



LEFORM BERHAD

Registration No. 199501001582 (330776-K)

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FOURTH QUARTER ENDED 31 DECEMBER 2023

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

| in thousands of RM | Individual Quarter | | | Cumulative Quarter | | |
|---|--------------------|---------------|-----------|--------------------|--------------|---------|
| | Current | Corresponding | Change | Cumulative | Cumulative | Change |
| | Quarter Ended | Quarter Ended | | Year to Date | Year to Date | |
| | 31-Dec-23 | 31-Dec-22 | 31-Dec-23 | 31-Dec-22 | | |
| (Unaudited) | (Audited) | (Unaudited) | (Audited) | | | |
| Revenue | 108,534 | 86,922 | 24.9% | 370,016 | 373,441 | -0.9% |
| Results from operating activities | (308) | (16,041) | -98.1% | (7,788) | (5,177) | 50.4% |
| Finance costs | (3,719) | (2,535) | 46.7% | (12,663) | (8,691) | 45.7% |
| Finance income | 198 | 141 | 40.4% | 814 | 276 | 194.9% |
| Other income | 4,390 | 3,648 | 20.3% | 11,341 | 10,297 | 10.1% |
| Profit/(Loss) before taxation | 561 | (14,787) | -103.8% | (8,296) | (3,295) | 151.8% |
| Income tax expense | 3,703 | (929) | -498.6% | 3,155 | (3,986) | -179.2% |
| Profit/(Loss) for the year | 4,264 | (15,716) | -127.1% | (5,141) | (7,281) | -29.4% |
| Other comprehensive income | | | | | | |
| <u>Items that will not be reclassified subsequently to profit or loss</u> | | | | | | |
| Revaluation of properties | - | 3,392 | -100.0% | - | 3,392 | -100.0% |
| Total comprehensive income/(expense) for the financial year | 4,264 | (12,324) | -134.6% | (5,141) | (3,889) | 32.2% |
| Profit/(Loss) after tax attributable to:- | | | | | | |
| Owners of the Company | 3,741 | (15,666) | -123.9% | (4,960) | (7,259) | -31.7% |
| Non-controlling interests | 523 | (50) | -1146.0% | (181) | (22) | 722.7% |
| | 4,264 | (15,716) | -127.1% | (5,141) | (7,281) | -29.4% |
| Total Comprehensive income / (expense) attributable to:- | | | | | | |
| Owners of the Company | 3,741 | (12,274) | -130.5% | (4,960) | (3,867) | 28.3% |
| Non-controlling interests | 523 | (50) | -1146.0% | (181) | (22) | 722.7% |
| | 4,264 | (12,324) | -134.6% | (5,141) | (3,889) | 32.2% |
| Earnings/(loss) per ordinary share | | | | | | |
| Basic (sen) | 0.25 | (1.31) | -119.1% | (0.33) | (0.61) | -45.9% |

The above unaudited condensed consolidated statement of profit or loss and other comprehensive income should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2023**

| <i>in thousands of RM</i> | As at 31-Dec-23 (Unaudited) | As at 31-Dec-22 (Audited) |
|--|--|--|
| Assets | | |
| Non-current Assets | | |
| Property, plant and equipment | 145,110 | 132,366 |
| Investment properties | 9,533 | 9,758 |
| Goodwill | 2,702 | 2,702 |
| Total non-current assets | 157,345 | 144,826 |
| Current Assets | | |
| Inventories | 153,041 | 228,860 |
| Trade and other receivables | 102,673 | 82,472 |
| Contract assets | 7,843 | 616 |
| Current tax assets | 11,447 | 7,911 |
| Fixed deposits with licensed banks | 6,102 | 15,604 |
| Cash and bank balances | 18,096 | 35,869 |
| Total current assets | 299,202 | 371,332 |
| Total assets | 456,547 | 516,158 |
| Equity and Liabilities | | |
| Equity | | |
| Share capital | 146,909 | 146,909 |
| Reserves | 66,910 | 85,199 |
| Equity attributable to owners of the Company | 213,819 | 232,108 |
| Non-controlling interests | 2,141 | 2,322 |
| Total equity | 215,960 | 234,430 |
| Non-current liabilities | | |
| Hire purchase payable | 649 | 1,398 |
| Term loans | 5,719 | 27,645 |
| Deferred tax liabilities | 9,395 | 11,395 |
| Total non-current liabilities | 15,763 | 40,438 |
| Current liabilities | | |
| Trade and other payables | 39,267 | 57,651 |
| Derivatives liabilities | 416 | 337 |
| Hire purchase payable | 749 | 1,307 |
| Bankers' acceptances and trust receipts | 175,333 | 166,942 |
| Bank overdrafts | 5,954 | 7,501 |
| Term loans | 3,088 | 7,483 |
| Current tax liabilities | 17 | 69 |
| Total current liabilities | 224,824 | 241,290 |
| Total liabilities | 240,587 | 281,728 |
| Total equity and liabilities | 456,547 | 516,158 |
| Net assets per share attributable to owners of the Company (sen)* | 14.44 | 19.39 |

* Calculated based on net assets attributable to owners of the Company divided by the Company weighted average number of ordinary shares in issue

The above unaudited condensed consolidated statement of financial position should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 DECEMBER 2023**

| <i>in thousand of RM</i> | Share Capital | Non-Distributable Revaluation Reserves | Distributable Retained Profits | Attributable to Owners of the Company | Non-controlling interests | Total equity |
|--|----------------|--|--------------------------------|---------------------------------------|---------------------------|----------------|
| 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) |
| Other comprehensive income for the financial year: | | | | | | |
| - Revaluation of Properties | - | 3,392 | - | 3,392 | - | 3,392 |
| Total comprehensive income/(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 pursuant to bonus issue | 71,500 | - | (71,500) | - | - | - |
| Issue of shares pursuant to public issue | 71,533 | - | - | 71,533 | - | 71,533 |
| Shares issuance expenses for the public issue | (2,624) | - | - | (2,624) | - | (2,624) |
| Dividend by a subsidiary to non-controlling interests | - | - | - | - | (400) | (400) |
| As at 31 December 2022 | 146,909 | 45,732 | 39,467 | 232,108 | 2,322 | 234,430 |
| As at 1 January 2023 | 146,909 | 45,732 | 39,467 | 232,108 | 2,322 | 234,430 |
| Total comprehensive income for the financial year | - | - | (4,960) | (4,960) | (181) | (5,141) |
| <u>Distributions to owners of the Company:</u> | | | | | | |
| Dividend to owners of the Company | - | - | (13,329) | (13,329) | - | (13,329) |
| As at 31 December 2023 | 146,909 | 45,732 | 21,178 | 213,819 | 2,141 | 215,960 |

The above unaudited condensed consolidated statement of changes in equity should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 31 DECEMBER 2023**

| <i>in thousands of RM</i> | For the 12 months ended | |
|---|--------------------------------|------------------|
| | 31-Dec-23 | 31-Dec-22 |
| Cash flows from/(for) operating activities | | |
| Loss before taxation | (8,296) | (3,295) |
| Adjustments for non-cash items | 18,120 | 21,663 |
| Operating profit before working capital changes | 9,824 | 18,368 |
| Changes in working capital | | |
| Inventories | 76,901 | (120,224) |
| Trade and other payables, including derivatives | (18,305) | 29,518 |
| Trade and other receivables | (27,198) | (2,184) |
| Cash from/(for) operations | 41,222 | (74,522) |
| Income tax paid | (2,432) | (13,560) |
| Net cash from/(for) operating activities | 38,790 | (88,082) |
| Cash flows for investing activities | | |
| Withdrawal of/(Additions of) deposits pledged with licensed financial banks or with tenure more than 3 months | 9,502 | (15,604) |
| Interest received | 814 | 276 |
| Proceeds from disposal of property, plant and equipment | 70 | 2,747 |
| Purchase of property, plant and equipment | (20,173) | (9,083) |
| Net cash for investing activities | (9,787) | (21,664) |
| Cash flows (for)/from financing activities | | |
| Dividends paid to non-controlling interests | - | (400) |
| Dividends paid to owners of the Company | (13,329) | - |
| Interest paid | (12,663) | (8,691) |
| Net (repayment)/drawdown of loans and borrowings | (17,930) | 28,103 |
| Net repayment of hire purchase payable | (1,307) | (2,254) |
| Proceeds from issuance of ordinary shares | - | 71,533 |
| Payment of share issuance expenses | - | (2,624) |
| Net cash (for)/from financing activities | (45,229) | 85,667 |
| Net decrease in cash and cash equivalents | (16,226) | (24,079) |
| Cash and cash equivalents at beginning of the financial year | 28,368 | 52,447 |
| Cash and cash equivalents at end of the financial year | 12,142 | 28,368 |

The above unaudited condensed consolidated statement of cash flows should be read in conjunction with the audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to this interim financial 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 audited financial statements for the financial year ended 31 December 2022 and the accompanying explanatory notes attached to this Interim Financial Report.

A2. SINGIFICANT ACCOUNTING POLICIES

The financial statements of Leform Berhad 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 audited financial statements for the for the financial year ended 31 December 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 2023:

- MFRS 17 Insurance Contracts
- Amendments to MFRS 17: Insurance Contracts
- Amendments to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information
- Amendments to MFRS 101: Disclosure of Accounting Policies;
- Amendments to MFRS 108: Definition of Accounting Estimates;
- Amendments to MFRS 112, *Deferred Tax related to Assets and Liabilities arising from a Single Transaction*
- Amendments to MFRS 112: *International Tax Reform – Pillar Two Model Rules*

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 |
|---|-----------------------|
| 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 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 107 and MFRS 7: Supplier Finance Arrangements | 1 January 2024 |
| Amendments to MFRS 121: Lack of Exchangeability | 1 January 2025 |

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 2022.

A4. SEASONAL OR CYCLICAL FACTORS

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

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.

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.

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

A7. DEBTS AND EQUITY SECURITIES

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 quarter ended 31 December 2023.

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-23 | | 31-Dec-22 | |
| | Segmental Revenue (unaudited) | Profit/(Loss) Before tax (unaudited) | Segmental Revenue (unaudited) | Profit/(Loss) Before tax (unaudited) |
| Manufacturing | 104,662 | 1,547 | 80,779 | (10,446) |
| Trading | 32,553 | 326 | 23,272 | (171) |
| Transportation | 679 | 106 | 643 | (50) |
| | <u>137,894</u> | <u>1,979</u> | <u>104,694</u> | <u>(10,667)</u> |
| Elimination | <u>(29,360)</u> | <u>(1,418)</u> | <u>(17,772)</u> | <u>(4,120)</u> |
| | <u><u>108,534</u></u> | <u><u>561</u></u> | <u><u>86,922</u></u> | <u><u>(14,787)</u></u> |

| <i>In thousands of RM</i> | CUMULATIVE QUARTER | | | |
|---------------------------|---|--|---|--|
| | 31-Dec-23 | | 31-Dec-22 | |
| | Segmental Revenue (unaudited) | Profit/(Loss) Before tax (unaudited) | Segmental Revenue (unaudited) | Profit/(Loss) Before tax (unaudited) |
| Manufacturing | 353,449 | (9,489) | 344,165 | (34) |
| Trading | 105,683 | 1,912 | 90,306 | (101) |
| Transportation | 2,454 | 189 | 2,430 | (306) |
| | <u>461,586</u> | <u>(7,388)</u> | <u>436,901</u> | <u>(441)</u> |
| Elimination | <u>(91,570)</u> | <u>(908)</u> | <u>(63,460)</u> | <u>(2,854)</u> |
| | <u><u>370,016</u></u> | <u><u>(8,296)</u></u> | <u><u>373,441</u></u> | <u><u>(3,295)</u></u> |

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PART A: EXPLANATORY NOTES PURSUANT TO MFRS 134

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 valuation of land and buildings were brought forward without amendment from the annual audited financial statements for the year ended 31 December 2022.

A11. RELATED PARTY DISCLOSURES

Since 2022, there are no related party transactions till to-date.

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

There were no material events subsequent to the end of the reporting period and up to the date of issuance of this report.

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 2023.

A15. CAPITAL COMMITMENTS

| <i>in thousands of RM</i> | 31-Dec-23 | 31-Dec-22 |
|-----------------------------------|------------------|------------------|
| Authorised and not contracted for | 17,278 | 30,038 |

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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 for the financial year ended 2023 had decreased by 11.5% to RM456.5 million and 14.6% to RM240.6 million respectively. The decreased in total assets are mainly due to maturity of our fixed deposits, utilisation of inventories and reduction in cash and bank balances. The reduction in cash and bank balances are mainly due to repayment of our bank borrowings, trade payable and purchase of fixed assets as we are currently constructing our new facilities. The decrease in total assets is offset with the increase in trade and other receivables, property, plant and equipment and current tax assets. Trade and other receivables had increased mainly due to outstanding debts were not due, advance payment to suppliers to enjoy discounts and deposits for the installation of solar panels.

Total liabilities had decreased mainly due to the decrease in term loans, bank overdrafts and trade and other payables. We had repaid the term loans via IPO proceeds while trade payable had reduced as compared to FYE 2022 as we purchased more in FYE 2022.

Total equity had reduced from RM234.4 million to RM216.0 million mainly due to the current year performance and dividend paid amounting to RM13.3 million.

Statement of Cash Flows and Capital expenditure

During the year under review, the group had generated cash from operating activities. This is mainly due to utilisation of our inventories. However, this was offset with the increase in trade receivables and decrease in trade payables as explained above.

During the year, the group had incurred cash for investing activities mainly due to the construction of our new facilities and is offset with the maturity of our fixed deposits.

Net cash outflow for financing activities amounted to RM45.2 million mainly due to repayment of our bank borrowings, payment of dividends and interest paid. Interest paid had increased from RM8.7 million to RM12.7 million mainly due to the higher drawdown of bank facilities and also the hike in OPR rate.

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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

Q4 2023 vs Q4 2022

The increased in revenue from RM86.9 million to RM108.5 million were contributed by higher sales volume from all segments. However, the increase in volume was offset with the lower average selling price. Profit before tax had improved from a Loss Before Tax (“LBT”) of RM14.8 million to a Profit Before Tax (“PBT”) of RM0.6 million. The better performance was due to better margin, lower administrative expenses and higher other income. In FYE 2022, the expenses were higher as it includes the IPO expenses, inventories written down and higher unrealised loss on derivatives.

YTD 2023 vs YTD 2022

Revenue had slightly decreased by 0.9% to RM370.0 million mainly due to lower average selling price per MT. The lower average selling price was offset with the higher quantity sold by 18.1%. These had resulted in a slightly lower gross profit margin for FYE 2023.

Loss before tax had widen from RM3.3 million to RM8.3 million mainly due to lower margin, higher administrative expenses, higher carriage outwards, higher finance expenses due to higher drawdown and higher OPR rate and higher impairment loss on financial assets.

Manufacturing Segment

Q4 2023 vs Q4 2022

Revenue had increased by 29.6% to RM104.7 million. The increase in revenue was mainly due to higher demand for our products despite the lower average selling price.

In Q4 2023, the group managed to garner a profit of RM1.5 million. The better performance was due to Q4 2022 consists of one off expenses such as IPO expenses, inventories written down amounting to RM5.1 million, and higher derivatives losses and lower margins.

YTD 2023 vs YTD 2022

Revenue had increased by 2.7% to RM353.4 million. Despite the increase in revenue, the segment incurred a loss of RM9.5 million mainly due to lower margin, higher carriage outwards, higher administrative expenses, higher interest rate and higher impairment loss on financial assets and offset with the IPO expenses of RM1.4 million in 2022.

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REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. OPERATING SEGMENTS REVIEW (CON'D)

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

Trading Segment

Q4 2023 vs Q4 2022

Revenue for the trading segment had increased by 39.9% to RM32.6 million. This was mainly due to higher demand and higher average selling prices for our trading products.

The increase in revenue had lead to a marginal profit of RM0.3 million.

YTD 2023 vs YTD 2022

Revenue for YTD 2023 had increased by 17.0% to RM105.7 million mainly due to higher demand for our products.

The trading segment for YTD 2023 managed to garner a profit before tax of RM1.9 million as compared to a loss of RM0.1 million in YTD 2022 mainly due to the gain on disposal of a machinery.

Transportation Segment

Q4 2023 vs Q4 2022

Revenue for transportation segment had increased slightly by 5.6%. Despite the slight increase, the segment managed to garner a profit of RM0.1 million mainly due to lower staff costs, lower depreciation expenses as some of the motor vehicles had been fully depreciated.

YTD 2023 vs YTD 2022

Similar to Q4 2023, revenue had slightly increased and the segment garner a profit before tax of RM0.2 million due to the reason explained above.

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REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD

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

| in thousands of RM | Segmental Revenue | | | | Segmental Profit/(Loss) before tax | | | |
|--------------------|-------------------|-----------|---------|-----|------------------------------------|-----------|---------|--------|
| | 31-Dec-23 | 30-Sep-23 | Changes | | 31-Dec-23 | 30-Sep-23 | Changes | |
| | | | Amount | % | | | Amount | % |
| Manufacturing | 104,662 | 79,304 | 25,358 | 32% | 1,547 | (11,602) | 13,149 | -113% |
| Trading | 32,553 | 27,234 | 5,319 | 20% | 326 | 32 | 294 | 919% |
| Transportation | 679 | 566 | 113 | 20% | 106 | (4) | 110 | -2750% |
| | 137,894 | 107,104 | 30,790 | 29% | 1,979 | (11,574) | 13,553 | -117% |
| Elimination | (29,360) | (21,944) | (7,416) | 34% | (1,418) | 449 | (1,867) | -416% |
| | 108,534 | 85,160 | 23,374 | 27% | 561 | (11,125) | 11,686 | -105% |

The increase in revenue as compared with the preceding quarter was mainly contributed by the increase in demand. However, the group managed to turnaround to a marginal profit of RM0.6 million mainly due to better margin, higher sales of second grade items and lower administrative expenses.

B3. COMMENTARY ON PROSPECTS

Leform is principally involved in the manufacturing and trading of steel products with raw materials accounting 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 global outlook for steel sector in 2024 as according to Fitch Ratings is neutral as steel markets will be largely balanced and in a slightly better condition than in 2023⁽¹⁾. The research expects prices to improve slightly from current levels in the coming months. In the long run, World Steel Association expects that the ASEAN region will see a doubling in steel demand by 2035 from 80 million tonnes currently⁽²⁾.

Despite these challenges, we are cautiously optimistic with the implementation of local projects as announced during Budget 2024 such as the Pan Borneo Highway Project, flood mitigation packages, Penang light rail transit (“LRT”), Sabah-Sarawak Link Road and LRT3 reinstatement. These initiatives have the potential to reinvigorate steel demand, providing a promising outlook for the market.

Looking ahead, the Group remains cautiously optimistic, prioritizing long-term strategies to ensure relevance and sustainability in the face of evolving market dynamics.

(1) <https://gmk.center/en/news/fitch-forecasts-an-increase-in-demand-for-steel-in-most-regions-in-2024/#:~:text=The%20global%20outlook%20for%20the,better%20position%20than%20in%202023>

(2) <https://www.seaisi.org/details/22919?type=news-rooms#:~:text=By%202035%2C%20steel%20demand%20from,Director%20General%20of%20the%20association>

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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-23 | Corresponding Quarter ended 31-Dec-22 | Current Year To Date 31-Dec-23 | Corresponding Year To Date 31-Dec-22 |
| <u>Current tax</u> | | | | |
| - Current year | (511) | (891) | 175 | 2,166 |
| - Prior year | (1,192) | 1,855 | (1,330) | 1,855 |
| <u>Deferred tax</u> | | | | |
| - Current year | (2,000) | - | (2,000) | - |
| - Prior year | - | (35) | - | (35) |
| | (3,703) | 929 | (3,155) | 3,986 |
| Effective tax rate | -91% | 6% | -2% | -66% |

The Group's effective tax rate for both financial years are lower than the statutory tax rate mainly due to losses incurred during the financial year.

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B6. BORROWINGS AND DEBT SECURITIES

in thousands of RM

| | 31-Dec-23 | 31-Dec-22 |
|--|------------------|------------------|
| <u>Secured</u> | | |
| - Term Loans | 8,807 | 35,128 |
| - Hire purchase payable | 1,398 | 2,705 |
| - Bankers' acceptance and Trust receipts | 175,333 | 166,942 |
| - Bank overdrafts | 5,954 | 7,501 |
| | <u>191,492</u> | <u>212,276</u> |
| Current liabilities | <u>185,124</u> | <u>183,233</u> |
| Non-Current liabilities | <u>6,368</u> | <u>29,043</u> |

B7. CHANGES IN MATERIAL LITIGATION

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

B8. DIVIDEND

No dividend has been proposed for the current quarter ended 31 December 2023.

B9. DERIVATIVES

The outstanding United States Dollar ("USD") denominated forward foreign currency contracts entered as at 31 December 2023 are as follow:-

| Type Derivatives | Nominal Value (USD'000) | Net Fair value Liabilities (RM'000) | Maturity |
|--|------------------------------------|--|------------------|
| USD denominated forward foreign exchange contracts | 8,280 | (416) | 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 under review due to the unfavourable exchange rate as at 31 December 2023.

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 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-23 | 31-Dec-22 | 31-Dec-23 | 31-Dec-22 |
| Profit / (loss) attributable to owners of the Company (RM'000) | 3,741 | (15,666) | (4,960) | (7,259) |
| Weighted average number of ordinary shares in issue ('000) | 1,481,013 | 1,197,267 | 1,481,013 | 1,197,267 |
| Basic EPS (Sen) | 0.25 | (1.31) | (0.33) | (0.61) |

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

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

| <i>in thousands of RM</i> | INDIVIDUAL QUARTER | | CUMULATIVE QUARTER | |
|---|----------------------------|----------------------------|---------------------------|---------------------------|
| | Current | Corresponding | Current | Corresponding |
| | Quarter ended 31-Dec-23 | Quarter ended 31-Dec-22 | Year To Date 31-Dec-23 | Year To Date 31-Dec-22 |
| (a) Finance income | 198 | 141 | 814 | 276 |
| (b) Finance costs | (3,719) | (2,535) | (12,663) | (8,691) |
| (c) Depreciation and Amortisation | (1,774) | (1,843) | (7,653) | (7,922) |
| (d) Net impairment loss on trade receivables | (1,405) | (92) | (1,320) | (399) |
| (e) Inventories written down to net realisable value | - | (3,474) | - | (5,091) |
| (f) Slow moving inventories written down | - | (1,669) | - | (1,669) |
| (g) Net gain on disposal of property, plant and equipment | - | - | 1,620 | 1,502 |
| (h) Net foreign exchange gain | 305 | 1,283 | 426 | 1,085 |
| (i) Reversal of slow moving inventories written down | - | - | 1,082 | - |
| (j) Unrealised loss on derivatives | (837) | (1,534) | (416) | (337) |

B12. STATUS OF CORPORATE PROPOSALS

There were no corporate proposals announced as at the date of this Interim Financial Report.

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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 | 20,468 | 33.0 | Within 18 months |
| 2 | Repayment of bank borrowings | 13,185 ⁽³⁾ | 18.4 | 13,185 | 21.3 | Within 10 months |
| 3 | Working capital | 23,561 ⁽³⁾ | 32.9 | 23,561 | 38.0 | Within 12 months |
| 4 | Estimated listing expenses | 4,749 ⁽³⁾ | 6.7 | 4,749 | 7.7 | Within 3 months |
| | | 71,533 | 100.0 | 61,963 | 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 RM62.0 million as at 24 February 2024.

(3) The balance of unutilised portion allocated for the listing expenses and repayment of bank borrowings of RM451,000 and RM1,200,000 respectively has been re-allocated for working capital.

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 27 February 2024.