

7. INDUSTRY OVERVIEW



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Date: 28 September 2022

The Board of Directors
LEFORM BERHAD
12th Floor, Menara Symphony,
No. 5, Jalan Prof. Khoo Kay Kim,
Seksyen 13,
46200 Petaling Jaya,
Selangor.

Dear Sirs/Madam,

Independent Market Research (“IMR”) Report on the Steel Industry in Malaysia in conjunction with the Listing of LEFORM BERHAD on the ACE Market of Bursa Malaysia Securities Berhad

PROVIDENCE STRATEGIC PARTNERS SDN BHD (“**PROVIDENCE**”) has prepared this IMR report on the Steel Industry in Malaysia for inclusion in the Prospectus of LEFORM BERHAD.

PROVIDENCE has taken prudent measures to ensure reporting accuracy and completeness by adopting an independent and objective view of these industries within the confines of secondary statistics, primary research and evolving industry dynamics. We believe that this IMR report presents a balanced view of the industry within the limitations of, among others, secondary statistics and primary research, and does not purport to be exhaustive.

For and on behalf of PROVIDENCE:

MELISSA LIM
EXECUTIVE DIRECTOR

About PROVIDENCE STRATEGIC PARTNERS SDN BHD:

PROVIDENCE is an independent research and consulting firm based in Petaling Jaya, Selangor, Malaysia. Since our inception in 2017, PROVIDENCE has been involved in the preparation of independent market research reports for capital market exercises. Our reports aim to provide an independent assessment of industry dynamics, encompassing aspects such as industry performance, demand and supply conditions and competitive landscape.

About MELISSA LIM:

Melissa Lim is the Executive Director of PROVIDENCE. She has more than 10 years of experience in market research for capital market exercises. Melissa Lim holds a Bachelor of Commerce (Double major in Marketing and Management) from Murdoch University, Australia.

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1 THE STEEL INDUSTRY IN MALAYSIA

DEFINITION AND SEGMENTATION

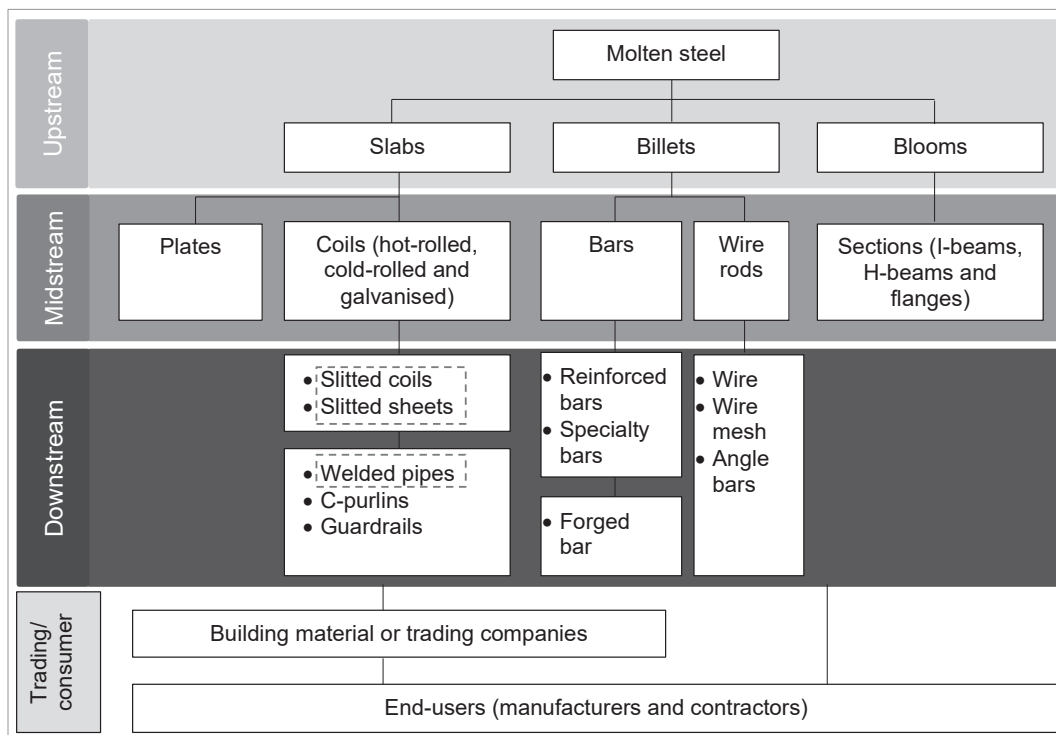
Steel is made from iron ore or scrap and coal. Among the properties of steel are its hardness, durability, formability and high tensile strength. Due to its properties, steel is a key material used in various end-user industries including construction, automotive, furniture and various industrial products.

The value chain of the steel industry can be generally segmented into:

- (i) **Upstream** – involves the use of iron ore, scrap and/or coal to produce molten steel liquid in a blast furnace, which will then be casted into billets, blooms and slabs;
- (ii) **Midstream** – involves the rolling of billets, blooms and slabs to form hot-rolled, cold-rolled and galvanised steel coils, plates, bars and wire rods, and sections; and
- (iii) **Downstream** – involves the processing of hot-rolled, cold-rolled and galvanised steel coils into slitted steel coils and sheets, steel pipes and guardrails; processing of bars into forged bars, as well as processing of wire rods into wire products.

These downstream steel products are then sold through building material or steel trading companies to end-users (which comprise manufacturers and contractors), or directly to end-users.

The steel industry value chain



Notes:

(i) [Dashed box] Denotes the products which Leform Berhad and its subsidiaries (collectively referred to as "Leform Group") manufacture and/or process

(ii) The steel products mentioned in the diagram above are not exhaustive

Source: PROVIDENCE

Leform Group has processing facilities in Malaysia and is principally involved in the manufacturing of steel pipes and guardrails as well as slitted steel coils and sheets. The Group is also involved in trading of various steel products including slitted steel coils and sheets to complement its manufacturing business segment. **As such, this IMR report will cover the overall growth of the steel industry in Malaysia, as well as growth of the downstream steel industry segment, particularly for steel pipes, steel coils and sheets.**

7. INDUSTRY OVERVIEW (Cont'd)



Downstream steel industry segment

Downstream steel processing involves the processing of steel products that can be used by end-users in their manufacturing processes to produce finished products such as automotive parts, furniture and other industrial products such as scaffolding, infrastructure pipes, and machinery and equipment; or by contractors as a construction material. The downstream steel products that Leform Group manufactures include:

(i) **Welded pipes**

Steel pipes refer to rectangular or cylindrical hollow tubes made from steel that are used for a variety of purposes. Steel pipes can be manufactured using various methods including the electric resistance welding (“ERW”) process and submerged arc welding process. ERW is a process whereby an electric current is applied to the edges of steel sheets to form a permanent closure, and does not need any materials to weld the seams together. These pipes are typically used in the manufacturing of furniture and automotive products as well as construction. Meanwhile, submerged arc welding process is a process whereby an electrode is melted to weld the seams together. These pipes are typically used for heavy industrial applications such as pipelines and pressure vessels;

(ii) **Slitted steel coils**

Slitted steel coils are long pieces of finished steel sheets that have been wound or coiled after rolling. They are available in various sizes, thickness and grades, and can be used in a variety of applications such as in the manufacturing of furniture, construction products, automotive parts and industrial products such as electrical and electronic product parts; and

(iii) **Steel sheets**

Sheets are small pieces of steel that have been sheared. Sheets come in a range of sizes, thickness and grades, and can be used in a variety of applications such as in the manufacturing of furniture, construction products, automotive parts and industrial products such as electrical and electronic product parts.

INDUSTRY PERFORMANCE, SIZE AND GROWTH

Overall steel industry

The overall steel industry encompasses the upstream, midstream and downstream steel industry segments.

Overall, the steel industry in Malaysia has been growing, in terms of manufacturing sales value, from RM22.6 billion in 2018 to RM26.5 billion in 2021, registering a compound annual growth rate (“CAGR”) of 5.4% over the period.¹ PROVIDENCE forecasts that the steel industry in Malaysia will grow at a CAGR of 5.6% between 2022 and 2024, from RM28.0 billion in 2022 to approximately RM31.2 billion in 2024.

The steel industry, in terms of production and consumption volume, is typically cyclical as it fluctuates based on various factors including:

- (i) growth of end-user industries which could affect supply and demand for steel products. This could be influenced by the economic conditions in both global and local markets;
- (ii) global steel prices which could influence the volume of steel procured in the year;
- (iii) demand for specific steel products. There are various types of steel sheets, coils and pipes, all of which have different weightage. An increase in demand for lighter steel products would lead to a fall in production and consumption volume of steel products; and
- (iv) supply conditions affecting the supply chain of the steel industry.

In general, apparent consumption volume of steel products in Malaysia has been declining from 9.8 million metric tonnes (“MT”) in 2018 to 9.2 million MT in 2019, and 6.8 million MT in 2020.² Nevertheless, the apparent consumption volume of steel products in Malaysia is estimated to increase to 9.2 million MT in 2021 in line with the significant rise in global steel prices (as mentioned below).

¹ Source: Department of Statistics Malaysia

² Source: South East Asia Iron and Steel Institute (“SEAIISI”)

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Downstream steel industry segment – steel pipes and slitted sheets and coils

Similarly, apparent consumption volume for slitted steel sheets and coils in Malaysia has generally been declining from 4.6 million MT in 2018 to 3.8 million MT in 2020. Meanwhile, apparent consumption volume for steel pipes and tubes in Malaysia fell from 1.1 million MT in 2018 to 0.6 million MT in 2020. In 2021, the apparent consumption volume for both slitted steel sheets and coils as well as steel pipes and tubes are expected to recover to 4.8 million MT and 0.9 million MT, respectively.³

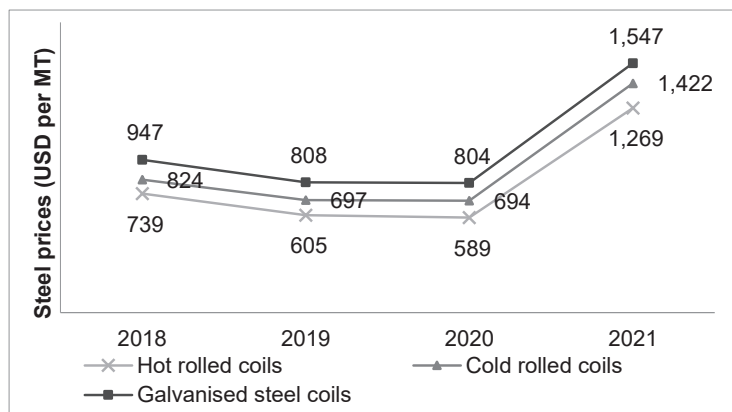
	'000 MT			
	2018	2019	2020	2021(e)
Production				
Steel sheets and coils ⁽ⁱ⁾	1,388	1,338	1,047	1,333
Steel pipes and tubes	805	768	555	791
Apparent consumption				
Steel sheets and coils ⁽ⁱ⁾	4,649	4,768	3,753	4,779
Steel pipes and tubes	1,084	884	574	877

Notes:
 (i) Includes hot-rolled, cold-rolled and galvanised steel sheets and coils
 (ii) e – Estimate
 (iii) Data on guardrails are not publicly available
 Source: SEAISI

Production volume for slitted steel sheets and coils have also been on a decreasing trend, having declined from 1.4 million MT in 2018 to 1.0 million MT in 2020, while steel pipes and tubes declined from 0.8 million MT in 2018 to 0.6 million MT in 2020. In 2021, the production volume for both slitted steel sheets and coils as well as steel pipes and tubes are expected to recover to 1.3 million MT and 0.8 million MT, respectively.

The trend for the apparent consumption and production volumes of steel pipes and tubes as well as slitted steel sheets and coils have been generally in line with global steel price trends between 2018 and 2020. Global steel prices for hot rolled coils, cold rolled coils and galvanised steel coils, which are materials

Global annual average prices of steel coils



Source: MEPS International Ltd

used to process downstream steel products such as steel pipes and tubes as well as slitted steel sheets and coils, fell from USD739, USD824 and USD947 per MT in 2018 to USD589, USD694 and USD804 per MT in 2020.

The global steel prices fell in 2019 due to the United States-China trade war which led to an oversupply of steel products in Asia, including Malaysia, from China. This led to lower demand for locally-produced steel products, particularly steel pipes, and lower steel prices. In addition, there was also lower demand from end-user industries such as the automotive

and construction industries as a result of an economic slowdown.

During the first half of 2020, global steel prices continued to decline as there was less demand from end-user industries due to the national lockdown policies imposed globally to curb the Coronavirus (“COVID-19”) pandemic.

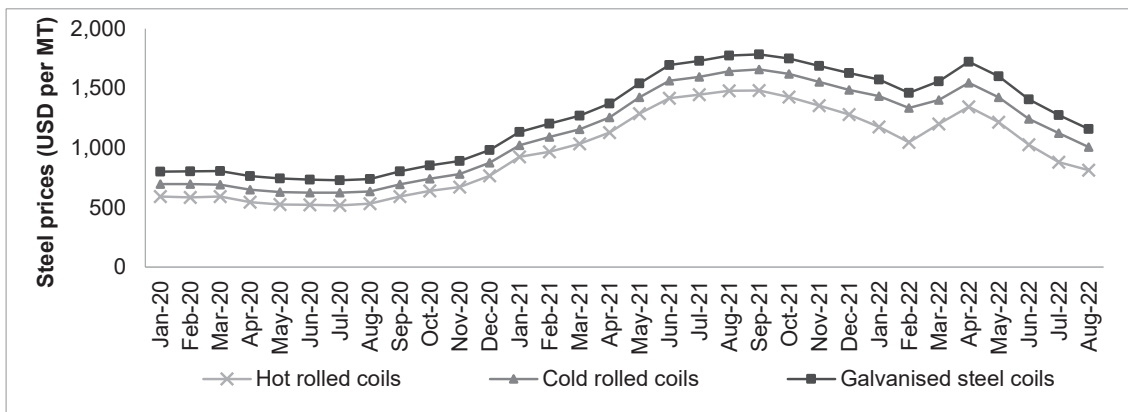
³ Source: SEAISI, PROVIDENCE analysis

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Global steel prices generally increased from September 2020 to April 2022, albeit a slight decline from October 2021 to February 2022. This was the result of an increase in prices of materials (namely iron ore or scrap and coal) due to a global supply chain disruption as there were stricter regulations of steel production, removal of export rebates in China, and increase in energy prices. Further, the re-opening of the economy after the national lockdown policies were lifted spurred demand for steel products from end-user industries, and this further contributed to the rise in global steel prices. This is expected to result in a recovery in production and consumption volumes of steel sheets and coils as well as steel pipes and tubes in 2022.

Global monthly average prices of steel coils



Source: MEPS International Ltd

The global steel prices began to fall from May 2022 to August 2022 as there was lower demand for steel products from China after several cities in China, including Beijing and Shanghai, underwent lockdown policies to achieve the “zero COVID” status.

Nevertheless, the decline in global steel prices is expected to be temporary as moving forward, the Russia-Ukraine war which began since February 2022 is expected to cause global steel prices to increase due to lower supply of steel products. This is because Russia is a major producer and supplier of oil and gas to Europe. As many countries in Europe have placed sanctions on the usage of products produced from Russia, the price of electricity has increased causing steel mills in Europe to shut down their operations in September 2022. In addition, one of the world’s largest steel manufacturers in South Korea has shut down its main processing facility due to a typhoon in September 2022. The shutdown of these steel mills and steel processing facilities in Europe and South Korea are expected to adversely affect supply of steel products, causing steel prices to continue to increase. Meanwhile, demand for steel products is expected to increase locally, driven by the construction and automotive industries described in the **Key Growth Drivers** section below.

In light of this, PROVIDENCE forecasts that the apparent consumption volumes in Malaysia for steel pipes and tubes as well as steel sheets and coils to grow in 2022 to 1.3 million MT and 6.1 million MT, respectively, to reach 1.4 million MT and 6.5 million MT in 2024, respectively, registering CAGRs of 3.8% and 3.2% respectively. PROVIDENCE also forecasts that the production volumes in Malaysia for steel pipes and tubes as well as steel sheets and coils to grow in 2022 to 1.1 million MT and 1.7 million MT, respectively, to reach 1.2 million MT and 1.9 million MT in 2024, respectively, registering CAGRs of 4.4% and 5.7% respectively.

KEY GROWTH DRIVERS

Growth of end-user industries will create demand for steel products

The steel industry is largely driven by consumption from its end-user industries. Among some of the key end-user industries that will drive demand for steel products are the construction, automotive part manufacturing and furniture industries. The prospects of the following end-user industries are as detailed below:

7. INDUSTRY OVERVIEW (Cont'd)



- **Construction industry**

The construction industry in Malaysia can be measured in terms of number of awarded projects. The total number of awarded residential property projects in Malaysia grew from 2,165 in 2018 to 2,322 in 2021, while the total number of awarded commercial and industrial property projects in Malaysia rose from 3,050 in 2018 to 4,982 in 2021.⁴ Between 2018 to 2021, the number of awarded infrastructure and social amenities projects grew from 3,173 to 5,126.⁴

The Government of Malaysia announced, through Budget 2021 and Budget 2022, the funding of RM15 billion for the rollout of infrastructure projects, including the Pan Borneo Highway, Central Spine Road, Gemas-Johor Bahru Electrified Double-Tracking, Klang Valley Double-Tracking Phase 1, Mass Rapid Transit 3 and Johor-Singapore Rapid Transit System Link.

The Government of Malaysia has also announced several initiatives under Budget 2021 to boost the demand for residential properties, such as the extension of the full stamp duty exemptions, provision of comfortable and quality housing, and implementation of a Rent-to-Own Scheme for first-time buyers of 5,000 Pr1ma houses until 2022. In addition, the Government of Malaysia has also launched 'Rumah Selangorku' and 'Residensi Wilayah', which are initiatives to provide low-cost, low-medium and medium-cost housing to the people in Selangor and Kuala Lumpur. Under Budget 2022, the Government of Malaysia has allocated RM1.5 billion for continuation of housing projects for low-income population, including *Program Rumah Mesra Rakyat* and maintenance assistance programmes; and provision of guarantees of up to RM2 billion to banks under the *Skim Jaminan Kredit Perumahan* to improve access to financing for individuals without fixed income.

In addition, the Government of Malaysia also announced a stamp duty exemption on the instruments of transfer and loan agreement for the purchase of residential properties, and Real Property Gains Tax exemption for the disposal of residential properties. Further, the existing 70.0% financing limit for third mortgage loans will also be lifted.

These mega projects and initiatives will create increased demand for steel products, which are used as materials in the construction of residential, commercial, industrial and infrastructure projects.

- **Automotive part manufacturing industry**

The growth of the automotive part manufacturing industry can be indicated by the demand for automotive vehicles. Malaysia is the third largest producer of automotive vehicles in Southeast Asia, after Thailand and Indonesia, contributing 13.6% to the total motor vehicle production volume in Southeast Asia in 2021.⁵ The growth of the automotive industry in Malaysia will stimulate the development of supporting industrial sectors, including the steel industry.

The automotive industry in Malaysia, in terms of number of new motor vehicles manufactured, grew from 564,971 units in 2018 to 571,632 units in 2019, before declining to 485,186 units in 2020 and 481,651 units in 2021.⁶ The decline in number of units was largely due to the disruptions in operations of automotive manufacturers as a result of the COVID-19 pandemic.

The National Automotive Policy 2020 was introduced to enhance the automotive industry in the era of digital industrial transformation from 2020 to 2030, enabling the country to be more competitive in light of global trends and technologies such as autonomous vehicles, electrification, big data analytics, Internet of Things, Artificial Intelligence and alternative fuel, which have shifted the landscape of the industry. The National Automotive Policy 2020 aims to promote the participation of local companies in the domestic and global automotive supply chain, encourage research and development (R&D) and engineering activities, build the capabilities and capacity of the local workforce, support national car projects as well as enhance exports, investments and local production volume. In addition, Malaysia also intends to encourage the use of electric cars through the Low Carbon Aspiration 2040 initiative and duty exemption incentives announced under the Budget 2022.

The Short-Term Economic Recovery Plan ("PENJANA") was announced on 9 June 2020 as part of national economic recovery following the COVID-19 pandemic. One of the initiatives announced was the provision of financial relief to car buyers, namely full tax exemption for the purchase of locally assembled passenger vehicles and 50.0% sales tax exemption for the purchase of imported cars. This tax exemption has been extended to 30 June 2022 as part of the Government of

⁴ Source: Construction Industry Development Board (CIDB)

⁵ Source: ASEAN Automotive Federation

⁶ Source: Malaysian Automotive Association

7. INDUSTRY OVERVIEW (Cont'd)



Malaysia's efforts to further boost the automotive industry. In June 2022, the Ministry of Finance Malaysia announced that purchasers that book their vehicles by 30 June 2022 will enjoy the sales tax exemption as long as they register the vehicles with the Road Transport Department Malaysia by 31 March 2023.

However, as a result of the Russia-Ukraine war, the automotive industry could be impacted by shortages of automotive parts such as wire harnesses, catalytic converters, wheels and chassis. This is because Russia and Ukraine are major suppliers of these automotive parts.

- **Furniture industry**

Between 2010 and 2021, the production of furniture in Malaysia grew from RM4.5 billion to RM15.6 billion at a CAGR of 12.0%.⁷ A significant portion of Malaysia's locally manufactured furniture is exported, whereby in 2021, Malaysia exported 83.3% of its locally manufactured furniture.⁷

Malaysia is still continuing efforts to increase trade through the implementation of additional Free Trade Agreements ("**FTA**"). Currently, Malaysia has two FTAs which have been signed but are pending ratification and entry into force. Further, Malaysia is also currently undertaking an FTA negotiation, namely Malaysia-European Free Trade Association Economic Partnership Agreement. These FTAs provide exporters in Malaysia with market access, cost savings from elimination or reduction of customs duties and from mutual recognition agreements, trade facilitating customs procedures and removal of onerous regulations.

Government initiatives to boost the manufacturing industry, including the steel industry, in Malaysia

The Government of Malaysia, through the Ministry of International Trade and Industry ("**MITI**"), introduced the Third Industrial Master Plan ("**IMP3**") 2006-2020 to achieve long-term global competitiveness through transformation and innovation of the manufacturing and service sectors. IMP3 identifies 12 industries in the manufacturing sector and 8 industries in the non-Government services sector for further development and promotion. One of the 12 industries in the manufacturing sector is the metals industry, and more specifically iron and steel products.

The IMP3 will be superseded by the upcoming New Industrial Master Plan 2021-2030, which will chart the future industrial development in Malaysia. The details of the New Industrial Master Plan are expected to be announced by MITI soon.

Through PENJANA, the Government of Malaysia has announced several initiatives to boost economic recovery from the COVID-19 pandemic. The Government of Malaysia is offering tax incentives to attract foreign companies to relocate their businesses into Malaysia. These range from 0% tax rate for 10 years for new investments in manufacturing sectors with capital investments between RM300 million and RM500 million, and 0% tax rate for 15 years for capital investments over RM500 million.

As economic activities ramp up following the high vaccination rates in the country, this will boost productivity of the steel industry. At the same time, as the end-user industries such as construction, automotive part manufacturing and furniture resume full operations, this would increase demand for steel products.

Growth in demand for exported steel products from international markets

Global consumption of steel was estimated to be 1,775.4 million MT in 2020, and forecast to grow to 1,896.4 million MT in 2022 at a CAGR of 3.4%.⁸ Similar to the Malaysia market, the worldwide demand for steel continues to grow as a key material for various end-user industries. In particular, the demand for steel is driven by the global construction sector, whereby an increase in population and disposable income has led to rapid urbanisation, expansion of cities and upgrading of infrastructure to support population growth.

This global demand for steel will continue to contribute to the growth of the steel industry in Malaysia, as exports constitute a large percentage of local production. In 2020, exports of steel products from Malaysia constituted 97.7% of the total production volume of steel products in Malaysia.⁹ As at 2020, Malaysia is the third largest exporter of steel in Southeast Asia, after Vietnam and Indonesia.⁹ The steel industry in Malaysia is expected to continue benefitting from increasing exports of steel in light of growing global

⁷ Source: Department of Statistics Malaysia

⁸ Source: World Steel Association

⁹ Source: SEASI

7. INDUSTRY OVERVIEW (Cont'd)



demand and implementation of FTAs, which will provide steel product manufacturers in Malaysia with market access, cost savings from elimination or reduction of customs duties and from mutual recognition agreements, trade facilitating customs procedures and removal of onerous regulations. Moving forward, the steel industry in Malaysia is also expected to benefit from the Russia-Ukraine war, which could result in lower supply of steel products as Russia and Ukraine are major exporters of steel products and its materials to the global market.

INDUSTRY DYNAMICS

As Leform Group is principally involved in the processing of steel pipes and slitted steel sheets and coils, this chapter aims to assess the supply conditions, risks and challenges and product substitution/ reliance on imports affecting a steel industry player.

Supply Conditions

Availability of materials

The main raw material used in the manufacturing of steel products is iron ore. Despite being widely mined in countries such as Australia, Brazil, China and India, it is one of the most sought-after commodities in the world. As such, iron ore may be subject to factors such as import restrictions and global changes in prices of materials.

In 2020, there was a global supply chain disruption as there were stricter regulations of steel production, removal of export rebates in China, and increase in energy prices. The recent Russia-Ukraine war is expected to exacerbate the shortage in supply of steel products and coal as Russia and Ukraine are major exporters of steel products to the global market, and Russia is also a major supplier of coal.

Availability of equipment and labour

The manufacturing of steel products requires human labour and specific equipment. Equipment utilised in the manufacturing of steel pipes and processing of flat steel products include, amongst others, uncoiling/recoiling machines, pipe mills, slitter machines, shearing machines, flattening machines, sizing/shaping machines, forming machines, cutting machines, bead remover machines, hand shears, cooling machines, end trimming machines, and grinders. Human labour is essential in moving the intermediary products from one machine to be fed into the next machine, and to conduct quality checks.

Both equipment and labour are readily available, where equipment may be procured from local or foreign suppliers, while foreign workers are mostly hired as labour.

Industry Risks and Challenges

Operational risks affecting the manufacturing of steel products

Steel industry players are exposed to risks such as procurement delays and rise in cost of raw materials. These risks may lead to inability to fulfil customer orders, loss of reputation or failure to secure future purchase orders, and may subsequently affect the financial performance of steel industry players. Further, the rise in costs of raw materials may also lead to reduced profit margins for steel industry players, as they offer lower prices to stay competitive within the market.

The imposition of the Movement Control Order to curb the COVID-19 pandemic had restricted various economic sectors from operating. This included the manufacturing sector, which the steel industry falls under. The inability to operate may have resulted in delays in fulfilling purchase orders.

The steel industry is reliant on the growth of the end-user industries

Demand for steel pipes and flat steel products are dependent on the growth of its end-user industries including the construction, automotive part manufacturing and furniture industries. The growth of these end-user industries will be impacted by various factors including consumer demand, government initiatives and economic conditions. As such, negative growth of these end-user industries will consequently affect the demand for steel products. This could have a negative impact on the overall financial performance of steel industry players.

7. INDUSTRY OVERVIEW (Cont'd)



Competition from other industry players

The steel industry in Malaysia is competitive, with numerous well-established steel industry players competing in terms of product pricing, product range and quality, service offerings, ability to deliver in a timely manner and availability of stock, amongst others. Industry players have to leverage on their existing strengths and advantages, as well as differentiate themselves from competitors in order to gain a larger market share and remain competitive.

Availability of foreign workers as general labour

The downstream steel industry segment is presently semi-automated. While machinery such as pipe mills, slitting and shearing machines are used in steel processing, workers are still required to transfer products from one machine to another for different manufacturing processes and to set up and monitor the machines. As with most semi-skilled manufacturing industries, the steel industry is dependent on foreign workers as there is limited supply of local labour.

Thus, steel industry players may face challenges in recruiting labour depending on the availability of foreign workers and obstacles in applying for their work permits. Further, any increase in levy on foreign workers or restrictions may cause difficulties in employing sufficient labour. This may cause delays in delivery and subsequently affect the industry players' businesses.

Product / Service Substitution and Reliance and Vulnerability to Imports

The properties of steel such as hardness, durability, formability and high tensile strength have made it a key material used in various end-user industries including construction, automotive, furniture and various industrial products. As such, there are no products that can fully replace steel products.

Mother coils, which are used in the manufacturing of downstream steel products, are readily available for purchase from local steel industry players. Thus, the downstream steel industry segment is not reliant on imports of materials.

Import policies and duties

Import duty for hot-rolled steel coils, cold-rolled steel coils and galvanised steel coils purchased overseas is levied at up to 15.0%. At present, there are import duty exemptions for hot rolled steel coils based on the approval permits issued by MITI. Further, there are also anti-dumping duties for cold-rolled steel coils and galvanised steel coils, depending on the steel mills from which they were procured, removal of import duty exemptions for hot-rolled steel coils as well as cold-rolled steel coils purchased from Association of Southeast Asian Nation (ASEAN) countries.

Any regulatory changes to the steel industry such as the tightening or imposition of trade restrictions may lead to an increase of cost of imported materials, and in turn, materially and adversely affect the business and financial performance of steel industry players in Malaysia.

COMPETITIVE OVERVIEW

The downstream steel industry segment in Malaysia is highly fragmented as there is a large pool of industry players competing in the processing of various types of steel products. These industry players comprise public listed companies, large private companies, small to medium enterprises and sole proprietorships.

PROVIDENCE has identified 16 industry players, including Leform Group, on the basis that:

- (i) The companies are involved in the processing of steel pipes (such as round, oval and ellipse steel pipes, steel hollow sections, steel channels and guardrails) as well as flat steel products (such as steel sheets and coils);
- (ii) The companies have processing facilities in Malaysia; and
- (iii) The companies are not solely involved in the processing of large steel pipes used for water infrastructure, beams or other specialised applications, and stainless steel pipes.

7. INDUSTRY OVERVIEW (Cont'd)



PROVIDENCE
STRATEGIC PARTNERS

The table below sets out the details of the industry players:

Company name	Examples of product offering	Latest audited FYE ^b	Revenue (RM 'million)	Gross Profit ("GP") (RM 'million)	GP margin (%)	Profit/Loss After Tax ("PAT/LAT") (RM 'million)	PAT margin (%)
Alpine Pipe Manufacturing Sdn Bhd ^a	Round steel pipes, slitted steel sheets, steel hollow sections and steel channels	31 July 2021	500.0	104.4	20.9	68.0	13.6
Astino Berhad ^a	Metal roofing products, round steel pipes, steel hollow sections, slitted steel coils and sheets, C-purlins, truss and batten and scaffolding	31 July 2021	580.0	129.0	22.2	63.7	11.0
Atta Global Group Berhad ^a	Slitted steel sheets and coils, round steel pipes, steel bars, metal roofing products, wall cladding structural floor decking, perforated metal, cable support and steel furniture	30 June 2021	77.9	26.2	33.6	0.9	1.2
Choo Bee Metal Industries Berhad ^a	Round steel pipes, slitted steel sheets, steel bars, steel angles, steel beams, purlins, steel hollow sections, rails and wire mesh	31 December 2021	194.1 ^c	165.3 ^e	85.2	103.2 ^f	53.2
Engtex Group Berhad ^a	Ductile iron pipes, mild cement steel pipes, steel channels, steel angle bars, steel beams, slitted steel sheets, wire and wire mesh, valves, hydrants, fittings and manhole covers	31 December 2021	1,177.3 ^c	204.9 ^e	17.4	80.9 ^f	6.9
Japmas Steel Sdn Bhd	Round steel pipes, steel hollow sections, slitted steel sheets, steel angle bars, steel columns, steel channels, steel bars, wire mesh and fencing, and scaffolding	31 January 2021	203.1	19.5	9.6	7.9	3.9
JFE Shoji Steel Malaysia Sdn Bhd	Slitted steel sheets and coils, steel pipes and laminated core for motors or transformers	31 December 2020	256.6	16.0	6.2	7.6	3.0
Leader Steel Holdings Bhd ^a	Steel pipes, steel sheets and hollow sections	31 December 2021	231.7	50.7	21.9	26.4	11.4
Leform Group	Round steel pipes, oval and ellipse steel pipes, gate channel, trolley track and U-channel, steel hollow sections, guardrails, slitted steel sheets and steel coils	31 December 2021	374.0	79.9	21.4	45.4	12.1
Leon Fuat Bhd ^a	Slitted steel sheets and coils, round steel pipes, square steel pipes, steel hollow sections, steel channels, steel bars and steel angle bars	31 December 2021	561.4 ^c	145.1 ^d	25.8	136.0 ^f	24.2
Melewar Industrial Group Bhd ^a	Round steel pipes, steel hollow sections, gate channels, U-channels and cold rolled coils	30 June 2021	271.2 ^c	112.4 ^e	41.4	58.4 ^f	21.5
Prestar Resources Bhd ^a	Round steel pipes, oval steel pipes, steel hollow sections, slitted steel sheets	31 December 2021	533.9 ^c	132.3 ^e	24.8	95.2 ^f	17.8

7. INDUSTRY OVERVIEW (Cont'd)



PROVIDENCE
STRATEGIC PARTNERS

Company name	Examples of product offering	Latest audited FYE ^b	Revenue (RM 'million)	Gross Profit ("GP") (RM 'million)	GP margin (%)	Profit/Loss After Tax ("PAT/LAT") (RM 'million)	PAT margin (%)
PTP Manufacturing Sdn Bhd	Round steel pipes, steel hollow sections, steel channels, slitted steel sheets	31 December 2021	6.1	0.4	6.6	0.1	1.6
Steel Centre (M) Sdn Bhd	Slitted steel sheets and coils, steel pipes, C-purlins and roofing products	31 March 2022	292.5	27.4	9.4	13.0	4.4
Tashin Holdings Bhd ^a	Slitted steel sheets and coils, round steel pipes, steel bars and expanded metals	31 December 2021	388.7	103.2	26.6	62.6	16.1
VPN (M) Sdn Bhd	Slitted steel sheets and coils, steel hollow sections, guardrails, steel cable ladders, steel roofing products and steel structural products as well as hot dip galvanising, metal stamping and laser cutting services	31 December 2021	53.6	6.8	12.7	2.8	5.2

Notes:

- (i) ^a Public listed company, or part of a public listed company
- (ii) The list contains information based on publicly disclosed information as at 28 September 2022
- (iii) ^b Companies that do not have publicly available financial information as at their latest financial year end are excluded from this list
- (iv) ^c Revenue is based on segmental financial information of its manufacturing segment for steel products
- (v) ^d GP is based on segmental financial information of its manufacturing segment for steel products
- (vi) ^e GP is based on total revenue as segmental financial information of its manufacturing segment for steel products is not publicly available
- (vii) ^f PAT is based on total revenue as segmental financial information of its manufacturing segment for steel products is not publicly available

Source: Companies Commission of Malaysia, various company websites, PROVIDENCE

Market Share

Leform Group garnered a market share of 10.2% in 2020 based on the production volume of steel pipes and tubes in Malaysia of approximately 555,000 MT and its production volume of steel pipes and guardrails in the year of 56,605 MT. Leform Group also garnered a market share of 4.7% in 2020 based on the production volume of steel coils and sheets in Malaysia of approximately 1.0 million MT and its production volume of flat steel products in the year of 49,515 MT.

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

8.1 Promoters and substantial shareholders

8.1.1 Shareholdings in our Company

The table below sets out the direct and indirect shareholdings of our Promoters and substantial shareholders before the IPO (for the past 3 years and as at the LPD) and after the IPO:

Promoters and substantial shareholders	Nationality/ Country of incorporation	Before the IPO						After the IPO					
		As at 31 December 2019, 2020 and 2021		As at the LPD after the Bonus Issue and Share Split		After the Share Transfer		After the Offer for Sale					
		Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect	Direct	Indirect		
		No. of Shares (‘000)	% ⁽¹⁾	No. of Shares (‘000)	% ⁽²⁾	No. of Shares (‘000)	% ⁽²⁾	No. of Shares (‘000)	% ⁽²⁾	No. of Shares (‘000)	% ⁽³⁾	No. of Shares (‘000)	% ⁽³⁾
Law Kok Thye	Malaysian	4,290	66.0	2,210 ⁽⁴⁾	34.0 ⁽⁴⁾	772,200	66.0	414,600	35.4	755,400	64.6 ⁽⁴⁾	340,549	23.0
Tianwen Holdings	Malaysia	2,210	34.0	-	-	397,800	34.0	755,400	64.6	-	-	755,400	51.0
Total		6,500	100.0	1,170,000	100.0	1,170,000	100.0	1,170,000	100.0	1,095,949	74.0	1,095,949	74.0

Notes:

- (1) Based on our issued shares of 6,500,000 Shares as at 31 December 2019, 2020 and 2021.
- (2) Based on our issued shares of 1,170,000,000 Shares as at the LPD after the Bonus Issue and Share Split.
- (3) Based on our enlarged issued shares of 1,481,013,000 Shares after the IPO.
- (4) Deemed interested by virtue of his shareholdings in Tianwen Holdings pursuant to Section 8 of the Act.

Save for the issuance of Shares to our Promoters and substantial shareholders, and the transfer of Shares by Law Kok Thye to Tianwen Holdings pursuant to the Pre-IPO Exercise as detailed in **Section 5.1.1** of this Prospectus, there are no other changes to our Promoters’ and substantial shareholders’ direct and indirect shareholdings since 31 December 2019. Our Promoters and substantial shareholders do not have different voting rights from our other shareholders of our Group.

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

Save for our Promoters and substantial shareholders, namely Law Kok Thye and Tianwen Holdings, we are not aware of any other person who is able to, directly or indirectly, jointly or severally, exercise control over our Company. As at the LPD, there is no arrangement between our Company and our shareholders with any third party which may result in a change in control of our Company.

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

8.1.2 Profiles of our Promoters and substantial shareholders

(i) Law Kok Thye, Malaysian, aged 56

Law Kok Thye is our Group's Managing Director. He is responsible for the strategic direction and business development of our Group.

He completed his Sijil Tinggi Persekolahan Malaysia (STPM) at Sekolah Menengah Kebangsaan Mat Salleh, Sabah in 1986.

He began his career in 1986 with Product Manufacturing Sdn Bhd as Production Executive where he was involved in manufacturing of personal and household products. In 1990, he left Product Manufacturing Sdn Bhd to join Bright Steel Sdn Bhd, part of Lion Group, in the same year as a Sales Representative where he was involved in the sales and marketing of flat steel products. In 1991, he left Bright Steel Sdn Bhd to join Kanzen Kagu Sdn Bhd (currently part of FACB Group) as Sales Executive. During his tenure with Kanzen Kagu Sdn Bhd, he was responsible for sales and marketing of steel pipes. In 1993, he was promoted to Sales Manager where he was in charge of leading a team in the sale of steel pipes. In 1996, he resigned from Kanzen Kagu Sdn Bhd to join Prestar Steel Pipes Sdn Bhd as Executive Director. During his tenure with Prestar Steel Pipes Sdn Bhd, he was in charge of expanding the company's steel pipe business. He resigned from Prestar Steel Pipes Sdn Bhd in 2001.

He later acquired the equity shareholding of Leform Steel Pipes (then known as Tianwen Steel Pipes Sdn Bhd) in 2001 and equity shareholding in Leform in 2003, and assumed the position as Managing Director in both companies. Since then, he has been, and continues to be in charge of the strategic direction and business development of our Group as Managing Director of our Group.

Law Kok Thye is currently on the Board of Directors for Tianwen Holdings.

Law Kok Thye does not have any family relationship with any of our Directors and/or substantial shareholders.

(ii) Tianwen Holdings

Tianwen Holdings was incorporated on 15 August 1996 in Malaysia under the Companies Act 1965 as a private limited company under the name Tianwen Enterprise Sdn Bhd. On 27 February 2004, Tianwen Holdings assumed its present name. Tianwen Holdings is principally involved in investment holding, holding shares in our Company.

As at the LPD, the issued share capital of Tianwen Holdings is RM1,400,000 comprising 1,400,000 ordinary shares. As at the LPD, Law Kok Thye is the sole director and shareholder of Tianwen Holdings.

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

8.1.3 Payments made to our Promoters and substantial shareholders

Save as disclosed below, there are no other amount or benefits paid or intended to be paid or given to our Promoters and substantial shareholders within the 2 years preceding the date of this Prospectus:

- (i) remuneration and benefits in kind paid to Law Kok Thye for the FYEs 31 December 2020 and 2021, and the period of 1 January 2022 to the LPD, set out as follows:

	Remuneration and material benefits-in-kind		
	FYE 31 December 2020	FYE 31 December 2021	1 January 2022 to the LPD
	(RM'000)	(RM'000)	(RM'000)
Law Kok Thye	1,467	2,477	1,543

- (ii) declaration and payment of dividends to Law Kok Thye and Tianwen Holdings within the 2 years preceding the date of this Prospectus, in the following manner:

Dividend declared and paid in respect of the:	Law Kok Thye	Tianwen Holdings	Total
	(RM'000)	(RM'000)	(RM'000)
FYE 31 December 2020	1,320	680	2,000
FYE 31 December 2021	1,980	1,020	3,000
	3,300	1,700	5,000

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

8.2 Directors

8.2.1 Shareholdings in our Company

The following table sets forth the direct and indirect shareholdings of each of our Directors before and after the IPO, assuming our Directors will subscribe for their respective entitlements under the Pink Form Allocation as set out in **Section 3.3.1(ii)** of this Prospectus in full:

Director	Designation	Nationality	Before the IPO		After the IPO					
			Direct		Direct		Indirect			
			No. of Shares ('000)	% ⁽¹⁾	No. of Shares ('000)	% ⁽²⁾	No. of Shares ('000)	% ⁽²⁾		
Datuk Seri Akhil Bin Bulat	Independent Non-Executive Chairman	Malaysian	-	-	350	-(4)	-	-		
Law Kok Thye	Managing Director	Malaysian	772,200	66.0	397,800 ⁽³⁾	34.0 ⁽³⁾	340,549	23.0	755,400 ⁽³⁾	51.0 ⁽³⁾
Chua Leng Leek	Independent Non-Executive Director	Malaysian	-	-	-	-	350	-(4)	-	-
Lai Chin Yang	Independent Non-Executive Director	Malaysian	-	-	-	-	350	-(4)	-	-
Lee Wee Leng	Independent Non-Executive Director	Malaysian	-	-	-	-	350	-(4)	-	-
Phang Yew Cheong @ Phang Yew Choong	Non-Independent Executive Director	Malaysian	-	-	-	-	400	-(4)	-	-
Esmariza Binti Ismail	Non-Independent Executive Director	Malaysian	-	-	-	-	400	-(4)	-	-

Notes:

- (1) Based on our issued shares of 1,170,000,000 Shares after the Bonus Issue and Share Split.
- (2) Based on our enlarged issued shares of 1,481,013,000 Shares after the IPO.
- (3) Deemed interested by virtue of his shareholdings in Tianwen Holdings pursuant to Section 8 of the Act.
- (4) Less than 0.1%.

Notwithstanding the Pink Form Allocation reserved for our Directors, our Directors may subscribe for Issue Shares under the public balloting portion as set out in **Section 3.3.1(f)** of this Prospectus. None of our Directors represent any corporate shareholder on our Board.

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

8.2.2 Profiles of our Directors

Save for the profile of our Managing Director, Law Kok Thye who is also our Promoter, as set out in **Section 8.1.2** of this Prospectus, the profiles of our Directors are as follows:

(i) **Datuk Seri Akhil Bin Bulat, Malaysian, aged 69**

Independent Non-Executive Chairman

Datuk Seri Akhil Bin Bulat is our Independent Non-Executive Chairman. He was appointed to our Board on 6 December 2021.

He graduated from University Kebangsaan Malaysia with a Diploma in Police Science in 1998. He also graduated from University Malaya with a Diploma in Strategic Studies in 1993.

He worked with the Royal Malaysia Police for 26 years, since he began his career in 1989 as Sabah Research Staff Officer. Throughout the years, he worked across various branches in the Royal Malaysia Police. In 2015, he retired from his role as Director of Special Branches of the Royal Malaysia Police.

He has extensive supervisory and senior administrative experience in government services which is expected to contribute to leading the Board and setting high governance standards for the Group.

Datuk Seri Akhil Bin Bulat does not have any family relationship with any of our Directors and/or substantial shareholders.

(ii) **Chua Leng Leek, Malaysian, aged 42**

Independent Non-Executive Director

Chua Leng Leek is our Independent Non-Executive Director. She was appointed to our Board on 6 December 2021.

She graduated from Tunku Abdul Rahman University College with an Advanced Diploma in Commerce Financial Accounting in 2002. She was admitted as a Chartered Accountant of the Malaysian Institute of Accountants in 2009. She has also been a professional member of the Institute of Internal Auditors Malaysia since 2015.

She began her career in 2002, with MM Consultant as Accounts Assistant where she was involved in the preparation of accounts. In 2003, she left MM Consultant to complete her ACCA accreditation. In 2004, she continued her career with KHM Corporate Service Sdn Bhd as Accounts, Audit and Tax Assistant where she was involved in the preparation of accounts, audit working papers and tax working papers. In 2005, she left KHM Corporate Service Sdn Bhd to join Audex Governance Sdn Bhd in the same year as Internal Auditor where she handled the internal audits of various industries. In 2008, she left Audex Governance Sdn Bhd to join Sanki Kigyo Sdn Bhd as Assistant Financial Controller. During her tenure, she was responsible for preparation of accounts, analysing financial information and budgeting for the company. In 2009, she left Sanki Kigyo Sdn Bhd to start her own firm known as Boon Consulting and assumed her role as Director in 2010. However, in 2011 she left the firm and continued her career with Décor Trend Industries Sdn Bhd in the same year as Group Finance Manager. During her tenure there, she was in charge of handling the finance, human resources, marketing and administrative functions for its group of companies. In 2015, she resigned from Décor Trend Industries Sdn Bhd to assume her current position as Director of Pro Affluence Management (M) Sdn Bhd in the same year.

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

Chua Leng Leek does not have any family relationship with any of our Directors and/or substantial shareholders.

(iii) Lai Chin Yang, Malaysian, aged 69
Independent Non-Executive Director

Lai Chin Yang is our Independent Non-Executive Director. He was appointed to our Board on 6 December 2021.

Lai Chin Yang graduated from University of Malaya with a Bachelor of Science majoring in Physics in 1977. He also obtained his Chartered Diploma in Marketing from Chartered Institute of Marketing, United Kingdom in 1992.

His initial work experience was in sales when he began working as a sales executive in 1978 at Associated Steel Industries (M) Sdn Bhd, a manufacturer of galvanized steel roofing sheets.

In 1980, he left Associated Steel Industries (M) Sdn Bhd to join the steel division of Hume Industries Berhad, a manufacturer of cement lined steel pipes. In 1982, he resigned from Hume Industries Berhad and assumed the position of Sales Manager at Wing Tiek Hardware Sdn Bhd, a stockist of steel engineering and construction materials.

In 1985, he left Wing Tiek Sdn Bhd to join a foundation contractor, Franki Piling Sdn Bhd as a Contracts Manager. In 1988, he resigned from Franki Piling Sdn Bhd to join PC Holdings Group as General Manager. In 1991, he resigned from his position in PC Holdings Group to join the Steel Division of the Lion Group as Marketing Manager. In 2017, he retired as the Marketing Director of the Steel Division of the Lion Group. During his tenure as the Marketing Director, he was responsible for the sales and marketing of long and flat steel products manufactured by the Lion Group's respective steel mills.

In the course of his employment with the Lion Group for more than 26 years, he had assumed management responsibilities and directorships in various companies under the Steel Division, notably in Bright Steel Sdn Bhd, Bright Steel Service Centre Sdn Bhd, Bright Enterprise Sdn Bhd, Lion Plate Mills Sdn Bhd, Lion Tooling Sdn Bhd, Amsteel Mills Bhd and Megasteel Sdn Bhd.

Lai Chin Yang does not have any family relationship with any of our Directors and/or substantial shareholders.

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

(iv) Phang Yew Cheong @ Phang Yew Choong, Malaysian, aged 63
Non-Independent Executive Director

Phang Yew Cheong is our Non-Independent Executive Director and our Group Adviser. He is in charge of all matters pertaining to corporate finance and legal, as well as overseeing our production and quality management system. He was appointed to our Board on 6 December 2021.

He graduated from the Institute of Chartered Secretaries and Administrators ("**ICSA**"), London and the Institute of Chartered Management Accountant in 1982 and 1983, respectively. In 1989, he obtained his Bachelors of Laws from the University of London, United Kingdom. In 1990, he received his Certificate of Legal Practice ("**CLP**"). In 1991, he was called to the Malaysian Bar.

He began his career in 1980 with Fraser and Neave Malaysia Sdn Bhd as an Internal Auditor where he was responsible for the internal auditing of Fraser and Neave Malaysia Sdn Bhd and its group of companies. In 1982, he was seconded to Malayan Breweries Ltd (a subsidiary of F&N Ltd) and promoted as Management Accountant. During his tenure there, he was in charge of the cost operation, management information system development and treasury functions of the company. In 1984, he left Malayan Breweries Ltd to join Lim Boon Wan & Son Sdn Bhd in the same year as Financial Controller where he was in charge of handling the company's corporate finances. In 1987, he was promoted to General Manager where he was responsible for the general management and business development of the company. In 1990, he took a sabbatical leave to undertake his pupillage under Shinmun & Associates Chambers where he was called to the Malaysian Bar in 1991. In 1991, he left Shinmun & Associates to resume his career with Lim Boon Wan & Son Sdn Bhd.

In 1995, he left Lim Boon Wan & Son Sdn Bhd to join Khaw & Hussein (now known as Khaw & Partners) as Senior Associate. During his tenure there, he practised in the area of corporate law. He resigned from Khaw & Hussein in 1997. Following his resignation, he took a break from his career. He resumed his career in 2001, with Kanzen Kagu Sdn Bhd as General Manager. During his tenure there, he was in charge of the general management and the restructuring of operations of the company. In 2004, he left Kanzen Kagu Sdn Bhd to join Prestar Precision Tube Sdn Bhd as General Manager where he was involved in the general management of the company as well as leading the business development of the company in the automotive market. In 2008, he resigned from Prestar Precision Tube Sdn Bhd to take a career break. In the same year, he assumed his current position in our Group as the Group Adviser where he is responsible for all matters pertaining to corporate finance and legal, as well as overseeing production and quality management system.

Phang Yew Cheong @ Phang Yew Choong does not have any family relationship with any of our Directors and/or substantial shareholders.

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

(v) Esmariza Binti Ismail, Malaysian, aged 47
Non-Independent Executive Director

Esmariza Binti Ismail is our Non-Independent Executive Director and our Group's Human Resource Manager. She is responsible for handling our Group's administrative and human resource related activities. She was appointed to our Board on 6 December 2021.

She graduated from Universiti Teknologi MARA with a Bachelor of Accountancy in 1999.

Upon graduation, she began her career with Fast Airfreight Forwarding (M) Sdn Bhd in 1998 as Account Assistant cum Customer Service Coordinator. During her tenure there, she was in charge of assisting the Account Executive with accounting related matters, and the Admin Manager in preparing documentation to customs, MITI and MIDA. In 2002, she resigned from Fast Airfreight Forwarding (M) Sdn Bhd to join our Group as Account Assistant, where she was involved in accounting and admin related matters. In 2008, she was promoted to Human Resource Manager, where she was in charge of admin and human resources related matters. In 2019, she was transferred to LF Engineering to assume the role of Human Resource Manager. In 2020, she was also appointed as Human Resource Manager for Leform Steel Pipes.

Esmariza Binti Ismail does not have any family relationship with any of our Directors and/or substantial shareholders.

(vi) Lee Wee Leng, Malaysian, aged 41
Independent Non-Executive Director

Lee Wee Leng is our Independent Non-Executive Director. She was appointed to the Board on 21 February 2022.

She graduated from University of Technology Sydney, Australia with a Bachelor of Business in 2003. In 2005, she became a member of CPA Australia. She is also a member of the Malaysian Institute of Accountants since 2009.

She began her career in 2004 with Yeng & Co. as an Audit Associate and was subsequently promoted to Audit Senior in 2006. During her tenure there, she was responsible for preparing audit reports for companies involved in the manufacturing and trading industries. In 2006, she resigned from Yeng & Co. to join Deloitte & Touche as an Audit Associate. She was promoted to Senior Audit in 2007, to Audit Assistant Manager in 2008, and Audit Manager in 2010. During her tenure in Deloitte & Touche, she audited various private and public listed companies involved in the manufacturing, trading, financial services as well as property development industries. In 2012, she resigned from Deloitte & Touche to join Barry Callebaut Malaysia Sdn Bhd as Senior Accountant. Her role in Barry Callebaut Malaysia Sdn Bhd involved the preparation of the financial statements and statutory reports for the company. She resigned from Barry Callebaut Malaysia Sdn Bhd in 2013.

In 2013, she joined F&N Beverages Marketing Sdn Bhd, a subsidiary of Fraser & Neave Holdings Berhad as Financial Reporting Manager, where she was in charge of financial planning and analysis for the company's beverage division. She was later transferred to another subsidiary of Fraser & Neave Holdings Berhad, namely Fraser & Neave (Malaya) Sdn Bhd in 2015, and was promoted to Group Management Accountant where she was responsible for reviewing the group's financial statements and overseeing the financial planning and analysis to assess the group's financial performance, brand profitability, forecasting and budgeting. In 2016, she resigned from Fraser & Neave (Malaya) Sdn Bhd.

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

She joined AEON Big (M) Sdn Bhd as General Manager, Accounting in 2017, where she was in charge of preparation of financial statements and statutory reports. In 2020, she was transferred to AEON Co. (M) Bhd as Head of Business Services, where she was involved in preparation of financial statements and statutory reports for submission to Bursa Securities. In June 2021, she was transferred to the Business Finance division of AEON Co. (M) Bhd and assumed the role of Head of Business Finance, where she was responsible for providing business insights, and analysing the business performance of the group.

In December 2021, she resigned from AEON Co. (M) Bhd and assumed her present position in Luxasia (M) Sdn Bhd as Country Finance Head in January 2022. She is responsible for overseeing the finance related functions of the company.

Lee Wee Leng does not have any family relationship with any of our Directors and/or substantial shareholders.

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

8.2.3 Principal directorships and principal business activities outside our Group

Save as disclosed below, none of our Directors have any principal directorships within the past 5 years up to the LPD, or involvement in principal business activities performed outside our Group as at the LPD:

(i) Datuk Seri Akhil Bin Bulat

Company	Principal business activities as at the LPD	Nature of relationship as at the LPD	Date of appointment as director	Date of cessation as director
<u><i>Present directorships/partnerships:</i></u> Edaran Pekemas Bhd	Dealing in motorcycles, accessories, spare parts and repair of motorcycles	- Director	5 October 2021	-
Patriot Protection & Security Sdn Bhd	Patriot protection and security services	- Director - Shareholder (Direct: 30.0%)	1 October 2012	-
Sany Industries Malaysia Sdn Bhd	Trading in all types of heavy vehicles	- Director	2 September 2015	-
Langit Bersih Bersepadu Sdn Bhd	Trading in all types of heavy vehicles	- Director - Shareholder (Direct: 20.0%)	2 September 2015	-
Barisan Mahamega Sdn Bhd	General trading of investment properties	- Director - Shareholder (Direct: 51.0%)	23 March 2017	-
Putrade Property Management Sdn Bhd	Provision of property management services	- Director	19 June 2019	-

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

Company	Principal business activities as at the LPD	Nature of relationship as at the LPD	Date of appointment as director	Date of cessation as director
<u>Present directors/partnerships (cont'd):</u>				
Orchard PK Feeds (M) Sdn Bhd	Holding and dealing in property investment	- Director	18 February 2020	-
Anish Resources Sdn Bhd	Investment holding company - wholesaler of rice varieties and general trading	- Director - Shareholder (Direct: 40.0%)	29 May 2020	-
WTC Property Management Sdn Bhd	Management of real estate on a fee or contract basis	- Director	25 January 2021	-
Iampro Technologies (M) Sdn Bhd	1. Other information service activities N.E.C information communication technology (ICT) system security 2. Activities of providing infrastructure for hosting, data processing services and related activities	- Director - Shareholder (Direct: 20.0%)	17 February 2022	-
<u>Past directorships:</u>				
Eternal Innovations Sdn Bhd	Export and import of a variety of goods without any particular specialisation N.E.C., wholesale of a variety of goods without any particular specialisation N.E.C., and investment advisory services	- Director	18 November 2015	28 May 2019
Authscore Sdn Bhd	Computer consultancy	- Director	8 January 2018	24 April 2018

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

Company <u>Past directorships (cont'd):</u>	Principal business activities as at the LPD	Nature of relationship as at the LPD	Date of appointment as director	Date of cessation as director
Strateq Group Berhad <u>Involvement in principal business activities performed outside our Group other than directorships/partnerships</u> Nil	Investment holding company – investment in IT business	- Director	29 January 2018	28 June 2019

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

(ii) Law Kok Thye

Company	Principal business activities as at the LPD	Nature of relationship as at the LPD	Date of appointment as director	Date of cessation as director
<u>Present directorships/partnerships:</u> Tianwen Holdings	Investment holding company – holding shares in our Company, Leform Group Sdn Bhd and Leform Land Sdn Bhd	- Director - Shareholder (Direct: 100.0%)	15 April 2003	-
<u>Past directorships:</u>				
Lex-bridge Industries Sdn Bhd	Trading in pipes and other related services	- Director	2 April 2003	29 June 2021
DL Advance Metal Sdn Bhd	Trading in steel product	- Director	27 February 2014	22 July 2021
RL Metals Sdn Bhd	Trading in steel products	- Director	25 October 2017	22 July 2021
TG Advance Metal Sdn Bhd	Wholesale of a variety of goods without any particular specialisation N.E.C.	- Director	12 February 2018	22 July 2021
Leform Group Sdn Bhd	Dissolved on 26 April 2022. Previously dormant.	- Director - Shareholder (Indirect: 50.0%)	15 April 2011	-
Leform Land Sdn Bhd	Dissolved on 13 April 2022. Previously dormant.	- Director - Shareholder (Indirect: 100.0%)	1 March 2005	-

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

Company	Principal business activities as at the LPD	Nature of relationship as at the LPD	Date of appointment as director	Date of cessation as director
<p><u>Involvement in principal business activities performed outside our Group other than directorships/partnerships:</u> N/A</p>				

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

(iii) Chua Leng Leek

Company	Principal business activities as at the LPD	Nature of relationship as at the LPD	Date of appointment as director	Date of cessation as director
<u>Present directorships/partnerships:</u>				
Lewamax Holdings Sdn Bhd	Investment holding company – investing in properties for rental	- Director - Shareholder (Direct: 30.0%)	25 July 2013	-
Pro Affluence Management (M) Sdn Bhd	Business management consultancy services	- Director - Shareholder (Direct: 99.9%)	26 August 2015	-
J Rapha Fitness Sdn Bhd	Investment holding company – franchisee of Anytime Fitness, and other sports activities N.E.C., and business support service activities N.E.C.	- Director - Shareholder (Direct: 5.0%)	26 March 2019	-
AEM Systems (M) Sdn Bhd	IT hardware and software trading	- Director - Shareholder (Direct: 50.0%)	30 May 2022	-
<u>Past directorships:</u>				
Horizon Governance Services Sdn Bhd	Management consultancy activities N.E.C	- Director - Shareholder (Direct: 33.3%)	28 December 2016	30 August 2018
Yowey Sdn Bhd	Dissolved. Previously trading in furniture, household and lighting products	- Director - Shareholder (Direct: 10.0%)	19 July 2013	-

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

Company	Principal business activities as at the LPD	Nature of relationship as at the LPD	Date of appointment as director	Date of cessation as director
<p><u>Involved in principal business activities performed outside our Group other than directorships/partnerships:</u></p> <p>Affluence Consulting</p>	Business and management consulting and services	- Sole proprietor	-	-

(iv) Lai Chin Yang

Company	Principal business activities as at the LPD	Nature of relationship as at the LPD	Date of appointment as director	Date of cessation as director
<p><u>Present directorships/partnerships:</u></p> <p>Nil</p> <p><u>Past directorships:</u></p> <p>Nil</p> <p><u>Involved in principal business activities performed outside our Group other than directorships/partnerships:</u></p> <p>Nil</p>				

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

(v) Phang Yew Cheong @ Phang Yew Choong

Company	Principal business activities as at the LPD	Nature of relationship as at the LPD	Date of appointment as director	Date of cessation as director
<u>Present directorships/partnerships:</u>				
Nil				
<u>Past directorships:</u>				
Nil				
<u>Involvement in principal business activities performed outside our Group other than directorships/partnerships:</u>				
Nil				

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

(vi) Esmariza Binti Ismail

Company	Principal business activities as at the LPD	Nature of relationship as at the LPD	Date of appointment as director	Date of cessation as director
<u>Present directorships/partnerships:</u> Pemula Manjung Sdn Bhd ⁽¹⁾	Holding company of TLH Steel Sdn Bhd	- Director Shareholder (Direct: 50.0%)	27 February 2014	-
TLH Steel Sdn Bhd ⁽¹⁾	Dormant. Previously trading in steel products	- Director Shareholder (Indirect: 100.0%)	27 October 2015	-
<u>Past directorships:</u> <i>Nil</i>				
<u>Involvement in principal business activities performed outside our Group other than directorships/partnerships:</u> <i>Nil</i>				

Note:

- (1) Pemula Manjung Sdn Bhd and TLH Steel Sdn Bhd will be struck-off upon the transfer of TLH Steel Sdn Bhd's property to Leform. The parties are in the process of registering the transfer of the land title to this property from TLH Steel Sdn Bhd to Leform as the beneficial owner of this property. Please refer to **Section 6.23** of this Prospectus for further details on this property.

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

(vii) Lee Wee Leng

Company	Principal business activities as at the LPD	Nature of relationship as at the LPD	Date of appointment as director	Date of cessation as director
<u>Present directorships/partnerships:</u> Hollerbord Sdn Bhd	Market research and public opinion polling, computer programming activities and other information technology service activities	- Director	26 November 2018	-
<u>Past directorships:</u> Nil				
<u>Involvement in principal business activities performed outside our Group other than directorships/partnerships:</u> Nil				

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

The involvement and/or interests of our Managing Director, Law Kok Thye, in Tianwen Holdings do not affect his ability to perform his executive role and responsibilities to our Group as well as his contributions to our Group as Tianwen Holdings is an investment holding company holding shares in Leform, and hence his involvement in the day-to-day operations of Tianwen Holdings is not required. Similarly, the involvement and/or interests of our Executive Director, Esmariza Binti Ismail, as a director in the group of companies mentioned above do not affect her ability to perform her executive role and responsibilities to our Group as well as her contributions to our Group as TLH Steel Sdn Bhd is currently dormant and together with its holding company, Pemula Manjung Sdn Bhd, will be struck-off upon the transfer of TLH Steel Sdn Bhd's property to Leform. Our Board is of the opinion that the involvement and/or interests of Law Kok Thye and Esmariza Binti Ismail in the abovementioned companies would not give rise to a conflict of interest situation with our business.

8.3 Board practice

8.3.1 Directorship

In accordance with our Constitution, the Directors shall have the power at any time and from time to time to appoint any person to be a Director either to fill a casual vacancy or as an additional Director, but so that the total number of Directors shall not at any time exceed the maximum number fixed by or in accordance with our Constitution which is 9 directors.

Any person appointed as director, either to fill a casual vacancy or as an addition to the existing Directors, shall hold office only until the next AGM and shall then be eligible for re-election but shall not be taken into account in determining the Directors who are to retire by rotation at that meeting.

Our Board has adopted the following responsibilities for effective discharge of its functions:

- (i) to provide leadership and oversee the overall conduct of our Group's businesses to ensure that our businesses are being properly managed;
- (ii) to review and adopt strategic plans for our Group and to ensure that such strategic plans and the risk, performance and sustainability thereon are effectively integrated and appropriately balanced;
- (iii) to review and adopt corporate governance best practices in relation to risk management, legal and compliance management and internal control systems to safeguard our Group's reputation, and our employees and assets and to ensure compliance with applicable laws and regulations;
- (iv) to ensure that our Company has effective Board committees as required by the applicable laws, regulations, rules, directives and guidelines and as recommended by the Malaysian Code on Corporate Governance 2021;
- (v) to review and approve our annual business plans, financial statements and annual reports;
- (vi) to monitor the relationship between our Group and our management, shareholders and stakeholders, and to develop and implement an investor relations programme or shareholders' communications policy for our Group; and

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

- (vii) to appoint our Board committees, to delegate powers to such committees, to review the composition, performance and effectiveness of such committees, and to review the reports prepared by our Board committees and deliberate on the recommendations thereon.

As at the LPD, the details of the date of expiration of the current term of office for each of our Directors and the period that each of our Directors has served in office are as follows

Name	Date of appointment as Director	Date of expiration of the current term of office ⁽¹⁾	Approximate no. of years in office
Datuk Seri Akhil Bin Bulat	6 December 2021	subject to rotation at the AGM in year 2023	Less than 1 year
Law Kok Thye	17 January 2003	subject to rotation at the AGM in year 2023	19 years
Chua Leng Leek	6 December 2021	subject to rotation at the AGM in year 2024	Less than 1 year
Lai Chin Yang	6 December 2021	subject to rotation at the AGM in year 2024	Less than 1 year
Phang Yew Cheong @ Phang Yew Choong	6 December 2021	subject to rotation at the AGM in year 2025	Less than 1 year
Esmariza Binti Ismail	6 December 2021	subject to rotation at the AGM in year 2025	Less than 1 year
Lee Wee Leng	21 February 2022	subject to rotation at the AGM in year 2026	Less than 1 year

Note:

- (1) Pursuant to our Constitution, an election of Directors shall take place each year at the annual general meeting of the Company where 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) shall retire from office and be eligible for re-election PROVIDED ALWAYS THAT all Directors including the Managing Director shall retire from office once at least in each 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.

In addition, pursuant to our Constitution, the Directors to retire in each year shall be those who have been the longest in office since their last election, but as between persons who became Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

All Directors including the Managing Director retired during the AGM 2022 of our Company.

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

8.3.2 Audit and Risk Management Committee

The composition of our Audit and Risk Management Committee is set out below:

Name	Designation	Directorship
Chua Leng Leek	Chairman	Independent Non-Executive Director
Lai Chin Yang	Committee	Independent Non-Executive Director
Lee Wee Leng	Committee	Independent Non-Executive Director

The terms of reference of our Audit and Risk Management Committee, amongst others, include the following:

- (i) to ensure openness, integrity and accountability in our Group's activities so as to safeguard the rights and interests of our shareholders;
- (ii) to review and approve our quarterly and annual financial statements for recommendation to our Board, focusing in particular on any changes in or implementation of major accounting policies and practices, significant and unusual events, significant adjustments arising from the audit, going concern assumption and compliance with accounting standards and other regulatory or legal requirements;
- (iii) to provide assistance to our Board in fulfilling its fiduciary responsibilities relating to corporate accounting and reporting practices;
- (iv) to oversee and recommend the risk management framework, business sustainability framework and policies of our Group;
- (v) to advise our Board on setting appropriate policies on internal control and seek assurance that our systems are adequate and functioning effectively to address the risks;
- (vi) to improve our Group's business efficiency, the quality of accounting and audit function and strengthening of public's confidence in our reported results;
- (vii) to maintain a direct line of communication between our Board and the external and internal auditors;
- (viii) to enhance the independence of our external and internal auditors;
- (ix) to review the non-audit services provided by the external auditors and/or its network firms to our Group;
- (x) to create a climate of discipline and control, this will reduce the opportunity for fraud;
- (xi) to monitor and review matters relating to related party transactions entered into by our Group and any conflict of interests situations that may arise within our Group;
- (xii) to determine our level of risk tolerance and actively identify, assess and monitor key business risks to safeguard our shareholders' investments and our assets;
- (xiii) to ensure that our Board conducts an annual review and periodic testing of our internal control and risk management;

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

- (xiv) to consider and approve the appointment of the internal auditors, internal audit fee and matter of dismissal;
- (xv) to review the adequacy of scope, competency and resources of the internal audit function;
- (xvi) to ensure the internal audit function has the necessary authority to carry out its work;
- (xvii) to review the performance of the internal audit function on an annual basis;
- (xviii) carry out the oversight function over the administration of whistleblowing policy that is approved and adopted by our Board;
- (xix) to recommend our Board regarding the appointment of the external auditors, to consider their independence, the adequacy of experience, audit fee and any issue regarding resignation or dismissal; and
- (xx) to obtain advice from independent parties and other professionals, where necessary, in discharging their duties.

8.3.3 Remuneration Committee

The composition of our Remuneration Committee is set out below:

Name	Designation	Directorship
Lee Wee Leng	Chairman	Independent Non-Executive Director
Chua Leng Leek	Committee	Independent Non-Executive Director
Lai Chin Yang	Committee	Independent Non-Executive Director

The terms of reference of our Remuneration Committee, amongst others, include the following:

- (i) to review the remuneration policy to ensure that it is in line with our Group's goals and objectives;
- (ii) to provide assistance to our Board in determining and reviewing the remuneration of our Executive Directors and, if applicable, key senior management. In fulfilling this responsibility, our Remuneration Committee is to ensure that our executive directors and our applicable key senior management:
 - (a) are fairly rewarded for their individual contributions to overall performance;
 - (b) that the compensation is reasonable in light of our objectives; and
 - (c) that the compensation is similar to other companies.
- (iii) to review and recommend on an annual basis, the performance of our Directors and recommend to our Board specific adjustments in remuneration and/or reward payments to be passed at a general meeting.

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

8.3.4 Nomination Committee

The composition of our Nomination Committee is set out below:

Name	Designation	Directorship
Lai Chin Yang	Chairman	Independent Non-Executive Director
Chua Leng Leek	Committee	Independent Non-Executive Director
Lee Wee Leng	Committee	Independent Non-Executive Director

The terms of reference of our Nomination Committee, amongst others, include the following:

- (i) to identify, assess and recommend to our Board, candidates for our board directorships, having regard to their expertise, experience and other core competencies, potential conflict of interest, contribution and integrity which the Directors should bring to the Board;
- (ii) to recommend to our Board, directors to fill the seats on our Board committees;
- (iii) to access and evaluate, on an annual basis, or as required, the desirability of the overall composition of our Board and the balance amongst executive, non-executive and independent directors;
- (iv) to evaluate the effectiveness of our Board and Board committees (including its size and composition) and contributions of each individual director;
- (v) to determine the independence of each Director annually and the independent director can bring independence and objective judgement to board deliberations;
- (vi) to review and ensure an appropriate framework and plan for our Board and key senior management succession; and
- (vii) to ensure that our Directors received appropriate induction programs and undergo continuous training to enhance their performance.

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

8.4 Key senior management

8.4.1 Shareholdings in our Company

The direct and indirect shareholdings of our Managing Director, Law Kok Thye, and our Non-Independent Executive Directors, Phang Yew Cheong @ Phang Yew Choong and Esmariza Binti Ismail are set out in **Section 8.2.1** of this Prospectus. The following table sets forth the direct and indirect shareholdings of each of our other key senior management before and after the IPO, assuming our key senior management subscribe for their respective entitlements under the Pink Form Allocation as set out in **Section 3.3.1(ii)** of this Prospectus in full:

Name	Designation	Nationality	Before the IPO		After the IPO			
			Direct	Indirect	Direct	Indirect		
			No. of Shares ('000)	%	No. of Shares ('000)	% ⁽¹⁾	No. of Shares ('000)	%
Hong Ka Hock	General Manager	Malaysian	-	-	200	-(2)	-	-
Ng Tiong Lim	Chief Financial Officer	Malaysian	-	-	200	-(2)	-	-
Lee Li Wah	Plant Manager	Malaysian	-	-	200	-(2)	-	-
Surian Krishnan	Senior Accounts Manager	Malaysian	-	-	200	-(2)	-	-

Notes:

(1) Based on our enlarged issued shares of 1,481,013,000 Shares after the IPO.

(2) Less than 0.1%.

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

8.4.2 Profiles of key senior management

The profile of our Managing Director, Law Kok Thye, is set out in **Section 8.1.2** of this Prospectus and the profiles of our Non-Independent Executive Directors, Phang Yew Cheong @ Phang Yew Choong and Esmariza Ismail are set out in **Section 8.2.2** of this Prospectus. The profiles of our other key senior management are as follows:

(i) Hong Ka Hock, Malaysian, aged 58
General Manager

Hong Ka Hock is our General Manager. He is responsible for our Group's project development, monitoring, managing the setting-up of machineries, factory planning and related matters.

He graduated from Sekolah Menengah Kebangsaan Dato' Syed Omar, Kedah with a Sijil Tinggi Persekolahan Malaysia (STPM) certificate in 1984.

He began his career in 1988 with Matsushita Refrigeration Industries (S) Pte Ltd as Quality Assurance Technician, and was later promoted to Quality Assurance Supervisor later in the same year. During his tenure there, he was involved in overseeing the quality assurance procedures for refrigeration products. In 1989, he resigned from Matsushita Refrigeration Industries (S) Pte Ltd to join Bright Steel Sdn Bhd as Production Executive where he was involved in the production process control as well as planning and scheduling for the company's production of steel. In 1996, he resigned from Bright Steel Sdn Bhd to join Prestar Storage System Sdn Bhd in 1997 as Plant Manager. During his tenure there, he was in charge of monitoring and controlling production activities, planning and scheduling local and overseas orders as well as monitoring shipments of products. In 2007, he resigned from Prestar Storage System Sdn Bhd. He then joined Deluxe Forum Sdn Bhd in 2007 as Group General Manager. During his tenure there, he was responsible for the sales and production activities for Deluxe Forum Sdn Bhd and its group of companies.

In the same year, he resigned from Deluxe Forum Sdn Bhd to join Leform as General Manager where he was responsible for our Group's project development, monitoring, managing the setting-up of machineries, factory planning and related matters.

Hong Ka Hock does not have any family relationship with any of our Directors and/or substantial shareholders.

(ii) Ng Tiong Lim, Malaysian, aged 38
Chief Financial Officer

Ng Tiong Lim is our Chief Financial Officer. He is in charge of handling all accounting and finance related matters for our Group.

He graduated from Sunway University College in 2005 with an Association of Chartered Certified Accountants certificate.

He began his career in 2006 with Deloitte Kassim Chan & Co as Staff Assistant where he was responsible for carrying out statutory audits and taxation for clients. In 2007, he was promoted to Staff Assistant II where he was in charge of conducting statutory audit and taxation for clients. In 2008, he left Deloitte Kassim Chan & Co to join Malayan Flour Mills Berhad as Internal Audit Executive where he was in charge of conducting audit processes for Malayan Flour Mills Berhad and its group of companies. In 2010, he was promoted to Assistant Accountant where he was responsible for performing consolidation of accounts and reporting to Bursa Securities. In 2012, he left Malayan Flour Mills Berhad and took a short career break.

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

In 2013, he resumed his career with Schlumberger (M) Sdn Bhd as Statutory Accountant. During his tenure there, he handled the tax matters for oil and gas companies located in France and Algeria. In 2014, he left Schlumberger (M) Sdn Bhd to join Pestech International Berhad in the same year as Associate Manager where he was responsible for performing consolidation of accounts and preparing financial reports in compliance with the requirements set out by Bursa Securities. In 2016, he resigned from Pestech International Berhad to join APM Automotive Holdings Berhad as Finance Manager. During his tenure there, he was in charge of performing consolidation of accounts and preparing financial reports in compliance with the requirements set out by Bursa Securities for the group. In 2018, he was promoted to Senior Finance Manager where he was assisting the company's Chief Financial Officer to review consolidation of accounts, budgeting and management of accounts of the company's subsidiaries located in international markets.

In June 2021, he resigned from APM Automotive Holdings Berhad to assume his current position as Chief Financial Officer of our Group from July 2021 where he is responsible for handling all accounting and finance related matters of our Group. Prior to July 2021, our Senior Accounts Manager, Surian A/L Krishnan and Non-Independent Executive Director and Group Adviser, Phang Yew Cheong @ Phang Yew Choong oversaw all accounting and finance related matters of our Group.

Ng Tiong Lim does not have any family relationship with any of our Directors and/or substantial shareholders.

(iii) Lee Li Wah, Malaysian, aged 42
Plant Manager

Lee Li Wah is our Group's Plant Manager. She is in charge of overseeing the overall production, planning, quality assurance and quality control processes, quality management system as well as product development activities.

She graduated from Universiti Kebangsaan Malaysia with a Bachelor's Degree in Applied Physics in 2004.

She began her career in 2004, with Wenhup Engineering Sdn Bhd as Project Engineer. During her tenure there, she was responsible for planning, budgeting, overseeing all technical points of contact for projects as well as the implementation of ISO 9001. In 2006, she left Wenhup Engineering Sdn Bhd to join Sena Diecasting Industries Sdn Bhd as Product Development Engineer, where she was in charge of managing designs, prototyping, testing, scheduling product development plans, as well as acting as a technical expert in products and processes. In 2007, she resigned from Sena Diecasting Industries Sdn Bhd. In 2007, she joined Prestar Precision Tube Sdn Bhd as Production Executive. During her tenure there, she was in charge of the company's pipe manufacturing operation. In 2008, she left Prestar Precision Tube Sdn Bhd.

In 2008, she joined LF Metal as Production Executive where she assisted in the setting-up of pipe mills used for the manufacturing of steel pipes used in the automotive industry. In 2012, she was assigned as a Personal Assistant (Sales and Planning) to the Managing Director in Leform. During her tenure, she was responsible for assisting the Managing Director in managing, controlling and monitoring the sales and planning activities of Leform.

In 2014, she was promoted to her current position in Leform as Plant Manager where she oversees the overall production, planning, quality assurance and quality control, as well as new product development.

Lee Li Wah does not have any family relationship with any of our Directors and/or substantial shareholders.

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

(iv) Surian A/L Krishnan, Malaysian, aged 50
Senior Accounts Manager

Surian A/L Krishnan is our Senior Accounts Manager. He is responsible for supporting our CFO in the preparation of financial statements.

He graduated from Systemic College in 1992 with a London Chamber of Commerce Industry (LCCI) Higher in Accounting. In 2001, he completed the Professional Banking and Finance Course from the Institute of Banker Malaysia. He is an affiliate with the Chartered Institute of Management (CIMA) since 2002. He is also an associate member of the Institute of Banker Malaysia (presently known as the Asian Institute of Chartered Bankers).

He began his career in 1992 with JS Noronha & Co as an Audit Junior where he was responsible for assisting the Audit Manager in the field audit. In 1993, he resigned from JS Noronha & Co to join Standard Chartered Bank (Malaysia) Berhad as Senior Tax Assistant. During his tenure there, he performed tax related reporting functions while reporting to the Group Area Tax Controller. He left Standard Chartered Bank (Malaysia) Berhad in 2000. In 2001, he joined Gas Malaysia Berhad as Assistant Accountant where he was in charge of performing accounting and tax related functions for Gas Malaysia Berhad and its group of companies. In 2002, he resigned from Gas Malaysia Berhad to join Amalgamated Industrial Steel Berhad as Accountant where he was in charge of managing accounting reporting functions of the Group. In 2012, he left Amalgamated Industrial Steel Berhad.

In 2012, he joined Leform as Corporate Finance Manager where he was in charge of corporate matters related to banking facilities of our Group. In 2016, he was promoted to his current position in Leform as Senior Accounts Manager. He was in charge of accounting and finance matters prior to the appointment of Ng Tiong Lim as the Chief Finance Officer of our Group.

Surian A/L Krishnan does not have any family relationship with any of our Directors and/or substantial shareholders.

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

8.5 Remuneration of Directors and key senior management

8.5.1 Directors

The aggregate remuneration and material benefits-in-kind (which includes contingent or deferred remuneration) paid or expected to be paid to our Directors for services rendered in all capacities to our Group for the FYE 31 December 2021 and FYE December 2022 are as follows:

(i) FYE 31 December 2021 (Paid)

Name	Fixed and non-deferred remuneration			Variable and non-deferred remuneration		Total		
	Director's Fee (RM'000)	Salary (RM'000)	Contributions to EPF and SOCSO (RM'000)	Bonus (RM'000)	Allowances and benefit-in-kind (RM'000)	Paid as at the LPD (RM'000)	Expected to be paid (RM'000)	Total (RM'000)
Datuk Seri Akhil Bin Bulat	-	-	-	-	-	-	-	-
Law Kok Thye	80	1,348	257	764	28	2,477	-	2,477
Chua Leng Leek	-	-	-	-	-	-	-	-
Lai Chin Yang	-	-	-	-	-	-	-	-
Lee Wee Leng	-	-	-	-	-	-	-	-
Phang Yew Cheong @ Phang Yew Choong	-	144	9	60	31	244	-	244
Esmariza Binti Ismail	-	84	16	34	16	150	-	150

(ii) FYE 31 December 2022 (Proposed)

Name	Fixed and non-deferred remuneration			Variable and non-deferred remuneration		Total		
	Director's Fee (RM'000)	Salary (RM'000)	Contributions to EPF and SOCSO (RM'000)	Bonus (RM'000)	Allowances and benefit-in-kind (RM'000)	Paid as at the LPD (RM'000)	Expected to be paid (RM'000)	Total (RM'000)
Datuk Seri Akhil Bin Bulat	24	-	-	-	-	-	24	24
Law Kok Thye	60	2,040	248	336	28	1,543	1,169	2,712
Chua Leng Leek	15	-	-	-	-	-	15	15
Lai Chin Yang	15	-	-	-	-	-	15	15
Lee Wee Leng	15	-	-	-	-	-	15	15
Phang Yew Cheong @ Phang Yew Choong	39	144	6	50	35	104	170	274
Esmariza Binti Ismail	18	99	13	14	16	88	72	160

8. INFORMATION ON OUR PROMOTERS, SUBSTANTIAL SHAREHOLDERS, DIRECTORS AND KEY SENIOR MANAGEMENT (Cont'd)**8.5.2 Key senior management**

Save for our Managing Director, Law Kok Thye, and our Non-Independent Executive Directors, Phang Yew Cheong @ Phang Yew Choong and Esmariza Binti Ismail whose remuneration and material benefits-in-kind are disclosed in **Section 8.5.1** of this Prospectus, the aggregate remuneration and material benefits-in-kind paid and proposed to be paid to our other key senior management for services rendered in all capacities to our Group for the FYE 31 December 2021 and FYE 31 December 2022 are set out as follows:

	Remuneration band	
	FYE 31 December 2021 (RM'000)	Proposed for FYE 31 December 2022 (RM'000)
Hong Ka Hock	200-250	200-250
Ng Tiong Lim	100-150	200-250
Lee Li Wah	150-200	150-200
Surian A/L Krishnan	150-200	150-200

8.6 Principal directorships and principal business activities of our key senior management outside our Group

None of our key senior management has any principal directorships, or involvement in principal business activities performed outside our Group within the past 5 years up to the LPD.

8.7 Declaration from our Promoters, Directors and key senior management

As at the LPD, none of our Promoter, Director and key senior management is or has been involved in any of the following events (whether in or outside Malaysia):

- (i) in the last 10 years, a petition under any bankruptcy or insolvency laws was filed (and not struck out) against such person or any partnership in which such person was a partner or any corporation of which such person was a director or member of key senior management;
- (ii) such person was disqualified from acting as a director of any corporation, or from taking part directly or indirectly in the management of any corporation;
- (iii) in the last 10 years, such person was charged or convicted in a criminal proceeding or is a named subject of a pending criminal proceeding;
- (iv) in the last 10 years, any judgment was entered against such person, or finding of fault, misrepresentation, dishonesty, incompetence or malpractice on such person's part, involving a breach of any law or regulatory requirement that relates to the capital market;
- (v) in the last 10 years, such person was the subject of any civil proceeding, involving an allegation of fraud, misrepresentation, dishonesty, incompetence or malpractice on such person's part that relates to the capital market;
- (vi) such person was the subject of any order, judgment or ruling of any court, government, or regulatory authority or body temporarily enjoining such person from engaging in any type of business practice or activity;

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

(vii) in the last 10 years, such person has been reprimanded or issued any warning by any regulatory authority, securities or derivatives exchange, professional body or government agency; and

(viii) any unsatisfied judgment against such person.

8.8 Family relationships and/or associates

There is no family relationship and/or association between any of our Promoters, substantial shareholders, Directors and key senior management as at the LPD.

8.9 Service agreements

None of our Director and key senior management has any existing or proposed service agreement with our Group which provide for benefits upon termination of employment with our Group as at the LPD.

8.10 Management succession plan

Our Group has implemented a formalised Succession Planning Policy and succession plan, where we have put in place a process to groom successors to gradually assume the responsibilities of key senior management.

Besides identifying the critical duties to be discharged by the successors in the succession plan, the following skill requirements must also be developed by the successors, amongst others:

- managing financial activities;
- providing leadership and guidance to employees;
- communicating effectively to create and develop relationships;
- knowledge of our Group's industry and business;
- purchasing and planning; and
- factory production management and planning.

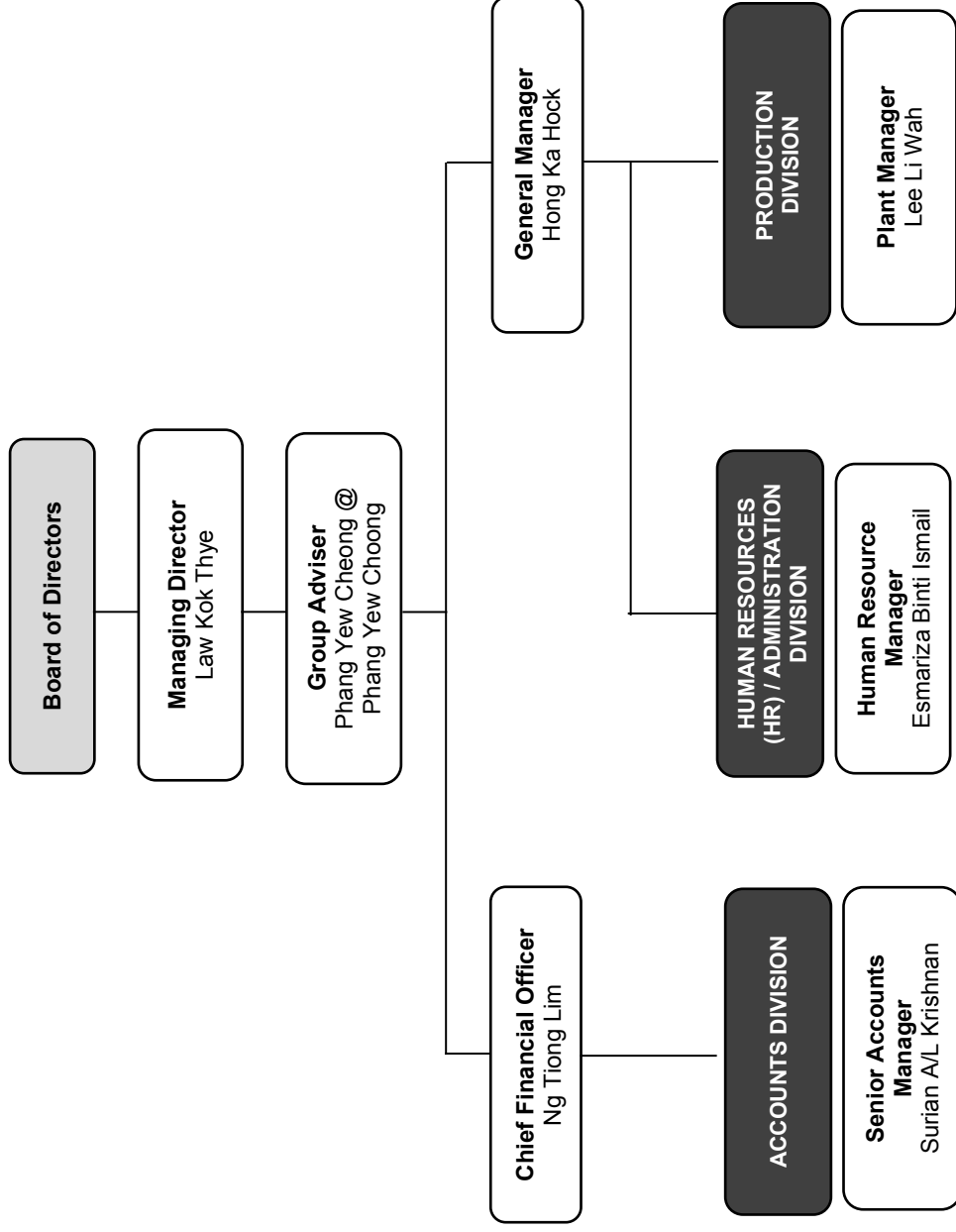
The Nomination Committee will review and update the succession plan annually or more regularly as the committee deem necessary to ensure our Group has reassessed the development progress of the identified successors and whether any recruitment is required.

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

8.11 Management reporting structure

The management reporting structure of our Group is as follows:



9. RELATED PARTY TRANSACTIONS

9.1 Related party transactions

Save as disclosed below, there are no other existing and/or proposed related party transactions to be entered into by our Group which involves the interest, direct or indirect, of our Directors and substantial shareholders, and/or persons connected with them for the past Financial Years and Period Under Review and the subsequent period up to the LPD:

No.	Transacting party(ies)	Related party(ies) / Nature of relationship	Nature of transaction	FYE 31 December				FPE 2022		Between 1 July 2022 up to the LPD			
				2019		2020		2021		(RM'000)	%	(RM'000)	%
				(RM'000)	%	(RM'000)	%	(RM'000)	%				
1.	Leform, LF Metal, Leform Service and Lex-bridge Industries Sdn Bhd ⁽¹⁾ (previously known as Tianwen Industries Sdn Bhd) (" Lex-bridge Industries ") with DL Advance Metal Sdn Bhd (" DL Advance ")	Law Kok Thye, our Promoter, Managing Director and substantial shareholder, was previously a director and substantial shareholder (51.0%) of DL Advance by virtue of his shareholdings in Tianwen Holdings ^{(2)/(3)}	Sales of steel pipes and flat products to DL Advance	9,480	2.8 ⁽⁴⁾	10,196	2.9 ⁽⁴⁾	8,452	2.3 ⁽⁴⁾	-	-		

9. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting party(ies)	Related party(ies) / Nature of relationship	Nature of transaction	FYE 31 December				FPE 2022		Between 1 July 2022 up to the LPD			
				2019		2020		2021		(RM'000)	%	(RM'000)	%
				(RM'000)	%	(RM'000)	%	(RM'000)	%				
2.	Leform with DL Advance	Law Kok Thye, our Promoter, Managing Director and substantial shareholder, was previously a director and substantial shareholder (51.0%) of DL Advance by virtue of his shareholdings in Tianwen Holdings ⁽²⁾ / ⁽³⁾	(i) Purchases of coils from DL Advance	-	-	-	-	993	0.3 ⁽⁵⁾	-	-		
			(ii) Advances payment from Leform to DL Advance for purchase of pipes ⁽⁶⁾	30	- ⁽⁵⁾ / ⁽⁷⁾	-	-	-	-	-	-		
3.	Leform, LF Metal, Leform Service, LF Engineering and Lex-bridge Industries with TG Advance Metal Sdn Bhd ("TG Advance")	Law Kok Thye, our Promoter, Managing Director and substantial shareholder, was previously a director and substantial shareholder (51.0%) of TG Advance by virtue of his shareholdings in Tianwen Holdings ⁽²⁾ / ⁽⁹⁾	Sales of steel pipes and flat products to TG Advance	9,536	2.8 ⁽⁴⁾	11,067	3.1 ⁽⁴⁾	16,130	4.3 ⁽⁴⁾	-	-		

9. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting party(ies)	Related party(ies) / Nature of relationship	Nature of transaction	FYE 31 December						FPE 2022		Between 1 July 2022 up to the LPD		
				2019		2020		2021		(RM'000)	%		(RM'000)	%
				(RM'000)	%	(RM'000)	%	(RM'000)	%					
4.	Leform with TG Advance	Law Kok Thye, our Promoter, Managing Director and substantial shareholder, was previously a director and substantial shareholder (51.0%) of TG Advance by virtue of his shareholdings in Tianwen Holdings (2)(9)	Sales of scraps to TG Advance	20	-(4)(7)	16	-(4)(7)	56	-(4)(7)	-	-	-	-	
5.	LF Engineering and Leform Marketing with TG Advance	Law Kok Thye, our Promoter, Managing Director and substantial shareholder, was previously a director and substantial shareholder (51.0%) of TG Advance by virtue of his shareholdings in Tianwen Holdings (2)(9)	Purchases of steel plates and pipes from TG Advance	-	-	3,918	1.2(5)	3,280	1.1(5)	-	-	-	-	

9. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting party(ies)	Related party(ies) / Nature of relationship	Nature of transaction	FYE 31 December						FPE 2022		Between 1 July 2022 up to the LPD		
				2019		2020		2021		(RM'000)	%		(RM'000)	%
				(RM'000)	%	(RM'000)	%	(RM'000)	%					
6.	Leform, Leform Service, Leform Steel Pipes and Lex-bridge Industries with RL Metals Sdn Bhd ("RL Metals")	Law Kok Thye, our Promoter, Managing Director and substantial shareholder, was previously a director and substantial shareholder (51.0%) of RL Metals by virtue of his shareholdings in Tianwen Holdings (2)/(10)	Sales of steel pipes and flat products to RL Metals	829	0.2 ⁽⁴⁾	1,026	0.3 ⁽⁴⁾	632	0.2 ⁽⁴⁾	-	-	-	-	
7.	Leform with RL Metals	Law Kok Thye, our Promoter, Managing Director and substantial shareholder, was previously a director and substantial shareholder (51.0%) of RL Metals by virtue of his shareholdings in Tianwen Holdings (2)/(10)	(i) Sales of steel pipes and flat products to RL Metals (ii) Purchases of coils from RL Metals (iii) Payment of EPF, SOCSO and EIS on behalf of RL Metals ⁽¹¹⁾	829	0.2 ⁽⁴⁾	1,026	0.3 ⁽⁴⁾	632	0.2 ⁽⁴⁾	-	-	-	-	
				-	-	-	-	420	0.1 ⁽⁵⁾	-	-	-	-	
				20	_(6)/(7)	15	_(6)/(7)	16	_(6)/(7)	-	-	-	-	

9. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting party(ies)	Related party(ies) / Nature of relationship	Nature of transaction	FYE 31 December				FPE 2022		Between 1 July 2022 up to the LPD			
				2019		2020		2021		(RM'000)	%	(RM'000)	%
				(RM'000)	%	(RM'000)	%	(RM'000)	%				
8.	Leform, LF Metal, Leform Marketing and Lex-bridge Industries with Tianwen Holdings	Law Kok Thye, our Promoter, Managing Director and substantial shareholder, is the sole director and substantial shareholder (100.0%) of Tianwen Holdings, our Promoter and substantial shareholder	(iv) Sales of scraps to RL Metals	230	1.8 ⁽¹⁴⁾	7	-(4) ⁽⁷⁾	-	-	-	-		
			Rental of premises used as storage facility and accommodation for Leform's employees paid to Tianwen Holdings. The tenancy ceased on 10 June 2021 ⁽¹²⁾	228	2.0 ⁽¹⁴⁾	78	0.6 ⁽¹⁴⁾	-	-	-	-		
9.	Leform Steel Pipes with Tianwen Holdings	Law Kok Thye, our Promoter, Managing Director and substantial shareholder, is the sole director and substantial shareholder (100.0%) of Tianwen Holdings, our Promoter and substantial shareholder	Disposal of entire equity interest in Lex-bridge Industries to Tianwen Holdings ⁽¹³⁾	-	-	-	1,050	0.6 ⁽⁶⁾	-	-	-		

9. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting party(ies)	Related party(ies) / Nature of relationship	Nature of transaction	FYE 31 December						FPE 2022		Between 1 July 2022 up to the LPD
				2019		2020		2021		(RM'000)	%	
				(RM'000)	%	(RM'000)	%	(RM'000)	%			
10.	LF Metal with Chai Chang Wai	Chai Chang Wai is the brother-in-law of Law Kok Thye, our Promoter, Managing Director and substantial shareholder	Disposal of 10.00% equity interest in Leform Marketing to Chai Chang Wai	-	-	-	-	270	0.2 ⁽⁶⁾	-	-	-
11.	Leform Marketing with Goldirex Sdn Bhd ("Goldirex")	Law Kok Hooi is a director and substantial shareholder (78.75%) of Goldirex, and the brother of Law Kok Thye, our Promoter, Managing Director and substantial shareholder	Disposal of 1-storey factory located at Lot 4236, Jalan Kampung Mohd Kawan Perindustrian Sungai Choh, 48000, Rawang, Selangor to Goldirex	-	-	-	-	6,500	3.8 ⁽⁶⁾	-	-	-
12.	Leform Goldirex	Law Kok Hooi is a director and substantial shareholder (78.75%) of Goldirex, and the brother of Law Kok Thye, our Promoter, Managing Director and substantial shareholder	Sales of stainless steel plates to Goldirex and servicing and processing stainless steel mother coils ⁽¹⁵⁾	8,104	2.4 ⁽⁴⁾	11,902	3.4 ⁽⁴⁾	6,481	1.7 ⁽⁴⁾	36	- ⁽⁷⁾	-

9. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting party(ies)	Related party(ies) / Nature of relationship	Nature of transaction	FYE 31 December						FPE 2022		Between 1 July 2022 up to the LPD	
				2019		2020		2021		(RM'000)	%		
				(RM'000)	%	(RM'000)	%	(RM'000)	%				
			Purchases of stainless steel mother coils from Goldirex ⁽¹⁶⁾	7,809	2.4 ⁽⁵⁾	7,937	2.5 ⁽⁵⁾	5,384	1.8 ⁽⁵⁾	-	-	-	
13.	Leform, LF Engineering, LF Metal, Leform Service, Leform Steel Pipes and Lex-bridge Industries with Leform Marketing	Chai Chang Wai is a director and substantial shareholder (20.0%) of Leform Marketing and the brother-in-law of Law Kok Thye, our Promoter, Managing Director and substantial shareholder ⁽¹⁸⁾	Sales of mother coils, pipes, plates, slitted coils, guardrails and strapping metals to Leform Marketing	38,712	11.2 ⁽⁴⁾	41,368	11.7 ⁽⁴⁾	46,572	12.5 ⁽⁴⁾	19,656	9.2 ⁽⁴⁾	8,411	N/A
14.	Leform with Leform Marketing	Chai Chang Wai is a director and substantial shareholder (20.0%) of Leform Marketing and the brother-in-law of Law Kok Thye, our Promoter, Managing Director and substantial shareholder	Sales of scraps to Leform Marketing	-	-	-	-	77	-(4) ⁽⁷⁾	8	-(7)	-	-

9. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting party(ies)	Related party(ies) / Nature of relationship	Nature of transaction	FYE 31 December						FPE 2022		Between 1 July 2022 up to the LPD	
				2019		2020		2021		(RM'000)	%	(RM'000)	%
				(RM'000)	%	(RM'000)	%	(RM'000)	%				
15.	Leform with Lex-bridge Industries ⁽¹⁾	Law Kok Thye, our Promoter, Managing Director and substantial shareholder, was previously a director and substantial shareholder (100.0%) of Lex-bridge Industries by virtue of his shareholdings in Tianwen Holdings ⁽¹⁾	(i) Sales of slitted coils and pipes to Lex-bridge Industries (ii) Sales of scraps to Lex-bridge Industries	-	-	-	-	1,658	0.4 ⁽⁴⁾	-	-	-	-
16.	Leform Transport with Lex-bridge Industries ⁽¹⁾	Law Kok Thye, our Promoter, Managing Director and substantial shareholder, was previously a director and substantial shareholder (100.0%) of Lex-bridge Industries by virtue of his shareholdings in Tianwen Holdings ⁽¹⁾	Transport services to Lex-bridge Industries	-	-	-	-	21	-(4) ⁽⁷⁾	-	-	-	-

9. RELATED PARTY TRANSACTIONS (Cont'd)

No.	Transacting party(ies)	Related party(ies) / Nature of relationship	Nature of transaction	FYE 31 December				FPE 2022		Between 1 July 2022 up to the LPD			
				2019		2020		2021		(RM'000)	%	(RM'000)	%
				(RM'000)	%	(RM'000)	%	(RM'000)	%				
17.	Leform, Leform Steel Pipes, Leform Marketing and LF Engineering with Lex-bridge Industries ⁽¹⁾	Law Kok Thye, our Promoter, Managing Director and substantial shareholder, was previously a director and substantial shareholder (100.0%) of Lex-bridge Industries by virtue of his shareholdings in Tianwen Holdings ⁽¹⁾	Purchase of trolley truck, u-channel and angle bar from Lex-bridge Industries	-	-	-	0.7 ⁽⁵⁾	-	-	-	-		
18.	Leform with Law Kok Thye	Law Kok Thye, is our Promoter, Managing Director and substantial shareholder	Acquisition of 30.0% equity interest in Leform Steel Mill by Leform from Law Kok Thye ⁽¹⁷⁾	-	-	6	-(6) ⁽⁷⁾	-	-	-	-		

Notes:

- (1) Lex-bridge Industries was previously a wholly-owned subsidiary of our Group. On 4 March 2021, our Group disposed 100.0% of our shares in Lex-bridge Industries to Tianwen Holdings. Subsequently on 20 August 2021, Tianwen Holdings disposed 100.0% of its shares in Lex-bridge Industries to Lex-bridge Engineering Sdn Bhd ("Lex-bridge Engineering"), a third party which is involved in the same industry as Leform who had decided to purchase Lex-bridge Industries to complement its existing business. As at the LPD, Lex-bridge Industries is a customer and Lex-bridge Engineering is both a customer and supplier of our Group, providing maintenance support to our production machinery.
- (2) Law Kok Thye, our Promoter, Managing Director and substantial shareholder, was previously a director and substantial shareholder of each of DL Advance (51.0%), TG Advance (51.0%) and RL Metals (51.0%) by virtue of his shareholdings in Tianwen Holdings pursuant to Section 8 of the Act. On 29 August 2021, Tianwen Holdings disposed 51.0% of its

9. RELATED PARTY TRANSACTIONS (Cont'd)

- shares in each of DL Advance (for a consideration of RM51,000), TG Advance (for a consideration of RM51,000) and RL Metals (for a consideration of RM5,100) to Lex-bridge Industries. Please refer to note (1) above for further information on Lex-bridge Industries.
- (3) DL Advance is primarily involved in the trading of steel products.
- Transactions with DL Advance will not give rise to a conflict of interest situation considering our Promoters, Law Kok Thye and Tianwen Holdings, do not have any interest in DL Advance as at the LPD, following the resignation of Law Kok Thye as a director of DL Advance on 22 July 2021, and the disposal of 51.0% of the shares in DL Advance, by Tianwen Holdings to Lex-bridge Industries on 29 August 2021. Please refer to note (1) above for further information on Lex-bridge Industries.
- (4) Based on our Group's revenue for the Financial Years and Period Under Review.
- (5) Based on our Group's cost of sales for the Financial Years and Period Under Review.
- (6) Based on our Group's NA for the Financial Years and Period Under Review.
- (7) Negligible.
- (8) The advance payment from Leform to DL Advance of RM30,000 in the FYE 2019 was for purchase of pipes. The transaction, however, did not materialise and the advance payment has been refunded to Leform.
- (9) TG Advance is primarily involved in the trading of steel products.
- Transactions with TG Advance will not give rise to a conflict of interest situation considering our Promoters, Law Kok Thye and Tianwen Holdings, do not have any interest in TG Advance as at the LPD, following the resignation of Law Kok Thye as a director of TG Advance on 22 July 2021, and the disposal of 51.0% of the shares in TG Advance, by Tianwen Holdings to Lex-bridge Industries on 29 August 2021. Please refer to note (1) above for further information on Lex-bridge Industries.
- (10) RL Metals is primarily involved in the trading of steel products.
- Transactions with RL Metals will not give rise to a conflict of interest situation considering the Promoters, Law Kok Thye and Tianwen Holdings, do not have any interest in RL Metals as at the LPD, following the resignation of Law Kok Thye as a director of RL Metals on 22 July 2021, and the disposal of 51.0% of the shares in RL Metals, by Tianwen Holdings to Lex-bridge Industries on 29 August 2021. Please refer to note (1) above for further information on Lex-bridge Industries.
- (11) We have made payments of EPF, SOCSO and EIS on behalf of RL Metals for the period from 2019 to 2021 as RL Metals did not have an online banking account to facilitate such payments during the period.
- (12) Each of LF Metal, Leform Marketing and Lex-bridge Industries entered into tenancy agreements with Tianwen Holdings for the rental of Lot 1224, Jalan Kuala Garing, 48000 Rawang, Selangor Darul Ehsan which was used as a storage facility from Tianwen Holdings for a period of 3 years commencing from 15 May 2019 to 14 June 2022. Leform, however, did not enter into any written agreement for the rental of another premises which was used as an accommodation for Leform's employees as the premises were rented on month-to-month basis. LF Metal, Leform Marketing, Lex-bridge Industries and Leform ceased their respective tenancies with Tianwen Holdings on 10 June 2021.
- (13) Tianwen Holdings had disposed 100.0% of its shares (2,100,000 shares) in Lex-bridge Industries to Lex-bridge Engineering, for a total consideration of approximately RM1.1 million on 20 August 2021. The principal activity of Lex-bridge Industries is the recovery and sales of lower grade metals. Our management was of the opinion that the activity of Lex-bridge Industries was not part of our Group's core business activity and hence decided to dispose it.
- (14) Based on our Group's administrative expenses for the Financial Years and Period Under Review.

9. RELATED PARTY TRANSACTIONS (Cont'd)

- (15) Our Group provides servicing and processing, namely, shearing services, of stainless steel mother coils purchased from Goldirex and other third parties. The transactions with Goldirex may potentially give rise to a conflict of interest situation considering the director and substantial shareholder of Goldirex, Law Kok Hooi, is the brother of the Promoter, Managing Director and substantial shareholder of our Company, Law Kok Thye. Please refer to **Section 10.1(a)** of this Prospectus for further details.
- In any event, our Group has since ceased transactions on sales of products described above with Goldirex as at the LPD, and will not enter into any such further transactions with Goldirex other than the provision by our Company of shearing services, which are expected to recur after the IPO, where stainless steel mother coils owned and supplied by Goldirex are sheared into stainless steel plates. As at the LPD, our Group does not manufacture nor trade in stainless steel products.
- (16) The purchases with Goldirex comprise stainless steel mother coils which our Group processed into stainless steel plates and sold to Goldirex as described in note (15) above. However, as at the LPD, our Group has ceased to purchase stainless steel mother coils from Goldirex as it has ceased to undertake transaction on sales of such stainless steel plates to Goldirex other than the provision of shearing services as described in note (15) above.
- (17) Leform has acquired the remaining 30.0% equity interest in Leform Steel Mill from Law Kok Thye, for a cash consideration of RM6,000. The consideration was arrived at based on the NA of Leform Steel Mill as at 30 June 2021.
- (18) The steel products sold by Leform Marketing to its customers are procured from our Company, LF Engineering, LF Metal, Leform Service, Leform Steel Pipes and Lex-bridge Industries (which we have subsequently disposed).
- Chai Chang Wai is responsible for business development of Leform Marketing including maintaining business relationship with customers and coordinating sales effort with his team and other departments in our Company. Chai Chang Wai direct participation as shareholder in Leform Marketing holding 20.0% equity interest in the company is to motivate him to continue building the business for Leform Marketing which he has been involved in for 19 years since 2003. There is no written agreement between our Group and Chai Chang Wai in relation to the customers procured by him for Leform Marketing.

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9. RELATED PARTY TRANSACTIONS (Cont'd)

Save for the recurrent related party transactions as set out in items 12, 13 and 14 of the table above, which will subsist after the LPD, as at the LPD, there are no related party transactions that have been effected after the LPD or entered into by our Group but not yet effected up to the date of this Prospectus.

Our Directors (save for Law Kok Thye, being an interested Director) are of the opinion that, save for items 2(ii), 4, 7(iii) and (iv), 8, 14 and 15(ii) (as disclosed below), the transactions disclosed above were carried out in the best interest of our Group on an arm's length basis, and on normal commercial terms which are not detrimental to the interest of our minority shareholders based on the following benchmarks:

- (i) the sales of products to the related parties were performed within the cost structure, whereby the price paid by the related parties are in line and / or on terms equivalent to those that prevail in an arm's-length transaction.
- (ii) the purchases of products from the related parties were performed within the cost structure, whereby the price paid by our Group are in line and / or on terms equivalent to those that prevail in an arm's-length transaction. Moreover, the purchases were made through the related parties as the companies were either unable to buy from other suppliers directly as they are deemed as competitors or the products were not comparable to other similar products of these companies.
- (iii) the charges for shearing services provided to a company which is related to our Promoter, substantial shareholder and Director are within the range of charges for similar services provided to a non-related party.
- (iv) the disposals of equity interests in subsidiaries of our Group were undertaken based on the net assets of the subsidiaries at the time of the disposal and were negotiated on willing buyer-willing seller basis.
- (v) the disposal of the property was undertaken based on a value close to the market value as appraised by an independent valuer appointed by Leform Marketing.

The following related party transactions were not conducted on an arm's length basis:

- (i) Item 2(ii)

The advances made to DL Advance were non-interest bearing and hence were not made on arms-length basis. However, all of the amount owing by the related party has been settled to date.
- (ii) Items 4, 14 and 15(ii):

The sales of scraps comprising lower grade metals or rejected products to TG Advance, Leform Marketing and Lex-bridge Industries were mutually agreed upon between the parties on a willing buyer-willing seller basis. Such sales were not part of the principal activities of our Group. Our Directors are of the opinion that the transactions were not unfavourable to our Group as the sales were at a discount on sales of products that comply with the JIS standard.
- (iii) Item 7(iii):

The payment of EPF, SOCSO, and EIS on behalf of RL Metals were non-interest bearing and hence not made on an arms-length basis. However, all of the amount owing by the related party has been settled to date.

9. RELATED PARTY TRANSACTIONS (Cont'd)

(iv) Item 7(iv):

The sales of scraps comprising lower grade metals or rejected products to RL Metals was a one-off transaction, and were mutually agreed upon between the parties on a willing buyer-willing seller basis. Such sale was not part of the principal activities of our Group. Our Directors are of the opinion that the transactions were not unfavourable to our Group as it was at a discount on products that comply with the JIS standard.

(v) Item 8:

The parties had rented a factory unit in Rawang from Tianwen Holdings for storage at a rate of RM12,000 per month. The rental rate was mutually agreed upon between the parties, and was lower than the market rental rates of other industrial areas in Rawang notwithstanding that the factory was not located in the main industrial area of Rawang. While the rental of the factory was not on normal commercial terms and not on an arms' length basis, our Directors are of the opinion that the transaction was not unfavourable to our Group on the basis of the low rental rate. The tenancy was terminated on 10 June 2021.

Leform had leased 5 residential units in Rawang from Tianwen Holdings for the staff's accommodation at a rate of RM7,000 per month. There were no formal rental agreements signed for the rental of the residential units as the properties were rented on a month-to-month basis. The rental rate was mutually agreed upon between the parties, and was lower than the market rental rates of other residential areas in the vicinity. While the rental of the residential units was not on normal commercial terms and not on an arms' length basis, our Directors are of the opinion that the transactions were not unfavourable to our Group. The tenancy was terminated on 10 June 2021.

Upon Listing, our Audit and Risk Management Committee will, amongst others, review the terms of all related party transactions, and report to our Board for further action to safeguard the interest of our Group and our minority shareholders, as well as to mitigate any potential conflict of interest situation. When necessary, our Board will make appropriate disclosures with regard to any related party transaction entered into by us. Where a transaction had not been carried out on an arm's length basis, the procedure undertaken to ensure that these transactions will be carried out on an arm's length basis in the future. In the event that there are any proposed related party transactions that involve the interest, direct or indirect, of our Director(s), the interested Director(s) will disclose their interest to our Board, and the nature and extent of their interest including all matters in relation to the proposed related party transactions that he is aware or should reasonably be aware of, which is not in our best interest. The interested Director(s) will also abstain from any Board deliberation and voting on the relevant resolution(s) in respect of such proposed related party transactions.

In the event that there is any proposed related party transaction that requires the prior approval of our shareholders, our Directors, substantial shareholders and/or persons connected with them, which have any interest, direct or indirect, in the transaction, will abstain from voting in respect of his direct and/or indirect shareholdings. Such interested Directors and/or substantial shareholders will also undertake to ensure that the person connected with them will abstain from voting on the resolution approving the proposed related party transaction at a general meeting.

In relation to related party transaction which can be deemed as recurrent related party transactions, we may seek a general mandate from our shareholders to enter into these transactions without having to seek separate shareholders' approval each time we wish to enter into such related party transactions during the validity period of the mandate.

9. RELATED PARTY TRANSACTIONS (Cont'd)

9.2 Transactions that are unusual in their nature or conditions

Our Directors have confirmed that 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 for the Financial Years and Period Under Review and the subsequent period up to the LPD.

9.3 Outstanding loans (including guarantees of any kind)

Save for the advances granted by our Group to DL Advance (which was fully settled on 1 October 2021) as disclosed in **Section 9.1** of this Prospectus, and as disclosed below, our Board has confirmed that there are no outstanding loans (including guarantees of any kind) or financial assistance that have been granted by our Group or the related parties to or for the benefits of the related parties or our Group, where applicable, for the Financial Years and Period Under Review and the subsequent period up to the LPD.

Guarantees

Law Kok Thye, our Promoter, Managing Director and substantial shareholder, has provided personal guarantees for the banking facilities to our Group extended by, amongst others, Al Rajhi Banking & Investment Corporation (Malaysia) Bhd, AmBank (M) Berhad, Citibank Berhad, HSBC Amanah Malaysia Bank Berhad and OCBC Al-Amin Bank Berhad ("**Financiers**").

In conjunction with the Listing, we have applied to the Financiers to obtain a release and/or discharge of the guarantees. Until such release and/or discharge are obtained from the respective Financiers, our Managing Director will continue to guarantee the banking facilities extended to our Group.

As at the LPD, save for the conditional approvals dated 4 March 2022, 7 April 2022, 15 April 2022 and 5 September 2022 to discharge the personal guarantee provided by Law Kok Thye issued by Al Rajhi Banking & Investment Corporation Berhad, Citibank Berhad, HSBC Bank Malaysia Bank Berhad and AmBank (M) Berhad respectively, we have yet to receive any conditional approvals from the other Financiers.

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10. CONFLICT OF INTEREST

10.1 Interest in businesses which carry on similar trade as our Group or businesses of our customers or suppliers

Save as disclosed below, none of our Directors or substantial shareholders has any interest, direct or indirect, in other businesses and corporations which are carrying on a similar trade as us, or are our customers or suppliers as at the LPD:

No.	Entity	Business activities	Nature	Interested directors and / or substantial shareholders	Nature of interest in the entity
Interest in similar trade					
1.	TLH Steel Sdn Bhd ("TLH Steel")	Dormant, previously trading in steel products	- Previously similar trade to that of our Group	- Esmariza Binti Ismail	- Esmariza Binti Ismail, our Director, is a substantial shareholder (100.00%) of TLH Steel by virtue of her shareholdings in Pemula Manjung Sdn Bhd (" Pemula Majung ")
2.	Pemula Manjung	Investment holding company of TLH Steel	- Holding company of TLH Steel	- Esmariza Binti Ismail	- Esmariza Binti Ismail, our Director, is a substantial shareholder (50.00%) of Pemula Manjung
Interest in business of our customers and suppliers					
1.	Goldirex	Dealing in stainless steel products	- Our customer - Our supplier	- Law Kok Thye	- Law Kok Hooi, a director and substantial shareholder (78.75%) of Goldirex, is the brother of Law Kok Thye, our Promoter, Managing Director and substantial shareholder

10. CONFLICT OF INTEREST (Cont'd)

Our Board is of the view that the interests of Law Kok Thye and Esmariza Binti Ismail in the abovementioned companies would not give rise to a conflict of interest situation after taking into consideration the following factors:

(a) Goldirex

Goldirex is primarily a distributor of stainless steel products, and was one of our Group's top 5 customers for the FYE 31 December 2020.

Our Group's total sales to Goldirex amounted to RM8.1 million, RM11.9 million, RM6.5 million and RM0.04 million for the FYEs 31 December 2019, 2020, 2021 and FPE 2022, respectively, which represent 2.4%, 3.4%, 1.7% and negligible of our Group's total revenue for the FYEs 31 December 2019, 2020, 2021 and FPE 2022, respectively.

Our Group has made purchases of stainless steel mother coils from Goldirex since 2019, but has ceased such purchases as at the LPD. Our Group's total purchases from Goldirex amounted to RM7.8 million, RM7.9 million and RM5.3 million for the FYEs 31 December 2019, 2020 and 2021, respectively, which represent 2.4%, 2.5% and 1.8% of our Group's total cost of sales for the FYEs 31 December 2019, 2020 and 2021, respectively.

The family relationship between Law Kok Thye and Law Kok Hooi would not give rise to a conflict of interest situation considering our Group does not manufacture or trade in stainless steel products as at the LPD, save for the provision of slitting and shearing services for stainless steel mother coils owned and supplied by Goldirex, and Law Kok Thye does not have any or intend to have any equity interest in Goldirex.

(b) TLH Steel and Pemula Manjung

TLH Steel is currently dormant and together with its holding company, Pemula Manjung, will be struck-off upon TLH Steel transfers its property to Leform. The parties are in the process of registering the transfer of the land title to this property from TLH Steel to Leform as the beneficial owner of this property. Please refer to **Section 6.23** of this Prospectus for further details on this property.

In the event our Group enters into transactions with Goldirex after our Listing, such transactions will be carried out on arm's length basis and on normal commercial terms which are not more favourable to these companies than those generally available to third parties. In order to safeguard the interest of our Group and minority shareholders, the Audit and Risk Management Committee will supervise and monitor any potential conflict of interest situation and report to our Board for further deliberation and action.

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10. CONFLICT OF INTEREST (Cont'd)

10.2 Declaration by advisers for our IPO

(i) Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent

Malaysian Industrial Development Finance Berhad (“**MIDF**”) is the holding company of MIDF Investment. MIDF, MIDF Investment and other subsidiaries of MIDF (collectively referred to as the “**MIDF Group**”) and its related and associated companies are involved in diversified financial activities. MIDF Group has been engaged, and may in the future be engaged, in transactions with and/or perform services for Leform Group and its affiliates, in addition to MIDF Investment’s role as the Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent for the IPO.

Further, in the ordinary course of business, any member of the MIDF Group may at any time offer or provide its services to or engage in any transaction (or on its own account or otherwise) with any member of Leform Group and its affiliates, or any other entity or transactions for its own account or the account of its customer. This is a result of the business of the MIDF Group generally acting independent of each other and accordingly, there may be situations where parts of the MIDF Group and/or its customers now have, or in the future, may have interest or take actions that may conflict with the said interest.

Nonetheless, the MIDF Group is required to comply with applicable laws and regulations issued by the relevant authorities governing its advisory business, which require, among others, segregation between dealing and advisory activities, and Chinese wall between different business divisions.

MIDF Investment has confirmed that there is no existing or potential conflict of interest in its capacity as the Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent for our IPO.

(ii) Legal Adviser

Rahmat Lim & Partners has given its confirmation that, as at the LPD, there is no existing or potential conflict of interest in its capacity as the Legal Adviser for our IPO.

(iii) Auditors and Reporting Accountants

Crowe Malaysia has given its confirmation that, as at the LPD, there is no existing or potential conflict of interest in its capacity as the auditors and the Reporting Accountants for our IPO.

(iv) Independent Market Researcher

Providence has given its confirmation that, as at the LPD, there is no existing or potential conflict of interest in its capacity as the Independent Market Researcher for our IPO.

(v) Governance, Risk and Internal Control Consultant

Sterling has given its confirmation that, as at the LPD, there is no existing or potential conflict of interest in its capacity as the Governance, Risk and Internal Control Consultant for our IPO.

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11. FINANCIAL INFORMATION

11.1 Historical financial information

Our historical financial information throughout the Financial Years and Period Under Review has been prepared in accordance with MFRS and IFRS. Our audited consolidated financial statements for the Financial Years and Period Under Review were not subject to any audit qualifications. The selected financial information included in this Prospectus is not intended to predict our Group's financial position, results or cash flows.

The historical financial information presented in this section should be read with the "Management's Discussion and Analysis of Financial Condition and Results of Operations" and Accountants' Report set out in **Sections 11.3** and **12** of this Prospectus respectively. There are no accounting policies which are peculiar to our Group. For further information on the significant accounting policies of our Group, please refer to Note 3 of the Accountants' Report included in **Section 12** of this Prospectus.

11.1.1 Historical consolidated statements of profit or loss and other comprehensive income

The following table sets out a summary of our consolidated statements of profit or loss and other comprehensive income for the Financial Years and Period Under Review which have been extracted from the Accountants' Report.

	Audited		Unaudited		Audited	
	FYE 31 December		FPE 30 June			
	2019	2020	2021	2021	2022	2022
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Continuing operations						
Revenue	344,581	354,714	373,974	203,351	213,671	213,671
Cost of sales	(323,288)	(323,514)	(294,085)	(159,548)	(188,314)	(188,314)
GP	21,293	31,200	79,889	43,803	25,357	25,357
Other income	5,333	3,422	7,990	5,426	4,212	4,212
Administrative expenses	(12,566)	(11,588)	(13,509)	(6,084)	(7,316)	(7,316)
Other expenses	(3,341)	(3,213)	(6,434)	(4,672)	(1,695)	(1,695)
Net impairment loss on financial assets	-	-	(108)	(138)	(383)	(383)
Profit from operation	10,719	19,821	67,828	38,335	20,175	20,175
Finance costs	(9,506)	(9,160)	(5,955)	(3,078)	(3,524)	(3,524)
PBT	1,213	10,661	61,873	35,257	16,651	16,651
Income tax expense	(2,844)	(3,524)	(16,463)	(7,634)	(4,485)	(4,485)
(LAT)/PAT for continuing operation	(1,631)	7,137	45,410	27,623	12,166	12,166
Discontinued operation						
PAT from discontinued operation	157	223	78	78	-	-
(LAT)/PAT	(1,474)	7,360	45,488	27,701	12,166	12,166

11. FINANCIAL INFORMATION (Cont'd)

	Audited		Unaudited		Audited FPE 30 June 2022 (RM'000)
	FYE 31 December		FPE 30 June		
	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)	2021 (RM'000)	
Other comprehensive income Item that will not be reclassified subsequently to profit or loss					
Revaluation of property, plant and equipment	4,955	-	1,800	-	-
Total comprehensive income for the financial year	3,481	7,360	47,288	27,701	12,166
(LAT)/PAT attributable to Owners of our Company:-					
- continuing operations	(1,704)	6,579	44,495	26,865	12,187
- discontinuing operation	157	223	78	78	-
	(1,547)	6,802	44,573	26,943	12,187
Non-controlling interests	73	558	915	758	(21)
	(1,474)	7,360	45,488	27,701	12,166
Total comprehensive income attributable to:					
Owners of our Company:	3,251	6,579	46,295	26,865	12,187
- continuing operations	157	223	78	78	-
- discontinuing operation	3,408	6,802	46,373	26,943	12,187
Non-controlling interests	73	558	915	758	(21)
	3,481	7,360	47,288	27,701	12,166
Selected financial data					
EBIT (RM'000) ⁽¹⁾	10,691	19,610	67,605	38,292	20,084
EBITDA (RM'000) ⁽¹⁾	19,225	27,433	76,243	42,868	24,017
GP margin (%) ⁽²⁾	6.2	8.8	21.4	21.5	11.9
PBT margin (%) ⁽³⁾	0.4	3.0	16.5	17.3	7.8
(LAT)/PAT margin (%) ⁽⁴⁾	(0.5)	2.0	12.1	13.6	5.7
Basic (LPS)/EPS (sen) ⁽⁵⁾	(0.1)	0.6	3.8	2.3	1.0
Diluted (LPS)/EPS (sen) ⁽⁶⁾	(0.1)	0.4	3.0	1.8	0.8

11. FINANCIAL INFORMATION (Cont'd)

Notes:

(1) EBIT and EBITDA are calculated as follows:

	Audited		Unaudited		Audited	
	FYE 31 December		FPE 30 June			
	2019	2020	2021	2021	2022	2022
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Continuing operation						
(LAT)/PAT	(1,631)	7,137	45,410	27,623	12,166	
<u>Less:</u>						
Finance income	(28)	(211)	(223)	(43)	(91)	
<u>Add:</u>						
Finance costs	9,506	9,160	5,955	3,078	3,524	
Taxation	2,844	3,524	16,463	7,634	4,485	
EBIT	10,691	19,610	67,605	38,292	20,084	
<u>Add:</u>						
Depreciation	8,534	7,823	8,638	4,576	3,933	
EBITDA	19,225	27,433	76,243	42,868	24,017	

(2) Calculated based on GP divided by revenue.

(3) PBT margin are calculated based on the PBT from continuing operations for the respective financial years/period divided by revenue.

(4) (LAT)/PAT margin are calculated based on the (LAT)/PAT from continuing operations for the respective financial years/period divided by revenue.

(5) Calculated based on (LAT)/PAT attributable to owners of our Company from continuing operations divided by our enlarged number of 1,170,000,000 Shares after the Pre-IPO Exercise but before our IPO.

(6) Calculated based on (LAT)/PAT attributable to owners of our Company from continuing operations divided by our enlarged number of 1,481,013,000 Shares in issue after our IPO.

11. FINANCIAL INFORMATION**11.1.2 Historical consolidated statements of financial position**

The following table sets out our consolidated statements of financial position during the Financial Years and Period Under Review which have been extracted from the Accountants' Report.

	Audited			
	As at 31 December			As at 30 June
	2019 (RM'000)	2020 (RM'000)	2021 (RM'000)	2022 (RM'000)
Non-current assets				
Property, plant and equipment	110,035	105,009	110,174	111,807
Investment properties	12,152	11,993	9,983	9,871
Right-of-use assets	23,734	22,322	17,914	11,637
Goodwill on consolidation	2,728	2,728	2,702	2,702
Total non-current assets	148,649	142,052	140,773	136,017
Current assets				
Inventories	141,567	87,661	115,396	195,511
Contract costs	163	-	-	-
Trade receivables	51,709	86,846	62,345	83,198
Other receivables, deposits and prepayments	5,009	14,924	18,342	8,112
Contract assets	2,005	616	616	616
Current tax assets	3,478	3,023	92	3,438
Fixed deposit with licensed banks	112	-	10,000	-
Cash and bank balances	6,893	9,167	42,447	30,579
	210,936	202,237	249,238	321,454
Non-current assets held for sale	-	4,108	-	-
Total current assets	210,936	206,345	249,238	321,454
Total assets	359,585	348,397	390,011	457,471
Equity				
Share capital	6,500	6,500	6,500	6,500
Reserves	112,411	117,212	160,566	172,752
Equity attributable to owners of our Company	118,911	123,712	167,066	179,252
Non-controlling interests	1,688	2,046	2,744	2,724
Total equity	120,599	125,758	169,810	181,976
Non-current liabilities				
Lease liabilities	4,060	1,627	2,417	1,800
Term loans	18,337	17,124	29,040	25,653
Deferred tax liabilities	11,166	11,491	10,986	10,950
Total non-current liabilities	33,563	30,242	42,443	38,403
Current liabilities				
Trade payables	40,502	43,762	21,996	38,189
Other payables and accruals	4,866	2,195	6,805	5,564
Amount owing to a director	-	591	-	-
Bankers' acceptance and trust receipts	143,139	136,267	138,825	184,783
Lease liabilities	5,804	3,236	2,241	1,745
Term loans	1,936	2,144	6,102	6,742
Bank overdrafts	9,019	3,869	-	-
Current tax liabilities	157	333	1,789	69
Total current liabilities	205,423	192,397	177,758	237,092
Total liabilities	238,986	222,639	220,201	275,495
Total equity and liabilities	359,585	348,397	390,011	457,471

11. FINANCIAL INFORMATION (Cont'd)**11.1.3 Historical consolidated statements of cash flows**

The following table sets out our consolidated statements of cash flows for the Financial Years and Period Under Review which have been extracted from the Accountants' Report.

	Audited			
	FYE 31 December			FPE 30 June
	2019	2020	2021	2022
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Cash flows (used in)/from operating activities				
PBT				
-continuing operations	1,213	10,661	61,873	16,651
-discontinued operations	211	264	78	-
Adjustments for:				
Bad debts written off on trade receivables	-	-	30	-
Bad debts written off on other receivables	7	-	-	-
Depreciation of right-of-use asset	3,730	3,595	3,196	1,347
Depreciation of property, plant and equipment	4,685	4,107	4,864	2,474
Depreciation of investment properties	159	159	586	112
Impairment loss on investment properties	-	-	530	-
Impairment loss on trade receivables	-	-	108	403
Interest expense on lease liabilities	730	334	1,038	124
Interest expenses	8,776	8,826	4,917	3,400
Inventories written down	-	-	688	1,617
Loss on disposal of subsidiaries	-	-	2,274	-
Written off of property, plant and equipment	90	277	240	-
Gain on disposal of property, plant and equipment	(33)	(427)	(2,811)	(1,442)
Gain on disposal of right-of-use assets	(24)	(45)	(475)	-
Interest income	(29)	(211)	(223)	(91)
Reversal of impairment loss on trade receivables	-	-	-	(20)
Operating profit before changes in working capital	19,515	27,540	76,913	24,575
(Increase)/Decrease in inventories	(22,191)	53,906	(32,461)	(81,732)
(Increase)/Decrease in trade and other receivables	(67)	(45,052)	18,363	(8,349)
Increase/(Decrease) in trade and other payables	(1,380)	589	(12,739)	14,952
(Increase)/Decrease in contract costs	(163)	163	-	-
(Increase)/Decrease in contract assets	(721)	1,389	-	-
Decrease in amount owing to a corporate shareholder	(1,333)	-	-	-
(Decrease)/Increase in amount owing to a director	(978)	591	(591)	-
Cash (used in)/ generated from operations	(7,318)	39,126	49,485	(50,554)
Tax paid	(3,570)	(2,610)	(12,764)	(9,585)
Net cash (used in)/ generated from operating activities	(10,888)	36,516	36,721	(60,139)

11. FINANCIAL INFORMATION (Cont'd)

	Audited			
	FYE 31 December			FPE 30 June
	2019	2020	2021	2022
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Cash flows (used in)/from investing activities				
Net addition of right-of-use assets	(1,284)	(358)	(2,272)	-
Disposal of a subsidiary, net of cash and cash equivalent disposed of	-	-	922	-
Proceeds from disposal of property, plant and equipment	40	475	6,999	29
Proceeds from disposal of right-of-use assets	-	248	1,239	-
Proceed from partial disposal of investment in a subsidiary	-	-	270	-
Purchase of property, plant and equipment	(1,806)	(3,514)	(2,372)	(422)
Purchase of investment properties	(1,035)	-	-	-
Interest received	29	211	223	91
Withdrawal of deposits pledged with licensed financial banks	550	112	-	-
Net cash (used in)/from investing activities	(3,506)	(2,826)	5,009	(302)
Cash flows from/(used in) financing activities				
Net drawdown/(repayment) of term loans	1,243	(1,005)	15,874	(2,748)
Net (repayment)/drawdown of lease liabilities	(8,476)	(7,029)	(3,558)	(1,113)
Net drawdown/(repayment) in bankers' acceptance	41,407	(5,815)	(22,603)	14,133
Net (repayment)/drawdown in trust receipts	(9,816)	(1,057)	25,161	31,825
Dividend paid	-	(2,200)	(3,500)	-
Interest paid	(9,506)	(9,160)	(5,955)	(3,524)
Net cash from/(used in) financing activities	14,852	(26,266)	5,419	38,573
Net increase in cash and cash equivalents	458	7,424	47,149	(21,868)
Cash and cash equivalents at the beginning of the financial year	(2,584)	(2,126)	5,298	52,447
Cash and cash equivalents at the end of the financial year	(2,126)	5,298	52,447	30,579
Cash and cash equivalents at end of the financial year comprise:				
Fixed deposit with licensed banks	112	-	10,000	-
Cash and bank balances	6,893	9,167	42,447	30,579
Bank overdrafts	(9,019)	(3,869)	-	-
	(2,014)	5,298	52,447	30,579
Less: Fixed deposits with tenure of more than 3 months	(112)	-	-	-
	(2,126)	5,298	52,447	30,579

11. FINANCIAL INFORMATION (Cont'd)

11.2 Reporting Accountants' report on the compilation of pro forma consolidated statements of financial position



28 SEP 2022

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants
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Malaysia
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The Board of Directors

Leform Berhad
12th Floor, Menara Symphony,
No. 5, Jalan Prof. Khoo Kay Kim,
Seksyen 13,
46200 Petaling Jaya,
Selangor, Malaysia.

Dear Sir,

**LEFORM BERHAD ("LEFORM" OR THE "COMPANY")
REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF
FINANCIAL POSITION AS AT 30 JUNE 2022**

We have completed our assurance engagement to report on the compilation of pro forma consolidated statements of financial position of the Company and its subsidiaries (collectively known as the "**Group**") as at 30 June 2022 and related notes as set out in Appendix A, for which we have stamped for the purpose of identification.

The pro forma consolidated statements of financial position and related notes have been compiled for inclusion in the prospectus of the Company in connection with its listing of and quotation for the entire enlarged issued share capital of Leform on the ACE Market of Bursa Malaysia Securities Berhad.

The applicable criteria on the basis of which the Board of Directors have compiled the pro forma consolidated statements of financial position are set out in Note 2 of Appendix A, and in accordance with the Prospectus Guidelines – Equity issued by the Securities Commission Malaysia ("**Prospectus Guidelines**") ("**Applicable Criteria**").

The pro forma consolidated statements of financial position have been compiled by the Board of Directors of the Company, for illustrative purpose only, to illustrate the impact of the events or transactions as set out in Notes 2.3 and 2.4 of Appendix A of this letter on the Group's financial position as at 30 June 2022.

As part of this process, information about the Group's financial position have been extracted from the consolidated financial statements of the Company for the financial period ended 30 June 2022, on which an audit report has been issued.

11. FINANCIAL INFORMATION (Cont'd)**THE BOARD OF DIRECTORS' RESPONSIBILITIES**

The Board of Directors of the Company is responsible for compiling the pro forma statements of financial position based on the Applicable Criteria.

REPORTING ACCOUNTANTS' INDEPENDENCE AND QUALITY CONTROL

We have complied with the independence with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("**By-Laws**") and other ethical requirement of the *International Code of Ethics for Professional Accountants (including International Independence Standards)* issued by the International Ethics Standards Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

Our firm applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal regulatory requirements.

REPORTING ACCOUNTANTS' RESPONSIBILITIES

Our responsibility is to express an opinion, as required by the Prospectus Guidelines, about whether the pro forma consolidated statements of financial position has been compiled, in all material respects, by the Board of Directors of the Company on the basis of the Applicable Criteria.

We conducted our engagement in accordance with the International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagement to Report on the Compilation of Pro Forma Financial Information Included in a prospectus*, issued by the International Auditing and Assurance Standards Board and adopted by the Malaysian Institute of Accountants. This standard requires that we comply with ethical requirements and plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the pro forma consolidated statements of financial position in accordance with the Applicable Criteria.

For purpose of this engagement, we are not responsible for updating or reissuing any reports or opinion on any historical financial information used in compiling the pro forma consolidated statements of financial position, 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 statements of financial position.

The purpose of pro forma consolidated statements of financial position included in the prospectus is solely to illustrate the impact of a significant event or transaction on unadjusted statements of financial position of the entity as if the event had occurred or the transaction had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the event or transaction would have been as presented.

11. FINANCIAL INFORMATION (Cont'd)**REPORTING ACCOUNTANTS' RESPONSIBILITIES (CONT'D)**

A reasonable assurance engagement to report on whether the pro forma consolidated statements of financial position has been compiled, in all material respects, on the basis as set out in Note 2 of Appendix A and in accordance with the requirements of the Prospectus Guidelines involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the pro forma consolidated statements of financial position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

- The related pro forma adjustments give appropriate effect to those criteria; and
- The pro forma consolidated statements of financial position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the pro forma consolidated statements of financial position has been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the pro forma consolidated statements of financial position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

OPINION

In our opinion, the pro forma consolidated statements of financial position of the Group have been compiled, in all material respects, on the basis of the Applicable Criteria.

OTHER MATTER

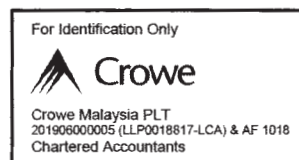
We understand that this letter will be used solely for the purpose of inclusion in the prospectus in connection with the listing of and quotation for the entire enlarged issued share capital of Leform on the ACE Market of Bursa Malaysia Securities Berhad. As such, this letter should not be used for any 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

Crowe Malaysia PLT
201906000005 (LLP0018817-LCA) & AF 1018
Chartered Accountants

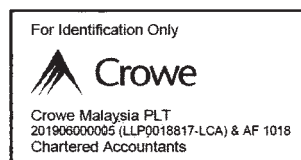
Kuala Lumpur

Ho Yen Ling
03378/06/2024 J
Chartered Accountant

11. FINANCIAL INFORMATION (Cont'd)**APPENDIX A****LEFORM BERHAD****NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022****1. ABBREVIATION**

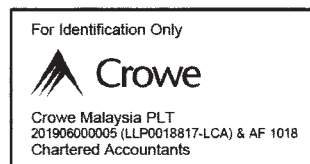
Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report:-

“Bonus Issue”	:	Bonus issue of 71,500,000 Shares on the basis of 11 new Shares for every 1 existing Share by way of capitalisation of the retained earnings of RM71,500,000 of the Company
“Bursa Securities”	:	Bursa Malaysia Securities Berhad (Registration No. 200301033577 (635998-W))
“Eligible Persons”	:	Collectively, the eligible Directors and employees as well as persons who have contributed to the success of the Group and who are eligible to participate in the IPO
“FPE 2022”	:	financial period ended 30 June 2022
“IPO”	:	Initial public offering comprising the Public Issue and the Offer for Sale
“IPO Price” or “Offer Price” or “Issue Price”	:	The issue/offer price of RM0.23 per Issue Share / Offer Share
“IPO Share(s)”	:	Issue Share(s) and Offer Share(s), collectively
“Issue Share(s)”	:	311,013,000 new Share(s) to be issued pursuant to Public Issue
“Leform” or “Company”	:	Leform Berhad (Registration No. 199501001582 (330776-K))
“Leform Group” or “Group”	:	Leform and its subsidiaries, collectively
“Leform Share(s)” or “Share(s)”	:	Ordinary share(s) in the Company
“Leform Marketing”	:	Leform Marketing Sdn Bhd (formerly known as Tianwen Marketing Sdn Bhd) (Registration No. 199501003011 (332205-K))
“Leform Metal”	:	Leform Metal Sdn Bhd (formerly known as Tianwen Metal Sdn Bhd) (Registration No. 200001017160 (519767-U))
“Leform Service”	:	Leform Steel Service Centre Sdn Bhd (formerly known as Tianwen Steel Service Sdn Bhd) (Registration No. 200001014983 (517589-T))
“Leform Steel Mill”	:	Leform Steel Mill Sdn Bhd (formerly known as Tianwen Steel Mill Sdn Bhd) (Registration No. 200601022939 (742693-X))
“Leform Steel Pipes”	:	Leform Steel Pipes Sdn Bhd (formerly known as Tianwen Steel Pipes Sdn Bhd) (Registration No. 199301000915 (255652-M))
“Leform Transport”	:	Leform Transport Sdn Bhd (Registration No. 200701011175 (769178-T))

11. FINANCIAL INFORMATION (Cont'd)**APPENDIX A****LEFORM BERHAD****NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022****1. ABBREVIATION (CONT'D)**

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report (Cont'd):-

"LF Engineering"	:	LF Engineering Sdn Bhd (Registration No. 200301029367 (631787-W))
"LF Metal"	:	LF Metal Sdn Bhd (Registration No. 200001017414 (520021-P))
"Listing"	:	Admission to the Official List and the listing of and quotation for the entire enlarged issued share capital of Leform on the ACE Market of Bursa Securities
"LPD"	:	26 September 2022, being the latest practicable date prior to the registration of the Prospectus
"MITI"	:	Ministry of International Trade and Industry, Malaysia
"NA"	:	Net assets
"Offer for Sale"	:	Offer for sale of 74,051,000 Offer Shares at the Offer Price by the Law Kok Thye by way of private placement to identified institutional and/or selected investors
"Offer Share(s)"	:	74,051,000 existing Leform Share(s) to be offered by the Selling Shareholder pursuant to the Offer for Sale
"Official List"	:	A list specifying all securities listed on Bursa Securities
"Pink Form Allocations"	:	Allocation of 29,620,000 Issue Shares reserved for application by our Eligible Persons, which forms part of our Public Issue
"Pre-IPO Exercise"	:	Collectively, the Bonus Issue, the Share Split and the Share Transfer
"Public Issue"	:	Public issue of 311,013,000 Issue Shares at the IPO Price comprising the following: <ul style="list-style-type: none"> (a) 74,051,000 Issue Shares made available for application by the Malaysian Public, of which 37,025,500 Issued Shares are set aside for Bumiputera individuals, companies, societies, co-operatives and institutions; (b) 29,620,000 Issue Shares reserved for the application by Eligible Persons; (c) 22,215,000 Issue Shares by way of private placement to identified institutional and/or selected investors; and (d) 185,127,000 Issue Shares by way of private placement to identified Bumiputera investors approved by MITI.

11. FINANCIAL INFORMATION (Cont'd)**APPENDIX A****LEFORM BERHAD****NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022****1. ABBREVIATION (CONT'D)**

Unless the context otherwise requires, the following words and abbreviations shall apply throughout this report (Cont'd):-

“RM” and “sen” : Ringgit Malaysia and sen respectively

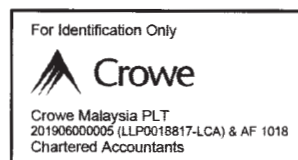
“Selling Shareholder” : Law Kok Thye undertaking the Offer for Sale as follows:-

Name	No. of Offer Shares	% of the enlarged issued shares after the IPO
Law Kok Thye	74,051,000	5.0
Total	74,051,000	5.0

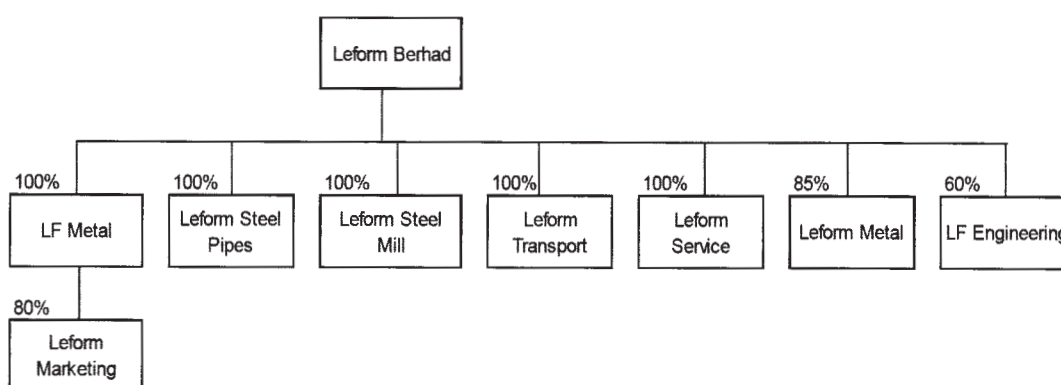
“Share Split” : Share split involving the subdivision of 78,000,000 Shares after the Bonus Issue into 1,170,000,000 Shares

“Share Transfer” : Transfer of 357,600,000 Shares, representing 30.6% of our issued shares of 1,170,000,000 Shares after the Bonus Issue and the Share Split, for RM0.23 per Share, satisfied by the allotment and issuance of new shares in Tianwen Holdings Sdn Bhd at an issue price of RM1.00 per share, from Law Kok Thye to Tianwen Holdings Sdn Bhd in conjunction with the IPO

“Subsidiaries” LF Engineering, LF Metal, Leform Transport, Leform Metal, Leform Marketing, Leform Steel Pipes, Leform Service and Leform Steel Mill, collectively

11. FINANCIAL INFORMATION (Cont'd)**APPENDIX A****LEFORM BERHAD****NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022****2. PRO FORMA GROUP AND BASIS OF PREPARATION****2.1 Pro Forma Group**

The pro forma corporate structure of the Group, pursuant to the completion of the Pre-IPO Exercise are as follows:-

**2.2 Basis of Preparation**

The Pro Forma Consolidated Statements of Financial Position of the Group have been prepared for illustration purposes using the audited consolidated financial statements of the Group as at 30 June 2022 which was prepared in accordance with Malaysian Financial Reporting Standards (“**MFRSs**”) and International Financial Reporting Standards (“**IFRS**”) and are not subject to any qualification, modification or disclaimer.

The Pro Forma Consolidated Statements of Financial Position of the Group have also been compiled in a manner consistent with both the format of the audited financial statements and accounting policies of the Group for the FPE 2022.

2.3 Pre-IPO Exercise

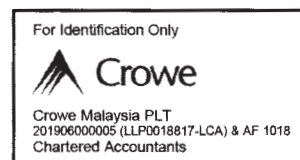
In conjunction with and as an integral part of the Listing, the Company had undertaken the following:

2.3.1 Bonus Issue

Bonus issue of 71,500,000 Shares credited as fully paid-up on the basis of 11 new Shares for every 1 existing Shares held by the capitalisation of retained profits of Leform of RM71,500,000.

2.3.2 Share Split

Share split involving the subdivision of every 1 existing Share into 15 Shares in Leform.

11. FINANCIAL INFORMATION (Cont'd)**APPENDIX A****LEFORM BERHAD****NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022****2. PRO FORMA GROUP AND BASIS OF PREPARATION (CONT'D)****2.3 Pre-IPO Exercise (Cont'd)****2.3.3 Share Transfer**

Transfer of 357,600,000 Shares representing 30.6% of the enlarged number of issued Shares after the Bonus Issue and Share Split from Law Kok Thye to Tianwen Holdings Sdn Bhd.

2.4 IPO

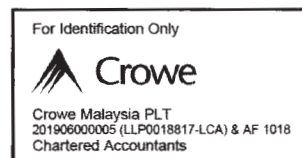
In conjunction with the Listing, Leform proposes to undertake the following:

- (i) public issue of 311,013,000 Issue Shares, representing 21.0% of the enlarged issued shares of the Company, at an issue price of RM0.23 per Share, detailed as follows:
 - (a) 74,051,000 Issue Shares, representing 5.0% of the enlarged issued shares, will be made available for application by the Malaysian Public, of which 37,025,500 will be set aside for Bumiputera individuals, companies, societies, co-operatives and institutions;
 - (b) 29,620,000 Issue Shares, representing 2.0% of the enlarged issued shares, will be reserved for the application by Eligible Persons under the Pink Form Allocations;
 - (c) 22,215,000 Issue shares, representing 1.5% of the enlarged issued shares, will be reserved for private placement to identified institutional and/or selected investors; and
 - (d) 185,127,000 Issue shares, representing 12.5% of the enlarged issued shares, will be reserved for private placement to identified Bumiputera investors approved by MITI.
- (ii) offer for sale of 74,051,000 Offer Shares, representing 5.0% of the enlarged issued shares of the Company, at an offer price of RM0.23 per Share.

Upon completion of the Pre-IPO Exercise and IPO and before deducting the estimated listing expenses directly attributable to the issuance of new shares of RM2,550,000, the share capital has increased from RM6,500,000 comprising 6,500,000 Shares to RM149,532,990 comprising 1,481,013,000 Shares.

Upon completion of the IPO, the Company shall be admitted to the Official List and the entire enlarged share capital of RM146,982,990 (after deducting the estimated listing expenses directly attributable to the issuance of new shares of RM2,550,000) comprising 1,481,013,000 Shares shall be listed and quoted on the ACE Market of Bursa Securities.

11. FINANCIAL INFORMATION (Cont'd)



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LEFORM BERHAD

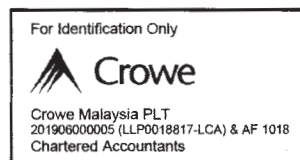
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF LEFORM BERHAD AS AT 30 JUNE 2022

	Note	As at 30 June 2022 ^ RM	Pro Forma I After the Pre- IPO Exercise RM	Pro Forma II After IPO RM	Pro Forma III After Pro Forma II and the Utilisation of IPO Proceeds RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment		111,807,360	111,807,360	111,807,360	111,807,360
Investment properties		9,870,499	9,870,499	9,870,499	9,870,499
Right-of-use assets		11,637,051	11,637,051	11,637,051	11,637,051
Goodwill on consolidation		2,702,225	2,702,225	2,702,225	2,702,225
		<u>136,017,135</u>	<u>136,017,135</u>	<u>136,017,135</u>	<u>136,017,135</u>
CURRENT ASSETS					
Inventories		195,510,750	195,510,750	195,510,750	195,510,750
Trade receivables		83,198,609	83,198,609	83,198,609	83,198,609
Other receivables, deposits and prepayments		8,111,726	8,111,726	8,111,726	8,111,726
Contract asset		616,371	616,371	616,371	616,371
Current tax assets		3,437,957	3,437,957	3,437,957	3,437,957
Cash and bank balances	5.1	30,578,563	30,578,563	102,111,553	84,042,553
		<u>321,453,976</u>	<u>321,453,976</u>	<u>392,986,966</u>	<u>374,917,966</u>
TOTAL ASSETS		457,471,111	457,471,111	529,004,101	510,935,101
EQUITY AND LIABILITIES					
EQUITY					
Share capital	5.2	6,500,000	78,000,000	149,532,990	146,982,990
Revaluation reserve		42,340,181	42,340,181	42,340,181	42,340,181
Retained profits	5.3	130,412,304	58,912,304	58,912,304	57,778,304
Equity attributable to owners of the Company		179,252,485	179,252,485	250,785,475	247,101,475
Non-controlling interests		2,723,907	2,723,907	2,723,907	2,723,907
TOTAL EQUITY		181,976,392	181,976,392	253,509,382	249,825,382

^ Extracted from the Group's audited consolidated financial statements for the FPE 2022

11. FINANCIAL INFORMATION (Cont'd)



APPENDIX A

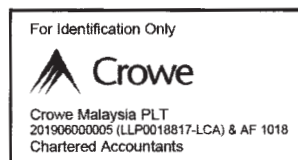
LEFORM BERHAD

NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022

3. PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF LEFORM BERHAD AS AT 30 JUNE 2022 (CONT'D)

	Note	As at 30 June 2022 ^ RM	Pro Forma I After the Pre- IPO Exercise RM	Pro Forma II After IPO RM	Pro Forma III After Pro Forma II and the Utilisation of IPO Proceeds RM
NON-CURRENT LIABILITIES					
Lease liabilities		1,800,206	1,800,206	1,800,206	1,800,206
Term loans	5.4	25,652,771	25,652,771	25,652,771	13,476,009
Deferred tax liabilities		10,950,388	10,950,388	10,950,388	10,950,388
		38,403,365	38,403,365	38,403,365	26,226,603
CURRENT LIABILITIES					
Trade payables		38,189,137	38,189,137	38,189,137	38,189,137
Other payables and accruals		5,563,643	5,563,643	5,563,643	5,563,643
Bankers' acceptances and trust receipts		184,782,557	184,782,557	184,782,557	184,782,557
Lease liabilities		1,745,457	1,745,457	1,745,457	1,745,457
Term loans	5.4	6,741,574	6,741,574	6,741,574	4,533,336
Current tax liabilities		68,986	68,986	68,986	68,986
		237,091,354	237,091,354	237,091,354	234,883,116
TOTAL LIABILITIES		275,494,719	275,494,719	275,494,719	261,109,719
TOTAL EQUITY AND LIABILITIES		457,471,111	457,471,111	529,004,101	510,935,101
Number of ordinary shares	5.2	6,500,000	1,170,000,000	1,481,013,000	1,481,013,000
Total Equity/NA (RM)		181,976,392	181,976,392	253,509,382	249,825,382
Total Equity/NA (RM) (Owner's portion)		179,252,485	179,252,485	250,785,475	247,101,475
NA per share (RM)		28.00	0.16	0.17	0.17
NA per share (RM) (Owner's portion)		27.58	0.15	0.17	0.17

^ Extracted from the Group's audited consolidated financial statements for the FPE 2022

11. FINANCIAL INFORMATION (Cont'd)**APPENDIX A**

LEFORM BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022

The pro forma consolidated statements of financial position as at 30 June 2022 has been prepared solely for illustrative purposes only to show the effects of the following transactions based on the assumptions that they had been effected on 30 June 2022:

4.1 Pro Forma I

After incorporated the pro forma effects of the Pre-IPO Exercise as set out in Section 2.3 above.

4.2 Pro Forma II

After incorporated the cumulative effects of Pro Forma I and the IPO as set out in Section 2.4 above.

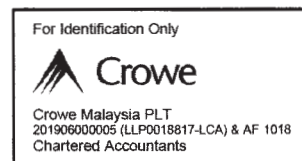
4.3 Pro Forma III

After incorporated the cumulative effects of Pro Forma II and the utilisation of the proceeds from the IPO.

4.3.1 Utilisation of Proceeds

The proceeds from the IPO as stated in the prospectus in relation to the IPO, will be utilised as follows:-

Utilisation of proceeds	Note	Amount of proceeds		Estimated timeframe for utilisation upon Listing
		RM'000	%	
Construction of new headquarters, warehouse storage facility and workers' accommodation	(1)	30,038	42.0	Within 18 months
Repayment of bank borrowings	(2)	14,385	20.1	Within 10 months
Working capital	(3)	21,910	30.6	Within 12 months
Estimated listing expenses	(4)	5,200	7.3	Within 3 months
Total		71,533	100.0	

11. FINANCIAL INFORMATION (Cont'd)**APPENDIX A**

LEFORM BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30
JUNE 2022

4.3 Pro Forma III**4.3.1 Utilisation of Proceeds (Cont'd)****Notes:****(1) Construction of new headquarters, warehouse storage facility and workers' accommodation**

Total gross proceeds allocated for construction of a new headquarters, warehouse storage facility and workers' accommodation at vacant land owned by the Group located at Lot 859, Mukim of Serendah, District of Hulu Selangor, Selangor, with the breakdown of estimated cost is as follows:

Description	RM'000
Preliminaries and earthworks	1,745
Piling works	2,020
Building construction and architecture works	16,560
Mechanical and electrical works	7,070
External works	2,643
Total	<u>30,038</u>

Based on the latest practicable date of the prospectus as at LPD, there are no supportable purchase orders, sale and purchase agreements or contractual binding agreements in relation to the utilisation of proceeds for construction of new headquarters, warehouse storage facility and workers' accommodation. Hence, such utilisation of proceeds will not be illustrated in this Pro forma.

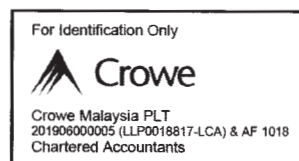
(2) Repayment of bank borrowings

In the event the actual balance at the point of repayment is less than the amount allocated for the repayment, any surplus funds thereof will be utilised for the general working capital requirements of the Group.

(3) Working capital

Description	RM'000
Purchase of hot-rolled coils, cold-rolled coils and slitted steel coils	21,910
Total	<u>21,910</u>

The proceeds shall be used for the purchase of materials to support the Group's manufacturing activities. The materials to be purchased are hot-rolled coils and cold-rolled coils which will be used in the Group's manufacturing activities.

11. FINANCIAL INFORMATION (Cont'd)**APPENDIX A****LEFORM BERHAD****NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022****4.3 Pro Forma III****4.3.1 Utilisation of Proceeds (Cont'd)***(4) Estimated listing expenses*

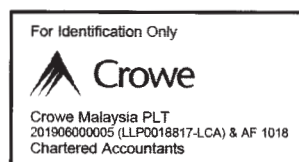
Description	RM'000
Professional fees	2,527
Regulatory fees	96
Estimated brokerage, placement fees and to cover any fees or levies chargeable in respect of underwriting commission under the underwriting agreement	1,968
Other fees and expenses, which includes printing and advertising	78
Contingencies and other incidental expenses in connection with the IPO which includes travelling, roadshow expenses, translation fees, public or investor relation consultant, service tax, and funds reserved for contingency purposes	531
Total	5,200

From the total estimated listing expenses of RM5.2 million, a total of RM2.6 million is assumed to be directly attributable to the issuance of new shares and therefore will be set off against the share capital. The remaining expenses of RM2.6 million are assumed to be attributable to the listing and therefore will be charged to the statements of profit or loss and other comprehensive income. As at the FPE 2022, the Company had recognised the listing expenses of RM1.5 million in profit or loss and the amount had been paid.

5. NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**5.1 Cash and Bank Balances**

	RM
As at 30 June 2022 / As per Pro Forma I	30,578,563
Gross proceeds arising from the IPO	71,532,990
As per Pro Forma II	102,111,553
Pursuant the utilisation of proceeds from the IPO:	
- Estimated listing expenses	(3,684,000)
- Repayment of bank borrowings	(14,385,000)
As per Pro Forma III	84,042,553

11. FINANCIAL INFORMATION (Cont'd)



APPENDIX A

**LEFORM BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2022**

5. NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)

5.2 Share Capital

	Number of Ordinary Shares	Amount of Share Capital RM
As at 30 June 2022	6,500,000	6,500,000
Pursuant to the Bonus Issue	71,500,000	71,500,000
Pursuant to the Share Split	1,092,000,000	-
As per Pro Forma I	1,170,000,000	78,000,000
Pursuant to the IPO	311,013,000	71,532,990
As per Pro Forma II	1,481,013,000	149,532,990
Estimated listing expenses	-	(2,550,000)
As per Pro Forma III	1,481,013,000	146,982,990

5.3 Retained Profits

	RM
As at 30 June 2022	130,412,304
Pursuant to the Bonus Issue	(71,500,000)
As per Pro Forma I/II	58,912,304
Less: Estimated listing expenses	(1,134,000)
As per Pro Forma III	57,778,304

5.4 Term Loans

	Non-Current Liabilities RM	Current Liabilities RM	Total RM
As at 30 June 2022 / As per Pro Forma I/II	25,652,771	6,741,574	32,394,345
Pursuant to the utilisation of proceeds from IPO	(12,176,762)	(2,208,238)	(14,385,000)
As per Pro Forma III	13,476,009	4,533,336	18,009,345

11. FINANCIAL INFORMATION (Cont'd)



APPENDIX A

**LEFORM BERHAD
NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION AS AT 30
JUNE 2022**

APPROVAL BY THE BOARD OF DIRECTORS

Approved and adopted by the Board of Directors in accordance with a resolution dated 28 September 2022.

On behalf of the Board of Directors,



Law Kok Thye
Director



Phang Yew Cheong @ Phang Yew Choong
Director

11. FINANCIAL INFORMATION (Cont'd)

11.3 Management's discussion and analysis of financial condition and results of operations

The following discussion and segmental analysis of our consolidated financial statements for the Financial Years and Period Under Review should be read with the Accountants' Report included in Section 12 of this Prospectus.

The discussion and analysis contain data derived from our audited consolidated financial statements as well as forward-looking statements that include risks, uncertainties and assumptions. The actual results may differ significantly from those projected in the forward-looking statements. The factors that may cause future results to differ significantly from those disclosed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 4 of this Prospectus.

11.3.1 Overview of our operations**(a) Principal activities**

Our Group is principally engaged in the manufacturing of and trading in steel products.

Our manufacturing segment has been our main business segment. Steel products that we manufacture are steel pipes, guardrails and flat steel products used in various end-user industry applications including the furniture, construction, as well as industrial product manufacturing (which includes automotive parts and telecommunication tower pole parts) industries.

Meanwhile, our trading business is deemed complementary to our manufacturing business. Our trading segment refers to the sale of steel products to end-customers, comprising manufacturers of steel infrastructure pipes, scaffolding and vehicles as well as contractors requiring the use of steel products to construct steel based structures.

Our Group's operations are headquartered in Selangor, Malaysia. Our customers are mainly from Malaysia, New Zealand, Singapore and Cambodia. Our revenue is generated from local and international sales, and the currencies used in invoicing are RM, USD, BND and SGD. Approximately 97.3%, 95.3%, 97.0% and 98.4% of our revenues were denominated in RM for the Financial Years and Period Under Review, with the remainder denominated in USD, BND and SGD.

Please refer to **Section 6** of this Prospectus for our Group's detailed business overview.

(b) Revenue

Our revenue stream can be segregated into 2 main business segments, as follows:

- i) manufacturing: manufacturing of steel pipes and guardrails as well as flat steel products; and
- ii) trading: trading in steel products.

Revenue from sale of steel products is recognised when control of the products has been transferred, being the products are delivered to the customer and upon its acceptance. Revenue is recognised based on the price specified in the invoices net of the rebates, discounts and taxes.

In addition to manufacturing and trading segment, our Group charges our customers transportation services on delivery of our Group's steel products to customers. This was not deemed as a principal activity of our Group as transport services are only offered to customers of our manufacturing and trading segments in relation to the products sold to them.

11. FINANCIAL INFORMATION (Cont'd)**(c) Cost of sales**

The cost of sales comprises materials, labour costs and overheads. Materials comprise mother coils which are mainly hot-rolled or cold-rolled steel coils or galvanised steel coils. Labour costs comprise employees' salaries, bonus and defined contribution plan as well as costs relating to subcontractors who are directly involved in the manufacturing of our products. Overheads mainly include depreciation, transportation and freight charges, upkeep and maintenance as well as utilities.

(d) Other income

Other income mainly comprises scrap steel income, gain on disposal of property, plant and equipment, gain on disposal of right-of-use assets, gain on foreign exchange and rental income.

(e) Administrative expenses

Administrative expenses comprise overheads incurred to maintain our operations such as administrative staff costs, carriage and handling expenses, upkeep of office and office equipment as well as professional fees.

(f) Other expenses

Other expenses comprise bad debts written off, depreciation, loss on disposal of a subsidiary, property written off, plant and equipment and impairment loss on investment properties.

(g) Finance costs

Finance costs comprise interest expense on our borrowings (such as bankers' acceptance, letter of credit and trust receipts, term loans, lease liabilities and bank overdrafts).

(h) Exceptional and extraordinary items and audit qualifications

There were no exceptional or extraordinary items during the Financial Years and Period Under Review. In addition, our audited financial statements for the Financial Years and Period Under Review were not subject to any audit qualifications.

11.3.2 Significant factors affecting our revenue

Section 4 of this Prospectus details the risk factors relating to our business and the industry in which we operate. Some of these risk factors have an impact on our Group's revenue and financial performance. The main factors which affect our revenues and profits include, but are not limited to, the following:

(i) We are subject to fluctuations in steel prices

Our Group's materials comprise mainly cold-rolled steel coils, hot-rolled steel coils and galvanised steel coils. These materials are the largest component in our Group's cost of sales, comprising between 90.1% and 93.1% of our Group's total cost of sales during the Financial Years and Period Under Review.

11. FINANCIAL INFORMATION (Cont'd)

Fluctuations in prices of steel materials are driven by factors such as global economic conditions, as well as factors affecting supply and demand for steel and its materials. We are generally able to quote our selling prices based on market prices of steel, and hence we are able to pass on some of the increase in steel material costs to our customers. In the event that we are unable to pass the increase in material costs to our customers, we may have to bear the increasing costs, and this may have a material impact on our profit margins and financial performance.

(ii) We may face disruptions in our processing facilities and business operations

Our manufacturing activities are dependent on the continuous operations of our processing facilities. Our manufacturing activities at our processing facilities require the use of machinery and equipment such as ERW pipe mills as well as slitting and shearing machineries and equipment. Our processing facilities and machineries and equipment are subject to unanticipated failures, damages and/or circumstances such as fire outbreaks, power outages, natural disasters, outbreak of diseases, as well as breakdowns, failures and sub-standard performance of our machineries and equipment.

These unexpected events may cause interruptions in, or prolonged suspension of, all or part of our manufacturing activities, as well as damage or destruction of all or part of our processing facilities. In addition, as our processing facilities are dependent on continuous supply of electricity, any major disruptions to the supply of electricity may result in interruptions in our operations. Any prolonged interruptions in our operations will affect our production schedules and timely delivery of our products, which may cause cancellation of orders and adversely impact our industry reputation and relationships with our customers.

(iii) We rely on the leadership and direction of our Managing Director and key senior management for the continuing success of our Group

Our Group's success is reliant on the leadership capabilities and the direction of our Managing Director, Law Kok Thye and our key senior management team comprising our Non-Independent Executive Directors, Phang Yew Cheong @ Phang Yew Choong and Esmariza Binti Ismail; General Manager, Hong Ka Hock; our Chief Financial Officer, Ng Tiong Lim; our Plant Manager, Lee Li Wah; and our Senior Accounts Manager, Surian A/L Krishnan. A loss of our key senior management personnel without a suitable replacement would have a negative effect on our ability to compete in the industry.

(iv) We have high inventory holding cost

Due to our position as an intermediary between the steel mills and our customers, we are required to keep sufficient inventory to provide timely delivery to our customers as well as to stay competitive.

Any increase in our cost of sales will lead to a lower profitability and will affect our financial performance negatively. In addition, in the event that the steel prices are unfavourable, we may experience a write down in the carrying amount of our inventories to the net realisable values which may lead to material and adverse effects on our financial performance.

11. FINANCIAL INFORMATION (Cont'd)

11.3.3 Review of our results of operations

(a) Revenue

Revenue by business segments

The following table sets forth the breakdown of our business segments, and the percentages represent as a proportion of total revenue, for the financial years/periods indicated.

	Audited		Unaudited		Audited					
	FYE 31 December		FPE 30 June		2022					
	2019	2020	2021	2021	2022	2022				
(RM '000)	(RM '000)	(RM '000)	(RM '000)	(RM '000)	(RM '000)	(RM '000)				
	%	%	%	%	%	%				
Manufacturing:	264,946	76.9	281,446	79.3	295,047	78.9	161,379	79.4	167,161	78.3
Steel pipes	124,840	36.2	137,638	38.8	156,512	41.8	74,171	36.5	84,085	39.4
Guardrails	24,607	7.2	24,113	6.8	23,889	6.4	12,003	5.9	13,069	6.1
Flat steel products	115,499	33.5	119,695	33.7	114,646	30.7	75,205	37.0	70,007	32.8
Trading	79,621	23.1	73,263	20.7	78,865	21.1	41,950	20.6	46,468	21.7
Transportation⁽¹⁾	14	-(²)	5	-(²)	62	-(²)	22	-(²)	42	-(²)
Total revenue	344,581	100.0	354,714	100.0	373,974	100.0	203,351	100.0	213,671	100.0

Notes:

- (1) Transportation services were charged for the transportation of our Group's finished steel products. This was not deemed as a principal activity of our Group.
- (2) Negligible

11. FINANCIAL INFORMATION (Cont'd)

Revenue by geographical markets

The following table sets forth a breakdown of our revenue by geographical markets based on the business domicile of our customers, and the percentages represent the proportion of total revenue, for the financial years/periods indicated:

Country	Audited		Unaudited		Audited	
	FYE 31 December		FPE 30 June		2022	
	2019	2020	2021	2021	(RM'000)	%
(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	%	%
Local sales:						
Malaysia	334,801	337,694	362,796	199,205	210,161	98.4
	97.2	95.2	97.0	98.0	98.0	
International sales:						
New Zealand ⁽¹⁾	5,854	4,745	9,856	3,075	3,510	1.6
Cambodia	-	9,163	162	162	-	-
Singapore	2,748	1,308	-	-	-	-
Others ⁽²⁾	1,178	1,804	1,160	909	-	-
	0.3	0.5	0.3	0.4	-	-
Total Revenue	344,581	354,714	373,974	203,351	213,671	100.0

Notes:

- (1) Revenues generated from New Zealand were recurring orders from a single customer based in New Zealand for the Financial Years and Period Under Review.
- (2) Others are revenue generated from Brunei, Sri Lanka, South Korea and Thailand.

11. FINANCIAL INFORMATION (Cont'd)

During the Financial Years and Period Under Review, the fluctuations in revenue were largely driven by the:

- (i) sales mix of our products, which are of different price ranges;
- (ii) volume of steel products sold; and
- (iii) average selling prices of our steel products.

Comparison between FYE 2019 and FYE 2020

Our manufacturing segment has been our main business segment, contributing 76.9% and 79.3% to our Group's revenue in FYE 2019 and FYE 2020, respectively. Revenue contribution from our trading segment contributed 23.1% and 20.7% to our Group's total revenue in FYE 2019 and FYE 2020, respectively.

In terms of revenue by geographical market, Malaysia remained our largest market in both FYE 2019 and FYE 2020, where 97.2% and 95.2% of our Group's total revenue were generated from Malaysia in FYE 2019 and FYE 2020, respectively. The remaining 2.8% and 4.8% of our Group's total revenue were generated from international markets such as New Zealand, Cambodia and Singapore in FYE 2019 and FYE 2020 respectively.

Our Group's overall revenue recorded an increase of RM10.1 million or 2.9%, from RM344.6 million in FYE 2019 to RM354.7 million in FYE 2020. The increase in revenue was mainly due to an increase in revenue contribution from the manufacturing segment of RM16.5 million. This was partially offset by a decrease in revenue contribution from the trading segment of RM6.4 million.

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11. FINANCIAL INFORMATION (Cont'd)

Manufacturing segment

Revenue from our manufacturing segment increased by RM16.5 million or 6.2%, from RM264.9 million in FYE 2019 to RM281.4 million in FYE 2020. This was mainly a result of the increase in our sales volume for both steel pipes and flat steel products. Despite lower volume of steel products sold between April 2020 and May 2020 due to the MCO imposed by the Malaysian Government to curb the COVID-19 pandemic, there was a higher overall volume of orders for steel pipes and flat steel products in FYE 2020. This was contributed by increased orders from our major customers for FYE 2020 and also new orders from 2 new customers in FYE 2020 (one each from Cambodia and Malaysia), which contributed a revenue of RM9.2 million and RM6.9 million, respectively.

However, the increase in sales volumes for our steel products was offset by a decline in average selling price for these steel products. Average selling prices for steel pipes and guardrails declined from RM3,687.14 per MT in FYE 2019 to RM3,585.22 per MT in FYE 2020 while average selling prices for flat steel products declined from RM2,667.91 per MT in FYE 2019 to RM2,597.66 per MT in FYE 2020. The decrease in our average selling prices was in line with the decline in global steel coil prices. As indicated in the IMR report, global steel prices declined during the first three quarters of 2020 as there was less demand from end-user industries due to the lockdown policies imposed globally to curb the COVID-19 pandemic.

Our average selling prices, sales volume as well as revenues from steel pipes and guardrails, as well as flat steel products are as illustrated below:

Product categories	Average selling price RM per MT		Sales Volume (MT)		Revenue (RM'000)		% change
	FYE 2019	FYE 2020	FYE 2019	FYE 2020	FYE 2019	FYE 2020	
Steel pipes and guardrails	3,687.14	3,585.22	40,532	45,116	149,447	161,751	8.2
Flat steel products	2,667.91	2,597.66	43,292	46,078	115,499	119,695	3.6

Trading segment

Revenue from our trading segment decreased by RM6.3 million or 8.0%, from RM79.6 million in FYE 2019 to RM73.3 million in FYE 2020 due to lower sales volume of steel products sold and lower orders from customers, which fell by 16.5% from 26,739 MT in FYE 2019 to 22,331 MT in FYE 2020. Our average selling prices, sales volume as well as revenues from traded steel products are as illustrated below:

Trading	Average selling price RM per MT		Sales Volume (MT)		Revenue (RM'000)		% change
	FYE 2019	FYE 2020	FYE 2019	FYE 2020	FYE 2019	FYE 2020	
	2,977.71	3,280.78	26,739	22,331	79,621	73,263	(8.0)
							(16.5)

11. FINANCIAL INFORMATION (Cont'd)

Comparison between FYE 2020 and FYE 2021

Our manufacturing segment remained the main contributor to our Group's revenue. In FYE 2021, 78.9% of our Group's revenue was generated from our manufacturing segment while 21.1% of our Group's revenue was generated from our trading segment. In terms of revenue by geographical market, Malaysia remained the largest revenue contributor in FYE 2021, representing 97.0% of total revenue in FYE 2021. The remaining 3.0% of our Group's revenue was generated from international markets, particularly New Zealand and Cambodia. The revenue from Cambodia had declined from RM9.2 million in FYE 2020 to RM0.2 million in FYE 2021 as our subsidiary, LF Engineering, completed the manufacturing of guardrails for a project in Cambodia in FYE 2020.

Our Group's overall revenue recorded an increase of RM19.3 million or 5.4%, from RM354.7 million in FYE 2020 to RM374.0 million in FYE 2021. The increase in revenue was a result of an increase in revenue contribution from both our manufacturing and trading segments of RM13.6 million and RM5.6 million, respectively.

Manufacturing segment

Revenue from our manufacturing segment increased by RM13.6 million or 4.8%, from RM281.4 million in FYE 2020 to RM295.0 million in FYE 2021. This increase was due to an increase in revenue from steel pipes of RM18.9 million and was partially offset by a decrease in revenue from guardrails and flat steel products of RM5.3 million.

Revenue from steel pipes grew by RM18.9 million or 13.7%, from RM137.6 million in FYE 2020 to RM156.5 million in FYE 2021. This was due to an increase in average selling prices of our steel pipes and guardrails which was in line with a rise in global steel coil prices as indicated in the IMR report. The increase in steel coil prices is a result of an increase in prices of materials (namely iron ore, coal and scrap) due to a global supply chain disruption as there were stricter regulations of steel production, removal of export rebates in China, and increase in energy prices, as well as the re-opening of the economy after the national lockdown policies was lifted in FYE 2021. The higher prices of steel pipes and guardrails and lower supply in mother coil led to lower volume of steel products sold.

Meanwhile, revenue from flat steel products decreased by RM5.1 million or 4.2%, from RM119.7 million in FYE 2020 to RM114.6 million in FYE 2021. The significant rise in average selling prices for flat steel products of 55.7% resulted in less demand for flat steel products from steel infrastructure pipe manufacturers and building material or steel trading companies. This led to a significant decline in sales volume of flat steel products, from 46,078 MT in FYE 2020 to 28,342 MT in FYE 2021.

11. FINANCIAL INFORMATION (Cont'd)

Our average selling prices, sales volume as well as revenues from steel pipes and guardrails, as well as flat steel products are as illustrated below:

	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>% change</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>% change</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>% change</u>
	<u>Average selling price RM per MT</u>			<u>Sales Volume (MT)</u>			<u>Revenue (RM'000)</u>		
Steel pipes and guardrails	3,585.22	4,803.14	34.0	45,116	37,559	(16.8)	161,751	180,401	11.5
Flat steel products	2,597.66	4,045.09	55.7	46,078	28,342	(38.5)	119,695	114,646	(4.2)

Trading segment

Revenue from our trading segment increased by RM5.6 million or 7.7%, from RM73.3 million in FYE 2020 to RM78.9 million in FYE 2021 due to an increase in average selling prices from RM3,280.78 per MT in FYE 2020 to RM4,524.41 per MT in FYE 2021, which was in line with a rise in global steel coil prices as indicated in the IMR report. The increase in revenue from trading segment was offset by a decrease in sales volume by 21.9%, from 22,331 MT in FYE 2020 to 17,431 MT in FYE 2021 as there was lower demand for our products as a result of higher selling price. The higher prices of our steel products led to lower demand and volume of steel products sold.

Our average selling prices, sales volume as well as revenues from traded steel products are as illustrated below:

	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>% change</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>% change</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>% change</u>
	<u>Average selling price RM per MT</u>			<u>Sales Volume (MT)</u>			<u>Revenue (RM'000)</u>		
Trading	3,280.78	4,524.41	37.9	22,331	17,431	(21.9)	73,263	78,865	7.7

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11. FINANCIAL INFORMATION (Cont'd)**Comparison between FPE 2021 and FPE 2022**

Our manufacturing segment remained the main contributor to our Group's revenue. In FPE 2022, 78.3% of our Group's revenue was generated from our manufacturing segment while 21.7% of our Group's revenue was generated from our trading segment. In terms of revenue by geographical market, Malaysia remained the largest revenue contributor in FPE 2022, representing 98.3% of total revenue in FPE 2022. The remaining 1.6% and 0.1% of our Group's revenue were generated from New Zealand and Brunei, respectively.

Our Group's overall revenue recorded an increase of RM10.4 million or 5.1%, from RM203.4 million in FPE 2021 to RM213.7 million in FPE 2022. The increase in revenue was a result of an increase in revenue contribution from our manufacturing and trading segments of RM5.8 million and RM4.6 million, respectively.

Manufacturing segment

Revenue from manufacturing segment increased by RM5.8 million or 3.6%, from RM161.4 million in FPE 2021 to RM167.2 million in FPE 2022. This increase was due to an increase in revenue from steel pipes and guardrails amounting to an aggregate of RM11.0 million and this was offset by the decrease in revenue from flat steel products of RM5.2 million.

Revenues from steel pipes and guardrails collectively increased by RM11.0 million or 12.7%, from RM86.2 million in FPE 2021 to RM97.2 million in FPE 2022. This was due to an increase in average selling prices of our steel pipes and guardrails of 42.5% which was due to a global supply chain disruption as there were stricter regulations of steel production and removal of export rebates in China as well as the re-opening of the economy after the national lockdown policies was lifted in FYE 2021. The higher prices of steel pipes and guardrails and lower supply in mother coil led to lower volume of steel products sold.

Meanwhile, revenues from flat steel products decreased by RM5.2 million or 6.9%, from RM75.2 million in FPE 2021 to RM70.0 million in FPE 2022. This was due to lower volume of flat steel products sold despite an increase in average selling prices of our flat steel products by 22.3% which was due to a global supply chain disruption. The higher prices of flat steel products and lower supply in mother coil have led to lower volume of flat steel products sold, from 19,594MT in FPE 2021 to 14,914MT in FPE 2022.

11. FINANCIAL INFORMATION (Cont'd)

Our average selling prices, sales volume as well as revenues from steel pipes and guardrails, as well as flat steel products are as illustrated below:

	<u>FPE 2021</u>	<u>FPE 2022</u>	<u>FPE 2021</u>	<u>FPE 2022</u>	<u>FPE 2021</u>	<u>FPE 2022</u>	<u>FPE 2021</u>	<u>FPE 2022</u>	
	<u>Average selling price</u>		<u>Sales Volume (MT)</u>		<u>Revenue (RM'000)</u>		<u>% change</u>		
	<u>RM per MT</u>	<u>% change</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	
Steel pipes and guardrails	3,917.53	5,581.00	42.5	21,997	17,408	(20.9)	86,174	97,154	12.7
Flat steel products	3,838.16	4,694.05	22.3	19,594	14,914	(23.9)	75,205	70,007	(6.9)

Trading segment

Revenue from trading segment increased by RM4.5 million or 10.8%, from RM42.0 million in FPE 2021 to RM46.5 million in FPE 2022 due to an increase in average selling prices from RM3,881.38 per MT in FPE 2021 to RM5,157.38 per MT in FPE 2022, which was in line with a rise in global steel coil prices between February 2022 and April 2022 as indicated in the IMR report.

Our average selling prices, sales volume as well as revenues from traded steel products are as illustrated below:

	<u>FPE 2021</u>	<u>FPE 2022</u>	<u>FPE 2021</u>	<u>FPE 2022</u>	<u>FPE 2021</u>	<u>FPE 2022</u>	<u>FPE 2021</u>	<u>FPE 2022</u>	
	<u>Average selling price</u>		<u>Sales Volume (MT)</u>		<u>Revenue (RM'000)</u>		<u>% change</u>		
	<u>RM per MT</u>	<u>% change</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	<u>2021</u>	<u>2022</u>	
Trading	3,881.38	5,157.38	32.9	10,808	9,010	(16.6)	41,950	46,468	10.8

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11. FINANCIAL INFORMATION (Cont'd)

Cost of sales, GP and GP margin

Analysis of cost of sales by business segments

The following table sets forth the breakdown of our business segments, and the respective percentages represent a proportion of our total cost of sales, for the financial years/periods indicated.

	Audited		Unaudited		Audited					
	FYE 31 December		FPE 30 June		Audited					
	2019	2020	2021	2021	2022	2022				
(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%			
Manufacturing	244,979	75.8	251,737	77.8	217,271	73.9	118,770	74.4	142,559	75.7
Steel pipes	113,633	35.1	120,422	37.2	105,541	35.9	50,061	31.4	70,820	37.6
Material	102,368	31.7	111,691	34.5	96,939	33.0	46,371	29.1	65,979	35.0
Labour costs	4,950	1.5	3,721	1.2	4,172	1.4	1,726	1.1	2,439	1.3
Overheads	6,315	1.9	5,010	1.5	4,430	1.5	1,964	1.2	2,402	1.3
Guardrails	22,318	6.9	19,461	6.0	20,118	6.8	9,404	5.9	12,114	6.4
Material	20,106	6.2	18,050	5.6	18,475	6.3	8,711	5.5	11,286	6.0
Labour costs	972	0.3	601	0.2	797	0.2	324	0.2	417	0.2
Overheads	1,240	0.4	810	0.2	846	0.3	369	0.2	411	0.2
Flat steel products	109,028	33.8	111,854	34.6	91,612	31.2	59,305	37.1	59,625	31.7
Material	98,220	30.4	103,745	32.1	84,122	28.7	54,934	34.4	55,549	29.5
Labour costs	4,749	1.5	3,456	1.1	3,633	1.2	2,045	1.3	2,053	1.1
Overheads	6,059	1.9	4,653	1.4	3,857	1.3	2,326	1.4	2,023	1.1
Trading	78,309	24.2	71,777	22.2	76,814	26.1	40,778	25.6	45,755	24.3
Material	70,546	21.8	66,573	20.6	70,534	24.0	37,773	23.7	42,627	22.6
Labour costs	3,411	1.1	2,218	0.7	3,046	1.0	1,406	0.9	1,576	0.8
Overheads	4,352	1.3	2,986	0.9	3,234	1.1	1,599	1.0	1,552	0.9
Total cost of sales	323,288	100.0	323,514	100.0	294,085	100.0	159,548	100.0	188,314	100.0

11. FINANCIAL INFORMATION (Cont'd)

Analysis of cost of sales by component

The following table sets forth the breakdown of our cost of sales by component, and the respective percentages represent a proportion of our total cost of sales, for the financial years/periods indicated.

	Audited		Unaudited		Audited	
	FYE 31 December		FPE 30 June		Audited	
	2019	2020	2021	2021	2022	
(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	%
Materials	291,240	300,059	270,071	147,789	175,441	93.1
Labour costs	14,082	9,997	11,648	5,501	6,485	3.4
Overheads	17,966	13,458	12,366	6,258	6,388	3.5
Total cost of sales	323,288	323,514	294,085	159,548	188,314	100.0

(i) Materials

Materials consisting of mother coils, which are the main materials used in the primary production or manufacturing of our products.

Materials were the largest component of our cost of sales, representing between 90.1% and 93.1% of our total cost of sales for the Financial Years and Period Under Review.

The movement in materials used during the Financial Years and Period Under Review was in line with the increase or decrease in our sales volume for the corresponding financial years/periods; where the change in our sales volume or selling price was in tandem with the change in our materials' purchase price and market demand, which are the steel coils.

(ii) Labour costs

Our labour costs represented between 3.1% and 4.4% of our total cost of sales for the Financial Years and Period Under Review. The change in our labour cost was as a result of salary adjustments or bonus pay-out to our employees as well as changes in subcontractors' costs.

Labour costs refer to costs that are derived directly from employees involved in our manufacturing process, which include staff payroll, statutory contribution and welfare as well as subcontractors' costs. Subcontractors' costs include subcontracting for galvanised coatings on steel and add-on installation services for customers. We also engage subcontractors for epoxy powder coating but the amount is minimal.

11. FINANCIAL INFORMATION (Cont'd)

The following table sets forth the breakdown of labour costs, and the respective percentages represent a proportion of our total labour costs, for the financial years/periods indicated.

	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%
Employee-related costs	6,913	49.1	(2)6,782	67.8	8,172	70.2	4,054	73.7	(4)3,242	50.0
Subcontractors' costs	(1)7,169	50.9	(3)3,215	32.2	3,476	29.8	1,447	26.3	(5)3,243	50.0
Total labour costs	14,082	100.0	9,997	100.0	11,648	100.0	5,501	100.0	6,485	100.0

Notes:

- (1) Subcontractors' costs were incurred for installation of guardrails upon receipt of orders from customers and galvanising cost.
- (2) A decrease in employee-related costs was attributable to the reduced salary costs as there was lesser local employees during FYE 2020 as compared to FYE 2019.
- (3) A decrease in subcontractors' costs from FYE 2019 was driven by engaging less subcontractors for installation services as our Group focused on manufacturing of steel products and ceased providing add-on installation services to customers in FYE 2020 as compared to FYE 2019.
- (4) A decrease in employee-related costs was attributable to lower salaries and levies resulting from lesser employees in FPE 2022 as some of our foreign workers had returned to their home countries. In FPE 2021, our number of employees were 233 and it decreased over the financial year due to expiration of workers permit. For FPE 2021, we incurred higher levies for the replacement of some of these employees. Our number of employees at the end of FYE 2021 was lower at 202.
- (5) An increase in subcontractors' costs for FPE 2022 was driven by engaging more subcontractors for galvanising cost as we received increased orders on galvanised steel products in FPE 2022 as compared to FPE 2021.

11. FINANCIAL INFORMATION (Cont'd)

(iii) Overheads

Our overheads consist mainly of depreciation, transportation and freight charges, upkeep and maintenance (comprising regular maintenance and services of machineries, tools and equipment, motor vehicles and factories) as well as utilities.

Overheads represented between 3.5% and 5.5% of our total cost of sales for the Financial Years and Period Under Review. In FYE 2019, we incurred higher transportation and freight charges attributable to higher purchases of steel coils.

In FYE 2020, our overheads decreased by RM4.5 million mainly attributable to the lower freight charges which resulted from the lower purchase of steel coils in terms of volume and lower upkeep and maintenance for machineries in FYE 2020. In FYE 2019, we incurred higher breakdown maintenance works on our pipe mill and guardrail machineries of RM0.5 million.

In FYE 2021, our overheads decreased by RM1.1 million mainly attributable to lower freight charges which resulted from the lower purchase of steel coils in terms of volume and lower utilities which resulted from the lower production volume. This decrease was offset by an increase in depreciation, attributed to addition of property, plant and equipment and right-of-use assets.

The following table sets forth the breakdown of overheads, and the respective percentages represent a proportion of our total overheads, for the financial years/periods indicated.

	FYE 2019		Audited FYE 2020		FYE 2021		Unaudited FPE 2021		Audited FPE 2022	
	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%
Depreciation	5,291	29.5	5,082	37.8	5,290	42.8	2,741	43.8	2,237	35.0
Upkeep and maintenance	3,254	18.1	2,534	18.8	2,428	19.6	1,303	20.8	(2)914	14.3
Transportation and freight charges	6,750	37.6	3,406	25.3	2,958	23.9	1,224	19.6	(3)2,356	36.9
Utilities	2,412	13.4	2,196	16.3	1,581	12.8	910	14.5	828	13.0
Rental expenses ⁽¹⁾	259	1.4	240	1.8	109	0.9	80	1.3	53	0.8
	17,966	100.0	13,458	100.0	12,366	100.0	6,258	100.0	6,388	100.0

Notes:

- (1) Rental expenses incurred for the rental of warehouse for storage and accommodation for employees.

11. FINANCIAL INFORMATION (Cont'd)

- (2) Incurred lesser upkeep and maintenance on machineries, tools and equipment due to less repair works required.
- (3) We incurred more transportation and freight charges resulted from higher purchases of materials in FPE 2022 as compared to FPE 2021.

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11. FINANCIAL INFORMATION (Cont'd)

Analysis of GP and GP margin ("GPM") by activities

The following table sets forth the breakdown of our GP by business activities, and the percentages represent our GP margin, for the financial years/periods indicated.

	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	GP (RM'000)	GPM %	GP (RM'000)	GPM %	GP (RM'000)	GPM %	GP (RM'000)	GPM %	GP (RM'000)	GPM %
Manufacturing	19,967	7.5	29,709	10.6	77,776	26.4	42,609	26.4	24,602	14.7
-Steel pipes	11,207	9.0	17,216	12.5	50,971	32.6	24,110	32.5	13,265	15.8
-Guardrails	2,289	9.3	4,652	19.3	3,771	15.8	2,599	21.7	955	7.3
-Flat steel Product	6,471	5.6	7,841	6.6	23,034	20.1	15,900	21.1	10,382	14.8
Trading	1,312	1.6	1,486	2.0	2,051	2.6	1,172	2.8	713	1.5
Transportation ⁽¹⁾	14	(2)	5	(2)	62	(2)	22	(2)	42	(2)
Overall GP and GP margin	21,293	6.2	31,200	8.8	79,889	21.4	43,803	21.5	25,357	11.9

Notes:

- (1) Transportation services were charged for the transportation of our Group's finished steel products. This was not deemed as a principal activity of our Group and our Group does not analyse in such breakdown and cost related to transportation service.
- (2) Not applicable.

Comparison between FYE 2019 and FYE 2020

Cost of sales

Our cost of sales increased by RM0.2 million or 0.1%, from RM323.3 million in FYE 2019 to RM323.5 million in FYE 2020 in tandem with an increase in our total revenue of 2.9% in FYE 2020. The increase in cost of sales was primarily a result of an increase in cost of sales from our manufacturing segment. This was offset by a decrease in cost of sales from our trading segment.

The increase in costs of sales from our manufacturing segment was contributed by the increase in costs of sales for steel pipes and flat steel products. Our costs for steel pipes increased by RM6.8 million or 6.0%, from RM113.6 million in FYE 2019 to RM120.4 million in FYE 2020.

11. FINANCIAL INFORMATION (Cont'd)

Meanwhile, our costs of sales for flat steel products also increased by RM2.9 million or 2.6%, from RM109.0 million in FYE 2019 to RM111.9 million in FYE 2020.

This was a result of an increase in volume of materials used, and was offset by a decrease in labour costs and overheads due to a decrease in subcontractors costs for installation services as our Group focused on manufacturing of steel products and ceased providing add-on installation services to customers in FYE 2020, and lower galvanising cost per MT, which reduced from RM1,152.44 per MT in FYE 2019 to RM1,036.87 per MT in FYE 2020.

Our costs for sales for the trading segment decreased by RM6.5 million or 8.3%, from RM78.3 million in FYE 2019 to RM71.8 million in FYE 2020. This was mainly as a result of a decrease in overall cost components under trading segment, in line with lower sales volume in FYE 2020.

GP and GP margin

Our overall gross profit increased by RM9.9 million or 46.5%, from RM21.3 million in FYE 2019 to RM31.2 million in FYE 2020. Accordingly, gross profit margin increased from 6.2% in FYE 2019 to 8.8% in FYE 2020.

The rise in our gross profit margin was mainly due to higher gross profit margin from both of our manufacturing and trading segments, particularly from steel pipes and guardrails. We enjoyed higher GP margin for our manufacturing and trading segments in FYE 2020 as compared to FYE 2019 due to the following reasons:

(i) demand for our steel products recovered in FYE 2020. In FYE 2019, our GP margins were impacted by lower demand from end-user industries such as the automotive and construction industries as a result of an economic slowdown, and the United States-China trade war which led to an oversupply of steel products in Asia, including Malaysia, and this had led to lower demand for locally produced steel products, particularly steel pipes and lower average selling prices.

As the economy recovered in FYE 2020, the volume of our steel products improved in the financial year, thereby allowing us to generate higher revenue in the year; and

(ii) there were lower labour costs and overheads in FYE 2020 due to the lower number of local workers and the lower galvanising costs per MT, as well as decrease in subcontractor costs, as highlighted above.

11. FINANCIAL INFORMATION (Cont'd)

Comparison between FYE 2020 and FYE 2021

Cost of sales

Our cost of sales significantly decreased by RM29.4 million or 9.1% from RM323.5 million in FYE 2020 to RM294.1 million in FYE 2021 despite the increase in our total revenue of 5.4% in FYE 2021. This was mainly due to a decrease in cost of sales from our manufacturing segment, though this was offset by an increase in costs from our trading segment.

The decrease in costs of sales from our manufacturing segment was a result of the decrease in costs of sales for steel pipes and flat steel products. Our costs for steel pipes decreased by RM14.9 million or 12.4%, from RM120.4 million in FYE 2020 to RM105.5 million in FYE 2021. Meanwhile, our costs of sales for flat steel products decreased by RM20.3 million or 18.1%, from RM111.9 million in FYE 2020 to RM91.6 million in FYE 2021. This was caused by:

- (i) decrease in material costs as we had lower sales volume for FYE 2021 and lower carrying cost of our inventories carried forward from FYE 2020 as we purchased our materials at a lower price before the increase in mother coil prices in 2021; and
- (ii) decrease in overheads, which was mainly because of a reduction in transportation and freight charges due to lower volume of materials purchased in FYE 2021.

The decrease was offset by an increase in labour costs resulting from higher galvanising cost per MT and bonus pay-outs to employees.

Conversely, our costs for the trading segment increased by RM5.0 million or 7.0%, from RM71.8 million in FYE 2020 to RM76.8 million in FYE 2021. This was mainly as a result of an increase in materials due to higher average material costs and an increase in labour costs of RM0.8 million as a result of bonus pay-out.

GP and GP margin

Our overall gross profit increased by RM48.7 million or 156.1% from RM31.2 million in FYE 2020 to RM79.9 million in FYE 2021. Accordingly, gross profit margin increased from 8.8% in FYE 2020 to 21.4% in FYE 2021.

The spike in our gross profit margin in FYE 2021 as compared to FYE 2020 is due to the following reasons:

- (i) increase in average selling prices per MT for all segments as a result of a global supply chain disruption as there were stricter regulations of steel production, removal of export rebates in China, and increase in energy prices, as well as the re-opening of the economy after the national lockdown policies was lifted in FYE 2021; and

11. FINANCIAL INFORMATION (Cont'd)

- (ii) we purchased materials at lower prices, i.e. before the increase in prices of materials in 2021, resulting in lower carrying cost of our inventory for mother coils.

Comparison between FPE 2021 and FPE 2022

Cost of sales

Our cost of sales increased by RM28.8 million or 18.1% from RM159.5 million in FPE 2021 to RM188.3 million in FPE 2022 which was in line with the increase in our total revenue of 5.1% in FPE 2022. This was due to an increase in cost of sales from our manufacturing and trading segments.

The increase in cost of sales from our manufacturing segment was mainly a result of the increase in cost of sales for steel pipes and guardrails. Our cost of sales for steel pipes and guardrails increased by an aggregate of RM23.4 million or 39.5%, from RM59.5 million in FPE 2021 to RM82.9 million in FPE 2022. This was mainly caused by:

- (i) increase in materials due to higher average material price of mother coils for FPE 2022 (RM3,998.70 per MT) as compared to FPE 2021 (RM3,072.86 per MT); and
- (ii) increase in subcontractors' costs as we engaged more subcontractors for galvanising services resulting from increased orders for galvanised steel products in FPE 2022 as compared to FPE 2021.

The increase in cost of sales for flat steel products of RM0.3 million or 0.5%, from RM59.3 million in FPE 2021 to RM59.6 million in FPE 2022. The increase in cost of sales for steel pipes and guardrails was due to higher material costs on the back of higher average material price, though our sales volume reduced by 23.9%.

Similarly, our cost of sales for the trading segment increased by RM5.0 million or 12.2%, from RM40.8 million in FPE 2021 to RM45.8 million in FPE 2022. This was as a result of an increase in material costs due to higher average material costs and an increase in labour costs as a result of salary adjustments.

GP and GP margin

As our revenue and cost of sales increased by 5.1% and 18.0% respectively, our overall gross profit decreased by RM18.4 million or 42.1% from RM43.8 million in FPE 2021 to RM25.4 million in FPE 2022. Accordingly, gross profit margin decreased from 21.5% in FPE 2021 to 11.9% in FPE 2022.

11. FINANCIAL INFORMATION (Cont'd)

The fall in our gross profit margin was mainly due to lower sales volume in FPE 2022 and increase of our cost of sales arising from higher average material price for all three segments. This was mainly because we purchased materials at higher prices in FPE 2022 as compared to FPE 2021. In FPE 2021, we were able to purchase materials before the price began to increase in 2021 resulting in lower carrying cost of inventory for mother coils during FPE 2021 as compared to FPE 2022.

(b) Other income

The breakdown of our other income is as follows:

	Audited		Unaudited		Audited	
	FYE 31 December		FPE 30 June		2022	
	2019	2020	2021	2021	(RM'000)	%
(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	%
Scrap steel income	3,912	2,111	3,974	1,808	2,136	50.7
Gain on disposal of property, plant and equipment	33	427	2,811	2,708	1,442	34.2
Gain on disposal of right-of-use assets	24	45	475	556	-	-
Interest income	29	211	223	43	91	2.2
Realised gain on foreign currency	671	-	181	82	402	9.5
Rental income ⁽¹⁾	151	269	199	113	116	2.8
Late payment interest charged on customers ⁽²⁾	251	140	127	51	15	0.4
Insurance claims ⁽³⁾	246	139	-	-	-	-
Others ⁽⁴⁾	16	80	-	(5)65	10	0.2
	5,333	3,422	7,990	5,426	4,212	100.0
	100.0	100.0	100.0	100.0	100.0	100.0

Notes:

- (1) Rental income refers to income generated from renting our properties.
- (2) Late payment charge is levied at 1.5% of unpaid balances when our customer fails to make a payment on or before a due date. It is part of our credit control policy to impose a levy of 1.5% on the unpaid balances of all customers.
- (3) Insurance claims comprise compensation received on steel coils due to damage and compensation received on motor vehicle due to accidents.
- (4) Others mainly comprise good and service tax refund and overpayment of hire purchase.

11. FINANCIAL INFORMATION (Cont'd)

- (5) Includes handling services charged to customer for FPE 2021, amounting to approximately RM65,000.

Comparison between FYE 2019 and FYE 2020

Other income decreased by approximately RM1.9 million or 35.8%, from RM5.3 million in FYE 2019 to RM3.4 million in FYE 2020, mainly due to a decrease in scrap steel income of RM1.8 million and a decrease in realised gain on foreign currency. The decrease was offset by the increase in gain on disposal of property, plant and equipment of RM0.4 million. During FYE 2020, the proceeds from disposal of property, plant and equipment (mainly plant and machineries) and right-of-use assets amounted to RM0.7 million.

Comparison between FYE 2020 and FYE 2021

In FYE 2021, our other income increased by RM4.6 million, mainly due to:

- (i) an increase in gain on disposal of property, plant and equipment as well as right-of-use assets an aggregate amount of RM3.3 million. During FYE 2021, we disposed of a 1-storey factory located at Lot 4236, Jalan Kampung Mohd Taib, Kawasan Perindustrian Sungai Choh, 48000, Rawang, Selangor to Goldirex Sdn Bhd for a total consideration of RM6.5 million and 16 cars for a total consideration of RM1.7 million; and
- (ii) an increase in scrap steel sales of RM1.9 million.

Comparison between FPE 2021 and FPE 2022

In FPE 2022, our other income decreased by RM1.2 million mainly due to:

- (i) a decrease in gain on disposal of property, plant and equipment of RM1.3 million due to the absence of gain in disposal of Lot 4236 to Goldirex for a total consideration of RM6.5 million, as mentioned above with gain on disposal of RM2.4 million. In FPE 2022, we disposed some construction materials for the construction of Lot 859 which was recorded under construction in progress, for a total consideration of RM2.7 million; and
- (ii) absence of gain on disposal of right-of-use assets in FPE 2022 as compared to RM0.6 million in FPE 2021 from the disposal of Lot 4236 to Goldirex Sdn Bhd.

The decrease was partially offset by an increase in scrap steel income of RM0.3 million and realised gain on foreign currency of RM0.3 million.

11. FINANCIAL INFORMATION (Cont'd)

(c) Administrative expenses

The breakdown of our administrative expenses is as follows:

	Audited				Unaudited		Audited	
	FYE 31 December		2021		2021		FPE 30 June	
	2019	2020	(RM'000)	%	(RM'000)	%	(RM'000)	%
Employee-related cost ⁽¹⁾	7,275	7,204	62.2	63.0	3,799	62.5	4,368	59.7
Carriage and handling cost	1,270	1,687	14.6	9.2	806	13.2	575	7.9
Upkeep and maintenance ⁽²⁾	1,202	1,085	9.4	7.2	550	9.1	382	5.2
Professional fee ⁽³⁾	1,423	355	3.1	11.7	338	5.6	(7)1,164	15.9
Utilities	368	527	4.5	4.3	307	5.1	347	4.7
Travelling and accommodation ⁽⁴⁾	559	280	2.4	2.0	118	1.9	155	2.1
Marketing cost	64	28	0.2	0.8	74	1.2	9	0.2
Printing and stationery	194	190	1.6	1.2	51	0.8	67	0.9
Bank charges	122	61	0.5	0.3	32	0.5	46	0.6
Others ⁽⁵⁾	89	(6)171	1.5	0.3	9	0.1	(8)203	2.8
	12,566	11,588	100.0	100.0	6,084	100.0	7,316	100.0

Notes:

- (1) Employee-related costs mainly comprise directors and staff salaries, allowances, bonus, insurances, statutory contribution, medical fees, uniform and staff welfare.
- (2) Upkeep and maintenance mainly comprise regular maintenance and services of motor vehicles, road tax and insurance for motor vehicles, and quit rent and assessment for company properties.
- (3) Professional fees mainly comprise company secretary fees, audit fees, legal fees (in relation to banking facilities), tax advisory fees and listing expenses.
- (4) Travelling and accommodation includes local travelling incurred by directors and staff for business purposes to manage the operations and business. Less travelling and accommodation expenses was incurred in FYE 2020 and FYE 2021 due to COVID-19 pandemic and lockdown.
- (5) Others include licence fee for business premises licences renewal as well as penalties and tax compound.
- (6) Included tax compound of RM0.16 million imposed by LHDN for year of assessment ("YA") 2009 to YA 2016 in respect of non-allowable expenses.
- (7) Includes listing expenses in relation to our IPO of RM0.7 million.

11. FINANCIAL INFORMATION (Cont'd)

- (8) Includes compound of RM0.15 million incurred in relation to the application of permit for Lot 4314 and the construction of additional structures on Lot 4306 to 4309 and on Lot 4312.

Comparison between FYE 2019 and FYE 2020

For FYE 2020, administrative expenses decreased by RM1.0 million or 7.8%, from RM12.6 million in FYE 2019 to RM11.6 million in FYE 2020. The decrease was mainly due to:

- (i) decrease in professional fees of RM1.1 million due to absence of legal fee on bank facilities agreement; and
- (ii) decrease in travelling and accommodation expenses of RM0.3 million due to travel restrictions imposed by the Malaysian Government under the MCO during FYE 2020 as a result of COVID-19 pandemic.

The decrease in administrative expenses were offset by an increase in carriage and handling cost of RM0.4 million as a result of higher sales in FYE 2020.

Comparison between FYE 2020 and FYE 2021

For FYE 2021, our administrative expenses increased by RM1.9 million or 16.6%, from RM11.6 million in FYE 2020 to RM13.5 million in FYE 2021. The increase was mainly due to:

- (i) increase in employee-related costs of RM1.3 million, mainly due to an increase in directors' salaries and staff costs as a result of salary adjustments and bonuses pay-out; and
- (ii) increase in professional fees by RM1.2 million, mainly due to listing expenses of RM0.8 million and legal fees incurred on bank facility agreements of RM0.4 million that were charged in FYE 2021.

The increase in administrative expenses was partially offset by the decrease in carriage and handling costs of RM0.4 million as a result of lower sales volume in FYE 2021.

Comparison between FPE 2021 and FPE 2022

For FPE 2022, our administrative expenses increased by RM1.2 million or 20.2%, from RM6.1 million in FPE 2021 to RM7.3 million in FPE 2022. The increase was due to:

- (i) increase in professional fees by RM0.8 million mainly due to listing expenses of RM0.7 million charged in FPE 2022;

11. FINANCIAL INFORMATION (Cont'd)

- (ii) increase in employee-related costs of RM0.6 million mainly due to an increase in directors' salaries and staff costs as a result of salary adjustments; and
- (iii) increase in expenses for other items of RM0.2 million mainly due to a compound of RM0.15 million which was in relation to the application of permit for Lot 4314 and the extension of Lot 4306 to Lot 4309 and on Lot 4312.

The increase in the above expenses was offset by the decrease in carriage and handling costs of RM0.2 million as a result of lower sales volume in FPE 2022 and decrease in upkeep and maintenance of RM0.2 million as we have less motor vehicles in FPE 2022 resulting from disposal of 16 units of motor vehicles in year 2021.

(d) Other expenses

A breakdown of our other expenses is as follows:

	Audited		Unaudited		Audited	
	FYE 31 December		FPE 30 June		2022	
	2019	2020	2021	2021	(RM'000)	%
(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	%
Bad debts written off on trade receivables	-	-	30	30	-	-
Bad debts written off on other receivables	8	-	-	-	-	-
Depreciation of right-of-use asset	1,525	1,360	1,148	618	750	44.3
Depreciation of property, plant and equipment	1,636	1,299	1,617	781	833	49.1
Depreciation of investment properties	82	82	583	427	112	6.6
Written off of property, plant and equipment	90	-	240	-	-	-
Impairment loss on investment properties	-	-	530	531	-	-
Loss on disposal of a subsidiary	-	-	2,274	2,274	-	-
Loss on foreign exchange	-	472	12	11	-	-
	3,341	3,213	6,434	4,672	1,695	100.0
	100.0	100.0	100.0	100.0	100.0	100.0

11. FINANCIAL INFORMATION (Cont'd)

Comparison between FYE 2019 and FYE 2020

Other expenses decreased by RM0.1 million or 3.8%, from RM3.3 million in FYE 2019 to RM3.2 million in FYE 2020, mainly due to:

- (a) decrease in overall depreciation of RM0.5 million in FYE 2020; and
- (b) decrease in amount written off on property, plant and equipment of RM0.1 million.

The decrease in other expenses were offset by an increase in realised loss on foreign exchange of RM0.5 million.

Comparison between FYE 2020 and FYE 2021

Other expenses increased by RM3.2 million or 100.0%, from RM3.2 million in FYE 2020 to RM6.4 million in FYE 2021, mainly due to:

- (a) loss of disposal of a subsidiary of RM2.3 million. On 4 March 2021, we disposed of the entire interest in our subsidiary, Lex-Bridge Industries Sdn Bhd (previously known as Tianwen Industries Sdn Bhd) for a total consideration of RM1.1 million.

The consideration was arrived at on a willing-buyer willing-seller basis after taking into account the net asset value of Lex-Bridge Industries Sdn Bhd as at FYE 2020. The net asset value of Lex-Bridge Industries Sdn Bhd includes the inventory carrying value of RM4.5 million. Notwithstanding the above, the buyer and seller had discussed on the carrying value of the inventories to arrive at the consideration of RM1,100,000, the disposal value; and

- (b) increase in overall depreciation of RM0.6 million and impairment loss on investment properties of RM0.5 million. The impairment loss on investment properties representing the write-down of the investment properties to the recoverable amount after a review of the recoverable amount of the investment properties (buildings) and concluded the significant decline in the asset's market value than would be expected as a result of the passage of time or normal use.

The overall increase in other expenses were offset by a decrease in realised loss on foreign exchange of RM0.5 million.

Comparison between FPE 2021 and FPE 2022

Other expenses decreased by RM3.0 million or 63.7%, from RM4.7 million in FPE 2021 to RM1.7 million in FPE 2022, mainly due to:

- (a) one-off loss on disposal of a subsidiary of RM2.3 million in FPE 2021. On 4 March 2021, we disposed of our entire interest in a subsidiary, Lex-Bridge Industries Sdn Bhd (previously known as Tianwen Industries Sdn Bhd) for a total consideration of RM1.1 million; and
- (b) the absence of impairment loss on investment properties in FPE 2022 as compared to RM0.5 million in FPE 2021.

11. FINANCIAL INFORMATION (Cont'd)

(e) Net impairment (loss)/ gain on financial assets

The breakdown of our impairment gain on financial assets is as follows:

	Audited		Unaudited		Audited	
	FYE 31 December		FPE 30 June		2022	
	2019	2020	2021	2021	2022	%
(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	(RM'000)	%
Impairment loss on trade receivables	-	-	(108)	(138)	(403)	(105.2)
Reversal of impairment loss on trade receivables	-	-	-	-	20	5.2
Net impairment loss on financial assets	-	-	(108)	(138)	(383)	100.0

We use the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables. We develop the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjustments for qualitative and quantitative reasonable and supportable forward-looking information. If the expectation is different from the estimation, such difference will impact the carrying values of trade receivables.

Comparison between FYE 2020 and FYE 2021

In FYE 2021, we recognised allowance for impairment losses on financial assets of RM0.1 million due to assessment of expected credit loss after taking into consideration the loss given default and probability of default assigned which were adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the customers to settle their debts.

Comparison between FPE 2021 and FPE 2022

In FPE 2022, we incurred a net impairment loss on trade receivables of RM0.4 million due to assessment of expected credit loss recognised arising from certain customers amounting to RM0.3 million and collective impairment loss amounting to RM0.1 million provided on remaining trade receivables as at 30 June 2022 after taking into consideration the effect of COVID-19 and MCO, global economy and certain long outstanding trade receivables.

11. FINANCIAL INFORMATION (Cont'd)

(f) Finance cost

A breakdown of our finance costs is as follows:

	Audited				Unaudited		Audited	
	FYE 31 December				FPE 30 June		2022	
	2019	2020		2021	2021		2022	
(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%	
Bankers' acceptance	2,750	28.9	4,792	52.3	1,494	25.1	1,170	33.2
Letter of credit	3,280	34.5	2,154	23.5	1,299	21.8	304	8.6
Trust receipts	466	4.9	7	0.1	990	16.6	1,229	34.9
Term loan	1,251	13.2	773	8.5	879	14.8	670	19.0
Lease liabilities	730	7.7	335	3.7	1,038	17.4	124	3.5
Bank overdraft	947	10.0	434	4.7	35	0.6	-	-
Late payment interest	60	0.6	635	6.9	149	2.5	-	-
Bank guarantee commission fee	-	-	-	-	22	0.4	2	0.1
Commitment fee	22	0.2	30	0.3	49	0.8	25	0.7
	9,506	100.0	9,160	100.0	5,955	100.0	3,078	100.0
							3,524	100.0

Comparison between FYE 2019 and FYE 2020

Finance costs decreased by RM0.3 million or 3.6% from RM9.5 million in FYE 2019 to RM9.2 million in FYE 2020. The decrease was mainly due to:

- (i) decrease in interest expense charged on letter of credit and trust receipts of RM1.6 million as there was lower utilisation and significant drop in the effective interest rate charged ranging from 3.3% to 7.7% in FYE 2019 to a range of 1.9% to 3.8% in FYE 2020;
- (ii) decrease in interest expense charged on bank overdraft of RM0.5 million, which was also due to significant drop in the interest rate charge as well as lower utilisation in FYE 2020; and
- (iii) decrease in interest expense charged on term loans of RM0.5 million as there was no new drawdown and lower interest charge on term loans in FYE 2020.

The decrease in finance cost arising from the above was partially offset by the increase in interest expense charged on bankers' acceptance of RM2.0 million due to the higher utilisation of bankers' acceptance of RM218.2 million in FYE 2020.

11. FINANCIAL INFORMATION (Cont'd)

Comparison between FYE 2020 and FYE 2021

Finance costs decreased by RM3.2 million or 35.0%, from RM9.2 million in FYE 2020 to RM6.0 million in FYE 2021. The decrease was mainly due to:

- (i) decrease in interest expense charged on bankers' acceptance of RM3.3 million due to lower drawdown;
- (ii) decrease in interest expense charged on letter of credit of RM0.9 million as there was lower utilisation in FYE 2021; and
- (iii) decrease in interest expense charged on bank overdraft of RM0.4 million due to lower utilisation in FYE 2021.

The decrease in finance costs arising from the above was partially offset by an increase in interest expense charged on trust receipts of RM1.0 million due to higher utilisation in FYE 2021 and an increase in interest charged on lease liabilities of RM0.7 million due to additional motor vehicles acquired under hire purchase arrangement.

Comparison between FPE 2021 and FPE 2022

Finance costs increased by RM0.4 million or 14.5%, from RM3.1 million in FPE 2021 to RM3.5 million in FPE 2022. The increase was mainly due to:

- (i) increase in interest expense charged on trust receipts of RM1.1 million due to higher utilisation in FPE 2022; and
- (ii) increase in interest expense charged on term loans of RM0.3 million as the interest expenses on term loans charged during FPE 2022 were based on full drawdown of term loans facility made by the end of FYE 2021.

The increase in finance costs arising from the above was partially offset by:

- (i) decrease in interest expense charged on letter of credit of RM0.7 million due to lower utilisation in FPE 2022;
- (ii) decrease in interest expense charged on lease liabilities of RM0.1 million as a result of lower number of motor vehicles under finance lease upon disposal of 16 units of cars in FYE 2021; and
- (iii) absence of late payment interest in FPE 2022 as compared to RM0.1 million in FPE 2021.

11. FINANCIAL INFORMATION (Cont'd)

(g) PBT, (LAT)/PAT and margins

Our PBT, (LAT)/PAT and the corresponding PBT and PAT margins are as follows:

	Audited		Unaudited	
	FYE 31 December		FPE 30 June	
	2019	2020	2021	2022
PBT (RM'000)	1,213	10,661	61,873	35,257
PBT margin (%)	0.4	3.0	16.5	17.3
(LAT)/PAT (RM'000)	(1,631)	7,137	45,410	27,623
(LAT)/PAT margin (%)	(0.5)	2.0	12.1	13.6

Comparison between FYE 2019 and FYE 2020

In FYE 2019, we recorded a PBT of RM1.2 million and a LAT of RM1.6 million. Our LAT was largely a result of our low GP and GP margin which was impacted by the United States-China trade war, as mentioned above.

In FYE 2020, our PBT grew by RM9.4 million as a result of higher GP as well as lower administrative, other expenses and finance costs, while our PBT margins increased by 2.6%, from 0.4% in FYE 2019 to 3.0% in FYE 2020.

Correspondingly, our PAT increased by RM8.8 million while PAT margins increased by 2.5%, to 2.0% in FYE 2020 due to higher PBT.

Comparison between FYE 2020 and FYE 2021

In FYE 2021, our PBT surged significantly by RM51.2 million on the back of higher average selling prices which resulted in higher GP. In addition, the increase in other income and decrease in finance costs also contributed to the higher PBT. Accordingly, our PBT margins increased by 13.5%, from 3.0% in FYE 2020 to 16.5% in FYE 2021.

Correspondingly, our PAT increased by RM38.3 million while PAT margins increased by 10.1%, to 12.1% in FYE 2021 due to higher GP and lower deferred tax expenses in FYE 2021.

Comparison between FPE 2021 and FPE 2022

In FPE 2022, our PBT declined by RM18.6 million as a result of lower GP, lower other income as well as higher administrative and finance costs, resulting in our PBT margins decreasing by 9.5%, from 17.3% in FPE 2021 to 7.8% in FPE 2022.

Correspondingly, our PAT decreased by RM15.5 million while PAT margins decreased by 7.9%, from 13.6% in FPE 2021 to 5.7% in FPE 2022 due to the same reasons as above.

11. FINANCIAL INFORMATION (Cont'd)

(h) Income tax expenses

A breakdown of our income tax expenses is as follows:

	Audited		Unaudited		Audited
	FYE 31 December		FPE 30 June		
	2019	2020	2021	2022	
	(RM'000)	(RM'000)	(RM'000)	(RM'000)	
Income tax	2,364	3,199	17,074	8,245	4,520
Deferred tax	480	325	(678)	(678)	(35)
Real property gain tax	-	-	67	67	-
	2,844	3,524	16,463	7,634	4,485
Effective tax rate (%)	234.5	33.1	26.6	21.7	26.9
Statutory tax rate (%)	24.0	24.0	24.0	24.0	24.0

Our effective tax rates for FYE 2019 to FYE 2021 as well as FPE 2021 and FPE 2022 were 234.5%, 33.1%, 26.6%, 21.7% and 26.9% respectively. The tax rate applicable to our Group was the statutory tax rate of 24.0% throughout the Financial Years and Period Under Review.

Our effective tax rate decreased from 234.5% in FYE 2019 to 33.1% in FYE 2020, mainly due to the absence of an underprovision of taxation in FYE 2019.

Our effective tax rate was 26.6% in FYE 2021, mainly due to underprovision of taxation in prior years.

Our effective tax was 26.9% in FPE 2022 which was higher than the statutory tax rate of 24.0%, mainly due to certain non-deductible expenses such as the compound on the application of permit for Lot 4314 and extension of Lot 4305 to Lot 4309 and on Lot 4312, totalling RM0.15 million and impairment loss on trade receivables of RM0.4 million.

(i) Profit after taxation from discontinued operations

Our Group disposed of Lex-bridge Industries Sdn Bhd (formerly known as Tianwen Industries Sdn Bhd) on 4 March 2021 which is principally engaged in the business of trading in pipes and other related activities. Therefore, the comparative consolidated statements of profit or loss and other comprehensive income have been presented to show the discontinued operations separately from continuing operations in Section 12 of this Prospectus.

11. FINANCIAL INFORMATION (Cont'd)**11.3.4 Review of financial position****(a) Assets**

	Audited			
	As at 31 December			As at 30 June
	2019	2020	2021	2022
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Non-current assets				
Property, plant and equipment	110,035	105,009	110,174	111,807
Investment properties	12,152	11,993	9,983	9,871
Right-of-use assets	23,734	22,322	17,914	11,637
Goodwill on consolidation	2,728	2,728	2,702	2,702
Total non-current assets	148,649	142,052	140,773	136,017
Current assets				
Inventories	141,567	87,661	115,396	195,511
Contract costs	163	-	-	-
Trade receivables	51,709	86,846	62,345	83,198
Other receivables, deposits and prepayments	5,009	14,924	18,342	8,112
Contract assets	2,005	616	616	616
Current tax assets	3,478	3,023	92	3,438
Fixed deposit with licensed banks	112	-	10,000	-
Cash and bank balances	6,893	9,167	42,447	30,579
	210,936	202,237	249,238	321,454
Non-current assets held for sale	-	4,108	-	-
Total current assets	210,936	206,345	249,238	321,454
Total assets	359,585	348,397	390,011	457,471

Comparison between 31 December 2019 and 31 December 2020

Total assets decreased by RM11.2 million, from RM359.6 million as at 31 December 2019 to RM348.4 million as at 31 December 2020. This was mainly due to the decrease in current assets of RM4.6 million and non-current assets of RM6.6 million as at 31 December 2020.

Non-current assets in FYE 2020 decreased by RM6.6 million mainly due to:

- (i) total depreciation of RM7.9 million; and
- (ii) classification of freehold land and building to non-current assets held for sale of RM4.1 million.

The decrease in non-current assets was partially offset by the following:

- (i) purchase of property, plant and equipment of RM3.5 million, mainly comprising renovation and refurbishment for Lot 858 amounting to RM2.2 million, various tools and equipment amounting to RM0.7 million as well as plant and machineries amounting to RM0.3 million (which includes a component of an ERW pipemill of RM0.1 million, and 3 units of semi-portal crane of RM0.1 million); and
- (ii) purchase of right-of-use assets of RM2.4 million, comprising 10 units of motor vehicles amounting to RM2.2 million, and a component of an ERW pipemill amounting to RM0.2 million.

11. FINANCIAL INFORMATION (Cont'd)

The decrease in current assets in FYE 2020 of RM4.6 million was mainly due to:

- (i) decrease in inventories of RM53.9 million as we utilised more inventories for manufacturing our steel products and there were less purchases towards the last quarter of FYE 2020; and
- (ii) decrease in contract assets of RM1.4 million.

The decrease in current assets were partially offset by the following:

- (i) increase in trade receivables of RM35.1 million which was in line with increase in revenue;
- (ii) increase in other receivables, deposits and prepayments of RM9.9 million as a result of higher amount used as advance payments for the purchase of steel coils towards the end of FYE 2020;
- (iii) classification of freehold land and building to non-current assets held for sale of RM4.1 million under current assets; and
- (iv) increase in cash and bank balances of RM2.3 million due to higher sales generated during the year.

Comparison between 31 December 2020 and 31 December 2021

Total assets increased by RM41.6 million, from RM348.4 million as at 31 December 2020 to RM390.0 million as at 31 December 2021. This was due to an increase in current assets of RM42.9 million. This increase was partially offset by a decrease in non-current assets of RM1.3 million as at 31 December 2021.

Non-current assets in FYE 2021 decreased by RM1.3 million mainly due to:

- (i) total depreciation of RM8.6 million;
- (ii) net carrying amount of RM0.8 million for property, plant and equipment as well as right-of-use assets disposed off during the year; and
- (iii) impairment on investment properties amounting to RM0.5 million and disposal of a subsidiary which hold a unit of 3-storey shop office at Bukit Beruntung and property, plant and equipment (carrying amount at RM1.0 million).

The decrease in non-current assets were partially offset by the following:

- (i) purchase of right-of-use assets of RM5.6 million, comprising 9 units of motor vehicles;
- (ii) purchase of property, plant and equipment of RM2.4 million, mainly comprising electrical installation at Lot 858 amounting to RM0.7 million, renovation and refurbishment for building amounting to RM0.2 million, a motor vehicle amounting to RM0.4 million as well as various tools and equipment amounting to RM0.6 million; and
- (iii) the revaluation surplus on freehold land and buildings amounting to RM2.0 million.

11. FINANCIAL INFORMATION (Cont'd)

The increase in current assets in FYE 2021 of RM42.9 million was due to:

- (i) increase in cash and bank balances of RM33.3 million due to higher sales generated and collections during FYE 2021;
- (ii) increase in inventories of RM27.7 million as we purchased higher volume of mother coils towards the last quarter of FYE 2021;
- (iii) increase in fixed deposit with licensed bank of RM10.0 million to generate interest; and
- (iv) increase in other receivables, deposits and prepayment of RM3.4 million resulting from higher amounts paid as advance payment for future purchase for steel coils towards the last quarter of FYE 2021.

The increase in current assets were offset by;

- (i) decrease in trade receivables of RM24.5 million due to less sales generated towards the last quarter of FYE 2021;
- (ii) disposal of freehold land and building classified to non-current assets held for sale under current assets of RM4.1 million in FYE 2021; and
- (iii) decrease in current tax assets of RM2.9 million.

Comparison between 31 December 2021 and 30 June 2022

Total assets increased by RM67.5 million, from RM390.0 million as at 31 December 2021 to RM457.5 million as at 30 June 2022. This was due to an increase in current assets of RM72.2 million. This increase was partially offset by a decrease in non-current assets of RM4.8 million as at 31 December 2021.

Non-current assets in FPE 2022 decreased by RM4.8 million mainly due to:

- (i) the total depreciation of RM3.9 million; and
- (ii) net carrying amount of RM1.2 million for property, plant and equipment disposed off during the period.

The decrease in non-current assets were partially offset by the addition in property, plant and equipment of RM0.4 million, mainly from the capitalisation of costs incurred for the preliminary planning and development costs for our headquarters, workers' accommodation and warehouse storage facility of RM0.3 million.

The increase in current assets in FPE 2022 of RM72.2 million was due to:

- (i) increase in inventories of RM80.1 million as we purchased higher volume of mother coils towards the last month of FPE 2022;
- (ii) increase in trade receivables of RM20.9 million due to increased sales generated towards the last month of FPE 2022; and
- (iii) increase in current tax assets of RM3.3 million due to higher tax instalment payments made in FPE 2022.

11. FINANCIAL INFORMATION (Cont'd)

The increase in current assets were offset by;

- (i) decrease in fixed deposit with a licensed bank of RM10.0 million due to withdrawal of fixed deposit during FPE 2022;
- (ii) decrease in cash and bank balance of RM11.8 million used for working capital purposes such as purchase of materials, payment for labour cost and overheads; and
- (iii) decrease in other receivables, deposits and prepayment of RM10.2 million resulting from lower amounts paid as advance payment for purchase for steel coils following the delivery of the steel coils.

(b) Liabilities

	Audited			
	As at 31 December			As at 30 June
	2019	2020	2021	2022
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Non-current liabilities				
Lease liabilities	4,060	1,627	2,417	1,800
Term loans	18,337	17,124	29,040	25,653
Deferred tax liabilities	11,166	11,491	10,986	10,950
Total non-current liabilities	33,563	30,242	42,443	38,403
Current liabilities				
Trade payables	40,502	43,762	21,996	38,189
Other payables and accruals	4,866	2,195	6,805	5,564
Amount owing to a director	-	591	-	-
Bankers' acceptance and trust receipts	143,139	136,267	138,825	184,783
Lease liabilities	5,804	3,236	2,241	1,745
Term loans	1,936	2,144	6,102	6,742
Bank overdrafts	9,019	3,869	-	-
Current tax liabilities	157	333	1,789	69
Total current liabilities	205,423	192,397	177,758	237,092
Total liabilities	238,986	222,639	220,201	275,495

Comparison between 31 December 2019 and 31 December 2020

Total liabilities decreased by RM16.4 million from RM239.0 million as at 31 December 2019 to RM222.6 million as at 31 December 2020.

The decrease in total liabilities were mainly attributable to:

- (i) repayment of borrowings and lease liabilities of RM329.7 million in FYE 2020;
- (ii) decrease in other payables and accruals of RM2.7 million, due to repayment of RM3.2 million to other payables and increase in accrued expenses of RM0.5 million.

The decrease in total liabilities was partially offset by:

- (i) drawdown of borrowings and lease liabilities of RM314.8 million; and
- (ii) increase in trade payables of RM3.3 million as most of the purchases were made towards the end of FYE 2020.

11. FINANCIAL INFORMATION (Cont'd)**Comparison between 31 December 2020 and 31 December 2021**

Total liabilities decreased by RM2.4 million from RM222.6 million as at 31 December 2020 to RM220.2 million as at 31 December 2021.

The decrease in total liabilities was mainly attributable to:

- (i) repayment of borrowings and lease liabilities of RM307.7 million in FYE 2021;
- (ii) decrease in trade payables of RM21.8 million mainly due to payments made to suppliers before the credit period to enjoy discounts; and
- (iii) decrease in amount owing to a director of RM0.6 million due to repayment and the decrease in deferred taxation liabilities of RM0.5 million. The amount owing to a director was fully settled in FYE 2021.

The decrease in total liabilities was partially offset by:

- (i) drawdown of borrowings and lease liabilities of RM322.6 million in FYE 2021;
- (ii) increase in other payables and accruals of RM4.6 million, due to an increase in advance deposits from customers of RM4.1 million, accrued expenses of RM1.3 million, and this was offset by the decrease in other payables of RM0.8 million; and
- (iii) increase in current tax liabilities of RM1.5 million.

As at the LPD, there are no outstanding amounts owing to our directors.

Comparison between 31 December 2021 and 30 June 2022

Total liabilities increased by RM55.3 million from RM220.2 million as at 31 December 2021 to RM275.5 million as at 30 June 2022.

The increase in total liabilities were attributable to:

- (i) drawdown of borrowings of RM209.7 million in FPE 2022; and
- (ii) increase in trade payables of RM16.2 million mainly due to more purchases made towards the last month of FPE 2022.

The increase in total liabilities was partially offset by:

- (i) repayment of borrowings and lease liabilities of RM167.6 million in FPE 2022;
- (ii) decrease in current tax liabilities of RM1.7 million; and
- (iii) decrease in other payables and accruals of RM1.2 million, mainly due to lower other payables from the lower advance deposits from customers of RM1.5 million for future sales orders. This was offset by higher accruals for the accrued purchase of materials of RM0.1 million.

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11. FINANCIAL INFORMATION (Cont'd)**11.3.5 Review of cash flows**

	Audited			
	FYE 31 December			FPE 30 June
	2019	2020	2021	2022
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Net cash (used in)/generated from operating activities	(10,888)	36,516	36,721	(60,139)
Net cash (used in)/from investing activities	(3,506)	(2,826)	5,009	(302)
Net cash from/(used in) financing activities	14,852	(26,266)	5,419	38,573
Net increase in cash and cash equivalents	458	7,424	47,149	(21,868)
Cash and cash equivalents at beginning of the financial years and period	(2,584)	(2,126)	5,298	52,447
Cash and cash equivalents at end of the financial years and period	(2,126)	5,298	52,447	30,579

FYE 2019**Net cash used in operating activities**

In FYE 2019, our Group recorded net cash outflows for operating activities of RM10.9 million, after taking into the following consideration:

- (i) increase in inventories of RM22.2 million which was mainly contributed by higher inventories of finished goods in the last quarter of FYE 2019 to meet the sales demand for FYE 2020;
- (ii) decrease in trade and other payables of RM1.4 million, mainly due to lower purchases made during the last quarter of FYE 2019;
- (iii) increase in contract assets of RM0.7 million arising from work done and delivered to customers but pending the issuance of invoices;
- (iv) decrease in amount owing to a corporate shareholder of RM1.3 million, comprising dividend payable and interest-free amount owing and decrease in amount owing to a director of RM1.0 million. These were dividends declared and paid in respect of FYE 2018. As at the LPD, there was no amount owing to a corporate shareholder or a director; and
- (v) income tax paid of RM3.6 million.

Net cash used in investing activities

In FYE 2019, our Group recorded net cash outflow for investing activities of RM3.5 million. This was attributable to RM4.1 million which was used to fund part of the total purchases of RM10.6 million for property, plant and equipment, right-of-use assets and investment properties, while the remaining payments were financed through finance leases and term loans. Total purchase of property, plant and equipment, right-of-use assets and investment properties mainly comprise 5 unit of machineries of RM6.4 million, 5 units of motor vehicles of RM1.4 million, construction of factory of RM1.2 million as well as tool and equipment of RM0.4 million.

The cash outflow was partially offset by the withdrawal of deposit pledged with licensed bank of RM0.6 million.

11. FINANCIAL INFORMATION (Cont'd)**Net cash from financing activities**

In FYE 2019, we recorded net cash inflow from financing activities amounting to RM14.9 million, which was attributable to the drawdown of borrowings and lease liabilities of RM388.6 million.

The cash inflow was offset by the following:

- (i) repayment of borrowings and lease liabilities of RM364.3 million; and
- (ii) interest payment of RM9.5 million for bankers' acceptance, letter of credit, trust receipts, term loans, lease liabilities and others.

FYE 2020**Net cash from operating activities**

In FYE 2020, our Group recorded net cash inflows from operating activities of RM36.5 million, after taking into consideration the following:

- (i) decrease in inventories of RM53.9 million mainly contributed by lesser purchases made in FYE 2020 as well as higher utilisation of materials, i.e. steel coils for our manufacturing operations, in line with the higher revenue;
- (ii) increase in trade and other receivables of RM45.1 million mainly due to higher amount of our steel products delivered and billed to customers during the last quarter of FYE 2020;
- (iii) increase in trade and other payables of RM0.6 million mainly due to purchases on steel coils which were made in last quarter of FYE 2020;
- (iv) decrease in contract assets of RM1.4 million mainly due to less work done and delivered to customer during the last quarter of FYE 2020 as compared to corresponding period in FYE 2019;
- (v) increase in amount owing to a director of RM0.6 million as advances by a director in FYE 2020; and
- (vi) income tax paid of RM2.6 million.

Net cash used in investing activities

In FYE 2020, our Group recorded net cash outflow for investing activities of RM2.8 million. This was attributable to RM3.9 million which was used to fund part of the total purchases of RM5.9 million for property, plant and equipment and right-of-use assets, while the remaining payments were financed through finance leases. Total purchase of property, plant and equipment and right-of-use assets mainly comprise renovation and refurbishment for Lot 858 of RM2.2 million as well as plant and machineries of RM0.3 million, 10 motor vehicles amounting to RM2.2 million, and a component of ERW pipe mill amounting to RM0.2 million.

The cash outflow was offset by the interest received of RM0.2 million, the withdrawal of deposit pledged with licensed bank of RM0.1 million as well as proceeds from disposal of property, plant and equipment of RM0.5 million and proceeds from disposal of right-of-use assets of RM0.2 million (mainly 2 units of motor vehicles).

11. FINANCIAL INFORMATION (Cont'd)**Net cash used in financing activities**

In FYE 2020, we recorded net cash outflow for financing activities amounting to RM26.3 million, which was attributable to the following:

- (i) repayment of borrowings and lease liabilities of RM329.7 million;
- (ii) interest paid of RM9.2 million for bankers' acceptance, letter of credit, trust receipts, term loans, lease liabilities and others; and
- (iii) dividend paid of RM2.2 million in respect of FYE 2020.

The cash outflow was offset by the drawdown of borrowings and lease liabilities of RM314.8 million.

FYE 2021**Net cash from operating activities**

In FYE 2021, our Group recorded net cash inflows from operating activities of RM36.7 million, after taking into consideration the following:

- (i) increase in inventories of RM32.5 million mainly contributed by more steel coils purchased towards the last quarter of FYE 2021;
- (ii) decrease in trade and other receivables of RM18.4 million mainly due to less sales generated towards the last quarter of FYE 2021 and this was offset by higher amounts paid as advance payment for future purchase for steel coils towards the last quarter of the FYE 2021;
- (iii) decrease in trade and other payables of RM12.7 million mainly due to early payments made to suppliers in FYE 2021 to enjoy discounts;
- (v) decrease in amount owing to a director of RM0.6 million as repayment of advances made by a director in FYE 2020; and
- (iv) income tax paid of RM12.8 million.

Net cash from investing activities

In FYE 2021, our Group recorded net cash inflow from investing activities of RM5.0 million, which was attributable to the following:

- (i) proceeds from disposal of property, plant and equipment as well as right-of-use assets of an aggregate amount of RM8.2 million (mainly comprising a single storey factory cum office of RM6.5 million and proceeds from disposal of 16 motor vehicles of RM1.7 million);
- (ii) net of cash and cash equivalent of disposal of entire equity in subsidiary, Lex-Bridge Industries Sdn Bhd (formerly known as Tianwen Industries Sdn Bhd) of RM0.9 million being the consideration received of RM1.1 million after deducting the cash and bank balance of Lex-Bridge Industries Sdn Bhd of RM127,762;
- (iii) partial disposal of 10% equity in a subsidiary, Leform Marketing, of RM0.3 million; and
- (iv) interest received of RM0.2 million.

11. FINANCIAL INFORMATION (Cont'd)

The cash inflow was offset by RM4.6 million which was used to fund part of the total purchases of RM8.0 million for property, plant and equipment as well as right-of-use assets, while the remaining payments were financed through finance leases. Total purchase of property, plant and equipment as well as right-of-use assets mainly comprise 10 motor vehicles amounting to RM6.0 million, electrical installation at Lot 858 amounting to RM0.7 million, renovation and refurbishment for building amounting to RM0.2 million as well as various tools and equipment amounting to RM0.6 million.

Net cash from financing activities

In FYE 2021, we recorded net cash inflow from financing activities amounting to RM5.4 million, which was attributable to the drawdown of trust receipts and term loan of total RM322.6 million.

The cash inflow was offset by the following:

- (i) repayment of borrowings of RM307.7 million;
- (ii) interest paid of RM6.0 million for bankers' acceptance, letter of credit, trust receipts, term loans, lease liabilities and others; and
- (iii) dividend paid of RM3.5 million in respect of FYE 2021.

All the amount owing to our corporate shareholder and director was not interest bearing. As at the LPD, all amount owing to our corporate shareholder and director has been settled.

FPE 2022**Net cash used in operating activities**

In FPE 2022, our Group recorded net cash outflows for operating activities of RM60.1 million, after taking into consideration the following:

- (i) increase in inventories of RM81.7 million mainly contributed by more steel coils purchased towards the last few months of FPE 2022 with total purchases for the FPE 2022 amounted to RM244.7 million;
- (ii) increase in trade and other receivables of RM8.3 million mainly due to more sales generated towards the last month of FPE 2022 and this was offset by lower amounts paid as advance payment for future purchase for steel coils following the delivery of steel coils;
- (iii) increase in trade and other payables of RM15.0 million mainly due to more purchases of steel coils made in the last month of FPE 2022 which was only due for payment post FPE 2022; and
- (iv) income tax paid of RM9.6 million.

We are of the view that our Group's net cash used in operations for FPE 2022 was a temporary situation as we incurred higher purchases in mother coils towards the last few months of the FPE 2022 with total purchases for the FPE 2022 amounted to RM244.7 million. We made such purchases as our Group tries to meet the limit granted by the Malaysian Government on the exemption of tax on the acquisition of raw materials (i.e. mother coils) which was valid from 3 July 2021 to 2 July 2022. Within the validity of the tax exemption period, we may purchase mother coils without tax up to the approved purchase limit granted by the Malaysian Government. The purchase limit will be subject to revision during renewal depending on level of purchases made during the previous validity period. Thus, the tax exemption would allow our Group to enjoy lower effective purchase prices for raw materials. In relation to our trade receivables position as at the LPD, we have subsequently collected RM63.5 million representing 76.4% of our net trade receivables as at 30 June 2022, thus consequently leading to lower trade receivables which would improve our Group's cashflow position.

11. FINANCIAL INFORMATION (Cont'd)**Net cash used in investing activities**

In FPE 2022, our Group recorded net cash outflow for investing activities of RM0.3 million. This was attributable to an addition in property, plant and equipment of RM0.4 million, mainly from the capitalisation of costs incurred for the preliminary planning and development costs of our proposed headquarters, workers' accommodation and warehouse storage facility of RM0.3 million. The cash outflow was offset by interest received of RM0.1 million.

Net cash from financing activities

In FPE 2022, we recorded net cash inflow from financing activities amounting to RM38.6 million, which was attributable to the drawdown of borrowings and lease liabilities of RM209.7 million where such borrowings were utilised for acquisition of property, plant and equipment and working capital such as purchase of goods, products and materials, while lease liabilities were for purchase of plant and machinery, and motor vehicles.

The cash inflow was offset by :

- (i) repayment of borrowings and lease liabilities of RM167.6 million; and
- (ii) interest paid of RM3.5 million for bankers' acceptance, letter of credit, trust receipts, term loans and lease liabilities.

11.4 Liquidity and capital resources**11.4.1 Working capital**

We have been financing our operations through existing cash and bank balances, cash generated from our operations, credit extended by our suppliers and external sources of funds. Our external sources of funds comprise term loans, bank overdraft and trade facilities such as bankers' acceptances and trust receipts as well as lease liabilities under hire purchase arrangement. The principal use of our borrowings is for our acquisition of property, plant and equipment and working capital.

The decision to utilise either internally generated funds or borrowings for our business operations depends on, amongst others, our cash and bank balances, expected cash inflow and outflow, future working capital requirements, future capital expenditure requirements and the interest rate on borrowings.

There are no legal, financial or economic restrictions on subsidiaries' ability to transfer funds to our Group in the form of cash dividends, subject to the availability of distributable reserves, loans or advances in compliance with any applicable financial covenants.

After taking into consideration the following, our Board is of the opinion that our working capital will be sufficient for our existing and foreseeable requirements for a period of 12 months from the date of this Prospectus:

- (a) Our deposit, cash and bank balances as at the LPD of approximately RM23.4 million;
- (b) Our banking facilities (excluding lease liabilities) of up to a limit of RM313.4 million as at LPD, of which RM195.5 million has been utilised; and
- (c) Our pro forma NA position attributable to the owners of the Company and gearing level as at 30 June 2022 after the Public Issue and utilisation of proceeds of RM247.1 million and 0.8 times respectively.

At this juncture, we do not foresee any circumstances which may materially affect our liquidity. Our Group has not encountered any major disputes with our debtors. Our finance personnel work closely with our marketing and sales staff for the collection of outstanding balances on a monthly basis. This measure has proven to be effective while allowing us to maintain cordial relationships with our customers.

11. FINANCIAL INFORMATION (Cont'd)

11.5 Borrowings

All of our borrowings are secured, interest-bearing and denominated in RM. Our total outstanding borrowings as at 30 June 2022 stood at RM220.7 million, details of which are set out below:

	Purpose	Tenure	Effective interest rate %	As at 30 June 2022 (RM'000)
Interest bearing short-term borrowings, payable within 1 year:				
Bankers' acceptance and trust receipts	Financing the purchase of goods, products, materials	Current	2.3 - 6.7%	184,783
Lease liabilities	Purchase of plant and machinery, and motor vehicles	1 - 5 years	3.9% - 6.1%	1,745
Term loans	Purchase of land and buildings and investment properties	5 - 20 years	3.2% - 4.9%	6,742
				193,270
Interest bearing long-term borrowings, payable after 1 year:				
Lease liabilities	Purchase of plant and machinery, and motor vehicles	1 - 5 years	3.9% - 6.1%	1,800
Term loans	Purchase of land and buildings and investment properties	5 - 20 years	3.2% - 4.9%	25,653
				27,453
				220,723
Total borrowings				
Gearing (times)				
	After Pre-IPO Exercise but before Public Issue ⁽¹⁾			1.2
	After Pre-IPO Exercise, Public Issue and utilisation of proceeds ⁽²⁾			0.8

11. FINANCIAL INFORMATION (Cont'd)

Notes:

- (1) Computed based on our pro forma equity attributable to the owners of the Company of RM179.3 million in the pro forma statements of financial position after Pre-IPO Exercise but before Public Issue and proposed utilisation of proceeds.
- (2) Computed based on our pro forma equity attributable to the owners of the Company of RM247.1 million in the pro forma statements of financial position after Pre-IPO Exercise, Public Issue and utilisation of proceeds which includes the repayment of bank borrowings of RM14.4 million.
- (3) In conjunction with our Listing, we will apply to the financiers to obtain a release and/or discharge of the guarantees by substituting the same with a corporate guarantee from our Company and/or other securities from our Group acceptable to the financiers. Until such release and/or discharge are obtained from the respective financiers, our Promoter, Director and substantial shareholder, Law Kok Thye will continue to guarantee the banking facilities extended to our Group.

The following table sets out the contractual cash flow and maturities of our borrowings as at 30 June 2022:

	As at
	30 June 2022
	(RM'000)
<u>Borrowings</u>	
Carrying amount	220,723
<u>Contractual cash flow</u>	
Within the next 12 months	194,563
Later than 1 year but not later than 5 years	25,188
More than 5 years	5,029
Total contractual cash flow of borrowings	224,780

As at the LPD, we do not have any borrowings which are non-interest bearing and/or in foreign currency. We have not defaulted on payments of principal sums and/or interests in respect of any borrowings throughout the Financial Years and Period Under Review and up to the LPD. As at the LPD, neither our Company nor our subsidiaries are in breach of any terms, conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and results of business operations or the investments by holders of our securities.

From Financial Years and Period Under Review, we have not experienced any claw back or reduction in the facilities limit granted to us by our lenders.

11. FINANCIAL INFORMATION (Cont'd)

11.6 Types of financial instruments used, treasury policies and objectives

As at the LPD, save for our borrowings as disclosed in Section 11.5 of this Prospectus and USD denominated forward contracts entered into as disclosed in **Section 11.13** of this Prospectus, we do not utilise any other financial instruments. We receive proceeds in USD in respect of our foreign sales and pay for purchases denominated in USD with our foreign currency accounts.

Our main treasury objectives are to maintain sufficient working capital to finance our operations, coupled with adequate credit facilities to meet the estimated commitments arising from our operational expenditures and financial liabilities. We finance our operations mainly through cash generated from our operations, credit extended by trade payables as well as external sources of funds which mainly comprise borrowings. Save for finance leases and trust receipts which carry fixed interest rates, all other borrowings bear variable interest rates based on the bank's cost of funds plus a rate which varies depending on the different types of bank facilities. As at the LPD, we have not used any financial instruments to hedge against a change in interest rates.

11.7 Material capital commitments

Save as disclosed below, and as at the LPD, our Group does not have any material capital commitment:

	To be funded from proceeds of our IPO
	(RM'000)
Authorised and not contracted for: Construction-in-progress ⁽¹⁾	30,038
	30,038

Note:

- (1) We expect to meet our material capital commitment through the gross proceeds raised from our IPO of approximately RM30.0 million earmarked for capital expenditures. As at the LPD, we have not incurred any costs for the construction which was funded using our internal funds. These expenses and additional expenses to be incurred for the construction (if any) which will be funded from our internal funds until the IPO proceeds are available, and shall be reimbursed from the IPO proceeds after our Listing. Further details of the use of proceeds arising from our IPO are set out in **Section 3.7** of this Prospectus.

11.8 Material litigation and contingent liabilities

As at the LPD, we have not been engaged in any government, legal or arbitration proceedings, including those relating to bankruptcy, receivership or similar proceedings which may have or have had, material or significant effects on the financial position or profitability of our Group, in the 12 months immediately preceding the date of this Prospectus.

As at the LPD, there are no contingent liabilities incurred by us or our subsidiary, which upon becoming enforceable, may have a material effect on our financial position or our subsidiary.

11.9 Policies on foreign exchange control and profit repatriation

We have not established any other place of business outside of Malaysia and is not subject to government laws, decrees, regulations or other legislations that may affect the repatriation of capital and remittance of profits by or to us.

11. FINANCIAL INFORMATION (Cont'd)**11.10 Key financial ratios**

The key financial ratios of our Group for the Financial Years and Period Under Review are as follows:

	<u>FYE 2019</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FPE 2022</u>
Trade receivable turnover (days) ⁽¹⁾	52	71	73	62
Trade payable turnover (days) ⁽²⁾	47	48	41	29
Inventory turnover (days) ⁽³⁾	147	129	126	149
Current ratio (times) ⁽⁴⁾	1.0	1.1	1.4	1.4
Gearing ratio (times) ⁽⁵⁾	1.5	1.3	1.1	1.2
Net gearing ratio (times) ⁽⁶⁾	1.5	1.3	0.8	1.1

Notes:

- (1) Computed based on average trade receivables as at year/period end over revenue for the year multiplied by 365 days or 181 days for each financial year/period.

	Audited			
	<u>FYE 2019</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FPE 2022</u>
	<u>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>
Opening trade receivables	46,142	51,709	86,846	62,345
Closing trade receivables	51,709	86,846	62,345	83,198
Revenue	344,581	354,714	373,974	213,671

- (2) Computed based on average trade payables as at year/period end over costs of sales for the year multiplied by 365 days or 181 days for each financial year/period.

	Audited			
	<u>FYE 2019</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FPE 2022</u>
	<u>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>
Opening trade payable	42,921	40,502	43,762	21,996
Closing trade payable	40,502	43,762	21,996	38,189
Cost of sales	323,288	323,514	294,085	188,314

- (3) Computed based on average inventories as at year/period end over costs of sales for the year multiplied by 365 days or 181 days for each financial year/period.

	Audited			
	<u>FYE 2019</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FPE 2022</u>
	<u>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>
Opening inventories	119,375	141,567	87,661	115,396
Closing inventories	141,567	87,661	115,396	195,511
Cost of sales	323,288	323,514	294,085	188,314

- (4) Computed based on current assets over current liabilities as at each financial year/period end.
- (5) Computed based on total borrowings over total equity attributable to owners of our Company as at each financial year/period end.
- (6) Computed based on the net borrowings (total borrowings net of cash and bank balances) over total equity attributable to owners of our Company as at each financial year/period end.

11. FINANCIAL INFORMATION (Cont'd)

11.10.1 Trade receivables turnover

Our normal trade terms are credit terms that range from 14 days to 90 days. Our credit terms to customers are assessed and approved on a case-by-case basis taking into consideration various factors such as relationship with customers, customers' payment history, credit worthiness and quantum of amount owing. We use ageing analysis to monitor the credit quality of our trade receivables.

There were no changes to our credit policies and procedures during the Financial Years and Period Under Review. The trade receivable turnover period is dependent on the mix of clients and during the Financial Years and Period Under Review.

Our trade receivable turnover days for the Financial Years and Period Under Review were 52 days, 71 days, 73 days and 62 days respectively, which are within our credit period. Our trade receivables turnover days increased from 52 days for FYE 2019 to 73 days for FYE 2021 due to slower collection from the customers as a result of the MCO implemented which restricted businesses from operating in order to curb the spreading of the COVID-19 pandemic as well as certain customers took a longer time to pay due to their cash constraints. Our trade receivables turnover days improved from 73 days for FYE 2021 to 62 days for FPE 2022 due to efforts of our marketing and management in collection.

The ageing analysis of our trade receivables as at 30 June 2022 is as follows:

	Within credit period	Not more than 90 days past due but not impaired	Exceeding credit period 90 to 180 days past due but not impaired	More than 180 days past due but not impaired	Total
Gross trade receivables (RM'000)	55,302	27,823	225	339	83,689
Less: loss allowance (RM'000)	(9)	(272)	(2)	(208)	(491)
Trade receivables (RM'000)	55,293	27,551	223	131	83,198
% of total trade receivables (%)	66.5	33.1	0.3	0.1	100.0
Subsequent collections up to the LPD (RM'000)	(37,289)	(26,137)	(4)	(107)	(63,537)
Trade receivables net of subsequent collections (RM'000)	18,004	1,414	219	24	19,661
% of trade receivables net of subsequent collections to total trade receivables net of subsequent collections (%)	91.6	7.2	1.1	0.1	100.0

11. FINANCIAL INFORMATION (Cont'd)

As at the LPD, we have collected RM63.5 million of our net trade receivables as at 30 June 2022.

Our management closely monitors the recoverability of the trade receivables on a regular basis, and, when appropriate, provides for credit loss of these trade receivables. Our Board is of the view that the remaining trade receivables are recoverable and no further provision for expected credit loss is required after taking into consideration our relationship with our customers as well as our efforts to improve collection with various credit control measures to reduce the potential exposure on credit risk.

Our Group has not encountered any major disputes in respect of our trade receivables. With respect to overdue debts, we have generally been able to collect payment eventually as evident by our subsequent collections after 30 June 2022. As such, our management was of view that the overdue trade receivables were recoverable and no further impairment is required.

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11. FINANCIAL INFORMATION (Cont'd)

11.10.2 Trade payables turnover

The normal credit terms granted by our trade creditors to our Group for cash term is up to 90 days from the date of tax invoice.

Our trade payable turnover days for the Financial Years and Period Under Review were 47 days, 48 days, 41 days and 29 days respectively. The trade payables turnover days decreased gradually during the Financial Years and Period Under Review in order for us to benefit the discount from early settlements.

The ageing analysis of our trade payables as at 30 June 2022 is as follows:

	Within credit period	Exceeding credit period				Total
		1 to 30 days past due	31 to 60 days past due	61 - 90 days past due	>90 days past due	
Trade payables (RM'000)	21,181	13,009	3,902	97	-	38,189
% of total trade payables (%)	55.5	34.1	10.2	0.2	-	100.0
Subsequent payments up to the LPD (RM'000)	(3,660)	(8,614)	(3,902)	(97)	-	(16,273)
Trade payables net of subsequent payments (RM'000)	17,521	4,395	-	-	-	21,916
% of trade payables net of subsequent payments to total trade payables net of subsequent payments (%)	80.0	20.0	-	-	-	100.0

As at the LPD, we have paid RM16.3 million of our trade payables as at 30 June 2022.

As at the LPD, there are no disputes in respect of any trade payables and our Board confirms that there had been no legal actions initiated by our suppliers to demand for payment from us in the past nor present.

11. FINANCIAL INFORMATION (Cont'd)**11.10.3 Inventory turnover**

Our inventories consist of steel coil and finished goods. Our inventory turnover period from the Financial Years and Period Under Review is approximately an average of 138 days.

In general, the order from the customer would take 1 to 1.5 months from the date of the purchase order is received to be processed. Our inventory turnover days vary from year to year according to our sales orders. The inventory turnover days for FYE 2021 of 126 days were reduced due to low level of steel coils and finished goods at the end of FYE 2021. The inventory turnover days for FPE 2022 increased to 149 days due to high level of steel coils and finished goods at the end of FPE 2022 arising from higher purchases of steel coils towards last months of FPE 2022, i.e. March 2022 and April 2022.

The breakdown of inventory turnover days for the Financial Years and Period Under Review is as follows:

	<u>FYE 2019</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FPE 2022</u>
Raw materials (days)	98	81	79	102
Finished goods (days)	49	48	47	42
Goods-in-transit	-	-	-	5
Inventory turnover days	147	129	126	149

As at 30 June 2022, the inventories of our Group amounted to RM195.5 million and can be analysed as follows:

	<u>1 to 30 days</u>	<u>31 to 60 days</u>	<u>61 to 90 days</u>	<u>91 days and above</u>	<u>Total</u>
	<u>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>
Raw material -steel coils	73,941	25,753	12,657	(1)23,976	136,327
Finished goods -steel products	30,847	4,741	2,444	(2)13,032	51,064
Goods-in-transit	10,425	-	-	-	10,425
Less : Inventories written down	(583)	(209)	(195)	(630)	(1,617)
Less: Provision for obsolete stock	-	-	-	(3)(688)	(688)
	114,630	30,285	14,906	35,690	195,511

Notes:

- (1) We purchased and kept stock of steel coils in view of the recent reduction and uncertainties in steel pricing. These materials aged less than 5 years and are non-perishable in nature. Impairment has been made for materials aged more than 5 years.
- (2) These steel products aged less than 5 years have been fully sold as at the LPD. Impairment has been made for steel products aged more than 5 years.
- (3) Steel inventories are not perishable and would have a long useful life. Notwithstanding, we adopted a more prudent approach when accounting for slow moving inventories whereby inventories which are held for more than 5 years will be fully written down.

We conduct a weekly internal meeting to review our inventory level and inventory ageing. Approval is required from authorised personnel at management level for replenishment of materials and impairment on slow moving stocks.

11. FINANCIAL INFORMATION (Cont'd)

Our Group practices weighted average basis in computing the cost of inventories and finished goods. The costs of materials include invoiced value of goods purchased and expenditure incurred in acquiring inventories. The cost of finished goods comprises materials, production labour and an appropriate proportion of production overheads.

11.10.4 Current ratio

Our current ratio throughout the Financial Years and Period Under Review is as follows:

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Current assets	210,936	206,345	249,238	321,454
Current liabilities	205,423	192,397	177,758	237,092
Net current assets	5,513	13,948	71,480	84,362
Current ratio (times)	1.0	1.1	1.4	1.4

Our current ratio is between 1.0 and 1.4 times throughout the Financial Years and Period Under Review. Our current ratio improved from 1.0 times for FYE 2019 to 1.4 for FYE 2021, mainly due to an increase in cash and bank balance, a decrease in short-term borrowings and decrease in trade payables attributed to early payments made to suppliers to enjoy discounts. Our current ratio maintained at 1.4 times for FPE 2022.

The improvement in current ratio indicates that our Group is capable of meeting our current obligations as our current assets which can be readily converted to cash, together with our cash in the bank are enough to meet immediate current liabilities.

11.10.5 Gearing ratio

Our gearing ratio throughout the Financial Years and Period Under Review is as follows:

	Audited			
	FYE 2019	FYE 2020	FYE 2021	FPE 2022
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Bankers' acceptance and trust receipts	143,139	136,267	138,825	184,783
Lease liabilities	9,864	4,863	4,658	3,545
Term loans	20,273	19,268	35,142	32,395
Bank overdrafts	9,019	3,869	-	-
Total borrowings	182,295	164,267	178,625	220,723
Cash & bank balance (excluded fixed deposits pledged)	(6,893)	(9,167)	(52,447)	(30,579)
Net borrowings	175,402	155,100	126,178	190,144
Total equity attributable to owners of the Company	118,911	123,712	167,066	179,252
Gearing ratio (times)	1.5	1.3	1.1	1.2
Net gearing ratio (times)	1.5	1.3	0.8	1.1

Our gearing ratio improved from 1.5 times in FYE 2019 to 1.3 times in FYE 2020, mainly attributable to an increase in retained earnings and revaluation reserve by 4.3% from RM112.4 million in FYE 2019 to RM117.2 million in FYE 2020 as well as the decrease in borrowings arising from the repayment of overall borrowings during FYE 2020.

11. FINANCIAL INFORMATION (Cont'd)

Our gearing ratio decreased significantly from 1.3 times in FYE 2020 to 1.1 times in FYE 2021, mainly attributable to a sharp increase in retained earnings and revaluation reserve by 37.0% from RM117.2 million in FYE 2020 to RM160.6 million.

Our gearing ratio increased from 1.1 times in FYE 2021 to 1.2 times in FPE 2022 mainly attributable to an increase in our borrowings which resulted from higher utilisation of trust receipts in FPE 2022.

11.11 Impact of government, economic, fiscal or monetary policies

There were no government, economic, fiscal or monetary policies or factors which had materially affected our financial performance during the Financial Years and Period Under Review except for the MCO imposed as detailed in **Section 6.25** of this Prospectus.

There is no assurance that our financial performance will not be adversely affected by the impact of further changes in government, economic, fiscal or monetary policies or factors moving forward. Risks relating to government, economic, fiscal or monetary policies or factors which may adversely and materially affect our operations are set out in **Section 4** of this Prospectus.

11.12 Impact of inflation

Our Group is of the view that the current inflation rate does not have a material impact on our business, financial condition or results of our operation. However, any significant increase in future inflation may adversely affect our Group's operations and performance if we are unable to pass on the higher costs to our customers through increase in selling prices.

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11. FINANCIAL INFORMATION (Cont'd)

11.13 Impact of foreign exchange rates, interest rates and/or commodity prices on our Group's operations

(a) Impact of foreign exchange rates

Our sales and purchases of steel products and materials are denominated in various currencies, mainly RM and USD. For our sales, we are exposed to transactional currency exposure as approximately 2.6%, 4.0%, 2.8%, 1.6% and 1.6% of our revenues were denominated in USD for the Financial Years and Period Under Review respectively.

Sales transacted in	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%
• RM	335,190	97.3	338,025	95.3	362,796	97.0	199,205	98.0	210,161	98.4
• USD	8,964	2.6	14,296	4.0	10,269	2.8	3,237	1.6	3,510	1.6
• BND	323	0.1	1,085	0.3	909	0.2	909	0.4	-	-
• SGD	104	-(1)	1,308	0.4	-	-	-	-	-	-
	344,581	100.0	354,714	100.0	373,974	100.0	203,351	100.0	213,671	100.0

Note:

(1) Negligible

The following is a breakdown of our purchases made in USD and RM during the Financial Years and Period Under Review. We are exposed to transactional currency exposure as approximately 56.2%, 36.5%, 45.5%, 44.9% and 62.8% of our purchases were denominated in USD for the Financial Years and Period Under Review respectively.

Purchases transacted in	FYE 2019		FYE 2020		FYE 2021		FPE 2021		FPE 2022	
	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%	(RM'000)	%
• USD	164,510	56.2	80,127	36.5	137,337	45.5	54,571	44.9	153,656	62.8
• RM	128,420	43.8	139,561	63.5	164,454	54.5	67,000	55.1	91,078	37.2
	292,930	100.0	219,688	100.0	301,791	100.0	121,571	100.0	244,734	100.0

Any appreciation or depreciation of the USD against RM will affect our GP and GP margin. We maintain foreign currency accounts to receive sales proceeds in USD while we use bankers' acceptance and trust receipts for payment of purchases. During the Financial Years and Period Under Review, we do not have foreign currency borrowings nor have we entered into any foreign currency exchange contracts to hedge our foreign currency exposure. We only purchase the required amount of foreign currency as and when we settle the import bills which are due.

11. FINANCIAL INFORMATION (Cont'd)

This is because we are generally able to quote our selling prices based on market prices of steel, and hence we are able to pass on some of the costs of increase in steel materials to our customers.

Nevertheless, starting in April 2022, we entered into foreign currency forward contracts with banking institutions to buy the USD paid to our suppliers at agreed exchange rates for fixed periods of time to reduce the exposure of our payables. The table below summarises our USD denominated forward contracts as at the LPD:

	<u>As at LPD</u>	
	<u>(USD'000)</u>	
	<u>(RM'000)</u>	
USD denominated forward contracts	15,225	68,989

A sensitivity analysis performed on our Group's foreign currency financial assets and liabilities as at 30 June 2022 indicates that, in the event of a 5% fluctuation of RM against USD, our PAT for FPE 2022 would fluctuate by RM176,755. Thus, a depreciation of the RM against the USD may adversely affect our financial performance and GP margin.

11. FINANCIAL INFORMATION (Cont'd)**(b) Gain/(Loss) on foreign exchange**

For the Financial Years and Period Under Review, our gain from foreign exchange fluctuations are as follows:

	<u>FYE 2019</u> <u>(RM'000)</u>	<u>FYE 2020</u> <u>(RM'000)</u>	<u>FYE 2021</u> <u>(RM'000)</u>	<u>FPE 2022</u> <u>(RM'000)</u>
Realised gain/(loss) on foreign exchange	671	(472)	169	402
Net gain/(loss)	671	(472)	169	402

Realised gain/(loss) on foreign exchange represents the difference in the foreign exchange rate as at the date of our invoice as compared to the foreign exchange rate when the collection/ payment for the invoice is received/ paid.

If the foreign exchange rate as at the date of our invoice is higher as compared to the rate when the collection for the invoice is received, we will record a realised loss on foreign exchange. Conversely, if the foreign exchange rate as at the date of our invoice is lower as compared to the rate when the collection for the invoice is received, we will record a realised gain on foreign exchange.

(c) Impact of interest rates

Interest coverage ratio measures the number of times a company can make its interest payments with its EBIT. The interest coverage ratio for the Financial Years and Period Under Review is as follows:

	<u>FYE 2019</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FPE 2022</u>
Interest coverage ratio (times) ⁽¹⁾	1.1	2.1	11.4	5.7

Note:

(1) Computed based on EBIT over finance costs for Financial Years and Period Under Review.

Our interest coverage ratio of between 1.1 times and 11.4 times for the Financial Years and Period Under Review indicates that our Group has been able to generate sufficient EBIT to meet our interest serving obligations.

Our Group's financial results from the Financial Years and Period Under Review were not materially affected by fluctuations in interest rates. However, any major increase in interest rates would raise the cost of our borrowings and our finance costs, which may have an adverse effect on the performance of our Group. This is in view that all of our borrowings other than finance leases and trust receipts bear variable interest rates based on the bank's cost of funds plus a rate which varies depending on the different types of bank facilities.

(d) Impact of commodity prices

Most of our products and substantially all of our materials (mother coils) are commodities whose price fluctuate based on market condition. Accordingly, our product margins and profitability fluctuate in accordance with commodity price movement. To manage the risk of commodity price fluctuation, we make several controls and management, amongst others, inventory management such as purchase more as and when we see material price is on upward trend or otherwise; daily price monitoring and passing cost increase to customers to dampen the influence of such volatility.

11. FINANCIAL INFORMATION (Cont'd)

11.14 Order book

Due to the nature of our business, we do not maintain an order book. Our revenue is generated as and when we deliver our products based on purchase orders received.

11.15 Directors' declaration on our Group's financial performance

Our Board is of the opinion that:

- (a) our Group's revenue will remain sustainable, in line with the positive prospects of the end-user industries of our Group's steel products, i.e. the furniture, construction and automotive part manufacturing industries, as set out in the IMR Report;
- (b) our liquidity will improve subsequent to the Public Issue given the additional funds to be raised for us to carry out our future plans as stated in **Section 6.24** of this Prospectus; and
- (c) our financial resources will strengthen, taking into account the amount to be raised from the IPO as well as internally generated funds. We may consider debt funding for our business expansion should the need arise.

Other than as disclosed in this section, there are no known circumstances which would result in a significant decline in our revenue and GP margin, and that is likely to have a material impact on our liquidity, revenue or profitability.

11.16 Trend information

Based on our track record for the Financial Years and Period Under Review the following trends may continue to affect our business:

- (a) during the Financial Years and Period Under Review, both manufacturing and trading segments have been the revenue contributors for our business. We expect that these two segments will continue contributing significantly to our revenue in the future;
- (b) for the Financial Years and Period Under Review, our revenue is derived from both local and export sales. We expect this trend to continue in the future; and
- (c) for Financial Years and Period Under Review, the main component of our cost of sales is mother coils, which constituted more than 90% of our total cost of sales. We expect this trend to continue.

As at the LPD, after all reasonable enquiries, our Board confirms that our operations have not been and are not expected to be affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our Group's financial performance, position, operations, liquidity and capital resources save as disclosed in this section and **Sections 4, 6, and 7** of this Prospectus;
- (ii) material commitments for capital expenditure save as disclosed in **Section 11.7** of this Prospectus;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected the financial performance, position and operations of our Group save as disclosed in this section and **Sections 4 and 6.25** of this Prospectus;

11. FINANCIAL INFORMATION (Cont'd)

- (iv) known trends, demands, commitments, events or uncertainties that have resulted in a material impact on our Group's revenue and/or profits save as disclosed in this section, business overview and IMR Report as set out in **Sections 6 and 7** of this Prospectus, **Section 4** of this Prospectus on risks factors and the future plans and business strategies as set out in **Section 6.24** of this Prospectus; and
- (v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our Group's historical financial statements not necessarily indicative of the future financial performance and position save as disclosed in this section and **Sections 4 and 6.25** of this Prospectus.

Our Board is optimistic about the future prospects of our Group given the positive outlook of the steel industry as set out in the IMR Report in **Section 7** of this Prospectus, our Group's competitive strengths set out in **Section 6.6** of this Prospectus and our Group's intention to implement the business strategies as set out in **Section 6.24** of this Prospectus.

11.17 Significant changes

Save for the COVID-19 pandemic and as disclosed in **Section 6.25** of this Prospectus, there are no significant changes that have occurred which may have a material effect on the financial position and results of our Group subsequent to FYE 2021 and up to the LPD. Please refer to **Section 6.25** of this Prospectus for further details on the impact of the COVID-19 pandemic on our Group's business and financial performance.

In addition, in regard to the capitalisation and indebtedness of the Group as at 31 August 2022 as disclosed in **Section 11.19** of this Prospectus, there is a decline in the NA attributable to the owners of our Company from RM179.3 million as at 30 June 2022 to RM174.2 million as at 31 August 2022. The decline was due to lower profitability for the period from 1 July 2022 to 31 August 2022 on the back of higher cost of sales driven by higher weighted average material prices of which our weighted average price of mother coils for July and August is RM4,227 per MT. The decline in our selling price after FPE 2022 was due to sudden reduction in international prices caused by the recent COVID-19 lockdown in some parts of China affecting the domestic view of the downward trend of steel prices. This has resulted in downward adjustment in our selling prices to match the expectation of international steel prices. Despite the lower selling price, our management continues to conduct such sales to generate cash for our operational needs. At the same time, we were able to dispose and replenish our current inventories to lower down our weighted average cost of inventories and improve our financial performance.

Our management will continue to monitor and assess the current economic situation as well as our inventories in managing our financial performance amidst the movement in global steel prices. Nevertheless, there can be no assurance that any decrease in the steel prices may have an adverse effect on our profitability and financial performance.

11. FINANCIAL INFORMATION (Cont'd)**11.18 Dividend policy**

Save for compliance with the solvency requirement under the Act, which is applicable to all Malaysian companies, there are no legal except for the covenants in existing loan agreements pursuant to which prior written consent from the respective financial institutions are required, financial, or economic restrictions on the ability of our existing subsidiaries to transfer funds in the form of cash dividends, loans or advances to us. Moving forward, the payment of dividends or other distributions by our subsidiaries will depend on their distributable profits, operating results, financial condition, capital expenditure plans, business expansion plans and other factors that their respective boards of directors deem relevant.

The dividend policy of our Group is to distribute to our shareholders surplus funds from our distributable profits, subject to:

- (a) the recognition of profit and availability of cash for distribution;
- (b) any banking or other funding requirements by which our Group is bound from time to time;
- (c) the operating and investment needs of our Group; and
- (d) the anticipated future growth and earnings of our Group.

Our Group shall endeavor to maintain a dividend payout ratio of not less than 20% of net earnings, subject to the above considerations. We will not declare any dividends where the law prevents such payment and if there are reasonable grounds for believing that our Group is or would be, after a dividend payment, unable to pay its liabilities or discharge its obligations as and when they become due. Any dividends declared will be subject to the recommendation of our Board and any final dividends declared will be subject to the approval of our shareholders at our AGM.

Dividends declared by Leform for the Financial Years and Period Under Review were as follows:

	<u>FYE 2019</u>	<u>FYE 2020</u>	<u>FYE 2021</u>	<u>FPE 2022</u>
	<u>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>	<u>(RM'000)</u>
Dividends declared	-	2,000	3,000	-
(LAT)/PAT attributable to owners of the Company	(1,704)	6,579	44,495	12,187
Dividend pay-out-ratio	-	30.4	6.7	-

Subsequent to FPE 2022 and up to the LPD, we did not declare or pay any dividend. Our Group does not intend to declare any dividends prior to Listing.

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11. FINANCIAL INFORMATION (Cont'd)
11.19 Capitalisation and indebtedness

The table below summarises our capitalisation and indebtedness:

- (a) Based on the latest unaudited financial information as at 31 August 2022; and
 (b) After adjusting for the effects of the Pre-IPO Exercise, IPO and utilisation of proceeds.

	I	II	III
As at 31 August 2022	After the Pre- IPO Exercise	After I and IPO	After II and utilisation of proceeds
(RM'000)	(RM'000)	(RM'000)	(RM'000)
Indebtedness			
Current			
Secured and guaranteed			
Bankers' acceptances and trust receipts	165,726	165,726	165,726
Term loans	7,049	7,049	4,833
Lease liabilities	637	637	637
	173,412	173,412	173,412
			171,196
Secured and unguaranteed			
Lease liabilities	727	727	727
	174,139	174,139	174,139
			171,923
Non-current			
Secured and guaranteed			
Term loans	24,425	24,425	12,389
Lease liabilities	411	411	411
	24,836	24,836	24,836
			12,800
Secured and unguaranteed			
Lease liabilities	1,167	1,167	1,167
	26,003	26,003	26,003
			13,967
Total indebtedness	200,142	200,142	200,142
			185,890
Capitalisation			
Equity attributable to owners of the Company	174,195	174,195	245,728
	374,337	374,337	445,870
Total capitalisation and indebtedness			428,013
Gearing ratio⁽¹⁾	1.2	1.2	0.8

Note:

- (1) Calculated based on total indebtedness divided by total capitalisation attributable to owners of the Company.