM1,025.12 million for the preceding financial year-to-date to RM928.05 million for the current financial year-to-date, our gross profit increased by 9.1% or RM8.33 million, from RM91.26 million for the preceding financial year-to-date to RM99.59 million for the current financial year-to-date, mainly due to slightly higher overall gross profit margin by 0.8 percentage points, from 10.2% for the preceding financial year-to-date to 11.0% for the current financial year-to-date as well as lower inventories written down by RM10.50 million, from RM12.93 million for the preceding financial year-to-date to RM2.43 million for the current financial year-to-date as certain inventories were measured at its estimated net realisable value.

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 of RM3.33 million as compared to RM2.68 million for the preceding financial year-to-date, was higher by RM0.65 million as the result of the following:

- increase in interest income by RM0.46 million; and
- higher rental income derived from letting of a portion of warehouse space in Port Klang Free Zone by RM0.56 million; partially offset by
- lower gain on disposal of plant and equipment by RM0.42 million.

Our operating costs increased by approximately RM2.30 million from RM39.11 million for the preceding financial year-to-date to RM41.40 million for the current financial year-to-date, as the result of the following:

1. Increase in distribution costs by RM1.48 million, mainly due to:
 - increase in staff related costs by RM0.72 million mainly caused by increase in salary, wage and overtime payments as well as higher provision of bonuses; and
 - increase in petrol, parking, toll, transportation, travelling and accommodation expenses by RM0.76 million.
2. Increase in administrative costs by RM2.71 million, mainly due to:
 - higher directors' remuneration and staff related costs by RM1.10 million mainly caused by increase in salary, wage, overtime, staff welfare and allowance payments as well as higher provision of bonuses;
 - increase in depreciation charges by RM0.95 million;
 - increase in entertainment expenses by RM0.22 million;
 - higher professional fees incurred in the current financial year-to-date by RM0.20 million; and
 - higher upkeep of office equipment expenses by RM0.17 million.
3. Higher net reversal of impairment losses on financial instruments (trade receivables) by RM0.53 million.
4. Decrease in other costs by RM1.36 million, mainly due to:
 - absence of realised and unrealised loss on foreign exchange of RM0.43 million and RM0.17 million respectively recorded for the preceding financial year-to-date; and
 - lower stamp duty paid by RM0.90 million.

The finance costs for the current financial year-to-date was RM21.76 million, increased by RM3.84 million as compared to RM17.92 million for the preceding financial year-to-date. This was mainly caused by higher bank charges by RM0.37 million as well as higher interest expense for overdraft facilities, bankers' acceptances, islamic financing, term loans and hire purchase facilities by RM0.88 million, RM1.27 million, RM0.31 million, RM0.86 million and RM0.18 million respectively, due to higher utilisation of certain aforementioned 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 increased by 7.7% or RM2.85 million as compared to preceding financial year-to-date, from RM36.91 million for the preceding financial year-to-date to RM39.76 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 31.12.2023 RM'000	Immediate Preceding Quarter 30.09.2023 RM'000	Variance	
			RM'000	%
Revenue	240,569	236,359	4,210	1.8%
Gross profit	23,263	18,121	5,142	28.4%
Profit before interest and tax	11,795	8,800	2,995	34.0%
Profit before tax	6,814	3,988	2,826	70.9%
Profit after tax	7,994	5,298	2,696	50.9%
Profit attributable to owners of the Company	8,048	5,339	2,709	50.7%

Our Group achieved revenue of RM240.57 million for the current quarter, which was slightly higher than the immediate preceding quarter's revenue by 1.8% or RM4.21 million.

The increase in revenue was mainly attributable to higher revenue for trading of steel products by 3.7% or RM3.11 million from RM83.30 million to RM86.41 million, mainly resulted from:

- higher revenue from trading of long carbon steel products by 32.9% due to higher tonnage sales by 33.8% while average selling price remained fairly consistent; negated by
- lower revenue from trading of other flat steel products by 19.5% due to lower average selling price by 21.0% while tonnage sales remained fairly consistent.

For the current quarter, our gross profit increased by 28.4% or RM5.14 million, from RM18.12 million for the immediate preceding quarter to RM23.26 million for the current quarter, mainly due to slightly higher revenue by 1.8% or RM4.21 million, from RM236.36 million for the immediate preceding quarter to RM240.57 million for the current quarter and higher overall gross profit margin by 3.0 percentage points, from 7.7% for the immediate preceding quarter to 10.7% for the current quarter, negated by inventories written down of RM2.43 million in the current quarter as certain inventories were measured at its estimated net realisable value.

The other income of RM0.53 million for the current quarter as compared to RM0.73 million for the immediate preceding quarter, was lower by RM0.20 million mainly due to lower unrealised gain on foreign exchange by RM0.27 million resulted from reversal of unrealised gain on foreign exchange of RM0.24 million recorded for the current quarter as opposed to unrealised gain on foreign exchange of RM0.03 million recorded for the immediate preceding quarter.

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

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

Our operating costs increased by RM1.72 million, from RM9.51 million for the immediate preceding quarter to RM11.23 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 RM0.15 million mainly caused by increase in salary, wage and overtime payments as well as higher provision of bonuses; and
 - increase in transportation, travelling and accommodation expenses by RM0.10 million.
2. Increase in administrative costs by RM0.81 million, mainly due to:
 - higher directors' remuneration and staff related costs by RM0.14 million mainly caused by higher provision of bonuses;
 - one-off provision of auditors' remuneration amounting to RM0.29 million in the current quarter;
 - increase in depreciation charges by RM0.07 million;
 - increase in insurance and road tax expenses by RM0.07 million; and
 - higher upkeep of office equipment expenses by RM0.12 million.
3. Decrease in reversal of impairment losses on financial instruments (trade receivables) by RM0.23 million.
4. Increase in other costs by RM0.46 million mainly due to plant and equipment written off of RM0.41 million recorded for the current quarter.

The finance costs for the current quarter was RM5.75 million, increased slightly by approximately RM0.39 million as compared to RM5.35 million for the immediate preceding quarter mainly due to higher bank charges by RM0.23 million and higher interest expense for overdraft facilities and islamic financing by RM0.07 million and RM0.46 million respectively, partially offset by lower interest expense for bankers' acceptances by RM0.33 million.

Based on the foregoing factors, our profit before tax increased by 70.9% or approximately RM2.83 million, from RM3.99 million for the immediate preceding quarter to RM6.81 million for the current quarter.

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

Our business operations mainly comprise trading and processing of a diverse range of flat and long steel products. Our processing facilities which include an extensive range of cutting, levelling, shearing, profiling, bending and finishing are 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. Currently, development of Phase 2 of the facilities with 1 production line is almost completed and expected to be fully commissioned in second half of 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 Bank Negara Malaysia, the global economy is expected to grow at a slower pace in 2024. The impact from tight monetary policy is expected to intensify in subsequent quarters, before dissipating towards second half of 2024. Global inflation would likely moderate further, with commodity prices posing a clear upside risk. China's growth would moderate in 2024, as reopening support dissipates and property market remains in a downturn. Global trade recovery is likely to be gradual given persistent headwinds from trade restrictions and ongoing shift in consumption from goods to services. Downside risks stem mainly from higher-than-expected inflation, escalation of geopolitical tensions and a sharp tightening in financial market conditions. However, upside risk to global growth can arise from stronger-than-expected domestic demand, particularly in advanced economies.

Going forward, growth of the Malaysian economy will be driven largely by resilient domestic expenditure, with some support from electrical and electronic exports recovery. Household spending will be supported by steady growth in employment and wage growth. Tourist arrivals and spending are expected to improve further. Additionally, continued progress of multi-year infrastructure projects and implementation of catalytic initiatives will support investment activity. The Malaysian Budget 2024 measures will also provide additional impetus to economic activity. Meanwhile, domestic financial conditions remain conducive to sustain credit growth, as financial institutions continue to operate with strong capital and liquidity buffers. The growth outlook is subject to downside risks from weaker-than-expected external demand, and larger and protracted declines in commodity production. Nevertheless, stronger-than-expected tourism activity, a stronger recovery from the electrical and electronic downcycle, and faster implementation of projects provide upside to Malaysia's economic outlook.

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

B3. Commentary on Prospects (Cont'd)

In view of the challenging global and local economic outlook, 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.

With the measures taken by the Group in addressing the challenges, our Board is optimistic that the Group will achieve positive results for 2024.

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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 31.12.2023 RM'000	Preceding Year Quarter 31.12.2022 RM'000	Current Year- To-Date 31.12.2023 RM'000	Preceding Year- To-Date 31.12.2022 RM'000
Auditors' remuneration	287	273	287	273
Depreciation of property, plant and equipment	4,994	4,528	18,759	16,949
Fair value loss on derivatives	24	-	24	-
Impairment losses on trade receivables	(77)	240	497	494
Interest expense	4,981	4,665	19,605	16,139
Inventories written down	2,432	(3,052)	2,432	12,929
Plant and equipment written off	410	-	410	354
Waiver of interest income	-	-	108	189
Interest income	(277)	(281)	(1,025)	(565)
Net gain on a lease termination	-	-	-	(#)
Net gain on disposal of plant and equipment	(128)	(348)	(345)	(769)
Net foreign exchange (gain)/loss:				
- realised	(5)	257	(115)	425
- unrealised	235	352	(120)	167
Rental income from premises	(247)	(83)	(989)	(431)
Reversal of impairment losses on trade receivables	(165)	(251)	(1,473)	(940)

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 31.12.2023 RM'000	Preceding Year Quarter 31.12.2022 RM'000	Current Year- To-Date 31.12.2023 RM'000	Preceding Year- To-Date 31.12.2022 RM'000
Current income tax				
- for the financial period/year	(2,345)	(3,325)	5,619	9,071
- over provision in prior financial years	-	-	(3,427)	(312)
Deferred tax				
- origination/(reversal) of temporary differences	1,042	982	1,931	(1,560)
- under/(over) provision in prior financial year	123	(#)	(213)	178
Tax expense	<u>(1,180)</u>	<u>(2,343)</u>	<u>3,910</u>	<u>7,377</u>

Notes:# *Less than RM500.*

The negative tax expense for the current quarter was due to adjustment for over provision of taxation in prior quarters of the current financial year mainly arising from claim for reinvestment allowance on certain capital expenditure in the current quarter for certain companies within the Group. The lower effective tax rate for the current financial year-to-date was mainly due to the aforementioned reason as well as reversal of tax expense provided in previous financial years by a subsidiary company upon receipt of Notices of Reduced Assessment 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.

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 31.12.2023 RM'000	As at 31.12.2022 RM'000
<u>Current</u>		
Secured:		
Bankers' acceptances	109,255	109,378
Bank overdrafts	25,792	37,528
Hire purchase payables	5,498	3,951
Term loans	11,154	10,793
	<hr/>	<hr/>
	151,699	161,650
Unsecured:		
Bankers' acceptances	97,163	119,992
Bank overdrafts	9,286	7,775
Islamic financing	81,567	76,287
Lease liabilities	989	1,030
	<hr/>	<hr/>
	189,005	205,084
	<hr/>	<hr/>
	340,704	366,734
<u>Non-current</u>		
Secured:		
Hire purchase payables	4,809	4,125
Term loans	76,867	67,442
	<hr/>	<hr/>
	81,676	71,567
Unsecured:		
Lease liabilities	10,375	10,534
	<hr/>	<hr/>
	92,051	82,101
	<hr/>	<hr/>
Total Borrowings	432,755	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 31.12.2023 RM'000	Preceding Year Quarter 31.12.2022 RM'000	Current Year- To-Date 31.12.2023 RM'000	Preceding Year- To-Date 31.12.2022 RM'000
Profit/(Loss) attributable to owners of the Company	8,048	(5,087)	35,999	29,619
Weighted average number of ordinary shares in issue ('000)	341,000	341,000	341,000	341,000
Basic Earnings/(Loss) Per Share (sen)	2.36	(1.49)	10.56	8.69

(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 February 2024