

LEON FUAT BERHAD
(Company No. 756407-D)
Wisma Leon Fuat
No. 11, Lorong Keluli 1B
Kawasan Perindustrian Bukit Raja Selatan
Seksyen 7
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LEON FUAT BERHAD

(Company No. 756407-D)
(Incorporated in Malaysia under the Companies Act, 1965)

INITIAL PUBLIC OFFERING IN CONJUNCTION WITH OUR LISTING ON THE MAIN MARKET OF BURSA MALAYSIA SECURITIES BERHAD COMPRISING:

- (I) PUBLIC ISSUE OF 59,310,000 NEW ORDINARY SHARES OF RM0.50 EACH ("SHARES") IN THE FOLLOWING MANNER:
- 15,500,000 NEW SHARES AVAILABLE FOR APPLICATION BY THE PUBLIC;
 - 10,000,000 NEW SHARES AVAILABLE FOR APPLICATION BY OUR ELIGIBLE DIRECTORS, EMPLOYEES AND PERSONS WHO HAVE CONTRIBUTED TO THE SUCCESS OF OUR GROUP;
 - 33,810,000 NEW SHARES BY WAY OF PLACEMENT TO SELECTED INVESTORS;

AND

- (II) OFFER FOR SALE OF UP TO 31,000,000 EXISTING SHARES BY WAY OF PLACEMENT TO BUMIPUTERA INVESTORS APPROVED BY THE MINISTRY OF INTERNATIONAL TRADE AND INDUSTRY,

AT AN ISSUE/OFFER PRICE OF RM0.60 PER SHARE, PAYABLE IN FULL UPON APPLICATION

Principal Adviser, Underwriter and Placement Agent



ALLIANCE INVESTMENT BANK

Alliance Investment Bank Berhad (21605-D)
(A Participating Organisation of Bursa Malaysia Securities Berhad)

INVESTORS ARE ADVISED TO READ AND UNDERSTAND THE CONTENTS OF THIS PROSPECTUS. IF IN DOUBT, PLEASE CONSULT A PROFESSIONAL ADVISER. THERE ARE CERTAIN RISK FACTORS WHICH PROSPECTIVE INVESTORS SHOULD CONSIDER. TURN TO SECTION 4 HEREIN FOR THE 'RISK FACTORS'.

THIS PROSPECTUS IS DATED 13 MAY 2013

P R O S P E C T U S



RESPONSIBILITY STATEMENTS

Our Board, Promoters and Offeror (as defined herein) have seen and approved this Prospectus and they collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm, after having made all reasonable enquiries, that to the best of their knowledge and belief, there is no false or misleading statement or other facts the omission of which would make any statement herein false or misleading.

Alliance Investment Bank Berhad, being our Principal Adviser, Underwriter and Placement Agent acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our Public Issue and Offer for Sale (as defined herein).

STATEMENTS OF DISCLAIMER

The Securities Commission of Malaysia (“SC”) has approved the Public Issue and Offer for Sale (as defined herein) and a copy of this Prospectus has been registered with the SC. The approval and registration of this Prospectus should not be taken to indicate that the SC recommends our Public Issue and Offer for Sale or assumes responsibility for the correctness of any statement made or opinion or report expressed in this Prospectus. The SC has not, in any way, considered the merits of the securities being offered for investment.

The SC is not liable for any non-disclosure on our part and takes no responsibility for the contents of this document, makes no representation as to its accuracy or completeness, and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT IN OUR COMPANY. IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.

Approval has been obtained from Bursa Malaysia Securities Berhad (“Bursa Securities”) for the listing of and quotation for the securities being offered. Our admission to the official list of Bursa Securities is not to be taken as an indication of the merits of our Public Issue and Offer for Sale, our Company or our securities.

Bursa Securities is not liable for any non-disclosure on our part and takes no responsibility for the contents of this Prospectus, makes no representation as to its accuracy or completeness and expressly disclaims any liability for any loss you may suffer arising from or in reliance upon the whole or any part of the contents of this Prospectus.

A copy of this Prospectus, together with the application forms, has also been lodged with the Registrar of Companies (“ROC”) who takes no responsibility for its contents.

OTHER STATEMENTS

As with all investments, you should be aware of all potential risks in investing in such companies and should make the decision to invest after giving due and careful consideration by referring to amongst others, this Prospectus, our latest financial statements and corporate announcements. You are strongly recommended to seek advice from your stockbroker, solicitor, accountant or other professional advisers.

You are advised to note that recourse for false or misleading statements or acts made in connection with this Prospectus is directly available through Sections 248, 249 and 357 of the Capital Markets and Services Act 2007 (“CMSA”).

Securities listed on Bursa Securities are offered to the public premised on full and accurate disclosure of all material information concerning our Public Issue and Offer for Sale for which any of the persons set out in Section 236 of the CMSA, e.g. directors and advisers, are responsible.

This Prospectus is prepared and published solely for our Public Issue and Offer for Sale in Malaysia under the laws of Malaysia. Our Issue Shares (as defined herein) are issued in Malaysia solely based on the contents of this Prospectus. Our Board, Promoters, Offeror, Principal Adviser, Underwriter and Placement Agent have not authorised anyone to provide you with information which is not contained in this Prospectus.

This Prospectus has not been and will not be made to comply with the laws of any jurisdiction other than Malaysia and has not been and will not be lodged, registered or approved pursuant to or under any applicable securities or equivalent legislation or with or by any regulatory authority or other relevant body of any jurisdiction other than Malaysia.

We will not, prior to acting on any acceptance in respect of our Public Issue and Offer for Sale, make or be bound to make any enquiry as to whether you have a registered address in Malaysia and will not accept or be deemed to accept any liability in relation thereto whether or not any enquiry or investigation is made in connection therewith.

It shall be your sole responsibility, if you are or may be subject to the laws of any country or jurisdiction other than Malaysia, to consult your legal and/or other professional advisers as to whether your application for our Public Issue and Offer for Sale would result in the contravention of any law of such country or jurisdiction.

Further, it shall also be your sole responsibility to ensure that your application for our Public Issue and Offer for Sale would be in compliance with the terms of this Prospectus and would not be in contravention of any law of countries or jurisdictions other than Malaysia to which you may be subjected to. We will further assume that you have accepted our Public Issue and Offer for Sale in Malaysia and will at all applicable times be subjected only to the laws of Malaysia in connection therewith. However, we reserve the right, in our absolute discretion, to treat any acceptance as invalid if we believe that such acceptance may violate any law or applicable legal or regulatory requirements.

The distribution of this Prospectus and the accompanying documents are subject to Malaysian laws. Our Board, Promoters, Offeror, Principal Adviser, Underwriter and Placement Agent take no responsibility for the distribution of this Prospectus (in preliminary or final form) outside Malaysia. Our Board, Promoters, Offeror, Principal Adviser, Underwriter and Placement Agent have not taken any action to permit a Public Issue and Offer for Sale of our securities based on this Prospectus or the distribution of this Prospectus outside Malaysia.

This Prospectus may not be used as an offer to sell or an invitation to buy our securities in any jurisdiction or in any circumstance in which such an offer or invitation is not authorised or is unlawful. This Prospectus shall also not be used to make an offer of or invitation to buy our securities to any person to whom it is unlawful to do so. Our Board, Promoters, Offeror, Principal Adviser, Underwriter and Placement Agent require you to inform yourself and to observe such restrictions.

ELECTRONIC PROSPECTUS

This Prospectus can be viewed or downloaded from Bursa Securities' website at www.bursamalaysia.com. The contents of the Electronic Prospectus (as defined herein) and the copy of this Prospectus registered with the SC are the same.

You may also obtain a copy of the Electronic Prospectus from the website of RHB Bank Berhad at <http://www.rhb.com.my>, the website of CIMB Investment Bank Berhad at <http://www.eipocimb.com>, the website of Malayan Banking Berhad at www.maybank2u.com.my, the website of CIMB Bank Berhad at <http://www.cimbclicks.com.my>, the website of Public Bank Berhad at <http://www.pbebank.com> and the website of Affin Bank Berhad at <http://www.affinOnline.com>.

You are advised that the internet is not a fully secured medium, and that your Internet Share Application (as defined herein) may be subject to the risks of problems occurring during the data transmission, computer security threats such as viruses, hackers and crackers, faults with computer software and other events beyond the control of the Internet Participating Financial Institutions (as defined herein). These risks cannot be borne by the Internet Participating Financial Institutions.

If you are in doubt about the validity or integrity of an Electronic Prospectus, you should immediately request from us, the Principal Adviser or issuing house, a paper printed copy of this Prospectus.

In the event of any discrepancy arising between the contents of the Electronic Prospectus and the contents of the paper printed copy of this Prospectus for any reason whatsoever, the contents of the paper printed copy of this Prospectus which are identical to the copy of the Prospectus registered with the SC shall prevail.

In relation to any reference in this Prospectus to third party internet sites (referred to as "**Third Party Internet Sites**"), whether by way of hyperlinks or by way of description of the third party internet sites, you acknowledge and agree that:

- (i) we and our Principal Adviser do not endorse and are not affiliated in any way with the Third Party Internet Sites and are not responsible for the availability of, or the contents or any data, information, files or other material provided on the Third Party Internet Sites. You shall bear all risks associated with the access to or use of the Third Party Internet Sites;
- (ii) we and our Principal Adviser are not responsible for the quality of products or services in the Third Party Internet Sites, for fulfilling any of the terms of your agreements with the Third Party Internet Sites. We and our Principal Adviser are also not responsible for any loss or damage or costs that you may suffer or incur in connection with or as a result of dealing with the Third Party Internet Sites or the use of or reliance of any data, information, files or other material provided by such Third Party Internet Sites; and
- (iii) any data, information, files or other material downloaded from the Third Party Internet Sites is done at your own discretion and risk. We and our Principal Adviser are not responsible, liable or under obligation for any damage to your computer system or loss of data resulting from the downloading of any such data, information, files or other material.

Where an electronic prospectus is hosted on the website of the Internet Participating Financial Institution, you are advised that:

- (i) the Internet Participating Financial Institutions are only liable in respect of the integrity of the contents of an Electronic Prospectus, to the extent of the contents of the Electronic Prospectus situated on the web server of the Internet Participating Financial Institutions and shall not be responsible in any way for the integrity of the contents of an Electronic Prospectus which has been downloaded or otherwise obtained from the web server of the Internet Participating Financial Institutions and thereafter communicated or disseminated in any manner to you or other parties; and
- (ii) while all reasonable measures have been taken to ensure the accuracy and reliability of the information provided in an Electronic Prospectus, the accuracy and reliability of an Electronic Prospectus cannot be guaranteed as the internet is not a fully secured medium.

The Internet Participating Financial Institutions shall not be liable (whether in tort or contract or otherwise) for any loss, damage or costs, you or any other person may suffer or incur due to, as a consequence of or in connection with any inaccuracies, changes, alterations, deletions or omissions in respect of the information provided in an Electronic Prospectus which may arise in connection with or as a result of any fault or faults with web browsers or other relevant software, any fault or faults on your or any third party's personal computer, operating system or other software, viruses or other security threats, unauthorised access to information or systems in relation to the website of the Internet Participating Financial Institutions, and/or problems occurring during data transmission, which may result in inaccurate or incomplete copies of information being downloaded or displayed on your personal computer.

INDICATIVE TIMETABLE

The indicative timing of events leading up to the listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities is set out below:

EVENT	TENTATIVE DATE / TIME
Issuance of Prospectus/ Opening of application for our IPO	13 May 2013 at 10.00 a.m.
Closing of application for our IPO	23 May 2013 at 5.00 p.m.
Balloting of applications	28 May 2013
Allotment of shares to successful applicants	4 June 2013
Listing on the Main Market of Bursa Securities	5 June 2013

Our Board, Promoters and Offeror together with Alliance, may mutually decide at their absolute discretion to extend the date for the closing of applications to any later date or dates. If the date of closing of application is extended, the dates of balloting, allotment and listing would be extended accordingly. We will publish any extension of the date of closing of application in a widely circulated English and Bahasa Malaysia newspaper in Malaysia prior to the original closing date of application. **Late applications will not be accepted.**

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PRESENTATION OF FINANCIAL AND OTHER INFORMATION

All references to “our Company” in this Prospectus are to Leon Fuat Berhad, while references to “our Group” are to our Company and our subsidiary companies. References to “we”, “us”, “our” and “ourselves” are to our Company or our Group or any member of our Group, as the context requires. Unless the context otherwise requires, references to “Management” are to our Executive Directors and our Key Management Personnel as disclosed in this Prospectus and statements as to our beliefs, expectations, estimates and opinions are those of our Board.

Certain abbreviations, acronyms and technical terms used are defined in the “Definitions” section of this Prospectus. Words denoting the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and neuter genders and vice versa. References to persons shall include companies and corporations.

Unless otherwise stated, any reference to dates and times in this Prospectus shall be a reference to dates and times in Malaysia.

Any reference to any enactment in this Prospectus shall be a reference to that enactment as for the time being or amended or re-enacted.

This Prospectus includes statistical data provided by our Management and various third parties and cites third party projections regarding growth and performance of the industry in which our Group operates. This data is taken or derived from information published by industry sources and from our internal data. In each such case, the source is stated in this Prospectus; provided that where no source is stated, it can be assumed that the information originates from us.

In particular, certain information in this Prospectus is extracted or derived from report(s) prepared by Vital Factor Consulting Sdn Bhd, an independent business and market research consulting firm. We believe that the statistical data and projections cited in this Prospectus are useful in helping you to understand the major trends in the industry in which we operate. However, neither we nor our Principal Adviser have independently verified these data. Neither we nor our Principal Adviser make any representation as to the correctness, accuracy or completeness of such data, hence accordingly, you should not place undue reliance on the statistical data cited in this Prospectus. Similarly, third party projections cited in this Prospectus are subject to significant uncertainties that could cause actual data to differ materially from the projected figures. We give no assurance that the projected figures will be achieved and you should not place undue reliance on the third party projections cited in this Prospectus.

The information on our website or any website directly or indirectly linked to such website does not form part of this Prospectus and you should not rely on it.

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FORWARD-LOOKING STATEMENTS

This Prospectus includes forward-looking statements, which include all statements other than those of historical facts including amongst others, those regarding our Group's financial position, business strategies, plans and objectives of our Management for future operations. Some of these statements can be identified by words that have a bias towards or are forward-looking such as "may", "will", "would", "could", "believe", "expect", "anticipate", "intend", "estimate", "aim", "plan", "forecast" or similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors beyond our Group's control that could cause our actual results, performance or achievements to be materially different from future results, performance or achievements expressed or implied by such forward-looking statements. As such, we cannot assure you that the forward-looking statements in this Prospectus will be realised.

Such forward-looking statements are based on numerous assumptions regarding our Group's present and future business strategies and the environment in which our Group operates. Additional factors that could cause our Group's actual results, performance or achievements to differ materially include, but are not limited to those discussed in Section 4 - Risk Factors and Section 12 - Management Discussion and Analysis of Financial Condition, Results of Operations and Prospects of this Prospectus.

These forward-looking statements are based on information available to us as at the date of this Prospectus. Subject to the provisions of Section 238 of the CMSA, we expressly disclaim any obligation or undertaking to release publicly any update or revision to any forward-looking statements contained in this Prospectus to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

You will be deemed to have read and understood the descriptions of the assumptions and uncertainties underlying the forward looking statements that are contained herein.

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DEFINITIONS

Unless otherwise defined or the context otherwise requires, the following definitions shall apply throughout this Prospectus:

AAGR	: Average Annual Growth Rate
ABBA facilities	: Al-Bai Bithaman Ajil Islamic financing facilities
Acquisitions	: The Acquisition of LF Hardware, Acquisition of LF Klang, Acquisition of Supreme Steelmakers and Acquisition of ASA Steel, collectively
Acquisition of ASA Steel	: Acquisition by Leon Fuat of the entire issued and paid-up share capital in ASA Steel comprising 1,800,000 ordinary shares of RM1.00 each for a total purchase consideration of RM7,385,000 which was entirely satisfied by the issuance of 14,770,000 new Leon Fuat Shares at an issue price of RM0.50 per share credited as fully paid
Acquisition of LF Hardware	: Acquisition by Leon Fuat of the entire issued and paid-up share capital in LF Hardware comprising 2,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM28,978,000 which was entirely satisfied by the issuance of 57,956,000 new Leon Fuat Shares at an issue price of RM0.50 per share credited as fully paid
Acquisition of LF Klang	: Acquisition by Leon Fuat of the entire issued and paid-up share capital in LF Klang comprising 10,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM76,793,997 which was entirely satisfied by the issuance of 153,587,994 new Leon Fuat Shares at an issue price of RM0.50 per share credited as fully paid
Acquisition of Supreme Steelmakers	: Acquisition by Leon Fuat of the entire issued and paid-up share capital in Supreme Steelmakers comprising 2,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM12,188,000 which was entirely satisfied by the issuance of 24,376,000 new Leon Fuat Shares at an issue price of RM0.50 per share credited as fully paid
Act	: Companies Act, 1965, as amended from time to time and any re-enactment thereof
ADA	: Authorised Depository Agent
Alliance or Principal Adviser or Underwriter or Placement Agent	: Alliance Investment Bank Berhad (21605-D)
Application Form(s)	: The printed application form(s) for the application of our IPO Shares accompanying this Prospectus
ASA Steel	: ASA Steel (M) Sdn Bhd (345718-D)
ATM(s)	: Automated Teller Machine(s)
Baker Tilly or Reporting Accountants	: Baker Tilly AC (formerly known as Moore Stephens AC) (AF001826)
Board	: Board of Directors of Leon Fuat
BLR	: Base Lending Rate

DEFINITIONS (Cont'd)

BSI Singapore	: BSI Group Singapore Pte Ltd is a subsidiary of British Standards Institution who provides a range of business solutions including management system assessment and certification, provision of training on quality standards, product testing, assessment and certification
Bursa Depository	: Bursa Malaysia Depository Sdn Bhd (165570-W)
Bursa Securities	: Bursa Malaysia Securities Berhad (635998-W)
CCM	: Companies Commission of Malaysia
CDS	: Central Depository System
CDS Account	: An account established by Bursa Depository for a depositor to record deposits or withdrawals of securities and for dealings in such securities by the depositor
Central Depositories Act	: The Securities Industry (Central Depositories) Act, 1991, as amended from time to time and any re-enactment thereof
CMSA	: Capital Markets and Services Act 2007, as amended from time to time and any re-enactment thereof
CWIP	: Capital work in progress
DBKL	: Dewan Bandaraya Kuala Lumpur
EBITDA	: Earnings before interest, taxation, depreciation and amortisation
Electronic Prospectus	: Copy of this Prospectus that is issued, circulated or disseminated via the internet and/or electronic storage medium, including but not limited to CD-ROMs and thumb drives
EPS	: Earnings per share
ESA or Electronic Share Application	: Application for our Public Issue Shares through a Participating Financial Institution's ATM
EUR	: Euro
FMM	: Federation of Malaysian Manufacturers
FYE	: Financial year ended/ending
IMR Report	: Vital Factor's Independent Market Research Report titled 'Independent Assessment of the Rolled Steel Industry in Malaysia'
IPO	: Public Issue and Offer for Sale, collectively
IPO Price	: The issue/offer price of RM0.60 per IPO Share
IPO Share(s)	: The Public Issue Shares and the Offer Shares, collectively
ISO	: International Organisation for Standardisation
Issuing House	: Malaysian Issuing House Sdn Bhd (258345-X)

DEFINITIONS (Cont'd)

Leon Fuat or Company	: Leon Fuat Berhad (756407-D)
Leon Fuat Group or Group	: Leon Fuat and its subsidiary companies, collectively
Leon Fuat Share(s) or Share(s)	: Ordinary share(s) of RM0.50 each in Leon Fuat
LF Hardware	: Leon Fuat Hardware Sdn Bhd (82300-H)
LF Holdings	: Leon Fuat Holdings Sdn Bhd (I45988-P)
LF Klang	: Leon Fuat Hardware (Klang) Sdn Bhd (98815-D)
Listing	: The admission to the Official List of Bursa Securities and the listing of and quotation for our entire enlarged issued and paid-up share capital of RM155,000,000 comprising 310,000,000 Shares on the Main Market of Bursa Securities
Listing Requirements	: Main Market Listing Requirements of Bursa Securities, as amended or expanded from time to time
Listing Scheme	: The Acquisitions, Public Issue, Offer for Sale and Listing, collectively
LPD	: 31 March 2013, being the latest practicable date prior to the issuance of this Prospectus
Market Day	: Any day between Monday and Friday (both days inclusive) which is not a public holiday and on which Bursa Securities is open for trading of securities
MIDA	: Malaysian Investment Development Authority
MITI	: Ministry of International Trade and Industry, Malaysia
mm	: Millimeters
NA	: Net assets
NBV	: Net book value
NCT	: NCT & Sons Sdn Bhd (890402-A)
Offer for Sale	: Offer for sale by the Offeror of up to 31,000,000 Leon Fuat Shares by way of placement to Bumiputera investors approved by the MITI at the IPO Price
Offer for Sale Share(s) or Offer Share(s)	: Up to 31,000,000 Shares to be offered for sale by the Offeror
Offeror	: LF Holdings
Participating Financial Institution(s)	: The participating financial institution(s) for the ESA as listed in Section 16 of this Prospectus
PAT	: Profit after tax / profit for the financial year
PBT	: Profit before tax

DEFINITIONS (*Cont'd*)

PE Multiple	: Price-earnings multiple
Promoters	: LF Holdings, Ooi Bin Keong, Ooi Seng Khong, Ooi Kong Tiong, Ooi Shang How, Ng Kok Teong, Ng Lam Keong, Ooi Pek Kuan, Ng Kok Wee and NCT, collectively
Prospectus	: This prospectus dated 13 May 2013 in relation to our IPO
Public	: All persons or members of the public but excluding our Directors, substantial shareholders and persons connected or associated with them (as defined in the Listing Requirements)
Public Issue	: The 59,310,000 new Leon Fuat Shares, representing approximately 19.13% of the enlarged issued and paid-up share capital of Leon Fuat at the IPO Price
Public Issue Share(s) or Issue Share(s)	: 59,310,000 new Leon Fuat Shares to be issued pursuant to the Public Issue
RM and sen	: Ringgit Malaysia and sen, respectively
RMB	: Renminbi
SC	: Securities Commission of Malaysia
SGD	: Singapore Dollar
sq. ft.	: Square feet
Supreme Steelmakers	: Supreme Steelmakers Sdn Bhd (210422-M)
Underwriting Agreement	: The underwriting agreement dated 26 April 2013 made between our Company and our Underwriter for the underwriting of up to 15,500,000 Public Issue Shares
USD	: United States Dollar
Vital Factor	: Vital Factor Consulting Sdn Bhd (266797-T)

GLOSSARY OF TECHNICAL TERMS

alloy steel	: Alloy steel refers to steel that are mixed with a variety of elements to achieve certain mechanical properties such as strength, hardness, toughness and wear resistance. Some of the elements used in the mixture include manganese, nickel, chromium, vanadium, silicon and others.
angles	: Angles refer to a length of metal with sections of equal or unequal widths bent at 90 degrees to each other.
bars	: Long steel products that are rolled from billets into various shapes, commonly circular or rectangular, with solid cross-section. Bars generally have smaller cross-section compared to rounds.
beams	: Long steel product which is a load bearing structural member made by hot-rolling blooms, billets and beam blanks into various cross-sectional profiles, commonly "I" and "T". It is also referred to as sections.

DEFINITIONS (Cont'd)

billets	: Billets are semi-finished lengths of continuously cast steel, of circular or rectangular cross-section with diameter or width of 50mm to 120mm. Billets are used primarily as feedstock for hot-rolling or other processes to produce bars, rods and light sections. A billet is a smaller-sized bloom.
blooms	: Blooms are semi-finished lengths of continuously cast steel, of circular or rectangular cross-section of width more than 120 mm. Blooms are used primarily as feedstock to produce long products such as beams and rails. A bloom is a bigger-sized billet.
carbon steel	: Carbon steel is primarily iron mixed with carbon, with other elements present in quantities too small to affect its properties. Carbon steel is usually used to differentiate from stainless steel. Carbon content in carbon steel is commonly between 0.02% and 2.00% by weight.
channels	: A channel is a steel section that is hot-rolled and bent at ninety degrees at both edges to look like a square letter "U" or "C".
CNC	: Computer Numerical Control, which is a computerised controller that reads instructions to control a machine tool. Equipment that are controlled by CNC are commonly referred to as CNC machines, tools or systems.
coil	: Coil refers to continuous metal sheets that have been wound into a coil.
cold-rolled coil	: Cold-rolled coil refers to a coil of steel that has passed through a pair of rollers to reduce its thickness at ambient temperature or at temperatures below its recrystallisation temperature.
cutting	: Cutting refers to the various processes used to resize and/or reshape metal materials including shearing, bandsaw cutting, plasma cutting, laser cutting, waterjet cutting and oxy-gas cutting. For long products, cutting refers to cutting of the products into various lengths.
deformed bars	: A reinforcing bar with a manufactured pattern of surface ridges that provide a locking anchorage with surrounding concrete.
expanded metal	: A metal sheet with diamond-shaped holes.
ferrous	: Relating to or containing iron. As in ferrous metal, which is metal containing iron.
flat steel products	: Flat steel products refer to steel products produced from primary steel slabs that are further rolled into coils, plates or sheets. It also includes secondary products such as welded tubes and pipes that are produced from coils or sheets.
hot-rolled coil	: Hot-rolled coil refers to a coil of steel that has passed through a pair of rollers to reduce its thickness at high temperatures above its recrystallisation temperature.
I-beam	: Hot-rolled long steel products with "I" shaped cross-section. I-beams are structural members that are load bearing and commonly used in the construction industry.

DEFINITIONS (Cont'd)

ingot	: A metal product obtained from the solidification of liquid steel. It is cast in a shape that is convenient for handling, storage, shipping or rolling into steel products after reheating.
levelling	: Levelling refers to the process to flatten the steel coils or sheets or strips using rollers, and also to flatten any shape deficiencies such as wavy edges and buckles in the sheet or coil.
long steel products	: Long steel products refer to steel products produced from primary steel blooms, billets, beam blanks and ingots such as rounds, bars, wire rods, sections and channels. It also includes secondary products such as wire mesh and fittings produced from rolled steel long products.
mild steel	: Mild steel is a type of carbon steel containing approximately 0.16% to 0.29% carbon.
non-ferrous	: Not containing iron. As in non-ferrous metal, metal that does not contain iron.
oxy-gas cutting	: Oxy-gas cutting refers to a type of cutting process involving combustion of metal using oxygen and fuel gas.
pipes	: Tubular channels, of circular, rectangular, square or other cross-section.
plates	: Sheets of stainless steel or carbon steel with a width of more than 8 inches, and a thickness ranging from ¼ inch to more than 1 foot.
processing	<p>: Processing refers to a production process whereby a feedstock is subjected to some production process without producing a finished good at the end of that process. The resulting product is normally subjected to further processing or manufacturing to produce usable finished goods.</p> <p>In the context of this prospectus, it refers to one (1) or more of the following activities including cutting, levelling, shearing, profiling, bending and finishing of steel products. Revenue derived from processing of steel products is mainly in the form of sales of the processed material.</p>
profiling	: Cutting of flat metal materials into various irregular shapes, sizes and angles.
quenched steel	: Steel that is hardened through a rapid cooling process by immersing the steel in various quenching mediums, including water, oil, air, salt brine and vacuum.
rails	: Hot-rolled steel products that are mainly used to make tracks for railways.
rods	: A long steel product commonly with circular solid cross-section of a diameter at least 5mm. Rods generally have smaller cross-section compared to rounds.
rolled steel product	: Rolled steel product refers to primary steel products that have undergone hot-rolling and/or cold-rolling processes. Examples of rolled steel products include hot-rolled and cold-rolled flat and long products such as coils, plates, sheets/strips, bars, rounds, sections and wire rods.
rounds	: A long steel product commonly with circular solid cross-section of a diameter at least 8mm. Rounds are normally used to produce seamless tubes and pipes. Rounds generally have smaller cross-section compared to billets.

DEFINITIONS (Cont'd)

secondary steel product	: Secondary steel product refers to rolled steel products that have undergone further processing and/or have been formed into finished products. Examples of secondary steel products include tubes and pipes, wire and wire products and sheet metal products.
sections	: Blooms or billets that are rolled in a rolling mill to form 'L', 'U', 'T' or 'I' profiles and shapes. Sections can be formed through hot-rolling, cold-rolling or welding.
shafts	: A long cylindrical steel column or rod which may act as the handle or body of a tool.
shearing	: The process of cutting coils or sheets into various lengths.
sheets	: Sheets of stainless steel or carbon steel with a width of more than 8 inches, and a thickness of less than ¼ inch.
slabs	: Flat semi-finished steel hot rolled from ingot or sheared from continuous caster's output. It is usually used for further processing into hot-rolled coils, sheets and plates. Slabs commonly has a thickness of at least 50mm.
slitting	: The process of cutting coils or sheets into various widths.
stainless steel	: Stainless steel is a metal alloy whose major component is iron, with chromium content of at least 10% by weight. Other alloying elements such as nickel, zinc, silicon and carbon may also be added. Stainless steel is characterised by its resistance to corrosion.
tempered steel	: Hardened steel that is reheated to attain the desired hardness and to reduce brittleness. The reheating process is usually carried out after the quenching process.
tool steel	: A group of steel hardened for use in making tools like moulds and dies for injection moulding, extrusion, die-casting, cutting tools, drilling bits, press tools, hand tools and quarrying tools and components. Tool steel is normally made out of carbon and alloy steel from various formulations for different applications. Characteristics of tool steel include hardness, resistance to abrasion, and resistance to deformation at high temperatures.
wire rods	: A long steel product commonly with circular solid cross-section. Wire rods generally have smaller cross-section compared to rods. Wire rods are commonly used for drawing smaller diameter wires used for wire fencing and other wire products.

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1. CORPORATE DIRECTORY**BOARD OF DIRECTORS**

Name/Designation	Address	Occupation	Nationality
Dato' Ng Ah Hock @ Ng Soon Por Independent Non-Executive Chairman	No.9 Jalan USJ 2/6H 47600 Subang Jaya Selangor Darul Ehsan	Director	Malaysian
Ooi Bin Keong Group Managing Director	No. 85 Jalan Wan Malini 3 Taman Sri Petaling 57000 Kuala Lumpur	Director	Malaysian
Ooi Seng Khong Executive Director	No. 7 Jalan USJ 2/5 UEP Subang Jaya 47600 Petaling Jaya Selangor Darul Ehsan	Director	Malaysian
Ooi Kong Tiong Executive Director	No. 42 Jalan Puteri 12/2 Bandar Puteri Puchong 47100 Puchong Selangor Darul Ehsan	Director	Malaysian
Ooi Shang How Executive Director	No. 85 Jalan Wan Malini 3 Taman Sri Petaling 57000 Kuala Lumpur	Director	Malaysian
Ng Kok Teong Executive Director	2G, Jalan Mangga Kampung Kasipillay 51200 Kuala Lumpur	Director	Malaysian
Chan Kee Loin Independent Non-Executive Director	66A Jalan Desa 6/10 Bandar Country Homes 48000 Rawang Selangor Darul Ehsan	Director	Malaysian
Tan Did Heng Independent Non-Executive Director	No. 27 Jalan Hujan Batu 3 O.U.G 58200 Kuala Lumpur	Chartered Accountant	Malaysian
Tan Sack Sen Independent Non-Executive Director	Lot 453 (60A) Jalan Senyum Matahari Country Heights 43300 Kajang Selangor Darul Ehsan	Lawyer	Malaysian

I. CORPORATE DIRECTORY (Cont'd)

AUDIT COMMITTEE

Name	Designation	Directorship
Tan Did Heng	Chairman	Independent Non-Executive Director
Chan Kee Loin	Member	Independent Non-Executive Director
Tan Sack Sen	Member	Independent Non-Executive Director

NOMINATION COMMITTEE

Name	Designation	Directorship
Chan Kee Loin	Chairman	Independent Non-Executive Director
Tan Sack Sen	Member	Independent Non-Executive Director
Tan Did Heng	Member	Independent Non-Executive Director

REMUNERATION COMMITTEE

Name	Designation	Directorship
Tan Sack Sen	Chairman	Independent Non-Executive Director
Chan Kee Loin	Member	Independent Non-Executive Director
Ooi Bin Keong	Member	Group Managing Director

COMPANY SECRETARY

: Yeoh Chong Keat (MIA 2736)
Suite 11.1A, Level 11
Menara Weld
76 Jalan Raja Chulan
50200 Kuala Lumpur
Tel: (603) 2031 1988
Fax: (603) 2031 9788

Lim Fei Chia (MAICSA 7036158)
Suite 11.1A, Level 11
Menara Weld
76 Jalan Raja Chulan
50200 Kuala Lumpur
Tel: (603) 2031 1988
Fax: (603) 2031 9788

REGISTERED OFFICE

: Suite 11.1A, Level 11
Menara Weld
76 Jalan Raja Chulan
50200 Kuala Lumpur
Tel: (603) 2031 1988
Fax: (603) 2031 9788

HEAD OFFICE

: Wisma Leon Fuat
No. 11, Lorong Keluli 1B
Kawasan Perindustrian Bukit Raja Selatan
Seksyen 7, Shah Alam
40000 Selangor Darul Ehsan
Tel: (603) 3375 3333
Fax: (603) 3344 7777
Website: www.leonfuat.com.my

1. CORPORATE DIRECTORY (Cont'd)

REPORTING ACCOUNTANTS & AUDITORS	: Baker Tilly AC (formerly known as Moore Stephens AC) (AF001826) Baker Tilly MH Tower Level 10, Tower 1, Avenue 5 59200 Kuala Lumpur Tel: (603) 2297 1000 Fax: (603) 2282 9980
SOLICITORS	: Teh & Lee A-3-3 & A-3-4, Northpoint Offices Mid Valley City No.1, Medan Syed Putra Utara 59200 Kuala Lumpur Tel: (603) 2283 2800 Fax: (603) 2283 2500
INDEPENDENT BUSINESS AND MARKET RESEARCH CONSULTANTS	: Vital Factor Consulting Sdn Bhd (266797-T) 75C & 77C Jalan SS22/19 Damansara Jaya Petaling Jaya 47400 Selangor Tel: (603) 7728 0248 Fax: (603) 7728 7248
PRINCIPAL BANKERS	: AmBank (M) Berhad (8515-D) Level 18, Menara Dion Jalan Sultan Ismail 50250 Kuala Lumpur Tel: (603) 2026 3939 Fax: (603) 2026 6855 Hong Leong Bank Berhad (97141-X) Level 5, Wisma Hong Leong 18 Jalan Perak 50450 Kuala Lumpur Tel: (603) 2164 2828 Fax: (603) 2161 4457
ISSUING HOUSE	: Malaysian Issuing House Sdn Bhd (258345-X) Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan Tel: (603) 7841 8000 Fax: (603) 7841 8150
SHARE REGISTRAR	: Symphony Share Registrars Sdn Bhd (378993-D) Level 6, Symphony House Pusat Dagangan Dana 1 Jalan PJU 1A/46 47301 Petaling Jaya Selangor Darul Ehsan Tel: (603) 7841 8000 Fax: (603) 7841 8150

1. CORPORATE DIRECTORY *(Cont'd)*

PRINCIPAL ADVISER, UNDERWRITER AND PLACEMENT AGENT	: Alliance Investment Bank Berhad (21605-D) Level 3, Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel: (603) 2604 3333 Fax: (603) 2694 6200
LISTING SOUGHT	: Main Market of Bursa Securities

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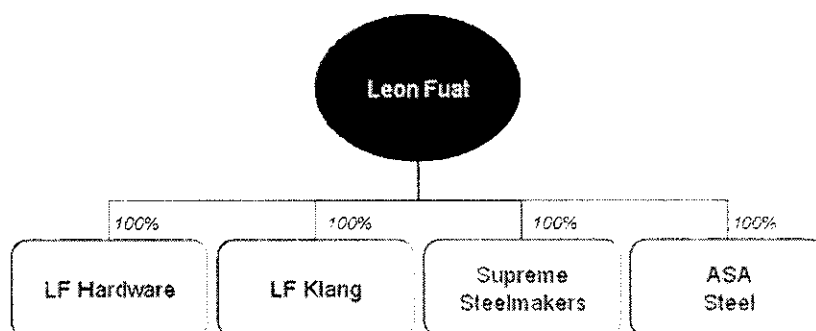
2. INFORMATION SUMMARY

THIS INFORMATION SUMMARY SETS OUT THE SALIENT INFORMATION CONTAINED IN THIS PROSPECTUS. YOU SHOULD READ AND UNDERSTAND THIS INFORMATION SUMMARY TOGETHER WITH THE FULL TEXT OF THIS PROSPECTUS BEFORE YOU DECIDE WHETHER TO INVEST IN OUR SHARES.

2.1 OUR HISTORY AND BUSINESS

Our Company was incorporated under the Act on 14 December 2006 as a public limited company under its current name. We subsequently converted to a private limited company on 15 May 2012, to facilitate the Acquisitions and converted back to a public limited company on 25 June 2012.

Our group structure upon listing is as follows:



Our principal activities are as follows:

Company	Principal Activities
Leon Fuat	Investment holding
LF Hardware	Trading and processing of steel products
LF Klang	Trading and processing of steel products
Supreme Steelmakers	Trading and processing of stainless steel and other steel products
ASA Steel	Trading and processing of alloy steel and other steel products

We are primarily in the business of trading and processing of steel products specialising in rolled long and flat products. Our focus is on carbon steel, of which the majority are mild steel and complemented by stainless steel and alloy steel. We also have in-house facilities to undertake cutting, levelling, shearing, profiling, bending and finishing of products as well as production of expanded metal.

Our Group was co-founded by our Group Managing Director, Ooi Bin Keong together with our Executive Director, Ooi Kong Tiong and the late Ng Chee Tiang, all of whom are siblings and have contributed significantly to the development, growth and success of our Group. Ooi Bin Keong has been instrumental in developing the strategic direction of our Group bringing with him approximately forty (40) years of experience in the steel industry.

The history of our business can be traced back to 1972 with the establishment of Leong Huat Trading & Co., a partnership. Its initial business activity was mainly involved in the trading of steel products.

Subsequently in 1982, LF Hardware was incorporated to take-over the existing business of Leong Huat Trading & Co. to streamline our business operations. LF Hardware's current business activity is mainly in the trading of long steel products focusing on carbon steel. In addition to trading, LF Hardware undertakes minor processing of steel products namely cut-to-length long products. LF Hardware was initially operating in Sungai Besi prior to moving to its current premises bearing the address Lot 401-405, Jalan Tiga, Off Jalan Chan Sow Lin, Kuala Lumpur, in 1997.

2. INFORMATION SUMMARY *(Cont'd)*

In 1983, we incorporated LF Klang to undertake trading and processing of steel products in a rented premise in Sungai Rasa, Klang to initially service customers in Klang before expanding its business to other areas. Initially, LF Klang was mainly involved in the trading and processing of carbon steel only and over the years evolved to include other steel products such as stainless steel and alloy steel in its offerings. LF Klang's current business activity is mainly in the trading and processing of flat steel products. In addition, LF Klang also undertakes trading and processing of long steel products on a smaller scale.

In 1985, LF Holdings was established as an investment holding company to consolidate our promoters' investments including our subsidiary companies, specifically, LF Hardware and LF Klang in 1991, and Supreme Steelmakers and ASA Steel in 1995.

In 1991, LF Klang acquired a freehold land measuring approximately 116,928 sq. ft. bearing the address No. 6, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, Shah Alam, for the construction of our new plant and office premises. The new plant and office premises known as Wisma Leon Fuat was completed in 1996 and in 1997, LF Klang moved into Wisma Leon Fuat. In 1991, LF Hardware acquired a piece of leasehold land measuring approximately 30,591 sq. ft. with an existing factory building bearing the address of No. 6A, Jalan Tiga, Off Jalan Sungai Besi, Kawasan Perusahaan Sungai Besi, Kuala Lumpur. In 1993, LF Hardware started reconstruction of a single storey detached factory on this land. It is currently occupied by Supreme Steelmakers.

As part of our expansion plans, we incorporated Supreme Steelmakers in 1991 to focus on trading of stainless steel products in Sungai Besi, Kuala Lumpur. The company commenced operations in the same year. In 1995, Supreme Steelmakers expanded its business activities to include processing of stainless steel. In 2003, Supreme Steelmakers acquired a leasehold industrial land bearing the address No.8, Jalan Tiga, Off Jalan Sungai Besi, Kawasan Perusahaan Sungai Besi, Kuala Lumpur with a land area of approximately 40,106 sq. ft.

In line with our intention to increase the variety of steel traded, we incorporated ASA Steel in 1995 which commenced operations in the same year in Sungai Besi, Kuala Lumpur. The principal activities of ASA Steel is in trading and processing of alloy steel products and other steel products such as carbon steel. Some of the types of alloy steel and carbon steel products that we carry in ASA Steel include among others, carbon and alloy steel bars and plates. As part of our product portfolio, we also carry high tensile and abrasion resistant quenched and tempered steel plates. Within ASA Steel, we are equipped with processing facilities including bandsaw machines and portable oxy-gas cutting machine.

In 2004, LF Klang obtained ISO 9001:2000 certification for the distribution of steel products and provision of cutting services from BSI Singapore. In the same year, through LF Klang, we acquired another freehold land adjacent to the existing premises bearing the address of No. 11, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, Shah Alam with a land area of approximately 179,736 sq. ft. In 2008, the construction of the new plant including office and factory building on the said land was completed, and in the same year, we expanded our factory operations into this new plant. In 2010, we completed the construction of an additional factory building on the said land, which commenced operations in the same year. Within LF Klang, we are equipped with various machines and equipment to undertake processing including coil levelling machines, shearing machines, oxy-gas cutting machine with optical tracer, CNC oxy-gas cutting machines, CNC plasma cutting machines, CNC oxy-gas and plasma cutting machine, CNC laser cutting machines, portable plasma cutting machine, portable oxy-gas cutting machines, expanded metal machines and bandsaw machines.

In 2007, Supreme Steelmakers expanded its facilities and constructed a single storey factory with a four (4) storey office building on its existing land acquired in 2003. As at LPD, Supreme Steelmakers' operational facilities in Sungai Besi is equipped with various automated cutting machines including among others, CNC laser cutting machines, CNC plasma cutting machine, CNC waterjet cutting machine, high precision CNC press brake machine, shearing machines, surface grinding machine and bandsaw machines. Through our processing facilities at Supreme Steelmakers, we are able to meet the designs and specifications of customers for industrial applications in various industry sectors.

In 2009, LF Klang upgraded its ISO certification from ISO 9001:2000 to ISO 9001:2008 for the distribution of steel materials and provision of cutting services from BSI Singapore.

2. INFORMATION SUMMARY *(Cont'd)*

As part of our product expansion plans, we commenced the production of expanded metal through LF Klang in 2010. Our expanded metal is mainly used in industrial applications in the building and construction and engineering and fabrication sectors. In the same year, Supreme Steelmakers and ASA Steel obtained ISO 9001:2008 certification for the distribution of steel materials and provision of cutting and other value-added services from BSI Singapore.

In 2012, we purchased a piece of freehold industrial land with an existing detached building with annexed office building with land area measuring approximately 130,680 sq. ft bearing the address No.16, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam where we intend to build our new processing plant with warehousing facilities. The land with building is located directly opposite our head office at Wisma Leon Fuat.

On 2 January 2013, we completed the Acquisitions which saw the formation of Leon Fuat Group, by acquiring the entire equity interest in LF Hardware, LF Klang, Supreme Steelmakers and ASA Steel from LF Holdings and streamlining the operations of the said companies under our Company.

Since we started our business in 1972, we have made a concerted effort to position ourselves as a reputable supplier of steel and processed steel products with supporting facilities in Malaysia. For the past four (4) FYE 31 December 2009 to 2012, our Group achieved revenues totalling RM355.42 million, RM474.92 million, RM542.94 million and RM437.20 million and a corresponding PAT of RM17.04 million, RM20.59 million, RM25.16 million and RM24.11 million respectively. For the FYE 31 December 2012, our trading activities and processing activities contributed to 37.21% and 62.68% of our Group's total revenue respectively.

Details of our Group, business and future plans are set out in Section 5 and 6 of this Prospectus.

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2. INFORMATION SUMMARY (Cont'd)**2.2 SUMMARY OF OUR IPO**

Size of our Public Issue : 59,310,000 new Leon Fuat Shares, representing approximately 19.13% of our Company's enlarged issued and paid-up share capital which are reserved for the application by the Public (of which at least 50% of the Public Tranche (as defined in Section 3.1.1(i) of this Prospectus) will be to the extent possible allocated to Bumiputera individuals, companies, societies, co-operatives and institutions), eligible Directors, employees of our Group and persons who have contributed to the success of our Group, and selected investors.

Size of our Offer for Sale : Up to 31,000,000 Leon Fuat Shares, representing approximately up to 10.00% of our Company's enlarged issued and paid-up share capital to be offered for sale by the Offeror to selected investors

IPO Price : RM0.60 per IPO Share

Utilisation of proceeds from the Public Issue : The gross proceeds from the Public Issue amounting to RM35,586,000 is intended to be utilised in the following manner:

Purpose	RM'000	%
Purchase of new industrial land with building	13,000	36.53
Construction of new processing plant with warehousing facilities	6,000	16.86
Purchase of new machines	6,000	16.86
Working capital	7,786	21.88
Estimated listing expenses	2,800	7.87
Total gross proceeds	35,586	100.00

Total enlarged issued and paid-up share capital after Listing : RM155,000,000 comprising 310,000,000 Leon Fuat Shares

Market capitalisation upon Listing : RM186,000,000

Further details of our IPO and utilisation of proceeds from our Public Issue are set out in Sections 3.1 and 3.6 respectively of this Prospectus.

2. INFORMATION SUMMARY (Cont'd)

2.3 FINANCIAL HIGHLIGHTS

2.3.I Pro Forma Consolidated Statements of Comprehensive Income

The table below sets out our pro forma consolidated statements of comprehensive income for the past four (4) FYE 31 December 2009 to FYE 31 December 2012 and provided for illustrative purposes only assuming that our current structure has been in existence throughout the financial years under review.

You should read the summary of our pro forma consolidated financial information which has been presented below together with the management's discussion and analysis of financial conditions and results of operations and the Reporting Accountants' Report on the Compilation of Pro Forma Consolidated Financial Information as set out in Section 11.4 of this Prospectus and the Accountants' Report as set out in Section 13 of this Prospectus.

	< ----- FYE 31 December ----- >			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Revenue	355,424	474,917	542,943	437,203
Direct operating costs	(309,506)	(417,817)	(483,049)	(376,439)
Gross profit	45,918	57,100	59,894	60,764
Other operating income	1,211	1,397	2,728	1,173
Distribution costs	(3,605)	(4,398)	(4,572)	(4,612)
Administrative costs	(13,317)	(15,748)	(15,818)	(16,222)
Other operating costs	(1,061)	(2,417)	(1,350)	(2,179)
	(17,983)	(22,563)	(21,740)	(23,013)
Profit from operations	29,146	35,934	40,882	38,924
Finance costs	(5,123)	(6,651)	(7,053)	(5,500)
PBT	24,023	29,283	33,829	33,424
Tax expense	(6,986)	(8,689)	(8,674)	(9,315)
PAT	17,037	20,594	25,155	24,109
Other comprehensive income:				
Fair value loss on available-				
for-sale financial asset	-	(16)	(16)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	17,037	20,578	25,139	24,109
Number of Shares in issue ('000)*	250,690	250,690	250,690	250,690
Gross EPS (RM)**	0.10	0.12	0.13	0.13
Net EPS (RM)***	0.07	0.08	0.10	0.10
EBITDA (RM'000)	33,151	40,843	46,052	43,738
Gross profit margin (%)	12.92	12.02	11.03	13.90
PBT margin (%)	6.76	6.17	6.23	7.64
PAT margin (%)	4.79	4.34	4.63	5.51
Effective tax rate (%)	29.08	29.67	25.64	27.87

Notes:

* Number of Shares in issue after the Acquisitions but before the Public Issue.

** The gross EPS is computed based on the consolidated PBT divided by the number of Shares in issue after the Acquisitions but before the Public Issue.

*** The net EPS is computed based on the consolidated PAT divided by the number of Shares in issue after the Acquisitions but before the Public Issue.

2. INFORMATION SUMMARY (Cont'd)

2.3.2 Pro Forma Consolidated Statements of Financial Position

Our pro forma consolidated statements of financial position have been prepared for illustrative purpose only, based on our audited statement of financial position as at 31 December 2012 assuming that our Public Issue and utilisation of proceeds had been effected as at that date.

We advise you to read the pro forma consolidated statements of financial position presented below together with the notes included in the Reporting Accountants' Report on the Compilation of Pro Forma Consolidated Financial Information as set out in Section 11.4 of this Prospectus.

	Audited as at 31 December 2012 RM'000	Pro forma I After the Acquisitions RM'000	Pro forma II After Pro forma I, Public Issue and Utilisation of Proceeds RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	-	83,294	95,294
Other investment	-	33	33
	-	83,327	95,327
Current assets			
Inventories	-	95,615	95,615
Trade receivables	-	114,579	114,579
Other receivables, deposits and prepayments	69	8,930	8,930
Fixed deposits with licenced banks	-	4,412	4,412
Cash and bank balances	#	4,052	12,885
	69	227,588	236,421
TOTAL ASSETS	69	310,915	331,748
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	#	125,345	155,000
Share premium	-	-	5,246
Merger deficit	-	(109,545)	(109,545)
Capital reserve	-	1	1
Fair value reserve	-	(27)	(27)
(Accumulated losses) / Retained earnings	(1,347)	130,870	129,802
Total equity	(1,374)	146,644	180,477
Non-current liabilities			
Deferred tax liabilities	-	2,852	2,852
Borrowings	-	12,171	3,222
	-	15,023	6,074

2. INFORMATION SUMMARY (Cont'd)

	Audited as at 31 December 2012 RM'000	Pro forma I After the Acquisitions RM'000	Pro forma II After Pro forma I, Public Issue and Utilisation of Proceeds RM'000
Current liabilities			
Trade payables	-	19,009	19,009
Other payables and accruals	1,443	3,808	3,808
Borrowings	-	122,570	118,519
Tax liabilities	-	3,861	3,861
	1,443	149,248	145,197
Total liabilities	1,443	164,271	151,271
TOTAL EQUITY AND LIABILITIES	69	310,915	331,748
Number of Shares in issue ('000)	*	250,690	310,000
Net (liabilities)/assets (RM'000)	(1,374)	146,644	180,477
Net (liabilities)/assets per share (RM)	(229,000)	0.58	0.58
Interest-bearing borrowings (RM'000)	-	134,741	121,741
Gearing ratio (times)	-	0.92	0.67

Notes:

This represents RM3.00.

* This represents 6 Shares.

2.4 DIVIDEND POLICY

Upon Listing, our Board intends to adopt a stable and sustainable dividend policy to allow our shareholders to participate in the profits of our Group whilst maintaining an optimal capital structure and ensuring sufficient funds for our future growth. In this regard, we envisage a dividend payout ratio of up to 30% of our future net profits to our shareholders in each financial year. Investors should take note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our Company's future dividends, which are subject to our Board's absolute discretion.

Our Board will consider the following factors that they currently intend to apply when recommending dividends for approval by our shareholders or when declaring any interim dividends:

- (i) The level of cash and level of indebtedness;
- (ii) Required and expected interest expense, cash flow, our profits and return on equity and retained earnings;
- (iii) Our expected results of operations and future level of operations; and
- (iv) Our projected levels of capital expenditure and other investment plans.

2. INFORMATION SUMMARY *(Cont'd)*

As our Company is a holding company, our income and therefore, our ability to pay dividends is dependent upon the dividends and other distributions by our subsidiary companies which are subject to the above factors. There can be no assurance as to whether dividend distribution will occur as intended, the amount of dividend payment or timing of such payment. Details of our dividend policy are also set out in Section 12.5 of this Prospectus.

2.5 RISK FACTORS

Before investing in our Shares, you should carefully consider, along with other matters in this Prospectus, the risks and investment considerations as set out in Section 4 of this Prospectus (which may not be exhaustive), and are summarised below:

Risks relating to our business and the industry:

- Fluctuation in price of steel materials;
- Dependency on major suppliers;
- Regulatory changes and permits required by the steel industry;
- Dependency on imports;
- Disruptions to processing facilities and business operations;
- Credit risk;
- Competition;
- Absence of long term contracts;
- Dependency on Executive Directors and key management personnel;
- Borrowings and financing risk;
- Political and economic risks;
- Foreign exchange transaction risk;
- Slowdown in the manufacturing and construction sectors;
- High inventory holding cost;
- Government regulations; and
- Penalties for non compliance of government regulations.

Risks relating to investments in our Shares:

- Delay or abortion of our Listing;
- No prior market for our Shares and possible volatility of our Share price;
- Control by Promoters; and
- Dividend payments.

3. PARTICULARS OF OUR IPO

YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, INVESTORS WHO ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN SHOULD CONSULT YOUR STOCKBROKERS, BANK MANAGERS, SOLICITORS, ACCOUNTANTS OR OTHER PROFESSIONAL ADVISERS IMMEDIATELY BEFORE APPLYING FOR OUR PUBLIC ISSUE SHARES.

3.1 OUR IPO

3.1.1 Public Issue

Our Public Issue is subject to the terms and conditions of this Prospectus, and upon acceptance, will be allocated the aggregate of 59,310,000 new Shares in the manner explained below which is subject to clawback and reallocation:

(i) Public ("Public Tranche")

15,500,000 Public Issue Shares, representing approximately 5.00% of our enlarged issued and paid-up share capital, will be available for application by the Public, of which at least 50% shall be set aside for Bumiputera investors including individuals, companies, societies, co-operatives and institutions.

Any Public Issue Shares reserved under the Public Tranche which are not fully subscribed for by the Public will be made available for subscription by our eligible Directors, employees and persons who have contributed to the success of our Group under the Pink Form Tranche as described in Section 3.1.1 (ii) below. Any remaining Public Issue Shares will subsequently be made available for subscription by our selected investors under the Placement Tranche as described in Section 3.1.1 (iii) below and, if undersubscribed, such Public Issue Shares will be subscribed by our Underwriter based on the terms of the Underwriting Agreement.

(ii) Our eligible Directors, employees and persons who have contributed to the success of our Group ("Pink Form Tranche")

In recognition of their contributions to the success of our Group, we have reserved 10,000,000 Public Issue Shares, representing approximately 3.23% of our enlarged issued and paid-up share capital, for subscription by our eligible Directors, employees and persons who have contributed to the success of our Group.

We will allocate the Public Issue Shares to our eligible Directors, employees and persons who have contributed to the success of our Group in the following manner:

Eligibility	No. of Eligible Persons	No. of Shares Allocated '000
Our eligible Directors ⁽¹⁾	12	2,000
Our eligible employees ⁽²⁾	85	2,547
Eligible persons who have contributed to the success of our Group ⁽³⁾	110	5,453
Total	207	10,000

3. PARTICULARS OF OUR IPO (Cont'd)**Notes:**

- (1) *As approved by our Board, the criteria for allocation to our eligible Directors are based on, amongst others, their position in our Group. The Public Issue Shares under the Pink Form Tranche to be allocated to our eligible Directors are as follows:*

<i>Name</i>	<i>Designation</i>	<i>No. Of Shares Allocated</i>
<i>Dato' Ng Ah Hock @ Ng Soon Por</i>	<i>Independent Non-Executive Chairman</i>	<i>100,000</i>
<i>Ooi Bin Keong</i>	<i>Group Managing Director</i>	<i>200,000</i>
<i>Ooi Seng Khong</i>	<i>Executive Director</i>	<i>200,000</i>
<i>Ooi Kong Tiong</i>	<i>Executive Director</i>	<i>200,000</i>
<i>Ooi Shang How</i>	<i>Executive Director</i>	<i>200,000</i>
<i>Ng Kok Teong</i>	<i>Executive Director</i>	<i>200,000</i>
<i>Ng Lam Keong</i>	<i>Executive Director of LF Hardware</i>	<i>200,000</i>
<i>Ooi Pek Kuan</i>	<i>Executive Director of LF Klang</i>	<i>200,000</i>
<i>Ng Kok Wee</i>	<i>Executive Director of LF Klang</i>	<i>200,000</i>
<i>Chan Kee Loin</i>	<i>Independent Non-Executive Director</i>	<i>100,000</i>
<i>Tan Did Heng</i>	<i>Independent Non-Executive Director</i>	<i>100,000</i>
<i>Tan Sack Sen</i>	<i>Independent Non-Executive Director</i>	<i>100,000</i>
		<i>2,000,000</i>

- (2) *As approved by our Board, the criteria for allocation to our eligible employees are based on our employees' length of services.*
- (3) *The criteria for allocation to eligible persons who have contributed to the success and growth of our Group, were based on importance of business relationship.*

The Public Issue Shares reserved under the Pink Form Tranche will not be underwritten as written irrevocable undertakings to subscribe for these Public Issue Shares have been procured from the respective eligible Directors, employees and persons who have contributed to the success of our Group.

(iii) Selected Investors via Placement ("Placement Tranche")

33,810,000 Public Issue Shares, representing approximately 10.91% of our Company's enlarged issued and paid-up share capital, have been reserved for placement to selected investors.

The Public Issue Shares reserved under the Placement Tranche are not underwritten as written irrevocable undertakings to subscribe for these Public Issue Shares have been procured from the respective selected investors.

The basis of allocation for our Public Issue Shares takes into account the desirability of distributing the Public Issue Shares to a reasonable number of applicants with a view of broadening our shareholders base to meet the public spread requirements as per the Listing Requirements and to establish a liquid and an adequate market for our Shares.

There is no over-allotment or 'greenshoe' option that will result in an increase in the amount of Public Issue Shares.

There is no minimum subscription level in respect of the IPO Shares.

The salient terms of the Underwriting Agreement are set out in Section 3.8 of this Prospectus.

3. PARTICULARS OF OUR IPO (Cont'd)

3.1.2 Offer for Sale

Concurrent with our Public Issue, the Offeror will offer for sale up to 31,000,000 Offer Shares, representing approximately up to 10.00% of our enlarged issued and paid-up share capital to Bumiputera investors approved by the MITI ("MITI Tranche").

The Offer Shares for placement to Bumiputera investors approved by MITI shall be subject to the following reallocation provisions:

- (a) Any of the Offer Shares not subscribed by the Bumiputera investors under the MITI Tranche shall be made available for application by the Bumiputera public who are applicants under the Public Tranche;
- (b) If there are insufficient Bumiputera public applicants under the Public Tranche for reallocation of unsubscribed Offer Shares pursuant to paragraph (a) above, such unsubscribed Offer Shares shall be made available for the application by the Public; and
- (c) Subsequently, any unsubscribed Offer Shares by the Public pursuant to paragraph (b) above will be made available for subscription by our selected investors and/or our eligible directors, employees and person who have contributed to the success of our Group.

Should the Offer Shares be thereafter undersubscribed, the Offeror will retain the unsubscribed Offer Shares.

The Offer Shares will not be underwritten by our Underwriter.

3.1.3 Listing on Bursa Securities

Bursa Securities had on 23 January 2013, approved the admission of our Company to its Official List and the listing of and quotation for our entire enlarged issued and paid-up share capital of RM155,000,000 comprising 310,000,000 Shares on the Main Market of Bursa Securities.

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3. PARTICULARS OF OUR IPO (Cont'd)

3.1.4 Selling Shareholder

The details and shareholding of the Offeror before and after the IPO are as follows:

Offeror/ Address	Relationship with our Group	<----- Before IPO ----->		<----- Offer for Sale of Shares ----->				<----- After IPO ----->	
		Shares held	No. of	Shares held	% held*	Shares held	% held*	Shares held	% held^
LF Holdings/ 152-4-1A, Kompleks Maluri Jalan Jejaka Taman Maluri 55100 Kuala Lumpur	Promoter and substantial shareholder	250,690,000		31,000,000	12.37	219,690,000	10.00	219,690,000	70.87

Notes:

* Based on our issued and paid-up share capital of 250,690,000 Leon Fiat Shares after the Acquisitions.

^ Based on our enlarged issued and paid-up share capital of 310,000,000 Leon Fiat Shares after our IPO.

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3. PARTICULARS OF OUR IPO (Cont'd)

3.2 SHARE CAPITAL

	RM
Authorised share capital	
1,000,000,000 ordinary shares of RM0.50 each	500,000,000
Issued and fully paid-up share capital as at the date of this Prospectus	
250,690,000 ordinary shares of RM0.50 each	125,345,000
To be issued and credited as fully paid-up pursuant to our Public Issue	
59,310,000 new ordinary shares of RM0.50 each	29,655,000
Enlarged issued and paid-up share capital upon Listing	
310,000,000 ordinary shares of RM0.50 each	155,000,000
IPO Price	0.60
Market capitalisation upon Listing	186,000,000

We have only one (1) class of shares in our Company, namely ordinary shares of RM0.50 each. Our Public Issue Shares will upon allotment rank *pari passu* in all respects with one another and all other existing issued and paid-up share capital in our Company, including voting rights and the rights to all dividends and other distributions that may be declared subsequent to the date of allotment of our Public Issue Shares.

Subject to any special rights attached to any shares which we may issue in the future, our shareholders shall, in proportion to the capital paid-up on the shares held by them, be entitled to share in the whole of the profits paid out by us as dividends and other distributions, and in the event of our liquidation, our shareholders shall be entitled to any surplus in proportion to the capital paid-up at the commencement of the liquidation, in accordance with our Articles of Association and the provisions of the Act.

Each shareholder is entitled to vote at our general meetings in person or by proxy or by attorney and on a show of hands, every person present who is a shareholder or authorised representative or proxy or attorney of a shareholder shall have one (1) vote, and on a poll, every shareholder present in person or by proxy or by attorney or other duly authorised representative shall have one (1) vote for each share held. A proxy may but need not be a member of our Company or a qualified legal practitioner or an approved company auditor or a person approved by CCM and the provisions of Section 149(1) of the Act shall not apply to our Company.

3.3 PURPOSES OF OUR IPO AND LISTING

The purposes of our IPO and Listing are:

- (i) to enable us to gain access to the capital market to raise funds for our future expansion and growth when the need arises in the future, through other forms of capital raising avenues;
- (ii) to provide an opportunity for investors (including our eligible Directors, employees and persons who have contributed to the success of our Group) and institutions to participate in the continuing growth of our Group; and
- (iii) to enhance our stature and heighten our public profile as well as increase market awareness of our products and services so as to assist us in expanding our customer base.

3. PARTICULARS OF OUR IPO (Cont'd)

3.4 PRICING OF OUR IPO SHARES

The IPO Price was determined and agreed upon by our Directors, Promoters, Offeror and Alliance as our Principal Adviser, Underwriter and Placement Agent, after taking into account the prevailing market conditions and the following factors:

- (i) A net PE multiple of 7.71 times based on our pro forma net EPS of approximately 7.78 sen, computed based on our pro forma PAT of approximately RM24.11 million for the FYE 31 December 2012 and our enlarged issued and paid-up share capital of 310,000,000 Leon Fuat Shares after our IPO;
- (ii) Our pro forma consolidated NA per share of approximately RM0.58 per Share, computed based on our pro forma NA of approximately RM180.48 million as at 31 December 2012 after the Acquisitions, Public Issue and our utilisation of proceeds and our enlarged issued and paid-up share capital of 310,000,000 Leon Fuat Shares; and
- (iii) Our competitive advantages:
 - A proven track record;
 - Diversity in product range;
 - Economies of scale;
 - In-house steel processing facilities; and
 - Large customer base.

Further details of our competitive advantages are described in Section 6.1 of this Prospectus.

You should note that the market price of our Shares upon and subsequent to our Listing is subject to the vagaries of market forces and other uncertainties, which may affect the price of our Shares being traded. You should bear in mind the risk factors as set out in Section 4 of this Prospectus and form your own views on the valuation of our IPO Shares before deciding on whether to invest in our Shares.

3.5 DILUTION

Dilution is the amount by which the IPO Price to be paid by applicants for our IPO Shares exceeds our NA per Share after the IPO as follows:

	RM
IPO Price	0.60
Pro forma consolidated NA per Share as at 31 December 2012 after the Acquisitions but before our IPO	0.58
Increase in pro forma consolidated NA per Share contributed by new investors	-
Pro forma consolidated NA per Share after the Acquisitions and our IPO (after adjusting the effect of the utilisation of proceeds)	0.58
Dilution in the pro forma consolidated NA per Share to new investors	0.02
Dilution in the pro forma consolidated NA per Share as a percentage of the IPO Price	3.33%

3. PARTICULARS OF OUR IPO (Cont'd)

The following table summarises the total number of Shares acquired by our Directors, Promoters, Offeror, substantial shareholders, key management personnel or persons connected to them during the past four (4) years prior to the date of this Prospectus and the average cost per Share to them and to the new investors who subscribe for our IPO Shares pursuant to the IPO:

Promoters, Directors, Offeror, substantial shareholders, key management personnel or persons connected to them	No. of Shares Before IPO	No. of Shares From IPO [^]	Total Consideration RM	Average Cost Per Share RM
<u>Promoters, Substantial Shareholders and Offeror</u>				
LF Holdings	250,690,000	-	125,345,000	0.50
Ooi Bin Keong	-	200,000	120,000	0.60
Ooi Kong Tiong	-	200,000	120,000	0.60
Ooi Seng Khong	-	200,000	120,000	0.60
Ng Kok Teong	-	200,000	120,000	0.60
Ooi Pek Kuan	-	200,000	120,000	0.60
Ng Lam Keong	-	200,000	120,000	0.60
Ooi Shang How	-	200,000	120,000	0.60
Ng Kok Wee	-	200,000	120,000	0.60
Ong Mung Hsia	-	-	-	-
Ng Bee Fong	-	-	-	-
NCT	-	-	-	-
<u>Directors</u>				
Dato' Ng Ah Hock @ Ng Soon Por	-	100,000	60,000	0.60
Ooi Bin Keong	-	200,000	120,000	0.60
Ooi Seng Khong	-	200,000	120,000	0.60
Ooi Kong Tiong	-	200,000	120,000	0.60
Ooi Shang How	-	200,000	120,000	0.60
Ng Kok Teong	-	200,000	120,000	0.60
Chan Kee Loin	-	100,000	60,000	0.60
Tan Did Heng	-	100,000	60,000	0.60
Tan Sack Sen	-	100,000	60,000	0.60
<u>Key management personnel</u>				
Ooi Pek Kuan	-	200,000	120,000	0.60
Ng Lam Keong	-	200,000	120,000	0.60
Ng Kok Wee	-	200,000	120,000	0.60
Tan Kien Yap	-	200,000	120,000	0.60
Wong Choong Heng	-	200,000	120,000	0.60
<u>New investors</u>				
Public issue	-	59,310,000*	35,586,000	0.60
Offer for sale	-	31,000,000	18,600,000	0.60

Notes:

[^] Assuming full subscription of his/her Pink Form Tranche allocation.

* Prior to netting off the Pink Form Tranche allocation.

3. PARTICULARS OF OUR IPO (Cont'd)

3.6 USE OF PROCEEDS

We will not receive any proceeds from the Offer for Sale. The gross proceeds from the Offer for Sale amounting up to RM18.60 million will accrue entirely to the Offeror.

Based on the IPO Price, gross proceeds of RM35.59 million will be raised from our Public Issue. The proceeds shall accrue entirely to our Company and are intended to be utilised in the following manner:

	Purposes	RM'000	%	Estimated timeframe for use (from the listing date)
(i)	Purchase of new industrial land with building	13,000	36.53	Within 1 year
(ii)	Construction of new processing plant with warehousing facilities	6,000	16.86	Within 3 years
(iii)	Purchase of new machines	6,000	16.86	Within 3 years
(iv)	Working capital	7,786	21.88	Within 1 year
(v)	Estimated listing expenses	2,800	7.87	Upon Listing
	Total gross proceeds	35,586	100.00	

Notes:

(i) *Purchase of new industrial land with building*

Our Group had on 2 July 2012, through a public auction, purchased a piece of freehold industrial land to build our new processing plant with warehousing facilities which is in line with our plans as disclosed in Section 6.18.1 of this Prospectus. The said land, bearing the address No.16, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan, is located directly opposite our head office at Wisma Leon Fuat and has a land area of approximately 130,680 sq. ft. The cost of the acquisition of the land and building and related incidental cost is RM19.00 million and RM0.64 million respectively of which RM2.56 million was funded through internally generated funds whilst the remaining purchase consideration of RM17.08 million was funded through bank borrowings i.e term loan and bank overdraft facility. Upon completion of the Listing, we plan to utilise RM13.00 million of our Public Issue proceeds to partly repay these bank borrowings.

Details of the borrowings that will be repaid are as follows:

Banking facilities	Maturity date	Interest rates	Amount to be repaid from proceeds RM'000
Term Loan	01.11.2022	BLR - 1.75% per annum	10,000
Overdraft facility	Repayable on demand	BLR +1.00% per annum	3,000

We will incur a one-off early repayment penalty of approximately RM300,000 for the repayment of the term loan. Nevertheless, the use of the proceeds in the above manner is expected to have a positive financial impact on our Group by resulting in annual interest savings of approximately RM690,450 based on the respective banking facilities' prevailing interest rate. Based on our Group's pro forma consolidated financial position as at 31 December 2012 after the Listing and after taking into consideration the proposed utilisation of proceeds, the repayment of the said banking facilities will reduce our Group's gearing level from approximately 0.92 times to 0.67 times. Any variation to the actual term loan and overdraft facility repayment will result in an adjustment to the gross proceeds allocated to the working capital of our Group.

3. PARTICULARS OF OUR IPO (Cont'd)

(ii) *Construction of new processing plant with warehousing facilities*

Our Group intends to build a new processing plant with warehousing facilities and a floor space of about 40,000 sq. ft. to 60,000 sq. ft. which would be fully utilised to house our machines and steel materials for trading and processing purposes. Construction is estimated to be completed by 2016. For this purpose, our Group has earmarked approximately RM6.00 million of the proceeds from our Public Issue. For further details of our future plans, please refer to Section 6.18.1 of this Prospectus.

(iii) *Purchase of new machines*

Our Group has earmarked approximately RM6.00 million of the proceeds from our Public Issue for the purchase of 2 new slitting machines which we do not currently have in order for us to expand our facilities to incorporate slitting of steel products, which will complement our existing range of value added services in our processing operations. With the addition of the slitting machines, our Group expects our sales to increase, thus contributing positively to our Group's future earnings. For further details of our future plans, please refer to Section 6.18.1 of this Prospectus.

(iv) *Working capital*

Our requirement for working capital will increase in tandem with our future plans. Therefore, we expect to utilise approximately RM7.79 million of the proceeds raised as additional working capital to finance our day-to-day operations, including inter-alia, purchase of inventories, expansion of workforce and defrayment of operational expenses. This will further enhance our cash flow position and enable us to conduct our operations and expansion smoothly without being overly dependent on external funding.

(v) *Estimated listing expenses*

The estimated listing expenses for the Listing to be borne by us are as follows:

	RM'000
<i>Professional advisory fees</i>	1,515
<i>Fees to the authorities and Issuing House</i>	283
<i>Underwriting commission, placement fee and brokerage fees</i>	685
<i>Printing and advertising cost</i>	163
<i>Other incidental charges</i>	154
Total	2,800

Note:

Any variation to the actual listing expenses will result in an adjustment to the working capital of our Group. The Offeror shall bear all expenses such as brokerage, stamp duty, registration and share transfer fees relating to the Offer Shares.

Pending the utilisation of the proceeds from our Public Issue as mentioned above, the proceeds will be placed in short-term deposits with licensed financial institutions or short-term money market instruments. The anticipated proceeds for each of the abovementioned categories are expected to be sufficient to fund its intended purposes. In the event that the actual cost or expenses are higher than intended for the abovementioned categories, the difference will be financed through internally generated funds and/or bank borrowings.

3.7 BROKERAGE, UNDERWRITING COMMISSION AND PLACEMENT FEE

Brokerage

Brokerage relating to our 15,500,000 Public Issue Shares made available for application by the Public is payable by us at the rate of 1.0% of the IPO Price, in respect of successful applications bearing the stamp of Alliance, a participating organisation of Bursa Securities, a member of the Association of Banks in Malaysia, a member of the Malaysian Investment Banking Association or the Issuing House.

3. PARTICULARS OF OUR IPO (Cont'd)

Underwriting commission

Alliance, as our Underwriter, has agreed to underwrite up to 15,500,000 Public Issue Shares under the Public Tranche, which is reserved for application by the Public as set out in Section 3.1.1(i) of this Prospectus. Underwriting commission is payable by us to our Underwriter at the rate 2.50% of the total value of the underwritten Shares based on the IPO Price.

Placement fee

Alliance has arranged for the placement of up to 64,810,000 IPO Shares under the Placement Tranche and MITI Tranche at a rate of between 0.5% and 2.50% of the value of the IPO Shares based on the IPO Price. Our Company will pay the placement fee to be incurred on the sale of the IPO Shares under the Placement Tranche whilst the Offeror will pay the placement fee to be incurred on the sale of the IPO Shares under the MITI Tranche.

3.8 SALIENT TERMS OF THE UNDERWRITING AGREEMENT

We have entered into an underwriting agreement with Alliance on 26 April 2013 to underwrite up to 15,500,000 Public Issue Shares as set out in Section 3.1.1(i) of this Prospectus subject to the clawback and reallocation provisions as set out therein. The following salient terms are reproduced from the Underwriting Agreement. The terms and numbering references used in this section shall have the respective meanings and numbering references as ascribed thereto in the Underwriting Agreement.

The following provisions enumerate circumstances where the Underwriter may withdraw from underwriting the Shares or terminate the Underwriting Agreement by notice:-

- Pursuant to Clause 2.3 of the Underwriting Agreement, the Underwriter may terminate the Underwriting Agreement should any of the following conditions, as set out in Clause 2.2 of the Underwriting Agreement, is not satisfied by the closing date for application for our IPO:-
 - (i) there having been on or prior to the closing date for application for our IPO, in the opinion of the Underwriter (whose opinion is final and binding), neither any material adverse change nor any development reasonably likely to result in any material adverse change, in the condition (financial, business, operations or otherwise) of our Group, which is material in the context of our IPO from that set forth in this Prospectus, nor the occurrence of any event or the discovery of any fact which is inaccurate, untrue or incorrect to any extent which is or will be material in the opinion of the Underwriter, which makes any of our representations and warranties as contained in the Underwriting Agreement untrue and incorrect in any respect as though they had been given and made on such date with reference to the facts and circumstances then subsisting, nor the occurrence of any breach of the undertakings as contained in Clause 3 of the Underwriting Agreement;
 - (ii) the delivery to the Underwriter:
 - (a) prior to the date of the registration of this Prospectus, a copy certified as a true copy by an authorised officer of our Company of all the resolutions of the Directors and the shareholders in general meeting approving the Underwriting Agreement, this Prospectus, our IPO and authorising the execution of the Underwriting Agreement and the issuance of this Prospectus; and
 - (b) a certificate, in the form or substantially in the form contained in the Second Schedule of the Underwriting Agreement, dated the date of this Prospectus signed by a duly authorised officer of our Company stating that, to the best of his knowledge and belief, having made all reasonable enquiries, there has been no such change, development or occurrence as is referred to in (i) above).

3. PARTICULARS OF OUR IPO (*Cont'd*)

- (iii) the delivery to the Underwriter on the closing date for application for our IPO of such reports and confirmations dated on the closing date for application for our IPO from our Directors as the Underwriter may reasonably require to ascertain that there is no material change subsequent to the date of the Underwriting Agreement that will adversely affect the performance or financial position of our Group;
 - (iv) our IPO not being prohibited or impeded by any statute, order, rule, regulation, directive or guideline (whether or not having the force of law) promulgated or issued by any legislative, executive or regulatory body or authority in Malaysia, including but not limited to Bursa Securities and the SC;
 - (v) the Underwriter having been satisfied that we have complied with and that our IPO is in compliance with the CMSA, policies, guidelines and requirements of the relevant authorities (including Bursa Securities and/or the SC) and all revisions, amendments and/or supplements thereto;
 - (vi) the acceptance for registration by the SC of this Prospectus and such other documents as may be required in accordance with the CMSA in relation to our IPO and the lodgement of this Prospectus with the ROC on or before their release under our IPO or in accordance with the CMSA together with copies of all documents required under the CMSA;
 - (vii) the Underwriting Agreement having been duly executed by the parties and stamped;
 - (viii) this Prospectus being in form and substance satisfactory to the Underwriter and the issue of this Prospectus being not later than one (1) month from the date of the Underwriting Agreement or such later date as the Underwriter may from time to time agree in writing; and
 - (ix) the approval of Bursa Securities for our admission to the Official List and the listing of and quotation for our entire enlarged issued and paid-up share capital being obtained on terms acceptable to the Underwriter and remaining in full force and effect and that all conditions precedent to the approval have been complied with to the satisfaction of the Underwriter and such approval has not been withdrawn.
- Pursuant to Clause 8.1 of the Underwriting Agreement, the Underwriter may by notice in writing to our Company given at any time before the closing date for application for our IPO, terminate, cancel or withdraw its commitment to underwrite the Underwritten Shares if:-
 - (i) there is any breach by our Company of any of the representations, warranties or undertakings contained in Clause 3 of the Underwriting Agreement, which is not capable of remedy or, if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to our Company to the satisfaction of the Underwriter, or by the closing date for application for our IPO, whichever is earlier; or
 - (ii) there is withholding of information which is required to be disclosed to the Underwriter pursuant to the Underwriting Agreement, and if capable of remedy, is not remedied within such number of days as stipulated within the notice after notice of such breach shall be given to our Company, which, in the opinion of the Underwriter, would have or can reasonably be expected to have, a material adverse effect on the business or operations of our Group, the success of our IPO, or the distribution or sale of the Public Issue Shares; or
 - (iii) there shall have occurred, happened or come into effect any of the following circumstances:
 - (a) any material change, or any development involving a prospective change, in national or international monetary, financial, economic or political conditions or the occurrence of any combination of any of the foregoing;

3. PARTICULARS OF OUR IPO (Cont'd)

- (b) any new law, regulation, directive, policy or ruling or any material change in law, regulation, directive, policy or ruling in any jurisdiction or any change in the interpretation or application thereof by any court or other competent authority which would prohibit or impede the obligations of the Underwriter or any event or series of events beyond the reasonable control of the Underwriter;
- (c) any material and adverse change to the business or financial condition of our Company or Group;
- (d) approval for our IPO is withdrawn, modified and/or subject to terms and conditions not acceptable to the Underwriter;

which would have or can reasonably be expected to have, a material adverse effect on the success of our IPO, or the distribution or sale of the Public Issue Shares, or which has or is likely to have the effect of making any material part of the Underwriting Agreement incapable of performance in accordance with its terms; or

- (iv) there is failure on the part of our Company to perform any of its obligations contained in the Underwriting Agreement; or
 - (v) if the closing date for application for our IPO is more than two (2) calendar months from the date of the Underwriting Agreement or any later date as our Company and the Underwriter may mutually agree upon, the Underwriting Agreement will automatically lapse without the requirement for any notice in writing to be given to such effect and the Underwriter will be released and discharged from its obligations.
- Pursuant to Clause 8.2 of the Underwriting Agreement, subject to prior consultation with our Company, the Underwriter may by notice in writing to our Company given at any time before the closing date for application for our IPO, terminate, cancel or withdraw its commitment to underwrite the Underwritten Shares if any of the following occurs:-
 - (i) there is a material change in any law, regulation, directive, policy or ruling in any jurisdiction which seriously affects or will seriously affect the business or financial condition of our Group;
 - (ii) any material adverse change in national or international monetary, financial and capital markets (including stock market conditions and interest rates), economic conditions or exchange control or currency exchange rates which in the reasonable opinion of the Underwriter is likely to have a material adverse effect (whether in the primary market or in respect of dealings in the secondary market). For the avoidance of doubt, if the FBM KLCI is, at the close of normal trading on Bursa Securities, on any Market Day:
 - (a) on or after the date of the Underwriting Agreement; and
 - (b) prior to the date of our Listing,

lower than 85%, of the level of index at the last close of normal trading on the relevant exchange on the Market Day immediately prior to the date of the Underwriting Agreement and remains at or below that level for at least three (3) consecutive Market Days, it shall be deemed a material adverse change in the stock market condition; or
 - (iii) the imposition of any moratorium, suspension or material restriction on trading in all securities generally on Bursa Securities for three (3) or more consecutive Market Days.

3. PARTICULARS OF OUR IPO (Cont'd)

- Pursuant to Clause 8.3 of the Underwriting Agreement, upon such notice(s) being given under clause 8 of the Underwriting Agreement, the Underwriter shall be released and discharged of its obligations under the Underwriting Agreement without prejudice to its rights whereby the Underwriting Agreement shall be of no further force or effect and no party shall be under any liability to any other in respect of the Underwriting Agreement, except that our Company shall remain liable in respect of its obligations and liabilities under clause 3 of the Underwriting Agreement, any antecedent breaches and under clause 12 of the Underwriting Agreement for the payment of the costs and expenses already incurred up to the date of termination or in connection with such termination and for the payment of any taxes, duties or levies within seven (7) days from the date of the same being due.
- Clause 9.1 of the Underwriting Agreement states that, it will be an event of force majeure if the Underwriter is unable to perform its obligations stipulated in the Underwriting Agreement resulting from any event or series of events beyond the reasonable control of the Underwriter, including without limitation any of the following: (i) acts of God, (ii) national disorder, (iii) armed conflict or serious threat of the same, (iv) hostilities, (v) embargo, (vi) detention, (vii) revolution, (viii) riot, (ix) looting or other labour disputes, (x) any unavailability of transportation or severe economic dislocation, (xi) earthquake, (xii) typhoon, (xiii) outbreak of war, (xiv) outbreak of disease, (xv) acts of terrorism or (xvi) the declaration of a state of national emergency.
- Pursuant to clause 9.2 of the Underwriting Agreement, in the event of a force majeure pursuant to clause 9.1 of the Underwriting Agreement, the Underwriter may, subject to prior consultation with our the Company, at any time prior to or on the closing date for application for our IPO:-
 - (a) terminate the Underwriting Agreement by giving notice to us in the manner as set out in Clause 13 of the Underwriting Agreement; or
 - (b) request for the closing date for application of our IPO to be extended to such reasonable date as the Underwriter may decide.
- Pursuant to clause 9.3 of the Underwriting Agreement, upon delivery of the notice of termination, the Underwriting Agreement will terminate whereupon each party's rights and obligations will cease and none of the parties will have any claim against each other, except that our Company will remain liable in respect of its obligations under clauses 3 (representations, warranties and undertakings of our Company) and 12 (costs and expenses) of the Underwriting Agreement.

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4. RISK FACTORS

NOTWITHSTANDING THE PROSPECTS OF OUR GROUP AS OUTLINED IN THIS PROSPECTUS, YOU SHOULD CAREFULLY CONSIDER THE FOLLOWING RISK FACTORS (WHICH MAY NOT BE EXHAUSTIVE) THAT MAY HAVE A SIGNIFICANT IMPACT ON OUR FUTURE PERFORMANCE, IN ADDITION TO OTHER INFORMATION CONTAINED ELSEWHERE IN THIS PROSPECTUS BEFORE INVESTING IN OUR SHARES.

If you are in any doubt as to the information contained in this section, you should consult your stockbroker, bank manager, solicitors, accountants or other professional adviser.

4.1 RISKS RELATING TO OUR BUSINESS AND INDUSTRY

4.1.1 Fluctuation in Price of Steel Materials

One of the key issues encountered in the steel industry is the fluctuations in the prices of steel materials. Fluctuations in the prices of steel materials are often driven by factors such as global economic conditions, level of industrial development, production volume of steel mills and the industry's supply and demand. Such fluctuations may, to a certain extent, impact our direct operating costs and profit.

We consistently monitor the prices of steel materials and our inventory levels to minimise any adverse impact on our profitability. We also quote our selling prices based on current market prices, hence we are able to pass on some of the increase in steel prices to our customers.

We had experienced fluctuations in price of steel materials in the past. In some instances it had affected our revenues, for example when prices were low and sales volume remained approximately the same. In FYE 31 December 2009, our revenue from steel products declined by RM74.05 million despite an increase in tonnage sales by approximately 15,000 tonnes. This was due to a decrease in our selling prices in FYE 31 December 2009, which decreased from approximately RM4,225 per tonne in FYE 31 December 2008 to RM3,047 per tonne in FYE 31 December 2009. To a certain extent, it had affected our profitability, for example when we held inventory purchased at a certain price but subsequently market prices of steel fell. In FYE 31 December 2009, gross profit margin from our processing of steel products recorded a decline of 1.17 percentage points as a result of decrease in steel prices. Nevertheless, under such circumstances we had been able to minimise the negative impact on our business through careful monitoring of prices and planning our inventory. However, there is no assurance that our operating results will not be affected by any major fluctuations in steel prices as steel materials constitute the bulk of our direct operating costs.

4.1.2 Dependency on Major Suppliers

We are dependent on our major suppliers, as disclosed in Section 6.13 of the Prospectus, which collectively contributed 48.97%, 59.05%, 61.78% and 41.46% of our total purchases for the FYE 31 December 2009 to 2012. For the FYE 31 December 2012, we have two (2) suppliers which contributed above 10% of our purchases, namely Megasteel Sdn Bhd and Bright Steel Sdn Bhd. Notwithstanding that Megasteel Sdn Bhd and Bright Steel Sdn Bhd are our two (2) single largest suppliers, we have managed to maintain a stable business relationship with Megasteel Sdn Bhd and Bright Steel Sdn Bhd for whom we have been dealing with for approximately fourteen (14) and sixteen (16) years respectively.

To further mitigate this risk, we also source from several other suppliers for our steel materials including Ann Joo Metal Sdn Bhd, Hiap Teck Hardware Sdn Bhd, CMC S.E. Asia Pte Ltd, Hyosung Corporation, Aperam Stainless Europe, S.A., Sumikin Bussan Corporation, Shijiazhuang Iron & Steel Co., Ltd and Stemcor (S.E.A.) Pte Ltd for the FYE 31 December 2012.

4. RISK FACTORS *(Cont'd)*

Although we do not foresee any difficulty in the procurement of steel materials and have not previously experienced any material disruption in the supply of these materials nor are we overly dependent on a single/particular group of suppliers, no assurance can be given that we can continue to source sufficient quantities of steel materials at competitive prices from our current sources.

4.1.3 Regulatory Changes and Permits required by the Steel Industry

Regulatory changes to the overall steel industry such as the possible imposition of the following trade restrictions may have an impact on the rolled steel industry:

- Steel products that are currently exempted from import and export duties may have duties imposed on them. Some of the steel products that are currently exempted from import and export duties include the following:
 - Flat steel products used as raw materials for the production of finished goods for the export market;
 - Flat steel products for which grades and specifications are not produced locally;
 - Flat steel products used as raw materials for non-dutiable finished goods;
 - All rolled steel products are exempted from export duty requirements.
- Steel products that are currently subjected to duties, may have additional duties imposed.

The imposition of such restrictions on rolled steel products will have a negative impact on operators within the industry. This is because local operators may have to import affected steel products at higher prices.

The Malaysian government had announced in January 2013 the removal of import duty exemptions on 18 grades of hot-rolled steel coils except for those used as raw materials in the production of finished goods for the export market and non-dutiable finished goods starting from 1 February 2013. Operators, particularly manufacturers that have previously enjoyed the import duty exemption for the 18 respective grades of hot-rolled steel coils would be affected by the removal of these import duty exemptions. However, this policy is less likely to impact on operators who are in the trading of rolled steel products as they were not entitled to previous import duty exemptions on these 18 grades of steel.

(Source: IMR Report)

Our Group is not affected by the removal of the import duty exemption for the 18 grades of hot-rolled steel coils as we are involved in trading of rolled steel products.

We currently operate under the jurisdiction of MITI, which seeks to regulate amongst others the importation of steel materials. As at LPD, MITI has granted us the required permits for the import of our steel materials. Although we do not foresee any major difficulties in obtaining the permits for the import of our steel materials, there can be no assurance that MITI will continue to grant us the necessary permits for the import of our steel materials requirements in future.

Further thereto, we are subject to import duties for purchases overseas. As import duties are subjected to regulatory changes, there is a risk that changes in import duties may affect Leon Fuat's operations. For example, steel products that are currently subjected to import duties, may have additional import duties imposed while steel products that are currently exempted from import duties may also have duties imposed on them.

For the FYE 31 December 2009 to 2012, import duties on our business operations were minimal, which amounted to 0.65%, 0.94%, 0.64% and 0.19% of our total purchases respectively.

4. RISK FACTORS (Cont'd)

In addition, supply of various steel products that are subjected to import duties may also be sourced from local suppliers. Furthermore, any changes in import duties would equally affect all operators within the affected segments of the iron and steel industry.

Although the impact of changes in import duties on our business operations was minimal, there is no assurance that changes in import duties will not affect our future business performance.

Hence, we have not previously experienced any regulatory changes that materially affect our business. However, there is no assurance that regulatory changes to the steel industry will not affect our future business performance.

4.1.4 Dependency on Imports

The main materials required for our trading and processing of steel product operations are rolled steel products. Rolled steel product refers to primary steel products that have undergone hot-rolling and/or cold-rolling processes. Examples of rolled steel products include hot-rolled and cold-rolled flat and long products such as coils, plates, sheets/strips, bars, rounds, sections and wire rods. For the FYE 31 December 2012, our import of materials accounted for 36.85% of our total purchases. In addition, for FYE 31 December 2012, we also purchase from local stockists such as Hiap Teck Hardware Sdn Bhd and Ann Joo Metal Sdn Bhd whose supplies include imports.

In Malaysia, Megasteel Sdn Bhd is the country's sole producer of hot-rolled steel coils. Hot-rolled steel coil refers to a coil of steel that has passed through a pair of rollers to reduce its thickness at high temperatures above its re-crystallisation temperature. Megasteel Sdn Bhd does not produce an exhaustive range of hot-rolled coils. Hence, local operators are reliant on imports of hot-rolled coils for grades and specifications that are not produced locally.

In addition, Megasteel Sdn Bhd may not be able to meet all the demands for hot-rolled coils and subsequent downstream products derived from hot-rolled coils like cold-rolled coils, plates and sheets. This is substantiated by the fact that in 2012, approximately three (3) million tonnes of flat-rolled steel products, which include hot and cold-rolled coils, plates and sheets, were imported. In 2012, Japan was the largest source of imports of flat-rolled steel products based on quantity, representing approximately 26% of Malaysia's total imports of flat-rolled steel products. This was followed by Taiwan, South Korea and China, which accounted for approximately 22%, 19% and 17% respectively. Thus, local operators are reliant on imports to supplement local production which amounted to approximately two (2) million tonnes in Malaysia in 2012.

As for rolled long steel products, there are a number of producers in Malaysia such as Amsteel Mills Sdn Bhd and Antara Steel Mills Sdn Bhd (both are part of Lion Industries Corporation Berhad), Kinsteel Bhd and Malaysia Steel Works (KL) Bhd. Hence, local operators are not over-reliant on imports of rolled long steel products.

This is substantiated by the fact that local production of long steel products, which include bars and rods, amounted to 2.7 million tonnes while imports amounted to 1.4 million tonnes in 2012.

(Source: IMR Report)

We have been dealing with Megasteel Sdn Bhd since 1999. Despite our dependency on imported materials, steel materials are commodity items and can be easily sourced from various local and overseas suppliers and manufacturers.

Although we have not previously experienced any disruption in supply of imported products, there is no assurance that our dependency on imports will not affect our future business performance.

4. RISK FACTORS (Cont'd)

4.1.5 Disruptions to Processing Facilities and Business Operations

Our processing activities are dependent on the continued operation of our processing facilities. Any disruption to our processing facilities, such as breakdowns, failures, sub-standard performance of our machineries, fire or power failure, will have an adverse impact on our business operations. To mitigate this risk, we carry out regular maintenance of our machineries, such as lubrication of machines as well as timely replacement of components which are subject to daily wear and tear.

As at LPD, we have not encountered any major disruptions to our processing facilities. However, there can be no assurance that any breakdown in our machineries in the future would not severely disrupt our operations.

We are also aware of the consequences arising from inadequate insurance coverage for any accident and outbreak that could disrupt our business and seek to limit this risk through annual reviews of our insurance policies. Hence, we ensure the continuity of our insurance by renewing all the insurances annually. As at LPD, the total amount insured (comprising of various fire, vehicle, all risk and material and data damage insurances for our assets) is RM72.96 million representing approximately 130.45% of the NBV as at 31 December 2012 of the assets (net of NBV for land amounting to approximately RM27.36 million).

Whilst we have taken the necessary steps to ensure that our assets are adequately covered by insurance and although we have not previously experienced any disruptions to processing facilities and business operations, there can be no assurance that any occurrence of such disruptions will not affect our future business performance.

4.1.6 Credit risk

We generally grant our customers credit periods of between 30 days to 120 days. We are exposed to credit risks arising from trade receivables which may arise from events and circumstances beyond our control or events which are difficult to anticipate or detect, such as economic downturn or deterioration. In the event of significant delay or default in payment by our customers or where our customers face significant financial difficulties, we will have to provide for impairment loss on trade receivables or write off trade receivables as bad debts, which may adversely affect our financial performance.

We made additional provision for doubtful debts of RM1.39 million and RM0.85 million for FYE 31 December 2010 and 2011 respectively and wrote off bad debts amounting to RM0.32 million, RM0.01 million, RM0.67 million and RM0.02 million for FYE 31 December 2009 to 2012 respectively. The amount written-off represented 0.09%, 0.002%, 0.01% and 0.005% of the total revenue for FYE 31 December 2009 to 2012. As at FYE 31 December 2009 to 2012, our provision balance is nil, RM1.39 million, RM1.82 million and RM1.72 million, respectively.

Whilst there have been instances of writing off of bad debts, it had not had any material adverse effect on our financial performance. However, there is no assurance that we will not encounter significant impairment loss or bad debts in the future.

4.1.7 Competition

We face competition from existing competitors and potential new market entrants in the steel industry. To mitigate this risk, we leverage on our competitive strengths such as our broad range of facilities and products, our ability to provide reliable and consistent supplies of quality steel products and our experienced Board and key management personnel as set out in Sections 8.2.1 and 8.4.1 of this Prospectus.

4. RISK FACTORS (Cont'd)

In line with our strategy to broaden our range of facilities and products, we are also expanding our processing activities as detailed in Section 6.18.1, which have certain barriers to entry such as capital investment requirements and technical expertise.

Whilst we face industry competition, we continually maintain and adopt appropriate strategies to remain competitive. However, there can be no assurance that a change in the competitive environment would not have a material adverse impact on our business and financial performance.

4.1.8 Absence of Long Term Contracts

We do not have any long-term contracts with our customers as the majority of our sales are based on purchase orders, which is a common practice in the industry. However, we have an established customer base and good business relationships with our customers, whereby six (6) of our top ten (10) customers have been dealing with us for at least seventeen (17) years.

Although we have not previously experienced any material effect from the absence of long term contracts, there can be no assurance that such relationships will continue or that our customers will continue placing orders for our products.

4.1.9 Dependency on Executive Directors and Key Management Personnel

We believe that human capital is one of our key success factors. Over the years, we have built a strong management and operations team that has vast experience in the steel industry and knowledge of our business as well as understanding of our customers' needs and requirements. As such, any loss of our key personnel, without a suitable and timely replacement, may have a material adverse impact on our business and our continuing ability to compete effectively. The profiles of our Board and key management personnel are set out in Sections 8.2.1 and 8.4.1 of this Prospectus.

As part of our strategy to retain our employees, we offer competitive remuneration packages for their contribution towards our success. In addition, we provide a healthy working environment, practise good workplace culture and uphold work ethics to create a sense of belonging and foster good working relationships amongst our employees. We also have in place a management succession plan and provide training and career development opportunities for our employees.

Further, in conjunction with our Listing, we have allocated a portion of our Public Issue Shares to our eligible employees, including our key management personnel. Should these employees subscribe for our Shares, they will become shareholders of our Company and may therefore be further motivated to contribute to our success.

Whilst we depend on the Executive Directors and key management personnel, we are not overly dependent on a single Director and/or key management personnel. Nonetheless, there can be no assurance that the above measures will be successful in attracting and retaining our key management personnel or ensuring a smooth transition should changes occur.

4.1.10 Borrowings and Financing Risk

Our proforma total outstanding borrowings as at 31 December 2012 amounted to approximately RM134.74 million, comprising mainly trade facilities for purchases of materials, hire purchase, term loans and overdrafts. This translates to a gearing level of approximately 0.92 times, based on our proforma shareholders' funds before our Public Issue of RM146.64 million. Assuming our Public Issue and utilisation of proceeds had been completed on 31 December 2012, our proforma gearing would be reduced to 0.67 times.

4. RISK FACTORS (Cont'd)

In view that interest charged on the bank borrowings is dependent on prevailing interest rates, future fluctuations of interest rates could have a material effect on our profitability. In addition, the agreements for loan facilities may contain covenants which may limit our future operating and financing flexibility and a breach of such covenants may result in the termination and/or enforcement of securities granted for the relevant credit facility.

We are aware of such risks and hence, shall take all necessary precautions to prevent the breach of our financial obligations, whilst adhering to strict financial management and cash flow practices. In addition, our Group has continuously maintained a cordial relationship with our principal bankers.

Although we have not previously experienced any material adverse effect arising from interest rate increases on our financial performance, the impact of an increase in interest rate charged by financial institutions (i.e BLR) in FYE 31 December 2010 and 2011 has resulted in an estimated increase in our interest expenses by approximately RM0.44 million and RM0.16 million respectively. Nonetheless, there can be no assurance that our performance would remain favourable in the event of any adverse change in interest rates.

4.1.11 Political and Economic Risks

Any adverse developments in the political and economic conditions, globally or locally, could materially and adversely affect our financial performance. These include risks of war, natural disasters, global economic downturn, and unfavourable changes in government policies and regulations such as exchange rate and taxation controls. Although we have not previously experienced any adverse effect arising from the global and local political and economic changes in the past four (4) FYE 31 December 2009 to 2012 and whilst we continue to adopt effective measures such as prudent financial management or efficient operating procedures, there can be no assurance that any adverse political and economic conditions would not materially affect our performance.

4.1.12 Foreign Exchange Transaction Risk

We source flat and long stainless steel, alloy steel and carbon steel from Europe, Japan, China and Korea among others. Therefore fluctuations in foreign exchange rates will have an impact on cost of materials. An unfavourable foreign exchange movement against RM may have an impact on our profitability.

For FYE 31 December 2012, our purchases that are denominated in foreign currencies accounted for 37.87% of our total purchases of which 37.68%, 0.13%, 0.05% and 0.01% were transacted in USD, EUR, RMB and SGD respectively.

However, we have in place certain hedging facilities with our bankers such as forward contracts and foreign currency accounts which can be utilised should the need arises. Notwithstanding the above and although we have not previously experienced any material adverse effect arising from foreign exchange fluctuations on our financial performance in the past four (4) FYE 31 December 2009 to 2012, there is no assurance that any foreign currency exchange fluctuations in the future will not adversely affect our financial performance.

4.1.13 Slowdown in the Manufacturing and Construction Sectors

The manufacturing sector is a key user industry of flat steel products, while the construction sector is a key user industry of long steel products. Hence, any downturn in these sectors will have a negative impact on the overall rolled steel industry.

Companies that supply both flat and long steel products would be in a better position to mitigate the slowdown in any one of these sectors compared to companies that primarily provide either flat or long steel products.

4. RISK FACTORS (Cont'd)

In addition, both the manufacturing and construction sectors are very large. In 2012, GDP of the manufacturing sector amounted to RM227.5 billion while GDP of the construction sector amounted to RM34.9 billion. As such, the large size of each sector would provide some cushioning effect to operators during a slowdown.

(Source: IMR Report)

We carry a range of products of various steel materials, including carbon, stainless and alloy steel. Our steel products consist of flat products such as coils, plates, sheets, welded tubes and pipes, sections (such as welded rectangular and square sections), and long products such as bars (such as round, square, flat and hexagon bars), rods, shafts, sections (such as rolled I-beams), angles and channels (such as rolled angle bars, and lip channels) and seamless tubes and pipes. Although our revenue for the past four (4) FYE 31 December 2009 to 2012 was largely contributed by flat products, we also have a long history of trading and processing of long products.

Moreover, the diversity of our steel products enable us to meet the needs of a large customer base for a wide range of industry applications. For the FYE 31 December 2012, we had a base of approximately 3,700 active customers including manufacturers of metal products and components, fabricators of machinery, equipment and metal structures, companies in building, construction and infrastructure industries as well as hardware wholesalers and retailers.

Our diversity in product range and large customer base would serve as mitigating factors against slowdown in the manufacturing and/or construction sector.

Although we have not previously experienced any material adverse effect from the slowdown in the manufacturing and construction sectors for the past four (4) FYE 31 December 2009 to 2012, there is no assurance that a slowdown in these sectors will not affect our future business performance.

4.1.14 High Inventory Holding Cost

We usually experience high inventory holding cost due to our position as an intermediary between the steel millers and industrial end-users. Delivery of supplies from local and foreign suppliers range from one (1) week and up to six (6) months respectively, while our customers usually expects delivery of our products under short notice. Hence, we keep sufficient level of inventory to provide timely delivery to our customers.

Our inventory turnover for FYE 31 December 2012 is 96 days. The cost of inventory holdings in our warehouse may affect our financing cost. As most of our purchases are financed by trade financing facilities, in the event of slow demand for our products due to uncertain future direction of steel prices, our inventory holding level may increase and inventory holding period may lengthen, thus increasing its interest charges which may affect our financial performance. Moreover, in the event there is a drop in steel prices, we may experience an exceptional write down in the carrying amount of our inventories to the net realisable values which may affect our financial performance.

Although we experience high inventory holding cost, our steel products do not have a definite shelf life and do not become obsolete and hence we have not previously experienced any material adverse effect arising from high inventory holding cost on our financial performance in the past four (4) FYE 31 December 2009 to 2012.

4.1.15 Government Regulations

Our activities and premises are governed by the conditions set forth in our manufacturing licenses, permits, registrations, certifications and conditions imposed by the relevant authorities.

We have rented a property bearing the address Lot 401-405, Jalan Tiga, Off Jalan Chan Sow Lin, 55200 Kuala Lumpur ("Property") which houses an office and steel processing plant. The Property has been issued a temporary certificate of fitness ("TCF") by the Dewan Bandaraya Kuala Lumpur

4. RISK FACTORS (Cont'd)

("DBKL") since 1999 and the TCF has been renewed on a yearly basis. The current TCF expires on 16 December 2013.

Whilst the TCF has been issued for the Property, there was a temporary staircase that linked to a store room which encroached into the site boundary the Property ("Extension 1"). As at LPD, we have dismantled Extension 1 and we are unaware of any penalties imposed by the relevant authorities for Extension 1. In the event that the relevant authorities impose penalties due to Extension 1, we are of the view that such penalties will not have a material effect on our operations or finances.

Our property bearing the address No. 6A, Jalan Tiga, Off Jalan Sungai Besi, Kawasan Perusahaan Sungai Besi, Kuala Lumpur ("Property 2") is currently rented out to Supreme Steelmakers and used as a steel processing plant. Property 2 has been issued certificate of fitness by the DBKL since 1998.

There was an unapproved extension in Property 2 whereby it involved an extended shed within Property 2 ("Extension 2"). As at LPD, we have dismantled Extension 2 and we are unaware of any penalties imposed by the relevant authorities for Extension 2. In the event that the relevant authorities impose penalties due to Extension 2, we are of the view that such penalties will not have a material effect on our operations or finances.

We have also on 3 April 2013 obtained a confirmation letter from a civil and structural consultant to reaffirm that all our properties and rented properties as listed in Section 6.17.1 (save for the newly acquired land with building bearing the address of No. 16, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam) and 6.17.2 of the Prospectus are in compliance with its respective approved building plans. For the newly acquired land with building, we intend to build a new processing plant together with warehousing facilities on the said property, as disclosed in Section 6.18.1 of this Prospectus and will obtain the certificate of completion and compliance prior to occupying the said property.

The Government does, from time to time, adopt policies and implement guidelines that may affect our business activities, such as new building regulations. Whilst we will take necessary steps to comply with the current regulations and its subsequent amendments, there can be no assurance that any change or amendments to the law, policies and regulations will not adversely affect our Group's performance and profitability.

4.1.16 Penalties for Non Compliance of Government Regulations

Our revenue from trading and processing businesses are dependent on our continued operation. Any delay in obtaining the necessary licenses or permits may affect the continued operations of our business.

We only obtained our manufacturing licences in 2012 as our subsidiary companies were principally involved in the trading of steel and steel related materials prior to 1983. In 1983, our subsidiary companies purchased machineries to cut steel products to smaller sizes. There were no modifications to the steel material. Upon embarking on the Listing exercise, we were advised that our activities may be construed as manufacturing activities following which we applied to the MITI for the respective manufacturing licenses under the Industrial Coordination Act, 1975 ("ICA") on 21 December 2011. We obtained our manufacturing licenses on 20 March 2012 (LF Klang), 26 March 2012 (LF Klang), 20 June 2012 (ASA Steel), 27 June 2012 (Supreme Steelmakers) and 24 July 2012 (LF Hardware) ("Granting Dates").

4. RISK FACTORS *(Cont'd)*

Section 3(1) of the ICA prohibits any person to engage in any manufacturing activity unless the person is issued a license in respect of such manufacturing activities. Manufacturing activities as defined in the ICA is the making, altering, blending, ornamenting, finishing or otherwise treating or adapting any articles or substances with a view to its use, sale, transport, delivery or disposal and includes the assembly of parts and ship repairing but shall not include any activity normally associated with retail or wholesale trade.

Pursuant thereto and as stated in Section 3(2) of the ICA, a maximum penalty for the non-compliance of the Section 3(1) of the ICA would carry a penalty of two thousand ringgit fine or 6 months imprisonment and to a further fine not exceeding one thousand ringgit for every day during which such default continues.

We have already obtained manufacturing licences for all our subsidiary companies, without any fine or penalty imposed by MITI or MIDA. Thus, our Board is of the opinion that the delay in the application for the said manufacturing licenses did not impact the operations of our Group.

There is no specific provision which deals with the delay in application for MITI licenses apart from the above and there is no precedent case law in relation to the application of Section 3(3) of the ICA for the imposition of penalties on companies which have delayed in their application for such manufacturing licenses. The essence of the ICA is to promote an orderly development of manufacturing activities in Malaysia.

The absence of MITI licenses prior to the Granting Dates has not affected the legality of our operations and has not attracted any penalties. The licenses have been granted to the respective subsidiary companies, of which, during the process, we were not imposed with any penalties by MITI through MIDA.

Save as disclosed above, we have complied with all the regulations and requirements imposed in the manufacturing licenses and we are unaware of any breach of such regulations. As at the LPD, there were no actions being taken by MITI or MIDA pursuant to the above. Nevertheless, there can be no assurance that MITI or MIDA will not impose such penalties in the future. Whilst we continuously ensure compliance with relevant government regulations, there can be no assurance that any penalties, if imposed, will not adversely affect our Group's performance and profitability.

Notwithstanding the above measures, steps and efforts undertaken by our Company to mitigate the abovementioned risks relating to our business and industry, there can be no assurance and guarantee that we can successfully manage all the risks including our ability to compete successfully in the future, and our ability to obtain sufficient supply of raw materials from our regular suppliers.

Further, there is no assurance that our customers will continue to place orders with us in the future and at the same levels as they had previously, or our ability to successfully manage our exposure to exchange rate fluctuations and financial risks or our ability to attract and to retain our key management personnel with similar level of experience and capabilities.

Failure to do so could have a material and adverse impact on our business, financial condition and the results of our operations.

4. RISK FACTORS (Cont'd)

4.2 RISKS RELATING TO INVESTMENT IN OUR SHARES

4.2.1 Delay or abortion of our Listing

Our Listing may be potentially delayed or aborted in the event of the following:

- (a) our Underwriter exercising its rights pursuant to the Underwriting Agreement to discharge itself from its obligations; or
- (b) we are unable to meet the public spread requirement of at least 25% of our enlarged issued and paid-up share capital to be held by a minimum of 1,000 public shareholders holding not less than 100 Shares each, at the time of our Listing.

We expect to meet the public shareholding requirement at the point of Listing by allocating the IPO Shares to the required number of public shareholders during the balloting/private placement processes. However, in the event that we are unable to meet the above requirement, monies paid in respect of any application accepted will be returned to you without interest within fourteen (14) days after we become liable to repay it. If any such monies are not repaid within 14 days after we and the Offeror become liable to repay it, then the provisions under sub-section 243(2) and 243(6) of the CMA shall apply.

4.2.2 No prior market for our Shares and possible volatility of our Share price

There is no prior market for our Shares. Accordingly, there can be no assurance that an active market for our Shares will develop upon our Listing or if developed, that such market will be sustained. In addition, our Shares could trade at prices that may be lower than our IPO Price as a result of many factors, some of which are not within our control and may be unrelated or disproportionate to our operating results. These include, amongst others, prevailing global and local economic conditions, the depth and liquidity of the market for our Shares and investors' individual perceptions of our Group.

4.2.3 Control by Promoters

Upon Listing, our Promoters will collectively hold approximately 71.38% of our enlarged issued and paid-up share capital. Depending on how they choose to vote and because of their shareholdings, our Promoters will generally be expected to have significant influence on the outcome of certain matters requiring the vote of our shareholders, unless they are required to abstain from voting by law and/or as required by the relevant authorities.

Nevertheless, as a step towards good corporate governance, we have appointed one (1) Independent Non-Executive Chairman and three (3) Independent Non-Executive Directors and set up an Audit Committee to ensure that, *inter-alia*, any future transactions involving related parties are entered into on arm's length basis and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detrimental to our minority shareholders.

4.2.4 Dividend payments

Our Company, being an investment holding company derives income mainly from dividends received from our subsidiary companies. Hence, our ability to pay future dividends is largely dependent on the performance of our subsidiary companies.

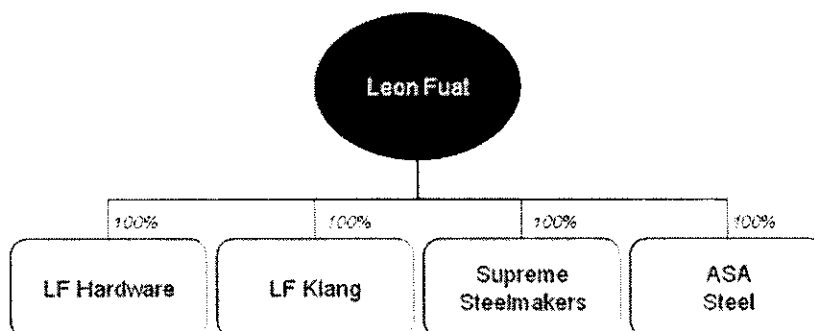
In determining the size of any dividend recommendation, we will also take into consideration a number of factors, including but are not limited to our financial performance, cash flow requirements, debt servicing and financing commitments, future expansion plans, loan covenants and compliance with regulatory requirements. Whilst we endeavour to make payments of dividends, no assurance can be given that we are able to pay any dividends in the future as a result of factors stated above. Please refer to Section 12.5 of this Prospectus for further information on our dividend policy.

5. INFORMATION ON OUR GROUP

5.1 OUR HISTORY

Our Company was incorporated under the Act on 14 December 2006 as a public limited company under its current name. We subsequently converted to a private limited company on 15 May 2012, to facilitate the Acquisitions and converted back to a public limited company on 25 June 2012.

Our group structure upon listing is as follows:



Our principal activities are as follows:

Company	Principal Activities
Leon Fuat	Investment holding
LF Hardware	Trading and processing of steel products
LF Klang	Trading and processing of steel products
Supreme Steelmakers	Trading and processing of stainless steel and other steel products
ASA Steel	Trading and processing of alloy steel and other steel products

We are primarily in the business of trading and processing of steel products specialising in rolled long and flat products. Our focus is on carbon steel, of which the majority are mild steel and complemented by stainless steel and alloy steel. We also have in-house facilities to undertake cutting, levelling, shearing, profiling, bending and finishing of products as well as production of expanded metal.

Our Group was co-founded by our Group Managing Director, Ooi Bin Keong together with our Executive Director, Ooi Kong Tiong and the late Ng Chee Tiang, all of whom are siblings and have contributed significantly to the development, growth and success of our Group. Ooi Bin Keong has been instrumental in developing the strategic direction of our Group bringing with him approximately forty (40) years of experience in the steel industry.

The history of our business can be traced back to 1972 with the establishment of Leong Huat Trading & Co., a partnership. Its initial business activity was mainly involved in the trading of steel products.

Subsequently in 1982, LF Hardware was incorporated to take-over the existing business of Leong Huat Trading & Co. to streamline our business operations. LF Hardware's current business activity is mainly in the trading of long steel products focusing on carbon steel. In addition to trading, LF Hardware undertakes minor processing of steel products namely cut-to-length long products. LF Hardware was initially operating in Sungai Besi prior to moving to its current premises bearing the address Lot 401-405, Jalan Tiga, Off Jalan Chan Sow Lin, Kuala Lumpur, in 1997.

5. INFORMATION ON OUR GROUP *(Cont'd)*

In 1983, we incorporated LF Klang to undertake trading and processing of steel products in a rented premise in Sungai Rasa, Klang to initially service customers in Klang before expanding its business to other areas. Initially, LF Klang was mainly involved in the trading and processing of carbon steel only and over the years evolved to include other steel products such as stainless steel and alloy steel in its offerings. LF Klang's current business activity is mainly in the trading and processing of flat steel products. In addition, LF Klang also undertakes trading and processing of long steel products on a smaller scale.

In 1985, LF Holdings was established as an investment holding company to consolidate our promoters' investments including our subsidiary companies, specifically, LF Hardware and LF Klang in 1991, and Supreme Steelmakers and ASA Steel in 1995.

In 1991, LF Klang acquired a freehold land measuring approximately 116,928 sq. ft. bearing the address No. 6, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, Shah Alam, for the construction of our new plant and office premises. The new plant and office premises known as Wisma Leon Fuat was completed in 1996 and in 1997, LF Klang moved into Wisma Leon Fuat. In 1991, LF Hardware acquired a piece of leasehold land measuring approximately 30,591 sq. ft. with an existing factory building bearing the address No. 6A, Jalan Tiga, Off Jalan Sungai Besi, Kawasan Perusahaan Sungai Besi, Kuala Lumpur. In 1993, LF Hardware started reconstruction of a single storey detached factory on this land. It is currently occupied by Supreme Steelmakers.

As part of our expansion plans, we incorporated Supreme Steelmakers in 1991 to focus on trading of stainless steel products in Sungai Besi, Kuala Lumpur. The company commenced operations in the same year. In 1995, Supreme Steelmakers expanded its business activities to include processing of stainless steel. In 2003, Supreme Steelmakers acquired a leasehold industrial land bearing the address No.8, Jalan Tiga, Off Jalan Sungai Besi, Kawasan Perusahaan Sungai Besi, Kuala Lumpur with a land area of approximately 40,106 sq. ft.

In line with our intention to increase the variety of steel traded, we incorporated ASA Steel in 1995 which commenced operations in the same year in Sungai Besi, Kuala Lumpur. The principal activities of ASA Steel is in trading and processing of alloy steel products and other steel products such as carbon steel. Some of the types of alloy steel and carbon steel products that we carry in ASA Steel include among others, carbon and alloy steel bars and plates. As part of our product portfolio, we also carry high tensile and abrasion resistant quenched and tempered steel plates. Within ASA Steel, we are equipped with processing facilities including bandsaw machines and portable oxy-gas cutting machine.

In 2004, LF Klang obtained ISO 9001:2000 certification for the distribution of steel products and provision of cutting services from BSI Singapore. In the same year, through LF Klang, we acquired another freehold land adjacent to the existing premises bearing the address No. 11, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, Shah Alam with a land area of approximately 179,736 sq. ft. In 2008, the construction of the new plant including office and factory building on the said land was completed and in the same year, we expanded our factory operations into this new plant. In 2010, we completed the construction of an additional factory building on the said land, which commenced operations in the same year. Within LF Klang, we are equipped with various machines and equipment to undertake processing including coil levelling machines, shearing machines, oxy-gas cutting machine with optical tracer, CNC oxy-gas cutting machines, CNC plasma cutting machines, CNC oxy-gas and plasma cutting machine, CNC laser cutting machines, portable plasma cutting machine, portable oxy-gas cutting machines, expanded metal machines and bandsaw machines.

In 2007, Supreme Steelmakers expanded its facilities and constructed a single storey factory with a four (4) storey office building on its existing land acquired in 2003. As at LPD, Supreme Steelmakers' operational facilities in Sungai Besi is equipped with various automated cutting machines including among others, CNC laser cutting machines, CNC plasma cutting machine, CNC waterjet cutting machine, high precision CNC press brake machine, shearing machines, surface grinding machine and bandsaw machines. Through our processing facilities at Supreme Steelmakers, we are able to meet the designs and specifications of customers for industrial applications in various industry sectors.

5. INFORMATION ON OUR GROUP (Cont'd)

In 2009, LF Klang upgraded its ISO certification from ISO 9001:2000 to ISO 9001:2008 for the distribution of steel materials and provision of cutting services from BSI Singapore.

As part of our product expansion plans, we commenced the production of expanded metal through LF Klang in 2010. Our expanded metal is mainly used in industrial applications in the building and construction and engineering and fabrication sectors. In the same year, Supreme Steelmakers and ASA Steel obtained ISO 9001:2008 certification for the distribution of steel materials and provision of cutting and other value-added services from BSI Singapore.

In 2012, we purchased a piece of freehold industrial land with an existing detached building with annexed office building with land area measuring approximately 130,680 sq. ft bearing the address No.16, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, Shah Alam where we intend to build our new processing plant with warehousing facilities. The land with building is located directly opposite our head office at Wisma Leon Fuat.

On 2 January 2013, we completed the Acquisitions which saw the formation of Leon Fuat Group, by acquiring the entire equity interest in LF Hardware, LF Klang, Supreme Steelmakers and ASA Steel from LF Holdings and streamlining the operations of the said companies under our Company.

Since we started our business in 1972, we have made a concerted effort to position ourselves as a reputable supplier of steel and processed steel products with supporting facilities in Malaysia. For the past four (4) FYE 31 December 2009 to 2012, our Group achieved revenues totalling RM355.42 million, RM474.92 million, RM542.94 million and RM437.20 million and a corresponding PAT of RM17.04 million, RM20.59 million, RM25.16 million and RM24.11 million respectively. For the FYE 31 December 2012, our trading activities and processing activities contributed to 37.21% and 62.68% of our Group's total revenue respectively.

5.2 SHARE CAPITAL

Our present authorised share capital is RM500,000,000 comprising 1,000,000,000 ordinary shares of RM0.50 each, of which RM125,345,000 comprising 250,690,000 Shares are issued and credited as fully paid-up.

Upon completion of our IPO, our issued and paid-up share capital will increase to RM155,000,000 comprising 310,000,000 Shares. The changes in our issued and paid-up share capital since our incorporation are as follows:

Date of Allotment	No. of Shares Allotted	Par Value RM	Consideration	Cumulative Total RM
14.12.2006	2	1.00	Cash	2
24.08.2007	4	0.50	*	2
02.12.2009	2	0.50	Cash	3
02.01.2013	250,689,994	0.50	Issued as consideration for the Acquisitions	125,345,000

Note:

* Subdivision of the 2 existing issued ordinary shares of RM1.00 each into 4 ordinary shares of RM0.50 each.

There are no discounts, special terms or instalment payment terms applicable to the payment of consideration for the above allotments. As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in our Company.

5. INFORMATION ON OUR GROUP (Cont'd)**5.3 SUBSIDIARY COMPANIES****5.3.1 LF Hardware****(i) History and Business**

LF Hardware was incorporated on 15 March 1982 in Malaysia under the Act as a private limited company and commenced operations in the same year. It is principally involved in trading and processing of steel products.

(ii) Share Capital

LF Hardware's present authorised share capital is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, of which RM2,000,000 comprising 2,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The changes in the issued and paid-up share capital of LF Hardware since its incorporation are as follows:

Date of Allotment	No. of Ordinary Shares Allotted	Par Value RM	Consideration	Cumulative Total RM
15.03.1982	3	1.00	Cash	3
15.06.1982	39,997	1.00	Cash	40,000
11.11.1982	178,000	1.00	Cash	218,000
04.09.1987	82,000	1.00	Cash	300,000
02.06.1989	100,000	1.00	Cash	400,000
13.06.1990	200,000	1.00	Cash	600,000
08.04.1992	300,000	1.00	Cash	900,000
15.05.1995	500,000	1.00	Cash	1,400,000
15.05.1995	600,000	1.00	Bonus Issue	2,000,000

There are no discounts, special terms or instalment payment terms applicable to the payment of consideration for the above allotments. As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in LF Hardware.

(iii) Shareholders and Directors

LF Hardware is our wholly-owned subsidiary and its Directors are Ooi Bin Keong, Ooi Kong Tiong, Ng Lam Keong and Ng Kok Teong.

(iv) Subsidiary and Associated Companies

LF Hardware does not have any subsidiary or associated company.

5.3.2 LF Klang**(i) History and Business**

LF Klang was incorporated on 17 March 1983 in Malaysia under the Act as a private limited company and commenced operations in the same year. It is principally involved in trading and processing of steel products.

5. INFORMATION ON OUR GROUP (Cont'd)**(ii) Share Capital**

LF Klang's present authorised share capital is RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each, of which RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The changes in the issued and paid-up share capital of LF Klang since its incorporation are as follows:

Date of Allotment	No. of Ordinary Shares Allotted	Par Value RM	Consideration	Cumulative Total RM
17.03.1983	3	1.00	Cash	3
29.03.1985	199,997	1.00	Cash	200,000
02.06.1989	100,000	1.00	Cash	300,000
24.09.1990	100,000	1.00	Cash	400,000
15.05.1995	400,000	1.00	Cash	800,000
15.05.1995	1,200,000	1.00	Bonus Issue	2,000,000
15.10.2001	6,000,000	1.00	Capitalisation of amount due to LF Holdings	8,000,000
27.12.2004	2,000,000	1.00	Capitalisation of amount due to LF Holdings	10,000,000

There are no discounts, special terms or instalment payment terms applicable to the payment of consideration for the above allotments. As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in LF Klang.

(iii) Shareholders and Directors

LF Klang is our wholly-owned subsidiary company and its Directors are Ooi Bin Keong, Ooi Kong Tiong, Ooi Seng Khong, Ooi Pek Kuan, Ng Kok Wee and Ooi Shang How.

(iv) Subsidiary and Associated Companies

LF Klang does not have any subsidiary or associated company.

5.3.3 Supreme Steelmakers**(i) History and Business**

Supreme Steelmakers was incorporated on 3 January 1991 in Malaysia under the Act as a private limited company and commenced operations in the same year. It is principally involved in trading and processing of stainless steel products and other steel products.

(ii) Share Capital

Supreme Steelmakers' present authorised share capital is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, of which RM2,000,000 comprising 2,000,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The changes in the issued and paid-up share capital of Supreme Steelmakers since its incorporation are as follows:

5. INFORMATION ON OUR GROUP (Cont'd)

Date of Allotment	No. of Ordinary Shares Allotted	Par Value RM	Consideration	Cumulative Total RM
03.01.1991	3	1.00	Cash	3
30.12.1995	999,997	1.00	Cash	1,000,000
15.10.2001	1,000,000	1.00	Capitalisation of amount due to LF Holdings	2,000,000

There are no discounts, special terms or instalment payment terms applicable to the payment of consideration for the above allotments. As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in Supreme Steelmakers.

(iii) Shareholders and Directors

Supreme Steelmakers is our wholly-owned subsidiary company and its Directors are Ooi Bin Keong, Ooi Kong Tiong and Ng Kok Teong.

(iv) Subsidiary and Associated Companies

Supreme Steelmakers does not have any subsidiary or associated company.

5.3.4 ASA Steel**(i) History and Business**

ASA Steel was incorporated on 7 June 1995 in Malaysia under the Act as a private limited company and commenced operations in the same year. It is principally involved in trading and processing of alloy steel products and other steel products.

(ii) Share Capital

ASA Steel's present authorised share capital is RM5,000,000 comprising 5,000,000 ordinary shares of RM1.00 each, of which RM1,800,000 comprising 1,800,000 ordinary shares of RM1.00 each have been issued and fully paid-up.

The changes in the issued and paid-up share capital of ASA Steel since its incorporation are as follows:

Date of Allotment	No. of Ordinary Shares Allotted	Par Value RM	Consideration	Cumulative Total RM
07.06.1995	4	1.00	Cash	4
02.08.1995	99,996	1.00	Cash	100,000
12.12.1995	400,000	1.00	Cash	500,000
16.01.2004	600,000	1.00	Cash	1,100,000
27.12.2004	700,000	1.00	Capitalisation of amount due to LF Holdings	1,800,000

There are no discounts, special terms or instalment payment terms applicable to the payment of consideration for the above allotments. As at LPD, there are no outstanding warrants, options, convertible securities or uncalled capital in ASA Steel.

5. INFORMATION ON OUR GROUP (Cont'd)**(iii) Shareholders and Directors**

ASA Steel is our wholly-owned subsidiary company and its Directors are Ooi Bin Keong, Ooi Kong Tiong and Ng Kok Teong.

(iv) Subsidiary and Associated Companies

ASA Steel does not have any subsidiary or associated company.

5.4 LISTING SCHEME

In conjunction with and as an integral part of our Listing, we proposed a Listing Scheme which was approved by the SC on 21 November 2012. The Listing Scheme involves the following:

5.4.1 Acquisitions**LF Hardware**

Leon Fuat acquired the entire equity interest in LF Hardware of RM2,000,000 comprising 2,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM28,978,000 satisfied entirely by the issuance of 57,956,000 Leon Fuat Shares at an issue price of RM0.50 per Share.

Pursuant to the conditional share sale agreement dated 18 June 2012, Leon Fuat acquired the entire equity interest in LF Hardware from the existing shareholder of LF Hardware as follows:

Shareholder	Number of ordinary shares acquired	% of Issued and Paid-Up Share Capital	Purchase Consideration RM	No. of Leon Fuat Shares Issued
LF Holdings	2,000,000	100	28,978,000	57,956,000

The purchase consideration of RM28,978,000 was arrived at on a willing buyer-willing seller basis and represents approximately the audited NA of LF Hardware as at 31 December 2011 of RM28,977,130.

LF Klang

Leon Fuat acquired the entire equity interest in LF Klang of RM10,000,000 comprising 10,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM76,793,997 satisfied entirely by the issuance of 153,587,994 Leon Fuat Shares at an issue price of RM0.50 per Share.

Pursuant to the conditional share sale agreement dated 18 June 2012, Leon Fuat acquired the entire equity interest in LF Klang from the existing shareholder of LF Klang as follows:

Shareholder	Number of ordinary shares acquired	% of Issued and Paid-Up Share Capital	Purchase Consideration RM	No. of Leon Fuat Shares Issued
LF Holdings	10,000,000	100	76,793,997	153,587,994

5. INFORMATION ON OUR GROUP (Cont'd)

The purchase consideration of RM76,793,997 was arrived at on a willing buyer-willing seller basis and represents approximately the audited NA of LF Klang as at 31 December 2011 of RM76,793,113.

Supreme Steelmakers

Leon Fuat acquired the entire equity interest in Supreme Steelmakers of RM2,000,000 comprising 2,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM12,188,000 satisfied entirely by the issuance of 24,376,000 Leon Fuat Shares at an issue price of RM0.50 per Share.

Pursuant to the conditional share sale agreement dated 18 June 2012, Leon Fuat acquired the entire equity interest in Supreme Steelmakers from the existing shareholder of Supreme Steelmakers as follows:

Shareholder	Number of ordinary shares acquired	% of Issued and Paid-Up Share Capital	Purchase Consideration RM	No. of Leon Fuat Shares Issued
LF Holdings	2,000,000	100	12,188,000	24,376,000

The purchase consideration of RM12,188,000 was arrived at on a willing buyer-willing seller basis and represents approximately the audited NA of Supreme Steelmakers as at 31 December 2011 of RM12,187,381.

ASA Steel

Leon Fuat acquired the entire equity interest in ASA Steel of RM1,800,000 comprising 1,800,000 ordinary shares of RM1.00 each for a total purchase consideration of RM7,385,000 satisfied entirely by the issuance of 14,770,000 Leon Fuat Shares at an issue price of RM0.50 per Share.

Pursuant to the conditional share sale agreement dated 18 June 2012, Leon Fuat acquired the entire equity interest in ASA Steel from the existing shareholder of ASA Steel as follows:

Shareholder	Number of ordinary shares acquired	% of Issued and Paid-Up Share Capital	Purchase Consideration RM	No. of Leon Fuat Shares Issued
LF Holdings	1,800,000	100	7,385,000	14,770,000

The purchase consideration of RM7,385,000 was arrived at on a willing buyer-willing seller basis and represents approximately the audited NA of ASA Steel as at 31 December 2011 of RM7,384,320.

5. INFORMATION ON OUR GROUP (Cont'd)

5.4.2 IPO

Public Issue

In conjunction with our Listing, we will undertake a public issue of 59,310,000 new Shares, representing approximately 19.13% of our enlarged issued and paid-up share capital at the IPO Price to be allocated in the following manner:

(i) **Public Tranche**

15,500,000 Public Issue Shares, representing approximately 5.00% of our enlarged issued and paid-up share capital, have been reserved for application by the Public, of which at least 50% shall be set aside for Bumiputera investors including individuals, companies, societies, co-operatives and institutions;

(ii) **Pink Form Tranche**

10,000,000 Public Issue Shares, representing approximately 3.23% of our enlarged issued and paid-up share capital, have been reserved for application by our eligible Directors, employees and persons who have contributed to the success of our Group; and

(iii) **Placement Tranche**

33,810,000 Public Issue Shares, representing approximately 10.91% of our enlarged issued and paid-up share capital, have been reserved for placement to selected investors.

The Public Issue Shares shall rank *pari passu* in all respects with our existing issued and paid-up Shares, including voting rights and the rights to all dividends and other distributions that may be declared subsequent to the date of allotment thereof.

Offer for Sale

In conjunction with our Listing, the Offeror will offer up to 31,000,000 Offer Shares, representing approximately up to 10.00% of our enlarged issued and paid-up share capital to Bumiputera investors approved by the MITI.

5.4.3 Listing on Bursa Securities

The approval for the admission and the listing of and quotation for our entire enlarged issued and paid-up share capital of RM155,000,000 comprising 310,000,000 Shares on the Main Market of Bursa Securities was obtained from Bursa Securities on 23 January 2013.

5. INFORMATION ON OUR GROUP (Cont'd)

5.5 KEY ACHIEVEMENTS AND MILESTONES

Our key achievements and milestones since inception are as follows:

Year	Key Achievements And Milestones
1972	<ul style="list-style-type: none"> We commenced our steel business through Leong Huat Trading & Co and its initial business activity was mainly trading of steel products.
1982	<ul style="list-style-type: none"> Incorporation of LF Hardware to take over the existing business of Leong Huat Trading & Co. to streamline our business operations.
1983	<ul style="list-style-type: none"> Incorporation of LF Klang to undertake trading and processing of steel products in a rented premise in Sungai Rasa, Klang.
1985	<ul style="list-style-type: none"> Incorporation of LF Holdings to consolidate our promoters' investments including our subsidiary companies, specifically, LF Hardware and LF Klang in 1991, and Supreme Steelmakers and ASA Steel in 1995.
1991	<ul style="list-style-type: none"> LF Klang acquired No. 6, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, Shah Alam, for the construction of our new plant and office premises. Incorporation of Supreme Steelmakers and commencement of business in trading of stainless steel products. LF Hardware acquired No. 6A, Jalan Tiga, Off Jalan Sungai Besi, Kawasan Perusahaan Sungai Besi, Kuala Lumpur.
1995	<ul style="list-style-type: none"> Supreme Steelmakers expanded its business activities to include processing of stainless steel products. Incorporation of ASA Steel and commencement of business in trading and processing of alloy steel and other steel products.
1996	<ul style="list-style-type: none"> Completion of the construction of Wisma Leon Fuat bearing the address No. 6, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, Shah Alam.
1997	<ul style="list-style-type: none"> LF Klang moved into Wisma Leon Fuat.
1998	<ul style="list-style-type: none"> LF Hardware completed the reconstruction of its factory bearing the address No. 6A, Jalan Tiga, off Jalan Sungai Besi, Kuala Lumpur.
2003	<ul style="list-style-type: none"> Supreme Steelmakers acquired a piece of land bearing the address No. 8, Jalan Tiga, Off Jalan Sungai Besi, Kawasan Perusahaan Sungai Besi, Kuala Lumpur.
2004	<ul style="list-style-type: none"> LF Klang obtained ISO 9001:2000 certification. LF Klang acquired a piece of land bearing the address No. 11, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, Shah Alam.
2007	<ul style="list-style-type: none"> Supreme Steelmakers expanded its facilities on its existing land on No. 8, Jalan Tiga, Off Jalan Sungai Besi, Kawasan Perusahaan Sungai Besi, Kuala Lumpur.
2008	<ul style="list-style-type: none"> Construction of a new plant including office and factory building on the existing land in No. 11, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, Shah Alam was completed.

5. INFORMATION ON OUR GROUP (Cont'd)

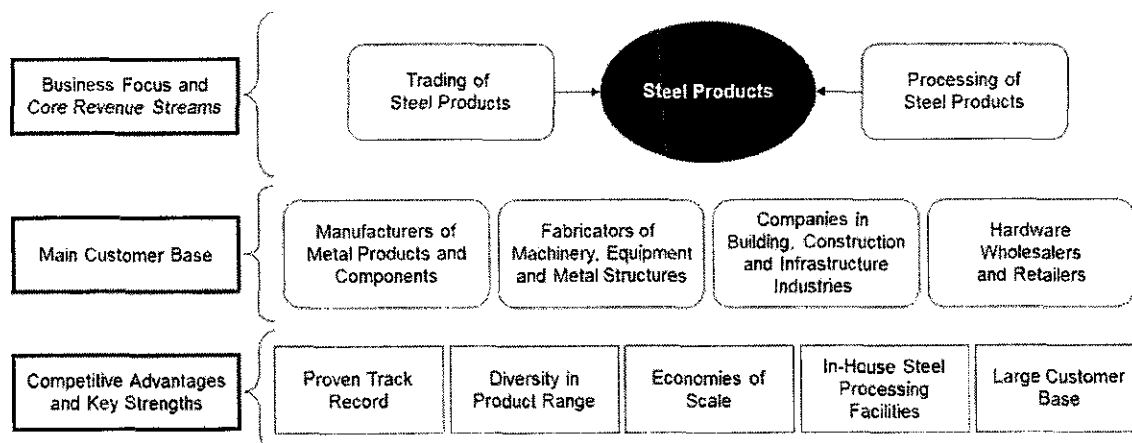
Year	Key Achievements And Milestones
2009	<ul style="list-style-type: none"> • LF Klang upgraded from ISO 9001:2000 to ISO 9001:2008 certification
2010	<ul style="list-style-type: none"> • Supreme Steelmakers and ASA Steel obtained ISO 9001:2008 certification. • LF Klang commenced the production of expanded metal products. • Completed the construction of an additional factory building on the existing land bearing the address No. 11, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, Shah Alam, which commenced operations in the same year.
2012	<ul style="list-style-type: none"> • We purchased a piece of freehold industrial land with an existing detached building with annexed office building bearing the address No.16, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, Shah Alam to house our new processing plant with warehousing facilities.

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6. BUSINESS OVERVIEW

6.1 OUR PRINCIPAL BUSINESS ACTIVITIES

Our Group's business model is summarised as below:



(a) Business Focus and Core Revenue Stream

We are primarily in the business of trading and processing of steel products specialising in rolled long and flat products. Our focus is on carbon steel, of which the majority are mild steel and complemented by stainless steel and alloy steel. We also have in-house facilities to undertake cutting, levelling, shearing, profiling, bending and finishing of products as well as production of expanded metal.

Within our trading activities, we carry a wide portfolio of steel products including flat products such as coils, plates, sheets, and welded tubes and pipes, welded rectangular and square sections, and long products such as bars, rods, shafts, sections, angles and channels and seamless tubes and pipes.

As part of our value-added activities, we also undertake processing activities including cutting, levelling, shearing, profiling, bending, finishing as well as production of expanded metal to service the needs of our customers in different industry sectors and for various applications.

A small proportion of our revenue is derived from trading of specialised steel materials such as tool steel and non-ferrous metal products such as bronze, brass, aluminium and copper.

(b) Main Customer Base

Our customer base mainly comprises the following:

- Manufacturers of metal products and components;
- Fabricators of machinery, equipment and metal structures;
- Companies within the building, construction and infrastructure industries; and
- Hardware wholesalers and retailers.

Our customer base which includes operators from various industries reduces our reliance on any one industry and provides us with a number of areas of growth and opportunities.

6. BUSINESS OVERVIEW (Cont'd)**(c) Competitive Advantages****(i) A Proven Track Record**

We have a proven track record with a history that spans approximately 40 years since the establishment of Leong Huat Trading & Co. in Malaysia. This provides us an established customer base whereby six (6) of our top ten (10) customers for the FYE 31 December 2012 has been dealing with us for at least 17 years. Our long business relationships with our customers are also an indication of the assurance of reliability and quality in our products and services.

(ii) Diversity in Product Range

We carry a range of products of various steel materials, including carbon steel, stainless steel and alloy steel.

Our steel products consist of flat products such as coils, plates, sheets, welded tubes and pipes, sections (such as welded rectangular and square sections) and long products such as bars (such as round, square, flat and hexagon bars), rods, shaft, sections (such as rolled I-beams), angles and channels (such as rolled angle bars and lip channels) and seamless tubes and pipes. As at LPD, we have a diverse range of steel products based on types of materials and shapes, which enables us to meet the varied requirements of our customers.

In addition to trading, we are supported by our in-house facilities to process steel products of various types of materials including carbon steel, stainless steel and alloy steel. We have the capabilities to process steel products including cutting of long products, levelling, shearing, profiling and bending of flat products, finishing in terms of surface polishing and production of expanded metal. A variety of our steel materials for our trading operations such as steel coils, plates, sheets, bars, rods and shafts are also used as materials for our processing operations.

For the FYE 31 December 2012, 0.11% of our revenue is derived from trading of specialised steel materials such as tool steel and non-ferrous metal products including brass, bronze, aluminium and copper.

The diversity in our product range also provides us with considerable synergies for cross selling as we will be able to provide our existing and new customers with a range of trading and processing products.

(iii) Economies of Scale

We are able to obtain economies of scale due to the quantity of orders of steel products in our trading and processing business.

We buy in bulk to obtain volume discounts, where we subsequently break bulk to sell in smaller quantities to other end-users, wholesalers and retailers. We also break bulk and add value by processing some of our purchases through shearing, cutting or profiling before selling to end-users as well as wholesalers and retailers.

For the FYE 31 December 2012, our revenue amounted to RM437.20 million with customer base of approximately 3,700 active customers, which we are able to cross-sell our product range.

6. BUSINESS OVERVIEW (Cont'd)

(iv) In-House Steel Processing Facilities

We have in-house processing facilities and equipment to meet the requirements of our customers. As at LPD, our plants are equipped with an extensive range of cutting, levelling, shearing, profiling, bending, finishing and expanded metal machinery including the CNC oxy-gas and plasma cutting machine, oxy-gas cutting machine with optical tracer, CNC oxy-gas cutting machines, CNC laser cutting machines, CNC waterjet cutting machine, CNC plasma cutting machines, portable plasma cutting machine, portable oxy-gas cutting machines, bandsaw machines, high precision CNC press brake machine, expanded metal machines, shearing machines, surface grinding machine as well as coil levelling machines.

Our CNC laser cutting machines are able to handle up to 25mm thickness and CNC waterjet cutting machine is able to handle single or multi-layer steel materials up to 200mm thickness with an edge finishing and minimal burr.

Our in-house steel processing facilities enable us to meet our customers' needs, which provide us with a competitive advantage over other operators who may have limited range of facilities or outsource the processing to third parties.

Our in-house steel processing facilities also enable us to control quality from handling of input material to processing and finally delivery to customers. Having in-house steel processing facilities also enables us to meet our clients' product specifications and requirements in a prompt manner as we do not need to send to third parties for processing.

(v) Large Customer Base

The diversity of our steel products enables us to meet the needs of a large customer base for a wide range of industry applications. For FYE 31 December 2012, 89.24% of our total revenue was contributed by our top 500 customers while we had a customer base of approximately 3,700 active customers.

This large customer base will provide us with the platform to sustain and grow our business. In addition, it mitigates any over reliance on one or a small group of customers.

6.2 OUR PRODUCTS AND SERVICES

Our core business activities comprise:

- Trading of steel products; and
- Processing of steel products.

Our Group is currently in the business of trading and processing a wide range of steel products of different shapes, dimensions and grades to meet the requirements of customers.

Our trading operations focus on buying and selling flat and long steel products. Our processing operations focus on providing various value added services to flat and long steel products in the form of cutting, levelling, shearing, profiling, bending and finishing as well as production of expanded metal to meet our customers' requirements.

Our trading business is synergistic to our processing operations as some of our customers who buy our trading products would also require us to process them, for example cutting into various lengths which may incorporate levelling, shearing and bandsaw cutting. Our trading and processing operations are synergistic as we are able to buy in larger quantity for both operations to enjoy bulk discounts and obtain better service and commercial terms.

6. BUSINESS OVERVIEW (Cont'd)

For the FYE 31 December 2012, 0.11% of our revenue is derived from trading of specialised steel materials such as tool steel and non-ferrous metal products including bronze, brass, aluminium and copper products.

Overview of Our Products

Our Group supplies steel products of various types and dimensions. Following is an overview of the main products commonly traded and processed by our Group:

Steel Products	Thickness (mm)	Width (mm)	Length (mm)	Diameter (mm)	Cross Sectional Area (sq. mm)
Flat Steel Products					
Carbon Steel					
Coils	Min: 0.5 Max: 16.0	Min: 1,219 Max: 1,524			
Sheets	Min: 0.5 Max: 16.0	Min: 1,219 Max: 1,524	Min: 2,438 Max: 6,096		
Plates	Min: 4.5 Max: 203.0	Min: 1,219 Max: 2,500	Min: 2,438 Max: 12,192		
Welded rectangular and square sections	Min: 1.0 Max: 12.0	Min: 9 Max: 300	Min: * Max: 6,000		
Welded tubes and pipes	Min: 1.6 Max: 7.9		Min: * Max: 6,000	Min: 21.4 Max: 406.4	
Stainless Steel					
Coils	Min: 1.2 Max: 12.0	Min: 1,219 Max: 2,000			
Sheets	Min: 0.4 Max: 12.0	Min: 1,219 Max: 2,000	Min: 2,438 Max: 6,096		
Plates	Min: 8.0 Max: 105.0	Min: 1,000 Max: 2,438	Min: 1,900 Max: 6,096		
Welded rectangular and square sections	Min: 1.2 Max: 2.0	Min: 12.7 Max: 50.8	Min: * Max: 6,000		
Welded tubes and pipes	Min: 1.2 Max: 9.5		Min: * Max: 6,000	Min: 9.5 Max: 335.6	
Alloy Steel					
Plates	Min: 6.0 Max: 70.0	Min: 1,219 Max: 2,438	Min: 2,438 Max: 7,315		
Long Steel Products					
Carbon Steel					
Round bars/shafts			Min: * Max: 8,000	Min: 6.0 Max: 550.0	
Seamless tubes and pipes	Min: 2.23 Max: 100.0		Min: * Max: 12,000	Min: 13.7 Max: 508.0	
Angle bars	Min: 2.8 Max: 12.0	Min: 25 Max: 150	Min: * Max: 6,000		
Channels	Min: 3.8 Max: 6.5	Min: 38/100 Max: 75/200	Min: * Max: 6,000		
Square bars	Min: 16 Max: 90	Min: 16 Max: 90	Min: * Max: 6,000		
Flat bars	Min: 3.0 Max: 25.0	Min: 25 Max: 200	Min: * Max: 6,000		

6. BUSINESS OVERVIEW (Cont'd)

Steel Products	Thickness (mm)	Width (mm)	Length (mm)	Diameter (mm)	Cross Sectional Area (sq. mm)
I - Beam	Min: 4.6 Max: 10.2	Min: 89 Min: 152	Min: * Max: 6,000		
Polish hexagon bars			Min: 3,660 Max: 6,500		Min: 6.4 Max: 76.2
Polish flat bars	Min: 3.0 Max: 25.4	Min: 12.7 Max: 203.2	Min: 3,660 Max: 4,000		
Polish square bars	Min: 3.0 Max: 75.0	Min: 3.0 Max: 75.0	Min: 3,000 Max: 4,000		
Polish round bars			Min: 3,660 Max: 6,100	Min: 4.763 Max: 101.6	
Stainless Steel					
Round bars/shafts			Min: * Max: 6,000	Min: 3.2 Max: 355.6	
Angle bars	Min: 3.0 Max: 12.0	Min: 20 Max: 100	Min: * Max: 6,000		
Flat bars	Min: 3.0 Max: 25.4	Min: 16 Max: 150	Min: * Max: 6,000		
Square bars	Min: 4.8 Max: 101.6	Min: 4.8 Max: 101.6	Min: * Max: 6,000		
Hexagon bars			Min: * Max: 6,000		Min: 4.8 Max: 44.5
Channels	Min: 4.0 Max: 8.0	Min: 40/100 Max: 80/200	Min: * Max: 6,000		
Seamless tubes and pipes	Min: 1.25 Max: 25.0		Min: * Max: 6,000	Min: 10.3 Max: 323.9	
Alloy Steel					
Round bars			Min: * Max: 8,000	Min: 13.0 Max: 853.0	
Hexagon bars			Min: * Max: 6,000		Min: 20.0 Max: 63.0

Notes:

Min

Minimum

Max

Maximum

*

Minimum size is based on customer specification



Not applicable

(a) Trading

We are engaged in the trading of steel products through our subsidiary companies. However, each of our subsidiary companies specialises in certain steel products to achieve cost synergies. The bulk of the products that are carried by our subsidiary companies are as follows:

Subsidiary	Product Focus by Material
LF Hardware	Carbon steel
LF Klang	Carbon steel
Supreme Steelmakers	Stainless steel
ASA Steel	Alloy steel

6. BUSINESS OVERVIEW (Cont'd)

Our portfolio of products mainly includes the following:

Flat Steel Products:

- Carbon steel coils, sheets and plates;
- Carbon steel welded tubes and pipes;
- Carbon steel welded rectangular and square sections;
- Stainless steel coils, plates and sheets;
- Stainless steel welded tubes and pipes;
- Stainless steel welded rectangular and square sections; and
- Alloy steel plates.

Long Steel Products:

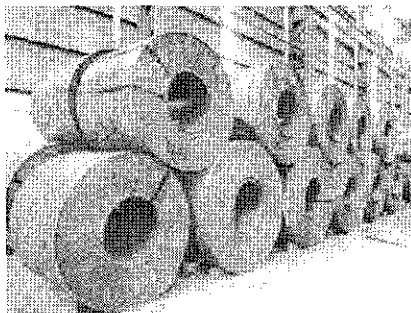
- Carbon steel bars (including round, square, flat and hexagon bars) and rods;
- Carbon steel angles and channels (including rolled angle bars and lip channels);
- Carbon steel sections (including rolled I-beams);
- Carbon steel shaft;
- Carbon steel seamless tubes and pipes
- Stainless steel bars (including round, square, flat and hexagon bars);
- Stainless steel angles and channels (including rolled angle bars and lip channels);
- Stainless steel shafts;
- Stainless steel seamless tubes and pipes; and
- Alloy steel bars (including round and hexagon bars).

We also carry a range of quenched and tempered steel which is highly wear resistant with high hardness and structural strength. These are used in various industries where these attributes are essential such as the mining industry, paper manufacturing industry, heavy engineering industry, transportation industry and building and construction industry.

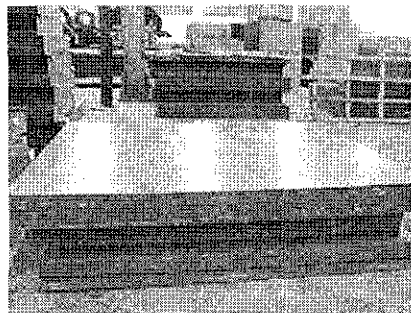
While we have a diversified range of metal products, the bulk of our trading revenue is derived from carbon steel long and flat products. For FYE 31 December 2012, trading of carbon steel and other steel represented 30.97% and 6.24% of our total Group revenue, respectively.

Some of the steel products that we carry are as follows:

FLAT PRODUCTS

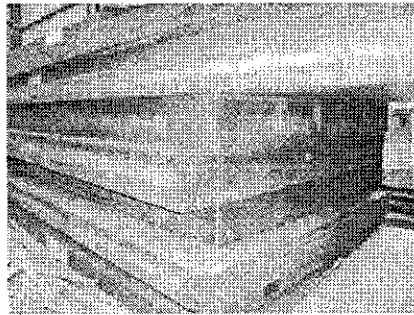


Carbon steel coils

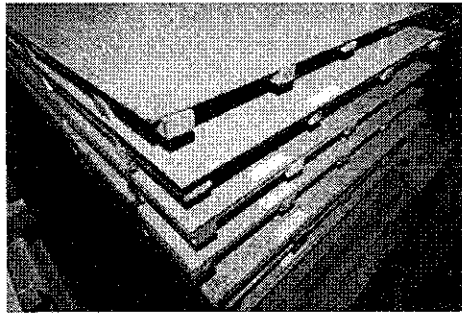


Carbon steel sheets

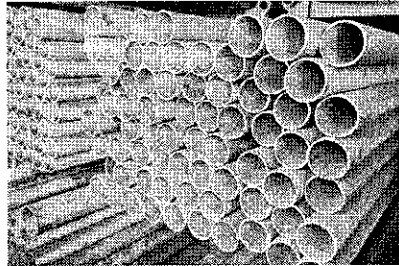
6. BUSINESS OVERVIEW (Cont'd)



Carbon steel plates



Stainless steel sheets

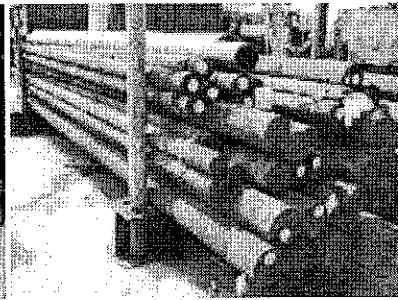


Stainless Steel Welded Tubes and Pipes

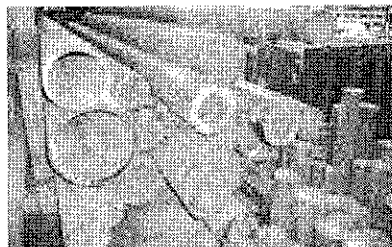
LONG PRODUCTS



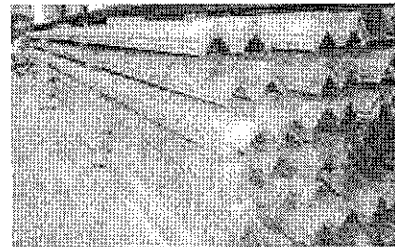
Carbon steel bars in various sizes



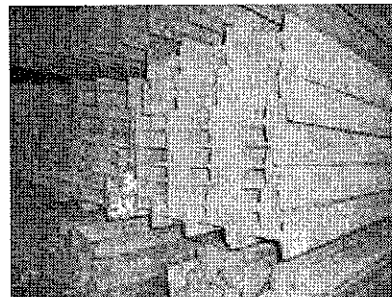
Carbon steel round shafts



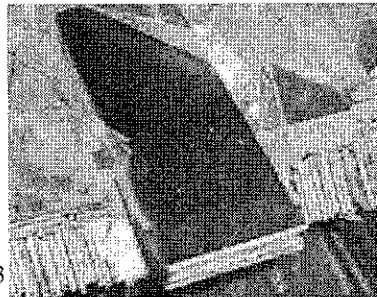
Carbon steel seamless tubes and pipes



Carbon steel angle bars



Carbon steel I-beams



Stainless steel flat bars

6. BUSINESS OVERVIEW *(Cont'd)*

(b) Processing

Our Group is engaged in the processing of steel products through our following subsidiary companies:

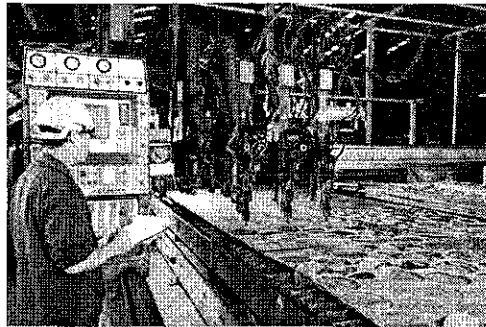
- LF Hardware;
- LF Klang;
- Supreme Steelmakers; and
- ASA Steel.

We have in-house expertise and facilities to undertake processing activities for flat and long steel products of various types of steel materials as follows:

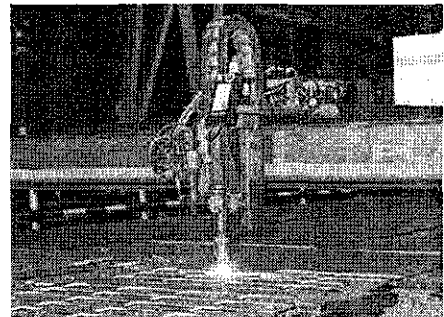
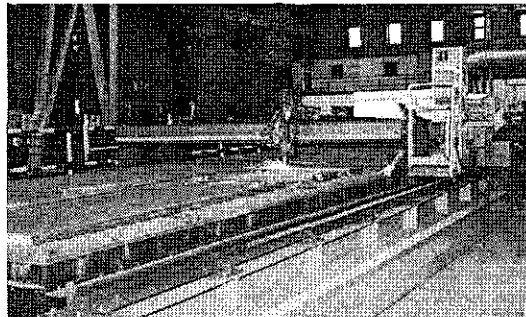
- Carbon steel;
- Stainless steel; and
- Alloy steel.

We have various specialised machines to undertake processing including cutting, levelling, shearing, profiling, bending and finishing as well as production of expanded metal.

Some of our processing machinery and activities are depicted as follows:

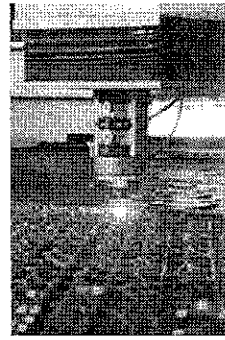
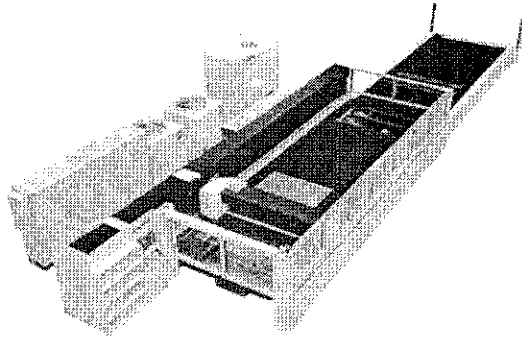


CNC oxy-gas cutting

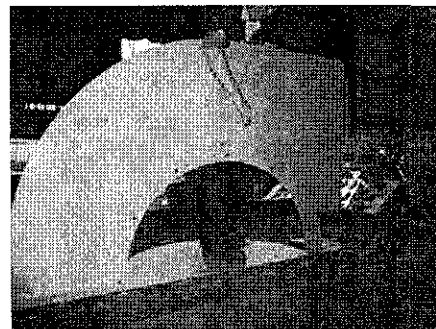
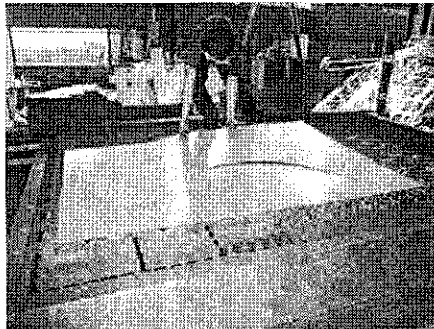


CNC plasma cutting

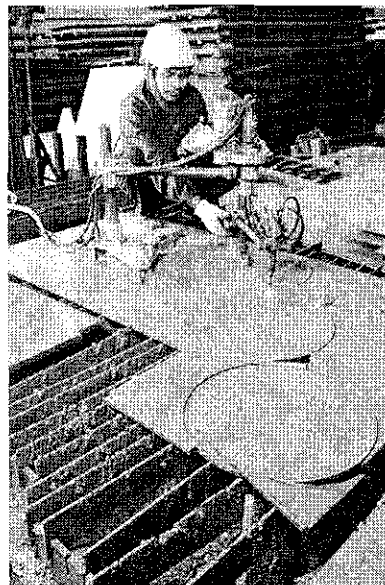
6. BUSINESS OVERVIEW *(Cont'd)*



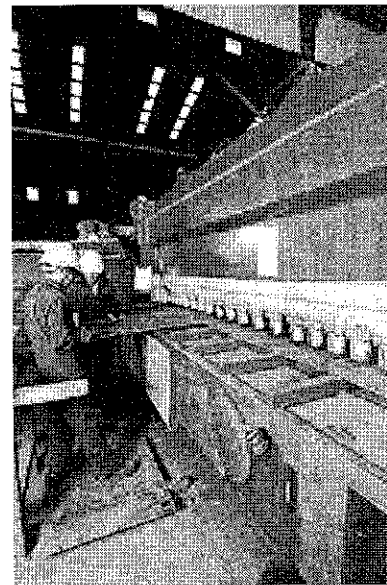
CNC Laser cutting machine



Profiling using laser cutting machine

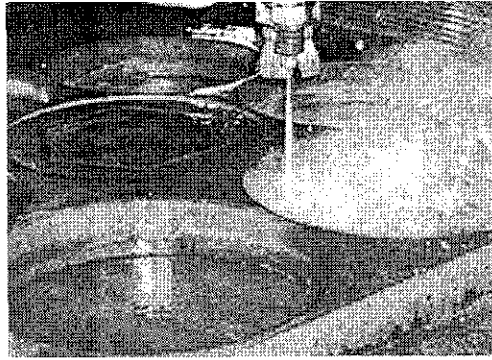


Cutting using portable oxy-gas
cutting machine

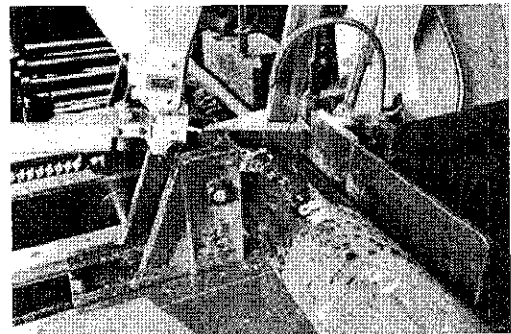
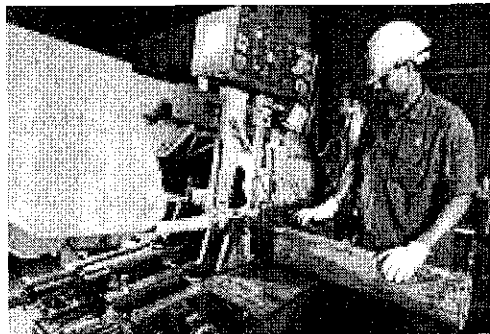


Shearing process

6. BUSINESS OVERVIEW *(Cont'd)*



Waterjet cutting process



Horizontal Bandsaw Cutting Process

Each of our subsidiary companies undertakes different processing activities depending on the capabilities of the various types of machineries that they have. These activities are as described below:

(i) **LF Hardware**

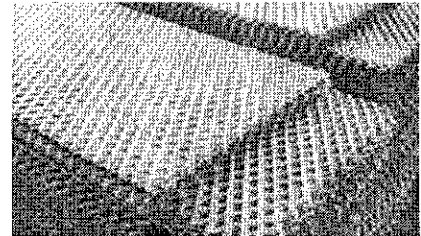
LF Hardware has 5 units of bandsaw machines with the capabilities to cut long products. Its processing facility is located in Sungai Besi, Kuala Lumpur.

6. BUSINESS OVERVIEW (Cont'd)

(ii) LF Klang

LF Klang has the most extensive range of processing machineries within our Group. Its processing facility is located in Shah Alam, Selangor and it undertakes the following types of processing:

- Processing of steel coils
 - 3 units of coil levelling machines.
- Processing of steel sheets/plates (profile, rectangle, round)
 - 1 unit of CNC oxy-gas and plasma cutting machine;
 - 1 unit of oxy-gas cutting machine with optical tracer;
 - 4 units of CNC oxy-gas cutting machines;
 - 3 units of CNC plasma cutting machine;
 - 2 units of CNC laser cutting machine;
 - 7 units of shearing machines;
 - 1 unit of portable plasma cutting machine; and
 - 8 units of portable oxy-gas cutting machines.
- Processing of long products
 - 10 units of bandsaw machines.
- Production of expanded metal
 - 2 units of expanded metal machines.



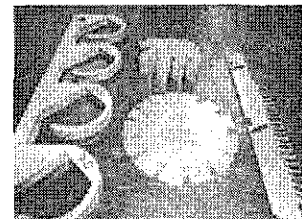
Expanded Metal

LF Klang is an ISO 9001:2008 certified company for the distribution of steel materials and provision of cutting services from BSI Singapore.

(iii) Supreme Steelmakers

Supreme Steelmakers' processing facility is located in Sungai Besi, Kuala Lumpur. It specialises in the processing of stainless steel:

- Processing of stainless steel plates/sheets
 - 3 units of CNC laser cutting machines;
 - 1 unit of CNC waterjet cutting machine;
 - 1 unit of CNC plasma cutting machine;
 - 2 units of shearing machines; and
 - 1 unit of high precision CNC press brake machine.



Waterjet cutting machine used to cut irregular shapes

6. BUSINESS OVERVIEW (Cont'd)

- Polishing of stainless steel plate surface
 - 1 unit of surface grinding machine.
- Processing of stainless steel long products
 - 4 units of bandsaw machines.

As Supreme Steelmakers also undertakes a small proportion of processing of carbon steel, some of our machinery used for processing of stainless steel sheets and plates including CNC waterjet cutting machine, CNC plasma cutting machine, CNC laser cutting machines and high precision CNC press brake machine are used in conjunction with the processing of carbon steel sheets and plates.

Supreme Steelmakers is an ISO 9001:2008 certified company for the distribution of steel materials and provision of cutting and other value-added services obtained from BSI Singapore.

(iv) ASA Steel

ASA Steel's processing facility is located in Sungai Besi, Kuala Lumpur. The types of processing activities undertaken and the machineries used by ASA Steel are as follows:

- Processing of steel sheets and plates
 - 2 units of portable oxy-gas cutting machine.
- Processing of long steel Products
 - 3 units of bandsaw machines.

ASA Steel is an ISO 9001:2008 certified company for the distribution of steel materials and provision of cutting and other value-added services from BSI Singapore.

For FYE 31 December 2012, processing of carbon steel and other steel represented 48.30% and 14.38% of our total Group revenue, respectively.

(c) Other Business Activities

We also trade specialised steel materials including tool steel and non-ferrous metal products including bronze, brass, aluminium and copper products. These are mainly undertaken by LF Klang. For FYE 31 December 2012, other business activities accounted for 0.11% of our total Group revenue.

6. BUSINESS OVERVIEW (Cont'd)

6.3 OUR PRINCIPAL MARKETS

6.3.1 Revenue Segmentation by Business Activities

The breakdown of our Group's revenue by business activities for the FYE 31 December 2012 is as follows:

Revenue	FYE 31 December 2012 RM'000	%
<u>Trading of Steel Products</u>		
Flat		
Carbon Steel	93,638	21.42
Other Steel ⁽¹⁾	12,303	2.81
	105,941	24.23
Long		
Carbon Steel	41,745	9.55
Other Steel ⁽¹⁾	15,015	3.43
	56,759[^]	12.98
	162,700	37.21
<u>Processing of Steel Products</u> ⁽²⁾		
Flat		
Carbon Steel	196,417	44.93
Other Steel ⁽¹⁾	48,390	11.07
	244,807	55.99[^]
Long		
Carbon Steel	14,745	3.37
Other Steel ⁽¹⁾	14,478	3.31
	29,224[^]	6.68
	274,031	62.68[^]
<u>Others</u> ⁽³⁾	472	0.11
Total	437,203	100.00

Notes:

[^] Total does not add-up due to rounding.

(1) Includes stainless and alloy steel.

(2) Processing refers to one or more of the following activities including cutting, levelling, shearing, profiling, bending and finishing of steel products as well as production of expanded metal. Revenue derived from processing of steel products is mainly in the form of sales of processed material.

(3) Trading of specialised steel materials including tool steel and non-ferrous metal products including bronze, brass, copper and aluminium products.

Trading of steel products accounted for 37.21% of our revenue for FYE 31 December 2012, while processing of steel products accounted for 62.68%.

Carbon steel as a material accounted for a cumulative 79.27% of our total revenue compared to other steel materials at 20.62%. Flat and long products accounted for a cumulative 80.22% and 19.66% of our revenue respectively.

Other revenue which accounted for 0.11% of our total revenue was mainly derived from the trading of specialised steel material including tool steel and non-ferrous products such as bronze, brass, copper and aluminium products.

6. BUSINESS OVERVIEW (Cont'd)**6.3.2 Revenue Segmentation by Rolled and Other Products**

For FYE 31 December 2012, our revenue was mainly derived from rolled steel products, which accounted for 96.55% of our revenue.

Our rolled steel products include flat products such as coils, plates and sheets, as well as long products such as bars, shafts, channels, sections and seamless tubes and pipes. These products are hot-rolled and/or cold-rolled from primary steel products.

Other products mainly include welded tubes and pipes, welded rectangular and square sections, expanded metal, tool steel as well as non-ferrous metal products such as bronze, brass and aluminium products.

6.3.3 Revenue Segmentation by Geographical Markets

We predominantly serve the Malaysian market, contributing approximately 98.13% of our total revenue in FYE 31 December 2012. The remaining 1.87% of our total revenue was derived mainly from Japan, Singapore and Indonesia. Our revenue contribution by geographical location is as follows:

Revenue	FYE 31 December 2012	
	RM'000	%
Local market	429,047	98.13
Overseas markets	8,156	1.87
Japan	4,218	0.96
Singapore	2,208	0.51
Indonesia	1,701	0.39
Others [@]	29	0.01
Total	437,203	100.00

Note:

[@] Others include Brunei and United States

6.4 SEASONALITY

Generally, there are no sharp contrasts in seasonality as our products are for general applications that are not tied to any seasonality factors.

6. BUSINESS OVERVIEW (Cont'd)

6.5 TYPES, SOURCES AND AVAILABILITY OF RAW MATERIALS/INPUT

The breakdown of our major materials and services purchased by our Group for our trading and processing activities for the FYE 31 December 2012 are as follows:

	Value of Purchases RM'000	% of Total Group Purchases of Materials and Services %	<--- Sources of Supply --->	
			Local %	Import ⁽²⁾ %
MATERIALS				
Flat Steel Materials	302,323	80.21	74.00	26.00
Carbon steel	244,507	64.87	84.59	15.41
Stainless steel	52,876	14.03	22.98	77.02
Alloy steel	4,940	1.31	96.12	3.88
Long Steel Materials	72,417[^]	19.21	16.96	83.04
Carbon steel	46,066	12.22	22.85	77.15
Stainless steel	13,829	3.67	6.75	93.25
Alloy steel	12,523	3.32	6.57	93.43
Other materials ⁽¹⁾	447	0.12	65.49	34.51
SERVICES⁽³⁾				
Subcontracted services	1,744	0.46	100.00	-
TOTAL	376,931	100.00	63.15	36.85

Notes:

[^] Does not add-up due to rounding.

(1) Include specialised materials including tool steel and non-ferrous metal products including bronze, brass, copper and aluminium.

(2) Refer to materials sourced directly from overseas suppliers.

(3) Comprise slitting, flattening, bending, welding, punching, sand blasting, machining and galvanising subcontracted to external parties.

As we are primarily in the business of trading and processing of steel products, the main materials that we purchased are carbon steel, stainless steel and alloy steel.

For the FYE 31 December 2012, 63.15% of our purchases of materials and services were sourced from local manufacturers and suppliers while the remaining 36.85% of our purchases of materials were sourced directly from overseas suppliers.

Please refer to Section 4.1.1 and Section 12.2.6 (c) of this Prospectus for the impact of fluctuations in prices of materials.

6. BUSINESS OVERVIEW (Cont'd)

Imports of steel products are required to adhere to certain restrictions, including the following:

- Import duties, which are imposed on certain types of steel products;
- Import licences from MITI, which are required for certain types of steel products; and
- Conformation to the 'Malaysian Standard' (MS) and that the import is accompanied by a certificate of approval or a letter of exemption issued by or on behalf of the Chief Executive Officer of the Construction Industry Development Board (CIDB) for the construction sector or SIRIM Berhad for non-construction sector for certain types of iron and steel products.

For the FYE 31 December 2012, flat steel materials constituted the largest proportion of our total purchases of materials and services at 80.21%. Of this, 74.00% of our purchases were locally sourced while others were sourced directly from overseas suppliers. The bulk of our purchases of flat steel materials were carbon steel, which contributed 64.87% of our total purchases of materials and services. This was followed by stainless steel and alloy steel materials, which contributed 14.03% and 1.31% of our total purchases of materials and services respectively.

For the FYE 31 December 2012, long steel materials constituted 19.21% of our total purchases of materials and services. Of this, 16.96% of our purchases were locally sourced while others were sourced directly from overseas suppliers. The bulk of our purchases of long steel materials were carbon steel, which contributed 12.22% of our total purchases of materials and services. This was followed by stainless steel and alloy steel materials at 3.67% and 3.32% respectively.

For the FYE 31 December 2012, purchases of other materials accounted for 0.12% of our total purchases of materials and services. These comprised primarily specialised steel materials and non-ferrous metal products. Subcontracted services, accounted for the remaining 0.46% of our total purchases of materials and services. These services comprised slitting, flattening, bending, welding, punching, sand blasting, machining and galvanising which we subcontract to external parties as we do not have the facilities to undertake such processing services in-house. Although we have bending equipment, nevertheless, certain bending requirements are outside the capabilities of our in-house machines, especially plates that exceed a certain level of thickness.

As at LPD, our Group has not experienced any shortages in the supply of materials and services as mentioned above.

6.6 TECHNOLOGY USED

Some of the relevant technologies that we use in our processing activities include the following:

- Plasma cutting;
- Laser cutting;
- Waterjet cutting;
- Oxy-gas cutting;
- Bandsaw cutting;
- Expanded metal process;
- Shearing; and
- CNC machines.

(i) Plasma Cutting

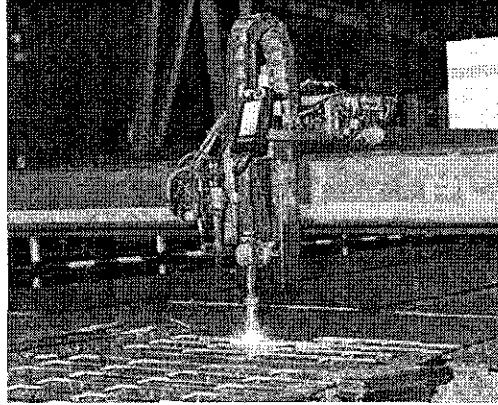
Plasma cutting process is used to cut steel and other electrically conductive metals. Plasma is created through the ionisation of the gas when substantial heat is added to the gas by internal electrode. The gas is then compressed and forced through a narrow area of the nozzle, creating a concentrated plasma arc.

6. BUSINESS OVERVIEW (Cont'd)

By controlling the arc length, torch speed and angle of cutting, desired cutting quality can be achieved. Furthermore, by increasing the air pressure and amperage, the plasma cutters will be able to cut through thicker metals due to the higher arc temperature generated.

The picture below illustrates the plasma cutting process:

Plasma Cutting



In order to improve the cut quality of plasma cutters, several improvements on the cutters have been developed. For instance, by swirling the plasma gas that is being forced through the constricted nozzle, it provides a cool barrier for the copper nozzle, thus increasing the lifespan of the nozzle. In addition, the bevel cuts on both sides of the metals using conventional plasma cutters can be avoided.

Through this development, the arc is evenly distributed along one side of the work piece, creating a square cut. The square side can be switched by reversing the swirl direction.

There are numerous advantages of plasma cutters compared to other methods of cutting:

- Its ability to cut, gouge and pierce any electrically conductive metal, including stainless steel, aluminium and brass;
- Its ability to produce precise cutting at high speed;
- It does not require highly-flammable gas, thus increasing safety at the work place;
- Less time consuming as it does not require a pre-heat cycle; and
- Its ability to cut with small or no heat affected zone, which helps to avoid warping and paint damages around the cut area.

(ii) Laser Cutting

Laser cutting is a technology that uses laser to cut materials. With the assistance of lenses, the laser beam is focused to become an intense beam on the surface of the material to be cut. The laser energy will then melt, burn and vaporise the material and the high-pressure assisted gas will blow away the molten material from the work piece, leaving behind a high quality surface finish.

The method commonly used for cutting metals is melt and blow. The metal is heated to its melting point and then high-pressure gas will be blasted to blow the melted metal out of the cut area.

6. BUSINESS OVERVIEW (Cont'd)

Below are the three (3) main lasing materials used in laser devices with different applications:

Carbon Dioxide (“CO₂”)

- Mainly used for cutting, engraving, welding and boring of metals, ceramics, polymers, wood and rubber;
- This laser method uses one (1) of two (2) methods to excite the gas, which are direct current (“DC”) or radio frequency (“RF”);
- The DC design works on an internal electrode inside the cavity, where problems such as electrode erosion and plating of electrode materials on the work piece might occur; and
- On the other hand, the external electrode of RF design is not prone to these problems.

Neodymium Laser (Nd)

- Mainly used for welding and boring of materials that require low repetition and high energy.

Neodymium Yttrium-aluminium-garnet (Nd-YAG)

- Mainly used for high-power boring, engraving and welding.

Our laser cutting machine uses CO₂ as the lasing material, and the RF-excited system.

There are three (3) machine configurations used in the laser cutting system as following:

- **Moving Material Laser** which involves a stationary laser cutting head and a moving material table. This method is mostly used for precision cutting of thick flat sheet material;
- **Flying Optics Laser** which involves a stationary work piece and a moving laser cutting head. This technique has the fastest speed compared to the rest; and
- **Hybrid Lasers** where both the laser cutter and the work piece are moving. The beam delivery path length is more constant compared to a flying optic machine and its beam delivery system may be simpler.

Our laser cutting machine is based on the flying optics laser system.

(iii) Waterjet Cutting

Waterjet cutting is a cold cutting process which uses an extremely high-pressure water stream to cut through materials including metal, plastic, glass, wood and stone. It is usually done underwater to reduce noise and splash.

During the waterjet cutting process, a large volume of water is being forced through a tiny opening or orifice of a nozzle which causes the water to rapidly accelerate and cut the work piece by eroding the small cracks on the work piece surface generated by the water stream impact.

Abrasive waterjet cutting has also been widely used nowadays with the difference being the addition of abrasive materials into the high-pressure water stream compared to normal pure waterjet cutting. The abrasive materials intensify the cutting process by increasing the speed of the erosion for the crack on the work piece.

The pure waterjet cutting is usually used to cut softer materials compared to abrasive waterjet cutting. These waterjet cutting methods are more environmental-friendly as they produce no hazardous particles or dust, and the water and garnet used can be recycled.

6. BUSINESS OVERVIEW (Cont'd)

However, the disadvantage of using the waterjet cutting method is that a stream lag will result in geometry errors. This is because the exit part of the waterjet cuts slower than the entry part. Furthermore, a V-shaped taper is created as the cutting force decreases. This is especially apparent when the waterjet cuts through the work piece at high speed. Precautionary measures such as decreasing cutting speed and increasing cutting power can be taken to overcome these shortfalls.

We use both the pure and abrasive waterjet systems.

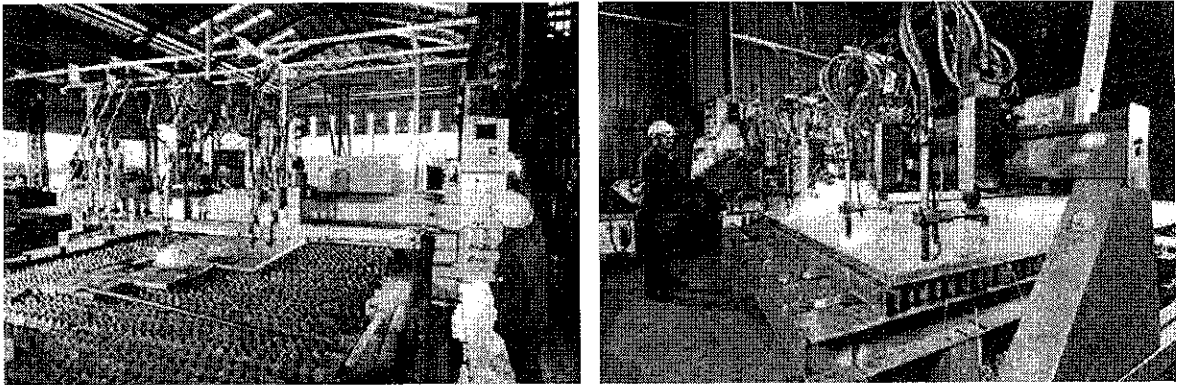
(iv) Oxy-Gas Cutting

The oxy-gas cutting process involves the combustion of metal using oxygen and fuel gas. This cutting process can be done manually with portable devices or by using a floor-mounted machine for larger-scale operations.

Before cutting the work piece, the metal has to be preheated using a mixture of oxygen and fuel gas. A bright red heated zone indicates that the ignition temperature is reached and a pure oxygen stream will be blown towards the area in order for the molten metal to flow out, forming the cut on the work piece.

The picture below illustrates the oxy-gas cutting process:

Oxy-gas Cutting Process



The mixture of fuel gas and oxygen on both sides of the pure oxygen stream provide a balanced preheated area to produce good quality cutting. In addition, the direction of the cut can be changed without changing the angle or the position of the nozzle.

Some of the fuel gases that can be used in this cutting process are as follows:

- Acetylene;
- Propylene;
- Propane;
- Methyl-acetylene-propadiene (MAPP);
- Natural Gas; and
- Hydrogen.

However, the oxy-gas cutting method is only limited to materials with ignition temperature lower than its melting point or else cutting would be impossible as the material would melt and flow away.

6. BUSINESS OVERVIEW (Cont'd)

In addition, the cutting edge quality and cutting speed can be improved with increase in purity of the oxygen supplied. Furthermore, the flow rate of the oxygen affects the surface of the cut. Supplying too little oxygen or too much oxygen can have varying results, with the former resulting in slow ragged cuts while the latter would provide a wide concave cut.

During the process of cutting with oxy-gas, flashback issues require the most attention from the operators. Flashback is the burning of the gas or the mixture of the gases inside the blowtorch which will lead to an explosion. Therefore, safety measures need to be undertaken.

(v) Bandsaw Cutting

A bandsaw machine has a continuous band with cutting teeth that runs in a loop acting as a blade for cutting purposes. There are 2 or 3 wheels working in this continuous loop, namely the idler wheel and the drive wheel. The idler wheel is used to control the tension of the blade while the drive wheel is connected to the power source and is used to clasp the blade onto the saw.

Bandsaw machines can either be a vertical or a horizontal bandsaw machine. For horizontal bandsaw, the horizontal blade cuts downward into the work piece and is mostly used for cutting the work piece to a desired length at the required angle. The horizontal bandsaw usually switches off automatically when the cut is completed. For the vertical bandsaw, the work piece is being pushed against the vertical blade, cutting into the side of the work piece.

The blade for bandsaw machines are made of various types and sizes of materials for different usage. For instance, different cutting requires different blade width whereby straight cuts require wider blades compared to curved cuts. In addition, the tension of the blade has to be adjusted correctly to avoid damage to the blade.

Our Group undertakes bandsaw cutting using horizontal bandsaw machines.

(vi) Expanded Metal Process

The process of producing expanded metal results in diamond-shaped holes on the metal sheet. There is no metal waste generated during the expanding process. The expanding process produces a light and strong steel mesh without any welding. The expanded metal is then passed through a cold-rolling mill to flatten the mesh in order to produce a smooth and flat surface.

(vii) Shearing

Shearing is used to cut straight lines on flat metal materials. The characteristics of the shearing process include:

- Its ability to make straight-line cuts on flat metal materials;
- Metal is placed between upper and lower shear blades; and
- Its ability to cut relatively small lengths of materials at any time since the shearing blades can be mounted at an angle to reduce the necessary shearing force required.

The shearing process performs only fundamental straight-line cutting but shearing can usually produce any geometrical shape with a straight-line cut. It is usually used in cutting a sheet, strip and plates.

(viii) CNC Machines

CNC refers specifically to a computer controller that reads computer programme instructions to control a machine tool. Machine tools that are controlled by CNC are commonly referred to as CNC machine tools or systems.

6. BUSINESS OVERVIEW (Cont'd)

The process of CNC starts with the execution of the command from the machine control unit (MCU) by the drive motor. The number of rotations is sent to the drive motor and the command is carried out. A feedback device then confirms that the command has been executed correctly.

Within the steel industry, CNC machines are used in conjunction with plasma cutter, laser cutter, waterjet cutter and many more other machines to improve safety issues and reduce the exposure of workers to debris, noise and chemical substances used in the production process.

6.7 PRODUCTION FACILITIES AND OPERATING CAPACITIES

Our main activities under processing of steel products are cutting, levelling, shearing, profiling, bending and finishing of steel products as well as production of expanded metal.

In general, our Group undertakes processing activities based on secured purchase orders and these orders usually consist of varied steel products including flat and long products of various types of materials including carbon steel, stainless steel and alloy steel, various sizes and thickness, which require different processing time. The capacity, output and utilisation rate of our processing machinery for the FYE 31 December 2012 is as follows:

Types of Machines	Production Output for FYE 31 December 2012	Annual Capacity ⁽¹⁾	Capacity Utilisation (%)
Cutting machines ⁽²⁾⁽³⁾	20,807 tonnes	25,172 tonnes	82.66

Notes:

- (1) Annual capacity is calculated based on installed machinery capacity and resources running 24-hour shifts on weekdays, twelve (12) hour shifts on Saturday and five and a half days a week excluding public holidays, machinery set-up time and downtime. We are currently operating 24-hour shifts to enable our customers demands are met.
- (2) Based on fifteen (15) units of machineries of various capabilities and functions of which one (1) unit of newly acquired CNC plasma cutting machine begin operations in October 2012 while two (2) units of newly acquired machines, namely CNC plasma cutting machine and CNC laser cutting machine began operations in December 2012.
- (3) The types of cutting machines refer to CNC oxy gas and plasma cutting machines, oxy-gas cutting machine with optical tracer, CNC oxy-gas cutting machines, CNC plasma cutting machines, CNC laser cutting machines and CNC waterjet cutting machine.

We also process coils to convert them into sheets as stock items for sale. The process includes levelling and shearing. Our capacity, output and utilisation rate of our coil levelling machines (including shearing) for the FYE 31 December 2012 are as follows:

Types of Machines	Production Output for FYE 31 December 2012	Annual Capacity ⁽¹⁾	Capacity Utilisation (%)
Coil levelling machines ⁽²⁾	58,050 tonnes	157,665 tonnes	36.82

Notes:

- (1) Annual capacity is calculated based on installed machinery capacity and resources running 16 hour shifts, and six days a week excluding public holidays, machinery set-up time and downtime. We are currently operating 16 hours shifts as we are able to cope with customers demands based on the shift duration.
- (2) Based on three (3) units of coil levelling machines.

6. BUSINESS OVERVIEW (Cont'd)

The details of our material machinery and equipment used for our processing operations with their respective NBV as at 31 December 2012 are as follows:

Machinery and Equipment	No. of Units	Audited NBV as at 31 December 2012 RM'000
LF Klang		
Coil levelling machines	3	6,221
CNC oxy-gas and plasma cutting machine	1	11
Oxy-gas cutting machine with optical tracer	1	*
CNC oxy-gas cutting machines	4	308
CNC plasma cutting machine	3	1,189
CNC laser cutting machine	2	3,299
Shearing machines	7	246
Portable plasma cutting machine	1	*
Portable oxy-gas cutting machines	8	8
Expanded metal machine	2	841
Bandsaw machines	10	231
LF Hardware		
Bandsaw machines	5	36
Supreme Steelmakers		
CNC laser cutting machines	3	1,240
CNC waterjet cutting machine	1	745
High precision CNC press brake machine	1	788
CNC plasma cutting machine	1	*
Shearing machines	2	328
Surface grinding machine	1	*
Bandsaw machines	4	55
ASA Steel		
Bandsaw machines	3	*
Portable oxy-gas cutting machine	2	4
		15,550

Note:

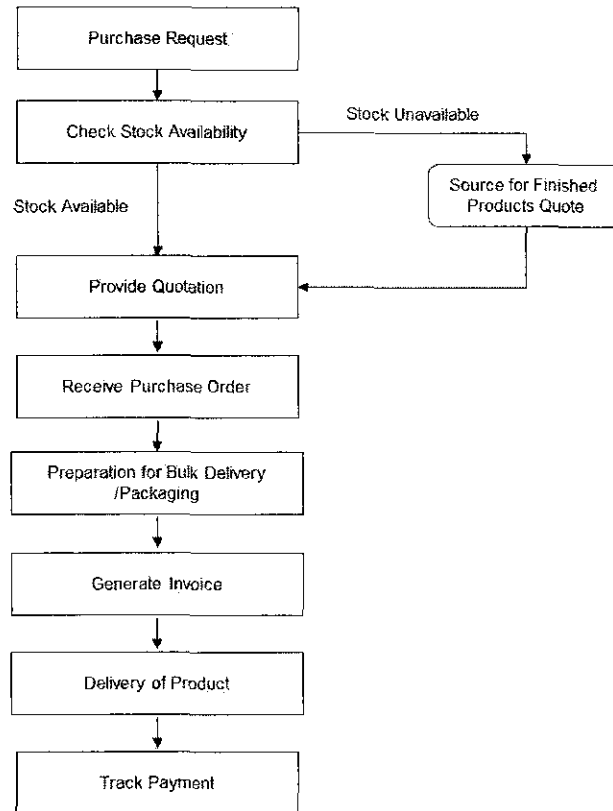
* value is negligible

6. BUSINESS OVERVIEW (Cont'd)

6.8 OUR BUSINESS AND OPERATION PROCESSES

(a) Trading

The process flow of our trading operations is illustrated as follows:



Upon receiving a purchase request from a customer, a stock check will be carried out in order to ensure the availability of stock to meet customer's requirement. If there is insufficient amount of stock, quotes for finished products from our suppliers will be obtained in order to meet the customer's required amount of stock.

Quotes for the prices of the items requested will be submitted to the customer. When an agreed price has been negotiated, a purchase order will be sent by the customer. Products that have been ordered will be arranged for bulk delivery or packed appropriately as a form of protection for steel sheet products during delivery. Invoice is generated and sent to customer along with the ordered product.

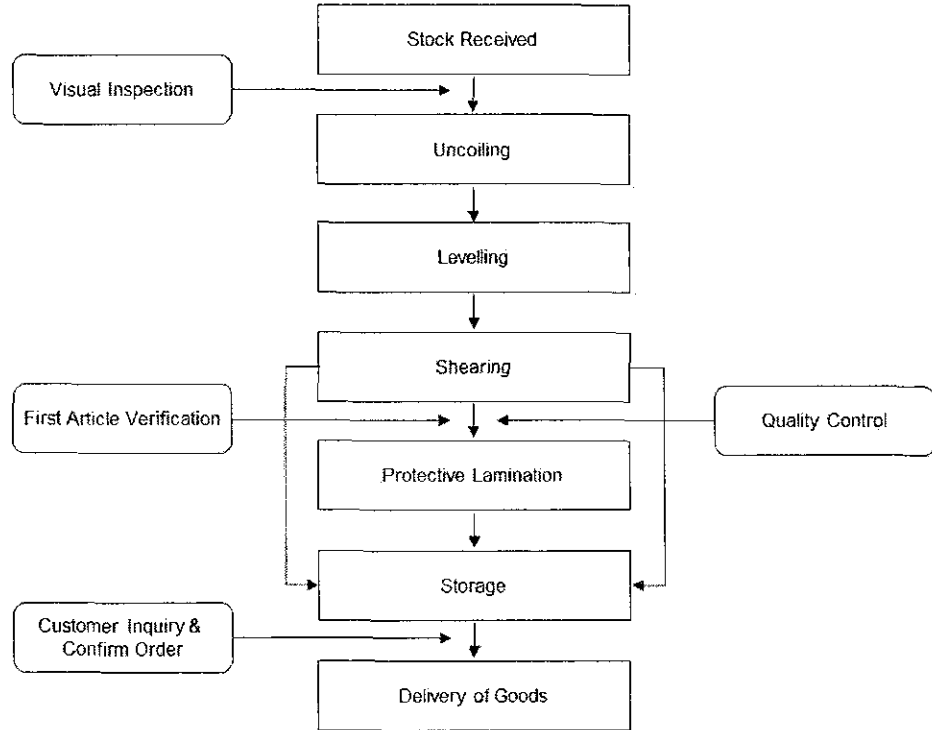
After the delivery of products, payments for the products will be tracked in order to ensure that the agreed payment terms are abided.

6. BUSINESS OVERVIEW (Cont'd)

(b) Processing

(i) Shearing of Flat Steel Products

The process flow for our processing activities is illustrated as follows:



Visual inspection is carried out on all incoming stock to check for defects. Any defective items will be rejected.

The input steel coils will then be placed into the uncoiler unit and unwound. The unwound steel coil will then be inspected for surface defects and defects are recorded. As the coil is being unwound, it is fed into a levelling machine to flatten and level the coil. The leveller eliminates any edge waves or centre buckling on the steel coils.

After the coil passes through the levelling machine, it feeds directly to a shearing machine that cuts the coil into specific length to become a steel sheet.

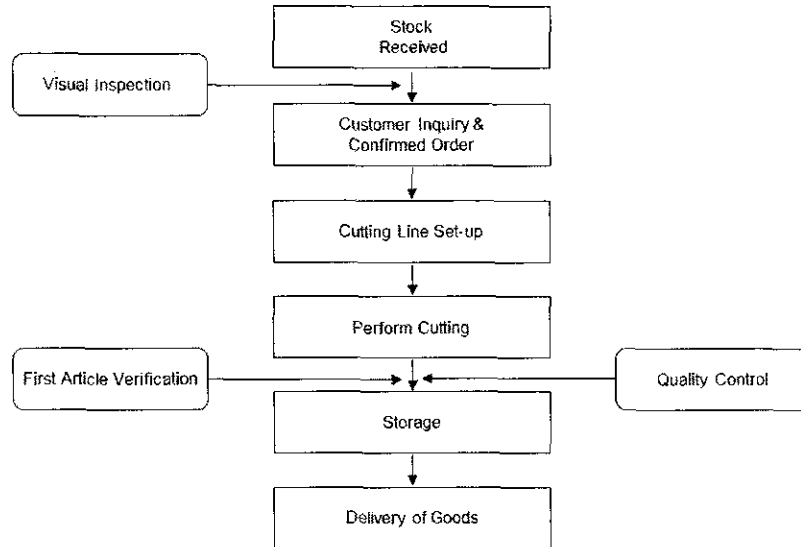
The first item produced are checked for quality and requirements compliance before commercial production for work order are carried out. In-process quality control measures are taken throughout the levelling and shearing process. Any defects and variations are reported to the Quality Control Officer for advice and further action.

The steel sheets are then packed and stored at the warehouse. For some of our products such as stainless steel sheets with bright surface, the sheared sheets are laminated with polyvinyl chloride (PVC) or polyethylene (PE) film, and/or packaged with paper interleave as additional packaging protection prior to storage in the warehouse.

6. BUSINESS OVERVIEW (Cont'd)

When a customer inquiry is received, stock check is carried out before confirming customer's orders. Available stock with required measurements is then delivered to the customer.

(ii) Cutting of Long Steel Products



Visual inspection is carried out on the stock received to check for any surface defects. Any defective items will be rejected.

After replying customers' inquiries and confirming their orders, cutting line is set up and mechanical adjustments for the bandsaw machines are made. After securing the steel bars or rods on the bandsaw machines using fasteners and holders, cutting operations are then performed.

The first item produced are checked for quality and requirements compliance before commercial production for work order are carried out. All finished products will be sent to the quality control department to ensure that the product requirements and specifications are met.

Products that passed the inspection test will then be packed and stored at the warehouse before they are due for delivery.

(iii) Tracking of leftovers of steel materials

We endeavour to utilise any leftovers of steel materials whenever possible. Whenever an order is received, we will conduct checks to ascertain if there are any remaining steel materials that can be used for such new order received. If there are sufficient steel materials that can be used to meet the demand from the new order received, then our Group will not need to use new raw materials. In the event there is a shortfall, our Group will supplement the leftover materials with new raw materials.

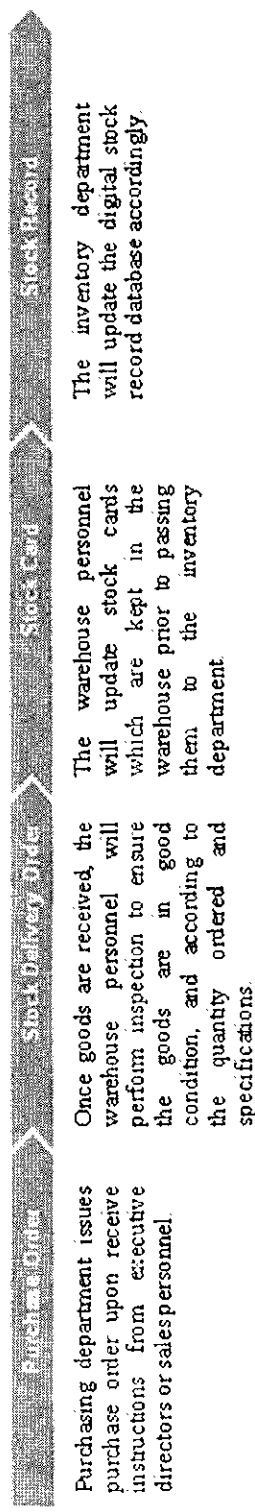
While there may be leftovers of steel materials in the course of our business, the cost of these leftover steel materials have already been imputed into our pricing when we provide quotations to our customers. Hence, our loss from leftovers would be minimal.

6. BUSINESS OVERVIEW (Cont'd)

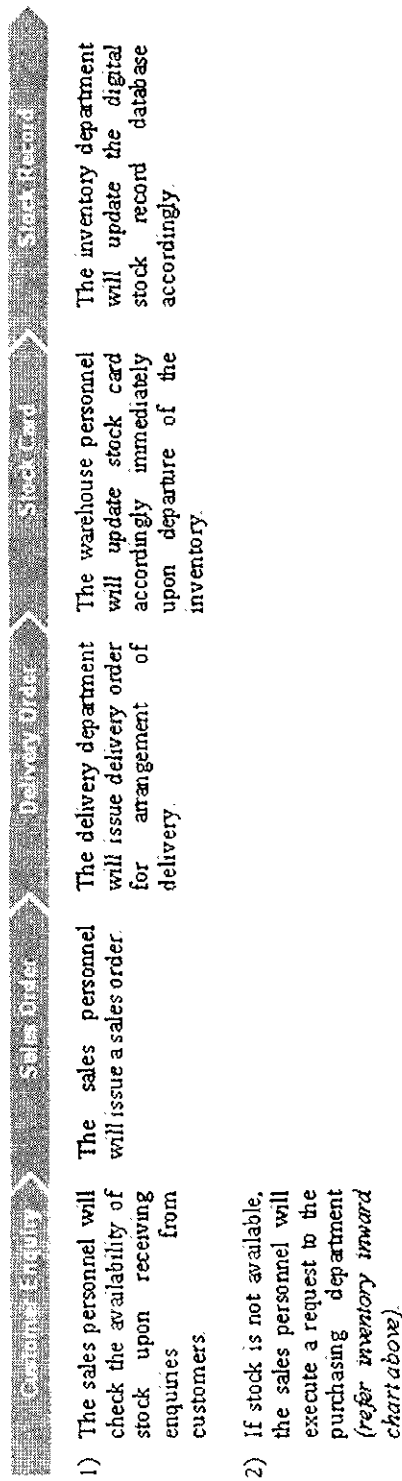
(c) Inventory Management

Our Group has in place the following inventory management procedures to ensure smooth flow of inventory to meet sales orders as well as ensuring that stock levels are replenished at all times:

Inventory Inwards



Inventory Outwards



Further to the above procedures being adopted by our Group, we also ensure that our inventory department performs regular periodic comparison on stock cards in the warehouse as compared to its digital records. This is to ensure that firstly, all records are consistent and up to date and secondly as an audit to ensure that there has not been any pilferages.

In addition, our Group performs 100% physical stock take at least twice a year and update stock cards and the digital stock record database accordingly. Any material discrepancies will be investigated.

6. BUSINESS OVERVIEW *(Cont'd)*

6.9 QUALITY ASSURANCE

We place emphasis on our product quality and adhere to quality management system standards. This is reflected by the fact that our subsidiary companies, namely LF Klang, Supreme Steelmakers and ASA Steel are ISO certified companies, which provide assurance to customers of our quality processes.

We essentially adopt the following approaches to ensure that quality standards are maintained internally:

- Incoming steel materials including flat and long products have to go through inspection and checking of defects and types of materials prior to processing;
- In process checking and inspection to ensure that specifications are met; and
- Final quality checks in the form of inspections are also carried out for the processed products before delivery to customers.

As at LPD, we have ten (10) quality assurance personnel focused on ensuring the product quality meets with the needs and specifications of customers.

6.10 MARKETING AND DISTRIBUTION

(a) Marketing Strategies

Our marketing strategies are as follows:

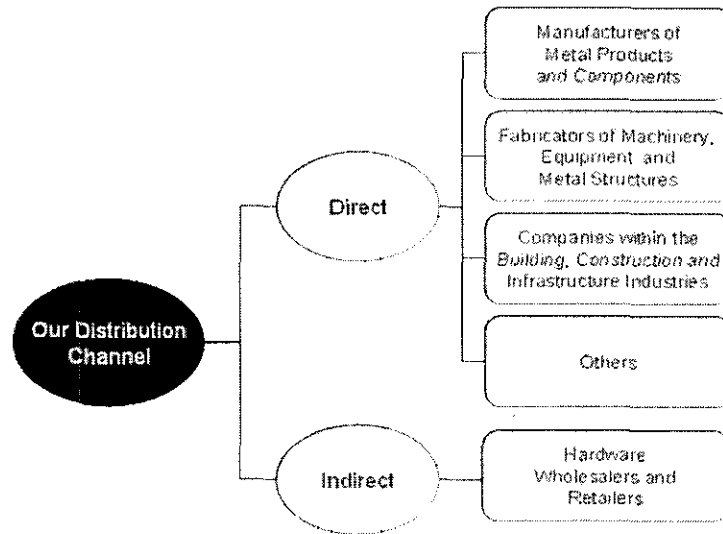
- We position ourselves as a supplier of steel products with the capability to trade and process flat and long products of various steel materials including carbon steel, stainless steel and alloy steel. This is further supported by our product diversity in terms of size, thickness and grades to provide convenience to our customers;
- We have in-house facilities to support our processing operations. Our processing facilities include the following machines: coil levelling, shearing, oxy-gas cutting with optical tracer, CNC oxy-gas cutting, CNC plasma cutting, CNC oxy-gas and plasma cutting, CNC laser cutting, portable plasma cutting, CNC waterjet cutting, high precision CNC press brake, portable oxy-gas cutting, expanded metal, surface grinding and bandsaw;
- We continually provide quality products and services to establish our reliability as a steel product supplier to create customer loyalty and dependency; and
- We keep abreast of new processes and technological development to stay ahead of the competition as well as to better meet the needs and requirements of customers.

To implement our marketing strategies, as at LPD, we have thirty four (34) personnel involved in sales and marketing functions in our offices in Shah Alam, Selangor and Sungai Besi, Kuala Lumpur.

6. BUSINESS OVERVIEW (Cont'd)

(b) Distribution Network

We adopt a combination of direct and indirect distribution channel strategy:



(i) Direct Distribution

Our direct distribution channel approach is performed through our own sales and marketing division, which is focused on selling our products directly to end-user customers. Our end-user customers are mainly manufacturers and fabricators of metal products, and companies involved in the building, construction and infrastructure industries.

Our sales and marketing offices are located in Shah Alam, Selangor and Sungai Besi, Kuala Lumpur.

Our direct distribution approach enables us to work closely with our customers to evaluate and attain a better understanding of customers' requirements, which serves as a feedback mechanism for improvement of our products and services.

(ii) Indirect Distribution

We also adopt an indirect distribution strategy to enable us to utilise the existing network of our intermediaries including hardware wholesalers and retailers to expand our market coverage without the need for significant investment in sales and marketing infrastructure. These hardware wholesalers and retailers are also our customers.

6.11 RESEARCH AND DEVELOPMENT

We are primarily engaged in trading and processing of steel products. As such, research and development is not relevant to our business and we do not carry any specific research and development activities.

As such, we have not incurred any expenditure for research and development activity for the past four (4) FYE 31 December 2009 to 2012.

6. BUSINESS OVERVIEW (Cont'd)

6.12 MAJOR CUSTOMERS

No customer has contributed 10% or more of our total sales for the past four (4) FYE 31 December 2009 to 2012. We have approximately 3,900, 4,000, 3,900 and 3,700 active customers for FYE 31 December 2009 to 2012 respectively. Our top 500 active customers who have purchased from us have contributed to approximately 89.24% of our revenue for FYE 31 December 2012. Of the top 500 customers, 464 are repeat customers who have purchased from us for at least two (2) of the three (3) FYE 31 December 2010 to 2012. The breakdown of revenue contribution from our top 500 active customers for FYE 31 December 2012 is as follows:

Customer Base	Number of Customers	Repeat Customers ⁽¹⁾	Contribution to Revenue for FYE 31 December 2012						Aggregate Contribution to Revenue (%)
			<-----Trading----->		<-----Processing----->		<- Others ⁽²⁾ ->		
			Flat (%)	Long (%)	Flat (%)	Long (%)	Flat (%)	Long (%)	#
Manufacturers of metal products and components	75	66	2.62	1.06	9.02	0.56			13.26
Fabricators of machinery, equipment and metal structures	181	172	10.15	2.35	22.54	2.18			37.28
Companies within the building, construction and infrastructure industries	17	14	1.49	0.08	3.31	0.15			5.02 [^]
Hardware wholesalers and retailers	218	205	8.06	7.36	14.75	1.72			31.90
Others	9	7	0.39	0.11	1.26	0.04			1.79 [^]
Total	500	464	22.70[^]	10.95[^]	50.87[^]	4.65	0.07		89.24[^]

Notes:

Insignificant proportion.

[^] Total does not add-up due to rounding.

(1) Repeat customers are customers who have purchased from our Group for at least two (2) of the three (3) FYE 31 December 2010 to 2012.

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

6. BUSINESS OVERVIEW (Cont'd)**6.13 MAJOR SUPPLIERS**

Our major suppliers (i.e. those who contributed 10% or more of our total purchases of materials and services for the past four (4) FYE 31 December 2009 to 2012) are as follows:

	< ---- FYE 31 December ---- >				Approximate Length of Relationship (years)	Principal Products Supplied
	2009	2010	2011	2012		
Total Group purchases (RM'000)	307,893	397,469	450,202	376,931	-	-
Suppliers	Percentage of Our Group's Total Purchases of Materials and Services (%)					
Megasteel Sdn Bhd ⁽¹⁾	28.98	40.08	31.54	22.84	14	Flat carbon steel
Bright Steel Sdn Bhd ⁽¹⁾	3.32	4.70	4.42	10.99	16	Flat carbon steel
Posim Marketing Sdn Bhd ⁽¹⁾	-	-	12.25	6.01	2	Flat carbon steel
JK Ji Seng Sdn Bhd ⁽²⁾	-	9.58	13.57	1.62	3	Flat carbon steel
JK Ji Seng Marketing Sdn Bhd ⁽²⁾	16.67	4.69	-	-	7	Flat carbon steel
Total purchases from our major suppliers	48.97	59.05	61.78	41.46		

Notes:

⁽¹⁾ Megasteel Sdn Bhd and Bright Steel Sdn Bhd are indirect subsidiaries of Lion Corporation Berhad whilst Posim Marketing Sdn Bhd is an indirect subsidiary of Lion Industries Corporation Berhad which is an associate of Lion Corporation Berhad. On 7 December 2012, Lion Corporation Berhad had announced it and its wholly owned subsidiary, PMB Jaya Sdn Bhd, had entered into an agreement to dispose of approximately 25.34% equity interest in Lion Industries Corporation Berhad to Tan Sri Cheng Heng Jem and Dynamic Horizon Holdings Limited, whilst Bright Steel Sdn Bhd, had entered into an agreement to dispose of approximately 1.04% equity interest in Lion Industries Corporation Berhad to Tan Sri Cheng Heng Jem. On 25 April 2013, Lion Corporation Berhad has announced that the disposal has been completed on 24 April 2013.

⁽²⁾ Based on CCM search dated 17 April 2013, JK Ji Seng Sdn Bhd and JK Ji Seng Marketing Sdn Bhd are two separate companies with a common director.

We are dependent on our major suppliers which collectively contributed 48.97%, 59.05%, 61.78 and 41.46% of our total purchases for the FYE 31 December 2009 to 2012. For the FYE 31 December 2012, we have two (2) suppliers which contributed above 10% of our purchases, namely Megasteel Sdn Bhd and Bright Steel Sdn Bhd. Notwithstanding that they are our two (2) single largest suppliers, we have managed to maintained a stable business relationship with Megasteel Sdn Bhd and Bright Steel Sdn Bhd for whom we have been dealing with for approximately fourteen (14) and sixteen (16) years respectively.

6. BUSINESS OVERVIEW *(Cont'd)*

We also source from several other suppliers for our steel materials including, among others, Ann Joo Metal Sdn Bhd, Hiap Teck Hardware Sdn Bhd, CMC S.E. Asia Pte Ltd, Hyosung Corporation, Aperam Stainless Europe, S.A., Sumikin Bussan Corporation, Shijiazhuang Iron & Steel Co., Ltd and Stemcor (S.E.A.) Pte Ltd for the FYE 31 December 2012. This suggests that we have ready access to other suppliers, should there be a need to purchase from alternative suppliers.

Steel products are commodity items and may be sourced locally and imported. The following statistics demonstrate the availability of these materials from the perspective of local production and imports:

- In 2011, the local production of hot-rolled steel products amounted to 5.1 million tonnes;
- In 2012, the import value of iron and steel products increased by 5.3% to RM22.7 billion.

(Source: IMR Report)

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6. BUSINESS OVERVIEW (Cont'd)

6.14 MAJOR LICENCES, PERMITS AND REGISTRATIONS

The major licences issued to our Group as at LPD are summarised as below:

Company	Issuing Authority	Type of Licences	Issue Date / Validity Period	Salient Conditions	Status of Compliance
LF Hardware	MITI	Manufacturing licence No. A018765 Serial No. 031746	24.07.2012~/ (with effect from 06.04.2012, unless revoked)	<p>a) Site shall be at Lot 401-405, Jalan Tiga, Off Jalan Chan Sow Lin, 55200 Kuala Lumpur</p> <p>b) Any sale of shares in the company must be notified to MITI and MIDA</p> <p>c) The company must train Malaysians so that the transfer of technology and skills are carried out throughout all levels of the workforce</p> <p>d) The company shall carry out its project as may be approved and in compliance with laws and regulations applicable in Malaysia</p>	Complied
LF Klang	MITI	Manufacturing Licence No. A018570 Serial No. 031461	20.03.2012~/ (with effect from 19.03.2012, unless revoked)	<p>a) Site shall be at Wisma Leon Fuat, No. 6, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, 40000 Shah Alam, Selangor Darul Ehsan</p> <p>b) Any sale of shares in the company must be notified to MITI and MIDA</p> <p>c) The company must train Malaysians so that the transfer of technology and skills are carried out throughout all levels of the workforce</p>	Complied

6. BUSINESS OVERVIEW (Cont'd)

Company	Issuing Authority	Type of Licences	Issue Date / Validity Period	Salient Conditions	Status of Compliance
LF Klang	MITI	Manufacturing Licence No. A018579 Serial No. 031470	26.03.2012^/ (with effect from 17.01.2012, unless revoked)	<p>d) The company shall carry out its project as may be approved and in compliance with laws and regulations applicable in Malaysia</p> <p>a) Site shall be at No. 11, Lorong Ketuli 1B, Kawasan Perindustrian Bukit Raja Selatan, 40000 Shah Alam, Selangor Darul Ehsan</p> <p>b) Any sale of shares in the company must be notified to MITI and MIDA</p> <p>c) The company must train Malaysians so that the transfer of technology and skills are carried out throughout all levels of the workforce</p> <p>d) The company shall carry out its project as may be approved and in compliance with laws and regulations applicable in Malaysia</p>	Complied
Supreme Steelmakers	MITI	Manufacturing Licence No. A018734 Serial No. 031698	27.06.2012^/ (with effect from 12.04.2012, unless revoked)	<p>a) Site shall be at Lot 6A & 8, Jalan Tiga, Off Jalan Sungai Besi, 55200 Kuala Lumpur</p> <p>b) Any sale of shares in the company must be notified to MITI and MIDA</p>	Complied

6. BUSINESS OVERVIEW (Cont'd)

Company	Issuing Authority	Type of Licences	Issue Date / Validity Period	Salient Conditions	Status of Compliance
ASA Steel	MITI	Manufacturing Licence No. A018727 Serial No. 031687	20.06.2012^/ (with effect from 23.03.2012, unless revoked)	c) The company must train Malaysians so that the transfer of technology and skills are carried out throughout all levels of the workforce	Complied
				d) The company shall carry out its project as may be approved and in compliance with laws and regulations applicable in Malaysia	
				a) Site shall be at No. 8, Jalan Tiga, Off Jalan Sungai Besi, 55200 Kuala Lumpur	
				b) Any sale of shares in the company must be notified to MITI and MIDA	
				c) The company must train Malaysians so that the transfer of technology and skills are carried out throughout all levels of the workforce	
				d) The company shall carry out its project as may be approved and in compliance with laws and regulations applicable in Malaysia	

Note:

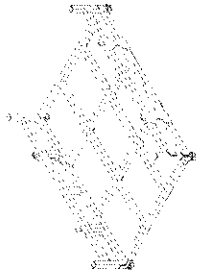
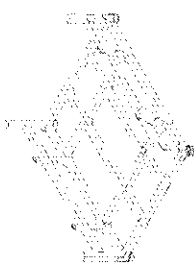
The manufacturing licences for our subsidiary companies were only obtained in 2012 as our subsidiary companies were principally involved in the trading of steel and steel related materials prior to 1983. In 1983, our subsidiary companies purchased machineries to cut steel products to smaller sizes. There were no modifications to the steel material. As such, we were not aware that we require manufacturing licences. Upon embarking on the Listing exercise, we were advised by our listing advisers and MITI that our activities would be considered as manufacturing following which we applied to MITI for our subsidiary companies' manufacturing licenses on 21 December 2011.

6. BUSINESS OVERVIEW (Cont'd)

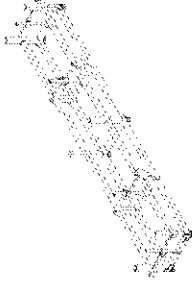

Notwithstanding the above, our Board confirms that as at LPD, we have not been imposed with any legal penalties for our delay in the application for the said manufacturing licenses. As stated in Section 3 of the Industrial Coordination Act 1975 ("ICA"), the maximum penalty for the non-compliance of the Section 3 of the ICA would carry a penalty of two thousand ringgit fine or 6 months imprisonment and to a further fine not exceeding one thousand ringgit for every day during which such default continues. As we have already obtained manufacturing licences for all our subsidiary companies, the abovementioned penalties are not applicable to us and we are able to carry on with our business activities. As such, our Board is of the opinion that the delay in the application for the said manufacturing licenses would not have any impact on the operations and financials of our Group.

6.15 INTELLECTUAL PROPERTY RIGHTS

Save as disclosed below, our Group does not have any registered trade mark or other registered intellectual property rights as at the date of this Prospectus:-

Registered owner	Artistic representation of industrial designs	Country/ Territory of registration	Industrial Design registration number	Date of registration/ (Date of expiry)	Authority	Registration class 6: Furnishings (Sub-class)
Supreme Steelmakers		Malaysia	MY 12-00981-0101	26.07.2012/ (26.07.2017)	Intellectual Property Corporation of Malaysia	06-04: Storage furniture
Supreme Steelmakers		Malaysia	MY 12-00982-0101	26.07.2012/ (26.07.2017)	Intellectual Property Corporation of Malaysia	06-04: Storage furniture

6. BUSINESS OVERVIEW (Cont'd)

Registered owner	Artistic representation of industrial designs	Country/ Territory of registration	Industrial Design registration number	Date of registration/ (Date of expiry)	Authority	Registration class 6: Furnishings (Sub-class)
Supreme Steelmakers		Malaysia	MY 12-00983-0101	26.07.2012/ (26.07.2017)	Intellectual Property Corporation of Malaysia	06-04: Storage furniture
Supreme Steelmakers		Malaysia	MY 12-00984-0101	26.07.2012/ (26.07.2017)	Intellectual Property Corporation of Malaysia	06-04: Storage furniture

The above industrial designs are of Supreme Steelmakers' own unique designs of storage pallets used to stack up its products at its premises and within the Leon Fuat Group.

6.16 DEPENDENCY ON PATENTS, INTELLECTUAL PROPERTY RIGHTS, LICENCES, INDUSTRIAL, COMMERCIAL OR FINANCIAL CONTRACTS**6.16.1 Dependency on Intellectual Property Rights, Major Licences or Industrial, Commercial and Financial Contractor**

Our Group is not dependent on any patents or other intellectual property rights, or major licences for our business operations. Our Group is also not dependent on material contracts or agreements including industrial, commercial and financial contracts, which are material to our business or profitability.

6. BUSINESS OVERVIEW (Cont'd)

6.17 PROPERTY, PLANT AND EQUIPMENT

6.17.1 Own Properties

Our Group owns the following properties:

Registered/ Beneficial Owner	Title/Address	Description/ Existing Use	Tenure	Encumbrances	Land / Built – up Areas (sq. ft. **)	Audited NBV as at 31 December 2012 (RM'000)	Issuance Date of Certificate of Fitness/ Certificate of Completion and Compliance
LF Klang	11 Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan held under GRN 290613, Lot 26102, (formerly H.S. (D) 30968, Lot No. PT 17395), Mukim Kapar, Daerah Klang, Negeri Selangor Darul Ehsan	A unit of single storey detached factory cum warehouse building with an annexed 4 storey office and a unit of single storey factory cum warehouse building with annexed single storey office and 2 storey store/ Used as a steel processing plant, warehouse and office	Freehold	First Party 1 st , 2 nd and 3 rd Legal Charges in favour of Hong Leong Bank Berhad	179,736 /19,754 (office built-up area) & 102,882 (factory built- up area)	Office and factory NBV: 20,998.60 & land NBV: 6,890.00	03.03.2008 ⁽¹⁾ 17.02.2010 ⁽²⁾ and 01.01.2012 ⁽³⁾
LF Klang	6, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan held under GRN 290612, Lot 26104, (formerly H.S. (D) 30970, Lot No. PT 17397), Mukim Kapar, Daerah Klang, Negeri Selangor Darul Ehsan	A unit of 4½ office with an annexed 2 units of single storey warehouse cum factory/Used as a steel processing plant, warehouse and office	Freehold	First Party 1 st Legal Charge in favour of EON Bank Berhad	116,928/ 29,600 (office built-up area) & 51,200 (factory built- up area)	Office and factory NBV: 3,603.43 & land NBV: 2,536.28	09.12.1997 and 01.01.2012 ⁽³⁾

6. BUSINESS OVERVIEW (Cont'd)

Registered/ Beneficial Owner	Title/Address	Description/ Existing Use	Tenure	Encumbrances	Land / Built-up Areas (sq. ft. **)	Audited NBV as at 31 December 2012 (RM'000)	Issuance Date of Certificate of Fitness/ Certificate of Completion and Compliance	#
LF Klang	No. 16, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan. Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan held under H.S. (D) 30972, Lot No. PT 17399), Mukim Kapar, Daerah Klang, Negeri Selangor Darul Ehsan	A unit of detached building with annexed office building / Currently vacant and in dilapidated condition	Freehold	First Party Legal Charge in favour of AmBank (M) Berhad	130,680/#	Building and land NBV: RM19,624		
LF Hardware	No. 6A, Jalan Tiga, Off Jalan Sungai Besi, Kawasan Perusahaan Sungai Besi, 55200 Kuala Lumpur held under PN 37429, Lot No. 443 (formerly H.S. (D) 66962, Lot No. P. T. 413), Seksyen 92, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur	A unit of single storey detached factory/ Whole unit is rented to Supreme Steelmakers and it is used as a steel processing plant	Leasehold expiring on 09.07.2050	First Party 1st Legal Charge in favour of United Overseas Bank (Malaysia) Berhad	30,591/ 14,000 (factory built-up area)	Office and factory NBV: 1,234.18 and Land NBV: 3,227.85 (audited carrying value at company level). However, NBV at pro forma Group is 1,004.31	09.10.1998 ⁽⁴⁾ and 28.03.2013 ⁽⁵⁾	
Supreme Steelmakers	No. 8, Jalan Tiga, Off Jalan Sungai Besi, Kawasan Perusahaan Sungai Besi, 55200 Kuala Lumpur held under PN 35203, Lot No. 507, (formerly H.S. (D) 101568, Lot No. P.T. 480), Seksyen 92, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur [^]	A unit of single storey detached factory cum warehouse with an annexed 4- storey office building/ Used as a steel processing plant, office and warehouse (part of which amounting to 5,460 sq. ft. is rented out to ASA Steel and it is used as a steel processing plant)	Leasehold expiring on 21.04.2062	First Party 1 st , 2 nd , 3 rd and 4 th Legal Charges in favour of AmBank (M) Bhd	40,106/10,920 (office built-up area) & 15,600 (factory built-up area)	Office and factory NBV: 3,339.02 & land NBV: 1,718.38	26.08.2008 and 28.03.2013 ⁽⁵⁾	

6. BUSINESS OVERVIEW (Cont'd)

Notes:

- ^ part of property is leased to Tenaga Nasional Bhd (200866-W) for purposes of siting an electric sub-station.
 ** conversion of original measurements for properties in square meters (sq m) to square feet (sq ft) at 1 m² = 10.7639 ft².
 # This property was acquired through public auction on 2 July 2012 and is currently unoccupied and in dilapidated condition. As disclosed in Section 6.18.1(a) of this Prospectus, we plan to build a new processing plant with warehousing facilities and renovate and refurbish the office building. We will obtain the certificate of completion and compliance of construction prior to occupying the said property.
 (1) for a unit of single storey factory cum warehouse building with 4 storey office and guardhouse.
 (2) for a unit of single storey factory cum warehouse building with a single storey office and 2 storey store.
 (3) for single storey structure, lean-to-extensions and extended shed.
 (4) There were certain additional extensions to these buildings (i.e. extended shed) which were not in accordance to the approved building plan. As at LPD, we have dismantled the said unapproved extensions.
 (5) We have currently installed a new additional roofing in between the walk-way of the premise bearing the address No.6A and No. 8, Jalan Tiga, Off Jalan Sungai Besi, Kawasan Perusahaan Sungai Besi, Kuala Lumpur. This additional roofing is constructed based on the approved building plan by Dewan Bandaraya Kuala Lumpur. As at LPD, we have obtained the certificate of completion and compliance for the said roofing.

6.17.2 Rented Properties

In addition, we also rent the following properties for our operations:

Tenant	Landlord	Address	Description/ Existing Use	Rental Period	Annual Rental RM	Built-up Areas sq. ft.	Land / Built-up Areas sq. ft.	Issuance Date of Certificate of Fitness/ TCF/ Certificate of Completion and Compliance
ASA Steel	Supreme Steelmakers	No. 8, Jalan Tiga, Off Jalan Sungai Besi, Kawasan Perusahaan Sungai Besi, 55200 Kuala Lumpur	Part of the single storey factory cum warehouse with an annexed 4 storey office building/Used as a steel processing plant	01.01.2013 to 31.12.2015	120,000	40,106/ 5,460*		26.08.2008
Supreme Steelmakers	LF Hardware	No. 6A, Jalan Tiga, Off Jalan Sungai Besi, Kawasan Perusahaan Sungai Besi, 55200 Kuala Lumpur	A unit of single storey detached factory/Used as a steel processing plant	01.01.2013 to 31.12.2015	120,000	30,591/ 14,000		09.10.1998 ⁽¹⁾
LF Hardware	Fresh Look Stone Arts Trading Bhd	Lot 401-405, Jalan Tiga, Off Jalan Chan Sow Lin, 55200 Kuala Lumpur	A unit of single storey factory together with a double storey office [^] /Used as a steel processing plant	01.04.2012 to 31.03.2014	240,000	35,076/ 4,500		17.12.1999 ⁽²⁾

6. BUSINESS OVERVIEW (Cont'd)*Notes:*

- * Refers to the occupied area
 ^ There was a temporary staircase that linked to a store room which encroached into the site boundary of the facility. As at LPD, we have dismantled the said extension.
 (1) Please refer to Section 6.17.1 for further details on the said property.
 (2) The premise was issued with a TCF by Dewan Bandaraya Kuala Lumpur on 17 December 1999. The TCF is subject to annual renewal of which the latest renewal has been performed and valid until 16 December 2013.

6.17.3 Regulatory Requirements and Environmental Issue

As at LPD, save for the newly acquired land with building bearing the address of No.16, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, our Board believes that we are in compliance in respect of all regulatory requirements (including land rules and building regulations) and environmental issues which may materially affect our Group's operations and/or utilisation of assets. For the newly acquired land with building, we intend to build a new processing plant together with warehousing facilities on the said property, as disclosed in Section 6.18.1 of this Prospectus and will obtain the certificate of completion and compliance prior to occupying the said property.

The Board acknowledges the responsibilities in complying with all relevant laws, regulations, rules and requirements governing the business operations of our Group. Moving forward, we will designate certain employees to liaise with the relevant governing authorities (i.e MIDA, MITI, local authorities/councils) to ensure that we comply with all relevant regulatory requirements which amongst others, includes land rules, building regulations, environmental issues and licensing requirements. These designated employees will be responsible to update the Board from time to time on the latest regulations and requirements pertaining to our business operations. In addition, we will also engage professional advisers such as solicitors, architects and consultants if the need arises. In terms of legal affairs, we will seek legal opinions from our solicitors on legal matters pertaining to our business operations. We will ensure that all legal documents or contracts are vetted by the solicitors prior to tabling to the Board.

We also have four (4) Independent Directors comprising two (2) directors who are also independent directors in other listed companies in Malaysia, a lawyer and an accountant, all of whom possess adequate knowledge and experience to provide an independent element in the decision-making process of the Board to protect the interests of the minority shareholders and other stakeholders.

Based on the above, the Board is of the opinion that the aforementioned internal controls/precautionary measures put in place gives reasonable assurance that the system of internal control in place is effective to ensure that all relevant laws, regulations, rules and requirements governing our business operations are complied with.

6.17.4 Interruptions to Business and Operations

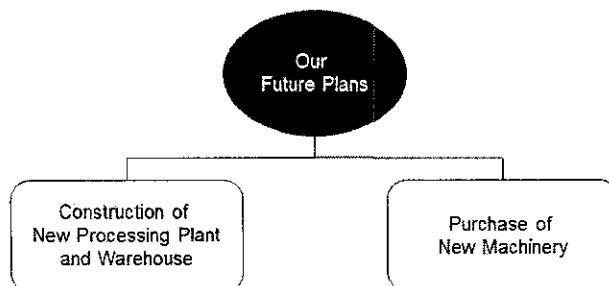
We have not experienced any material interruption in business which had a significant effect on our operations during the past twelve (12) months preceding the LPD.

6. BUSINESS OVERVIEW (Cont'd)

6.18 FUTURE PLANS, STRATEGIES AND PROSPECTS

6.18.1 Future Plans and Strategies

Our future plans are focused in two (2) key areas as depicted in the figure below:



(a) Construction of a New Processing Plant with Warehousing Facilities

Part of our future plans is to build a new processing plant together with warehousing facilities to cater for new processing services. We intend to set-up the new processing plant in Kawasan Perindustrian Bukit Raja Selatan, which is close to our head office at Wisma Leon Fuat.

Our Group had on 2 July 2012, through a public auction, purchased a piece of freehold industrial land with an existing detached building with annexed office building to house a new processing plant with warehousing facilities. The said land, bearing the address of No.16, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan, is located directly opposite our head office at Wisma Leon Fuat and has a land area of approximately 130,680 sq. ft. The cost of the acquisition of the land with building and related incidental cost is RM19.00 million and RM0.64 million respectively of which RM2.56 million was funded through internally generated funds whilst the remaining purchase consideration of RM17.08 million was funded through bank borrowings i.e term loan and bank overdraft facility. Upon completion of the Listing, we plan to utilise RM13.00 million of our Public Issue proceeds to partly repay these bank borrowings.

The new processing plant will be equipped with two (2) new slitting machines which would take up approximately 10,000 sq. ft. of floor space for the processing of steel products. In addition, the remaining floor space would be utilised to stock our steel materials for trading and processing purposes.

We intend to commence the construction of the new processing plant with warehousing facilities by 2015. The construction is estimated to be completed by 2016 and we intend to commence operations in the new plant by 2016. The cost of the construction of new processing plant with warehousing facilities is estimated to be RM6.00 million. We plan to utilise RM6.00 million of our Public Issue proceeds for the construction of this new processing plant with warehousing facilities. In the event that the construction cost exceeds RM6.00 million, the additional cost will be funded through internally generated funds and/or bank borrowings.

The construction of the new processing plant with warehousing facilities includes the strengthening of the foundation of the ground to house the new machinery as well as renovation and refurbishment of the existing office building.

6. BUSINESS OVERVIEW (Cont'd)**(b) Purchase of New Machinery for Slitting Process**

Our Group's current processing operations include cutting, levelling, shearing, profiling, bending and finishing of products as well as production of expanded metal. Part of our future plans is to expand our facilities to incorporate slitting of steel products as part of our processing operations.

Slitting, which is the process of cutting coils into various widths, will complement our existing range of value added services in our processing operations.

As part of our plans to undertake slitting activities, our Group intends to utilise RM6.00 million of our Public Issue proceeds to purchase two (2) new slitting machines by 2016. The cost of the slitting machines is estimated at RM3.00 million per unit.

The slitting machines are designed to slit steel coils of the following specifications:

Machinery	Functions	Quantity	Slitting Capability	
			Thickness (mm)	Width (mm)
Slitting machine	Slitting of coils	1	0.5 to 3.0	* to 1,524
Slitting machine		1	3.0 to 6.0	* to 1,524

Note:

* Minimum size is based on customer specification and available machine tools.

The following table indicates the timing for implementation of our future plans:

	Year of Commencement	
	2015	2016
Construction of a new processing plant and warehouse	✓	
Purchase of new machinery and equipment		✓

6.18.2 Prospects

The prospects of our Group are dependent on the following factors:

- Business performance;
- Competitive advantages;
- Future plans to provide sustainable growth; and
- Industry prospects and outlook.

(a) Business Performance

Between FYE 31 December 2009 and 2012, our financial performance was as follows:

- Revenue grew at an AAGR of 7.15%;
- GP grew at an AAGR of 9.79%;
- PBT grew at an AAGR of 11.64%; and
- PAT grew at an AAGR of 12.27%.

6. BUSINESS OVERVIEW (Cont'd)

The financial performance over the last four (4) years will provide us with the platform for continuing business success and growth.

For FYE 31 December 2012 our revenue fell. This was primarily due to a strategic decision to scale down on the trading of low margin products. Nevertheless, despite the drop in revenue, we experienced growth in some of our key margins as compared to FYE 31 December 2011 as follows:

- GP Margin grew from 11.03% to 13.90%
- PBT Margin grew from 6.23% to 7.64%; and
- PAT Margin grew from 4.63% to 5.51%.

(b) Competitive Advantages

Our competitive advantages will provide a platform for continuing growth and success. This includes the following:

- A proven track record;
- Diversity in product range;
- Economies of scale;
- In-house steel processing facilities; and
- Large customer base.

Please refer to Section 6.1 of the Prospectus for further details.

(c) Future Plans to Provide Sustainable Growth

Our future plans are as follows:

- Construction of a new processing plant and warehouse; and
- Purchase of new machinery and equipment.

Our Group's future plans would provide us with the platform to grow our business.

(d) Industry Prospects and Outlook

As our trading and processing of steel products mainly consist of rolled steel products, our business prospects are also dependent on the general prospects and outlook of the rolled steel industry in Malaysia.

The outlook of the rolled steel industry is dependent on the following factors:

- Performance of the rolled steel industry;
- Performance of main user industries;
- Economic conditions;
- Global prices of steel products; and
- Government initiatives.

6. BUSINESS OVERVIEW (Cont'd)**Performance of the Rolled Steel Industry**

The performance of the rolled steel industry in recent years was as follows:

Local Production of Rolled Steel Products

	AAGR 2007-11 (%)
Local Production of Hot-Rolled Long Steel Products.....	0.5
Local Production of Hot-Rolled Flat Steel Products.....	-10.2

Imports and Exports of Rolled Steel Products

	AAGR 2008-12 (%)
Imports of Bars, Rods, Angles, Shapes and Sections.....	6.9
Imports of Flat-Rolled Iron and Steel Products.....	-3.4
Exports of Bars, Rods, Angles, Shapes and Sections.....	-18.5
Exports of Flat-Rolled Iron and Steel Products.....	-13.2

(Source: IMR Report)

Over the years Malaysia had experienced a decline in production of hot-rolled flat steel products, which may have affected exports of related products.

Performance of Main User Industries

The outlook of the rolled steel industry is dependent on the performance of its main user industries. Growth in the performance of the main user industries will also have a direct and positive flow-on effect to the rolled steel industry.

The performance of the main user industries in recent years was as follows:

AAGR of Main User Industries

	AAGR 2008-12 (%)
Automotive*	4.2
Construction	13.3
Manufacturing	1.8
Imports of E&E Products	-2.0
Exports of E&E Products	-2.5

Notes:

* Based on sales value

E&E Electrical and Electronic.

(Source: IMR Report)

6. BUSINESS OVERVIEW *(Cont'd)*

Economic Conditions

A growing economy provides the impetus for private and public spending, which will have a positive flow-on effect on the rolled steel industry.

- Between 2008 and 2012, real GDP of the Malaysian economy grew by an AAGR of 4.0%;
- In 2012, the Malaysian economy registered a real GDP growth of 5.6%; and
- As for 2013, real GDP for Malaysia is forecasted to grow between 5.0% and 6.0%.

(Source: IMR Report)

Global Prices of Steel Products

The global prices of selected steel products in recent years were as follows:

- The global price of flat carbon steel products increased from USD 664 per tonne in December 2009 to USD 733 per tonne in December 2012, thereby increasing at an AAGR of 3.4%;
- The global price of long carbon steel products increased from USD 589 per tonne in December 2009 to USD 702 per tonne in December 2012, thereby increasing at an AAGR of 6.0%;
- The global price of stainless steel products (Grade 304) declined from USD 3,053 per tonne in December 2009 to USD 2,920 per tonne in December 2012, thereby registering a negative AAGR of 1.5%; and
- The global price of stainless steel products (Grade 316) declined from USD 4,325 per tonne in December 2009 to USD 4,159 per tonne in December 2012, thereby registering a negative AAGR of 1.3%.

Fluctuations in global prices of steel products will affect the demand for rolled steel products whereby an increase in global prices of steel products may lead to a decline in demand for the said products in general including rolled steel products. A sustained increase in global steel prices may in turn affect operators who are involved in manufacturing, trading and processing of carbon steel and stainless steel.

(Source: IMR Report)

Government Initiatives

Various initiatives undertaken by the Government would benefit operators within the rolled steel industry either directly or indirectly resulting from growth opportunities provided to the user industries.

Some of the initiatives introduced by the Government include the following:

- On-going development of the five regional economic corridors – Iskandar Malaysia, Northern Corridor Economic Region, East Coast Economic Region, Sabah Development Corridor and Sarawak Corridor – signals a potential growth in the economy and property market, which would create demand for construction materials including rolled steel products, in these regions.

6. BUSINESS OVERVIEW (*Cont'd*)

- Under the 10th Malaysia Plan, a number of development projects have been identified to be carried out during 2011 to 2015. Some of the development projects presented under the 10th Malaysia Plan include the following:
 - Construction of an integrated transport terminal (ITT) in Gombak, Selangor;
 - Development of five Universiti Teknologi MARA (UiTM) branch campuses;
 - A total of 78,000 units of new affordable public housing units would be constructed by the Government; and
 - Implementation of a mass rapid transit (MRT) system in Kuala Lumpur.
- In the 2013 Budget, various initiatives have been identified. Some of these initiatives include the following:
 - RM1 billion is to be added to the Special Fund for the Building, Improvement and Maintenance of Schools project, which is in addition to the RM1 billion allocated for this project in the 2012 Budget;
 - Allocation of RM1.9 billion for the construction of 123,000 units of affordable houses;
 - RM100 million is allocated to the Ministry of Housing and Local Government for the rehabilitation of 30 abandoned housing projects
- Some of the plans that have been earmarked under the Economic Transformation Programme (ETP), which is a progressive framework identifying various economic sectors and strategies in transforming Malaysia into a high-income and developed nation by 2020, include the following:
 - The Greater Kuala Lumpur/Klang Valley (KL/KV) development plan which contains various projects that are aimed at, among others, attracting multinational corporations (MNC), revitalising certain locations to enhance attractiveness for residential and commercial purposes and improving public transportation network systems; and
 - Under the electrical and electronics banner, some of the aims include growing automation equipment manufacturing, building electricity transmission and distribution companies, and building an electrical home appliance manufacturing hub.

These initiatives would provide growth opportunities for user industries such as the electrical and electronics, manufacturing, construction and infrastructure sectors, which would have a positive flow-on effect to the rolled steel industry.

(Source: IMR Report)

Based on our historical business performance, competitive advantages and future plans, our Board is of the view that these will serve as a platform to help facilitate growth opportunities and growth prospects of our Group in the long-term.

Although the Board is also cognisant of the industry performance that indicated negative growth in local production of hot-rolled flat steel products between 2007 and 2011, exports of flat-rolled iron and steel products between 2008 and 2012, and exports of E&E products between 2008 and 2012, one of the main user industries for iron and steel, our past positive performances from FYE 31 December 2009 to 2012 whereby our revenue, GP, PBT and PAT has been growing at an AAGR of 7.15%, 9.79%, 11.64% and 12.27% respectively indicates that we are able to achieve growth despite challenging market conditions. However, for FYE 31 December 2012, we experienced a drop in revenue, PBT and PAT due to a strategic decision to scale down on the trading of low margin products.

7. INDUSTRY OVERVIEW



VITAL FACTOR CONSULTING

Creating Winning Business Solutions

Vital Factor Consulting Sdn Bhd

(Company No.: 266797-T)

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Selangor Darul Ehsan, Malaysia

Tel: (603) 7728-0248

Fax: (603) 7728-7248

Email: enquiries@vitalfactor.com

Website: www.vitalfactor.com

25 April 2013

The Board of Directors

Leon Fuat Berhad

Wisma Leon Fuat

No. 11, Lorong Keluli 1B

Kawasan Perindustrian Bukit Raja Selatan

40000 Shah Alam

Selangor Darul Ehsan

Dear Sirs

Independent Assessment of the Rolled Steel Industry in Malaysia

The following is an Independent Assessment of the Rolled Steel Industry in Malaysia prepared by Vital Factor Consulting Sdn Bhd for inclusion in the prospectus of Leon Fuat Berhad (herein together with all or any one or more of its subsidiaries will be referred to as Leon Fuat Group or the Group) in relation to its proposed listing on the Main Market of Bursa Malaysia Securities Berhad.

I. BACKGROUND AND INTRODUCTION

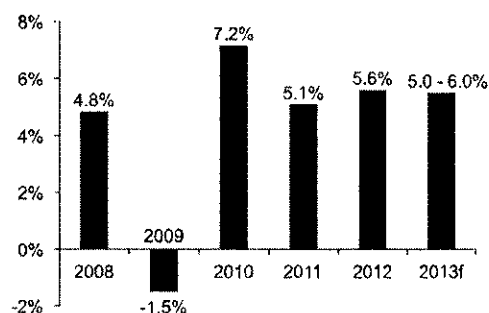
- The principal business activities of Leon Fuat Group are in trading and processing of steel products specialising in rolled long and flat steel products. As such, the focus of this report is on the Rolled Steel Industry in Malaysia.

2. MACROECONOMIC INDICATORS

2.1 Key Macroeconomic Indicators for Malaysia

- Businesses, including Leon Fuat Group, whose main market is in Malaysia are affected by the economic well-being of the nation. This is commonly reflected in the country's gross domestic product (GDP) performance.

Malaysia's Real GDP Growth



Note: f = Forecast.

(Source: Bank Negara Malaysia)

7. INDUSTRY OVERVIEW (Cont'd)

**VITAL FACTOR CONSULTING**

Creating Winning Business Solutions

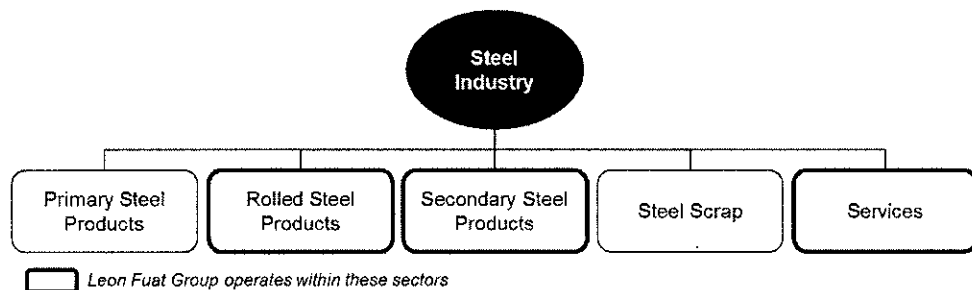
- Overall, Malaysia's key economic indicators in terms of real GDP grew at an average annual growth rate (AAGR) of 4.0% between 2008 and 2012. An exception to the growth during this period was a decline in 2009 due to the global economic downturn.
- In 2012, the Malaysian economy registered a real GDP growth of 5.6% driven by resilient domestic demand despite the weak external environment. The strong performance in domestic demand stemmed from sound macroeconomic fundamentals, more diversified and balanced economic structure, stronger and developed financial system, and greater macroeconomic policy flexibility implemented in the country.
- For 2013, real GDP growth for the Malaysian economy is forecasted to grow between 5.0% and 6.0%.

3. INDUSTRY STRUCTURE

3.1 Overall Steel Industry

- The Rolled Steel Industry is part of the overall Steel Industry, which is depicted in the diagram below:

Structure of the Steel Industry



- **Primary steel products:** Processing of iron ore produces pig iron, direct reduced iron, hot briquetted iron or molten iron, which may then be converted into steel for use in producing primary steel products. Steel scrap may also be melted and processed to produce primary steel products. Examples of primary steel products include blooms, billets, ingots and slabs.
- **Rolled steel products:** Refer to primary steel products that have undergone hot-rolling and/or cold-rolling processes. Examples of rolled steel products include hot-rolled and cold-rolled flat and long steel products.
- **Secondary steel products:** Refer to rolled steel products that have undergone further processing and/or have been formed into finished products. Examples of secondary steel products include tubes and pipes, wire and wire products and sheet metal products.

7. INDUSTRY OVERVIEW (Cont'd)

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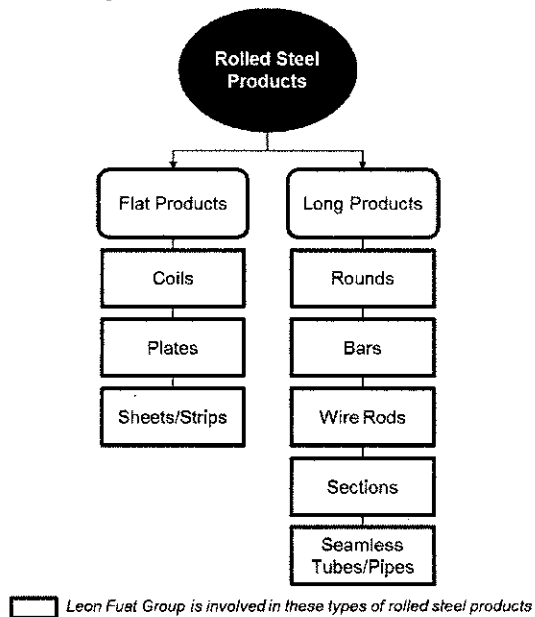
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- **Steel scrap:** Refers to discarded steel products that can be recycled or reused. Steel scrap is segregated by composition and grade before they are recycled or reused. Examples of steel scrap include obsolete or discarded steel from automobiles, appliances and construction materials, and wastes, off-cuts or defective items from the production of primary, rolled and secondary steel products.
- **Services:** Encompass various value-added processes for rolled and secondary steel products such as, among others, slitting, shearing, cutting, bending, levelling, profiling, polishing, galvanising, tin-plating, pre-painting and coating services.
- Leon Fuat Group is primarily involved in the rolled steel products, secondary steel products and services sectors.

3.2 Rolled Steel Products

- Rolled steel products can be broadly segmented into the following:

Segmentation of Rolled Steel Products



- **Rolled flat steel products** are produced from steel slabs through hot-rolling and/or cold-rolling process. Examples of rolled flat steel products include:
 - Coils;
 - Plates;
 - Sheets/strips.

Steel plates are thicker than steel sheets while strips are generally sheets that are cut into a narrower width. Rolled coils are generally thin sheets/strips rolled in coils.

7. INDUSTRY OVERVIEW (Cont'd)

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- **Rolled long steel products** are commonly produced from steel blooms or billets. Examples of rolled long steel products include:
 - Rounds;
 - Bars;
 - Wire rods;
 - Sections;
 - Seamless tubes/pipes.

Rounds, bars and wire rods are commonly hot-rolled or cold-rolled into thinner diameters from steel billets. The difference between rounds, bars and wire rods are in the diameters and usage of the products whereby:

- Rounds have the largest diameters compared to round-shaped bars and wire rods, and are normally used for producing seamless tubes and pipes;
- Bars can be in various shapes such as round, square, hexagon, octagon or flat. Round-shaped bars have smaller diameters compared to rounds, and are normally used for producing reinforcing bars (rebar)/deformed bars;
- Wire rods have the smallest diameters and are used for drawing into wires and wire products.

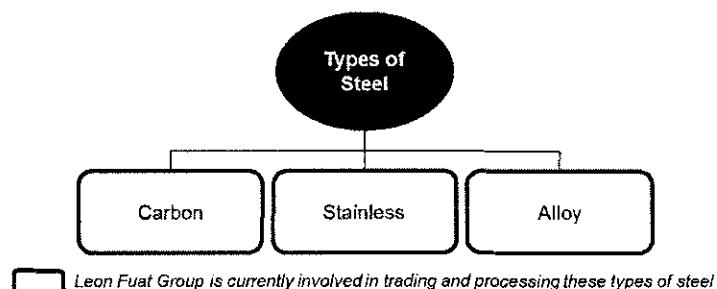
Sections include rails, beams and channels, and are commonly hot-rolled from steel blooms. It can be in various shapes such as I-beams, C-shaped channels, L-shaped angles and others.

Seamless tubes/pipes are produced from billets or rounds.

- Leon Fuat Group is in the business of trading and processing of rolled long and flat steel products.

3.3 Types of Steel

- The three common types of steel are as follows:

Common Types of Steel

- **Carbon steel** is a type of steel that has properties made up mostly of carbon and which relies on the carbon content for structure. In addition to iron and carbon, small amounts of manganese, copper, silicon, sulphur, phosphorus, nickel, chromium, molybdenum and other elements may also be present as alloying elements or impurities.

7. INDUSTRY OVERVIEW (Cont'd)



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Carbon steel can be further segmented into the following:

- Low carbon steel, which is commonly known as mild steel, generally contains less than 0.3% of carbon. Mild steel has low tensile strength but is highly formable and weldable.
 - Medium carbon steel has a carbon content of between approximately 0.3% and 0.6%. The higher carbon content provides this carbon steel with higher tensile strength but lower ductility compared to mild steel.
 - High carbon steel contains between approximately 0.6% and 1.0% of carbon. This carbon steel has higher tensile strength and hardness which makes it harder to weld, and lower ductility compared to medium carbon steel.
 - Ultrahigh carbon steel has a carbon content of between approximately 1.0% and 2.0%. Properties for this carbon steel include high wear resistance, tensile strength and hardness. However, this carbon steel is brittle or breakable.
- **Stainless steel** is a type of steel that commonly contains more than 10% of chromium, with or without other alloying elements. Stainless steel is corrosion resistant and capable of maintaining its strength at high temperatures.

The common grades of stainless steel include:

- Austenitic stainless steel, which contains chromium and nickel as major alloying elements. This grade has non-magnetic, high tensile strength and high ductility properties.
 - Ferritic stainless steel, which contains chromium as the major alloying element with low carbon content. This grade is less resistant to corrosion compared to austenitic stainless steel.
 - Martensitic stainless steel, which contains chromium as the major alloying element, similar to ferritic stainless steel, but has higher carbon content.
 - Duplex stainless steel, which comprises the structures of austenitic and ferritic stainless steels with high chromium and low nickel contents. Properties for this grade include resistance to stress corrosion cracking, and higher tensile strength compared to ferritic grades but lower than austenitic grades.
 - Precipitation hardening stainless steel, which contains chromium and nickel, has high tensile strength and moderate corrosion resistance properties.
- **Alloy steel** is a type of steel that has properties made up of a variety of alloying elements to improve its mechanical properties. Common alloying elements include carbon, manganese, silicon, copper, chromium, nickel, molybdenum, vanadium and tungsten. Small amounts of phosphorus and sulphur are also commonly present in alloy steel.
 - Leon Fuat Group focuses on the trading and processing of rolled long and flat products of carbon steel, of which the majority are mild steel and complemented by stainless steel and alloy steel.

7. INDUSTRY OVERVIEW (Cont'd)

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4. DEMAND AND SUPPLY CONDITIONS

- As Leon Fuat Group is primarily involved in trading and processing of rolled steel products, the focus on the demand and supply conditions in this report is on rolled steel products.

4.1 Consumption of Steel Products

- The apparent consumption of steel products is a direct representation of the level of demand for steel products including rolled steel products in Malaysia.

Apparent Consumption of Steel Products in Malaysia

	2007	2008	2009	2010	2011	AAGR 2007-11 (%)
Apparent Consumption	7.7	8.5	6.6	8.3	8.2	1.7

Note: All units in million tonnes except percentages. (Source: Secondary Market Research undertaken by Vital Factor Consulting Sdn Bhd)

- Between 2007 and 2011, apparent consumption of steel products in Malaysia increased at an AAGR of 1.7%. The apparent consumption of steel products declined from 8.5 million tonnes in 2008 to 6.6 million tonnes in 2009 due to the slowdown in the Malaysian economy brought about by the global financial crisis. Following the recovery in the Malaysian economy in 2010, the apparent consumption of steel products rebounded to reach 8.3 million tonnes. In 2011, apparent consumption of steel products remained fairly constant at 8.2 million tonnes.

4.2 Production of Hot-Rolled Steel Products

- Local production of hot-rolled steel products are one of the factors used to assess the supply of the said materials, which are distributed or processed by operators such as Leon Fuat Group. The local production of hot-rolled steel products based on quantity is displayed below:

Local Production of Hot-Rolled Steel Products

	2007	2008	2009	2010	2011	AAGR 2007-11 (%)
Long Products*	3.5	3.7	3.7	3.6	3.6	0.5
Flat Products	2.3	1.9	1.4	1.4	1.5	-10.2
Total	5.9^	5.5^	5.1	5.0	5.1	-3.3

Notes: All units in million tonnes except percentages; * Exclude seamless tubes; ^ Total does not add-up due to rounding. (Source: Secondary Market Research undertaken by Vital Factor Consulting Sdn Bhd)

7. INDUSTRY OVERVIEW (Cont'd)

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- Local production of hot-rolled steel products registered a negative AAGR of 3.3% between 2007 and 2011. This was mainly due to the weak performance of the local production of flat steel products, which recorded a negative AAGR of 10.2% between 2007 and 2011.
- Despite the general economic improvement in 2010 compared to 2009 based on GDP in Malaysia, the local production of flat-rolled steel in 2010 did not show any growth compared to 2009. This may be attributed to the reduction or exemption of import duties on flat steel products which encouraged the purchase of imported flat steel products in place of locally produced flat steel products.

On 1st August 2009, the Government introduced regulatory changes to the iron and steel industry by implementing the following measures:

- Import duty reduction for flat steel products from 50% to 25%. This will be further reduced to a range between 0% and 10% by 2018;
- Import duty exemption for flat steel products that meet the following criteria:
 - used as raw materials for the production of finished goods for the export market;
 - are products for which grades and specifications are not produced locally;
 - used as raw materials for non-dutiable finished goods.
- In view of the above measures, the import duty on flat steel products of iron and non-alloy steel has been reduced to a range between 10% and 20% as at 31 January 2013.
- The Ministry of International Trade and Industry has announced that starting from 1 February 2013, 18 grades of hot-rolled steel coils are no longer eligible for import duty exemptions with some exceptions such as raw materials used for the production of finished goods for the export market and non-dutiable finished goods. These 18 grades of hot-rolled steel coils are available through local production. This is part of the Malaysian Government's intention to enforce mandatory standards of hot-rolled steel coils to prevent below-par products from entering the market and prevent unfair trade practices.

(Sources: Ministry of International Trade and Industry, Royal Malaysian Customs Department)

4.3 Production of Selected Rolled Iron and Steel Products

- The supply of rolled iron and steel products based on local production has an impact on the business operations of operators who are involved in the trading and/or processing rolled steel products, including Leon Fuat Group.
- The local production of selected rolled iron and steel products in recent years was as follows:

7. INDUSTRY OVERVIEW (Cont'd)

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Local Production of Selected Rolled Iron and Steel Products

	2008	2009	2010	2011	2012	AAGR 2008-12 (%)
<u>Steel Bars and Rods</u>						
Sales Value (RM million).....	6,362.5	3,894.2	5,001.0	5,555.7	6,305.9	-0.2
Production Quantity ('000 Tonnes).....	2,368.4	1,964.4	2,337.3	2,872.9	2,703.9	3.4
<u>Hot-Rolled Steel Coils</u>						
Sales Value (RM million).....	5,162.1	2,563.7	3,390.9	3,815.2	2,829.6	-14.0
Production Quantity ('000 Tonnes).....	2,026.5	1,370.1	1,632.7	1,927.1	1,192.7	-12.4
<u>Cold-Rolled Steel Coils</u>						
Sales Value (RM million).....	2,787.7	1,300.4	1,629.8	1,820.0	1,929.4	-8.8
Production Quantity ('000 Tonnes).....	949.8	506.5	773.6	694.9	726.1	-6.5
<u>Iron and Steel Sheets</u>						
Sales Value (RM million).....	726.3	421.3	502.1	485.6	340.7	-17.2
Production Quantity ('000 Tonnes).....	271.4	156.9	298.7	194.6	131.5	-16.6

(Source: Department of Statistics)

- All of the selected rolled iron and steel products showed negative AAGR between 2008 and 2012 based on sales value.
- As reflected in Section 4.2, the weak performance of the local production of flat steel products, which include hot-rolled and cold-rolled steel coils, sheets and plates, may be attributed to the reduction or exemption of import duties on flat steel products which encouraged the purchase of imported flat steel products to replace locally produced flat steel products.

4.4 Imports and Exports of Iron and Steel Products

- The performance of the Rolled Steel Industry based on import and export values of iron and steel products in recent years was as follows:

Imports and Exports of Iron and Steel Products

	2008	2009	2010	2011	2012	AAGR 2008-12 (%)
Import Value (RM billion)	24.2	15.8	18.2	21.5	22.7	-1.6
Import Quantity ('000 Tonnes)	9,174.4	4,130.2	5,283.9	5,264.0	6,856.8	-7.0
Export Value (RM billion)	10.4	8.8	8.4	10.1	9.9	-1.3
Export Quantity ('000 Tonnes)	2,967.2	3,213.7	2,822.9	3,379.2	3,206.4	2.0

(Source: Department of Statistics)

7. INDUSTRY OVERVIEW (Cont'd)

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- In 2012, import value and export value of iron and steel products amounted to RM22.7 billion and RM9.9 billion respectively. Between 2008 and 2012, the import value of iron and steel products decreased at an AAGR of 1.6%. Based on quantity, imports of iron and steel products registered a negative AAGR of 7.0% between 2008 and 2012.
- Between 2008 and 2012, the export value of iron and steel products recorded a negative AAGR of 1.3%. In terms of quantity, exports of iron and steel products grew at an AAGR of 2.0% between 2008 and 2012.

4.5 Imports and Exports of Selected Rolled Iron and Steel Products

- Growth in imports and exports of rolled iron and steel products signifies an increase in local and external demand for these products. In turn, this would benefit operators that import these products to expand their product portfolio and operators that service overseas markets.
- The performance of the Rolled Steel Industry based on import and export values of selected rolled iron and steel products in recent years was as follows:

Imports and Exports of Selected Rolled Iron and Steel Products

	2008	2009	2010	2011	2012	AAGR 2008-12 (%)
Flat-Rolled Products						
Import Value (RM billion)	11.7	7.7	10.2	10.8	10.2	-3.4
Import Quantity ('000 Tonnes)	2,991.4	2,432.0	3,116.1	2,655.5	2,927.8	-0.5
Export Value (RM billion)	3.1	1.7	2.0	2.1	1.7	-13.2
Export Quantity ('000 Tonnes)	797.7	531.0	516.7	487.7	390.5	-16.4
Bars, Rods, Angles, Shapes and Sections*						
Import Value (RM billion)	3.3	2.1	3.0	3.6	4.4	6.9
Import Quantity ('000 Tonnes)	918.4	727.9	1,060.2	1,019.2	1,380.1	10.7
Export Value (RM billion)	1.8	1.2	1.2	1.1	0.8	-18.5
Export Quantity ('000 Tonnes)	503.3	579.7	507.6	408.0	294.8	-12.5

Note: * Include sheet piling. (Source: Department of Statistics)

- The import value and export value of flat-rolled iron and steel products, and bars, rods, angles, shapes and sections (including sheet piling) of iron and steel declined in 2009. This was in line with the global financial crisis. However, the import and export values of flat-rolled iron and steel products rebounded in 2010 and grew further in 2011.
- In 2011, the growth in the import value of flat-rolled iron and steel products was in line with the growth in user industries primarily those in the manufacturing sector. The growth in 2011 for the export value of flat-rolled iron and steel products was primarily due to an increase in exports of these respective products to the three largest countries namely Indonesia, Singapore and Thailand.

7. INDUSTRY OVERVIEW (Cont'd)

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- On the other hand, import value of bars, rods, angles, shapes and sections (including sheet piling) of iron and steel recovered in 2010 while export value of these products remained fairly constant in 2010 and declined to RM1.1 billion in 2011. The decline in export value was primarily due to a drop in export to Vietnam from RM444.0 million in 2010 to RM172.6 million in 2011. The export value of bars, rods, angles, shapes and sections (including sheet piling) of iron and steel declined further to RM0.8 billion in 2012, primarily due to a decrease in demand from the five largest export countries for these respective products comprising Indonesia, Singapore, Thailand, Australia and Vietnam.
- Between 2008 and 2012, the quantity of imports of flat-rolled iron and steel products recorded a negative AAGR of 0.5% while imports of bars, rods, angles, shapes and sections (including sheet piling) of iron and steel grew at an AAGR of 10.7%. On the other hand, the quantity of exports of flat-rolled iron and steel products, and bars, rods, angles, shapes and sections (including sheet piling) of iron and steel registered negative AAGR of 16.4% and 12.5% respectively between 2008 and 2012.

5. DEMAND DEPENDENCIES

- The performance of the Rolled Steel Industry is mainly dependent on its major user industries. Some of the major user industries of rolled steel products include the following:
 - Automotive;
 - Construction;
 - Electrical and electronics;
 - Manufacturing.

5.1 Automotive Sector

Automotive Sector Indicators						AAGR 2008-12 (%)
	2008	2009	2010	2011	2012	
Number of Motor Vehicles Produced and Assembled (‘000 Units).....	530.8	489.3	567.7	533.5	569.6	1.8
Sales Value of the Manufacture of Motor Vehicles (RM billion).....	15.7	13.8	20.5	17.3	18.5	4.2

(Sources: Department of Statistics, Malaysian Automotive Association)

- Between 2008 and 2012, the number of motor vehicles produced and assembled, and sales value of the manufacture of motor vehicles grew at an AAGR of 1.8% and 4.2% respectively.

7. INDUSTRY OVERVIEW (Cont'd)

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- Generally, the automotive sector uses rolled flat products, therefore continuing growth in this industry sector will fuel demand for these types of steel products.

5.2 Construction Sector

Construction Sector Indicator

	2008	2009	2010	2011	2012	AAGR 2008-12 (%)
Nominal GDP (RM billion)	21.2	23.2	25.9	28.3	34.9	13.3

(Source: Bank Negara Malaysia)

- The nominal GDP of the construction sector amounted to RM34.9 billion in 2012 with an AAGR of 13.3% between 2008 and 2012.
- As the construction sector is one of the key user-industries for rolled long steel products, growth in this industry in Malaysia would continue to generate demand for these types of steel products.

5.3 Electrical and Electronics Sector

Imports and Exports of Electrical and Electronic Products

	2008	2009	2010	2011	2012	AAGR 2008-12 (%)
Import Value.....	189.6	159.3	189.4	178.1	175.0	-2.0
Export Value.....	255.4	227.8	249.9	237.3	231.2	-2.5

Note: All units in RM billion except percentages. (Sources: Department of Statistics, Ministry of International Trade and Industry)

- The electrical and electronics sector is Malaysia's largest export oriented sector. In 2012, imports and exports of electrical and electronic products amounted to RM175.0 billion and RM231.2 billion respectively.
- Between 2008 and 2012, the electrical and electronics sector recorded negative AAGR of 2.0% and 2.5% based on import and export values respectively. Generally, the electrical and electronics sector uses rolled flat products.

7. INDUSTRY OVERVIEW (Cont'd)

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5.4 Manufacturing Sector

Sales Value of the Manufacturing Sector

	2008	2009	2010	2011	2012	AAGR 2008-12 (%)
Sales Value (RM billion)	579.3	469.4	536.5	590.1	622.3	1.8

(Source: Department of Statistics)

- The manufacturing sector is large and this is supported by sales value of RM622.3 billion in 2012. This sector grew at an AAGR of 1.8% between 2008 and 2012.
- Some activities within the manufacturing sector have a direct impact on the Rolled Steel Industry. These activities, which involves the conversion of rolled steel products into secondary or finished steel products, include the following:

Sales Value of Selected Manufacturing Activities

	2008	2009	2010	2011	2012	AAGR 2008-12 (%)
Manufacture of Structural Metal Products	1.5	1.7	1.5	1.9	2.0	7.6
Manufacture of Tanks, Reservoirs and Containers of Metals.....	1.0	0.7	0.7	0.9	0.8	-6.6
Forging, Pressing, Stamping and Roll-Forming Metal via Powder Metallurgy Process.....	2.7	2.1	2.2	2.2	2.5	-1.5
Manufacture of Tin Cans and Metal Boxes	2.0	2.0	1.9	2.0	2.1	1.0
Manufacture of Wires, Wire Products and Metal Fasteners....	4.2	3.4	3.8	4.1	4.0	-1.1
Manufacture of Other Fabricated Metal Products, Not Elsewhere Classified*	1.0	1.1	1.1	1.4	2.0	19.5

Notes: All units in RM billion except percentages; * Includes, among others, safes, vaults, furnaces, stoves and metal sanitary ware. (Source: Department of Statistics)

- Generally, the manufacturing sector uses mostly flat-rolled steel products.

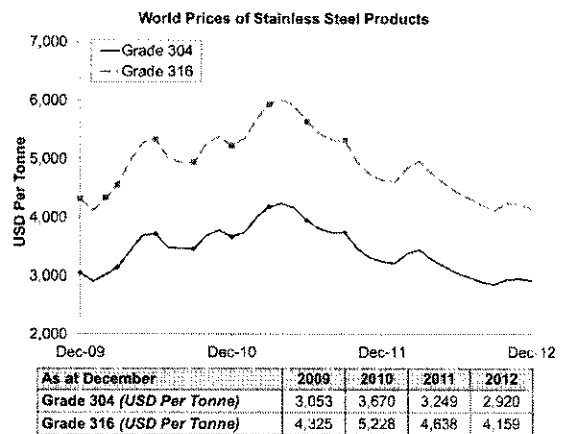
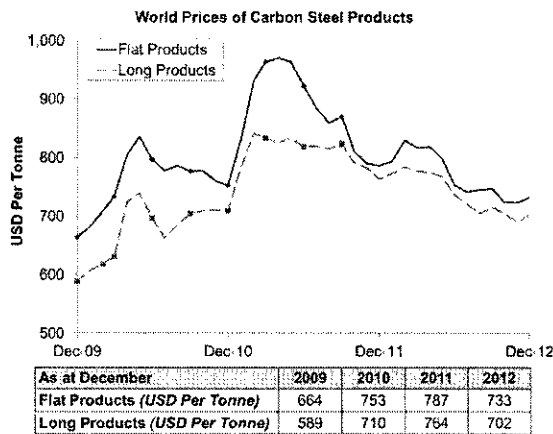
7. INDUSTRY OVERVIEW (Cont'd)

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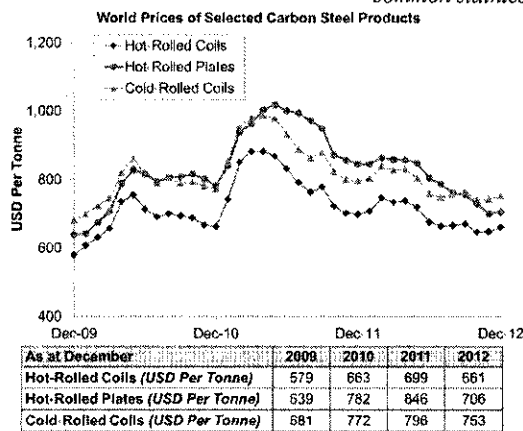
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5.5 Global Prices of Steel Products

- The global prices of steel products would affect the demand for rolled steel products, whereby a sustained high global price of steel products may result in lower demand for the said products including rolled steel products.

World Prices of Steel Products

Note: Grade 304 and Grade 316 are the most common stainless steel grades in the world.



(Source: Secondary Market Research undertaken by Vital Factor Consulting Sdn Bhd)

6. COMPETITIVE ANALYSIS

6.1 Nature of Competition in the Industry

- In general, operators in the Rolled Steel Industry in Malaysia face normal competitive conditions, which is similar to a free enterprise environment characterised by the following:
 - There are no undue Government regulations or licensing requirements;
 - The industry is not dominated by a single or small number of operators;
 - Operators may enter and leave the industry freely;
 - No single or small group of operators is large enough to dictate pricing

7. INDUSTRY OVERVIEW (Cont'd)

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- In such an environment, the industry is subjected to normal supply and demand conditions moderated by the price mechanism.

6.2 Factors of Competition

- As with most free enterprise environment, the factors that are used to compete and to differentiate one operator from another include the following:
 - Product and service quality;
 - Range of products;
 - Processing capabilities;
 - Economies of scale;
 - Track record and market reputation.

- **Product and Service Quality**

Product and service quality is an important factor of competition for operators in the Rolled Steel Industry. As steel products are major raw materials used in various key economic sectors including the automotive, manufacturing and construction sectors, the quality of the rolled steel products would have an impact on the quality of secondary and finished steel products used in a variety of products and applications.

- **Range of Products**

Operators that provide a wide range of steel products would have an advantage over other operators. An operator that provides options for steel products, in terms of types, shapes and sizes, is in a better position to attract and cater to the diverse customer preferences and requirements.

- **Processing Capabilities**

Processing of steel products requires various types of machinery. They include slitting, shearing, levelling, bending, profiling and polishing machinery. Each type of machinery also has various specifications to handle different specifications of rolled flat steel products. For example, operators will require larger and higher specification machinery to slit or shear wider width and thicker gauge rolled flat steel. Also, different specifications of polishing machinery are required to achieve different types of finishing including mirror, matte, brush and satin finish. Operators undertaking profiling will need to use appropriate machinery including computer numerical control oxy-gas, plasma or waterjet cutting machinery. As such, operators that have a wide range of machinery will be in a better position to meet the diverse needs of a larger base of customers to achieve higher processing sales.

- **Economies of Scale**

Operators involved in trading and/or processing of rolled steel products that have the capabilities to purchase these products in bulk would have stronger negotiation power to obtain better commercial terms from suppliers in terms of product costs, credit terms and other aspects. Operators would then be able to lower or maintain their selling prices to attract customers.

7. INDUSTRY OVERVIEW (Cont'd)

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- **Track Record and Market Reputation**

Track record and market reputation are important for operators in the Rolled Steel Industry. Customers that require assurance of product and service quality would normally select operators with an established market reputation and track record.

6.3 Operators in the Industry

- In 2012, there were approximately 30 manufacturers of rolled steel products. Some of the **manufacturers of rolled steel products** in Malaysia include the following (listed in alphabetical order):

- Amsteel Mills Sdn Bhd (part of Lion Industries Corporation Berhad);
- Antara Steel Mills Sdn Bhd (part of Lion Industries Corporation Berhad);
- Ann Joo Resources Berhad;
- Kinsteel Bhd;
- Malaysia Steel Works (KL) Bhd;
- Megasteel Sdn Bhd (part of Lion Corporation Berhad);
- Melewar Industrial Group Berhad;
- Southern Steel Berhad.

Note: This is not an exhaustive list.

(Source: Vital Factor Consulting Sdn Bhd)

- Some of the operators that are involved in **trading of rolled steel products** in Malaysia include the following (listed in alphabetical order):

- Amsteel Mills Sdn Bhd (part of Lion Industries Corporation Berhad);
- Ann Joo Resources Berhad;
- Ann Yak Siong Hardware Sdn Bhd (part of AYS Ventures Berhad);
- Aspac Alliance Steels Sdn Bhd;
- Edaran Maju-Muda Sdn Bhd;
- Lee Chuan Guan Steel Sdn Bhd;
- **Leon Fuat Group;**
- SMPC Corporation Bhd;
- Tashin Steel Sdn Bhd (part of Prestar Resources Berhad);
- WZ Steel Berhad;
- Yontai Hardware Sdn Bhd;
- Zinco Manufacturing Sdn Bhd.

Note: This is not an exhaustive list.

(Source: Vital Factor Consulting Sdn Bhd)

- In 2012, there were approximately 50 companies involved in steel processing. They include operators providing slitting, shearing and cutting services to external customers as well as sell products that they had slit, sheared or cut. However, there may be companies who undertake in-house slitting, shearing and cutting exclusively for their internal use. Such companies are not included in the above.

Some of the operators that provide **steel processing services**, including slitting, shearing or cutting, in Malaysia include the following (listed in alphabetical order):

- Ann Joo Resources Berhad;
- Bright Steel Service Centre Sdn Bhd (part of Lion Corporation Berhad);
- Choo Bee Metal Industries Berhad;

7. INDUSTRY OVERVIEW (Cont'd)



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- JFE Shoji Steel Malaysia Sdn Bhd;
- **Leon Fuat Group;**
- Murni Plus Industry Sdn Bhd;
- Nicom Steel Centre (Malaysia) Sdn Bhd;
- SMPC Corporation Bhd;
- Sumiputeh Steel Centre Sdn Bhd;
- Tashin Steel Sdn Bhd (part of Prestar Resources Berhad);
- Zinco Manufacturing Sdn Bhd.

Note: This is not an exhaustive list.

(Source: Vital Factor Consulting Sdn Bhd)

- In 2012, the total estimated revenue of the 50 companies involved in steel processing was approximately RM5.8 billion. However it must be noted that the estimated total revenue of these 50 companies included revenue generated from steel processing activities as well as other business activities.
- Based on Leon Fuat Group's revenue of RM274 million for processing of steel products for FYE 31 December 2012, the Group represented approximately 5% of the total estimated revenue of the 50 companies involved in steel processing.

7. GOVERNMENT REGULATIONS AND INCENTIVES

7.1 Government Legislations and Policies

- Some of the regulations and policies applicable to the Rolled Steel Industry are listed below:

7.1.1 Manufacturing Licence

- Application of a manufacturing licence under the Industrial Coordination Act 1975 is mandatory for companies with shareholders' funds of RM2.5 million or more, or engaging 75 or more full-time paid employees.
- According to the Malaysian Investment Development Authority, the provision of steel processing services requires a manufacturing licence as these services are classified as metal fabrication activities which fall under the wider umbrella of manufacturing activities.

(Source: Malaysian Investment Development Authority)

7.1.2 Import Licence

- Operators that wish to import certain iron and steel products are required to obtain an import licence (also known as approved permit) from the Ministry of International Trade and Industry.

7. INDUSTRY OVERVIEW (Cont'd)



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- Some of the iron and steel products that require import licences are as follows:
 - Flat-rolled iron or non-alloy steel products – hot-rolled, not clad, plated or coated – of a width of 600 mm or more;
 - Flat-rolled iron or non-alloy steel products – cold-rolled (cold-reduced), not clad, plated or coated – of a width of 600 mm or more;
 - Flat-rolled iron or non-alloy steel products – clad, plated or coated – of a width of 600 mm or more;
 - Flat-rolled iron or non-alloy steel products – not clad, plated or coated – of a width of less than 600 mm;
 - Seamless iron (other than cast iron) or steel tubes, pipes and hollow profiles.

(Source: Ministry of International Trade and Industry)

7.1.3 Import Duty

- Generally, most rolled steel products are subjected to import duty requirements.
- On 1st August 2009, the Government introduced regulatory changes to the iron and steel industry by implementing the following measures:
 - Import duty reduction for flat steel products from 50% to 25%. This will be further reduced to a range between 0% and 10% by 2018;
 - Import duty exemption for flat steel products that meet the following criteria:
 - used as raw materials for the production of finished goods for the export market;
 - are products for which grades and specifications are not produced locally;
 - used as raw materials for non-dutiable finished goods.
- In view of the above measures, the import duty on flat steel products of iron and non-alloy steel has been reduced to a range between 10% and 20% as at 31 January 2013.
- The Ministry of International Trade and Industry has announced that starting from 1 February 2013, 18 grades of hot-rolled steel coils are no longer eligible for import duty exemptions with some exceptions such as raw materials used for the production of finished goods for the export market and non-dutiable finished goods. These 18 grades of hot-rolled steel coils are available through local production. This is part of the Malaysian Government's intention to enforce mandatory standards of hot-rolled steel coils to prevent below-par products from entering the market and prevent unfair trade practices.

(Sources: Ministry of International Trade and Industry, Royal Malaysian Customs Department)

7. INDUSTRY OVERVIEW (Cont'd)



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7.1.4 Scheduled Controlled Goods

- Under the Control of Supplies Regulations 1974, operators involved in the wholesale of mild steel round bars, which are categorised as scheduled controlled goods, are required to obtain a wholesale licence.

(Source: Ministry of Domestic Trade, Co-operatives and Consumerism)

7.2 Government Incentives

7.2.1 Import Duty and/or Sales Tax Exemption on Machinery, Equipment, Spare Parts and Consumables

- A company that has a manufacturing licence may submit an application for an exemption from import duty and/or sales tax on machinery, equipment, spare parts and consumables to the Malaysian Investment Development Authority (MIDA) under the following conditions:
 - Machinery, equipment, spare parts and consumables which are not produced locally, and are imported directly by manufacturing and agricultural sectors;
 - Machinery, equipment, spare parts and consumables which are purchased from local manufacturers.

(Source: Malaysian Investment Development Authority)

7.3 Environmental Regulations

- Operators that are involved in processing steel products commonly generate waste in the form of steel scrap. This does not result in any environmental impact as steel scrap may be collected and sold to scrap dealers for recycling.

8. BARRIERS TO ENTRY

- As Leon Fuat Group's principal business activities are in trading and processing of rolled long and flat steel products, this section focuses on the barriers to entry for trading and processing of steel products.

8.1 Capital and Set-up Costs

- The barriers to entry for new entrants that wish to undertake trading and processing of steel products based on capital requirements (excluding land and building) are low to moderate.
- The capital cost of setting-up a small-scale establishment in the trading and processing of steel products would be approximately RM5 million (excluding land and building). This would include:
 - 1 shearing machine;
 - 1 slitting machine;
 - 1 bandsaw machine;
 - 2 - 3 forklift.

7. INDUSTRY OVERVIEW (Cont'd)



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However, this does not include the cost of purchasing stocks and providing credit terms to customers. Purchases of stocks and the provision of credit terms may be up to RM10 million for a small operation.

- An establishment of this size is estimated to generate approximately RM20 million per year in revenue.
- However, small establishments may face difficulties in competing against larger establishments that are equipped to supply a range of steel products including various types, shapes and sizes, and also benefit from economies of scale.
- As a result, a much higher capital and set-up costs would be required to enable higher sales to be obtained, and for the establishment to be able to benefit from economies of scale.

8.2 Technical Expertise

- The need for technical expertise creates a low to moderate barrier to entry for new entrants particularly in the provision of steel processing services. Operators who are involved in the provision of steel processing services require some technical skills, knowledge and experience in the following areas:
 - Product shape, size and thickness;
 - Setting the technical specifications;
 - Calibrating the steel processing equipment to achieve maximum production efficiency;
 - Maintenance of the equipment.
- As such, technical expertise required for processing of steel products would pose some barriers to entry for new entrants.

8.3 Track Record and Market Reputation

- An established track record and market reputation creates a moderate barrier to entry for new entrants who wish to enter the Rolled Steel Industry. Operators with a proven track record and market reputation would have an advantage over new entrants as these factors provide an indication of the former's ability to provide quality products and services.

9. THREAT OF SUBSTITUTES

- There are alternative materials that can be used as substitutes for steel, including non-ferrous metals such as aluminium and titanium, and non-metals such as plastic and wood.
- However, based on current technology, steel would continue to dominate as the material of choice for most of its current applications. This is mainly substantiated by the following reasons:

7. INDUSTRY OVERVIEW (Cont'd)

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- Steel has been used for a very long time and its properties and applications are well understood, tested and proven;
 - The properties of steel include wear resistance and high mechanical strength;
 - Steel can be recycled and reused;
 - Some of the alternative materials have not been fully tested and understood, and there may be some reluctance on the part of operators to try them out;
 - While some alternative materials could perform better than steel, in most cases their costs may be higher.
- As such, while threats of substitute exist for some applications, generally the threat is low as each type of material has its own special properties, applications and advantages.

10. RELIANCE AND VULNERABILITY TO IMPORTS

- The main materials required by operators that are involved in trading and/or processing rolled and secondary steel products are rolled steel products. Rolled steel product refers to primary steel products that have undergone hot-rolling and/or cold-rolling processes. Examples of rolled steel products include hot-rolled and cold-rolled flat and long products such as coils, plates, sheets/strips, bars, rounds, sections and wire rods.
- In Malaysia, Megasteel Sdn Bhd (Megasteel), which is part of Lion Corporation Berhad, is the country's sole producer of hot-rolled steel coils. Hot-rolled steel coil refers to a coil of steel that has passed through a pair of rollers to reduce its thickness at high temperatures above its recrystallisation temperature. Megasteel does not produce an exhaustive range of hot-rolled coils. Hence, local operators are reliant on imports of hot-rolled coils for grades and specifications that are not produced locally.
- In addition, Megasteel may not be able to meet all the demands for hot-rolled coils and subsequent downstream products derived from hot-rolled coils like cold-rolled coils, plates and sheets. This is substantiated by the fact that in 2012, approximately 3 million tonnes of flat-rolled steel products, which include hot and cold-rolled coils, plates and sheets, were imported. In 2012, Japan was the largest source of imports of flat-rolled steel products based on quantity, representing approximately 26% of Malaysia's total imports of flat-rolled steel products. This was followed by Taiwan, South Korea and China, which accounted for approximately 22%, 19% and 17% respectively (*Source: Department of Statistics*). Thus, local operators are reliant on imports to supplement local production, which amounted to approximately 2 million tonnes in Malaysia in 2012.
- As for rolled long steel products, there are a number of producers in Malaysia such as Amsteel Mills Sdn Bhd and Antara Steel Mills Sdn Bhd (both are part of Lion Industries Corporation Berhad), Kinsteel Bhd and Malaysia Steel Works (KL) Bhd. Hence, local operators are not over-reliant on imports of rolled long steel products. This is substantiated by the fact that local production of long steel products, which include bars and rods, amounted to 2.7 million tonnes while imports amounted to 1.4 million tonnes in 2012. (*Source: Department of Statistics*)

7. INDUSTRY OVERVIEW (Cont'd)

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11. INDUSTRY PROSPECTS AND OUTLOOK

- The outlook of the Rolled Steel Industry is dependent on the following factors:
 - Performance of the Rolled Steel Industry;
 - Performance of main user industries;
 - Economic conditions;
 - Global prices of steel products;
 - Government initiatives.

11.1 Performance of the Rolled Steel Industry

- The performance of the Rolled Steel Industry in recent years was as follows:

Local Production of Rolled Steel Products

	AAGR 2007-11 (%)
Local Production of Hot-Rolled Long Steel Products	0.5
Local Production of Hot-Rolled Flat Steel Products.....	-10.2

*(Source: Secondary Market Research undertaken by Vital Factor Consulting Sdn Bhd)***Imports and Exports of Rolled Steel Products**

	AAGR 2008-12 (%)
Imports of Bars, Rods, Angles, Shapes and Sections.....	6.9
Imports of Flat-Rolled Iron and Steel Products	-3.4
Exports of Bars, Rods, Angles, Shapes and Sections.....	-18.5
Exports of Flat-Rolled Iron and Steel Products	-13.2

(Source: Department of Statistics)

- Over the years, Malaysia had experienced a decline in production of hot-rolled flat steel products, which may have affected exports of related products.

11.2 Performance of Main User Industries

- The outlook of the Rolled Steel Industry is dependent on the performance of its main user industries. Growth in the performance of the main user industries will also have a direct and positive flow-on effect to the Rolled Steel Industry.
- The performance of the main user industries in recent years was as follows:

AAGR of Main User Industries

	AAGR 2008-12 (%)
Automotive*	4.2
Construction.....	13.3
Manufacturing.....	1.8
Imports of E&E Products.....	-2.0

7. INDUSTRY OVERVIEW (Cont'd)

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	AAGR 2008-12 (%)
Exports of E&E Products.....	-2.5

Notes: * Based on sales value; E&E = Electrical and Electronic.
(Sources: Bank Negara Malaysia, Department of Statistics, Ministry of International Trade and Industry)

11.3 Economic Conditions

- A growing economy provides the impetus for private and public spending, which will have a positive flow-on effect on the Rolled Steel Industry.
 - Between 2008 and 2012, real GDP of the Malaysian economy grew by an AAGR of 4.0%;
 - In 2012, the Malaysian economy registered a real GDP growth of 5.6%;
 - As for 2013, real GDP for Malaysia is forecasted to grow between 5.0% and 6.0%.

*(Source: Bank Negara Malaysia)***11.4 Global Prices of Steel Products**

- The global prices of selected steel products in recent years were as follows:
 - The global price of flat carbon steel products increased from USD 664 per tonne in December 2009 to USD 733 per tonne in December 2012, thereby increasing at an AAGR of 3.4%;
 - The global price of long carbon steel products increased from USD 589 per tonne in December 2009 to USD 702 per tonne in December 2012, thereby increasing at an AAGR of 6.0%;
 - The global price of stainless steel products (Grade 304) declined from USD 3,053 per tonne in December 2009 to USD 2,920 per tonne in December 2012, thereby registering a negative AAGR of 1.5%;
 - The global price of stainless steel products (Grade 316) declined from USD 4,325 per tonne in December 2009 to USD 4,159 per tonne in December 2012, thereby registering a negative AAGR of 1.3%.

(Source: Secondary Market Research undertaken by Vital Factor Consulting Sdn Bhd)

7. INDUSTRY OVERVIEW (Cont'd)

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- Fluctuations in global prices of steel products would affect the demand for rolled steel products whereby an increase in global prices of steel products may lead to a decline in demand for the said products in general including rolled steel products. A sustained increase in global steel prices may in turn affect operators who are involved in manufacturing, trading and processing of carbon steel and stainless steel.

11.5 Government Initiatives

- Various initiatives undertaken by the Government would benefit operators within the Rolled Steel Industry either directly or indirectly resulting from growth opportunities provided to the user industries.
- Some of the initiatives introduced by the Government include the following:
 - On-going development of the five regional economic corridors – Iskandar Malaysia, Northern Corridor Economic Region, East Coast Economic Region, Sabah Development Corridor and Sarawak Corridor – signals a potential growth in the economy and property market, which would create demand for construction materials including rolled steel products, in these regions.
 - Under the 10th Malaysia Plan, a number of development projects have been identified to be carried out during 2011 to 2015. Some of the development projects presented under the 10th Malaysia Plan include the following:
 - . Construction of an integrated transport terminal (ITT) in Gombak, Selangor;
 - . Development of five Universiti Teknologi MARA (UiTM) branch campuses;
 - . A total of 78,000 units of new affordable public housing units would be constructed by the Government;
 - . Implementation of a mass rapid transit (MRT) system in Kuala Lumpur.
 - In the 2013 Budget, various initiatives have been identified. Some of these initiatives include the following:
 - . RM1 billion is to be added to the Special Fund for the Building, Improvement and Maintenance of Schools project, which is in addition to the RM1 billion allocated for this project in the 2012 Budget;
 - . Allocation of RM1.9 billion for the construction of 123,000 units of affordable houses;
 - . RM100 million is allocated to the Ministry of Housing and Local Government for the rehabilitation of 30 abandoned housing projects.

7. INDUSTRY OVERVIEW (Cont'd)

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- Some of the plans that have been earmarked under the Economic Transformation Programme (ETP), which is a progressive framework identifying various economic sectors and strategies in transforming Malaysia into a high-income and developed nation by 2020, include the following:
 - The Greater Kuala Lumpur/Klang Valley (KL/KV) development plan which contains various projects that are aimed at, among others, attracting multinational corporations (MNC), revitalising certain locations to enhance attractiveness for residential and commercial purposes, and improving public transportation network systems;
 - Under the electrical and electronics banner, some of the aims include growing automation equipment manufacturing, building electricity transmission and distribution companies, and building an electrical home appliance manufacturing hub.

(Sources: 10th Malaysia Plan, 2013 Budget, Economic Transformation Programme, Valuation and Property Services Department)

- These initiatives would provide growth opportunities for user industries such as the electrical and electronics, manufacturing, construction and infrastructure sectors, which would have a positive flow-on effect to the Rolled Steel Industry.

12. THREATS AND RISK ANALYSIS**12.1 Global Economy Slowdown**

- Any prolonged and/or widespread economic slowdown would affect consumer and business confidence and spending. The increasing uncertainty over the global and local economies would further reduce the level of investment in the private sector. This slowdown would ultimately affect the demand for rolled steel products.

Mitigating Factors

- Various initiatives introduced by the Government such as the 10th Malaysia Plan and ETP will continue to provide opportunities for the Rolled Steel Industry, particularly for operators that service users operating in the National Key Economic Areas (NKEA) sectors such as the electrical and electronic sector.
- These initiatives are expected to generate domestic business activities and domestic consumption, which will in turn help counter the slowdown in the local economy.

12.2 Fluctuations in Prices of Steel Products

- As steel materials including rolled flat and long steel products, are commodities, the prices of these materials are subject to global market price fluctuations.

7. INDUSTRY OVERVIEW (Cont'd)

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- Short-term fluctuating prices create significant problems as operators cannot effectively plan and manage their stocks and product pricing. This is especially problematic when the actual purchase price of raw materials differs from the estimated price when costing processed products.
- In addition, the following conditions would also have a negative impact on the Rolled Steel Industry:
 - Increases in the price of steel materials are not easily passed onto customers. Operators may not be competitive if their prices are set too high, or may obtain a low profit margin if their prices are set too low;
 - A prolonged decrease in the price of these materials may have a negative effect on operators by eroding the value of their stocks.

Mitigating Factors

- Operators that are in a strong financial position may be able to purchase and maintain stocks of key materials to create a cushion against price fluctuations.
- As these materials are commodities, therefore subjected to world prices, all operators that use these materials are equally affected.

12.3 Slowdown in the Manufacturing and Construction Sectors

- The manufacturing sector is a key user industry of flat steel products, while the construction sector is a key user industry of long steel products. Hence, any downturn in these sectors will have a negative impact on the overall Rolled Steel Industry.

Mitigating Factors

- Companies that supply both flat and long steel products would be in a better position to mitigate the slowdown in any one of these sectors compared to companies that primarily provide either flat or long steel products.
- In addition, both the manufacturing and construction sectors are very large. In 2012, GDP of the manufacturing sector amounted to RM227.5 billion while GDP of the construction sector amounted to RM34.9 billion (*Source: Bank Negara Malaysia*). As such, the large size of each sector would provide some cushioning effect to operators during a slowdown.

12.4 Regulatory Changes to the Steel Industry

- Regulatory changes to the overall Steel Industry such as the possible imposition of the following trade restrictions may have an impact on the Rolled Steel Industry:
 - Steel products that are currently exempted from import and export duties may have duties imposed on them. Some of the steel products that are currently exempted from import and export duties include the following:

7. INDUSTRY OVERVIEW (Cont'd)

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- Flat steel products used as raw materials for the production of finished goods for the export market;
- Flat steel products for which grades and specifications are not produced locally;
- Flat steel products used as raw materials for non-dutiable finished goods;
- All rolled steel products are exempted from export duty requirements.
- Steel products that are currently subjected to duties, may have additional duties imposed.
- The imposition of such restrictions on rolled steel products will have a negative impact on operators within the industry. This is because local operators may have to import affected steel products at higher prices.

Mitigating Factors

- The Malaysian government had announced in January 2013 the removal of import duty exemptions on 18 grades of hot-rolled steel coils except for those used as raw materials in the production of finished goods for the export market and non-dutiable finished goods starting from 1 February 2013. Operators, particularly manufacturers that have previously enjoyed the import duty exemption for the 18 respective grades of hot-rolled steel coils would be affected by the removal of these import duty exemptions. However, this policy is less likely to impact on operators who are in the trading of rolled steel products as they were not entitled to previous import duty exemptions on these 18 grades of steel.

12.5 Foreign Exchange Risks

- Fluctuations in foreign exchange rates will have an impact on the prices of steel products in overseas markets. This may impact on the profitability of operators within the Rolled Steel Industry.
- An unfavourable foreign exchange movement against the Ringgit would either reduce demand, as prices would need to be increased, or cause operators to suffer a drop in profits if they decide to absorb the price increases.

Mitigating Factors

- The exchange rate of the Ringgit currently operates on a managed float following the removal of the exchange rate peg to the US Dollar on 21 July 2005. Bank Negara Malaysia monitors the value of the Ringgit relative to a trade-weighted index of Malaysia's major trading partners. Promoting stability of the exchange rate remains a primary policy objective. *(Source: Bank Negara Malaysia)*
- Bank Negara Malaysia's primary policy objective of promoting the stability of the exchange rate will provide some mitigation against foreign currency risk.

7. INDUSTRY OVERVIEW (Cont'd)

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- An operator that earns revenue denominated in a foreign currency may mitigate against foreign exchange risk by using its foreign currency earnings to pay for purchases denominated in the same foreign currency. This could provide some form of natural hedging against foreign exchange fluctuations.

12.6 Competition from Local and Foreign Operators

- There are various types of operators in the Rolled Steel Industry in Malaysia, including operators involved in manufacturing, trading and processing of rolled steel products. As manufacturing, trading and processing commonly involve the use and supply of similar types of materials, these operators would to a certain extent compete with one another for the same groups of customers.
- Operators of rolled steel products may also compete with foreign operators through imports:
 - In 2012, Japan was the largest source of imports of flat-rolled steel products based on quantity, representing approximately 26% of Malaysia's total imports of flat-rolled steel products. This was followed by Taiwan, South Korea and China, which accounted for approximately 22%, 19% and 17% respectively.
 - As for rolled long steel products, China was the largest source of imports based on quantity, representing approximately 47% of Malaysia's total imports of rolled long steel products in 2012. This was followed by South Korea, which accounted for approximately 20%, while Japan and Thailand accounted for approximately 9% each.
- In 2010, there were 629 manufacturers of basic iron and steel products in Malaysia (*Source: Department of Statistics*). The total number of operators would increase considerably if traders and processors were to be included.

Manufacturers of basic iron and steel products mainly produce primary, rolled and secondary products, while processors mainly undertake value-added services such as slitting, shearing, cutting, bending, levelling, profiling, polishing, galvanising, tin-plating, pre-painting and coating.

- The large number of operators would increase competition within the industry, which may erode margins.

Mitigating Factor

- As the Rolled Steel Industry in Malaysia, with an estimated market size of RM40 billion in 2011 based on apparent consumption, services a large base of user industries, there are sufficient business opportunities and demand to sustain a fairly large number of operators in the industry.

7. INDUSTRY OVERVIEW (Cont'd)

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13. DRIVERS OF GROWTH

- Some of the drivers of growth for the Rolled Steel Industry are as follows:
 - **Socio-economic growth** such as GDP growth will drive business and development activities such as construction and manufacturing, which will in turn increase demand for rolled steel products.
 - **Government initiatives** as reflected in the 10th Malaysia Plan and ETP will continue to provide growth opportunities for operators within the Rolled Steel Industry via the implementation of various development plans that would benefit the user industries, such as the construction and manufacturing sectors.
 - **Liberalisation of the overall Steel Industry** will encourage operators to enhance their competitiveness. Liberalisation encourages not only improvements in product and service quality, but also encourages operators to address international markets.
 - **Growth of user industries** represented by increased business activities for operators in industries such as construction and manufacturing. This will provide the impetus for growth in the Rolled Steel Industry.

14. CRITICAL SUCCESS FACTORS

- **Continuous supply of materials:** The continuous supply of steel products is critical for operators that are involved in trading and processing of steel products to ensure uninterrupted supply.
- **Range of products:** Operators that are able to supply a range of steel products in terms of types, shapes and sizes are in a better position to cater to diverse customer requirements.
- **Quality of products and services:** To ensure business sustainability, operators must be able to continually meet and deliver quality products and services to their customers. Operators that have obtained formal quality accreditations are able to provide proof of product or service quality, which would provide assurance to their customers.
- **Track record and market reputation:** Operators with an established track record and market reputation would be in a better position to win the confidence and trust of potential customers and, at the same time, create customer loyalty to sustain and grow their business.

7. INDUSTRY OVERVIEW (Cont'd)



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15. MARKET SIZE AND SHARE

15.1 Market Size

- In 2011, market size of the Rolled Steel Industry in Malaysia based on apparent consumption was estimated at **RM40 billion**. (Source: *Vital Factor Consulting Sdn Bhd*)

Note: Apparent consumption is calculated based on production plus imports less exports.

15.2 Market Share

- In 2011, Leon Fuat Group had a market share of approximately **1%** of the Rolled Steel Industry based on the Group's revenue from trading and processing of rolled steel products.

We, Vital Factor Consulting Sdn Bhd, have prepared this report in an independent and objective manner and have taken all reasonable consideration and care to ensure the accuracy and completeness of the report. It is our opinion that the report represents a true and fair assessment of the industry within the limitations of, among others, secondary statistics and information, and primary market research. Our assessment is for the overall industry and may not necessarily reflect the individual performance of any company. We do not take any responsibilities for the decisions or actions of readers of this document. This report should not be taken as a recommendation to buy or not to buy the shares of any company.

Yours sincerely



Wooi Tan
Managing Director

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

8.1 PROMOTERS AND SUBSTANTIAL SHAREHOLDERS

8.1.1 Shareholdings

The shareholdings of our Promoters and/or substantial shareholders in our Company before and after our IPO are as follows:

Name	Before IPO				After IPO			
	Direct No. of Shares held	>	Indirect No. of Shares held	% held	Direct No. of Shares held	>	Indirect No. of Shares held	% held
Promoters and Substantial Shareholders								
LF Holdings	250,690,000	100.00	-	-	219,690,000	70.87	-	-
Ooi Bin Keong	-	-	250,690,000 ⁽¹⁾	100.00	200,000 [^]	0.06	219,690,000 ⁽¹⁾	70.87
Ooi Kong Tiong	-	-	250,690,000 ⁽¹⁾	100.00	200,000 [^]	0.06	219,690,000 ⁽¹⁾	70.87
Ng Kok Teong	-	-	250,690,000 ⁽²⁾	100.00	200,000 [^]	0.06	219,690,000 ⁽²⁾	70.87
Ng Kok Wee	-	-	250,690,000 ⁽²⁾	100.00	200,000 [^]	0.06	219,690,000 ⁽²⁾	70.87
NCT	-	-	250,690,000 ⁽¹⁾	100.00	-	-	219,690,000 ⁽¹⁾	70.87
Promoters								
Ooi Seng Khong	-	-	-	-	200,000 [^]	0.06	-	-
Ng Lam Keong	-	-	-	-	200,000 [^]	0.06	-	-
Ooi Pek Kuan	-	-	-	-	200,000 [^]	0.06	-	-
Ooi Shang How	-	-	-	-	200,000 [^]	0.06	-	-
Substantial Shareholders								
Ong Mung Hsia	-	-	250,690,000 ⁽²⁾	100.00	-	-	219,690,000 ⁽²⁾	70.87
Ng Bee Fong	-	-	250,690,000 ⁽²⁾	100.00	-	-	219,690,000 ⁽²⁾	70.87

Notes:

(1) Deemed interest by virtue of his interest in LF Holdings pursuant to Section 6A of the Act.

(2) Deemed interest by virtue of his/her interest in NCT, a substantial shareholder of LF Holdings, pursuant to Section 6A of the Act.

[^] Assuming full subscription of the Pink Form allocation.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

8.1.2 Profile of Promoters and Substantial Shareholders

The profiles of Ooi Bin Keong, Ooi Kong Tiong, Ooi Seng Khong, Ooi Shang How and Ng Kok Teong are set out in Section 8.2.1 of this Prospectus whilst the profile of Ng Kok Wee, Ng Lam Keong and Ooi Pek Kuan is set out in Section 8.4.1 of this Prospectus.

LF Holdings

Promoter and substantial shareholder

LF Holdings was incorporated in Malaysia under the Act on 11 October 1985. As at LPD, its authorised share capital is RM10,000,000 divided into 10,000,000 ordinary shares of RM1.00 each, of which 10,000,000 ordinary shares of RM1.00 have been issued and fully-paid up.

The principal activity of LF Holdings is investment holding.

The Directors and substantial shareholders of LF Holdings and their respective shareholdings in LF Holdings as at LPD are as follows:

Name	< ----- Direct ----- >		< ----- Indirect ----- >	
	No. of shares held	% held	No. of shares held	% held
Directors				
Ooi Bin Keong	2,500,000	25.00	-	-
Ooi Kong Tiong	1,800,000	18.00	-	-
Ng Kok Wee	-	-	2,300,000 ⁽¹⁾	23.00
Substantial Shareholders				
Ooi Bin Keong	2,500,000	25.00	-	-
Ooi Kong Tiong	1,800,000	18.00	-	-
Ooi Seng Khong	600,000	6.00	-	-
Ng Kok Teong	1,000,000	10.00	2,300,000 ⁽¹⁾	23.00
Ng Lam Keong	600,000	6.00	-	-
Ooi Pek Kuan	600,000	6.00	-	-
Ooi Shang How	600,000	6.00	-	-
NCT	2,300,000	23.00	-	-

Note:

⁽¹⁾ Deemed interest by virtue of his interest in NCT, a substantial shareholder of LF Holdings, pursuant to Section 6A of the Act.

NCT

Promoter and substantial shareholder

NCT was incorporated in Malaysia under the Act on 17 February 2010. As at LPD, its authorised share capital is RM100,000 divided into 100,000 ordinary shares of RM1.00 each, of which 100 ordinary shares of RM1.00 have been issued and fully-paid up.

The principal activity of NCT is investment holding.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

The Directors and substantial shareholders of NCT and their respective shareholdings in NCT as at LPD are as follows:

Name	< ----- Direct ----- >		< ----- Indirect ----- >	
	No. of shares held	% held	No. of shares held	% held
Directors				
Ong Mung Hsia	35	35.00	-	-
Ng Bee Fong	15	15.00	-	-
Ng Kok Teong	25	25.00	-	-
Ng Kok Wee	25	25.00	-	-
Substantial Shareholders				
Ong Mung Hsia	35	35.00	-	-
Ng Bee Fong	15	15.00	-	-
Ng Kok Teong	25	25.00	-	-
Ng Kok Wee	25	25.00	-	-

Ong Mung Hsia, Malaysian, aged 66
Substantial Shareholder

Ong Mung Hsia is our substantial shareholder. Upon completion of her primary education in 1959, she worked as an assistant in a tailoring shop in 1960. In 1968, she left her job and became a housewife. In 1972, she started a coffee shop business. In 1979, she closed down her coffee shop business and has since settled down as a housewife.

Ng Bee Fong, Malaysian, aged 45
Substantial Shareholder

Ng Bee Fong is our substantial shareholder. Upon completion of her secondary education in 1986, she undertook studies for professional accounting exams. In 1990, she began her career as a sales coordinator in LF Klang. In 2010, she left LF Klang and has since settled down as a housewife.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.1.3 Changes in Promoters and/or Substantial Shareholders' Shareholdings since Incorporation

Save as disclosed below, there has been no change in the shareholdings of our Promoters and/or substantial shareholders in our Company since incorporation up to the date of this Prospectus:

Name	Date of Acquisition/ Disposal	<----- Direct ----->		<----- Indirect ----->	
		No. of Shares Acquired/ (Disposed)	Cumulative No. of Shares	No. of Shares Acquired/ (Disposed)	Cumulative No. of Shares
<u>Promoters and Substantial Shareholders</u>					
LF Holdings	02.01.2013	250,689,994	250,689,994	-	-
	02.01.2013	6	250,690,000	-	-
Ooi Bin Keong	02.12.2009	2	2	-	-
	25.05.2012	(2)	-	-	-
	02.01.2013	-	-	250,689,994 ⁽¹⁾	250,689,994
	02.01.2013	-	-	6 ⁽¹⁾	250,690,000
Ooi Kong Tiong	02.12.2009	2	2	-	-
	25.05.2012	(2)	-	-	-
	02.01.2013	-	-	250,689,994 ⁽¹⁾	250,689,994
	02.01.2013	-	-	6 ⁽¹⁾	250,690,000
Ng Kok Teong	17.06.2010	2	2	-	-
	25.05.2012	(2)	-	-	-
	02.01.2013	-	-	250,689,994 ⁽²⁾	250,689,994
	02.01.2013	-	-	6 ⁽²⁾	250,690,000
NCT	02.01.2013	-	-	250,689,994 ⁽¹⁾	250,689,994
	02.01.2013	-	-	6 ⁽¹⁾	250,690,000
Ong Mung Hsia	02.01.2013	-	-	250,689,994 ⁽²⁾	250,689,994
	02.01.2013	-	-	6 ⁽²⁾	250,690,000
Ng Bee Fong	02.01.2013	-	-	250,689,994 ⁽²⁾	250,689,994
	02.01.2013	-	-	6 ⁽²⁾	250,690,000
Ng Kok Wee	02.01.2013	-	-	250,689,994 ⁽²⁾	250,689,994
	02.01.2013	-	-	6 ⁽²⁾	250,690,000

Notes:

- (1) Deemed interest by virtue of his interest in LF Holdings pursuant to Section 6A of the Act.
- (2) Deemed interest by virtue of his/her interest in NCT, a substantial shareholder of LF Holdings, pursuant to Section 6A of the Act.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

8.2 BOARD OF DIRECTORS

8.2.1 Profile

Dato' Ng Ah Hock @ Ng Soon Por, Malaysian, aged 63
Independent Non-Executive Chairman

Dato' Ng Ah Hock @ Ng Soon Por is our Independent Non-Executive Chairman. He was appointed to our Board on 6 November 2012. He graduated from Tunku Abdul Rahman College in 1974 with the accountancy qualification ACCA awarded by the Association of Chartered and Certified Accountants of United Kingdom. He is a member of Malaysia Institute of Accountants, a Fellow Member of the Association of Chartered and Certified Accountants of United Kingdom, and also a member of the Malaysia Institute of Chartered Secretaries & Administrators.

He began his career in 1974 when he joined the audit firm Turquand, Youngs & Co./Azman, Wong, Salleh & Co. as an Auditor. In 1977, he left the audit firm and joined Spicers International Ltd, as a Finance Manager.

In 1982, he left Spicers International Ltd when he was elected as Selangor State Legislative Assemblyman for Sungei Pelek constituency, and held the position until 1995. During his tenure as an assemblyman, he was also a Selangor Executive Councillor from 1990 to 1995. Subsequently in 1995, he joined Paper Converting Industries Sdn Bhd as a Finance Director until 2005. He was also a member of the Selangor Public Service Commission from 2002 to 2007. From 2008 to date, he is involved in managing his own personal investment in commercial properties.

He was appointed as the Independent Non-Executive Director of XingQuan International Sports Holdings Limited in 2009 and subsequently resigned in 2011. Currently, he is an Independent Non-Executive Director of Turbo-Mech Berhad.

As our Independent Non-Executive Chairman, his roles include the following:

- 1) Providing leadership to and overseeing the functioning of the Board;
- 2) Monitor the company's strategies and policies;
- 3) Chair Board meetings and general meetings of shareholders;
- 4) In consultation with our Group Managing Director to set the Board agenda, taking into account operational issues and concerns of all the Board members;
- 5) Ensure all Independent Directors have an opportunity to provide input to the Board and encourage all Directors to participate in Board meetings;
- 6) Ensure effective communication with our shareholders and other stakeholders;
- 7) Ensure the provision of accurate, timely and clear information to all Directors to facilitate decision making; and
- 8) Coordinating and liaising with the company secretary on Board meetings and Board Committee meetings and/or matters.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

Ooi Bin Keong, Malaysian, aged 63
Group Managing Director

Ooi Bin Keong is our Group Managing Director. He was appointed to our Board on 21 June 2012. He currently oversees the overall management of our Group.

After completing his primary education in 1963, he worked at a coffee shop before he established Leong Huat Trading & Co in 1972 as a partnership, which was then mainly involved in the trading of steel products and undertook minor processing work. In 1982, he co-founded our Group together with Ooi Kong Tiong and the late Ng Chee Tiang, by establishing LF Hardware to take over the business of Leong Huat Trading & Co. They then established LF Klang, Supreme Steelmakers and ASA Steel in 1983, 1991 and 1995 respectively. As our co-founder and Group Managing Director, he has been instrumental in our growth and development. With approximately 40 years of experience in the steel industry, he has contributed significantly to our success particularly in driving our overall vision.

He is the 2nd Vice President of the Malaysia Steel and Metal Distributors' Association (MSMDA) for the period 2011-2013.

Ooi Seng Khong, Malaysian, aged 51
Executive Director

Ooi Seng Khong is our Executive Director. He was appointed to our Board on 21 June 2012. He is currently responsible for our Group's business development and procurement.

After completing his primary school education in 1975, he was involved in his family's paper packaging business before joining Leong Huat Trading & Co as a machine operator in 1979. In 1982, he joined LF Hardware as a sales personnel and subsequently in 1983, he was appointed as Head of Operations of LF Klang. In 1999, he was appointed as Managing Director of LF Klang. As our Executive Director, he has been instrumental in the growth and development of our Group. With approximately 33 years of experience in the steel industry, he has contributed significantly to our Group's success particularly in overseeing the business development and procurement activities of our Group.

Ooi Kong Tiong, Malaysian, aged 59
Executive Director

Ooi Kong Tiong is our Executive Director. He was appointed to our Board on 21 June 2012. He currently oversees our Group's sales operations and is responsible for our Group's business planning and implementation.

After completing his primary education in 1967, he opted to join the working community and worked at a coffee shop before he joined Leong Huat Trading & Co in 1972 as a machine operator and sales executive. In 1982, he co-founded our Group together with Ooi Bin Keong and the late Ng Chee Tiang, by establishing LF Hardware to take over the business of Leong Huat Trading & Co. Together with Ooi Bin Keong and the late Ng Chee Tiang, he established LF Klang, Supreme Steelmakers and ASA Steel in 1983, 1991 and 1995 respectively. As our co-founder and Executive Director, he has been instrumental in the growth and development of our Group. With approximately 40 years of experience in the steel industry, he has contributed significantly to our Group's success particularly in driving the sales operations for our Group. As such, he oversees our Group's sales and business development requirements and is responsible for responding to our customers' needs.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

Ng Kok Teong, Malaysian, aged 44
Executive Director

Ng Kok Teong is our Executive Director. He was appointed to our Board on 21 June 2012. He obtained his Diploma in Business Studies from Stamford College, Malaysia in 1989. He began his career in 1990 when he joined LF Hardware as a sales personnel. In 1999, he was appointed as Executive Director of LF Hardware. He currently oversees the procurement section of our Group.

Ooi Shang How, Malaysian, aged 33
Executive Director

Ooi Shang How is our Executive Director. He was appointed to our Board on 21 June 2012. He is also in charge of our Group's administration and information technology needs. In 1997, he obtained his Cambridge A-Level certificate from Taylor's College, Malaysia. Between 1998 and 2001, he undertook studies in Monash University and Royal Melbourne Institute Technology in Australia, but, returned to Malaysia to assist in our Group's business.

He began his career in 2002 when he joined LF Klang as a sales and marketing personnel. Later, he was tasked to develop information technology capability for the company. In 2005, he was appointed as Executive Director of LF Klang where he was mainly involved in business development and procurement planning as well as information technology areas of the company. He currently oversees new business development area of the company.

Chan Kee Loin, Malaysian, aged 49
Independent Non-Executive Director

Chan Kee Loin is our Independent Non-Executive Director. He was appointed to our Board on 21 June 2012. He was educated at Tunku Abdul Rahman College ("TAR College"), Malaysia, where he completed the three (3) year extra-mural course in Financial Accounting in 1987 and is currently a finalist in professional examination of the Association of Chartered Certified Accountants, United Kingdom.

He started his career in 1988 as an audit assistant with Messrs. Soh & Co., a firm of Public Accountants in Johor Bahru, and left in 1989 to join Messrs. Tet O. Chong & Co., a firm of Public Accountants in Kuala Lumpur. Messrs. Tet O. Chong & Co. had since evolved into Messrs. Moore Stephens AC (currently known as Baker Tilly AC), where he held the position of Director from 2000 until he left in 2009. His experience in these firms includes statutory audits, due diligence audits, share and business valuation and rendering professional services as adviser, co-ordinator and reporting accountants for corporate exercises. He had since ceased working fulltime. He currently sits on the Board of CAM Resources Berhad as an Independent Non-Executive Director.

Tan Did Heng, Malaysian, aged 42
Independent Non-Executive Director

Tan Did Heng is our Independent Non-Executive Director. He was appointed to our Board on 21 June 2012. From 1992 to 1994, he attended TAR College to undertake the course and examinations leading to membership with the Malaysian Institute of Certified Public Accountants (MICPA) and the Malaysian Institute of Accountants (MIA) in 1999.

In 1994 he joined Tai, Yapp & Co as an associate. He left the firm in 2000 and joined United Straits Amalgamated Berhad as an Accountant. Thereafter, he started D.H. Tan & Associates in 2001 as the managing proprietor to-date.

He is an Approved Company Auditor and Licensed Tax Agent since 2001 and 2005 respectively. He is also currently the managing proprietor of Y.W. Woon & Co.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

Tan Sack Sen, Malaysian, aged 37
Independent Non-Executive Director

Tan Sack Sen is our Independent Non-Executive Director. He was appointed to our Board on 21 June 2012. In 1997, he obtained his Bachelor of Law (Honours) Degree from the University of Wales, Cardiff, United Kingdom and has obtained the Certificate of Legal Practice in 1998.

He began his career with Messrs. K.B.Chua & Co. and was admitted to the Bar in 1999. He then joined Messrs. T. G. Lim & Partners in 1999 and further his practice in banking litigation. Thereafter, he joined Messrs. Jal & Lim in 2001 to conduct in various defence work and general litigation matters. In 2002, he was invited by Messrs. Chong & Tiong to handle and manage its Litigation Department. In 2003, he started the firm Messrs. Yee How & Tan where he manages the main office in Kuala Lumpur.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.2.2 Shareholdings

The shareholdings of our Directors in our Company before and after our IPO are as follows:

Name	Designation	Nationality	Before IPO				After IPO			
			<-----> <-----> Direct	<-----> <-----> No. of	<-----> <-----> Shares held	<-----> <-----> % held	<-----> <-----> Direct	<-----> <-----> No. of	<-----> <-----> Shares held	<-----> <-----> % held
Dato' Ng Ah Hock @ Ng Soon Por	Independent Non-Executive Chairman	Malaysian	-	-	-	-	100,000^	0.03	-	-
Ooi Bin Keong	Group Managing Director	Malaysian	-	-	250,690,000 ⁽¹⁾	100.00	200,000^	0.06	219,690,000 ⁽¹⁾	70.87
Ooi Seng Khong	Executive Director	Malaysian	-	-	-	-	200,000^	0.06	-	-
Ooi Kong Tiong	Executive Director	Malaysian	-	-	250,690,000 ⁽¹⁾	100.00	200,000^	0.06	219,690,000 ⁽¹⁾	70.87
Ng Kok Teong	Executive Director	Malaysian	-	-	250,690,000 ⁽²⁾	100.00	200,000^	0.06	219,690,000 ⁽²⁾	70.87
Ooi Shang How	Executive Director	Malaysian	-	-	-	-	200,000^	0.06	-	-
Chan Kee Loin	Independent Non-Executive Director	Malaysian	-	-	-	-	100,000^	0.03	-	-
Tan Did Heng	Independent Non-Executive Director	Malaysian	-	-	-	-	100,000^	0.03	-	-
Tan Sack Sen	Independent Non-Executive Director	Malaysian	-	-	-	-	100,000^	0.03	-	-

Notes:

⁽¹⁾ Deemed interest by virtue of his interest in LF Holdings pursuant to Section 6A of the Act.

⁽²⁾ Deemed interest by virtue of his interest in NCT, a substantial shareholder of LF Holdings, pursuant to Section 6A of the Act.

^ Assuming full subscription of his Pink Form Tranche allocation.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

8.2.3 Principal Activities Performed Outside Our Group

Save as disclosed below and in Section 8.1.2, none of our Directors has any directorships and/or principal activities performed outside of our Group for the past five (5) years prior to the LPD:

Company name	Principal Activity	Position held	Date resigned/ shareholdings disposed off
<u>Dato' Ng Ah Hock @ Ng Soon Por</u>			
Turbo-Mech Berhad	Investment holding	Director	-
XingQuan International Sports Holdings Limited	Investment holding	Director	02.12.2011
Telliana Enterprise Sdn Bhd	Cultivation of Oil Palm	Director	-
Sepang Unggul Sdn Bhd	Investment holding	Director/ Shareholder	-
Mandai Properties Sdn Bhd	Property development	Director/ Shareholder	-
Dignified Landmark (M) Sdn Bhd	Property development	Director/ Shareholder	-
Langsar Mewah Sdn Bhd	Property development	Director/ Shareholder	-
Tiwanas Sdn Bhd	Property and plantation investment	Director/ Shareholder	-
Kembang Jati Sdn Bhd	Property development	Director/ Shareholder	-
Tabamas Sdn Bhd	Property development	Director/ Shareholder	-
Sihat Gagah Sdn Bhd	General merchandise	Director/ Shareholder	-
Megah Limbongan Sdn Bhd	Logging	Shareholder	-
Impian Kaya Sdn Bhd	Investment holding	Director	-
<u>Ooi Bin Keong</u>			
Lega Warisan Sdn Bhd	Investment holding	Director/ Shareholder	Struck off
Leon Fuat Properties Sdn Bhd	Dormant	Director/ Shareholder	Members voluntary winding-up

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

Company name	Principal Activity	Position held	Date resigned/ shareholdings disposed off
Powertop Sdn Bhd	Investment holding	Shareholder	-
Palmsoft (M) Sdn Bhd	Investment holding	Shareholder	-
Fresh Look Stone Arts Trading Sdn Bhd	Investment holding	Director	-
Universal Corrosion Engineering (M) Sdn Bhd	Engaged in the business of sand blasting and protection coating work for steel items	Director	-
Solidsteel Sdn Bhd	Trading in iron and steel hardware products	Shareholder	-
Exitrade (M) Sdn Bhd	Investment holding	Director	-
Pro-Liberty Properties Sdn Bhd	Investment holding	Director	Struck off
Awan Sejahtera Sdn Bhd	Dormant	Director/ Shareholder	-
Zabaria Sdn Bhd	Dormant	Director/ Shareholder	-
Hexagon Avenue Sdn Bhd	Investment holding	Director	Members voluntary winding up
Deco Stainless Steel Industries Sdn Bhd	Ceased operations	Director	-
Pangkal Ratna Sdn Bhd	Investment holding	Director	-
Everlast Stainless Steel Industries Sdn Bhd	Fabrication of stainless steel products	Director/ Shareholder	-
Global Twin (M) Sdn Bhd	Investment holding	Director	12.10.2011
Pacific Park Sdn Bhd	Dormant	Director	Struck off
Fortunepac Sdn Bhd	Investment holding	Director/ Shareholder	Struck off
ESS Marketing (M) Sdn Bhd	Dormant	Director Shareholder	-
Asia Mould Base (M) Sdn Bhd	Manufacturing and supply of mould base	Director/ Shareholder	-

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

Company name	Principal Activity	Position held	Date resigned/ shareholdings disposed off
Tradet Holdings Sdn Bhd	Investment holding	Director	Members voluntary winding up
Bin Keong Holdings Sdn Bhd	Investment holding	Director/ Shareholder	-
Intergrated Stainless Steel Industries Sdn Bhd	Investment holding	Director	Struck off
Huan Jia Holding Sdn Bhd	Investment holding	Shareholder	-
Time Metal Supplies Sdn Bhd	Trading in iron and steel hardware materials	Director	Members voluntary winding-up
Seri L & O Sdn Bhd	Investment holding	Director/ Shareholder	13.02.2013
Muara Efektif (M) Sdn Bhd	Investment holding	Director/ Shareholder	Members voluntary winding-up
Wei Lik Construction Sdn Bhd	-*	Director	Dissolved
Bersatu Iron & Steel Industries Sdn Bhd	Manufacture of iron and steel bars	Director	Dissolved
Nuri Engineering Hardware Sdn Bhd	Supplier of iron and steel materials	Director	Struck off
Jasa Tulin Sdn Bhd	Real estate development	Shareholder	Members voluntary winding-up
LF Holdings	Investment holding	Director/ Shareholder	-
<u>Ooi Seng Khong</u>			
Uni-Klang Steel Sdn Bhd	Trading in steel products	Director/ Shareholder	18.05.2011/ 20.07.2011
LF Holdings	Investment holding	Shareholder	-
<u>Ooi Kong Tiong</u>			
Ooi Kong Tiong Holdings Sdn Bhd	Dormant	Director/ Shareholder	-

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

Company name	Principal Activity	Position held	Date resigned/ shareholdings disposed off
Leon Fuat Properties Sdn Bhd	Dormant	Director/ Shareholder	Members voluntary winding-up
Fresh Look Stone Arts Trading Sdn Bhd	Investment holding	Director	-
Pacific Park Sdn Bhd	Dormant	Director	Struck off
Intergrated Stainless Steel Industries Sdn Bhd	Investment holding	Director	Struck off
Time Metal Supplies Sdn Bhd	Trading in iron and steel hardware materials	Director	Members voluntary winding-up
Wei Lik Construction Sdn Bhd	.*	Director	Dissolved
Nuri Engineering Hardware Sdn Bhd	Supplier of iron and steel materials	Director	Struck-off
LF Holdings	Investment holding	Director/ Shareholder	-
<u>Ooi Shang How</u>			
Bin Keong Holdings Sdn Bhd	Investment holding	Director/ Shareholder	-
LF Holdings	Investment holding	Shareholder	-
<u>Ng Kok Teong</u>			
Time Metal Supplies Sdn Bhd	Trading in iron and steel hardware materials	Director	Members voluntary winding-up
LF Holdings	Investment holding	Shareholder	-
NCT	Investment holding	Director/ Shareholder	-
<u>Chan Kee Loin</u>			
CAM Resources Berhad	Investment holding	Director	-
Moore Stephens Consulting Sdn Bhd	Provision of consulting services	Director	30.06.2009

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

Company name	Principal Activity	Position held	Date resigned/ shareholdings disposed off
<u>Tan Did Heng</u>			
D.H. Tan & Associates	Chartered accounting firm	Managing proprietor	-
Y.W. Woon & Co.	Chartered accounting firm	Managing proprietor	-
<u>Tan Sack Sen</u>			
Yee How & Tan	Legal firm	Partner	-
Echotex Sdn Bhd	Investment holding	Shareholder	-
Echotex Realty Sdn Bhd	Investment holding	Shareholder	-
Echotex Marketing Sdn Bhd	Dealer of luggages	Shareholder	-
Tat Property Sdn Bhd	Property/Investment holding	Shareholder	-
Inno Harmony Development Sdn Bhd	Development of building projects for own operation	Director/ Shareholder	-
Moolle Sdn Bhd	Wholesale of variety of goods without any particular specialisation	Director/ Shareholder	-
Paxl Sdn Bhd	Management and consulting services and property investment	Director/ Shareholder	-

Note:

- * Based on the company search done in CCM and CTOS Sdn Bhd on 17 April 2013, the results has shown that the said company has no principal activities.

None of the Executive Directors are involved in the day-to-day activities and operations of the abovementioned business and accordingly, their involvement in the abovementioned companies do not affect their contribution to our Group or negatively impact their ability to act as the Executive Directors of our Group. Our Board does not foresee any conflict of interest arising from the above.

Please refer to Section 10.1 and 10.3 of this Prospectus for further information on the interests of our Directors in other businesses and corporations carrying on a similar trade as our Group and/or other businesses and corporations which are our customers or suppliers.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.2.4 Directors' Remuneration and Material Benefits-in-Kind

The current remunerations and proposed remunerations for services rendered/to be rendered by our Directors in all capacities to our Group for the FYE 31 December 2012 and 2013 are as follows:

Director	Remuneration Band (RM)	
	FYE 31 December 2012	FYE 31 December 2013
Dato' Ng Ah Hock @ Ng Soon Por	-	Up to 70,000
Ooi Bin Keong	950,001 - 1,000,000	1,050,001 - 1,100,000
Ooi Kong Tiong	750,001 - 800,000	850,001 - 900,000
Ooi Seng Khong	650,001 - 700,000	800,001 - 850,000
Ng Kok Teong	600,001 - 650,000	750,001 - 800,000
Ooi Shang How	550,001 - 600,000	700,001 - 750,000
Tan Did Heng	-	Up to 50,000
Chan Kee Loin	-	Up to 50,000
Tan Sack Sen	-	Up to 50,000

The above remunerations, which comprise salaries, bonuses, fees, allowances and other benefits-in-kind must be considered and recommended by the Remuneration Committee and subsequently approved by our Board. Our Directors' fees are subject to shareholders' approval at general meeting.

8.2.5 Directors' Term of Office

Our Directors were appointed to the Board and has served in their respective capacities since the dates set out in Section 8.2.1 of this Prospectus. Our Board comprises one (1) Independent Non-Executive Chairman, one (1) Group Managing Director, four (4) Executive Directors and three (3) Independent Non-Executive Directors and their respective terms of office are as follows:

Name	Designation	Expiration of term of office
Dato' Ng Ah Hock @ Ng Soon Por	Independent Non-Executive Chairman	^
Ooi Bin Keong	Group Managing Director	^
Ooi Seng Khong	Executive Director	^
Ooi Kong Tiong	Executive Director	^
Ooi Shang How	Executive Director	^
Ng Kok Teong	Executive Director	^
Tan Did Heng	Independent Non-Executive Director	^
Chan Kee Loin	Independent Non-Executive Director	^
Tan Sack Sen	Independent Non-Executive Director	^

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

Note:

In accordance with Article 85 of our Articles of Association on Retirement of Directors:

"At the first Annual General Meeting of the Company, all the Directors shall retire from office, and at the Annual General Meeting in every subsequent year, one-third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) with a minimum of one (1) shall retire from office and be eligible for re-election PROVIDED ALWAYS that an election of Directors shall take place each year and all Directors including the Managing Director shall retire from office at least once in every three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election."

8.3 AUDIT, NOMINATION AND REMUNERATION COMMITTEES

8.3.1 Audit Committee

Our Audit Committee was established on 21 June 2012. Members of our Audit Committee are as follows:

Name	Designation	Directorship
Tan Did Heng	Chairman	Independent Non-Executive Director
Chan Kee Loin	Member	Independent Non-Executive Director
Tan Sack Sen	Member	Independent Non-Executive Director

The principal function of the Audit Committee is to assist the Board in discharging its duties and oversight responsibilities relating to accounting and reporting practices of the Group. In addition, the Committee shall:

- (i) Review with our auditors the nature and scope of their audit plans, audit reports, major findings and evaluations of our accounting system and internal controls;
- (ii) Review our quarterly and annual financial statements before submission to our Board, focusing on, inter-alia, changes in implementation of major accounting policies and practices, significant and unusual events, significant adjustments arising from the audit, the going concern assumption and compliance with accounting standards and other regulatory or legal requirements;
- (iii) Consider the appointment or reappointment of external auditors and review matters relating to their resignation;
- (iv) Review any related party transactions entered into by our Group and any conflict of interest situations that may arise within our Group;
- (v) Review with our internal auditor their evaluation of the system of internal controls, which include, amongst others the financial and operational controls; and
- (vi) Perform such other functions as may be requested by our Board.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

8.3.2 Nomination Committee

Our Nomination Committee was established on 21 June 2012. Members of our Nomination Committee are as follows:

Name	Designation	Directorship
Chan Kee Loin	Chairman	Independent Non-Executive Director
Tan Sack Sen	Member	Independent Non-Executive Director
Tan Did Heng	Member	Independent Non-Executive Director

Our Nomination Committee's terms of reference include the following:

- (i) Assess and recommend to our Board, candidates for directorships of our Company and Directors as members of the relevant Board committees;
- (ii) Evaluate the effectiveness of our Board and the relevant Board committees;
- (iii) Review annually the required mix of skills and experience and other qualities of the Board, including the core competencies which directors should bring to the Board; and
- (iv) Ensure an appropriate framework and succession planning for our Board.

8.3.3 Remuneration Committee

Our Remuneration Committee was established on 21 June 2012. Members of our Remuneration Committee are as follows:

Name	Designation	Directorship
Tan Sack Sen	Chairman	Independent Non-Executive Director
Chan Kee Loin	Member	Independent Non-Executive Director
Ooi Bin Keong	Member	Group Managing Director

Our Remuneration Committee's terms of reference include the following:

- (i) Review and recommend the remuneration packages of the Directors and key management personnel;
- (ii) To ensure the levels of remuneration be sufficiently attractive and be able to retain the Directors and key management personnel needed to run our Group successfully;
- (iii) Establish and recommend to the Board the remuneration structure and policy for Executive Directors and key management personnel; the terms of employment or service contract, where relevant, any benefit, pension or incentive scheme entitlement; performance related bonuses, fees and expenses, compensation arrangement; and to review for changes to the policy, where necessary; and
- (iv) Ensure corporate accountability and governance in respect of the remuneration of the Directors and key management personnel and other relevant functions.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

8.4 KEY MANAGEMENT PERSONNEL

8.4.1 Profile

Ng Lam Keong, Malaysian, aged 55
Executive Director of LF Hardware

Ng Lam Keong is the Executive Director of LF Hardware. After completing his primary education in 1971, he joined the workforce in his family's paper packaging business from 1972 to 1981.

In 1982, he joined LF Hardware as a machine operator before he was promoted to overseeing the management of the steel processing operations for the company and also management of human resources in 1992. In 1999, he was appointed as Executive Director of LF Hardware. He is mainly responsible for sales and procurement functions of LF Hardware.

Ooi Pek Kuan, Malaysian, aged 48
Executive Director of LF Klang

Ooi Pek Kuan is the Executive Director of LF Klang. After completing his Form 4 education, he started his career in 1983 when he joined LF Klang as a machine operator.

In 1999, he was appointed as Executive Director of LF Klang. He has since accumulated approximately 29 years of experience in the steel industry. He is currently responsible for business development and procurement functions of LF Klang.

Ng Kok Wee, Malaysian, aged 42
Executive Director of LF Klang

Ng Kok Wee is an Executive Director of LF Klang. He obtained his Bachelor of Commerce Degree in Accounting from Nelson Polytechnic, New Zealand in 1999.

His career started in 2000, when he joined Ling Kam Hong & Co, an audit firm in Kuala Lumpur as a semi-senior. In 2002, he left the said firm and joined LF Holdings as Accounts Executive. Subsequently in 2007, he left and took up the position as Assistant Accountant in LF Hardware. In 2009, he was then transferred to LF Klang and took up the position of Finance Manager. In 2010, he was appointed as Executive Director of LF Klang.

Tan Kien Yap, Malaysian, aged 41
Chief Financial Officer

Tan Kien Yap is our Chief Financial Officer. In 1997, he obtained his Bachelor of Accountancy degree from Universiti Putra Malaysia. He is a Chartered Accountant and a member of the Malaysian Institute of Accountants (MIA) since 2000.

His career started in 1997, when he joined Price Waterhouse (predecessor firm of PricewaterhouseCoopers) as Audit Assistant. In 1999, he was promoted to the position of Senior Associate. Subsequently in 2000, he left the said firm and joined LF Holdings and is seconded to be responsible for overseeing the management reporting of Leon Fuat Group.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

Wong Choong Heng, Malaysian, aged 45
Assistant General Manager of LF Klang

Wong Choong Heng is the Assistant General Manager of LF Klang. In 2005, he obtained his Masters in Business Administration Degree, from the University of Hull, United Kingdom.

His career started in 1988, when he joined Asahi Techno Vision (S) Pte Ltd in Singapore as a fitter and was promoted to technician group leader in year 1991. Later, he returned to Malaysia and in 1996, he joined Hanwa AJ (M) Sdn Bhd as Production Executive. He was promoted to Production Manager in year 1999. He left Hanwa AJ and joined LF Klang in 2002. He took up the position as Factory Operations Manager. In 2006, he was promoted to Assistant General Manager of LF Klang, assisting the Executive Director in overseeing the factory operations, human resource and administration.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.4.2 Shareholdings

The shareholdings of our key management personnel before and after our IPO are as follows:

Name	Designation	Nationality	Before IPO			After IPO		
			<----- Direct ----->	>	<----- Indirect----->	<----- Direct --->	<----- Indirect--->	>
			No. of Shares held	% held	No. of Shares held	No. of Shares held	% held	No. of Shares held
Ooi Pek Kuan	Executive Director of LF Klang	Malaysian	-	-	-	200,000 [^]	0.06	-
Ng Kok Wee	Executive Director of LF Klang	Malaysian	-	-	250,690,000 ⁽¹⁾	200,000 [^]	0.06	219,690,000 ⁽¹⁾
Ng Lam Keong	Executive Director of LF Hardware	Malaysian	-	-	-	200,000 [^]	0.06	-
Tan Kien Yap	Chief Financial Officer	Malaysian	-	-	-	200,000 [^]	0.06	-
Wong Choong Heng	Assistant General Manager of LF Klang	Malaysian	-	-	-	200,000 [^]	0.06	-

Notes:

⁽¹⁾ Deemed interest by virtue of his interest in NCT, a substantial shareholder of LF Holdings, pursuant to Section 6A of the Act.

[^] Assuming full subscription of his/her Pink Form Tranche allocation.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (*Cont'd*)

8.4.3 Involvement of Key Management Personnel in Other Businesses or Corporations

Save as disclosed below, none of our key management personnel are involved in other businesses/corporations as at LPD:

Company name	Principal Activity	Position held	Date resigned/ shareholdings disposed off
<u>Ng Lam Keong</u>			
LF Holdings	Investment holding	Shareholder	-
<u>Ooi Pek Kuan</u>			
Universal Corrosion Engineering (M) Sdn Bhd	Engaged in the business of sand blasting and protection coating work for steel items	Director	-
Deco Stainless Steel Industries Sdn Bhd	Ceased operations	Director	-
Everlast Stainless Steel Industries Sdn Bhd	Fabrication of stainless steel products	Director/ Shareholder	-
ESS Marketing (M) Sdn Bhd	Dormant	Director/ Shareholder	-
LF Holdings	Investment holding	Shareholder	-
<u>Ng Kok Wee</u>			
Ng Chee Tiang & Sons Sdn Bhd	Investment holding	Director/ Shareholder	Struck off
LF Holdings	Investment holding	Director	-
NCT	Investment holding	Director/ Shareholder	-

Please refer to Section 10.1 and I0.3 of this Prospectus for further information on the interests of our key management personnel in other businesses and corporations carrying on a similar trade as our Group and/or other businesses and corporations which are our customers or suppliers.

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

8.5 DECLARATIONS BY PROMOTERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL

Based on the declarations by our Promoters, Directors and key management personnel, none of our Promoters, Directors and key management personnel is or has been involved in any of the following events (whether in or outside Malaysia):

- (i) A petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which he was a partner or any corporation of which he was a director or key personnel;
- (ii) Disqualification from acting as a director of any corporation, or from taking part directly or indirectly in the managing of a corporation;
- (iii) Charged and/or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) Any judgement entered against such person involving a breach of any law or regulatory requirement that relates to the securities or futures industry; or
- (v) The subject of any order, judgment or ruling of any court, government or regulatory authority or body temporarily enjoining him from engaging in any type of business practice or activity.

8.6 FAMILY RELATIONSHIPS AND ASSOCIATIONS

Save as disclosed below, there are no family relationships (as defined under Section 122A of the Act) or associations amongst the Directors, Promoters, the substantial shareholders and the key management personnel:

- (i) Ooi Bin Keong, Ooi Kong Tiong, Ng Lam Keong, Ooi Seng Khong, Ooi Pek Kuan and the late Ng Chee Tiang are siblings;
- (ii) Ong Mung Hsia is the spouse of the late Ng Chee Tiang. Ng Kok Teong, Ng Kok Wee and Ng Bee Fong are the children of Ong Mung Hsia; and
- (iii) Ooi Shang How is the son of Ooi Bin Keong.

8.7 BENEFITS PAID OR INTENDED TO BE PAID

Save as the Directors' remunerations as disclosed in Section 8.2.4 and the dividend payments as disclosed in Section 13 of the Accountants' Report of this Prospectus, there is no amount or benefit paid or intended to be paid or given to any of our Promoters, Directors or substantial shareholders within the two (2) years preceding the date of this Prospectus.

8.8 AGREEMENTS WITH DIRECTORS AND KEY MANAGEMENT PERSONNEL

As at LPD, there are no existing or proposed service agreements between the companies within our Group and our Directors, key management personnel, which are not terminable by notice without payment or compensation (other than statutory notice).

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

8.9 INFORMATION ON EMPLOYEES

8.9.1 Employment Structure

As at LPD, we have a total workforce of 307 personnel including our Directors, out of which 257 are permanent staff and the remaining balance of 50 are contract staff. The breakdown of our employees by category as at FYE 31 December 2009 to 2012 as well as at LPD is as follows:

	<----- Number of Employees ----->				
	<----- As at FYE 31 December ----->				
	2009	2010	2011	2012	As at LPD
Managerial and professional*	17	18	18	18	23
Technical and supervisory	18	23	21	28	28
Sales and administrative	58	67	68	69	65
Factory workers (include foreign workers)					
• Skilled/Semi-skilled	61	65	63	66	69
• Unskilled	80	107	96	75	82
General workers	32	36	35	40	40
Total	266	316	301	296	307

Note:

* Our Directors are included in the managerial category.

There has been no industrial dispute actions taken against our Group and none of our employees are members of any union. In addition, our Group has not encountered any major turnover in our workforce.

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8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL (Cont'd)

8.9.2 Training and Development

We place strong emphasis on human resource development. Our employees are given regular on-the-job training in areas of management skills and technical knowledge to provide them with opportunities to acquire new skills and knowledge. We also provide opportunities for internal promotion as one of the key components of employees' development and retention.

The following table lists out some of the training and development programmes attended by our employees over the last four (4) years. The programmes encompass external and internal training as well as development programmes:

Year	Programme	Facilitator/ Organiser
2013	Updates on Import Mechanism for Iron and Steel Products	SIRIM QAS International Sdn Bhd
2012	Letters of Credit- Clear Understanding & Applications	Trade Quest Management
2012	Human Resource/Industrial Relations Forum	FMM, Selangor branch
2012	The No. 1 Transformational Key Result Areas- Key Performance Indicators e-Card System That Eliminates All Performance Appraisals	ChangeU Group Sdn Bhd
2012	Live Consulting February 2012 1. How to create an Internal Audit System 2. How to generate billion dollars idea	SQC Training & Assessment Sdn Bhd
2011	What Manufacturers Should Know about the newly launched e-PCB (Potongan Cukai Berjadual), E-Data PCB Systems, Tax Updates and Issues Affecting Manufacturers Today	FMM, Selangor branch
2011	National Return To Work Conference – Breaking Down Barriers and Moving Forward	Social Security Organization Malaysia (SOCSO), Kuala Lumpur
2011	Human Resource/Industrial Relations Forum	FMM, Selangor branch
2011	Communicate with confidence and competence in International English	FMM, Kuala Lumpur
2011	Supply Chain Management	FMM, Kuala Lumpur
2010	Tax Planning for Companies (with Budget 2011 updates)	Synergy Trainings & Seminars
2010	Microsoft Excel – Advanced level	Malaysian Institute of Accountants
2009	Mandatory Standards for Imports of Iron and Steel Products	FMM, Kuala Lumpur
2009	Understanding Labour Laws	FMM, Kuala Lumpur
2009	Accident Investigation and Reporting	FMM, Kuala Lumpur
2009	Motivating Employees for Higher Productivity	FMM, Kuala Lumpur

8. INFORMATION ON PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY MANAGEMENT PERSONNEL *(Cont'd)*

Year	Programme	Facilitator/ Organiser
2009	Microsoft Excel - Foundation	Internal training
2009	Customer Care Excellence	Cambridge Training Sdn Bhd

8.9.3 Management Succession Plan

Our Board believes that the success of our Group depends on the ability to retain our key management personnel and upon our ability to attract and retain skilled personnel. Therefore, we have made efforts to train our staff and remunerate them accordingly.

Our Group has a management succession plan consisting of:

- (i) Sound recruitment and selection;
- (ii) Competitive remuneration and employee benefits;
- (iii) Structured career planning and development; and
- (iv) Continuous training and education.

In addition, we will continue to provide appropriate training to promising junior staff in order to enhance their management and technical skills for the purpose of their career advancement with our Group. As part of the management succession plan, our Group has identified middle management personnel across all levels to assist the heads of various business divisions in order to facilitate skill transfer so as to ensure the smooth running and continuity of the operations of our Group. If the need arises, we will recruit qualified personnel with knowledge and expertise of the business to further enhance our operations.

We believe that our employees are valuable assets to our Group and we provide the necessary training for their future development.

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9. APPROVALS AND CONDITIONS

9.1 APPROVALS FROM RELEVANT AUTHORITIES

The SC had, via its letter dated 25 June 2012, approved an exemption sought by us from having to comply with certain paragraphs in Chapter 8, 11, 12 and 13 under the Prospectus Guidelines – Equity and Debt (now known as Prospectus Guidelines – Equity) (“Prospectus Guidelines”) in relation to the use of Leon Fuat’s audited financial statements for the FYE 31 December 2011 for the purpose of submission of the registrable Prospectus for public exposure after 30 June 2012.

Notwithstanding that approval was obtained from the SC on 25 June 2012, in view that Leon Fuat has submitted its registrable Prospectus for public exposure on 29 June 2012, which is within six (6) months from Leon Fuat’s latest audited financial statements for the FYE 31 December 2011, there was thus no departure from the Prospectus Guidelines.

The SC had on 21 November 2012 approved the IPO under Section 212(5) of the CMSA and equity requirement for public companies.

The conditions imposed by the SC for the approval are set out below:

No.	Details on Conditions Imposed	Status of Compliance									
(i)	Leon Fuat to allocate at least 12.5% of its enlarged issued and paid-up share capital to Bumiputera investors at the point of listing. This includes the shares offered under the balloted public offer portion, of which 50% are to be offered to Bumiputera investors. In the event that Leon Fuat/MITI are unable to allocate the shares to the Bumiputera investors, the unsubscribed shares should be offered to the Bumiputera retail investors via balloting	To be complied.									
(ii)	<p>Alliance / Leon Fuat must comply with the following conditions in relation to the properties owned/rented by the Leon Fuat Group:</p> <table border="1"> <thead> <tr> <th>No.</th><th>Property</th><th>Conditions</th></tr> </thead> <tbody> <tr> <td>1.</td><td>No 6A, Jalan Tiga, Off Jalan Sungai Besi, Kawasan Perusahaan Sungai Besi, Kuala Lumpur</td><td>(i) Leon Fuat is to rectify all unapproved structures within 12 months from the date of the SC’s approval letter; and</td></tr> <tr> <td>2.</td><td>Lot 401 – 405, Jalan Tiga, Off Jalan Chan Sow Lin, Kuala Lumpur</td><td>(ii) Alliance / Leon Fuat are to make half-yearly announcements to Bursa Malaysia on the remedial actions taken to comply with the above conditions.</td></tr> </tbody> </table>	No.	Property	Conditions	1.	No 6A, Jalan Tiga, Off Jalan Sungai Besi, Kawasan Perusahaan Sungai Besi, Kuala Lumpur	(i) Leon Fuat is to rectify all unapproved structures within 12 months from the date of the SC’s approval letter; and	2.	Lot 401 – 405, Jalan Tiga, Off Jalan Chan Sow Lin, Kuala Lumpur	(ii) Alliance / Leon Fuat are to make half-yearly announcements to Bursa Malaysia on the remedial actions taken to comply with the above conditions.	<p>Complied. The unapproved structures have been dismantled as disclosed in Sections 4.1.15, 6.17.1 and 6.17.2 of this Prospectus. As the condition in (i) has been complied with, the condition in (ii) will no longer be applicable.</p>
No.	Property	Conditions									
1.	No 6A, Jalan Tiga, Off Jalan Sungai Besi, Kawasan Perusahaan Sungai Besi, Kuala Lumpur	(i) Leon Fuat is to rectify all unapproved structures within 12 months from the date of the SC’s approval letter; and									
2.	Lot 401 – 405, Jalan Tiga, Off Jalan Chan Sow Lin, Kuala Lumpur	(ii) Alliance / Leon Fuat are to make half-yearly announcements to Bursa Malaysia on the remedial actions taken to comply with the above conditions.									
(iii)	Alliance / Leon Fuat must fully comply with the relevant requirements pertaining to the implementation of the listing proposal as stipulated under the SC’s Equity Guidelines and Prospectus Guidelines – Equity and Debt.	To be complied.									

9. APPROVALS AND CONDITIONS (Cont'd)

The SC noted that the equity structure relating to Bumiputera, non-Bumiputera and foreign shareholdings in our Company would change arising from the implementation of our Listing Scheme, as follows:

Category	Before IPO [^] %	After IPO* %
Bumiputera		
- to be nominated and approved by MITI	-	10.00
- via public balloting	-	2.50
Total Bumiputera	-	12.50
Non-Bumiputera	100.00	87.50
Foreigners	-	-
Total Malaysian	100.00	100.00

Notes:

[^] After the Acquisitions, but before the IPO.

* Based on our enlarged issued and paid up share capital of 310,000,000 Shares after the IPO.

The SC had vide the same letter stated that Alliance / Leon Fuat must inform the SC upon completion of the Listing.

The SC had vide its letter dated 22 April 2013 approved our application for an extension of time for an additional six (6) months up to 20 November 2013 for the completion of our Listing.

Bursa Securities had on 23 January 2013 approved our admission to the Official List of the Main Market of Bursa Securities and the listing of and quotation for our entire enlarged issued and paid-up share capital on the Main Market of Bursa Securities. The conditions imposed by Bursa Securities and the status of the compliance with the conditions are as follows:

No.	Details on Conditions Imposed	Status of Compliance
(i)	Make the relevant announcements pursuant to paragraphs 8.1 and 8.2 of Practice Note 21 of the Main Market Listing Requirements; and	To be complied.
(ii)	Furnish Bursa Securities a copy of the schedule of distribution showing compliance to the share spread requirements based on the entire enlarged issued and paid up share capital of Leon Fuat on the first day of Listing.	To be complied.

MITI has via its letter dated 10 October 2012 taken note of and has no objection to our Listing on the Main Market of Bursa Securities, subject to our Company obtaining the approvals of Bursa Securities and the SC.

9. APPROVALS AND CONDITIONS (Cont'd)

9.2 MORATORIUM ON SALE OF SHARES

In compliance with the Equity Guidelines of the SC, Shares held by our Promoters at the date of our Listing are required to be placed under moratorium. Moratorium shall be imposed as follows:

Promoters	Shares held under moratorium for the first six (6) months upon Listing	
	< ----- Direct ----- >	
	No. of Shares held	% held [*]
LF Holdings	219,690,000	70.87
Ooi Bin Keong	200,000 [^]	0.06
Ooi Seng Khong	200,000 [^]	0.06
Ooi Kong Tiong	200,000 [^]	0.06
Ooi Shang How	200,000 [^]	0.06
Ng Kok Teong	200,000 [^]	0.06
Ng Lam Keong	200,000 [^]	0.06
Ooi Pek Kuan	200,000 [^]	0.06
Ng Kok Wee	200,000 [^]	0.06
Total	221,290,000	71.38[#]

Notes:

[^] Assuming full subscription of the Pink Form allocation.

^{*} Based on our enlarged issued and paid-up share capital after our Public Issue.

[#] Total does not add-up due to rounding.

Our Promoters have accepted the moratorium and they will not be permitted to sell, transfer or assign any part of its interest in the Shares under moratorium held as at the date of Listing for a six (6) month period beginning from the date of our Listing.

The restriction, which is fully acknowledged by our Promoters, is specifically endorsed on our share certificates representing their shareholdings which are under moratorium to ensure that our Share Registrar will not register any transfer and sale that are not in compliance with the aforesaid restriction imposed.

The shareholders of LF Holdings namely Ooi Bin Keong, Ooi Kong Tiong, Ooi Seng Khong, Ng Kok Teong, Ng Lam Keong, Ooi Pek Kuan, Ooi Shang How and NCT and the shareholders of NCT namely Ong Mung Hsia, Ng Bee Fong, Ng Kok Teong and Ng Kok Wee will also not be permitted to sell, transfer or assign or instruct the sale, transfer or assignment of their equity interest in LF Holdings and NCT respectively for a six (6) month period beginning from the date of our Listing.

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST

10.1 EXISTING AND PROPOSED RELATED PARTY TRANSACTIONS

Save as disclosed below, our Board confirms that there are no existing or presently proposed related-party transactions entered into between our Group and our Directors, substantial shareholders, key management personnel and/or persons connected with them, during the past four (4) FYE 31 December 2009 to 2012 and the forecast for the FYE 31 December 2013:

Related Party	Interested Promoter/Director/ Substantial Shareholder/Key Management Personnel	Nature of Relationship	Nature of Transaction	FY 31 December					Forecast
				2009	2010	2011	2012	2013	
				RM'000	RM'000	RM'000	RM'000	RM'000	
Everlast Stainless Steel Industries Sdn Bhd	Ooi Bin Keong and Ooi Pek Kuan	Ooi Bin Keong and Ooi Pek Kuan, being shareholders and directors in the related party	Sales by way of trading and processing of steel products by Leon Fuat Group	91	-	-	-	-	-
			- LF Klang	6	*	2	1	3	
			- LF Hardware	469	262	334	712	800	
			- Supreme Steelmakers						
Shea Fatt Hardware (M) Sdn Bhd	Ooi Bin Keong, Ooi Seng Khong, Ooi Kong Tiong, Ng Lam Keong and Ooi Pek Kuan	Ooi Hoon Kong, a substantial shareholder and director of Shea Fatt Hardware (M) Sdn Bhd is the brother of Ooi Bin Keong, Ooi Seng Khong, Ooi Kong Tiong, Ng Lam Keong and Ooi Pek Kuan	Upkeep of office for Leon Fuat Group	-	14	-	-	-	
			- LF Klang						
			Factory consumables by Leon Fuat Group	1	-	-	-	-	
			- Supreme Steelmakers						
Shea Fatt Hardware (M) Sdn Bhd	Ooi Bin Keong, Ooi Seng Khong, Ooi Kong Tiong, Ng Lam Keong and Ooi Pek Kuan	Ooi Hoon Kong, a substantial shareholder and director of Shea Fatt Hardware (M) Sdn Bhd is the brother of Ooi Bin Keong, Ooi Seng Khong, Ooi Kong Tiong, Ng Lam Keong and Ooi Pek Kuan	Sales by way of trading and processing of steel products by Leon Fuat Group	4,977	6,540	6,061	3,811	4,000	
			- LF Klang	942	1,298	1,630	1,372	1,500	
			- LF Hardware	231	264	222	124	120	
			- Supreme Steelmakers	159	168	102	105	120	
Shea Fatt Hardware (M) Sdn Bhd	Ooi Bin Keong, Ooi Seng Khong, Ooi Kong Tiong, Ng Lam Keong and Ooi Pek Kuan	Ooi Hoon Kong, a substantial shareholder and director of Shea Fatt Hardware (M) Sdn Bhd is the brother of Ooi Bin Keong, Ooi Seng Khong, Ooi Kong Tiong, Ng Lam Keong and Ooi Pek Kuan	- ASA Steel						
			Purchases of steel materials by Leon Fuat Group	343	154	197	673	800	
			- LF Klang	13	4	6	174	200	
			- LF Hardware	-	*	-	-	-	
Shea Fatt Hardware (M) Sdn Bhd	Ooi Bin Keong, Ooi Seng Khong, Ooi Kong Tiong, Ng Lam Keong and Ooi Pek Kuan	Ooi Hoon Kong, a substantial shareholder and director of Shea Fatt Hardware (M) Sdn Bhd is the brother of Ooi Bin Keong, Ooi Seng Khong, Ooi Kong Tiong, Ng Lam Keong and Ooi Pek Kuan	- Supreme Steelmakers	*	3	52	210	100	
			- ASA Steel						

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

Related Party	Interested Promoter/Director/ Substantial Shareholder/Key Management Personnel	Nature of Relationship	Nature of Transaction	FY 31 December					Forecast
				2009	2010	2011	2012	2013	
				RM'000	RM'000	RM'000	RM'000	RM'000	
			Transportation charges paid by LF Klang	-	-	-	*	-	
Asia Mould Base (M) Sdn Bhd	Ooi Bin Keong	Ooi Bin Keong, being a shareholder and director in Asia Mould Base (M) Sdn Bhd	Sales by way of processing of steel products by Leon Fuat Group	*	15	-	-	-	
			- Supreme Steelmakers	-	*	-	-	-	
			- ASA Steel	-	-	-	-	-	
Solidsteel Sdn Bhd	Ooi Bin Keong	Ooi Bin Keong, being a shareholder in Solidsteel Sdn Bhd	Sales by way of trading and processing of steel products by Leon Fuat Group	52	50	-	-	-	
			- LF Klang	-	-	150	29	-	
			- LF Hardware	8	17	2	-	-	
			- Supreme Steelmakers	10	*	-	-	-	
			- ASA Steel	-	-	-	-	-	
Time Metal Supplies Sdn Bhd	LF Holdings/ Ooi Bin Keong, Ng Kok Teong and Ooi Kong Tiong	LF Holdings, being a shareholder, and Ooi Bin Keong, Ng Kok Teong and Ooi Kong Tiong, being directors in Time Metal Supplies Sdn Bhd	Sales by way of trading and processing of steel products by Leon Fuat Group	783	830	944	1,190	-	
			- LF Klang	693	146	14	17	3	
			- LF Hardware	-	-	-	1	-	
			- Supreme Steelmakers	-	2	-	32	8	
			- ASA Steel	-	-	-	-	-	
			Purchase of used steel materials by Leon Fuat Group^	3,041	3,005	1,476	1,057	1,200	
			- LF Klang	2,096	1,336	943	1,300	1,500	
			- LF Hardware	8	-	-	-	-	
			- Supreme Steelmakers	15	15	16	12	10	
			- ASA Steel	-	-	-	-	-	

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

Related Party	Interested Promoter/Director/ Substantial Shareholder/Key Management Personnel	Nature of Relationship	Nature of Transaction	FY E 31 December					Forecast
				Actual	2009	2010	2011	2012	
				RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Universal Corrosion Engineering (M) Sdn Bhd	LF Holdings/Ooi Bin Keong and Ooi Pek Kuan	LF Holdings, being shareholder, and Ooi Bin Keong and Ooi Pek Kuan, being directors in Universal Corrosion Engineering (M) Sdn Bhd	Upkeep of factory by Leon Fuat Group		6	*	2	-	-
			- Supreme Steelmakers						
			Sale of machinery by Leon Fuat Group						
			- LF Klang	223	-	-	-	-	-
			Sales by way of trading and processing of steel products by Leon Fuat Group						
			- LF Klang	3	7	105	24	50	
			Services for corrosion protection to Leon Fuat Group						
			- LF Klang	17	168	106	726@	500	
			- LF Hardware	4	-	-	-	-	
			Upkeep of crane by Leon Fuat Group						
			- LF Klang	*	-	-	-	-	-
			Factory consumables by Leon Fuat Group						
			- LF Klang	2	1	6	5	5	
			CWIP by Leon Fuat Group						
			- LF Klang	108	-	-	-	-	-

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

Related Party	Interested Promoter/Director/ Substantial Shareholder/Key Management Personnel	Nature of Relationship	Nature of Transaction	FYE 31 December					Forecast
				2009	2010	2011	2012	2013	
				RM'000	RM'000	RM'000	RM'000	RM'000	
LF Holdings	Ooi Bin Keong, Ooi Kong Tiong, Ooi Seng Khong, Ng Kok Teong, Ng Lam Keong, Ooi Pek Kuan, Ooi Shang How, Ng Kok Wee and NCT	Ooi Bin Keong and Ooi Kong Tiong being directors and shareholders of LF Holdings, Ooi Seng Khong, Ng Kok Teong, Ng Lam Keong, Ooi Pek Kuan, Ooi Shang How and NCT being shareholders of LF Holdings and Ng Kok Wee being a director of LF Holdings.	Management services fees paid by Leon Fuat Group	18	20	21	22	-	
			- LF Klang	30	33	34	36	-	
			- LF Hardware	108	115	119	125	-	
			- Supreme Steelmakers - ASA Steel	64	69	71	74	-	
Ong Mung Hsia	NCT		Proceeds from sale of land by Leon Fuat Group	-	-	7,000	-	-	
			- LF Hardware	-	-	3,800	-	-	
Fresh Look Stone Arts Trading Sdn Bhd	LF Holdings/ Ooi Bin Keong and Ooi Kong Tiong	LF Holdings, being a shareholder, and Ooi Bin Keong and Ooi Kong Tiong being directors in Fresh Look Stone Arts Trading Sdn Bhd	Proceeds from CWIP transfer by Leon Fuat Group	-	-	242	-	-	
			- LF Hardware	-	-	-	-	-	
Ooi Bin Keong	LF Holdings	Ooi Bin Keong, being both shareholder and director in LF Holdings	Proceeds from sale of motor vehicle by Leon Fuat Group	-	*	-	-	-	
			- LF Klang	-	-	-	-	-	
Ooi Bin Keong	LF Holdings	Ooi Bin Keong, being both shareholder and director in LF Holdings	Rental expense paid by Leon Fuat Group	-	-	-	180	240	
			- LF Hardware	-	-	-	-	-	
Ooi Bin Keong	LF Holdings	Ooi Bin Keong, being both shareholder and director in LF Holdings	Consideration for the purchase of motor vehicle by Leon Fuat Group	-	-	-	140	-	
			- ASA Steel	-	-	-	-	-	

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

Notes:

* Less than RM500

^ Our Group only purchases used steel materials from Time Metal Supplies Sdn Bhd and sell it upon specific request from our customers. These used steel materials are mainly used by our customers as support structures for storage of their steel materials. Nonetheless, the selling of used steel materials does not form part of the principal activity of our Group.

u Our Group has secured a project in 2012 to supply steel materials to fabricators to build the body for transfer cranes in ports. In addition, the said fabricators have requested for such steel materials to be corrosion protected. As such, our Group has engaged Universal Corrosion Engineering (M) Sdn Bhd to provide such corrosion protected services. As at LPD, the project has been completed.

Our Directors' confirm all the related party transactions disclosed above would not give rise to any conflict of interest situation and were transacted on an arm's length basis and are based on terms which are not unfavourable to our Group.

Upon Listing, our Directors, through our Audit Committee, will review the terms of any related party transactions and ensure that any related party transactions (recurrent inclusive, if any) are not carried out on terms more favourable to the related parties than those normally agreed with other customers or suppliers and are also not to our detriment and to the detriment of our minority shareholders.

Our Directors and substantial shareholders are also not aware of any other transactions that may give rise to conflict of interest situations between our Group and any of our Directors, substantial shareholders, key management personnel and/or persons connected with them.

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10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)**10.2 TRANSACTIONS THAT ARE UNUSUAL IN NATURE OR CONDITIONS**

There are no transactions that are unusual in nature or conditions, involving goods, services, tangible or intangible assets, to which our Group was a party to during the past four (4) FYE 31 December 2009 to 2012. Our Directors and substantial shareholders are also not aware of any transaction that is unusual in nature or condition, involving goods, services, tangible or intangible assets, to which our Group was a party.

10.3 INTERESTS IN SIMILAR BUSINESSES, INTERESTS IN BUSINESSES OF OUR CUSTOMERS OR SUPPLIERS AND OTHER CONFLICTS OF INTEREST

Save as disclosed below, our Directors confirm that as at LPD, their directorships and/or shareholdings in the other companies/ businesses, if any, would not give rise to a situation of conflict of interest with the core business of our Group:

- (a) Ooi Bin Keong is a substantial shareholder in Solidsteel Sdn Bhd ("Solidsteel") and is also our substantial shareholder and director. Solidsteel is principally involved in trading in iron and steel hardware materials which are similar to the products we trade. Although both companies traded in steel materials, there does not exist any material conflict of interest as:
 - (i) Although Ooi Bin Keong holds 22.50% shareholding in Solidsteel, he is not a director of Solidsteel. Furthermore, he is also not involved in the day to day operations of Solidsteel;
 - (ii) In terms of financial size, Solidsteel is significantly smaller than us. Solidsteel recorded a revenue of RM5.47 million for the FYE 30 September 2008 (as per the latest filing to Companies Commission of Malaysia) whilst we recorded revenue of RM474.92 million, RM542.94 million and RM437.20 million for the FYE 31 December 2010 to 2012 respectively; and
 - (iii) We had sold steel products and provided processing services to Solidsteel in the past four (4) FYE 31 December 2009 to 2012. However, we have ceased all transactions with Solidsteel since April 2012.

Ooi Bin Keong is a passive investor in Solidsteel. As at the LPD, we understand that Solidsteel is facing financial difficulties and legal proceedings.

- (b) Time Metal Supplies Sdn Bhd (currently in Member's Voluntary Winding Up) ("Time Metal") is a wholly-owned subsidiary company of LF Holdings. Ooi Bin Keong, Ooi Kong Tiong and Ng Kok Teong are directors and substantial shareholders in both Time Metal (indirect shareholdings via LF Holdings) and Leon Fuat. Time Metal is principally involved in trading in iron and steel materials which is similar to our principal business. Although both companies are involved in trading of steel products, Time Metal does not process similar steel products as Leon Fuat as Time Metal trades in used steel products such as selling used metal in bulk. The market size for used steel products is smaller and is not in direct competition with the target market of Leon Fuat Group. There does not exist any material conflict of interest as Ooi Bin Keong, Ooi Kong Tiong and Ng Kok Teong have on 25 February 2013 filed for a voluntary winding up of Time Metal. Time Metal has on 18 February 2013 appointed a liquidator to oversee the winding-up process of Time Metal and the winding-up process is expected to be completed by 2014.

In the event that there are any business transactions between our Group and Time Metal up to the completion of the winding-up process, our Directors, through our Audit Committee, will review the terms of the said transactions and ensure that they are not carried out on terms more favourable to Time Metal than those normally agreed with other customers or suppliers and are also not to our detriment and to the detriment of our minority shareholders.

10. RELATED PARTY TRANSACTIONS AND CONFLICTS OF INTEREST (Cont'd)

All transactions between our Group and the companies mentioned above are not unfavourable to our Group, which have been disclosed in Section 10.1 of this Prospectus.

Save as disclosed in Sections 10.1 and 10.3 of this Prospectus, as at LPD, none of our Directors and/or substantial shareholders has any interest, direct or indirect, in any other businesses and corporations carrying on a trade similar to that of our Group and/or any business or corporations which are also our customers or suppliers of our Group.

10.4 LOANS MADE BY OUR GROUP TO OR FOR THE BENEFIT OF RELATED PARTIES

There are no outstanding loans, including guarantees of any kind, made by our Group to or for the benefit of related parties during the past four (4) FYE 31 December 2009 to 2012 and up to the LPD.

10.5 DECLARATION BY EXPERTS

Alliance confirms that there is no existing or potential conflict of interests in its capacity as the Principal Adviser, Underwriter and Placement Agent for our Listing.

Baker Tilly confirms that there is no existing or potential conflict of interests in its capacity as the Reporting Accountants and Auditors for our Listing.

Teh & Lee confirms that there is no existing or potential conflict of interests in its capacity as the Solicitors for our Listing.

Vital Factor confirms that there is no existing or potential conflict of interests in its capacity as the independent business and market research consultants for our Listing.

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11. PRO FORMA HISTORICAL FINANCIAL INFORMATION

Our pro forma consolidated financial information as illustrated below has been compiled based on the accounting principles and bases consistent with those adopted by us which are set out in the notes and assumptions included in the Reporting Accountants' Report on the Compilation of Pro Forma Consolidated Financial Information as set out in Section 11.4 of this Prospectus. The financial statements used in the preparation of our pro forma consolidated financial information were prepared in accordance with Financial Reporting Standards (FRS) in Malaysia for the FYE 31 December 2009 to 2011 and in accordance with the Malaysian Financial Reporting Standards (MFRS) for the FYE 31 December 2012. Any adjustments that were dealt with when preparing our pro forma consolidated financial information have been highlighted and disclosed in Section 11.4 of this Prospectus. There has been no audit qualification on our audited financial statements for the past four (4) FYE 31 December 2009 to 2012.

11.1 PRO FORMA CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

The table below sets out our pro forma consolidated statements of comprehensive income for the past four (4) FYE 31 December 2009 to 2012 and provided for illustrative purposes only assuming that our current structure has been in existence throughout the financial years under review.

You should read the summary of our pro forma consolidated financial information which has been presented below together with the management's discussion and analysis of financial conditions and results of operations and the Reporting Accountants' Report on the Compilation of Pro forma Consolidated Financial Information as set out in Section 11.4 of this Prospectus and the Accountants' Report as set out in Section 13 of this Prospectus.

	< ----- FYE 31 December ----- >			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Revenue	355,424	474,917	542,943	437,203
Direct operating costs	(309,506)	(417,817)	(483,049)	(376,439)
Gross profit	45,918	57,100	59,894	60,764
Other operating income	1,211	1,397	2,728	1,173
Distribution costs	(3,605)	(4,398)	(4,572)	(4,612)
Administrative costs	(13,317)	(15,748)	(15,818)	(16,222)
Other operating costs	(1,061)	(2,417)	(1,350)	(2,179)
	(17,983)	(22,563)	(21,740)	(23,013)
Profit from operations	29,146	35,934	40,882	38,924
Finance costs	(5,123)	(6,651)	(7,053)	(5,500)
PBT	24,023	29,283	33,829	33,424
Tax expense	(6,986)	(8,689)	(8,674)	(9,315)
PAT	17,037	20,594	25,155	24,109
Other comprehensive income:				
Fair value loss on available- for-sale financial asset	-	(16)	(16)	-
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	17,037	20,578	25,139	24,109
Number of Shares in issue (‘000)*	250,690	250,690	250,690	250,690
Gross EPS (RM)**	0.10	0.12	0.13	0.13
Net EPS (RM)***	0.07	0.08	0.10	0.10
EBITDA (RM'000)	33,151	40,843	46,052	43,738

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

	< ----- FYE 31 December ----- >			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Gross profit margin (%)	12.92	12.02	11.03	13.90
PBT margin (%)	6.76	6.17	6.23	7.64
PAT margin (%)	4.79	4.34	4.63	5.51
Effective tax rate (%)	29.08	29.67	25.64	27.87

Notes:

- * Number of Shares in issue after the Acquisitions but before the Public Issue.
- ** The gross EPS is computed based on the consolidated PBT divided by the number of Shares in issue after the Acquisitions but before the Public Issue.
- *** The net EPS is computed based on the consolidated PAT divided by the number of Shares in issue after the Acquisitions but before the Public Issue.

11.2 PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION

Our pro forma consolidated statements of financial position have been prepared for illustrative purpose only, based on our audited statement of financial position as at 31 December 2012 assuming that our Public Issue and utilisation of proceeds had been effected as at that date.

We advise you to read the pro forma consolidated statements of financial position presented below together with the notes included in the Reporting Accountants' Report on the Compilation of Pro forma Consolidated Financial Information as set out in Section 11.4 of this Prospectus.

	Audited as at 31 December 2012 RM'000	Pro forma I After the Acquisitions RM'000	Pro forma II After Pro forma I, Public Issue and Utilisation of Proceeds RM'000
ASSETS			
Non-current assets			
Property, plant and equipment	-	83,294	95,294
Other investment	-	33	33
	-	83,327	95,327
Current assets			
Inventories	-	95,615	95,615
Trade receivables	-	114,579	114,579
Other receivables, deposits and prepayments	69	8,930	8,930
Fixed deposits with licenced banks	-	4,412	4,412
Cash and bank balances	#	4,052	12,885
	69	227,588	236,421
TOTAL ASSETS	69	310,915	331,748

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

	Audited as at 31 December 2012 RM'000	Pro forma I After the Acquisitions RM'000	Pro forma II After Pro forma I, Public Issue and Utilisation of Proceeds RM'000
EQUITY AND LIABILITIES			
Equity attributable to equity holders of the Company			
Share capital	#	125,345	155,000
Share premium	-	-	5,246
Merger deficit	-	(109,545)	(109,545)
Capital reserve	-	1	1
Fair value reserve	-	(27)	(27)
(Accumulated losses) / Retained earnings	(1,347)	130,870	129,802
Total equity	(1,374)	146,644	180,477
Non-current liabilities			
Deferred tax liabilities	-	2,852	2,852
Borrowings	-	12,171	3,222
	-	15,023	6,074
Current liabilities			
Trade payables	-	19,009	19,009
Other payables and accruals	1,443	3,808	3,808
Borrowings	-	122,570	118,519
Tax liabilities	-	3,861	3,861
	1,443	149,248	145,197
Total liabilities	1,443	164,271	151,271
TOTAL EQUITY AND LIABILITIES	69	310,915	331,748
Number of Shares in issue ('000)	*	250,690	310,000
Net (liabilities)/assets (RM'000)	(1,374)	146,644	180,477
Net (liabilities)/assets per share (RM)	(229,000)	0.58	0.58
Interest-bearing borrowings (RM'000)	-	134,741	121,741
Gearing ratio (times)	-	0.92	0.67

Notes:

This represents RM3.00.

* This represents 6 Shares.

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)**11.3 PRO FORMA CONSOLIDATED STATEMENT OF CASH FLOWS**

Our pro forma consolidated statement of cash flows for FYE 31 December 2012 as set out below has been prepared for illustrative purpose only on the assumption that our current structure had been in existence throughout FYE 31 December 2012 and the Public Issue and utilisation of proceeds had been effected on 31 December 2012.

We advise you to read the pro forma consolidated statement of cash flows presented below together with the notes included in the Reporting Accountants' Report on the Compilation of Pro Forma Consolidated Financial Information as set out in Section 11.4 of this Prospectus.

	RM'000
Cash Flows from Operating Activities	
PBT	33,424
Adjustments for:	
Bad debts written off	27
Reversal of impairment loss on trade receivables	(93)
Depreciation of property, plant and equipment	5,470
Interest expense	4,844
Property, plant and equipment written off	6
Dividend income	(2)
Loss on disposal other investment	1
Listing expenses	1,347
Gain on disposal of property, plant and equipment	(41)
Interest income	(243)
Operating profit before working capital changes	44,740
Increase in inventories	(17,825)
Increase in trade and other receivables	(5,863)
Increase in trade and other payables	1,718
Cash generated from operations	22,770
Interest paid	(4,844)
Interest received	243
Real property gains tax refunded	95
Income tax paid	(7,707)
Net cash from operating activities	10,557
Cash Flows from Investing Activities	
Dividend received	2
Purchase of property, plant and equipment	(34,066)
Prepayment on purchase of property, plant and equipment	(2,070)
Placement of fixed deposits	(11)
Proceeds from disposal other investment	4
Proceeds from disposal of property, plant and equipment	109
Net cash used in investing activities	(36,032)

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

	RM'000
Cash Flows from Financing Activities	
Dividend paid	(17,000)
Repayments of ABBA financing	(1,439)
Payment of finance lease payables	(4,245)
Drawdown of term loans	10,000
Repayments of term loans	(10,343)
Early loan repayment penalty	(300)
Net drawdown of bankers' acceptances	2,945
Proceeds from Public Issue	35,586
Estimated listing expenses	(2,800)
Net cash from financing activities	12,404
Net decrease in cash and cash equivalents	(13,071)
Cash and cash equivalents at beginning of the financial year	17,733
Cash and cash equivalents at end of the financial year	4,662
Cash and cash equivalents at end of financial year comprises:	
Fixed deposits with licensed banks	4,412
Cash and bank balances	12,885
Bank overdraft	(12,254)
	5,043
Less: Fixed deposit under lien	(381)
	4,662

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11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

II.4 REPORTING ACCOUNTANTS' REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED FINANCIAL INFORMATION



BAKER TILLY

25 April 2013

The Board of Directors
LEON FUAT BERHAD
Wisma Leon Fuat
No. 11, Lorong Keluli 1B
Kawasan Perindustrian Bukit Raja Selatan
Seksyen 7, Shah Alam
40000 Selangor Darul Ehsan

Baker Tilly AC
(formerly known as Moore Stephens AC)
Chartered Accountants (AF001826)
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Malaysia

T : +603 2297 1000
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Dear Sirs,

info@bakertillymh.com.my
www.bakertillymh.com.my

LEON FUAT BERHAD ("Leon Fuat" or "the Company")
Reporting Accountants' Report on the Compilation of Pro Forma Consolidated Financial Information Included in a Prospectus

Report on the Compilation of Pro Forma Consolidated Financial Information Included in a Prospectus

We have completed our assurance engagement to report on the compilation of pro forma consolidated financial information of Leon Fuat and its subsidiary companies ("Leon Fuat Group" or "the Group") for which the directors of Leon Fuat are solely responsible. The pro forma consolidated financial information consists of the pro forma consolidated statements of financial position as at 31 December 2012, the pro forma consolidated statement of cash flows for the financial year ended ("FYE") 31 December 2012 and the pro forma consolidated statements of comprehensive income for the four (4) FYEs 31 December 2009, 31 December 2010, 31 December 2011 and 31 December 2012 ("Relevant Financial Years") together with the accompanying notes thereon, as set out in the accompanying statements, for which we have stamped for the purpose of identification. The applicable criteria on the basis of which the directors of Leon Fuat have compiled the pro forma consolidated financial information are as described in Note 1.3 to the pro forma consolidated financial information and in accordance with the requirements of the Prospectus Guidelines – Equity issued by the Securities Commission Malaysia ("Prospectus Guidelines") ("Applicable Criteria").

The pro forma consolidated financial information of Leon Fuat Group has been compiled by the directors of Leon Fuat, for illustration purposes only, for inclusion in the Prospectus of Leon Fuat to be dated on 13 May 2013 in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of Leon Fuat on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), after making certain assumptions and such adjustments to show the effects on:

- (a) the consolidated financial results of Leon Fuat Group for the Relevant Financial Years on the basis that the Group structure as at the date of the Prospectus had been in existence throughout the Relevant Financial Years, after adjusted for the Acquisitions as described in Note 1.2.1 but before the Public Issue as described in Note 1.2.2.1 of the pro forma consolidated financial information;
- (b) the consolidated financial position of Leon Fuat Group as at 31 December 2012 together with the accompanying notes on the basis that the Group structure as at the date of the Prospectus had been in place on that date, adjusted for the effects of the Listing Scheme and the utilisation of the listing proceeds as described in Note 1.2 and Note 3.1 of the pro forma consolidated financial information respectively; and

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

**Leon Fuat Berhad**

Reporting Accountants' Report on the Compilation of Pro Forma Consolidated Financial Information Included in a Prospectus

- (c) the consolidated cash flows of Leon Fuat Group for the FYE 31 December 2012 on the basis that the Group structure as at the date of the Prospectus had been in place throughout the financial year, adjusted for the effects of the Listing Scheme and the utilisation of the listing proceeds as described in Note 1.2 and 1.3 of the pro forma consolidated financial information respectively.

As part of this process, information about Leon Fuat Group's financial position, financial performance and cash flows has been extracted by the directors of Leon Fuat from the audited financial statements of the Company and its subsidiary companies, namely Leon Fuat Hardware Sdn. Bhd., Leon Fuat Hardware (Klang) Sdn. Bhd., Supreme Steelmakers Sdn. Bhd. and ASA Steel (M) Sdn. Bhd. for the Relevant Financial Years, on which the audit reports relating thereto were dated 1 June 2010, 31 March 2011, 30 March 2012 and 22 March 2013 respectively.

Directors' Responsibility for the Pro Forma Consolidated Financial Information

The directors of Leon Fuat are responsible for compiling the pro forma consolidated financial information based on the Applicable Criteria.

Reporting Accountants' Responsibilities

Our responsibility is to express an opinion, as required by the Prospectus Guidelines about whether the pro forma consolidated financial information has been compiled, in all material respects, by the directors of Leon Fuat based on the Applicable Criteria.

We conducted our engagement in accordance with International Standard on Assurance Engagements (ISAE) 3420, *Assurance Engagements to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the International Auditing and Assurance Standards Board. This standard requires that the reporting accountant comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the directors of Leon Fuat have compiled, in all material respects, the pro forma consolidated financial information based on the Applicable Criteria.

For the purposes of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the pro forma consolidated financial information, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the pro forma consolidated financial information.

The purpose of pro forma consolidated financial information included in a prospectus is solely to illustrate the impact of the Listing Scheme as described in Note 1.2 of the pro forma financial information on the unadjusted financial information of the Group as if the Listing Scheme had been undertaken at an earlier date selected for illustrative purposes only. Accordingly, we do not provide any assurance that the actual outcome of the Listing Scheme would have been as presented.

A reasonable assurance engagement to report on whether the pro forma consolidated financial information has been compiled, in all material respects, based on the Applicable Criteria involves performing procedures to assess whether the Applicable Criteria used by the directors of Leon Fuat in the compilation of the pro forma consolidated financial information of the Group provide a reasonable basis for presenting the significant effects directly attributable to the Listing Scheme as described in Note 1.2 of the pro forma consolidated financial information, and to obtain sufficient appropriate evidence about whether:

- (a) the pro forma consolidated financial information of the Group has been properly prepared on the basis and assumptions set out in the accompanying notes to the pro forma consolidated financial information, based on the audited financial statements of the Company and its subsidiary companies for the Relevant Financial Years which have been prepared in accordance with the approved accounting standards as defined in the Financial Reporting Act 1997 and in a manner consistent with both the format of the financial statements and the accounting policies of the Group; and

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)



Leon Fuat Berhad

Reporting Accountants' Report on the Compilation of Pro Forma
Consolidated Financial Information Included in a Prospectus

- (b) each material adjustment made to the information used in the preparation of the pro forma consolidated financial information is appropriate for the purposes of preparing the pro forma consolidated financial information.

The procedures selected depend on the reporting accountant's judgement, having regard to the reporting accountant's understanding of the nature of the Company, the Listing Scheme in respect of which the pro forma consolidated financial information has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma financial information.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Our opinion


In our opinion:

- (a) the pro forma consolidated financial information of Leon Fuat Group has been properly prepared on the basis and assumptions set out in the accompanying notes to pro forma consolidated financial information, based on the audited financial statements of the Company and its subsidiary companies which have been prepared in accordance with the Financial Reporting Standards in Malaysia for the FYEs 31 December 2009, 31 December 2010 and 31 December 2011 and in accordance with the Malaysian Financial Reporting Standards for the FYE 31 December 2012, and in a manner consistent with both the format of the financial statements and the accounting policies of the Group; and
- (b) each material adjustment made to the information used in the preparation of the pro forma consolidated financial information of the Group is appropriate for the purposes of preparing the pro forma consolidated financial information.


Other matters

This report has been prepared for inclusion in the Prospectus of Leon Fuat in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of Leon Fuat on the Main Market of Bursa Securities. As such, this report should not be used, circulated, quoted or otherwise referred to in any document, or used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this report contrary to the aforesaid purpose.

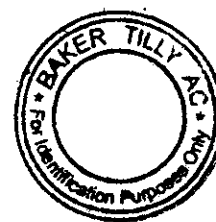
Yours faithfully


Baker Tilly AC
AF 001826
Chartered Accountants

Kuala Lumpur, Malaysia


Lee Kong Weng
2967/07/13(J)
Chartered Accountant

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

LEON FUAT BERHAD
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION
**1. Pro Forma Group, Listing Scheme and Basis of Preparation****1.1 Pro Forma Group**

The pro forma consolidated financial information of Leon Fuat Berhad ("Leon Fuat" or "the Company") and its subsidiary companies ("Leon Fuat Group" or "the Group"), which is prepared for illustrative purposes only, comprises the following:-

Section 2 - Pro Forma Consolidated Statements of Comprehensive Income for the four (4) financial year ended ("FYE") 31 December 2009, 31 December 2010, 31 December 2011 and 31 December 2012 ("Relevant Financial Years").

Section 3 - Pro Forma Consolidated Statements of Financial Position as at 31 December 2012.

Section 4 - Pro Forma Consolidated Statement of Cash Flows for the FYE 31 December 2012.

1.2 Listing Scheme**1.2.1 Acquisitions**

As part of the listing scheme of the Company, Leon Fuat had, on 18 June 2012, entered into the following conditional sale and purchase agreements with Leon Fuat Holdings Sdn. Bhd. ("LF Holdings") to acquire the entire equity interests in Leon Fuat Hardware Sdn. Bhd. ("LF Hardware"), Leon Fuat Hardware (Klang) Sdn. Bhd. ("LF Klang"), Supreme Steelmakers Sdn. Bhd. ("Supreme Steelmakers") and ASA Steel (M) Sdn. Bhd. ("ASA Steel") ("Acquisitions").

(a) Acquisition of LF Hardware

Acquisition by Leon Fuat of the entire issued and paid-up share capital in LF Hardware comprising 2,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM28,978,000 which was entirely satisfied by the issuance of 57,956,000 new ordinary shares of RM0.50 each ("Leon Fuat Shares") at an issue price of RM0.50 per share credited as fully paid. Immediately thereafter, LF Hardware became a wholly-owned subsidiary of Leon Fuat.

(b) Acquisition of LF Klang

Acquisition by Leon Fuat of the entire issued and paid-up share capital in LF Klang comprising 10,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM76,793,997 which was entirely satisfied by the issuance of 153,587,994 new Leon Fuat Shares at an issue price of RM0.50 per share credited as fully paid. Immediately thereafter, LF Klang became a wholly-owned subsidiary of Leon Fuat.

(c) Acquisition of Supreme Steelmakers

Acquisition by Leon Fuat of the entire issued and paid-up share capital in Supreme Steelmakers comprising 2,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM12,188,000 which was entirely satisfied by the issuance of 24,376,000 new Leon Fuat Shares at an issue price of RM0.50 per share credited as fully paid. Immediately thereafter, Supreme Steelmakers became a wholly-owned subsidiary of Leon Fuat.

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

LEON FUAT BERHAD
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION



1.2.1 Acquisitions (cont'd)

(d) Acquisition of ASA Steel

Acquisition by Leon Fuat of the entire issued and paid-up share capital in ASA Steel comprising 1,800,000 ordinary shares of RM1.00 each for a total purchase consideration of RM7,385,000 which was entirely satisfied by the issuance of 14,770,000 new Leon Fuat Shares at an issue price of RM0.50 per share credited as fully paid. Immediately thereafter, ASA Steel became a wholly-owned subsidiary of Leon Fuat.

The Acquisitions were completed on 2 January 2013.

1.2.2 Initial Public Offering ("IPO")

In conjunction with, and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of the Company on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), the details of the IPO are as follows:-

1.2.2.1 Public Issue

The public issue of 59,310,000 new Leon Fuat Shares at an issue price of RM0.60 per Leon Fuat Share payable in full on application ("Public Issue"). The Public Issue is to be allocated in the following manner:

(a) Public

15,500,000 Public Issue Shares, representing 5.00% of the enlarged issued and paid-up share capital of Leon Fuat, will be available for application by the Public, of which at least 50% shall be set aside for Bumiputera investors including individuals, companies, societies, co-operatives and institutions.

(b) Eligible Directors, employees and persons who have contributed to the success of Leon Fuat Group

10,000,000 Public Issue Shares, representing approximately 3.23% of the enlarged issued and paid-up share capital of Leon Fuat will be available for subscription by the eligible Directors, employees and persons who have contributed to the success of Leon Fuat Group.

(c) Selected Investors via Placement

33,810,000 Public Issue Shares, representing approximately 10.91% of the enlarged issued and paid-up share capital of Leon Fuat, have been reserved for placement to selected investors.

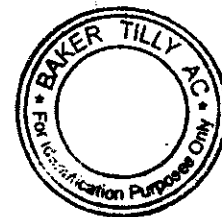
1.2.2.2 Offer for Sale

The offer for sale of up to 31,000,000 Leon Fuat Shares, by LF Holdings at the offer price of RM0.60 per Leon Fuat Share, representing up to 10% of the enlarged issued and paid-up share capital of Leon Fuat to Bumiputera investors approved by the Ministry of International Trade and Industry, Malaysia ("Offer for Sale").

1.2.2.3 Listing on Bursa Securities

Upon completion of the Public Issue and Offer for Sale, Leon Fuat will seek a listing of and quotation for its entire enlarged issued and paid-up share capital of RM155,000,000 comprising 310,000,000 Leon Fuat Shares on the Main Market of Bursa Securities.

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

**LEON FUAT BERHAD
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION****1.3 Basis of Preparation**

The pro forma consolidated financial information has been prepared to illustrate:

- (a) the consolidated financial results of Leon Fuat Group for the Relevant Financial Years on the basis that Leon Fuat Group structure as at the date of the Prospectus had been in existence throughout the Relevant Financial Years after adjusted for Acquisitions as described in Note 1.2.1 but before the Public Issue as described in Note 1.2.2.1;
- (b) the consolidated financial position of Leon Fuat Group as at 31 December 2012 on the basis that Leon Fuat Group structure as at the date of the Prospectus had been in place on that date, adjusted for the effects of the Listing Scheme and utilisation of the listing proceeds as described in Note 1.2 and Note 3.1 respectively; and
- (c) the consolidated cash flows of Leon Fuat Group for the FYE 31 December 2012 on the basis that Leon Fuat Group structure as at the date of the Prospectus had been in place throughout the financial year, adjusted for the effects of the Listing Scheme and utilisation of the listing proceeds as described in Note 1.2 and Note 3.1 respectively.

The above pro forma consolidated financial information has been accounted for by applying the merger method of accounting. Leon Fuat Group is regarded as a continuing entity after the acquisition of LF Hardware, LF Klang, Supreme Steelmakers and ASA Steel by Leon Fuat as all companies were under a common shareholder before and immediately after the Acquisitions. Under the merger method:

- (a) assets and liabilities of the combining entities before the business combination are reflected at their carrying amounts in the consolidated financial statements of the controlling holding company, Leon Fuat, after adjusting for any intra-group transactions;
- (b) the retained earnings and other equity balances recognised in the consolidated statement of financial position represent the retained earnings and other equity balances of all combining entities before the business combination, after adjusting for any intra-group transactions;
- (c) any difference between the consideration paid and the share capital of the acquired entity is reflected as merger reserve or deficit; and
- (d) all intra-group transactions, balances and unrealised gains on transactions are eliminated in full on consolidation.

The pro forma consolidated financial information has been prepared for illustrative purposes only and based on the audited financial statements of Leon Fuat Group for the Relevant Financial Years. The auditors' reports of the respective audited financial statements used in the preparation of pro forma consolidated financial information for the Relevant Financial Years were not subject to any qualification or modification. The audited financial statements have been prepared in accordance with the Financial Reporting Standards in Malaysia for the FYE 31 December 2009, 31 December 2010 and 31 December 2011 and in accordance with the Malaysian Financial Reporting Standards ("MFRSs") for the FYE 31 December 2012.

The pro forma consolidated financial information has been prepared in a manner consistent with both the format of the audited financial statements of Leon Fuat and the accounting policies of Leon Fuat adopted in the latest audited financial statements.

The pro forma consolidated financial information, because of its nature, may not reflect Leon Fuat Group's actual financial results, financial position and cash flows. Further, such information does not predict the Group's future financial results, financial position and cash flows.

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

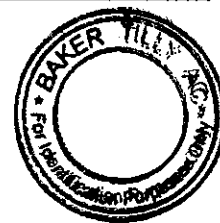
LEON FUAT BERHAD
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION


2. Pro Forma Consolidated Statements of Comprehensive income

The pro forma consolidated statements of comprehensive income of Leon Fuat Group for the Relevant Financial Years are set out below, which have been prepared for illustration purposes to show the results of the Group, based on accounting policies consistent with those adopted in the preparation of the audited financial statements of Leon Fuat Group assuming that Leon Fuat Group structure had been in existence throughout the financial years.

	← FYE 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Revenue	355,424	474,917	542,943	437,203
Direct operating costs	(309,506)	(417,817)	(483,049)	(376,439)
Gross profit	45,918	57,100	59,894	60,764
Other operating income	1,211	1,397	2,728	1,173
Distribution costs	(3,605)	(4,398)	(4,572)	(4,612)
Administrative costs	(13,317)	(15,748)	(15,818)	(16,222)
Other operating costs	(1,061)	(2,417)	(1,350)	(2,179)
	(17,983)	(22,563)	(21,740)	(23,013)
Profit from operations	29,146	35,934	40,882	38,924
Finance costs	(5,123)	(6,651)	(7,053)	(5,500)
Profit before tax	24,023	29,283	33,829	33,424
Tax expense	(6,986)	(8,689)	(8,674)	(9,315)
Profit for the year	17,037	20,594	25,155	24,109
Other comprehensive income:				
Fair value loss on available-for-sale finance asset	-	(16)	(16)	-
Total comprehensive income for the financial year	17,037	20,578	25,139	24,109

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

LEON FUAT BERHAD
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

2. Pro Forma Consolidated Statements of Comprehensive Income (cont'd)

	Financial year ended 31 December			
	2009	2010	2011	2012
Number of ordinary shares of RM0.50 each in issue ('000) *	250,690	250,690	250,690	250,690
Earnings per share				
- Gross (RM) **	0.10	0.12	0.13	0.13
- Net (RM) ***	0.07	0.08	0.10	0.10
Earnings before interest, tax, depreciation and amortisation ("EBITDA") (RM'000)	33,151	40,843	46,052	43,738
Gross profit margin (%)	12.92	12.02	11.03	13.90
Profit before tax margin (%)	6.76	6.17	6.23	7.64
Profit after tax margin (%)	4.79	4.34	4.63	5.51
EBITDA margin (%)	9.33	8.60	8.48	10.00
Effective tax rate (%)	29.08	29.67	25.64	27.87

Notes:

- * Number of ordinary shares of RM0.50 each in issue after the Acquisitions but before the Public Issue
- ** The gross EPS is computed based on the pro forma consolidated PBT divided by the number of Shares in issue after the Acquisitions but before the Public Issue
- *** The net EPS is computed based on the pro forma consolidated PAT divided by the number of Shares in issue after the Acquisitions but before the Public Issue

2.1 Notes to the Pro Forma Consolidated Statements of Comprehensive Income

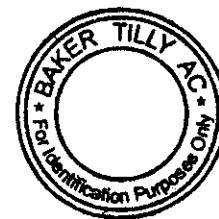
- 2.1.1 The pro forma consolidated statements of comprehensive income for FYE 31 December 2009 has been prepared after reclassifying certain expenses in LF Hardware and LF Klang to enable comparability with the pro forma consolidated financial results for the FYE 31 December 2010, 2011 and 2012. Accordingly, the effects of the reclassifications are as follows:

		As Previously Classified RM'000	Reclassification RM'000	As Reclassified RM'000
FYE 31 December 2009	Note			
Direct operating costs	(a)	310,829	(1,323)	309,506
Distribution costs	(b)	2,372	1,233	3,605
Other operating costs	(a)	971	90	1,061

Notes:

- (a) Being reclassification of carriage outwards in LF Klang from direct operating costs to distribution costs.
- (b) Being reclassification of quit rent and assessment on investment property in LF Hardware from direct operating costs to other operating costs.

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

LEON FUAT BERHAD
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

3. Pro Forma Consolidated Statements of Financial Position

The pro forma consolidated statements of financial position of Leon Fuat Group as at 31 December 2012 has been prepared for illustrative purposes only to show the effects of the Listing Scheme referred to in Section 1 had these transactions been effected on 31 December 2012.

		Audited as at 31 December 2012 RM'000	Pro Forma I After the Acquisitions RM'000	Pro Forma II After Proforma I, Public Issue and Utilisation of Proceeds RM'000
ASSETS	Note			
Non-current assets				
Property, plant and equipment	3.1.1	-	83,294	95,294
Other investment	3.1.2	-	33	33
		-	83,327	95,327
Current assets				
Inventories	3.1.3	-	95,615	95,615
Trade receivables	3.1.4	-	114,579	114,579
Other receivables, deposits and prepayments	3.1.5	69	8,930	8,930
Fixed deposits with licensed banks	3.1.6	-	4,412	4,412
Cash and bank balances	3.1.7	#	4,052	12,885
		69	227,588	236,421
Total assets		69	310,915	331,748

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

LEON FUAT BERHAD
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

3. Pro Forma Consolidated Statements of Financial Position (cont'd)

	Note	Audited as at 31 December 2012 RM'000	Pro Forma I After the Acquisitions RM'000	Pro Forma II After Proforma I, Public Issue and Utilisation of Proceeds RM'000
EQUITY AND LIABILITIES				
Equity attributable to equity holders of the Company				
Share capital	3.1.8	#	125,345	155,000
Share premium	3.1.9	-	-	5,246
Merger deficit	3.1.10	-	(109,545)	(109,545)
Capital reserve	3.1.11	-	1	1
Fair value reserve	3.1.12	-	(27)	(27)
(Accumulated losses) / Retained earnings	3.1.13	(1,374)	130,870	129,802
Total equity		(1,374)	146,644	180,477
Non-current liabilities				
Deferred tax liabilities	3.1.14	-	2,852	2,852
Borrowings	3.1.15	-	12,171	3,222
		-	15,023	6,074
Current liabilities				
Trade payables	3.1.16	-	19,009	19,009
Other payables and accruals	3.1.17	1,443	3,808	3,808
Borrowings	3.1.15	-	122,570	118,519
Tax liabilities	3.1.18	-	3,861	3,861
		1,443	149,248	145,197
Total liabilities		1,443	164,271	151,271
Total equity and liabilities		69	310,915	331,748

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

LEON FUAT BERHAD
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

3. Pro Forma Consolidated Statements of Financial Position (cont'd)

	Audited as at 31 December 2012	Pro Forma I, After the Acquisitions	Pro Forma II, After Proforma I, Public Issue and Utilisation of Proceeds
<i>Key financial ratios:</i>			
Number of ordinary shares of RM0.50 each in issue ('000)	*	250,690	310,000
Net (liabilities)/assets (RM'000)	(1,374)	146,644	180,477
Net (liabilities)/assets per share (RM)	(229,000)	0.58	0.58
Interest-bearing borrowings (RM'000)	-	134,741	121,741
Gearing ratio (times)	-	0.92	0.67

Notes:

This represents RM3.00

* This represents 6 ordinary shares

3.1 Notes to the Pro Forma Consolidated Statements of Financial Position

The pro forma adjustments to the pro forma consolidated statements of financial position are as follows:

Pro Forma I

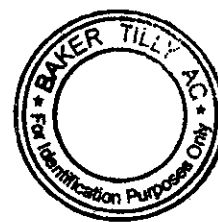
Pro Forma I incorporate the effects of the Acquisitions as set out in Section 1.2.1 above.

Pro Forma II

Pro Forma II incorporates the effects of Pro Forma I, the Public Issue as set out in Section 1.2.2.1 and intended utilisation of the gross proceeds from the Public Issue as follows:

	RM '000	%
Capital expenditures on:		
- Purchase of new industrial land with building (Note 1)	13,000	37%
- Construction of new processing plant with warehousing facilities	6,000	17%
- Purchase of new machines	6,000	17%
Working capital	7,786	22%
Estimated listing expenses (Note 2)	2,800	8%
	<u>35,586</u>	<u>100%</u>

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

LEON FUAT BERHAD
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

3.1 Notes to the Pro Forma Consolidated Statements of Financial Position (cont'd)

Note 1:

Leon Fuat Group had on 2 July 2012, through a public auction, purchased a piece of freehold industrial land with an existing detached building with annexed office building to house its new processing plant with warehousing facilities. The said land, bearing the address No.16, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Section 7, 40000 Shah Alam, Selangor Darul Ehsan, is located directly opposite its head office at Wisma Leon Fuat and has a land area of approximately 130,680 sq. ft. The cost of the acquisition of the said land and building and related incidental cost is approximately RM19.00 million and RM0.64 million respectively of which approximately RM2.56 million was funded through internally generated funds whilst the remaining purchase consideration of approximately RM17.08 million was funded through bank borrowings i.e. term loan and bank overdraft facility. Upon completion of the Listing on Bursa Securities, Leon Fuat Group plans to utilise RM13.00 million of the Public Issue proceeds to partly repay these bank borrowings.

Details of the borrowings that will be repaid are as follows:

<i>Banking facilities</i>	<i>Maturity date</i>	<i>Interest rates</i>	<i>Amount to be repaid from proceeds</i> <i>RM'000</i>
<i>Term Loan</i>	<i>1 November</i> <i>2022</i>	<i>BLR - 1.75%</i> <i>per annum</i>	<i>10,000</i>
<i>Overdraft facility</i>	<i>Repayable on</i> <i>demand</i>	<i>BLR + 1.00%</i> <i>per annum</i>	<i>3,000</i>

The Group will incur a one-off early repayment penalty of approximately RM300,000 for the repayment of the term loan.

Note 2:

The estimated listing expenses are estimated to be RM2.8 million, of which an amount of RM685,000 in respect of share issuance expenses will be set off against the share premium account under Section 60 of the Companies Act, 1965 and the balance of RM2,115,000 will be charged to the statement of comprehensive income. Included in the estimated listing expenses is an amount of approximately RM1,347,000 which has been expensed off in the statement of comprehensive income during the FYE 31 December 2012.

Upon completion of the Public Issue, the enlarged issued and paid-up share capital of the Company will increase from RM125,345,000 comprising 250,690,000 shares to RM155,000,000 comprising 310,000,000 shares.

The Offer for Sale outlined in Section 1.2.2.2 does not have any financial impact to the pro forma consolidated statements of financial position.

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11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

LEON FUAT BERHAD
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

3.1 Notes to the Pro Forma Consolidated Statements of Financial Position (cont'd)

3.1.1 Property, Plant and Equipment

	RM '000
As at 31 December 2012	-
Arising from the Acquisitions	83,294
As per Pro Forma I	83,294
Utilisation of Proceeds	12,000
As per Pro Forma II	95,294

3.1.2 Other Investment

	RM '000
As at 31 December 2012	-
Arising from the Acquisitions	33
As per Pro Forma I and II	33

3.1.3 Inventories

	RM '000
As at 31 December 2012	-
Arising from the Acquisitions	95,615
As per Pro Forma I and II	95,615

3.1.4 Trade Receivables

	RM '000
As at 31 December 2012	-
Arising from the Acquisitions	114,579
As per Pro Forma I and II	114,579

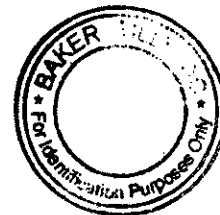
3.1.5 Other Receivables, Deposits and Prepayments

	RM '000
As at 31 December 2012	69
Arising from the Acquisitions	8,861
As per Pro Forma I and II	8,930

3.1.6 Fixed Deposits with Licensed Banks

	RM '000
As at 31 December 2012	-
Arising from the Acquisitions	4,412
As per Pro Forma I and II	4,412

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

LEON FUAT BERHAD
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

3.1 Notes to the Proforma Consolidated Statements of Financial Position (cont'd)

3.1.7 Cash and Bank Balances

	RM '000	RM '000
As at 31 December 2012		#
Arising from the Acquisitions		4,052
As per Pro Forma I		4,052
Public Issue		35,586
Utilisation of Proceeds		
- Purchase of new freehold industrial land with an existing detached building with annexed office building:		
- Repayment of term loan		(10,000)
- Repayment of overdraft facility		(3,000)
- Construction of new processing plant with warehousing facilities		(6,000)
- Purchase of new machineries		(6,000)
- Estimated listing expenses :		
Total listing expenses	(2,800)	
Less: Expensed off in Statement of Comprehensive Income during FYE 31 December 2012	1,347	
To be incurred		(1,453)
Early loan repayment penalty		(300)
As per Pro Forma II		12,885

Note:

This represents RM3.00

3.1.8 Share Capital

	No. of shares	Amount RM '000
As at 31 December 2012	6	#
Arising from the Acquisitions	250,689,994	125,345
As per Pro Forma I	250,690,000	125,345
Public Issue	59,310,000	29,655
As per Pro Forma II	310,000,000	155,000

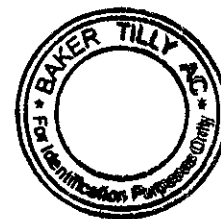
Note:

This represents RM3.00

3.1.9 Share Premium

	RM '000
As at 31 December 2012	-
Arising from the Acquisitions	-
As per Pro Forma I	-
Public Issue	5,931
Utilisation of proceeds	
- estimated listing expenses	(685)
As per Pro Forma II	5,246

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

LEON FUAT BERHAD
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

3.1 Notes to the Pro Forma Consolidated Statements of Financial Position (cont'd)

3.1.10 Merger Deficit

	RM '000
As at 31 December 2012	-
Arising from the Acquisitions	<u>(109,545)</u>
As per Pro Forma I and II	<u><u>(109,545)</u></u>

3.1.11 Capital Reserve

	RM '000
As at 31 December 2012	-
Arising from the Acquisitions	<u>1</u>
As per Pro Forma I and II	<u><u>1</u></u>

3.1.12 Fair Value Reserve

	RM '000
As at 31 December 2012	-
Arising from the Acquisitions	<u>(27)</u>
As per Pro Forma I and II	<u><u>(27)</u></u>

3.1.13 (Accumulated Losses)/Retained Earnings

	RM '000
As at 31 December 2012	(1,374)
Arising from the Acquisitions	<u>132,244</u>
As per Pro Forma I	130,870
Utilisation of proceeds	
- estimated listing expenses	(768)
Early loan repayment penalty	<u>(300)</u>
As per Pro Forma II	<u><u>129,802</u></u>

3.1.14 Deferred Tax Liabilities

	RM '000
As at 31 December 2012	-
Arising from the Acquisitions	<u>2,852</u>
As per Pro Forma I and II	<u><u>2,852</u></u>

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

LEON FUAT BERHAD
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

3.1 Notes to the Pro Forma Consolidated Statements of Financial Position (cont'd)

3.1.15 Borrowings

	RM '000
Non-current Liabilities	
As at 31 December 2012	-
Arising from the Acquisitions	<u>12,171</u>
As per Pro Forma I	12,171
Utilisation of proceeds	
- Purchase of new freehold industrial land with an existing detached building with annexed office building	
- Repayment of term loan	<u>(8,949)</u>
As per Pro Forma II	<u><u>3,222</u></u>
Current Liabilities	
As at 31 December 2012	-
Arising from the Acquisitions	<u>122,570</u>
As per Pro Forma I	122,570
Utilisation of proceeds	
- Purchase of new industrial land and building	
- Repayment of term loan	(1,051)
- Repayment of overdraft facility	<u>(3,000)</u>
As per Pro Forma II	<u><u>118,519</u></u>

3.1.16 Trade Payables

	RM '000
As at 31 December 2012	-
Arising from the Acquisitions	<u>19,009</u>
As per Pro Forma I and II	<u><u>19,009</u></u>

3.1.17 Other Payables and Accruals

	RM '000
As at 31 December 2012	1,443
Arising from the Acquisitions	<u>2,365</u>
As per Pro Forma I and II	<u><u>3,808</u></u>

3.1.18 Tax Liabilities

	RM '000
As at 31 December 2012	-
Arising from the Acquisitions	<u>3,861</u>
As per Pro Forma I and II	<u><u>3,861</u></u>

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

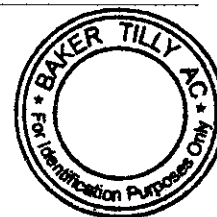
LEON FUAT BERHAD
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

4. Pro Forma Consolidated Statement of Cash Flows

The pro forma consolidated statement of cash flows of Leon Fuat Group for the FYE 31 December 2012, have been prepared for illustrative purposes only, on the assumption that Leon Fuat Group structure had been in existence throughout the financial year and the IPO as set out in Section 1.2.2 and utilisation of proceeds had been effected on 31 December 2012.

	RM '000
Cash Flows from Operating Activities	
Profit before tax	33,424
Adjustments for:	
Bad debts written off	27
Reversal of impairment loss on trade receivables	(93)
Depreciation of property, plant and equipment	5,470
Interest expense	4,844
Property, plant and equipment written off	6
Dividend income	(2)
Loss on disposal of other investment	1
Listing expenses	1,347
Gain on disposal of property, plant and equipment	(41)
Interest income	(243)
Operating profit before working capital changes	44,740
Increase in inventories	(17,825)
Increase in trade and other receivables	(5,863)
Increase in trade and other payables	1,718
Cash generated from operations	22,770
Interest paid	(4,844)
Interest received	243
Real property gains tax refunded	95
Income tax paid	(7,707)
Net cash from operating activities	10,557
Cash Flows from Investing Activities	
Dividend received	2
Purchase of property, plant and equipment	(34,066)
Prepayment on purchase of property, plant and equipment	(2,070)
Placement of fixed deposits	(11)
Proceeds from disposal of other investment	4
Proceeds from disposal of property, plant and equipment	109
Net cash used in investing activities	(36,032)

11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

LEON FUAT BERHAD
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION

RM '000

4. Pro Forma Consolidated Statement of Cash Flows (cont'd)

Cash Flows from Financing Activities

Dividend paid	(17,000)
Repayments of Al-Bai Bithaman Ajil facility	(1,439)
Payment of finance lease payables	(4,245)
Drawdown of term loans	10,000
Repayments of term loans	(10,343)
Early loan repayment penalty	(300)
Net drawdown of bankers' acceptances	2,945
Proceeds from public issue	35,586
Estimated listing expenses	(2,800)
Net cash from financing activities	12,404
Net decrease in cash and cash equivalents	(13,071)
Cash and cash equivalents at beginning of the financial year	17,733
Cash and cash equivalents at end of the financial year	4,662
Cash and cash equivalents at end of the financial year comprises:	
Fixed deposits with licensed banks	4,412
Cash and bank balances	12,885
Bank overdrafts	(12,254)
	5,043
Less: Fixed deposit under lien	(381)
	4,662

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11. PRO FORMA HISTORICAL FINANCIAL INFORMATION (Cont'd)

LEON FUAT BERHAD
PRO FORMA CONSOLIDATED FINANCIAL INFORMATION



APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated 26 MAR 2013

A handwritten signature in black ink, appearing to be "Ooi Bin Keong".

.....
OOI BIN KEONG
DIRECTOR
LEON FUAT BERHAD

A handwritten signature in black ink, appearing to be "Ooi Seng Khong".

.....
OOI SENG KHONG
DIRECTOR
LEON FUAT BERHAD