



LEFORM BERHAD

Registration No. 199501001582 (330776-K)

(Incorporated in Malaysia)

UNAUDITED INTERIM FINANCIAL REPORT FOR THE FIRST QUARTER ENDED 31 MARCH 2024

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**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME FOR THE QUARTER ENDED 31 MARCH 2024**

<i>in thousands of RM</i>	Individual Quarter		
	Current	Corresponding	Change
	Quarter Ended 31-Mar-24 <i>(Unaudited)</i>	Quarter Ended 31-Mar-23 <i>(Unaudited)</i>	
Revenue	106,902	102,602	4.2%
Results from operating activities	2,666	3,555	-25.0%
Finance costs	(2,763)	(3,041)	-9.1%
Interest income	47	87	-46.0%
Other income	1,675	1,585	5.7%
Profit before taxation	1,625	2,186	-25.7%
Income tax income/(expense)	122	(707)	-117.3%
Profit for the period	1,747	1,479	18.1%
Profit after taxation attributable to:-			
Owners of the Company	1,697	1,873	-9.4%
Non-controlling interests	50	(394)	-112.7%
	1,747	1,479	18.1%
Total Comprehensive income attributable to:-			
Owners of the Company	1,697	1,873	-9.4%
Non-controlling interests	50	(394)	-112.7%
	1,747	1,479	18.1%
Earnings per ordinary share			
Basic (sen)	0.11	0.13	-15.4%

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 2023 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2024**

<i>in thousands of RM</i>	As at 31-Mar-24 (Unaudited)	As at 31-Dec-23 (Audited)
Assets		
Non-current Assets		
Property, plant and equipment	148,735	145,110
Investment properties	9,477	9,533
Goodwill	2,702	2,702
Total non-current assets	160,914	157,345
Current Assets		
Inventories	170,474	155,820
Trade and other receivables	137,763	99,894
Contract assets	1,693	7,843
Current tax assets	11,492	11,447
Fixed deposits with licensed banks	5,918	6,102
Cash and bank balances	23,319	18,096
Total current assets	350,659	299,202
Total assets	511,573	456,547
Equity and Liabilities		
Equity		
Share capital	146,909	146,909
Reserves	68,607	66,910
Equity attributable to owners of the Company	215,516	213,819
Non-controlling interests	2,091	2,141
Total equity	217,607	215,960
Non-current liabilities		
Hire purchase payables	526	649
Term loans	5,637	5,719
Deferred tax liabilities	8,894	9,395
Total non-current liabilities	15,057	15,763
Current liabilities		
Trade and other payables	48,770	34,777
Amount owing to holding company	-	4,011
Derivatives liabilities	-	416
Hire purchase payables	1,140	749
Bankers' acceptances and trust receipts	205,167	165,812
Revolving credit	10,000	10,000
Bank overdrafts	11,189	5,954
Term loans	2,260	3,088
Current tax liabilities	383	17
Total current liabilities	278,909	224,824
Total liabilities	293,966	240,587
Total equity and liabilities	511,573	456,547
Net assets per share attributable to owners of the Company (sen)*	14.55	14.44

* Calculated based on net assets attributable to owners of the company's divided by the Company's 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 2023 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE QUARTER ENDED 31 MARCH 2024**

<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
Balance at 1 January 2023	146,909	45,732	39,467	232,108	2,322	234,430
Profit/(Loss) after taxation/Total comprehensive income/(expenses) for the financial period	-	-	1,873	1,873	(394)	1,479
Distributions to owners of the Company:						
- Dividend by the Company	-	-	(13,329)	(13,329)	-	(13,329)
Balance at 31 March 2023	146,909	45,732	28,011	220,652	1,928	222,580
Balance at 1 January 2024	146,909	45,732	21,178	213,819	2,141	215,960
Profit after taxation/Total comprehensive income for the financial period	-	-	1,697	1,697	50	1,747
Distributions to owners of the Company:						
- Dividend by a subsidiary to non-controlling interests	-	-	-	-	(100)	(100)
Balance at 31 March 2024	146,909	45,732	22,875	215,516	2,091	217,607

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 2023 and the accompanying explanatory notes attached to this interim financial report.

**UNAUDITED CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE QUARTER ENDED 31 MARCH 2024**

<i>in thousands of RM</i>	For the 3 months ended	
	31-Mar-24	31-Mar-23
Cash flows (for)/from operating activities		
Profit before taxation	1,625	2,186
Adjustments for non-cash items	4,489	3,957
Operating profit before working capital changes	<u>6,114</u>	<u>6,143</u>
Changes in working capital		
Inventories	(14,654)	45,855
Trade and other payables, including derivatives	9,566	(36,510)
Trade and other receivables	(31,719)	(1,479)
Cash (for)/from operations	<u>(30,693)</u>	<u>14,009</u>
Income tax paid	(57)	(1,800)
Net cash (for)/from operating activities	<u>(30,750)</u>	<u>12,209</u>
Cash flows for investing activities		
Withdrawal/(Additions) of deposits pledged with licensed financial banks or with tenure more than 3 months	184	(305)
Interest income received	47	87
Purchase of property, plant and equipment	(5,343)	(4,142)
Net cash for investing activities	<u>(5,112)</u>	<u>(4,360)</u>
Cash flows from/(for) financing activities		
Dividends paid to non-controlling interests	(100)	-
Dividends paid to owners of the Company	-	(13,329)
Interest paid	(2,763)	(3,041)
Net drawdown of loans and borrowings	38,445	4,081
Net drawdown/(repayment) of hire purchase payables	268	(334)
Net cash from/(for) financing activities	<u>35,850</u>	<u>(12,623)</u>
Net decrease in cash and cash equivalents	(12)	(4,774)
Cash and cash equivalents at beginning of the financial period	12,142	28,368
Cash and cash equivalents at end of the financial period	<u>12,130</u>	<u>23,594</u>

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 2023 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 2023 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 MFRS, 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 2023.

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 2024:

- Amendments to MFRS 16: Lease Liability in a Sale and Leaseback
- Amendments to MFRS 101: Classification of Liabilities as Current or Non-current
- Amendments to MFRS 101: Non-current Liabilities with Covenants
- Amendments to MFRS 107 and MFRS 7: Supplier Finance Arrangements

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 period:-

MFRS 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 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 2023.

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 of the Group 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 of the Group 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 was 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 March 2024.

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-Mar-24		31-Mar-23	
	Segmental Revenue (unaudited)	Profit/(Loss) Before tax (unaudited)	Segmental Revenue (unaudited)	Profit Before tax (unaudited)
Manufacturing	98,281	1,680	99,233	1,887
Trading	36,665	390	25,645	58
Transportation	609	(26)	650	102
	<u>135,555</u>	<u>2,044</u>	<u>125,528</u>	<u>2,047</u>
Elimination	<u>(28,653)</u>	<u>(419)</u>	<u>(22,926)</u>	<u>139</u>
	<u>106,902</u>	<u>1,625</u>	<u>102,602</u>	<u>2,186</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 2023.

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 this Interim Financial 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 the date of this Interim Financial Report.

A15. CAPITAL COMMITMENTS

<i>in thousands of RM</i>	As At 31-Mar-24	As At 31-Dec-23
Authorised and not contracted for	15,630	17,278

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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 had increased from RM456.5 million to RM511.6 million and RM240.6 million to RM294.0 million respectively. The increase in total assets was mainly due to the increase in trade receivables, purchase of inventories and increase in prepayments in relation to advances made to suppliers. These was offset with the decreased in contract assets as we had billed the customer.

Total liabilities had increased mainly due to higher drawdown of bank facilities and trade payables for the purchase of raw materials. This was offset with the repayment of amount owing to holding company amounting to RM4.0 million.

Total equity had marginally increased due to the better performance for the current quarter.

Statement of Cash Flows and Capital expenditure

During the period under review, the Group recorded a net cash for operating activities of RM30.8 million mainly due to higher purchases of inventories, trade receivables and advances to suppliers as explain above.

During the period under review, the Group had incurred net cash for investing activities of RM5.1 million mainly due to the construction of the Group's new headquarters, warehouse storage facility and workers' accommodation.

During the period under review, the Group recorded a net cash from financing activities of RM35.9 million, mainly due to the drawdown of our bank facilities to finance the purchase of inventories.

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B1. OPERATING SEGMENTS REVIEW (CON'D)

Analysis of Performance of All Operating Segments

Q1 2024 vs Q1 2023

Revenue had slightly increased by 4.2% from RM102.6 million to RM106.9 million. The increase was due to higher sales volume from the trading segment. Despite the increase in sales, gross profit margin had decreased by 0.8% compared to Q1 2023 mainly due to lower average selling price for the current quarter.

Administrative expenses had reduced by RM0.3 million mainly due to labour cost efficiency and lower electricity bills as we had commenced our solar generation. Lower finance costs from term loans and offset with the realized gain from foreign exchange had contribute to the lower expenses for the current quarter. The lower expenses and lower gross profit margin had resulted in a lower profit before tax from RM2.2 million to RM1.6 million.

Manufacturing Segment

Q1 2024 vs Q1 2023

Revenue had decreased by 1.0% to RM98.3 million, contributed by lower volume and lower average selling prices which resulted in a lower gross profit margin. As explained above, administrative and finance costs had decreased, which minimised the impact of lower gross profit margin, hence resulting in a profit before tax of RM1.7 million.

Trading Segment

Q1 2024 vs Q1 2023

Revenue had increased by 43.0% to RM36.7 million contributed by higher volume but lower selling prices which resulted in a lower gross profit margin. Despite the lower margin, the segment managed to garner a profit before tax of RM0.4 million as compared to RM0.06 million in Q1 2023 mainly due to higher sales volume.

Transportation Segment

Q1 2024 vs Q1 2023

Revenue for transportation had reduced by 6.3% to RM0.6 million while the company is making a loss mainly due to the over provision of bonus in Q1 2023.

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

<i>in thousands of RM</i>	Segmental Revenue				Segmental Profit before taxation			
	31-Mar-24	31-Dec-23	Changes		31-Mar-24	31-Dec-23	Changes	
			Amount	%			Amount	%
Manufacturing	98,281	104,662	(6,381)	-6%	1,680	1,547	133	9%
Trading	36,665	32,553	4,112	13%	390	326	64	20%
Transportation	609	679	(70)	-10%	(26)	106	(132)	-125%
Elimination	135,555	137,894	(2,339)	-2%	2,044	1,979	65	3%
	(28,653)	(29,360)	707	-2%	(419)	(1,418)	999	-70%
	106,902	108,534	(1,632)	-2%	1,625	561	1,064	190%

Revenue had decreased by 1.5% mainly due to the decline in average selling price. Despite the lower revenue, the group managed to obtain a higher profit before tax due to higher gross profit margin. However, these were offset with the lower sales of second grade products in Q1 2024, and in Q4 2023, there were a recognition of net impairment loss on trade receivables and unrealized loss on derivatives amounting to RM1.4 million and RM0.8 million respectively which reduces the profit before tax of Q4 2023.

B3. COMMENTARY ON PROSPECTS

The iron and steel industry in Malaysia had an over-capacity which resulted in the government imposing a two years moratorium effective 15 August 2023. The moratorium addresses the overcapacity by restricting new application for manufacturing licenses and freezing the issuance of certificate for exemption from manufacturing license under the Industrial Coordination Act 1975 (Act 156)¹. With these, there will be lesser new entry into the steel industry to compete with us.

In general, long products are widely used in construction, while flat products are used in manufacturing. The government intended to transform the manufacturing industry to move up the value chain by providing guidance and policy in green steel production and new development, to reduce reliance on imports and promote exports. As such, MITI had set-up an independent and special committee for the Malaysia's Iron & Steel Industry to renew and realign its direction towards achieving the objectives of the New Industrial Master Plan (NIMP) 2030².

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B3. COMMENTARY ON PROSPECTS (CON'D)

With the government introducing the NIMP, National Energy Transition Roadmap and Revised 12th Malaysia Plan (12MP), the Group remains cautiously optimistic for the financial year ending 2024 and beyond despite the on-going geo-political events happening around the world.

¹ <https://www.mida.gov.my/mida-news/steelmakers-welcome-governments-two-year-moratorium-on-long-products/>

² <https://www.thestar.com.my/business/business-news/2024/01/23/miti-sets-up-independent-special-committee-for-iron-and-steel-industry>

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	
	Current Quarter ended 31-Mar-24	Corresponding Quarter ended 31-Mar-23
<u>Current tax</u>		
- Current year	378	707
<u>Deferred tax</u>		
- Current year	(500)	-
	<u>(122)</u>	<u>707</u>
Effective tax rate	23%	32%

The Group's effective tax rate for financial period is lower than the statutory tax rate mainly due to losses incurred during the financial period.

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B6. BORROWINGS AND DEBT SECURITIES

<i>in thousands of RM</i>	As at 31-Mar-24	As at 31-Dec-23
<u>Secured</u>		
- Term Loans	7,897	8,807
- Hire purchase payables	1,666	1,398
- Bankers' acceptance and trust receipts	205,167	165,812
- Revolving credit	10,000	10,000
- Bank overdrafts	11,189	5,954
	<u>235,919</u>	<u>191,971</u>
Current liabilities	<u>229,756</u>	<u>185,603</u>
Non-Current liabilities	<u>6,163</u>	<u>6,368</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 March 2024.

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B9. DERIVATIVES

There were no derivatives in the current quarter under review.

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	
	31-Mar-24	31-Mar-23
Profit attributable to owners of the Company (RM'000)	1,697	1,873
Weighted average number of ordinary shares in issue ('000)	1,481,013	1,481,013
Basic EPS (Sen)	<u>0.11</u>	<u>0.13</u>

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 before taxation is arrived at after taking in the following items:-

<i>in thousands of RM</i>	INDIVIDUAL QUARTER	
	Current Quarter ended 31-Mar-24	Corresponding Quarter ended 31-Mar-23
(a) Interest income on financial assets measured at amortised costs	47	87
(b) Interest expense on financial liabilities that are not at fair value through profit or loss	(2,763)	(3,041)
(c) Depreciation	(1,774)	(1,989)
(d) Net impairment loss on trade receivables	-	29
(e) Net foreign exchange gain/(loss)	320	(204)
(f) Reversal of slow moving inventories written down	-	955
(g) Unrealised gain on derivatives	-	136

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B12. STATUS OF CORPORATE PROPOSALS

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

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:-

Purpose of utilisation	Proposed utilisation of IPO Proceeds (RM'000)	Variation to the utilisation of the IPO Proceeds⁽¹⁾ (RM'000)	Revised utilisation of IPO Proceeds (RM'000)	Actual utilisation (RM'000)	Balance proceeds unutilised (RM'000)	Estimated timeframe for utilisation from date of Listing
Working Capital	21,910	1,651	23,561	23,561	-	Within 12 months
Repayment of bank borrowings	14,385	(1,200)	13,185	13,185	-	Within 10 months
Construction of new headquarters, warehouse storage facility and workers' accommodation	30,038	-	30,038	25,144	4,894	Within 18 months
Estimated listing expenses	5,200	(451)	4,749	4,749	-	Within 3 months
Total	71,533	-	71,533	66,639	4,894	

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

Notes:

(1) 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 23 May 2024.