



LEFORM BERHAD

Registration No. 199501001582 (330776-K)

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2022

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 DECEMBER 2022**

	Individual Quarter			Cumulative Quarter		
	Current Quarter Ended 31-Dec-22	Corresponding Quarter Ended 31-Dec-21	Change	Cumulative Year to Date 31-Dec-22	Cumulative Year to Date 31-Dec-21	Change
<i>in thousands of RM</i>						
CONTINUED OPERATIONS						
Revenue	86,922	105,156	-17.3%	373,441	373,974	-0.1%
Results from operating activities	(16,041)	13,022	-223.2%	(5,177)	59,838	-108.7%
Finance costs	(2,535)	(1,691)	49.9%	(8,691)	(5,955)	45.9%
Finance income	141	118	19.5%	276	223	23.8%
Other income	3,648	723	404.6%	10,297	7,767	32.6%
(Loss)/Profit before taxation	(14,787)	12,172	-221.5%	(3,295)	61,873	-105.3%
Income tax expense	(929)	(5,468)	-83.0%	(3,986)	(16,463)	-75.8%
(Loss)/Profit after taxation from continued operations	(15,716)	6,704	-334.4%	(7,281)	45,410	-116.0%
DISCONTINUED OPERATIONS						
Profit after taxation from discontinued operations	-	-	-	-	78	-100.0%
Profit after taxation	(15,716)	6,704	-334.4%	(7,281)	45,488	-116.0%
Other comprehensive income, net of tax						
<u>Items that will not be reclassified subsequent to profit or loss</u>						
Revaluation of property, plant and equipment	3,392	1,800	88.4%	3,392	1,800	88.4%
Total comprehensive (expense)/income for the financial year	(12,324)	8,504	-244.9%	(3,889)	47,288	-108.2%
(Loss)/Profit attributable to:-						
<u>Owners of the Company</u>						
- continuing operations	(15,666)	6,674	-334.7%	(7,259)	44,495	-116.3%
- discontinued operations	-	-	-	-	78	-100.0%
	(15,666)	6,674	-334.7%	(7,259)	44,573	-116.3%
Non-controlling interests	(50)	30	-266.7%	(22)	915	-102.4%
	(15,716)	6,704	-334.4%	(7,281)	45,488	-116.0%
Total comprehensive (expense)/income attributable to:						
<u>Owners of the Company</u>						
- continuing operations	(12,274)	8,474	-244.8%	(3,867)	46,295	-108.4%
- discontinued operations	-	-	-	-	78	-100.0%
	(12,274)	8,474	-244.8%	(3,867)	46,373	-108.3%
Non-controlling interests	(50)	30	-266.7%	(22)	915	-102.4%
	(12,324)	8,504	-244.9%	(3,889)	47,288	-108.2%
(Loss)/Earnings per ordinary share						
Basic/Diluted (sen)	(1.06)	0.45	-335.6%	(0.49)	3.00	-116.3%

The above unaudited condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the Accountants' Report as disclosed in the prospectus of the Company dated 26 October 2022 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022**

<i>in thousands of RM</i>	As at 31-Dec-22 (Unaudited)	As at 31-Dec-21 (Audited)
Assets		
Non-current Assets		
Property, plant and equipment	126,141	110,174
Investment properties	9,758	9,983
Right-of-use-assets	6,225	17,914
Goodwill on consolidation	2,702	2,702
Total non-current assets	144,826	140,773
Current Assets		
Inventories	228,860	115,396
Trade and other receivables	82,472	80,687
Contract assets	616	616
Current tax assets	7,911	92
Derivatives Assets	-	-
Fixed deposits with a licensed bank	15,604	10,000
Cash and bank balances	35,869	42,447
Total current assets	371,332	249,238
Total assets	516,158	390,011
Equity and Liabilities		
Equity		
Share Capital	146,909	6,500
Reserves	85,199	160,566
Equity attributable to owners of the Company	232,108	167,066
Non-controlling interests	2,322	2,744
Total equity	234,430	169,810
Non-current liabilities		
Lease liabilities	1,398	2,417
Term loans	27,645	29,040
Deferred tax liabilities	11,395	10,986
Total non-current liabilities	40,438	42,443
Current liabilities		
Trade and other payables	57,651	28,801
Derivatives Liabilities	337	-
Lease liabilities	1,307	2,241
Banker's acceptance and trust receipts	166,942	138,825
Bank overdrafts	7,501	-
Term loans	7,483	6,102
Current tax liabilities	69	1,789
Total current liabilities	241,290	177,758
Total liabilities	281,728	220,201
Total equity and liabilities	516,158	390,011
Net assets per share attributable to owners of the Company (sen)	15.67	11.28

The above unaudited condensed consolidated statement of financial position should be read in conjunction with the Accountants' Report as disclosed in the prospectus of the Company dated 26 October 2022 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 DECEMBER 2022**

<i>in thousand of RM</i>	Share Capital	Non-Distributable Revaluation Reserves	Distributable Retained Profits	Total	Non-controlling interests	Total equity
As at 1 January 2021	6,500	41,297	75,915	123,712	2,046	125,758
Profit after tax for the financial year	-	-	44,573	44,573	915	45,488
Other comprehensive income for the financial year:						
- Revaluation of Property, plant and equipment	-	1,800	-	1,800	-	1,800
Total comprehensive income for the financial year	-	1,800	44,573	46,373	915	47,288
<u>Contribution by and distributions to owners of the Company:</u>						
- Dividend						
- by the company	-	-	(3,000)	(3,000)	-	(3,000)
- by a subsidiary to non-controlling interests	-	-	-	-	(500)	(500)
Changes in a subsidiary's ownership interests that do not result in a loss of control	-	-	(19)	(19)	283	264
Realisation of revaluation surplus	-	(757)	757	-	-	-
As at 31 December 2021	6,500	42,340	118,226	167,066	2,744	169,810
As at 1 January 2022	6,500	42,340	118,226	167,066	2,744	169,810
Loss after tax for the financial year	-	-	(7,259)	(7,259)	(22)	(7,281)
<u>Other comprehensive income for the financial year:</u>						
- Revaluation of Property, plant and equipment	-	3,392	-	3,392	-	3,392
Total comprehensive expenses for the financial year	-	3,392	(7,259)	(3,867)	(22)	(3,889)
<u>Contribution by and distributions to owners of the Company:</u>						
- Issue of share capital	71,500	-	(71,500)	-	-	-
- Shares issued for the Public Issue	71,533	-	-	71,533	-	71,533
- Share issuance expenses for the Public issue	(2,624)	-	-	(2,624)	-	(2,624)
- Dividend						
- by a subsidiary to non-controlling interests	-	-	-	-	(400)	(400)
	140,409	-	(71,500)	68,909	(400)	68,509
As at 31 December 2022	146,909	45,732	39,467	232,108	2,322	234,430

The above unaudited condensed consolidated statement of changes in equity should be read in conjunction with the Accountants' Report as disclosed in the prospectus of the Company dated 26 October 2022 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 31 DECEMBER 2022**

<i>in thousands of RM</i>	For the 12 months ended	
	31-Dec-22	31-Dec-21
Cash flows from operating activities		
Profit before tax and non-controlling interests		
- Continuing operations	(3,295)	61,873
- Discontinued operations	-	78
Adjustments for non-cash items	21,326	14,961
Operating profit before working capital changes	18,031	76,912
Changes in working capital		
Inventories	(120,224)	(32,461)
Trade and other payables, including derivatives	29,856	(13,330)
Trade and other receivables, including derivatives	(2,184)	18,363
Cash (used in)/generated from operations	(74,521)	49,484
Net income tax paid	(13,561)	(12,763)
Net cash (used in)/generated from operating activities	(88,082)	36,721
Cash flows (used in)/ from investing activities		
Additions of fixed deposits	(15,604)	-
Disposal of a subsidiary, net of cash and cash equivalents disposed of	-	922
Interest received	276	223
Net addition to right-of-use assets	(247)	(2,272)
Proceeds from disposal of property, plant and equipment	2,747	6,999
Proceeds from disposal of right-of-use assets	-	1,239
Proceeds from partial disposal of investment in a subsidiary	-	270
Purchase of property, plant and equipment	(8,836)	(2,372)
Net cash (used in)/ generated from investing activities	(21,664)	5,009
Cash flows from financing activities		
Dividends paid to non-controlling interests	(400)	(500)
Dividends paid to owners of the Company	-	(3,000)
Interest paid	(8,691)	(5,955)
Net drawdown of loans and borrowings	28,103	18,432
Proceeds from shares issued	71,533	-
Share issuance expenses	(2,624)	-
Net repayment of lease liabilities	(2,254)	(3,558)
Net cash from/(for) financing activities	85,667	5,419
Net (decrease)/increase in cash and cash equivalents	(24,079)	47,149
Cash and cash equivalents at beginning of the financial year	52,447	5,298
Cash and cash equivalents at end of the financial year	28,368	52,447

The above unaudited condensed consolidated statement of cash flows should be read in conjunction with the Accountants' Report as disclosed in the prospectus of the Company dated 26 October 2022 and the accompanying explanatory notes attached to this interim financial report.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A1. BASIS OF PREPARATION

The interim financial report (“Interim Financial Report”) have been prepared in accordance with Malaysian Financial Reporting Standards (“MFRS”) 134: Interim Financial Reporting and Rule 9.22 and Appendix 9B of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad (“Listing Requirements”).

This Interim Financial Report should be read in conjunction with the Accountants’ Report as disclosed in the prospectus of the Company dated 26 October 2022 and the accompanying explanatory notes attached to this Interim Financial Report.

A2. SINGIFICANT ACCOUNTING POLICIES

The financial statements of Leform and its subsidiaries (“Group”) have been prepared in accordance with MFRSs, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The significant accounting policies and methods of computation adopted by the Group in this Interim Financial Report are consistent with those adopted in preparation of the Accountants’ Report as disclosed in the Prospectus dated 26 October 2022.

During the financial period the Group has adopted the following interpretations and amendments issued by the Malaysian Accounting Standards Board (“MASB”), which became effective for annual periods beginning on or after 1 January 2022:

- Amendments to MFRS 3, *Business Combinations – Reference to the Conceptual Framework*;
- Amendments to MFRS 116, *Property, Plant and Equipment – Proceeds before Intended use*;
- Amendments to MFRS 137, *Provisions, Contingent Liabilities and Contingent Assets – Onerous Contracts – Cost of Fulfilling a Contract*;
- Annual Improvements to MFRS Standards 2018 - 2020

The adoption of the above accounting standard(s) and/or interpretation(s) did not have any material impact on the Group’s financial statements.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A2. SINGIFICANT ACCOUNTING POLICIES (CON'D)

The Group has not applied in advance the following accounting standards and/or interpretations that have been issued by the MASB but are not yet effective for the current financial year:-

MFRSs and/or IC Interpretations (Including The Consequential Amendments)	Effective Date
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 10 and MFRS 128: Sale or Contribution of Assets between an Investor and its Associate or Joint Venture	Deferred
Amendments to MFRS 16: Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to MFRS 17 Insurance Contracts	1 January 2023
Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
Amendments to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2024
Amendments to MFRS 101: Non-current Liabilities with Covenants	1 January 2024
Amendments to MFRS 108: Definition of Accounting Estimates	1 January 2023
Amendments to MFRS 112: Deferred Tax related to Assets and Liabilities arising from a Single Transaction	1 January 2023

The adoption of the above accounting standards and/or interpretations is expected to have no material impact on the financial statements of the Group upon their initial application.

A3. AUDIT QUALIFICATIONS

There was no audit qualification in the annual financial statements of the Group for the financial year ended 31 December 2021.

A4. SEASONAL OR CYCLICAL FACTORS

The operations of the Group were not affected by any seasonal or cyclical factors.

PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A5. UNUSUAL ITEMS DUE TO THEIR NATURE, SIZE OR INCIDENCE

There were no unusual items that had a material effect on the assets, liabilities, equity, net income or cash flows for the current financial quarter under review.

However, global steel prices continued to be on a down trend from the earlier disclosure in the Prospectus dated 26 October 2022 in Sections 4.1.1 and 11.17 and in the unaudited interim financial report for the third quarter ended 30 September 2022, which had attributed to a lower margin for both the Group's manufacturing and trading segment which resulted in a loss before tax for the current quarter ended

A6. SIGNIFICANT ESTIMATES AND CHANGES IN ESTIMATES

There were no material changes in estimates of amounts reported which have a material effect on the results for the current financial quarter under review.

A7. DEBTS AND EQUITY SECURITIES

On 19 September 2022, the Company issued 71,500,000 new ordinary shares pursuant to a bonus issue on the basis of 11 new ordinary shares in the Company ("Share(s)") for every 1 existing Share held by the capitalisation of retained earnings of the Company of RM71,500,000.

On 20 September 2022, the Company have subdivided every 1 existing Share into 15 Shares. The issued shares of the Company have increased from 78,000,000 Shares into 1,170,000,000 Shares.

On 30 November 2022, the Company was listed on ACE Market of Bursa Malaysia Securities Berhad with a public issue of 311,013,000 new ordinary shares in the Company and offer for sale by a selling shareholder of up to 74,051,000 ordinary shares in the Company at a price of RM0.23 per share.

Save as disclosed above, there were no issuance, repurchase, resale or repayment of debts and equity securities in the current financial quarter under review.

A8. DIVIDENDS PAID

No dividends were paid during the current financial quarter under review.

LEFORM BERHAD (Registration No. 199501001582 (330776-K))
PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A9. SEGMENTAL INFORMATION

The Group is organised into 3 main reportable segments as follows: -

- *Manufacturing segment:* involved in manufacturing of steel products comprising steel pipes, guardrails and flat steel products.
- *Trading segment:* involved in trading of steel products which are deemed complementary to its manufacturing segment.
- *Other segment:* - involved in provision of transport and carrier services of the Group's finished steel products.

<i>In thousands of RM</i>	INDIVIDUAL QUARTER			
	31-Dec-22		31-Dec-21	
	Segmental Revenue (unaudited)	Profit Before tax (unaudited)	Segmental Revenue (unaudited)	Profit Before tax (unaudited)
Manufacturing	80,779	(10,446)	104,054	11,700
Trading	23,272	(171)	23,305	(217)
Transportation	643	(50)	628	(263)
	<u>104,694</u>	<u>(10,667)</u>	<u>127,987</u>	<u>11,220</u>
Elimination	<u>(17,772)</u>	<u>(4,120)</u>	<u>(22,831)</u>	<u>952</u>
	<u><u>86,922</u></u>	<u><u>(14,787)</u></u>	<u><u>105,156</u></u>	<u><u>12,172</u></u>

<i>In thousands of RM</i>	CUMULATIVE QUARTER			
	31-Dec-22		31-Dec-21	
	Segmental Revenue (unaudited)	Profit Before tax (unaudited)	Segmental Revenue (unaudited)	Profit Before tax (unaudited)
Manufacturing	344,165	(34)	369,622	64,115
Trading	90,306	(101)	81,235	5,094
Transportation	2,430	(306)	2,422	(594)
	<u>436,901</u>	<u>(441)</u>	<u>453,279</u>	<u>68,615</u>
Elimination	<u>(63,460)</u>	<u>(2,854)</u>	<u>(79,305)</u>	<u>(6,742)</u>
	<u><u>373,441</u></u>	<u><u>(3,295)</u></u>	<u><u>373,974</u></u>	<u><u>61,873</u></u>

A10. VALUATION OF PROPERTY, PLANT AND EQUIPMENT

Pursuant to the revaluation model applied for land and buildings, the Group's land and buildings are subsequently measured at revalued amount less accumulated depreciation and any accumulated impairment losses. The revaluation surplus (net of deferred tax) of RM3.39 million has been incorporated into the consolidated statement of other comprehensive income and revaluation reserve for the year ended 31 December 2022.

LEFORM BERHAD (Registration No. 199501001582 (330776-K))
PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A11. RELATED PARTY DISCLOSURES

The Group carried out the following significant transactions with related parties during the current financial quarter under review: -

<i>in thousands of RM</i>	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current	Corresponding	Current	Corresponding
	Quarter ended	Quarter ended	Year To Date	Year To Date
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
Sales to companies in which a director has interest	-	-	-	26,872
Sales of scrap to companies in which a director has interest	-	-	-	552
Purchases from companies in which a director has interest	-	-	-	(6,878)

The above transactions had been entered into in the ordinary course of business on normal commercial terms. The sales and purchases were entered into with companies to which one of the directors of the Company previously has interest.

A12. MATERIAL EVENT SUBSEQUENT TO THE END OF THE CURRENT FINANCIAL QUARTER

There was no material event subsequent to the end of the quarter under review.

A13. CHANGES IN COMPOSITION OF THE GROUP

There were no changes in the composition of the Group for the quarter under review.

A14. CONTINGENT ASSETS AND LIABILITIES

There were no contingent assets or contingent liabilities as at 31 December 2022.

A15. CAPITAL COMMITMENTS

<i>in thousands of RM</i>	31-Dec-22	31-Dec-21
Authorised and not contracted for	30,038	-

LEFORM BERHAD (Registration No. 199501001582 (330776-K))
PART B: EXPLANATORY NOTES PURSUANT TO ACE MARKET LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. OPERATING SEGMENTS REVIEW

Statement of Financial Position

Total assets and total liabilities as at financial year ended 31 December 2022 (“FY2022”) had increased by RM126.1 million and RM61.5 million to RM516.2 million and RM281.7 million respectively. The increase was mainly owing to purchase of inventories which led to higher bank borrowings and outstanding payables. In addition, the purchase of a piece of land at Lot 857, Persiaran Kesidang Selatan, Kawasan Perindustrian Sungai Choh, Selangor amounting to RM7.8 million had also contributed to the increase in total assets and total liabilities as it is financed via term loans. Current ratio improved slightly from 1.4 times in FY2021 to 1.5 times in FY2022. Meanwhile, total equity increased to RM234.4 million from RM169.8 million primarily due to issuance of new shares from IPO exercise, offset by current year losses.

Statement of Cash Flows and Capital expenditure

During the financial year under review, an increase in inventories resulted in a net cash outflow of RM88.1 million from operating activities. However, this was partly moderated by an increase in trade payables, which arose from purchases of inventories that had yet to be paid for.

Net cash outflow from investing activities in FY2022 amounted to RM21.7 million, mainly due to the investment in fixed deposits of RM15.6 million and purchase of a piece of land, as mentioned earlier. However, this was partially negated by the disposal of unused building materials.

Cash generated from financing activities increased from RM5.4 million in FY2021 to RM85.7 million in FY2022, primarily arising from the proceeds received from our IPO and the drawdown of additional facilities to finance our purchase of inventories and the acquisition of land.

Analysis of Performance of All Operating Segments

Q4 2022 vs Q4 2021

Revenue decreased by 17.3% from RM105.2 million in Q4 2021 to RM86.9 million in Q4 2022 on the back of lower demand from manufacturing segment. The lower revenue had led to a Loss Before Tax (“LBT”) of RM14.8 million mainly attributed to lower margin for our manufacturing and trading segments as global steel prices trended downward from May 2022 to December 2022. In addition, there was also several one-off expenses recognized in Q4 2022 mainly on write-down of inventories amounting to RM5.1 million and unrealised loss on derivatives of RM1.5 million.

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PART B: EXPLANATORY NOTES PURSUANT TO ACE MARKET LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. OPERATING SEGMENTS REVIEW (CON'D)

Analysis of Performance of All Operating Segments (CON'D)

FY2022 vs FY2021

Revenue decreased by 0.1% from RM374.0 million in FY2021 to RM373.4 million in FY2022 following lower contribution from Manufacturing segment, though partially offset by the increase in Trading segment. The Group incurred a LBT of RM3.3 million in the current financial year, having been affected by higher average cost of materials, IPO expenses of RM1.9 million as well as write down of inventories of RM6.8 million, higher impairment of trade receivables of RM0.4 million and increase in interest costs of RM2.7million. The losses were partly offset by higher sales of scrap.

Manufacturing Segment

Q4 2022 vs Q4 2021

The Manufacturing segment's revenue decreased from RM104.1 million in Q4 2021 to RM80.8 million in Q4 2022 due to lower average selling price ("ASP") per metric tonne ("MT"), which was in line with the decline in global steel prices which has been in the decline from the earlier disclosure in the Prospectus dated 26 October 2022 in Sections 4.1.1 and 11.17 and in the unaudited interim financial report for the third quarter ended 30 September 2022. This was despite recording higher sales volume in Q4 2022 compared to Q4 2021.

The Group registered a LBT of RM10.4 million in Q4 2022, owing to a combination of factors that included lower ASP due to the decline in global steel prices as described above; higher average cost of materials; write-down of inventories of RM5.1 million due to lower net realisable value compared to the cost following the decline in global steel prices; unrealized loss on derivatives of RM1.5 million; and impairment loss on trade receivables of RM0.1 million based on payment profiles of sales over 12 months before the reporting date and the corresponding historical credit losses experience within this period, partially offset by a net foreign exchange gain of RM1.3 million.

FY2022 vs FY2021

Revenue from Manufacturing segment decreased by RM25.5 million from RM369.6 million in FY2021 to RM344.2 million in FY2022 due to decline in ASP and lower demand for the Group's products.

The segment recorded a LBT of RM0.03 million in FY2022, as compared to a profit before tax ("PBT") of RM64.1 million in the previous year. The losses were attributed to aforementioned reasons of higher average cost of materials, lower demand as well as several one-off expenditures mainly on write-down of inventories.

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PART B: EXPLANATORY NOTES PURSUANT TO ACE MARKET LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. OPERATING SEGMENTS REVIEW (CON'D)

Analysis of Performance of All Operating Segments (CON'D)

Trading Segment

Q4 2022 vs Q4 2021

Revenue from Trading segment was fairly stable at RM23.3 million in Q4 2022, having decreased slightly by 0.1% as compared to Q4 2021. The lower ASP due to decline in global steel prices was off-set by higher demand. The segment's LBT narrowed to RM0.17 million by comparison LBT of RM0.22 million in the preceding year corresponding quarter.

FY2022 vs FY2021

The increase in revenue by RM9.1 million to RM90.3 million was attributable to higher demand and a slight increase in ASP. However, the segment posted a LBT RM0.1 million compared to profit of RM5.1 million a year ago following higher average cost of materials.

Transportation Segment

Q4 2022 vs Q4 2021

Revenue increased marginally by RM0.02 million to RM0.64 million while LBT narrowed to RM0.05 million chiefly due to lower operating costs.

FY2022 vs FY2021

FY2022 revenue remained relatively similar to prior year. Meanwhile, LBT narrowed to RM0.3 million on the back of lower interest expenses resulting from the maturity of certain hire purchase facilities and full depreciation of some lorries.

B2. MATERIAL CHANGE IN PERFORMANCE OF OPERATING SEGMENTS OF CURRENT QUARTER COMPARED WITH PRECEDING QUARTER

<i>in thousands of RM</i>	Segmental Revenue				Segmental Loss before tax			
	31-Dec-22	30-Sep-22	Changes		31-Dec-22	30-Sep-22	Changes	
			Amount	%			Amount	%
Manufacturing	80,779	66,648	14,131	21%	(10,446)	(6,246)	(4,200)	67%
Trading	23,272	19,663	3,609	18%	(171)	22	(193)	-877%
Transportation	643	499	144	29%	(50)	(159)	109	-69%
	104,694	86,810	17,884	21%	(10,667)	(6,383)	(4,284)	67%
Elimination	(17,772)	(13,962)	(3,810)	27%	(4,120)	1,224	(5,344)	-437%
	86,922	72,848	14,074	19%	(14,787)	(5,159)	(9,628)	187%

**PART B: EXPLANATORY NOTES PURSUANT TO ACE MARKET LISTING
REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

**B2. MATERIAL CHANGE IN PERFORMANCE OF OPERATING SEGMENTS OF CURRENT
QUARTER COMPARED WITH PRECEDING QUARTER (CON'D)**

Revenue in Q4 2022 improved to RM86.9 million from RM72.8 million in previous quarter, boosted by higher demand despite the lower ASP due to continuing decline on global steel prices as described above

Notwithstanding the increase in revenue, LBT widened to RM14.8 million in Q4 2022 from RM5.2 million in Q3 2022. This was a result of lower margin in Q4 2022, coupled with unrealized loss on derivatives of RM1.5 million and write-down in inventories of RM5.1 million

B3. COMMENTARY ON PROSPECTS

Leform is principally involved in the manufacturing and trading of steel products. As indicated in the Prospectus dated 26 October 2022, raw materials account for more than 90% of our total cost of sales. As such, volatility of steel price, being one of the key risk factors to the business of the Group, would have impact on our margin. In view of this volatility, our management closely monitor the pricing of raw materials for procurement purposes.

The Russian-Ukraine war has had a multiplier effect especially to the European countries as more steel mills in Europe had ceased operations due to rising prices of electricity. In addition, one of the world's largest steel manufacturers in South Korea has shut down its processing facility due to typhoon in September 2022. The shutdown is expected to adversely affect the supply of steel products, and in turn, would cause steel prices to rise.

Moreover, the recent lifting of China's zero covid policy is expected to boost the demand for steel as commercial and industrial businesses there resumed their activities. This demand push would further support the ASP of steel products.

In fact, prices of steel product have already begun trending upward since the end of December 2022 of USD 746 per MT from a low of USD 663 per MT and this certainly bodes well for our Group's outlook.

Meanwhile, back home in Malaysia, the Group foresees the demand for steel products – a key material group used in construction – to rise, underpinned by the mega infrastructure projects announced by the Government. Leform's products are used in construction such as scaffoldings and staircases as well as guardrails and this is another positive development for the Group.

Premised on the abovementioned factors, and barring unforeseen circumstances, the Board expects the Group's prospect to improve in the upcoming financial year.

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B4. PROFIT FORECAST OR PROFIT GUARANTEE

The Group did not issue any profit forecast or profit guarantee during the current financial quarter under review.

B5. INCOME TAX EXPENSE

<i>in thousands of RM</i>	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter ended 31-Dec-22	Corresponding Quarter ended 31-Dec-21	Current Year To Date 31-Dec-22	Corresponding Year To Date 31-Dec-21
Current tax				
- Current period	(890)	5,336	2,167	16,331
- Prior year	1,855	742	1,855	742
Deferred tax				
- Current year	-	(238)	-	(238)
- Prior year	(36)	(440)	(36)	(440)
Real Property gain tax	-	68	-	68
	<u>929</u>	<u>5,468</u>	<u>3,986</u>	<u>16,463</u>
Effective tax rate	-6%	44%	-66%	26%

The Group's effective tax rate for the current quarter and financial year ended 31 December 2022 are lower than the statutory tax rate mainly due to losses incurred during the financial year.

B6. BORROWINGS AND DEBT SECURITIES

<i>in thousands of RM</i>	31-Dec-22	31-Dec-21
Secured		
- Term Loans	35,128	35,142
- Lease Liabilities	2,705	4,658
- Bankers acceptance and Trust receipts	166,942	138,825
- Bank overdrafts	7,501	-
	<u>212,276</u>	<u>178,625</u>
Current liabilities	<u>183,233</u>	<u>147,168</u>
Non-Current liabilities	<u>29,043</u>	<u>31,457</u>

B7. CHANGES IN MATERIAL LITIGATION

There was no material litigation against the Group as at the date of this Interim Financial Report.

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B8. DIVIDEND

The Board has declared a special dividend of 0.9 sen per ordinary share (2021: NIL per ordinary share) for the financial year ending 31 December 2022 which was paid on 17 February 2023 to shareholders whose names appear in the Record of Depositors on 20 January 2023.

B9. DERIVATIVES

The outstanding United States Dollar (“USD”) denominated forward foreign currency contracts entered as at 31 December 2022 are as follow:-

In thousands of RM

Type Derivatives	Nominal Value	Net Fair value Liability	Maturity
USD denominated forward foreign exchange contracts	3,382	337	Less than 1 year

Fair value information

There was a loss arising from fair value changes of the Group’s financial liabilities for the current quarter and financial year under review.

Starting in April 2022, the Group has entered into derivatives financial instruments above to manage exposure to foreign currency in respect of purchases of materials by the Group. There were no changes to the Group’s financial risk management policies in managing these derivatives financial instruments and their related accounting policies.

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B10. EARNINGS /DILUTED EARNINGS PER SHARE

The calculation of basic earnings per share for the period is based on the net (loss)/profit attributable to owners of the Company and the weighted average number of ordinary shares outstanding during the period as follows:-

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	31-Dec-22	31-Dec-21	31-Dec-22	31-Dec-21
(Loss)/Profit attributable to owners				
Of the Company (RM'000)	(15,666)	6,674	(7,259)	44,495
Weighted average number of ordinary shares in issue ('000)	1,481,013	1,481,013	1,481,013	1,481,013
Basic (LPS)/EPS (Sen)	(1.06)	0.45	(0.49)	3.00

The earnings per share is calculated based on the number of ordinary shares of 1,481,013,000 after completion of the IPO of the Company.

The Company has not issued any dilutive instrument and hence, the diluted earnings per share is equal to the basic earnings per share.

B11. NOTES TO THE CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS

(Loss)/Profit before tax is arrived at after taking in the following items:-

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Quarter ended 31-Dec-22	Corresponding Quarter ended 31-Dec-21	Current Year To Date 31-Dec-22	Corresponding Year To Date 31-Dec-21
<i>in thousands of RM</i>				
(a) Interest income	141	118	276	223
(b) Interest expense	(2,535)	(1,691)	(8,691)	(5,955)
(c) Depreciation and Amortisation	(1,843)	(1,956)	(7,922)	(8,638)
(d) Net impairment loss on trade receivables	(92)	(108)	(399)	(108)
(e) Inventories written down	(5,143)	(688)	(6,760)	(688)
(f) Net gain on disposal of property, plant and equipment and Right of use assets	-	23	1,502	3,287
(g) Net foreign exchange gain	1,283	80	1,085	169
(h) Unrealised loss on derivatives	(1,534)	-	(337)	-
(i) Impairment loss of property, plant and equipment	-	(530)	-	(530)

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B12. STATUS OF CORPORATE PROPOSALS

Save as disclosed below, there were no corporate proposals announced as at the date of this Interim Financial Report except as below:-

In conjunction with the Company's listing on the ACE Market of Bursa Securities, the Company has undertaken the following listing scheme:

- (a) Bonus Issue of 11 new Shares for every 1 existing Share held by its shareholder involving issuance of 71,500,000 new Shares which was completed on 19 September 2022.
- (b) A share split involving subdivision of 78,000,000 Shares after the bonus issue into 1,170,000,000 Shares which was completed on 20 September 2022.
- (c) On 26 October 2022, the Company issued its Prospectus for the Company's initial public offering in conjunction with its listing of and quotation on the ACE Market of the Bursa Securities ("Listing") comprising a public issue of 311,013,000 new Shares and offer for sale of 74,051,000 existing Shares, at an issue/offer price of RM0.23 per Share. The listing of and quotation for the entire enlarged issued Shares of the Company on the ACE Market of Bursa Securities was completed on 30 November 2022.

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B13. UTILISATION OF PROCEEDS FROM THE IPO

The status of utilisation of gross proceeds of approximately RM71.5 million from the IPO are as follows:-

	Utilisation of proceeds	Proposed utilisation		Actual utilisation		Estimated timeframe for use upon Listing
		RM'000	% ⁽¹⁾	RM'000	% ⁽²⁾	
1	Construction of new headquarters, warehouse storage facility and workers' accommodation	30,038	42.0	-	-	Within 18 months
2	Repayment of bank borrowings	14,385	20.1	2,598	9.0	Within 10 months
3	Working capital	21,910	30.6	21,910	75.9	Within 12 months
4	Estimated listing expenses	5,200	7.3	4,349	15.1	Within 3 months
		71,533	100.0	28,857	100.0	

The utilisation of proceeds as disclosed above should be read in conjunction with the Prospectus of the Company dated 26 October 2022.

Notes:

(1) Based on the total proceeds of RM71.5 million.

(2) Based on the actual utilisation of RM28.9 million

B14. AUTHORISATION FOR ISSUE

The Interim Financial Report have been authorised for issue by the Board of Directors ("Board") in accordance with its resolution of the Board dated 28 February 2023.