

LEON FUAT BERHAD

Registration No. 200601036648 (756407-D)

UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2022

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2022 RM'000	Preceding Year Quarter 30.06.2021 RM'000	Current Year- To-Date 30.06.2022 RM'000	Preceding Year- To-Date 30.06.2021 RM'000
Revenue	250,925	184,783	523,945	396,262
Cost of sales	(218,993)	(131,322)	(447,235)	(289,466)
Gross profit	31,932	53,461	76,710	106,796
Other income	436	1,221	1,108	2,331
Distribution costs	(2,969)	(2,741)	(5,954)	(5,674)
Administrative costs	(6,193)	(5,901)	(12,795)	(11,816)
Net reversal/(addition) of impairment losses on financial instruments	40	(134)	32	(184)
Other costs	(973)	(141)	(1,187)	(267)
	(10,095)	(8,917)	(19,904)	(17,941)
Profit from operations	22,273	45,765	57,914	91,186
Finance costs	(4,234)	(3,192)	(8,067)	(6,088)
Profit before tax	18,039	42,573	49,847	85,098
Income tax expense	(4,018)	(10,458)	(11,934)	(16,873)
Profit for the financial period	14,021	32,115	37,913	68,225
Other comprehensive income:				
<i>Items that may be reclassified subsequently to profit or loss:</i>				
Exchange differences on translation of a foreign operation	24	1	32	17
Total other comprehensive income, net of tax	24	1	32	17
Total comprehensive income for the financial period	14,045	32,116	37,945	68,242
Profit attributable to:				
- Owners of the Company	14,023	32,119	37,932	68,243
- Non-controlling interests	(2)	(4)	(19)	(18)
	14,021	32,115	37,913	68,225

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME FOR THE SECOND QUARTER ENDED 30 JUNE 2022 (CONT'D)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current	Preceding	Current	Preceding
	Year	Year	Year-	Year-
	Quarter	Quarter	To-Date	To-Date
	30.06.2022	30.06.2021	30.06.2022	30.06.2021
	RM'000	RM'000	RM'000	RM'000
Total comprehensive income attributable to:				
- Owners of the Company	14,047	32,120	37,964	68,260
- Non-controlling interests	(2)	(4)	(19)	(18)
	<u>14,045</u>	<u>32,116</u>	<u>37,945</u>	<u>68,242</u>
Earnings per share (sen) attributable to owners of the Company:				
- Basic	4.11	9.76	11.12	21.35
- Diluted	4.11	9.76	11.12	21.35

Note:

The Unaudited Condensed Consolidated Statement of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial statement.

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Registration No. 200601036648 (756407-D)

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2022

	As at 30.06.2022 RM'000 (Unaudited)	As at 31.12.2021 RM'000 (Audited)
ASSETS		
Non-current assets		
Property, plant and equipment	263,356	245,022
Capital work-in-progress	55,244	33,867
	<u>318,600</u>	<u>278,889</u>
Current assets		
Inventories	477,294	419,278
Trade receivables	260,881	259,621
Other receivables, deposits and prepayments	13,240	25,236
Tax assets	85	147
Deposits with licensed banks	506	3,015
Cash and bank balances	43,752	42,637
	<u>795,758</u>	<u>749,934</u>
TOTAL ASSETS	<u>1,114,358</u>	<u>1,028,823</u>
EQUITY AND LIABILITIES		
Equity		
Share capital	186,423	186,423
Merger deficit	(103,960)	(109,545)
Capital reserve	1	1
Retained earnings	483,467	457,940
Translation reserve	34	2
	<u>565,965</u>	<u>534,821</u>
Non-controlling interests	567	586
Total Equity	<u>566,532</u>	<u>535,407</u>
Non-current liabilities		
Loans and borrowings	80,587	69,258
Deferred tax liabilities	4,594	7,480
	<u>85,181</u>	<u>76,738</u>
Current liabilities		
Trade payables	5,892	14,217
Other payables and accruals	12,135	16,112
Tax liabilities	15,354	14,704
Loans and borrowings	414,366	369,608
Dividend payable	6,820	-
Contract liabilities	8,078	2,037
	<u>462,645</u>	<u>416,678</u>
Total Liabilities	<u>547,826</u>	<u>493,416</u>
TOTAL EQUITY AND LIABILITIES	<u>1,114,358</u>	<u>1,028,823</u>
Net assets per share attributable to owners of the Company (RM)	1.66	1.57

Note:

The Unaudited Condensed Consolidated Statement of Financial Position should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial statement.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY FOR THE SECOND QUARTER ENDED 30 JUNE 2022

	< -----Attributable to Owners of the Company ----- >						
	Share Capital RM'000	Merger Deficit RM'000	Capital Reserve RM'000	Translation Reserve RM'000	Retained Earnings RM'000	Non- Controlling interests RM'000	Total Equity RM'000
2022							
At 1 January 2022	186,423	(109,545)	1	2	457,940	586	535,407
Profit/(Loss) for the financial period	-	-	-	-	37,932	(19)	37,913
Other comprehensive income for the financial period	-	-	-	32	-	-	32
Total comprehensive income	-	-	-	32	37,932	(19)	37,945
Realisation of merger deficit *	-	5,585	-	-	(5,585)	-	-
Dividends	-	-	-	-	(6,820)	-	(6,820)
Total transactions with owners	-	5,585	-	-	(12,405)	-	(6,820)
At 30 June 2022	<u>186,423</u>	<u>(103,960)</u>	<u>1</u>	<u>34</u>	<u>483,467</u>	<u>567</u>	<u>566,532</u>
2021							
At 1 January 2021	160,094	(109,545)	1	(15)	328,750	616	379,901
Profit/(Loss) for the financial period	-	-	-	-	68,243	(18)	68,225
Other comprehensive income for the financial period	-	-	-	17	-	-	17
Total comprehensive income	-	-	-	17	68,243	(18)	68,242
Issuance of ordinary shares pursuant to private placement	26,350	-	-	-	-	-	26,350
Transaction costs of share issue	(21)	-	-	-	-	-	(21)
Dividends	-	-	-	-	(6,820)	-	(6,820)
Total transactions with owners	26,329	-	-	-	(6,820)	-	19,509
At 30 June 2021	<u>186,423</u>	<u>(109,545)</u>	<u>1</u>	<u>2</u>	<u>390,173</u>	<u>598</u>	<u>467,652</u>

Notes:

* Realisation of merger deficit arising from member's voluntary winding-up of a subsidiary as disclosed in Note A11 of this Announcement.

The Unaudited Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial statement.

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2022

	Current Year-To-Date 30.06.2022 RM'000	Preceding Year-To-Date 30.06.2021 RM'000
Cash Flows from Operating Activities		
Profit before tax	49,847	85,098
Adjustments for:		
Depreciation of property, plant and equipment	8,092	7,479
Impairment losses on trade receivables	156	228
Interest expense	7,037	5,156
Interest income	(155)	(421)
Inventories written down	13,876	-
Net gain on a lease termination	-	(6)
Net gain on disposal of plant and equipment	(44)	-
Net unrealised foreign exchange gain	(114)	(53)
Plant and equipment written off	354	-
Reversal of impairment losses on trade receivables	(188)	(44)
Waiver of interest income	135	-
Operating profit before changes in working capital	78,996	97,437
Inventories	(73,031)	(71,107)
Trade and other receivables	1,092	(34,651)
Trade and other payables	(12,748)	(17,232)
Contract liabilities	6,041	3,957
Net cash generated from/(used in) operation	350	(21,596)
Interest received	158	417
Interest paid	(7,459)	(6,038)
Income tax paid	(14,109)	(1,280)
Net cash used in operating activities	(21,060)	(28,497)
Cash Flows from Investing Activities		
Capital work-in-progress paid	(15,455)	(10,286)
Changes in deposits pledged with licensed banks	(8)	6,844
Deposits paid for acquisition of property, plant and equipment	(1,053)	(6,208)
Proceeds from disposal of plant and equipment	46	-
Purchase of property, plant and equipment	(3,804)	(2,054)
Net cash used in investing activities	(20,274)	(11,704)

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UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SECOND QUARTER ENDED 30 JUNE 2022 (CONT'D)

	Current Year-To-Date 30.06.2022 RM'000	Preceding Year-To-Date 30.06.2021 RM'000
Cash Flows from Financing Activities		
Drawdown of term loan	4,540	-
Net drawdown of bankers' acceptances	23,365	79,173
Net drawdown of islamic financing	4,989	9,480
Net proceeds from issuance of ordinary shares	-	26,329
Payment of lease liabilities	(3,133)	(2,407)
Repayment of term loans	(5,130)	(1,019)
Net cash from financing activities	<u>24,631</u>	<u>111,556</u>
Net (decrease)/increase in cash and cash equivalents	(16,703)	71,355
Cash and cash equivalents at the beginning of the financial period	40,137	13,681
Effect of exchange rate changes on cash and cash equivalents	139	75
Cash and cash equivalents at the end of the financial period	<u>23,573</u>	<u>85,111</u>
Cash and cash equivalents at the end of the financial period comprises:		
Cash and bank balances	43,752	44,623
Deposits with licensed banks	506	58,764
	<u>44,258</u>	<u>103,387</u>
Less: Bank overdrafts	(20,179)	(17,034)
Less: Deposits pledged with licensed banks	(506)	(1,242)
	<u>23,573</u>	<u>85,111</u>

The Unaudited Condensed Consolidated Statement of Cash Flows should be read in conjunction with the Audited Financial Statements for the financial year ended 31 December 2021 and the accompanying explanatory notes attached to this interim financial statement.

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

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

The interim financial statements should be read in conjunction with the audited financial statements of the Group for the financial year ended 31 December 2021.

The interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Company and its subsidiaries (“the Group”) since the financial year ended 31 December 2021.

The significant accounting policies adopted by the Group in this interim financial statements are consistent with those adopted in the financial statements as disclosed in the audited financial statements of the Group for the financial year ended 31 December 2021, except for the adoption of the following:

Amendments/Improvements to MFRSs

MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards
MFRS 3	Business Combinations
MFRS 9	Financial Instruments
MFRS 16	Leases
MFRS 116	Property, Plant and Equipment
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets
MFRS 141	Agriculture

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

<u>New MFRS</u>		Effective for financial periods beginning on or after
MFRS 17	Insurance Contracts	1 January 2023
<u>Amendments/Improvements to MFRSs</u>		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2023 [#]
MFRS 3	Business Combinations	1 January 2023 [#]
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023 [#]
MFRS 7	Financial Instruments: Disclosures	1 January 2023 [#]
MFRS 9	Financial Instruments	1 January 2023 [#]
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023 [#]
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023 [#] / 1 January 2023

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

		Effective for financial periods beginning on or after
<u>Amendments/Improvements to MFRSs (cont’d)</u>		
MFRS 107	Statement of Cash Flows	1 January 2023 [#]
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income Taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2023 [#]
MFRS 119	Employee Benefits	1 January 2023 [#]
MFRS 128	Investments in Associates and Joint Ventures	1 January 2023 [#] / Deferred
MFRS 132	Financial instruments: Presentation	1 January 2023 [#]
MFRS 136	Impairment of Assets	1 January 2023 [#]
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2023 [#]
MFRS 138	Intangible Assets	1 January 2023 [#]
MFRS 140	Investment Property	1 January 2023 [#]

Amendments as to the consequence of effective MFRS 17 Insurance Contracts

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

A2. Auditors’ Report on Preceding Annual Financial Statements

The Auditors’ Report for the immediate preceding annual financial statements of the Group and the Company for the financial year ended 31 December 2021 were not subject to any qualification.

A3. Seasonality or Cyclicity of Operations

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

A4. Unusual Items

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

A5. Changes in Estimates

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

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

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

A7. Dividend Paid

No dividend was paid during the current quarter.

A8. Segment Information

Segment information of the Group for the financial year-to-date ended 30 June 2022 is as follows:

	Trading of Steel Products RM’000	Processing/ Manufacturing ⁽¹⁾ of Steel Products RM’000	Others ⁽²⁾ RM’000	Total RM’000
External revenue	186,387	337,314	244	523,945
Cost of sales	(153,723)	(279,426)	(210)	(433,359)
Gross profit before inventories written down	32,664	57,888	34	90,586
Inventories written down				(13,876)
Gross profit				76,710
Add/(Less):				
- Other income				1,108
- Operating expenses				(19,936)
- Net reversal of impairment losses on financial instruments				32
- Finance costs				(8,067)
Profit before tax				49,847
Income tax expense				(11,934)
Profit for the financial period				37,913

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

Segment information of the Group for the financial year-to-date ended 30 June 2021 is as follows:

	Trading of Steel Products RM’000	Processing/ Manufacturing⁽¹⁾ of Steel Products RM’000	Others⁽²⁾ RM’000	Total RM’000
External revenue	148,171	247,957	134	396,262
Cost of sales	(112,295)	(177,090)	(81)	(289,466)
Gross profit	<u>35,876</u>	<u>70,867</u>	<u>53</u>	<u>106,796</u>
Add/(Less):				
- Other income				2,331
- Operating expenses				(17,757)
- Net addition of impairment losses on financial instruments				(184)
- Finance costs				<u>(6,088)</u>
Profit before tax				85,098
Income tax expense				<u>(16,873)</u>
Profit for the financial period				<u><u>68,225</u></u>

*Notes:**(1) Collectively referred to as “processing”.**(2) Mainly consists of trading of specialised steel materials including tool steel and non-ferrous metal products including bronze, brass, aluminium and copper products.***A9. Valuations of Property, Plant and Equipment**

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

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

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

A11. Changes in Composition of the Group

On 2 January 2019, the Company announced that Asa Steel (M) Sdn Bhd (“Asa Steel”), its wholly-owned subsidiary had on 1 January 2019 placed under member’s voluntary winding up pursuant to Section 439(1)(b) of the Companies Act 2016.

On 22 June 2022, the Company announced that Asa Steel was dissolved after the expiration of three months from the date of lodgement of the Return by Liquidator Relating To Final Meeting with the Companies Commission of Malaysia and with the Official Receiver on 1 March 2022, pursuant to Section 459(5) of the Companies Act 2016.

Save as disclosed above, there were no changes in the composition of the Group during the current quarter and current financial year-to-date.

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

	As at 30.06.2022 RM'000	Audited As at 31.12.2021 RM'000
Approved and contracted for:		
Acquisition of motor vehicles	3,881	964
Acquisition of plant and equipment	34,934	35,207
Acquisition of properties	1,471	19,854
Construction of factory and warehouse buildings	30,768	15,454
	<u>71,054</u>	<u>71,479</u>

A13. Changes in Contingent Liabilities and Contingent Assets

There were no contingent assets and liabilities since the end of the previous financial year up to 30 June 2022.

A14. Significant Related Party Transactions

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2022 RM'000	Preceding Year Quarter 30.06.2021 RM'000	Current Year- To-Date 30.06.2022 RM'000	Preceding Year- To-Date 30.06.2021 RM'000
Sales to related parties	1,034	906	2,959	2,524
Purchases from related parties	19	4	123	178
Rental expense paid to related parties	430	447	860	960

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

	Current Year Quarter 30.06.2022 RM'000	Preceding Year Quarter 30.06.2021 RM'000	Variance	
			RM'000	%
Revenue	250,925	184,783	66,142	35.8%
Gross profit	31,932	53,461	(21,529)	-40.3%
Profit before interest and tax	21,684	45,207	(23,523)	-52.0%
Profit before tax	18,039	42,573	(24,534)	-57.6%
Profit after tax	14,021	32,115	(18,094)	-56.3%
Profit attributable to owners of the Company	14,023	32,119	(18,096)	-56.3%

The revenue recorded for the current quarter and the preceding year corresponding quarter was RM250.93 million and RM184.78 million respectively, increased by 35.8% or RM66.14 million.

The increase in revenue was mainly attributable to increase in revenue for trading and processing of steel products by 30.5% or RM22.51 million from RM73.88 million to RM96.39 million and by 39.3% or RM43.53 million from RM110.85 million to RM154.38 million respectively.

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

- higher revenue from trading of flat carbon steel products by 50.5% attributable to higher tonnage sales by 37.8% as well as higher average selling price by 9.2%; and
- higher revenue from trading of other flat steel products by 100.4% attributable to higher tonnage sales by 32.7% as well as higher average selling price by 50.9%.

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

- higher revenue from processing of flat carbon steel products by 7.4% attributable to higher average selling price by 12.8%, despite lower tonnage sales by 4.7%;
- higher revenue from processing of other flat steel products by 154.4% attributable to higher tonnage sales by 68.3% as well as higher average selling price by 51.2%; and
- higher revenue from processing of long carbon steel products by 42.4% attributable to increase in tonnage sales by 14.0% as well as higher average selling price by 24.9%.

Our main business segments continued to be trading and processing of steel products, which collectively contributed 99.9% of our total revenue for the current quarter. The trading segment and the processing segment contributed revenue of 38.4% and 61.5% respectively for the current quarter whereas the trading segment and the processing segment contributed revenue of approximately 40.0% and 60.0% respectively for the preceding year corresponding quarter.

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

Despite higher revenue by 35.8% or RM66.14 million, from RM184.78 million for the preceding year corresponding quarter to RM250.93 million for the current quarter, our gross profit decreased by 40.3% or RM21.53 million, from RM53.46 million for the preceding year corresponding quarter to RM31.93 million for the current quarter, mainly due to lower overall gross profit margin by approximately 10.6 percentage points, from 28.9% for the preceding year corresponding quarter to 18.3% for the current quarter as well as inventories written down of RM13.88 million in the current quarter as certain inventories were measured at its estimated net realisable value.

The other income for the current quarter was RM0.44 million as compared to RM1.22 million for the preceding year corresponding quarter, decreased by approximately RM0.78 million, mainly due to:

- absence of rental income of RM0.74 million as a result of expiration of tenancies for part of our warehouse space in Port Klang Free Zone (“PKFZ”); and
- decrease in interest income by RM0.32 million; offset by
- higher unrealised gain on foreign exchange recorded for the current quarter by RM0.11 million as compared to preceding year corresponding quarter; and
- higher insurance claims by RM0.15 million.

Our operating costs increased by approximately RM1.17 million from RM8.92 million for the preceding year corresponding quarter to RM10.09 million for the current quarter, as the result of the following:

1. Increase in distribution costs by RM0.23 million mainly due to:
 - increase in staff related costs by RM0.16 million mainly caused by increase in salaries and wages as well as higher provision of bonuses on quarterly basis as compared to the preceding year corresponding quarter; and
 - increase in petrol, parking, toll, transportation, travelling and accommodation expenses by RM0.09 million.
2. Increase in administrative costs by RM0.29 million mainly due to:
 - higher directors’ remuneration and staff related costs by RM0.56 million, mainly resulted from higher provision of bonuses for staff and directors;
 - higher entertainment expenses by RM0.11 million; and
 - increase in insurance and road tax expenses by RM0.05 million; offset by
 - lower professional fees incurred in the current quarter by RM0.43 million.
3. Decrease in impairment losses on financial instruments (trade receivables) by RM0.17 million due to net reversal of impairment losses on financial instruments of RM0.04 million for the current quarter as opposed to net addition of impairment losses of RM0.13 million for the preceding year corresponding quarter.
4. Increase in other costs by RM0.83 million mainly due to:
 - plant and equipment written off amounting to RM0.35 million;
 - realised loss on foreign exchange of RM0.43 million recorded for the current quarter; and
 - higher stamp duty paid by RM0.08 million.

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

B1. Review of Performance (Cont'd)

Current Quarter Compared To Preceding Year Corresponding Quarter (Cont'd)

Total finance costs for the current quarter was RM4.23 million, increased by RM1.04 million as compared to RM3.19 million for the preceding year corresponding quarter. This was mainly due to higher interest expense for overdraft facilities, bankers' acceptances, islamic financing and term loans in the current quarter by RM0.24 million, RM0.42 million, RM0.14 million and RM0.19 million respectively, mainly due to higher utilisation of the aforementioned facilities.

Based on the foregoing factors, our profit before tax decreased by 57.6% or RM24.53 million, from RM42.57 million for the preceding year corresponding quarter to RM18.04 million for the current quarter.

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

	Current Year- To-Date 30.06.2022 RM'000	Preceding Year- To-Date 30.06.2021 RM'000	Variance	
			RM'000	%
Revenue	523,945	396,262	127,683	32.2%
Gross profit	76,710	106,796	(30,086)	-28.2%
Profit before interest and tax	56,884	90,254	(33,370)	-37.0%
Profit before tax	49,847	85,098	(35,251)	-41.4%
Profit after tax	37,913	68,225	(30,312)	-44.4%
Profit attributable to owners of the Company	37,932	68,243	(30,311)	-44.4%

Our revenue increased by 32.2% or RM127.68 million from RM396.26 million for the preceding financial year-to-date to RM523.95 million for the current financial year-to-date.

The increase in revenue was mainly attributable to increase in revenue for trading and processing of steel products by 25.8% or RM38.22 million from RM148.17 million to RM186.39 million and by 36.0% or approximately RM89.35 million from RM247.96 million to RM337.31 million respectively.

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

- higher revenue from trading of flat carbon steel products by 59.0% attributable to higher tonnage sales by 28.8% as well as higher average selling price by 23.4%; and
- higher revenue from trading of other flat steel products by 36.6% attributable to higher average selling price by 49.2%, despite lower tonnage sales by 8.5%.

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

- higher revenue from processing of flat carbon steel products by 15.1% attributable to higher average selling price by 20.5%, despite lower tonnage sales by 4.5%;
- higher revenue from processing of other flat steel products by 102.9% attributable to higher tonnage sales by 33.2% as well as higher average selling price by 52.3%; and
- higher revenue from processing of long carbon steel products by 43.4% attributable to increase in tonnage sales by 3.7% as well as higher average selling price by 38.3%.

Despite higher revenue by 32.2% or RM127.68 million from RM396.26 million for the preceding financial year-to-date to RM523.95 million for the current financial year-to-date, our gross profit decreased by 28.2% or RM30.09 million, from RM106.80 million for the preceding financial year-to-date to RM76.71 million for the current financial year-to-date, mainly due to lower overall gross profit margin by 9.7 percentage points, from 27.0% for the preceding financial year-to-date to 17.3% for the current financial year-to-date as well as inventories written down of RM13.88 million in the current financial year-to-date as certain inventories were measured at its estimated net realisable value.

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

B1. Review of Performance (Cont'd)

Current Financial Year-To-Date Compared To Preceding Financial Year-To-Date (Cont'd)

The other income for the current financial year-to-date was RM1.11 million as compared to RM2.33 million for the preceding financial year-to-date, lower by RM1.22 million, mainly due to:

- decrease in rental income by RM1.13 million as a result of expiration of tenancies for part of our warehouse space in PKFZ; and
- decrease in interest income by RM0.42 million; offset by
- higher insurance claims by RM0.27 million, and
- wage subsidy of RM0.11 million received from Government under the Wage Subsidy Programme in the current financial year-to-date.

Our operating costs increased by RM1.96 million from RM17.94 million for the preceding financial year-to-date to RM19.90 million for the current financial year-to-date, as the result of the following:

1. Increase in administrative costs by RM0.98 million mainly due to:
 - higher directors' remuneration and staff related costs by RM1.29 million, mainly resulted from higher provision of bonuses for staff and directors;
 - increase in commission expenses by RM0.05 million;
 - increase in entertainment expenses by RM0.10 million; and
 - increase in insurance, road tax, petrol, parking, toll and travelling expenses by RM0.14 million; offset by
 - decrease in depreciation charges by RM0.30 million; and
 - lower professional fees incurred in the current financial year-to-date by RM0.39 million.
2. Increase in other costs by RM0.92 million mainly due to:
 - plant and equipment written off amounting to RM0.35 million;
 - realised loss on foreign exchange of RM0.45 million recorded for the current financial year-to-date; and
 - higher stamp duty paid by RM0.08 million.

Total finance costs increased by RM1.98 million as compared to the preceding financial year-to-date. This was mainly due to higher interest expense for overdraft facilities, bankers' acceptances, islamic financing and term loans by RM0.12 million, RM1.11 million, RM0.28 million and RM0.32 million respectively, mainly due to higher utilisation of the aforementioned facilities.

Based on the foregoing factors, our profit before tax for the current financial year-to-date decreased by 41.4% or RM35.25 million as compared to preceding financial year-to-date, from RM85.10 million for the preceding financial year-to-date to RM49.85 million for the current financial year-to-date.

B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)**B2. Material Variation of Profit Before Tax Against Immediate Preceding Quarter**

	Current Quarter 30.06.2022 RM'000	Immediate Preceding Quarter 31.03.2022 RM'000	Variance	
			RM'000	%
Revenue	250,925	273,020	(22,095)	-8.1%
Gross profit	31,932	44,778	(12,846)	-28.7%
Profit before interest and tax	21,684	35,200	(13,516)	-38.4%
Profit before tax	18,039	31,808	(13,769)	-43.3%
Profit after tax	14,021	23,892	(9,871)	-41.3%
Profit attributable to owners of the Company	14,023	23,909	(9,886)	-41.3%

Our Group achieved revenue of RM250.93 million for the current quarter, which was lower than the immediate preceding quarter's revenue by 8.1% or RM22.09 million, as the result of the following:

1. Increase in revenue for trading of steel products by 7.1% or RM6.39 million from RM90.00 million to RM96.39 million mainly due to higher revenue from trading of other flat steel products by 39.7% attributable to higher tonnage sales by 37.5% as well as slightly higher average selling price by 1.5%.
2. Decrease in revenue for processing of steel products by 15.6% or RM28.55 million, from RM182.93 million to RM154.38 million mainly due to:
 - lower revenue from processing of flat carbon steel products by 27.1% due to lower tonnage sales by 32.2%, despite higher average selling price by 7.5%; partially mitigated by
 - higher revenue from processing of other flat steel products by 7.6% attributable to higher average selling price by 8.5% while the tonnage sales remained fairly consistent.

For the current quarter, our gross profit decreased by 28.7% or RM12.85 million, from RM44.78 million for the immediate preceding quarter to RM31.93 million for the current quarter mainly due to the decrease in revenue by 8.1% or RM22.09 million, from RM273.02 million for the immediate preceding quarter to RM250.93 million for the current quarter as well as inventories written down of RM13.88 million in the current quarter as certain inventories were measured at its estimated net realisable value, which were partly compensated by higher gross profit margin for processing of steel products by 3.2 percentage points, from 15.7% for the immediate preceding quarter to 18.9% for the current quarter.

The other income of RM0.44 million for the current quarter as compared to RM0.67 million for the immediate preceding quarter, was lower by approximately RM0.23 million mainly due to:

- absence of rental income of RM0.35 million as a result of expiration of a tenancy for part of our warehouse space in PKFZ;
- absence of wage subsidy of RM0.11 million from Government under the Wage Subsidy Programme; and
- decrease in interest income by RM0.04 million; offset by
- unrealised gain on foreign exchange of RM0.11 million recorded for the current quarter; and
- lower waiver of interest income on overdue trade receivables by RM0.12 million.

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

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

Our operating costs increased slightly by approximately RM0.28 million, from RM9.81 million for the immediate preceding quarter to RM10.09 million for the current quarter, as the result of the following:

1. Decrease in administrative costs by RM0.41 million mainly due to:
 - lower directors' remuneration and staff related costs by RM0.17 million; and
 - lower professional fees incurred in the current quarter by RM0.25 million.
2. Decrease in impairment losses on financial instruments (trade receivables) by RM0.05 million due to net reversal of impairment losses on financial instruments of RM0.04 million for the current quarter as opposed to net addition of impairment losses of RM0.01 million for the immediate preceding quarter.
3. Increase in other costs by RM0.76 million mainly due to:
 - plant and equipment written off amounting to RM0.35 million; and
 - higher realised loss on foreign exchange recorded for the current quarter by RM0.40 million.

The finance costs for the current quarter was RM4.23 million, increased by RM0.40 million as compared to RM3.83 million for the immediate preceding quarter. This was mainly due to higher interest expense for overdraft facilities and higher bank charges incurred in the current quarter by RM0.23 million and RM0.15 million respectively.

Based on the foregoing factors, our profit before tax decreased by 43.3% or RM13.77 million, from RM31.81 million for the immediate preceding quarter to RM18.04 million for the current quarter.

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

Our business operations mainly comprise trading and processing of a diverse range of flat and long steel products. Our processing facilities which include an extensive range of cutting, levelling, shearing, profiling, bending and finishing are catered for specific product requirements of our large customer base from diverse industries and to provide a one-stop solution to potential customers. The cutting and profiling facilities include a fiber laser cutting machine complete with automated loading and unloading facilities for inputs and outputs with overall processing speed of up to 5 times more than conventional laser cutting machines. In addition, our Group also has downstream manufacturing facilities for production of welded steel pipes with existing Phase 1 of the facilities currently having 4 production lines. We have also embarked on Phase 2 of the facilities which is only expected to be fully commissioned in the second half of 2023.

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

Globally, risks to the global economic outlook are overwhelmingly tilted to the downside after taking into consideration risks arising from the Russia-Ukraine war, inflation globally, the tight labour market and monetary policies, potential debt distress in emerging markets, the property sector crisis in China and geopolitical fragmentation, which could impede global trade and cooperation.

Locally, our trade performance has so far remained resilient, maintaining its growth momentum for the past few quarters. Following the systematic reopening of the economy, continued expansion of internal and external demand, and the reduction in unemployment, foreign investors appear to be more confident in Malaysia's prospects. However, Malaysia is also facing risks and challenges to recovery such as the rising inflation and supply chains disruption due to the ongoing Russia-Ukraine conflict. A potential slowdown in China's economy and the spillover impact from the Russian-Ukraine conflict are also adding to the uncertainty.

Mindful of the uncertain economic outlook and risks involved as well as the current softening of steel prices and Ringgit Malaysia, our Group has increased vigilant on the movement of steel prices and related foreign currencies and will take proactive measures including negotiating forward contracts, where necessary, as well as prudent inventory management, to reduce any negative impact which may arise therefrom. Our Group will also continue to enhance the operating capabilities and efficiencies in meeting customers' requirements and to ensure timely satisfaction of customer orders while keeping our operating costs at a manageable level. The risk of COVID-19 infection, although various Standard Operating Procedures had been removed by the relevant authorities upon entering into the endemic phase, will continue to be addressed by maintaining certain crucial preventive measures including work place hygiene and face masking in enclosed workplace. The Group has also retained its emergency response team in major subsidiaries to deal with emergencies arising from the endemic as well as other health and workplace related emergencies.

In view of the abovementioned global and local uncertainties and adverse factors, our Board remains cautious on the performance of the Group for the remaining quarters of 2022.

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

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

B5. Profit Before Tax

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2022 RM'000	Preceding Year Quarter 30.06.2021 RM'000	Current Year- To-Date 30.06.2022 RM'000	Preceding Year- To-Date 30.06.2021 RM'000
Depreciation of property, plant and equipment	4,116	3,715	8,092	7,479
Impairment losses on trade receivables	30	131	156	228
Interest expense	3,645	2,634	7,037	5,156
Inventories written down	13,876	-	13,876	-
Net loss/(gain) on foreign exchange				
- realised	425	(1)	448	(31)
- unrealised	(131)	(9)	(114)	(53)
Plant and equipment written off	354	-	354	-
Waiver of interest income	8	-	135	-
Interest income	(60)	(260)	(155)	(421)
Net gain on a lease termination	-	-	-	(6)
Net gain on disposal of plant and equipment	(44)	-	(44)	-
Rental income from premises	-	(740)	(348)	(1,480)
Reversal of impairment losses on trade receivables	(70)	3	(188)	(44)

Note:

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

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2022 RM'000	Preceding Year Quarter 30.06.2021 RM'000	Current Year- To-Date 30.06.2022 RM'000	Preceding Year- To-Date 30.06.2021 RM'000
Current income tax				
- for the financial period	7,232	10,681	14,820	16,308
- over provision in prior financial years	-	-	-	(#)
Deferred tax				
- (reversal)/origination of temporary differences	(3,214)	(223)	(2,886)	565
Income tax expense	<u>4,018</u>	<u>10,458</u>	<u>11,934</u>	<u>16,873</u>

Note:# *Less than RM500.*

The effective tax rate for the current quarter and current financial year-to-date are lower than the statutory tax rate of 24% mainly due to availability of reinvestment allowance for certain companies within the Group.

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B ADDITIONAL INFORMATION REQUIRED BY THE MAIN MARKET LISTING REQUIREMENTS OF BURSA SECURITIES (CONT'D)**B7. Status of Corporate Proposals**

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

Utilisation of Proceeds from Private Placement

The Private Placement raised a gross proceeds of RM26.35 million. The status of utilisation of proceeds raised from the Private Placement as at 30 June 2022 is as follows:

Purpose	Proposed Utilisation⁽¹⁾ (RM'000)	Actual Utilisation (RM'000)	Deviation	Balance unutilised (RM'000)	Estimated timeframe for utilisation (from the completion date of the Private Placement)
Purchase of machineries for the new welded steel pipe manufacturing line	26,195	15,867	-	10,328	Within 24 months
Expenses incurred for the Private Placement	155	155	-	-	Immediate
Total	26,350	16,022	-	10,328	

Note:

(1) *The proposed utilisation of proceeds as disclosed above should be read in conjunction with the Announcement made by the Company dated 13 April 2021.*

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

	As at 30.06.2022 RM'000	As at 31.12.2021 RM'000
<u>Current</u>		
Secured:		
Bankers' acceptances	180,227	161,502
Bank overdrafts	11,396	1,017
Lease liabilities	3,425	3,848
Term loans	10,793	9,193
	<u>205,841</u>	<u>175,560</u>
Unsecured:		
Bankers' acceptances	139,912	135,272
Bank overdrafts	8,783	4,000
Islamic financing	57,979	52,990
Lease liabilities	1,851	1,786
	<u>208,525</u>	<u>194,048</u>
	<u>414,366</u>	<u>369,608</u>
<u>Non-current</u>		
Secured:		
Lease liabilities	3,342	4,934
Term loans	66,657	52,847
	<u>69,999</u>	<u>57,781</u>
Unsecured:		
Lease liabilities	10,588	11,477
	<u>80,587</u>	<u>69,258</u>
Total Borrowings	<u><u>494,953</u></u>	<u><u>438,866</u></u>

The above Group's borrowings are denominated in Ringgit Malaysia.

B9. Material Litigation

Since the last annual financial statements up to the date of issue of this report, the Group is not engaged in any material litigation or arbitration, either as plaintiff or defendant, which have a material effect on the financial position of our Group, and the Board does not know of any proceedings pending or threatened or of any fact likely to give rise to any proceeding which may materially and adversely affect the financial position or business of the Group.

B10. Dividend

A final single tier dividend of 2.0 sen per share in respect of the financial year ended 31 December 2021 (financial year ended 31 December 2020: nil) has been approved by the shareholders at the Annual General Meeting of the Company held on 28 June 2022. The final dividend was paid on 5 August 2022.

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

(a) Basic Earnings Per Share

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

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter 30.06.2022 RM'000	Preceding Year Quarter 30.06.2021 RM'000	Current Year- To-Date 30.06.2022 RM'000	Preceding Year- To-Date 30.06.2021 RM'000
Profit attributable to owners of the Company	14,023	32,119	37,932	68,243
Weighted average number of ordinary shares in issue ('000)	341,000	329,077	341,000	319,591
Basic Earnings Per Share (sen)	4.11	9.76	11.12	21.35

(b) Diluted Earnings Per Share

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

By order of the Board
Kuala Lumpur
29 August 2022