

12. ACCOUNTANTS REPORT



28 SEP 2022

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,

REPORTING ACCOUNTANTS' OPINION ON THE CONSOLIDATED FINANCIAL INFORMATION CONTAINED IN THE ACCOUNTANTS' REPORT OF LEFORM BERHAD (THE "COMPANY" OR "LEFORM")

OPINION

We have audited the consolidated financial information of the Company and its subsidiaries (collectively known as the "Group"), which comprise the consolidated statements of financial position as at 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022, and the consolidated statements of profit or loss and other comprehensive income, consolidated statements of changes in equity and consolidated statements of cash flows of the Group for the financial years ended ("FYE") 31 December 2019, 31 December 2020, 31 December 2021, and 6-month financial period ended ("FPE") 30 June 2022, and notes to the consolidated financial statements, including a summary of significant accounting policies as set out on pages 5 to 111.

The historical financial information has been prepared for inclusion in the prospectus of Leform in connection with the listing of and quotation for the entire enlarged issued shares capital of Leform on the ACE Market of Bursa Malaysia Securities Berhad ("Prospectus"). This report is prepared for the purpose of complying with the Prospectus Guidelines issued by the Securities Commission Malaysia and for no other purpose.

In our opinion, the consolidated financial information gives a true and fair view of the financial position of the Group as at 31 December 2019, 31 December 2020, 31 December 2021 and 30 June 2022 and of its consolidated financial performance and its consolidated cash flows for the FYE 31 December 2019, 31 December 2020, 31 December 2021, and 6-month FPE 30 June 2022 in accordance with the Malaysian Financial Reporting Standards ("MFRSs") and International Financial Reporting Standards ("IFRSs").

12. ACCOUNTANTS REPORT (Cont'd)**BASIS FOR OPINION**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Reporting Accountant's Responsibilities for the Audit of the Consolidated Financial Information* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis of our opinion.

INDEPENDENCE AND OTHER ETHICAL RESPONSIBILITIES

We are independent of the Group in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

DIRECTORS' RESPONSIBILITIES FOR THE CONSOLIDATED FINANCIAL INFORMATION

The Directors of the Company ("Directors") are responsible for the preparation of the consolidated financial information of the Group, so as to give a true and fair view in accordance with MFRSs and IFRSs. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of the consolidated financial information that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial information of the Group, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF CONSOLIDATED FINANCIAL INFORMATION

Our objectives are to obtain reasonable assurance about whether the consolidated financial information of the Group as a whole are free from material misstatement, whether due to fraud or error, and to issue a report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial information.

12. ACCOUNTANTS REPORT (Cont'd)**REPORTING ACCOUNTANTS' RESPONSIBILITIES FOR THE AUDIT OF CONSOLIDATED FINANCIAL INFORMATION (CONT'D)**

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- identify and assess the risks of material misstatement of the consolidated financial information of the Group, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control;
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control;
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors;
- conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our report to the related disclosures in the financial information of the Group or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our report. However, future events or conditions may cause the Group to cease to continue as a going concern;
- evaluate the overall presentation, structure and content of the financial information of the Group, including the disclosures, and whether the financial information of the Group represents the underlying transactions and events in a manner that achieves true and fair presentation; and
- obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

12. ACCOUNTANTS REPORT (Cont'd)



RESTRICTION ON DISTRIBUTION AND USE

Our report has been prepared for inclusion in the Prospectus of Leform in connection with the listing of and quotation for the entire enlarged issued shares of Leform on the ACE Market of Bursa Malaysia Securities Berhad. As such, this report 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.

A stylized signature consisting of a large, bold letter 'C' followed by a horizontal line.

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

Kuala Lumpur

A handwritten signature in black ink, appearing to read "Ho Yen Ling".

Ho Yen Ling
03378/06/2024 J
Chartered Accountant

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

	Note	<----- Audited -----> <----- FYE 31 December ----->			Audited
		2019 RM	2020 RM	2021 RM	FPE 30 June 2022 RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	4	110,034,864	105,009,480	110,174,125	111,807,360
Investment properties	5	12,151,732	11,992,924	9,982,873	9,870,499
Right-of-use assets	6	23,734,593	22,321,727	17,914,055	11,637,051
Goodwill on consolidation	7	2,728,101	2,728,101	2,702,225	2,702,225
		148,649,290	142,052,232	140,773,278	136,017,135
CURRENT ASSETS					
Inventories	8	141,566,675	87,660,733	115,395,788	195,510,750
Contract costs	9	162,877	-	-	-
Trade receivables	10	51,709,548	86,845,430	62,344,320	83,198,609
Other receivables, deposits and prepayments	11	5,008,995	14,924,340	18,342,113	8,111,726
Contract asset	12	2,005,088	616,371	616,371	616,371
Current tax assets		3,478,456	3,023,395	92,295	3,437,957
Fixed deposits with licensed banks	13	111,967	-	10,000,000	-
Cash and bank balances		6,892,850	9,166,570	42,446,681	30,578,563
		210,936,456	202,236,839	249,237,568	321,453,976
Non-current assets held for sale	14	-	4,107,677	-	-
		210,936,456	206,344,516	249,237,568	321,453,976
TOTAL ASSETS		359,585,746	348,396,748	390,010,846	457,471,111

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****CONSOLIDATED STATEMENTS OF FINANCIAL POSITION (CONT'D)**

	Note	←----- Audited -----> ←----- FYE 31 December ----->			Audited
		2019 RM	2022 RM	2021 RM	FPE 30 June 2022 RM
EQUITY AND LIABILITIES					
EQUITY					
Share capital	15	6,500,000	6,500,000	6,500,000	6,500,000
Reserves	16	112,410,659	117,212,395	160,565,770	172,752,485
Equity attributable to owners of the Company		118,910,659	123,712,395	167,065,770	179,252,485
Non-controlling interests		1,687,964	2,045,717	2,744,343	2,723,907
TOTAL EQUITY		120,598,623	125,758,112	169,810,113	181,976,392
NON-CURRENT LIABILITIES					
Lease liabilities	17	4,059,963	1,626,662	2,417,005	1,800,206
Term loans	18	18,337,278	17,123,988	29,039,789	25,652,771
Deferred tax liabilities	19	11,165,670	11,491,104	10,986,207	10,950,388
		33,562,911	30,241,754	42,443,001	38,403,365
CURRENT LIABILITIES					
Trade payables	20	40,502,467	43,761,862	21,996,239	38,189,137
Other payables and accruals	21	4,866,389	2,195,088	6,804,572	5,563,643
Amount owing to a director	22	-	591,099	-	-
Bankers' acceptances and trust receipts	23	143,138,734	136,266,784	138,824,775	184,782,557
Lease liabilities	17	5,804,425	3,236,265	2,241,463	1,745,457
Term loans	18	1,936,013	2,144,193	6,102,208	6,741,574
Bank overdrafts	24	9,018,654	3,868,813	-	-
Current tax liabilities		157,530	332,778	1,788,475	68,986
		205,424,212	192,396,882	177,757,732	237,091,354
TOTAL LIABILITIES		238,987,123	222,638,636	220,200,733	275,494,719
TOTAL EQUITY AND LIABILITIES		359,585,746	348,396,748	390,010,846	457,471,111

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME**

	Note	<----- Audited -----> <----- FYE 31 December ----->			Unaudited	Audited
		2019 RM	2020 RM	2021 RM	Six month period FPE 30 June 2021 RM	2022 RM
CONTINUING OPERATIONS						
REVENUE	25	344,581,391	354,714,484	373,973,827	203,351,461	213,670,753
COST OF SALES		(323,288,463)	(323,514,800)	(294,084,938)	(159,548,108)	(188,314,169)
GROSS PROFIT		21,292,928	31,199,684	79,888,889	43,803,353	25,356,584
OTHER INCOME		5,333,088	3,421,963	7,990,200	5,425,833	4,212,411
		26,626,016	34,621,647	87,879,089	49,229,186	29,568,995
ADMINISTRATIVE EXPENSES		(12,565,997)	(11,588,039)	(13,509,007)	(6,083,543)	(7,316,036)
OTHER EXPENSES		(3,340,840)	(3,212,389)	(6,434,156)	(4,671,794)	(1,695,516)
FINANCE COSTS		(9,506,286)	(9,160,483)	(5,955,418)	(3,078,070)	(3,523,713)
NET IMPAIRMENT LOSS ON FINANCIAL ASSET	26	-	-	(107,917)	(137,917)	(382,948)
PROFIT BEFORE TAXATION	27	1,212,893	10,660,736	61,872,591	35,257,862	16,650,782
INCOME TAX EXPENSE	28	(2,843,888)	(3,524,210)	(16,463,454)	(7,634,729)	(4,484,503)
(LOSS)/PROFIT AFTER TAXATION FROM CONTINUING OPERATIONS		(1,630,995)	7,136,526	45,409,137	27,623,133	12,166,279
DISCONTINUED OPERATIONS						
PROFIT AFTER TAXATION FROM DISCONTINUED OPERATIONS	29	156,647	222,963	78,450	78,450	-
(LOSS)/PROFIT AFTER TAXATION		(1,474,348)	7,359,489	45,487,587	27,701,583	12,166,279

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

CONSOLIDATED STATEMENTS OF PROFIT OR LOSS AND OTHER
COMPREHENSIVE INCOME (CONT'D)

	Note	Audited FYE 31 December			Unaudited Six month period FPE 30 June	Audited
		2019 RM	2020 RM	2021 RM	2021 RM	2022 RM
(LOSS)/PROFIT AFTER TAXATION (CONT'D)		(1,474,348)	7,359,489	45,487,587	27,701,583	12,166,279
OTHER COMPREHENSIVE INCOME	30					
<u>Items that Will Not be Reclassified Subsequently to Profit or Loss</u>						
Revaluation of property, plant and equipment		4,955,287	-	1,800,000	-	-
TOTAL COMPREHENSIVE INCOME FOR THE FINANCIAL YEAR/PERIOD		<u>3,480,939</u>	<u>7,359,489</u>	<u>47,287,587</u>	<u>27,701,583</u>	<u>12,166,279</u>
(LOSS)/PROFIT AFTER TAXATION						
ATTRIBUTABLE TO:-						
Owners of the Company:						
- continuing operations		(1,704,365)	6,578,773	44,494,357	26,864,926	12,186,715
- discontinued operations	29	156,647	222,963	78,450	78,450	-
		(1,547,718)	6,801,736	44,572,807	26,943,376	12,186,715
Non-controlling interests		73,370	557,753	914,780	758,207	(20,436)
		(1,474,348)	7,359,489	45,487,587	27,701,583	12,166,279
TOTAL COMPREHENSIVE INCOME ATTRIBUTABLE TO:-						
Owners of the Company:						
- continuing operations		3,250,922	6,578,773	46,294,357	26,864,926	12,186,715
- discontinued operations	29	156,647	222,963	78,450	78,450	-
		3,407,569	6,801,736	46,372,807	26,943,376	12,186,715
Non-controlling interests		73,370	557,753	914,780	758,207	(20,436)
		<u>3,480,939</u>	<u>7,359,489</u>	<u>47,287,587</u>	<u>27,701,583</u>	<u>12,166,279</u>
(Loss)/Earnings per share	31					
Basic:						
- continuing operations		(0.26)	1.01	6.85	4.13	1.87
- discontinued operations		0.02	0.03	0.01	0.01	-
		(0.24)	1.04	6.86	4.14	1.87
Diluted:						
- continuing operations		(0.26)	1.01	6.85	4.13	1.87
- discontinued operations		0.02	0.03	0.01	0.01	-
		(0.24)	1.04	6.86	4.14	1.87

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY

	Note	Share Capital RM	Non- Distributable Revaluation Reserves RM	Distributable Retained Profits RM	Attributable To Owners Of The Company RM	Non- controlling Interests RM	Total Equity RM
Audited							
Balance at 1 January 2019		6,500,000	36,341,852	72,661,238	115,503,090	1,614,594	117,117,684
Distributions to owners of the Company:							
- Dividends:							
- by subsidiaries to non-controlling interests		-	-	-	-	(200,000)	(200,000)
- Issuance of shares by a subsidiary		-	-	-	-	200,000	200,000
(Loss)/Profit after taxation for the financial year		-	-	(1,547,718)	(1,547,718)	73,370	(1,474,348)
Other comprehensive income for the financial year:							
- Revaluation of property, plant and equipment	30	-	4,955,287	-	4,955,287	-	4,955,287
Total comprehensive income/(expenses) for the financial year		-	4,955,287	(1,547,718)	3,407,569	73,370	3,480,939
Balance at 31 December 2019		6,500,000	41,297,139	71,113,520	118,910,659	1,687,964	120,598,623

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	Share Capital RM	Non- Distributable Reserves RM	Distributable Retained Profits RM	Attributable To Owners Of The Company RM	Non- controlling Interests RM	Total Equity RM
Audited							
Balance at 31 December 2019/1 January 2020		6,500,000	41,297,139	71,113,520	118,910,659	1,687,964	120,598,623
Distributions to owners of the Company:							
- Dividends:							
- by the Company	32	-	-	(2,000,000)	(2,000,000)	-	(2,000,000)
- by a subsidiary to non-controlling interests		-	-	-	-	(200,000)	(200,000)
Profit after taxation/Total comprehensive income for the financial year		-	-	6,801,736	6,801,736	557,753	7,359,489
Balance at 31 December 2020		6,500,000	41,297,139	75,915,256	123,712,395	2,045,717	125,758,112

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	Share Capital RM	Non- Distributable Revaluation Reserves RM	Distributable Retained Profits RM	Attributable To Owners Of The Company RM	Non- controlling Interests RM	Total Equity RM
Audited							
Balance at 31 December 2020/1 January 2021		6,500,000	41,297,139	75,915,256	123,712,395	2,045,717	125,758,112
Profit after taxation for the financial year		-	-	44,572,807	44,572,807	914,780	45,487,587
Other comprehensive income for the financial year:							
- Revaluation of property, plant and equipment	30	-	1,800,000	-	1,800,000	-	1,800,000
Total comprehensive income for the financial year		-	1,800,000	44,572,807	46,372,807	914,780	47,287,587
Contribution by and distributions to owners of the Company:							
- Dividends:							
- by the Company	32	-	-	(3,000,000)	(3,000,000)	-	(3,000,000)
- by a subsidiary to non-controlling interests		-	-	-	-	(500,000)	(500,000)
Changes in a subsidiaries' ownership interests that do not result in a loss of control		-	-	(19,432)	(19,432)	283,846	264,414
Realisation of revaluation surplus		-	(756,958)	756,958	-	-	-
Balance at 31 December 2021		6,500,000	42,340,181	118,225,589	167,065,770	2,744,343	169,810,113

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

CONSOLIDATED STATEMENTS OF CHANGES IN EQUITY (CONT'D)

	Note	Share Capital RM	Non- Distributable Revaluation Reserves RM	Distributable Retained Profits RM	Attributable To Owners Of The Company RM	Non- controlling Interests RM	Total Equity RM
Audited							
Balance at 31 December 2021/1 January 2022		6,500,000	42,340,181	118,225,589	167,065,770	2,744,343	169,810,113
Profit after taxation/Total comprehensive income for the financial period		-	-	12,186,715	12,186,715	(20,436)	12,166,279
Balance at 30 June 2022		6,500,000	42,340,181	130,412,304	179,252,485	2,723,907	181,976,392

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****CONSOLIDATED STATEMENTS OF CASH FLOWS**

	←----- Audited -----→			Unaudited	Audited
	←----- FYE 31 December -----→			Six month period	
Note	2019	2020	2021	←----- FPE 30 June -----→	2022
	RM	RM	RM	2021	2022
				RM	RM
CASH FLOWS (FOR)/FROM OPERATING ACTIVITIES					
Profit before taxation:					
- continuing operations	1,212,893	10,660,736	61,872,591	35,257,862	16,650,782
- discontinued operations	210,668	263,915	78,450	78,450	-
Adjustments for:-					
Bad debts written off on trade receivables	-	-	29,857	-	-
Bad debts written off on other receivables	7,576	-	-	-	-
Depreciation of right-of-use assets	3,730,825	3,594,626	3,196,513	2,178,039	1,347,217
Depreciation of property, plant and equipment	4,685,273	4,107,450	4,863,790	1,924,881	2,473,681
Depreciation of investment properties	158,808	158,808	585,824	473,450	112,374
Impairment loss on investment properties	-	-	530,000	530,000	-
Impairment loss on trade receivables	-	-	107,917	137,917	402,948
Interest expense on lease liabilities	730,359	334,650	1,038,003	269,894	123,581
Interest expenses	8,775,927	8,825,833	4,917,415	2,808,176	3,400,132
Inventories written down	-	-	687,825	-	1,616,671
Loss on disposal of a subsidiary	-	-	2,274,051	2,274,051	-
Written off property, plant and equipment	90,308	276,565	239,653	-	-
Gain on disposal of property, plant and equipment	(33,466)	(427,362)	(2,811,768)	(2,708,571)	(1,441,754)
Gain on disposal of right-of-use assets	(23,710)	(44,800)	(474,900)	(556,045)	-
Interest income	(29,317)	(210,683)	(222,764)	(43,470)	(90,956)
Reversal of impairment loss on trade receivables	-	-	-	-	(20,000)
Operating profit before changes in working capital	19,516,144	27,539,738	76,912,457	42,624,634	24,574,676
(Increase)/Decrease in inventories	(22,191,228)	53,905,942	(32,461,067)	26,354,588	(81,731,633)
(Increase)/Decrease in trade and other receivables	(66,902)	(45,051,227)	18,363,830	30,644,867	(8,349,034)
(Decrease)/Increase in trade and other payables	(1,380,648)	588,094	(12,738,994)	(16,088,488)	14,951,969
(Increase)/Decrease in contract costs	(162,877)	162,877	-	-	-
(Increase)/Decrease in contract assets	(721,019)	1,388,717	-	-	-
Decrease in amount owing to a corporate shareholder	(1,332,830)	-	-	-	-
(Decrease)/Increase in amount owing to a director	(978,473)	591,099	(591,099)	(591,099)	-
CASH (FOR)/FROM OPERATIONS/ BALANCE CARRIED FORWARD	(7,317,833)	39,125,240	49,485,127	82,944,502	(50,554,022)

12. ACCOUNTANTS REPORT (Cont'd)
LEFORM BERHAD
CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)

	←----- Audited ----->			Unaudited	Audited
	←----- FYE 31 December ----->			Six month period	Six month period
Note	2019 RM	2020 RM	2021 RM	←----- FPE 30 June -----> 2021 RM	2022 RM
BALANCE BROUGHT FORWARD	(7,317,833)	39,125,240	49,485,127	82,944,502	(50,554,022)
Income tax paid	(3,570,399)	(2,609,419)	(12,763,522)	(1,746,749)	(9,585,473)
NET CASH (FOR)/FROM OPERATING ACTIVITIES	(10,888,232)	36,515,821	36,721,605	81,197,753	(60,139,495)
CASH FLOWS (FOR)/FROM INVESTING ACTIVITIES					
Net addition to right-of-use assets	35(a) (1,284,428)	(358,232)	(2,272,352)	(1,781,520)	-
Disposal of a subsidiary, net of cash and cash equivalents disposed of	34 -	-	922,238	922,238	-
Proceeds from disposal of property, plant and equipment	39,620	474,999	6,999,002	6,846,000	29,000
Proceeds from disposal of right-of-use assets	-	248,307	1,239,000	1,065,001	-
Proceeds from partial disposal of investment in a subsidiary	41(c) -	-	270,000	270,000	-
Purchase of property, plant and equipment	35(a) (1,805,738)	(3,513,945)	(2,372,064)	(1,619,234)	(422,191)
Purchase of investment properties	35(a) (1,035,000)	-	-	-	-
Interest received	29,317	210,683	222,764	43,470	90,956
Withdrawal of deposits pledged with licensed financial banks	549,942	111,967	-	-	-
NET CASH (FOR)/FROM INVESTING ACTIVITIES	(3,506,287)	(2,826,221)	5,008,588	5,745,955	(302,235)

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****CONSOLIDATED STATEMENTS OF CASH FLOWS (CONT'D)**

	←----- Audited ----->			Unaudited	Audited
	←----- FYE 31 December ----->			Six month period	Six month period
Note	2019 RM	2020 RM	2021 RM	←----- FPE 30 June -----> 2021 RM	2022 RM
CASH FLOWS FROM/(FOR)					
FINANCING ACTIVITIES					
Net drawdown/(repayment) of term loans	35(b) 1,243,642	(1,005,110)	15,873,816	(2,529,516)	(2,747,652)
Net repayment of lease liabilities	35(b) (8,476,326)	(7,028,496)	(3,557,658)	(2,416,959)	(1,112,805)
Net drawdown/(repayment) in bankers' acceptances	35(b) 41,407,361	(5,814,573)	(22,603,496)	(52,139,325)	14,132,843
Net (repayment)/drawdown trust receipts	35(b) (9,815,570)	(1,057,377)	25,161,487	2,329,919	31,824,939
Dividend paid	-	(2,200,000)	(3,500,000)	(500,000)	-
Interest paid	(9,506,286)	(9,160,483)	(5,955,418)	(3,078,070)	(3,523,713)
NET CASH FROM/(FOR) FINANCING ACTIVITIES	14,852,821	(26,266,039)	5,418,731	(58,333,951)	38,573,612
NET INCREASE/ (DECREASE) IN CASH AND CASH EQUIVALENTS	458,302	7,423,561	47,148,924	28,609,757	(21,868,118)
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR/PERIOD	(2,584,106)	(2,125,804)	5,297,757	5,297,757	52,446,681
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR/PERIOD	35(d) (2,125,804)	5,297,757	52,446,681	33,907,514	30,578,563

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS****1. GENERAL INFORMATION**

Leform Berhad ("Leform") was incorporated in Malaysia on 14 January 1995 as a private limited liability company and is principally engaged in the businesses of manufacturing of steel products.

On 14 January 2022, the Company was converted from a private limited company to a public company limited by shares and the Company changed its name from Leform Sdn Bhd to Leform Berhad.

The registered office and principal place of business of the Company are as follows:-

Registered office	:	12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor, Malaysia.
Principal place of business	:	PT16077 and PT16078, Jalan Kesidang 4, Kawasan Perindustrian Sg. Choh, 48200 Serendah, Selangor Darul Ehsan.

The details of the subsidiaries which have their principal place of business and country of incorporation in Malaysia are as follows:-

- (a) LF Metal Sdn. Bhd. ("LFMSB") was incorporated on 12 July 2000 as a 100% owned subsidiary of Leform, a private limited company and is principally engaged in the business of trading in steel products.
- (b) Leform Steel Pipes Sdn. Bhd. ("LSPSB") (formerly known as Tianwen Steel Pipes Sdn. Bhd.) was incorporated on 7 January 1993 as a 100% owned subsidiary of Leform, a private limited company and is principally engaged in the business of trading in steel pipes.
- (c) Leform Steel Mill Sdn. Bhd. ("LSMSB") (formerly known as Tianwen Steel Mill Sdn. Bhd.) was incorporated on 31 July 2006 as a 70% owned subsidiary of Leform, a private limited company. The Company was dormant, previously manufacture of other basic iron and steel products. On 23 December 2021, LSMSB became a 100% owned subsidiary of the Company.
- (d) Leform Transport Sdn. Bhd. ("LTSB") was incorporated on 11 April 2007 as a 100% owned subsidiary of Leform, a private limited company and is principally engaged to carry on the business of transport and carrier.
- (e) Leform Metal Sdn. Bhd. ("LMSB") (formerly known as Tianwen Metal Sdn. Bhd.) was incorporated on 11 July 2000 as a 85% owned subsidiary of Leform a private limited company. The Company was dormant, previously trading in steel products.
- (f) Leform Steel Service Centre Sdn. Bhd. ("LSSCSB") (formerly known as Tianwen Steel Service Centre Sdn. Bhd.) was incorporated on 21 June 2000 as a 100% owned subsidiary of Leform, a private limited company and is principally engaged in the business of trading in steel products.

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

1. GENERAL INFORMATION (CONT'D)

- (g) LF Engineering Sdn. Bhd. ("LFESB") was incorporated on 20 October 2003 as a 60% owned subsidiary of Leform, a private limited company and is principally engaged in the business of manufacturing of guardrails.
- (h) Leform Marketing Sdn. Bhd. ("LMKSB") (formerly known as Tianwen Marketing Sdn. Bhd.) was incorporated on 27 January 1995 as a private limited company and is principally engaged in the business of trading of steel pipes and flat steel products. On 26 October 2015, LMKSB became a 90% owned subsidiary of LFMSB. Subsequently on 24 March 2021, LFMSB dispose of 10% of its shares in LMKSB for a total consideration of RM270,000 and LMKSB became a 80% owned subsidiary of LFMSB. The details of the disposal is disclosed in Note 41(c) to the financial statements.
- (i) Lex-Bridge Industries Sdn. Bhd. (formerly known as Tianwen Industries Sdn. Bhd. ("TISB")) was incorporated on 2 April 2003 as a 100% owned subsidiary of LSPSB, a private limited company and is principally engaged in the business of trading in pipes and other related activities. On 4 March 2021, LSPSB disposed of its entire interest in TISB for a total consideration of RM1,050,000. The details of the disposal is disclosed in Note 34 to the financial statements.

The Company and its subsidiaries are collectively defined as 'the Group'.

2. BASIS OF PREPARATION

The consolidated financial statements of the Group for the FYE 31 December 2019, 31 December 2020, 31 December 2021, and for the FPE 30 June 2022 have been prepared under the historical cost convention and modified to include other basis of valuation as disclosed in other sections under significant accounting policies, and in compliance with MFRSs, IFRSs and Prospectus Guidelines issued by the Securities Commission Malaysia.

The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial period:-

MFRSs and/or IC Interpretations (Including the Consequential Amendments)	Effective Date
MFRS 17 Insurance Contracts	1 January 2023
Amendments to MFRS 3: Reference to the Conceptual Framework	1 January 2022
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 17 Insurance Contracts	1 January 2023
Amendment to MFRS 17: Initial Application of MFRS 17 and MFRS 9 – Comparative Information	1 January 2023
Amendment to MFRS 101: Classification of Liabilities as Current or Non-current	1 January 2023

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****2. BASIS OF PREPARATION (CONT'D)**

The Group has not applied in advance the following accounting standards and/or interpretations (including the consequential amendments, if any) that have been issued by the Malaysian Accounting Standards Board ("MASB") but are not yet effective for the current financial period (Cont'd):-

MFRSs and/or IC Interpretations (Including the Consequential Amendments)	Effective Date
Amendments to MFRS 101: Disclosure of Accounting Policies	1 January 2023
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
Amendments to MFRS 116: Property, Plant and Equipment – Proceeds before Intended Use	1 January 2022
Amendments to MFRS 137: Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
Annual Improvements to MFRS Standards 2018 – 2020	1 January 2022

The adoption of the above accounting standards and/or interpretations (including the consequential amendments, if any) is expected to have no material impact on the financial statements of the Group upon their initial application.

3. SIGNIFICANT ACCOUNTING POLICIES**3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS***Key Sources of Estimation Uncertainty*

Management believes that there are no key assumptions made concerning the future, and other key sources of estimation uncertainty at the reporting date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year other than as disclosed below:-

(a) Depreciation of Property, Plant and Equipment, Investment Properties and Right-of-use Assets

The estimates for the residual values, useful lives and related depreciation charges for the property, plant and equipment, investment properties and right-of-use assets are based on commercial factors which could change significantly as a result of technical innovations and competitors' actions in response to the market conditions. The Group anticipates that the residual values of its property, plant and equipment, investment properties and right-of-use assets will be insignificant. As a result, residual values are not being taken into consideration for the computation of the depreciable amount. Changes in the expected level of usage and technological development could impact the economic useful lives and the residual values of these assets, therefore future depreciation charges could be revised. The carrying amount of property, plant and equipment, investment properties and right-of-use assets as at the reporting date are disclosed in Notes 4, 5 and 6 to the financial statements.

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)***Key Sources of Estimation Uncertainty (Cont'd)***(b) Property under Revaluation**

Certain properties of the Group are reported at revalued amounts which are based on valuations performed by independent professional valuers by reference to the selling prices of recent transactions and asking prices of similar properties of nearby location. Other factors such as model assumptions, market dislocations and unexpected correlations can also materially affect these estimates and the resulting valuations. The carrying amount of property measured at revaluation as at the reporting date is disclosed in Note 4 to the financial statements.

(c) Impairment of Goodwill

The assessment of whether goodwill is impaired requires an estimation of the value in use of the cash-generating unit to which the goodwill is allocated. Estimating a value in use amount requires management to make an estimate of the expected future cash flows from the cash-generating unit and also to choose a suitable discount rate in order to calculate the present value of those cash flows. The carrying amount of goodwill as at the reporting date is disclosed in Note 7 to the financial statements.

(d) Impairment of Property, Plant and Equipment, Investment Properties and Right-of-use Assets

The Group determines whether an item of its property, plant and equipment, investment properties and right-of-use assets are impaired by evaluating the extent to which the recoverable amount of the asset is less than its carrying amount. This evaluation is subject to changes such as market performance, economic and political situation of the country. A variety of methods is used to determine the recoverable amount, such as valuation reports and discounted cash flows. For discounted cash flows, significant judgement is required in the estimation of the present value of future cash flows generated by the assets, which involve uncertainties and are significantly affected by assumptions used and judgements made regarding estimates of future cash flows and discount rates. The carrying amounts of property, plant and equipment, investment properties and right-of-use assets as at the reporting date are disclosed in Notes 4, 5 and 6 to the financial statements.

(e) Write-down of Inventories

Reviews are made periodically by management on damaged, obsolete and slow-moving inventories. These reviews require judgement and estimates. Possible changes in these estimates could result in revisions to the valuation of inventories. The carrying amount of inventories as at the reporting date is disclosed in Note 8 to the financial statements.

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)***Key Sources of Estimation Uncertainty (Cont'd)***(f) Impairment of Trade Receivables and Contract Assets**

The Group uses the simplified approach to estimate a lifetime expected credit loss allowance for all trade receivables and contract assets. The contract assets are grouped with trade receivables for impairment assessment because they have substantially the same risk characteristics as the trade receivables for the same types of contracts. The Group develops the expected loss rates based on the payment profiles of past sales and the corresponding historical credit losses, and adjusts 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 and contract assets. The carrying amounts of trade receivables and contract assets as at the reporting date are disclosed in Notes 10 and 12 to the financial statements respectively.

(g) Impairment of Non-Trade Receivables

The loss allowances for non-trade financial assets are based on assumptions about risk of default and expected loss rates. It also requires the Group to assess whether there is a significant increase in credit risk of the non-trade financial asset at the reporting date. The Group uses judgement in making these assumptions and selecting appropriate inputs to the impairment calculation, based on the past payment trends, existing market conditions and forward-looking information. The carrying amount of other receivables as at the reporting date is disclosed in Note 11 to the financial statements.

(h) Revenue Recognition from Construction Contracts

The Group recognises construction revenue by reference to the construction progress using the input method, determined based on the proportion of construction costs incurred for work performed to date over the estimated total construction costs. The total estimated costs are based on approved budgets, which require assessment and judgement to be made on changes in, for example, work scope, changes in costs and costs to completion. In making the judgement, management relies on past experience and the work of specialists. The carrying amount of contract assets as the reporting date is disclosed in Note 12 to the financial statements.

(i) Income Taxes

There are certain transactions and computations for which the ultimate tax determination may be different from the initial estimate. The Group recognises tax liabilities based on its understanding of the prevailing tax laws and estimates of whether such taxes will be due in the ordinary course of business. Where the final outcome of these matters is different from the amounts that were initially recognised, such difference will impact the income tax expense and deferred tax balances in the period in which such determination is made. The carrying amount of net current tax assets of the Group as at the reporting date are RM3,368,971 (FYE 31 Dec 2019 - net current tax assets of RM3,320,926, FYE 31 Dec 2020 - net current tax assets of RM2,690,617, and FYE 31 Dec 2021 - net current tax liabilities of RM1,696,180)

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.1 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONT'D)

Critical Judgements Made in Applying Accounting Policies

Management believes that there are no instances of application of critical judgement in applying the Group's accounting policies which will have a significant effect on the amounts recognised in the financial statements other than as disclosed below:-

(a) Classification between Investment Properties and Owner-occupied Properties

Some properties comprise a portion that is held to earn rentals or for capital appreciation and another portion that is held for use in the production or supply of goods or services or for administrative purposes. If these portions could be sold separately (or leased out separately under a finance lease), the Group accounts for the portions separately. If the portions could not be sold separately, the property is investment property only if an insignificant portion is held for use in the production or supply of goods or services or for administrative purposes.

(b) Contingent Liabilities

The recognition and measurement for contingent liabilities is based on management's view of the expected outcome on contingencies after consulting legal counsel for litigation cases and experts, for matters in the ordinary course of business. Furthermore, the director is of the view that the chances of the financial institutions to call upon the corporate guarantees issued by the Group are remote.

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.2 BASIS OF CONSOLIDATION

The consolidated financial statements include the financial statements of the Company and its subsidiaries made up to the end of reporting period.

Subsidiaries are entities controlled by the Group. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. Potential voting rights are considered when assessing control only when such rights are substantive. The Group also considers it has de facto power over an investee when, despite not having the majority of voting rights, it has the current ability to direct the activities of the investee that significantly affect the investee's return.

Subsidiaries are consolidated from the date on which control is transferred to the Group up to the effective date on which control ceases, as appropriate.

Intragroup transactions, balances, income and expenses are eliminated on consolidation. Intragroup losses may indicate an impairment that requires recognition in the consolidated financial statements. Where necessary, adjustments are made to the financial statements of subsidiaries to ensure consistency of accounting policies with those of the Group.

(a) Business Combinations

Acquisitions of businesses are accounted for using the acquisition method. Under the acquisition method, the consideration transferred for acquisition of a subsidiary is the fair value of the assets transferred, liabilities incurred and the equity interests issued by the Group at the acquisition date. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement. Acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss when incurred.

In a business combination achieved in stages, previously held equity interests in the acquiree are remeasured to fair value at the acquisition date and any corresponding gain or loss is recognised in profit or loss.

Non-controlling interests in the acquiree may be initially measured either at fair value or at the non-controlling interests' proportionate share of the fair value of the acquiree's identifiable net assets at the date of acquisition. The choice of measurement basis is made on a transaction-by-transaction basis.

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.2 BASIS OF CONSOLIDATION (CONT'D)****(b) Non-controlling Interests**

Non-controlling interests are presented within equity in the consolidated statement of financial position, separately from the equity attributable to owners of the Company. Profit or loss and each component of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income is attributed to non-controlling interests even if this results in the non-controlling interests having a deficit balance.

(c) Changes in Ownership Interests in Subsidiaries Without Change of Control

All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. Any difference between the amount by which the non-controlling interest is adjusted and the fair value of consideration paid or received is recognised directly in equity of the Group.

(d) Loss of Control

Upon the loss of control of a subsidiary, the Group recognises any gain or loss on disposal in profit or loss which is calculated as the difference between:-

- (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest in the former subsidiary; and
- (ii) the previous carrying amount of the assets (including goodwill), and liabilities of the former subsidiary and any non-controlling interests.

Amounts previously recognised in other comprehensive income in relation to the former subsidiary are accounted for in the same manner as would be required if the relevant assets or liabilities were disposed of (i.e. reclassified to profit or loss or transferred directly to retained profits). The fair value of any investments retained in the former subsidiary at the date when control is lost is regarded as the fair value of the initial recognition for subsequent accounting under MFRS 9 or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.3 GOODWILL**

Goodwill is measured at cost less accumulated impairment losses, if any. The carrying value of goodwill is reviewed for impairment annually or more frequently if events or changes in circumstances indicate that the carrying amount may be impaired. The impairment value of goodwill is recognised immediately in profit or loss. An impairment loss recognised for goodwill is not reversed in a subsequent period.

Under the acquisition method, any excess of the sum of the fair value of the consideration transferred in the business combination, the amount of non-controlling interests recognised and the fair value of the Group's previously held equity interest in the acquiree (if any), over the net fair value of the acquiree's identifiable assets and liabilities at the date of acquisition is recorded as goodwill.

Where the latter amount exceeds the former, after reassessment, the excess represents a bargain purchase gain and is recognised in profit or loss immediately.

3.4 FUNCTIONAL AND FOREIGN CURRENCIES**(a) Functional and Presentation Currency**

The individual financial statements of each entity in the Group are presented in the currency of the primary economic environment in which the entity operates, which is the functional currency.

The consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is the Company's functional and presentation currency.

(b) Foreign Currency Transactions and Balances

Transactions in foreign currencies are converted into the respective functional currencies on initial recognition, using the exchange rates at the transaction dates. Monetary assets and liabilities at the end of the reporting period are translated at the exchange rates ruling as of that date. Non-monetary assets and liabilities are translated using exchange rates that existed when the values were determined. All exchange differences are recognised in profit or loss.

3.5 FINANCIAL INSTRUMENTS

Financial assets and financial liabilities are recognised in the statements of financial position when the Group has become a party to the contractual provisions of the instruments.

Financial instruments are classified as financial assets, financial liabilities or equity instruments in accordance with the substance of the contractual arrangement and their definitions in MFRS 132. Interest, dividends, gains and losses relating to a financial instrument classified as a liability are reported as an expense or income. Distributions to holders of financial instruments classified as equity are charged directly to equity.

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.5 FINANCIAL INSTRUMENTS (CONT'D)**

Financial instruments are offset when the Group has a legally enforceable right to offset and intends to settle either on a net basis or to realise the asset and settle the liability simultaneously.

A financial instrument is recognised initially at its fair value (other than trade receivables without significant financing component which are measured at transaction price as defined in MFRS 15 at inception). Transaction costs that are directly attributable to the acquisition or issue of the financial instrument (other than a financial instrument at fair value through profit or loss) are added to/deducted from the fair value on initial recognition, as appropriate. Transaction costs on the financial instrument at fair value through profit or loss are recognised immediately in profit or loss.

Financial instruments recognised in the statements of financial position are disclosed in the individual policy statement associated with each item.

(a) Financial Assets

All recognised financial assets are measured subsequently in their entirety at either amortised cost or fair value (through profit or loss, or other comprehensive income), depending on the classification of the financial assets.

*Debt Instruments***(i) Amortised Cost**

The financial asset is held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest. Interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset. When the asset has subsequently become credit-impaired, the interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset.

The effective interest method is a method of calculating the amortised cost of a financial asset and of allocating interest income over the relevant period. The effective interest rate is the rate that discounts estimated future cash receipts (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), excluding expected credit losses, through the expected life of the financial asset or a shorter period (where appropriate).

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS (CONT'D)

(a) Financial Assets (Cont'd)

Debt Instruments (Cont'd)

(ii) Fair Value through Other Comprehensive Income

The financial asset is held for both collecting contractual cash flows and selling the financial asset, where the asset's cash flows represent solely payments of principal and interest. Movements in the carrying amount are taken through other comprehensive income and accumulated in the fair value reserve, except for the recognition of impairment, interest income and foreign exchange difference which are recognised directly in profit or loss. Interest income is calculated using the effective interest rate method.

(iii) Fair Value through Profit or Loss

All other financial assets that do not meet the criteria for amortised cost or fair value through other comprehensive income are measured at fair value through profit or loss. The fair value changes do not include interest or dividend income.

The Group reclassifies debt instruments when and only when its business model for managing those assets change.

Equity Instruments

All equity investments are subsequently measured at fair value with gains and losses recognised in profit or loss except where the Group has elected to present the subsequent changes in fair value in other comprehensive income and accumulated in the fair value reserve at initial recognition.

The designation at fair value through other comprehensive income is not permitted if the equity investment is either held for trading or is designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise.

Dividend income from this category of financial assets is recognised in profit or loss when the Group's right to receive payment is established unless the dividends clearly represent a recovery of part of the cost of the equity investments.

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.5 FINANCIAL INSTRUMENTS (CONT'D)****(b) Financial Liabilities****(i) Financial Liabilities at Fair Value through Profit or Loss**

Fair value through profit or loss category comprises financial liabilities that are either held for trading or are designated to eliminate or significantly reduce a measurement or recognition inconsistency that would otherwise arise. The changes in fair value of these financial liabilities are recognised in profit or loss.

(ii) Other Financial Liabilities

Other financial liabilities are subsequently measured at amortised cost using the effective interest method.

The effective interest method is a method of calculating the amortised cost of a financial liability and of allocating interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts), through the expected life of the financial liability or a shorter period (where appropriate).

(c) Equity Instruments

Equity instruments classified as equity are measured initially at cost and are not remeasured subsequently.

Ordinary shares are classified as equity and recorded at the proceeds received, net of directly attributable transaction costs.

Dividends on ordinary shares are recognised as liabilities when approved for appropriation.

(d) Derecognition

A financial asset or part of it is derecognised when, and only when, the contractual rights to the cash flows from the financial asset expire or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. On derecognition of a financial asset measured at amortised cost, the difference between the carrying amount of the asset and the sum of the consideration received and receivable is recognised in profit or loss. In addition, on derecognition of a debt instrument classified as fair value through other comprehensive income, the cumulative gain or loss previously accumulated in the fair value reserve is reclassified from equity to profit or loss. In contrast, there is no subsequent reclassification of the fair value reserve to profit or loss following the derecognition of an equity investment.

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.5 FINANCIAL INSTRUMENTS (CONT'D)

(d) Derecognition (Cont'd)

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires. On derecognition of a financial liability, the difference between the carrying amount of the financial liability extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

3.6 PROPERTY, PLANT AND EQUIPMENT

All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that are directly attributable to the acquisition of the asset and other costs directly attributable to bringing the asset to working condition for its intended use.

Subsequent to initial recognition, all property, plant and equipment, other than freehold land and buildings, are stated at cost less accumulated depreciation and any impairment losses.

Freehold land is stated at valuation less impairment losses recognised after the date of the revaluation. Freehold buildings are stated at revalued amount less accumulated depreciation and impairment losses recognised after the date of the revaluation.

Freehold land and building are revalued periodically, at least once in every five years. Surpluses arising from the revaluation are recognised in other comprehensive income and accumulated in equity under the revaluation reserve to the extent that it reverses a revaluation deficit of the same asset previously recognised in profit or loss. Deficits arising from the revaluation, to the extent that they are not supported by any previous revaluation surpluses, are recognised in profit or loss.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when the cost is incurred and it is probable that the future economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. The carrying amount of parts that are replaced is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in profit or loss as incurred.

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.6 PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

Freehold land is not depreciated. Depreciation on other property, plant and equipment is charged to profit or loss (unless it is included in the carrying amount of another asset) on a straight-line method to write off the depreciable amount of the assets over their estimated useful lives. Depreciation of an asset does not cease when the asset becomes idle or is retired from active use unless the asset is fully depreciated.

The principal annual rates used for this purpose are:-

Buildings	2%
Plant and machineries	10% - 20%
Motor vehicles	20%
Furniture and fittings	10% - 20%
Office equipment	10% - 20%
Computers	20%
Renovation	10% - 20%
Tools and equipment	20%
Electrical fittings	10% - 20%
Alarm systems	10%
Cabin hostel	2%

Capital work-in-progress included in property, plant and equipment are not depreciated as these assets are not yet available for use.

The depreciation method, useful lives and residual values are reviewed, and adjusted if appropriate, at the end of each reporting period to ensure that the amounts, method and periods of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of the property, plant and equipment. Any changes are accounted for as a change in estimate.

When significant parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the asset, being the difference between the net disposal proceeds and the carrying amount, is recognised in profit or loss. The revaluation reserve included in equity is transferred directly to retained profits on retirement or disposal of the asset.

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.7 INVESTMENT PROPERTIES

Investment properties are properties which are owned or right-of-use asset held to earn rental income or for capital appreciation or for both, but not for sale in the ordinary course of business, use in the production or supply of goods or services or for administrative purposes.

Investment properties which are owned are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the investment property. The right-of-use asset held under a lease contract that meets the definition of investment property is measured initially similarly as other right-of-use assets.

Subsequent to initial recognition, investment properties are stated at cost less accumulated depreciation and impairment losses, if any.

Depreciation is charged to profit or loss on a straight-line method over the estimated useful lives of the investment properties. The estimated useful lives of the investment properties are within 50 years.

Investment properties are derecognised when they have either been disposed of or when the investment property is permanently withdrawn from use and no future benefit is expected from its disposal.

On the derecognition of an investment property, the difference between the net disposal proceeds and the carrying amount is recognised in profit or loss.

Transfers are made to or from investment property only when there is a change in use. All transfers do not change the carrying amount of the property reclassified.

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.8 LEASES**

The Group assesses whether a contract is or contains a lease, at inception of the contract. The Group recognises a right-of-use asset and corresponding lease liability with respect to all lease arrangements in which it is the lessee, except for low-value assets and short-term leases with 12 months or less. For these leases, the Group recognises the lease payments as an operating expense on a straight-line method over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased assets are consumed.

The Group recognises a right-of-use asset and a lease liability at the lease commencement date. The right-of-use assets and the associated lease liabilities are presented as a separate line item in the statements of financial position.

The right-of-use asset is initially measured at cost. Cost includes the initial amount of the corresponding lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred, less any incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any impairment losses, and adjustment for any remeasurement of the lease liability. The depreciation starts from the commencement date of the lease. If the lease transfers ownership of the underlying asset to the Group or the cost of the right-of-use asset reflects that the Group expects to exercise a purchase option, the related right-of-use asset is depreciated over the useful life of the underlying asset. Otherwise, the Group depreciates the right-of-use asset to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. The estimated useful lives of the right-of-use assets are determined on the same basis as those property, plant and equipment.

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

The lease liability is subsequently measured at amortised cost using the effective interest method. It is remeasured when there is a change in the future lease payments (other than lease modification that is not accounted for as a separate lease) with the corresponding adjustment is made to the carrying amount of the right-of-use asset or is recognised in profit or loss if the carrying amount has been reduced to zero.

3.9 INVENTORIES

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis and comprises the purchase price and incidentals incurred in bringing the inventories to their present location and condition. Cost of finished goods and work-in-progress includes cost of materials, labour and an appropriate proportion of production overheads.

Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs necessary to make the sale.

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.10 CONTRACT COSTS****Costs to Fulfil a Contract**

The Group recognises costs that relate directly to a contract (or an anticipated contract) with customer as an asset when the costs generate or enhance resources of the Group, will be used in satisfying performance obligation in the future and are recovered.

The contract costs are initially measured at cost and amortised on a systematic basis that is consistent with the pattern of revenue recognition to which the asset relates.

An impairment loss is recognised in the profit or loss when the carrying amount of the contract cost exceeds the expected revenue less expected cost that will be incurred. Any impairment loss recovered shall be reversed to the extent of the carrying amount of the contract cost does not exceed the amount that would have been recognised had there been no impairment loss recognised previously.

3.11 CONTRACT ASSET

A contract asset is recognised when the Group's right to consideration is conditional on something other than the passage of time. A contract asset is subject to impairment requirements of MFRS 9.

3.12 CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value with original maturity periods of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents are presented net of bank overdrafts.

3.13 NON-CURRENT ASSETS HELD FOR SALE AND DISCONTINUED OPERATIONS

Non-current assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the non-current assets are remeasured in accordance with the Group's accounting policies. Upon classification as held for sale, the non-current assets are not depreciated and are measured at the lower of their previous carrying amount and fair value less cost to sell. Any differences are recognised in profit or loss.

A discontinued operation is a component of the Group's business that represents a separate major line of business or geographical area of operations that has been disposed of or is held for sale, or is a subsidiary acquired exclusively with a view to resale. Classification as a discontinued operation occurs upon disposal or when the operation meets the criteria to be classified as held for sale, if earlier. When an operation is classified as a discontinued operation, the comparative statement of profit or loss and other comprehensive income is restated as if the operation had been discontinued from the start of the comparative period.

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.14 IMPAIRMENT

(a) Impairment of Financial Assets

The Group recognises a loss allowance for expected credit losses on investments in debt instruments that are measured at amortised cost.

The expected credit loss is estimated as the difference between all contractual cash flows that are due to the Group in accordance with the contract and all the cash flows that the Group expects to receive, discounted at the original effective interest rate.

The amount of expected credit losses is updated at each reporting date to reflect changes in credit risk since initial recognition of the respective financial instrument. The Group always recognises lifetime expected credit losses for trade receivables and contract assets using the simplified approach. The expected credit losses on these financial assets are estimated using a provision matrix based on the Group's historical credit loss experience and are adjusted for forward-looking information (including time value of money where appropriate).

For all other financial instruments, the Group recognises lifetime expected credit losses when there has been a significant increase in credit risk since initial recognition. However, if the credit risk on the financial instrument has not increased significantly since initial recognition, the Group measures the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses.

The Group recognises an impairment gain or loss in profit or loss for all financial instruments with a corresponding adjustment to their carrying amount through a loss allowance account, except for investments in debt instruments that are measured at fair value through other comprehensive income, for which the loss allowance is recognised in other comprehensive income and accumulated in the fair value reserve, and does not reduce the carrying amount of the financial asset in the statement of financial position.

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.14 IMPAIRMENT (CONT'D)****(b) Impairment of Non-financial Assets**

The carrying values of assets, other than those to which MFRS 136 does not apply, are reviewed at the end of each reporting period for impairment when an annual impairment assessment is compulsory or there is an indication that the assets might be impaired. Impairment is measured by comparing the carrying values of the assets with their recoverable amounts. When the carrying amount of an asset exceeds its recoverable amount, the asset is written down to its recoverable amount and an impairment loss shall be recognised. The recoverable amount of an asset is the higher of the asset's fair value less costs to sell and its value in use, which is measured by reference to discounted future cash flows using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. Where it is not possible to estimate the recoverable amount of an individual asset, the Group determines the recoverable amount of the cash-generating unit to which the asset belongs.

An impairment loss is recognised in profit or loss immediately unless the asset is carried at its revalued amount. Any impairment loss of a revalued asset is treated as a revaluation decrease to the extent of a previously recognised revaluation surplus for the same asset. Any impairment loss recognised in respect of a cash-generating unit is allocated first to reduce the carrying amount of any goodwill allocated to the cash-generating unit and then to reduce the carrying amounts of the other assets in the cash-generating unit on a pro rata basis.

In respect of assets other than goodwill, and when there is a change in the estimates used to determine the recoverable amount, a subsequent increase in the recoverable amount of an asset is treated as a reversal of the previous impairment loss and is recognised to the extent of the carrying amount of the asset that would have been determined (net of amortisation and depreciation) had no impairment loss been recognised. The reversal is recognised in profit or loss immediately, unless the asset is carried at its revalued amount, in which case the reversal of the impairment loss is treated as a revaluation increase.

3.15 EMPLOYEE BENEFITS**(a) Short-term Benefits**

Wages, salaries, paid annual leave and bonuses are measured on an undiscounted basis and are recognised in profit or loss in the period in which the associated services are rendered by employees of the Group.

(b) Defined Contribution Plans

The Group's contributions to defined contribution plans are recognised in profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further liability in respect of the defined contribution plans.

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.16 INCOME TAXES

(a) Current Tax

Current tax assets and liabilities are expected amount of income tax recoverable or payable to the taxation authorities.

Current taxes are measured using tax rates and tax laws that have been enacted or substantively enacted at the end of the reporting period and are recognised in profit or loss except to the extent that the tax relates to items recognised outside profit or loss (either in other comprehensive income or directly in equity).

(b) Deferred Tax

Deferred tax are recognised using the liability method for all temporary differences other than those that arise from goodwill or from the initial recognition of an asset or liability in a transaction which is not a business combination and at the time of the transaction, affects neither accounting profit nor taxable profit.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted at the end of the reporting period.

Deferred tax assets are recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. The carrying amounts of deferred tax assets are reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that the related tax benefits will be realised.

Current and deferred tax items are recognised in correlation to the underlying transactions either in profit or loss, other comprehensive income or directly in equity. Deferred tax arising from a business combination is adjusted against goodwill or negative goodwill.

Current tax assets and liabilities or deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when the deferred taxes relate to the same taxable entity (or on different tax entities but they intend to settle current tax assets and liabilities on a net basis) and the same taxation authority.

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.17 OPERATING SEGMENTS**

An operating segment is a component of the Group that engages in business activities from which it may earn revenues and incur expenses, including revenues and expenses that relate to transactions with any of the Group's other components. An operating segment's operating results are reviewed regularly by the chief operating decision maker to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

3.18 EARNINGS PER ORDINARY SHARE

Basic earnings per ordinary share is calculated by dividing the consolidated profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the reporting period, adjusted for own shares held.

Diluted earnings per ordinary share is determined by adjusting the consolidated profit or loss attributable to ordinary shareholders of the Company and the weighted average number of ordinary shares outstanding, adjusted for own shares held, for the effects of all dilutive ordinary shares.

3.19 BORROWING COSTS

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset are capitalised as part of the cost of those assets, until such time as the assets are ready for their intended use or sale. The capitalisation of borrowing costs is suspended during extended periods in which active development is interrupted. The capitalisation rate used to determine the amount of borrowing costs eligible for capitalisation is the weighted average of the borrowing costs applicable to borrowings that are outstanding during the financial year, other than borrowings made specifically for the purpose of financing a specific project-in-progress, in which case the actual borrowing costs incurred on that borrowings less any investment income on temporary investment of that borrowings will be capitalised.

All other borrowing costs are recognised in profit or loss as expenses in the period in which they are incurred.

3.20 CONTINGENT LIABILITIES

A contingent liability is a possible obligation that arises from past events and whose existence will only be confirmed by the occurrence of one or more uncertain future events not wholly within the control of the Group. It can also be a present obligation arising from past events that is not recognised because it is not probable that an outflow of economic resources will be required or the amount of obligation cannot be measured reliably.

A contingent liability is not recognised but is disclosed in the notes to the financial statements, unless the probability of outflow of economic benefits is remote. When a change in the probability of an outflow occurs so that the outflow is probable, it will then be recognised as a provision.

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)****3.21 FAIR VALUE MEASUREMENTS**

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using a valuation technique. The measurement assumes that the transaction takes place either in the principal market or in the absence of a principal market, in the most advantageous market. For non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

For financial reporting purposes, the fair value measurements are analysed into level 1 to level 3 as follows:-

- Level 1: Inputs are quoted prices (unadjusted) in active markets for identical assets or liability that the entity can access at the measurement date;
- Level 2: Inputs are inputs, other than quoted prices included within level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3: Inputs are unobservable inputs for the asset or liability.

The transfer of fair value between levels is determined as of the date of the event or change in circumstances that caused the transfer.

3.22 REVENUE FROM CONTRACTS WITH CUSTOMERS

Revenue from contracts with customers is measured based on the consideration specified in a contract with a customer in exchange for transferring goods or services to a customer net of sales and service tax, returns, rebates and discounts. The Group recognises revenue when (or as) it transfers control over a product or service to customer. An asset is transferred when (or as) the customer obtains control of the asset. Depending on the substance of the contract, revenue is recognised when the performance obligation is satisfied, which may be at a point in time or over time.

(a) Sale of steel products

Revenue from sale of steel products is recognised when the Group has transferred control of the goods to the customer, being when the goods have been delivered to the customer and upon its acceptance. Following delivery, the customer has full discretion over the manner of distribution and price to sell the goods, and bears the risks of obsolescence and loss in relation to the goods.

(b) Revenue from transport and courier services

Revenue from providing transport and courier services is recognised at a point in time in the period in which the services are rendered.

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT'D)

3.22 REVENUE FROM CONTRACTS WITH CUSTOMERS (CONT'D)

(c) Construction Services

Revenue from construction services is recognised over time in the period in which the services are rendered using the input method, determined based the proportion of construction costs incurred for work performed to date over the estimated total construction costs and adjusted for any variable consideration such as incentives and penalties. Past experience is used to estimate and provide for the variable consideration, using expected value method and revenue is only recognised to the extent that it is highly probable that a significant reversal will not occur.

A receivable is recognised when the construction services are rendered as this is the point in time that the consideration is unconditional because only the passage of time is required before the payment is due. If the construction services rendered exceed the payment received, a contract asset is recognised. If the payments exceed the construction services rendered, a contract liability is recognised.

3.23 REVENUE FROM OTHER SOURCES AND OTHER OPERATING INCOME

(a) Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

(b) Rental Income

Rental income is accounted for on a straight-line method over the lease term.

(c) Sale of Scrap

Sales of accumulated scrap materials that are produced as a result of its manufacturing process is recognised at a point in time when the scrap materials have been delivered to the customers and upon its acceptance.

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT

	At 1.1.2019 RM	Transfer to Investment Properties RM	Additions (Note 35(a)) RM	Revaluation Surplus RM	Disposal RM	Written Off RM	Depreciation Charges RM	At 31.12.2019 RM
Audited								
31.12.2019								
<i>Carrying Amount</i>								
Freehold land and buildings	106,113,834	(11,275,540)	-	6,181,556	-	-	(1,170,149)	99,849,701
Plant and machineries	7,797,404	-	67,710	-	-	(90,308)	(1,804,421)	5,970,385
Motor vehicles	445,283	-	-	-	(6,154)	-	(363,204)	75,925
Furniture and fittings	65,700	-	-	-	-	-	(21,403)	44,297
Office equipment	66,190	-	55,419	-	-	-	(33,992)	87,617
Computers	90,244	-	4,929	-	-	-	(37,995)	57,178
Renovations	386,461	-	52,000	-	-	-	(40,198)	398,263
Tools and equipment	1,906,586	-	432,020	-	-	-	(923,088)	1,415,518
Electrical fittings	1,019,109	-	22,500	-	-	-	(285,834)	755,775
Cabin hostel	204,032	-	-	-	-	-	(4,989)	199,043
Construction-in-progress	10,002	-	1,171,160	-	-	-	-	1,181,162
	118,104,845	(11,275,540)	1,805,738	6,181,556	(6,154)	(90,308)	(4,685,273)	110,034,864

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At 1.1.2020 RM	Additions (Note 35(a)) RM	Disposal RM	Classified as Held For Sale RM	Written off RM	Depreciation Charges RM	At 31.12.2020 RM
Audited							
31.12.2020							
<i>Carrying Amount</i>							
Freehold land and buildings	99,849,701	-	-	(4,107,677)	-	(1,077,234)	94,664,790
Plant and machineries	5,970,385	270,327	(47,637)	-	-	(1,808,477)	4,384,598
Motor vehicles	75,925	96,800	-	-	-	(73,136)	99,589
Furniture and fittings	44,297	-	-	-	(3,383)	(15,162)	25,752
Office equipment	87,617	52,779	-	-	-	(36,385)	104,011
Computers	57,178	10,500	-	-	-	(23,569)	44,109
Renovations	398,263	1,879,490	-	-	(273,182)	(86,255)	1,918,316
Tools and equipment	1,415,518	743,190	-	-	-	(733,658)	1,425,050
Electrical fittings	755,775	109,500	-	-	-	(248,585)	616,690
Cabin hostel	199,043	-	-	-	-	(4,989)	194,054
Construction-in-progress	1,181,162	351,359	-	-	-	-	1,532,521
	110,034,864	3,513,945	(47,637)	(4,107,677)	(276,565)	(4,107,450)	105,009,480

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At 1.1.2021 RM	Additions (Note 35(a)) RM	Revaluation Surplus RM	Disposal RM	Transfer from Right-of-use Assets (Note 6) RM	Written off RM	Depreciation Charges RM	Disposal of a subsidiary (Note 34) RM	At 31.12.2021 RM
Audited									
31.12.2021									
<i>Carrying Amount</i>									
Freehold land and buildings	94,664,790	241,321	2,000,000	-	-	-	(1,156,370)	-	95,749,741
Plant and machineries	4,384,598	210,200	-	-	4,715,483	(199,198)	(2,019,495)	(14,621)	7,076,967
Motor vehicles	99,589	346,297	-	(79,557)	1,294,127	-	(466,653)	(58,193)	1,135,610
Furniture and fittings	25,752	3,435	-	-	-	-	(6,988)	-	22,199
Office equipment	104,011	35,006	-	-	-	-	(34,720)	(1,240)	103,057
Computers	44,109	-	-	-	-	-	(19,624)	(1,801)	22,684
Renovations	1,918,316	-	-	-	-	(10,778)	(206,388)	-	1,701,150
Tools and equipment	1,425,050	638,244	-	-	63,000	(1,039)	(615,787)	(20,344)	1,489,124
Electrical fittings	616,690	673,041	-	-	-	(25,638)	(332,776)	(830)	930,487
Cabin hostel	194,054	-	-	-	-	-	(4,989)	-	189,065
Construction-in-progress	1,532,521	224,520	-	-	-	(3,000)	-	-	1,754,041
	105,009,480	2,372,064	2,000,000	(79,557)	6,072,610	(239,653)	(4,863,790)	(97,029)	110,174,125

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

	At 1.1.2022 RM	Additions (Note 35(a)) RM	Reclassification RM	Disposals RM	Transfer from Right-of-use Assets (Note 6) RM	Depreciation Charges RM	At 30.6.2022 RM
Audited							
30.6.2022							
<i>Carrying Amount</i>							
Freehold land and buildings	95,749,741	19,200	-	-	-	(579,019)	95,189,922
Plant and machineries	7,076,967	-	-	-	4,723,333	(983,924)	10,816,376
Motor vehicles	1,135,610	-	-	(1)	206,454	(357,812)	984,251
Furniture and fittings	22,199	25,695	-	-	-	(3,438)	44,456
Office equipment	103,057	84,045	-	-	-	(24,220)	162,882
Computers	22,684	6,798	-	-	-	(8,978)	20,504
Renovations	1,701,150	-	(109,784)	-	-	(80,447)	1,510,919
Tools and equipment	1,489,124	57,488	-	-	-	(269,399)	1,277,213
Electrical fittings	930,487	61,076	-	-	-	(163,782)	827,781
Cabin hostel	189,065	22,000	-	-	-	(2,662)	208,403
Construction-in-progress	1,754,041	145,889	109,784	(1,245,061)	-	-	764,653
	110,174,125	422,191	-	(1,245,062)	4,929,787	(2,473,681)	111,807,360

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At Cost/Valuation RM	Accumulated Depreciation RM	Carrying Amount RM
Audited			
31.12.2019			
Freehold land and buildings	106,617,333	(6,767,632)	99,849,701
Plant and machineries	34,633,259	(28,662,874)	5,970,385
Motor vehicles	3,776,995	(3,701,070)	75,925
Furniture and fittings	834,363	(790,066)	44,297
Office equipment	780,635	(693,018)	87,617
Computers	579,385	(522,207)	57,178
Renovations	1,253,725	(855,462)	398,263
Tools and equipment	11,672,721	(10,257,203)	1,415,518
Electrical fittings	3,138,206	(2,382,431)	755,775
Moulds	17,594	(17,594)	-
Alarm systems	18,000	(18,000)	-
Cabin hostel	249,443	(50,400)	199,043
Construction-in-progress	1,181,162	-	1,181,162
	164,752,821	(54,717,957)	110,034,864

Audited			
31.12.2020			
Freehold land and buildings	102,117,333	(7,452,543)	94,664,790
Plant and machineries	34,588,387	(30,203,789)	4,384,598
Motor vehicles	3,813,796	(3,714,207)	99,589
Furniture and fittings	781,417	(755,665)	25,752
Office equipment	689,237	(585,226)	104,011
Computers	531,789	(487,680)	44,109
Renovations	2,219,380	(301,064)	1,918,316
Tools and equipment	12,415,911	(10,990,861)	1,425,050
Electrical fittings	3,237,206	(2,620,516)	616,690
Moulds	17,594	(17,594)	-
Cabin hostel	249,443	(55,389)	194,054
Construction-in-progress	1,532,521	-	1,532,521
	162,194,014	(57,184,534)	105,009,480

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

	At Cost/Valuation RM	Accumulated Depreciation RM	Carrying Amount RM
Audited 31.12.2021			
Freehold land and buildings	104,358,654	(8,608,913)	95,749,741
Plant and machineries	38,471,586	(31,394,619)	7,076,967
Motor vehicles	8,868,979	(7,733,369)	1,135,610
Furniture and fittings	784,852	(762,653)	22,199
Office equipment	722,693	(619,636)	103,057
Computers	529,409	(506,725)	22,684
Renovations	2,011,490	(310,340)	1,701,150
Tools and equipment	12,728,682	(11,239,558)	1,489,124
Electrical fittings	3,699,737	(2,769,250)	930,487
Moulds	17,594	(17,594)	-
Cabin hostel	249,443	(60,378)	189,065
Construction-in-progress	1,754,041	-	1,754,041
	174,197,160	(64,023,035)	110,174,125

	At Cost/Valuation RM	Accumulated Depreciation RM	Carrying Amount RM
Audited 30.6.2022			
Freehold land and buildings	104,377,854	(9,187,932)	95,189,922
Plant and machineries	43,771,586	(32,955,210)	10,816,376
Motor vehicles	9,240,296	(8,256,045)	984,251
Furniture and fittings	810,547	(766,091)	44,456
Office equipment	806,738	(643,856)	162,882
Computers	536,207	(515,703)	20,504
Renovations	1,901,706	(390,787)	1,510,919
Tools and equipment	12,786,170	(11,508,957)	1,277,213
Electrical fittings	3,760,813	(2,933,032)	827,781
Moulds	17,594	(17,594)	-
Cabin hostel	271,443	(63,040)	208,403
Construction-in-progress	764,653	-	764,653
	179,045,607	(67,238,247)	111,807,360

- (a) The freehold land and buildings of the Group with a carrying value of RM95,189,922 (FYE 31 Dec 2019: RM99,849,701, FYE 31 Dec 2020: RM94,664,790, FYE 31 Dec 2021: RM95,749,741) respectively have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Notes 18, 23 and 24 to the financial statements.

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)**

- (b) The details of the Group's property, plant and equipment carried at fair value are analysed as follows:-

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
Audited 31.12.2019				
Freehold land and buildings	-	99,849,701	-	99,849,701
Audited 31.12.2020				
Freehold land and buildings	-	94,664,790	-	94,664,790
Audited 31.12.2021				
Freehold land and buildings	-	95,749,741	-	95,749,741
Audited 30.6.2022				
Freehold land and buildings	-	95,189,922	-	95,189,922

The level 2 fair values have been determined based on the market comparison approach that reflects recent transaction prices for similar properties. The most significant input into this valuation approach is price per square foot of comparable properties. There has been no change to the valuation technique during the financial year.

There were no transfers between level 1 and level 2 during the financial year.

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

4. PROPERTY, PLANT AND EQUIPMENT (CONT'D)

- (c) On 25 February 2019, 8 May 2019 and 9 December 2021, the Group's freehold land and buildings were revalued by independent professional valuers. The surpluses arising from the revaluations, net of deferred taxation, have been credited to other comprehensive income as disclosed in Note 30 to the financial statements and accumulated in equity under the revaluation reserve.
- (d) If the freehold land and buildings were measured using the cost model, the carrying amounts would be as follows:-

	<-----Audited----->			Audited
	<-----FYE 31 December----->			FPE 30 June
	2019	2020	2021	2022
	RM	RM	RM	RM
Freehold land	16,633,810	13,031,491	13,031,491	13,031,491
Buildings	43,136,623	42,469,921	41,706,266	41,067,081
	<u>59,770,433</u>	<u>55,501,412</u>	<u>54,737,757</u>	<u>54,098,572</u>

12. ACCOUNTANTS REPORT (Cont'd)
LEFORM BERHAD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
5. INVESTMENT PROPERTIES

	<-----Audited-----> <-----FYE 31 December----->			Audited FPE 30 June 2022 RM
	2019 RM	2020 RM	2021 RM	
Cost:-				
At 1 January	-	12,563,980	12,563,980	11,625,980
Transfer from property, plant and equipment	11,528,980	-	-	-
Addition (Note 35(a))	1,035,000	-	-	-
Disposal of a subsidiary	-	-	(938,000)	-
At 31 December/30 June	12,563,980	12,563,980	11,625,980	11,625,980
Accumulated depreciation:-				
At 1 January	-	(412,248)	(571,056)	(1,113,107)
Transfer from property, plant and equipment	(253,440)	-	-	-
Disposal of a subsidiary	-	-	43,773	-
Depreciation during the financial year/period	(158,808)	(158,808)	(585,824)	(112,374)
At 31 December/30 June	(412,248)	(571,056)	(1,113,107)	(1,225,481)
Accumulated impairment losses:-				
At 1 January	-	-	-	(530,000)
Impairment during the financial year/period (Note 27)	-	-	(530,000)	-
At 31 December/30 June	-	-	(530,000)	(530,000)
	<u>12,151,732</u>	<u>11,992,924</u>	<u>9,982,873</u>	<u>9,870,499</u>
Represented by:-				
Buildings	<u>12,151,732</u>	<u>11,992,924</u>	<u>9,982,873</u>	<u>9,870,499</u>
Fair value	<u>16,428,000</u>	<u>14,880,000</u>	<u>12,095,000</u>	<u>12,095,000</u>

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

5. INVESTMENT PROPERTIES (CONT'D)

- (a) The buildings of the Group with a carrying value of RM9,201,667 (FYE 31 Dec 2019: RM11,465,379, FYE 31 Dec 2020: RM11,313,578, FYE 31 Dec 2021: RM9,310,536) have been pledged to licensed banks as security for banking facilities granted to the Group as disclosed in Notes 18 and 23 to the financial statements.
- (b) The titles of the buildings of the Group with a carrying value of RM3,379,073 (FYE 31 Dec 2019: RM4,375,894, FYE 31 Dec 2020: RM4,355,565, FYE 31 Dec 2021: RM3,421,237) are in the process of registered in the Group's name by the relevant authority.
- (c) The fair values of the investment properties are within level 3 of the fair value hierarchy and are arrived at by reference to market evidence of transaction prices for similar properties.
- (d) In the previous financial year, the Group has carried out a review of the recoverable amount of its building because the significant decline in the asset's market value than would be expected as a result of the passage of time or normal use. An impairment loss of RM530,000, representing the write-down of the investment properties to the recoverable amount was recognised in "Other Expenses" line item of the consolidated statement of profit or loss and other comprehensive income as disclosed in Note 27 to the financial statements.

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

6. RIGHT-OF-USE ASSETS

	At 1.1.2019 RM	Additions (Note 35(a)) RM	Disposal RM	Depreciation Charges RM	At 31.12.2019 RM
Audited 31.12.2019					
<i>Carrying Amount</i>					
Plant and machineries	14,055,879	6,423,306	-	(1,745,734)	18,733,451
Motor vehicles	5,783,148	1,367,252	(294,667)	(1,958,091)	4,897,642
Tools and equipment	130,500	-	-	(27,000)	103,500
	19,969,527	7,790,558	(294,667)	(3,730,825)	23,734,593
	At 1.1.2020 RM	Additions (Note 35(a)) RM	Disposal RM	Depreciation Charges RM	At 31.12.2020 RM
Audited 31.12.2020					
<i>Carrying Amount</i>					
Plant and machineries	18,733,451	190,000	(203,507)	(1,748,626)	16,971,318
Motor vehicles	4,897,642	2,195,267	-	(1,819,000)	5,273,909
Tools and equipment	103,500	-	-	(27,000)	76,500
	23,734,593	2,385,267	(203,507)	(3,594,626)	22,321,727

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

6. RIGHT-OF-USE ASSETS (CONT'D)

	At 1.1.2021 RM	Additions (Note 35(a)) RM	Disposal RM	Transfer Upon Exercise of Purchase Option (Note 4) RM	Depreciation Charges RM	At 31.12.2021 RM
Audited						
31.12.2021						
<i>Carrying Amount</i>						
Plant and machineries	16,971,318	-	-	(4,715,483)	(1,514,137)	10,741,698
Motor vehicles	5,273,909	5,625,551	(764,100)	(1,294,127)	(1,668,876)	7,172,357
Tools and equipment	76,500	-	-	(63,000)	(13,500)	-
	22,321,727	5,625,551	(764,100)	(6,072,610)	(3,196,513)	17,914,055

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

6. RIGHT-OF-USE ASSETS (CONT'D)

	At 1.1.2022 RM	Transfer Upon Exercise of Purchase Option (Note 4) RM	Depreciation Charges RM	At 30.6.2022 RM
Audited 30.6.2022				
<i>Carrying Amount</i>				
Plant and machineries	10,741,698	(4,723,333)	(495,380)	5,522,985
Motor vehicles	7,172,357	(206,454)	(851,837)	6,114,066
	<u>17,914,055</u>	<u>(4,929,787)</u>	<u>(1,347,217)</u>	<u>11,637,051</u>

(a) The lease contracts for plant and machineries, motor vehicles and equipment used in its operations. Their lease terms are as below:-

	←-----Audited-----> ←-----FYE 31 December-----> 2019	2020	2021	Audited FPE 30 June 2022
Plant and machineries	1 to 5 years	1 to 5 years	1 to 5 years	1 to 5 years
Motor vehicles	1 to 5 years	1 to 5 years	1 to 5 years	1 to 5 years
Tools and equipment	1 to 5 years	1 to 5 years	1 to 5 years	Not applicable

(b) The Group also has leases with lease terms of 12 months or less and leases of office equipment with low value. The Group has applied the 'short-term lease' recognition exemptions for these leases.

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

7. GOODWILL ON CONSOLIDATION

	<-----Audited-----> <-----FYE 31 December----->			Audited FPE 30 June 2022
	2019 RM	2020 RM	2021 RM	2022 RM
Costs:-				
At 1 January	2,813,800	2,813,800	2,813,800	2,787,924
Disposal of a subsidiary (Note 34)	-	-	(25,876)	-
At 31 December/ 30 June	2,813,800	2,813,800	2,787,924	2,787,924
Accumulated impairment loss	(85,699)	(85,699)	(85,699)	(85,699)
	<u>2,728,101</u>	<u>2,728,101</u>	<u>2,702,225</u>	<u>2,702,225</u>

The carrying amounts of goodwill allocated to each cash-generating unit are as follows:-

	<-----Audited-----> <-----FYE 31 December----->			Audited FPE 30 June 2022
	2019 RM	2020 RM	2021 RM	2022 RM
Trading	2,728,101	2,728,101	2,702,225	2,702,225

The recoverable amount of the above goodwill is derived based on value in use calculation using cash-flow projections covering a five-year period, as approved by management.

The following describes the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill and determined that no impairment is required:-

	<-----Audited-----> <-----FYE 31 December----->			Audited FPE 30 June 2022
	2019 RM	2020 RM	2021 RM	2022 RM
Gross margin	1.5% - 1.6%	1.5% - 2.3%	1.5%	1.2% - 1.3%
Growth rate	3% - 11%	5% - 37%	3% - 16%	1% - 17%
Discount rate	8.1%	7.1%	6.5%	6.7%

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****7. GOODWILL ON CONSOLIDATION (CONT'D)**

The following describes the key assumptions on which management has based its cash flow projections to undertake impairment testing of goodwill and determined that no impairment is required (Cont'd):-

- (i) **Gross margin** Average gross margin achieved in the year immediately before the budgeted year.
- (ii) **Growth rate** The forecasted growth rates applied to the cash flow projections of trading segment is based on the most recent financial budgets approved by the management.
- (iii) **Discount rate** Estimated based on the Company's existing rate of borrowings.

The values assigned to the key assumptions represent management's assessment of future trends in the cash-generating units and are based on both external sources and internal historical data.

No impairment testing is done on other cash-generating units which are considered immaterial to the Group.

Management believes that there is no reasonably possible change in the above key assumptions applied that is likely to materially cause the respective cash-generating unit carrying amount to exceed its recoverable amount.

8. INVENTORIES

	←-----Audited ----->			Audited
	←-----FYE 31 December----->			FPE 30 June
	2019	2020	2021	2022
	RM	RM	RM	RM
Costs:-				
Finished goods	47,330,870	37,625,982	37,763,450	48,759,357
Raw materials	93,794,827	49,580,732	76,980,670	135,358,038
Consumables	440,978	454,019	651,668	968,423
Goods-in-transit	-	-	-	10,424,932
	<u>141,566,675</u>	<u>87,660,733</u>	<u>115,395,788</u>	<u>195,510,750</u>
Recognised in profit or loss:-				
Inventories recognised as cost of sales	279,385,328	277,947,729	268,032,031	173,595,364
Inventories written down (Note 27)	-	-	687,825	1,616,671
	<u>-</u>	<u>-</u>	<u>687,825</u>	<u>1,616,671</u>

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****9. CONTRACT COSTS**

	←-----Audited-----→ ←-----FYE 31 December-----→			Audited FPE 30 June 2022 RM
	2019 RM	2020 RM	2021 RM	
Costs to fulfil a contract	162,877	-	-	-

The costs to fulfil a contract represent cost incurred in construction project that is used to fulfil the contract in future. The costs are to be amortised on a straight-line method over the term of the specific contract it relates to, consistent with the pattern of recognition of the associated revenue.

10. TRADE RECEIVABLES

	←-----Audited-----→ ←-----FYE 31 December-----→			Audited FPE 30 June 2022 RM
	2019 RM	2020 RM	2021 RM	
Third parties	49,910,370	81,452,692	62,452,237	83,689,474
Related parties	1,799,178	5,392,738	-	-
At 31 December/ 30 June	51,709,548	86,845,430	62,452,237	83,689,474
Allowance for impairment losses	-	-	(107,917)	(490,865)
	51,709,548	86,845,430	62,344,320	83,198,609
Allowance for impairment losses:-				
At 1 January	-	-	-	(107,917)
Addition for the financial year/period (Note 26)	-	-	(107,917)	(402,948)
Reversal for the financial period (Note 26)	-	-	-	20,000
At 31 December/ 30 June	-	-	(107,917)	(490,865)

The Group's normal trade credit terms range from 14 to 90 days. Other credit terms are assessed and approved on a case-by-case basis.

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****11. OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS**

	<-----Audited----->			Audited FPE 30 June 2022 RM
	<-----FYE 31 December----->			
	2019 RM	2020 RM	2021 RM	
Other receivables:-				
- third parties	1,348,736	1,807,578	838,728	3,485,461
- goods and services tax recoverable	156,030	-	-	-
	1,504,766	1,807,578	838,728	3,485,461
Deposits	845,610	899,199	777,439	2,081,093
Prepayments	2,658,619	12,217,563	16,725,946	2,545,172
	<u>5,008,995</u>	<u>14,924,340</u>	<u>18,342,113</u>	<u>8,111,726</u>

- (a) Included in deposits of the Group is an amount of RM1,056,610 (FYE 31 Dec 2019: Nil, FYE 31 Dec 2020: RM54,335, FYE 31 Dec 2021: RM32,300) which represents deposits paid in respect of purchase of property, plant and equipment.
- (b) Included in prepayment of the Group is an amount of RM12,308 (FYE 31 Dec 2019: Nil, FYE 31 Dec 2020: RM10,341,371, FYE 31 Dec 2021: RM14,666,891) being advance payments made to suppliers for future supply of goods. The amount will be offset against future purchases from the suppliers.

12. CONTRACT ASSET

	<-----Audited----->			Audited FPE 30 June 2022 RM
	<-----FYE 31 December----->			
	2019 RM	2020 RM	2021 RM	
At 1 January	1,284,069	2,005,088	616,371	616,371
Revenue recognised in profit or loss during the financial year	10,462,723	148,174	311,669	104,660
Billings to customers during the financial year	(9,741,704)	(1,536,891)	(311,669)	(104,660)
At 31 December/30 June	<u>2,005,088</u>	<u>616,371</u>	<u>616,371</u>	<u>616,371</u>

The contract asset primarily relates to the Group's right to consideration for construction work completed on construction contracts but not yet billed as at the reporting date.

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

13. FIXED DEPOSITS WITH LICENSED BANKS

- (a) The fixed deposits with licensed banks of the Group at the end of the reporting period bore effective interest rate of Nil (FYE 31 Dec 2019: 3.00%, FYE 31 Dec 2020: Nil, FYE 31 Dec 2021: 2.00%) respectively per annum. The fixed deposits had a maturity period of Nil (FYE 31 Dec 2019: 12 months, FYE 31 Dec 2020: Nil, FYE 31 Dec 2021: 1 month).
- (b) Included in the fixed deposits with licensed banks of the Group at the end of reporting period was an amount of Nil (FYE 31 Dec 2019: RM111,967, FYE 31 Dec 2020: Nil, FYE 31 Dec 2021: Nil) which has been pledged to a licensed bank as security for banking facilities granted to the Group as disclosed in Note 23 to the financial statements.

14. NON-CURRENT ASSETS HELD FOR SALE

On 22 October 2020, the Group entered into a Sales and Purchase Agreement to dispose of a piece of land together with a single storey factory cum office for a total consideration of RM6,500,000.

15. SHARE CAPITAL

	<-----Audited ----->			Audited
	<-----FYE 31 December----->			FPE 30 June
	2019	2020	2021	2022
	Number of shares			
Ordinary shares	6,500,000	6,500,000	6,500,000	6,500,000
	-----	-----	-----	-----
	<-----Audited ----->			Audited
	<-----FYE 31 December----->			FPE 30 June
	2019	2020	2021	2022
	RM	RM	RM	RM
Issued and Fully Paid-up:				
Ordinary shares	6,500,000	6,500,000	6,500,000	6,500,000
	-----	-----	-----	-----

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company, and are entitled to one vote per ordinary share at meetings of the Company. The ordinary shares have no par value.

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****16. RESERVES**

	<----- Audited -----> <----- FYE 31 December ----->			Audited FPE 30 June 2022
	2019 RM	2020 RM	2021 RM	RM
Revaluation reserve	41,297,139	41,297,139	42,340,181	42,340,181
Retained profits	71,113,520	75,915,256	118,225,589	130,412,304
	112,410,659	117,212,395	160,565,770	172,752,485

The revaluation reserve represents the increase in the fair value of freehold land and buildings of the Group (net of deferred tax, where applicable) presented under property, plant and equipment.

17. LEASE LIABILITIES

	<----- Audited -----> <----- FYE 31 December ----->			Audited FPE 30 June 2022
	2019 RM	2020 RM	2021 RM	RM
At 1 January	11,902,961	9,864,388	4,862,927	4,658,468
Additions (Note 35(a))	6,437,753	2,027,035	3,353,199	-
Interest expense recognised in profit or loss	730,359	334,650	1,038,003	123,581
Repayment of principal	(8,476,326)	(7,028,496)	(3,557,658)	(1,112,805)
Repayment of interest expense	(730,359)	(334,650)	(1,038,003)	(123,581)
At 31 December/ 30 June	9,864,388	4,862,927	4,658,468	3,545,663
Analysed by:-				
Current liabilities	5,804,425	3,236,265	2,241,463	1,745,457
Non-current liabilities	4,059,963	1,626,662	2,417,005	1,800,206
	9,864,388	4,862,927	4,658,468	3,545,663

- (a) The lease liabilities of the Group are secured by the Group's equipment with lease term ranging from 1 to 5 years (FYE 31 Dec 2019: 1 to 5 years, FYE 31 Dec 2020: 1 to 5 years, FYE 31 Dec 2021: 1 to 5 years).
- (b) The lease liabilities of the Group bore effective interest rates ranging from 3.88% to 6.09% (FYE 31 Dec 2019: 3.22% to 6.09%, FYE 31 Dec 2020: 4.40% to 6.09%, FYE 31 Dec 2021: 3.88% to 6.09%) per annum respectively.
- (c) The lease liabilities of the Group with a carrying amount of RM1,162,537 (FYE 31 Dec 2019: RM747,119, FYE 31 Dec 2020: RM1,070,750, FYE 31 Dec 2021: RM1,509,814) was guarantee by directors of the Group.

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****18. TERM LOANS**

	<----- Audited ----->			Audited
	<----- FYE 31 December ----->			FPE 30 June
	2019	2020	2021	2022
	RM	RM	RM	RM
Current liabilities	1,936,013	2,144,193	6,102,208	6,741,574
Non-current liabilities	18,337,278	17,123,988	29,039,789	25,652,771
	<u>20,273,291</u>	<u>19,268,181</u>	<u>35,141,997</u>	<u>32,394,345</u>

Details of the repayment terms for term loans are as follows:-

Term Loans	Number of Monthly Instalment	Instalment Amount RM	Date of Commencement of Repayment
Term loan 1	240	10,000	Upon full drawdown
Term loan 2	180	74,954	Upon full drawdown
Term loan 3	120	15,427	Upon full drawdown
Term loan 4	120	14,192	Upon full drawdown
Term loan 5	72	54,794	Upon full drawdown
Term loan 6	60	11,740	Upon full drawdown
Term loan 7	60	33,334	Upon full drawdown
Term loan 8	36	277,778	Upon full drawdown

The term loans of the Group bore effective interest rates at the reporting date ranging from 3.17% to 4.89% (FYE 31 Dec 2019: 4.17% to 5.89%, FYE 31 Dec 2020: 3.17% to 4.89%, FYE 31 Dec 2021: 3.17% to 4.89%) per annum and are secured by:-

- (i) a legal charge on the properties of the Group as disclosed in Notes 4 and 5 to the financial statements;
- (ii) a personal guarantee of a director of the Group;
- (iii) a corporate guarantee of the Company;
- (iv) a corporate guarantee of certain subsidiaries; and
- (v) a corporate guarantee of a corporate shareholder.

12. ACCOUNTANTS REPORT (Cont'd)
LEFORM BERHAD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
19. DEFERRED TAX LIABILITIES

	<-----Audited-----> <-----FYE 31 December----->			Audited FPE 30 June 2022
	2019 RM	2020 RM	2021 RM	RM
At 1 January	9,459,249	11,165,670	11,491,104	10,986,207
Recognised in profit or loss	480,152	325,434	(677,897)	(35,819)
Recognised in other comprehensive income (Note 30)	1,226,269	-	200,000	-
Disposal of a subsidiary (Note 34)	-	-	(27,000)	-
At 31 December/30 June	<u>11,165,670</u>	<u>11,491,104</u>	<u>10,986,207</u>	<u>10,950,388</u>

The deferred taxation are attributable to the following:-

	<-----Audited-----> <-----FYE 31 December----->			Audited FPE 30 June 2022
	2019 RM	2020 RM	2021 RM	RM
Deferred tax liabilities:-				
Accelerated capital allowances over depreciation	5,618,035	6,018,035	5,551,035	5,515,216
Revaluation of properties	5,547,635	5,473,069	5,435,172	5,435,172
	<u>11,165,670</u>	<u>11,491,104</u>	<u>10,986,207</u>	<u>10,950,388</u>

20. TRADE PAYABLES

	<-----Audited-----> <-----FYE 31 December----->			Audited FPE 30 June 2022
	2019 RM	2020 RM	2021 RM	RM
Trade payables:				
- third parties	40,495,467	41,332,517	21,996,239	38,189,137
- related parties	7,000	2,429,345	-	-
	<u>40,502,467</u>	<u>43,761,862</u>	<u>21,996,239</u>	<u>38,189,137</u>

The normal trade credit terms granted to the Group range from cash term to 90 days.

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****21. OTHER PAYABLES AND ACCRUALS**

	<-----Audited----->			Audited FPE 30 June 2022 RM
	<-----FYE 31 December----->			
	2019 RM	2020 RM	2021 RM	
Other payables	4,502,836	1,260,283	4,588,292	3,213,733
Accruals	363,553	934,805	2,216,280	2,349,910
	<u>4,866,389</u>	<u>2,195,088</u>	<u>6,804,572</u>	<u>5,563,643</u>

Included in other payables of the Group is an amount of RM2,540,337 (FYE 31 Dec 2019: RM4,108,835, FYE 31 Dec 2020: Nil, FYE 31 Dec 2021: RM4,089,500) which represents advances received for future performance obligations.

22. AMOUNT OWING TO A DIRECTOR

The amount owing to a director which was non-trade in nature, represent unsecured, interest-free and repayable on demand. The amount owing was settled in cash.

23. BANKERS' ACCEPTANCES AND TRUST RECEIPTS

	<-----Audited----->			Audited FPE 30 June 2022 RM
	<-----FYE 31 December----->			
	2019 RM	2020 RM	2021 RM	
Bankers' acceptances	94,900,863	89,086,290	66,482,794	80,615,637
Trust receipts	48,237,871	47,180,494	72,341,981	104,166,920
	<u>143,138,734</u>	<u>136,266,784</u>	<u>138,824,775</u>	<u>184,782,557</u>

The effective interest rates of the bankers' acceptances and trust receipts of the Group were range from 2.29% to 6.70% (FYE 31 Dec 2019: 3.28% to 7.70%, FYE 31 Dec 2020: 1.86.% to 3.80%, FYE 31 Dec 2021: 2.21% to 6.45%) per annum respectively.

The bankers' acceptances and trust receipts are secured by:-

- (i) a facility agreement;
- (ii) a legal charge on the properties of the Group as disclosed in Notes 4 and 5 to the financial statements;
- (iii) a pledge of the fixed deposits of the Group as disclosed in Note 13 to the financial statements;
- (iv) a personal guarantee of the director of the Company;
- (v) a corporate guarantee of the Company; and
- (vi) a corporate guarantee of a corporate shareholder.

12. ACCOUNTANTS REPORT (Cont'd)
LEFORM BERHAD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
24. BANK OVERDRAFTS

The bank overdrafts bore effective interest rates of Nil (FYE 31 Dec 2019: 7.70% to 8.05%, FYE 31 Dec 2020: 7.05%, FYE 31 Dec 2021: Nil) per annum and were secured in the same manner as the bankers' acceptances and trust receipts disclosed in Note 23 to the financial statements.

25. REVENUE

	←-----Audited-----→ ←-----FYE 31 December-----→			Unaudited Six month period	Audited
	2019 RM	2020 RM	2021 RM	←-----FPE 30 June-----→ 2021 RM	2022 RM
Continuing operations:-					
<u>Revenue recognised at point of time</u>					
Sales of steel products	334,105,096	354,561,522	373,600,537	203,258,265	213,523,226
Rendering of transport and courier services	13,572	4,788	61,621	22,109	42,867
<u>Revenue recognised overtime</u>					
Construction contracts	10,462,723	148,174	311,669	71,087	104,660
	344,581,391	354,714,484	373,973,827	203,351,461	213,670,753
Discontinued operations:-					
<u>Revenue recognised at point of time</u>					
Sales of steel products	663,121	300,354	700,917	700,917	-
	345,244,512	355,014,838	374,674,744	204,052,378	213,670,753

The information on the disaggregation of revenue by geographical market is disclosed in Note 38.2 to the financial statements.

26. NET IMPAIRMENT LOSS ON FINANCIAL ASSET

	←-----Audited-----→ ←-----FYE 31 December-----→			Unaudited Six month period	Audited
	2019 RM	2020 RM	2021 RM	←-----FPE 30 June-----→ 2021 RM	2022 RM
Impairment losses on trade receivables (Note 10)	-	-	(107,917)	(137,917)	(402,948)
Reversal of impairment losses on trade receivables (Note 10)	-	-	-	-	20,000
	-	-	(107,917)	(137,917)	(382,948)

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****27. PROFIT BEFORE TAXATION**

Profit before taxation from continuing operations is arrived at after charging/(crediting) the following:-

	<-----Audited----->			Unaudited	Audited
	<-----FYE 31 December----->			Six month period	Six month period
	2019	2020	2021	<-----FPE 30 June----->	<-----FPE 30 June----->
	RM	RM	RM	2021	2022
				RM	RM
Auditors' remuneration:					
- audit fees:					
- current year/period	159,870	158,000	169,000	86,000	117,500
- (over)/under provision in previous year	(4,430)	10,000	11,000	-	66,000
Bad debts written off:					
- trade receivables	-	-	29,857	-	-
- other receivables	7,576	-	-	-	-
Depreciation:					
- property, plant and equipment	4,663,313	4,088,552	4,859,260	1,924,881	2,473,681
- investment properties	140,048	140,048	582,698	473,450	112,374
- right-of-use assets	3,730,825	3,594,626	3,196,513	2,178,039	1,347,217
Directors' remuneration (Note 36(a)):					
- fees	50,000	140,000	130,000	60,000	-
- defined contribution benefits	202,860	208,196	333,794	44,590	161,726
- salaries, bonuses and allowances	1,640,796	1,704,067	2,878,856	1,204,237	1,616,694
Impairment loss on investment properties (Note 5)	-	-	530,000	530,000	-
Interest expense on financial liabilities that are not at fair value through profit or loss:					
- bankers' acceptances	2,750,451	4,792,305	1,493,663	1,185,372	1,170,412
- bank overdrafts	946,545	433,668	35,454	35,454	-
- term loans	1,251,387	772,821	879,265	384,002	670,010
- trust receipts	465,776	7,347	989,787	76,385	1,229,023
- letter of credit	3,279,722	2,154,346	1,298,703	1,008,285	305,892
- others	82,046	665,346	220,543	118,678	24,795
Interest expense on lease liabilities	730,359	334,650	1,038,003	269,894	123,581
Inventories written down	-	-	687,825	-	1,616,671
Loss on disposal of a subsidiary	-	-	2,274,051	2,274,051	-
Rental expenses	274,005	244,081	109,355	80,095	53,405

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****27. PROFIT BEFORE TAXATION (CONT'D)**

Profit before taxation from continuing operations is arrived at after charging/(crediting) the following (cont'd):-

	<-----Audited----->			Unaudited	Audited
	<-----FYE 31 December----->			Six month period	Six month period
	2019	2020	2021	<-----FPE 30 June----->	<-----FPE 30 June----->
	RM	RM	RM	2021	2022
				RM	RM
Staff costs (including other key management personnel as disclosed in Note 36):					
- defined contribution plans	541,501	498,473	605,562	281,483	150,969
- salaries and other benefits	9,852,233	8,827,439	11,764,672	5,534,556	5,680,385
Written off property, plant and equipment	90,308	276,565	239,653	-	-
Gain on disposal of property, plant and equipment	(33,466)	(427,362)	(2,811,768)	(2,708,571)	(1,441,754)
Gain on disposal of right-of-use assets	(23,710)	(44,800)	(474,900)	(556,045)	-
Realised (gain)/loss on foreign exchange	(670,841)	471,811	(169,311)	(70,825)	(402,818)
Rental income	(151,000)	(268,560)	(198,503)	(112,896)	(115,666)
Total interest income on financial assets measured at amortised cost	(28,130)	(210,683)	(222,764)	(43,470)	(90,956)

The estimated monetary value of benefits-in-kind provided by the Group to the directors of the Company were RM29,225 (FYE 31 Dec 2019: RM28,000, FYE 31 Dec 2020: RM28,000, FYE 31 Dec 2021: RM28,000) respectively.

12. ACCOUNTANTS REPORT (Cont'd)
LEFORM BERHAD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
28. INCOME TAX EXPENSE

	←-----Audited----->			Unaudited	Audited
	←-----FYE 31 December----->			Six month period	
	2019	2020	2021	←-----FPE 30 June----->	
	RM	RM	RM	2021	2022
				RM	RM
Continuing operations:-					
Current tax:					
- for the financial year/period	934,432	3,228,179	16,331,067	8,245,049	4,520,322
- under/(over)-provision in the previous financial year	1,429,304	(29,403)	742,707	-	-
	<u>2,363,736</u>	<u>3,198,776</u>	<u>17,073,774</u>	<u>8,245,049</u>	<u>4,520,322</u>
Deferred tax:					
- originating and reversal of temporary differences	480,152	325,434	(237,897)	(237,897)	-
- overprovision in the previous financial year/period	-	-	(440,000)	(440,000)	(35,819)
Real property gain tax	-	-	67,577	67,577	-
	<u>2,843,888</u>	<u>3,524,210</u>	<u>16,463,454</u>	<u>7,634,729</u>	<u>4,484,503</u>
Discontinued operations:-					
Current tax:					
- for the financial year	58,376	47,754	-	-	-
- overprovision in the previous financial year	(4,355)	(6,802)	-	-	-
	<u>54,021</u>	<u>40,952</u>	<u>-</u>	<u>-</u>	<u>-</u>
	<u>2,897,909</u>	<u>3,565,162</u>	<u>16,463,454</u>	<u>7,634,729</u>	<u>4,484,503</u>

12. ACCOUNTANTS REPORT (Cont'd)
LEFORM BERHAD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
28. INCOME TAX EXPENSE (CONT'D)

A reconciliation of income tax expense applicable to the profit before taxation at the statutory tax rate to income tax expense at the effective tax rate of the Group is as follows:-

	<-----Audited----->			Unaudited	Audited
	<-----FYE 31 December----->			Six month period	
	2019	2020	2021	<-----FPE 30 June----->	2022
	RM	RM	RM	2021	2022
	RM	RM	RM	RM	RM
Continuing operations:-					
Profit before taxation:					
- continuing operations	1,212,893	10,660,736	61,872,591	35,257,862	16,650,782
- discontinued operations	210,668	263,915	78,450	78,450	-
	<u>1,423,561</u>	<u>10,924,651</u>	<u>61,951,041</u>	<u>35,336,312</u>	<u>16,650,782</u>
Tax at the statutory tax rate of 24%	341,654	2,621,916	14,868,250	8,480,715	3,996,188
Tax effects of:-					
Non-deductible expenses	1,804,822	1,487,540	1,460,471	260,809	880,461
Non-taxable income	-	-	-	-	(339,061)
Crystallisation of deferred tax liabilities on amortisation of revalued properties	(19,848)	(74,566)	(39,619)	-	-
Tax incentive	(1,023,345)	(570,460)	(210,749)	(559,225)	(36,236)
Deferred tax assets not recognised during the financial year/period	369,677	206,007	252,714	62,750	18,970
Utilisation of previously unrecognised deferred tax assets	-	(69,070)	(237,897)	(237,897)	-
Real property gain tax arising from disposal of property	-	-	67,577	67,577	-
Under/(Over)provision in the previous financial year/period:					
- current tax	1,424,949	(36,205)	742,707	-	-
- deferred tax	-	-	(440,000)	(440,000)	(35,819)
Income tax expense for the financial year/period	<u>2,897,909</u>	<u>3,565,162</u>	<u>16,463,454</u>	<u>7,634,729</u>	<u>4,484,503</u>

Domestic income tax is calculated at the Malaysian statutory tax rate of 24% of the estimated assessable profit for the financial year/period.

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****28. INCOME TAX EXPENSE (CONT'D)**

No deferred tax assets are recognised by the Group in respect of the following items:-

	<-----Audited-----> <-----FYE 31 December----->			Unaudited	Audited
	2019 RM	2020 RM	2021 RM	Six month period <-----FPE 30 June-----> 2021 RM	2022 RM
Unused tax losses and unabsorbed capital allowances	2,397,000	2,822,000	4,502,000	4,614,000	4,481,000
Accelerated capital allowances	304,000	2,067,000	1,311,000	416,000	1,088,000
Other deductible temporary differences	-	-	130,000	-	130,000
	<u>2,701,000</u>	<u>4,889,000</u>	<u>5,943,000</u>	<u>5,030,000</u>	<u>5,699,000</u>

29. PROFIT AFTER TAXATION FROM DISCONTINUED OPERATIONS

As disclosed in Note 34 to the financial statements, the Group has disposed one of its business under trading operating segment. The comparative consolidated statements of profit or loss and other comprehensive income has been re-presented to show the discontinued operations separately from continuing operations.

An analysis of the results of the discontinued operations is as follows:-

	<-----Audited-----> <-----FYE 31 December----->			Unaudited	Audited
	2019 RM	2020 RM	2021 RM	Six month period <-----FPE 30 June-----> 2021 RM	2022 RM
Revenue	663,121	300,354	700,917	700,917	-
Cost of sales	(346,810)	-	(613,170)	(613,170)	-
Gross profit	<u>316,311</u>	<u>300,354</u>	<u>87,747</u>	<u>87,747</u>	<u>-</u>
Other income	1,187	13,224	4,250	4,250	-
	<u>317,498</u>	<u>313,578</u>	<u>91,997</u>	<u>91,997</u>	<u>-</u>
Administrative expenses	(106,806)	(48,929)	(13,416)	(13,416)	-
Other expenses	(24)	(734)	(131)	(131)	-
	<u>210,668</u>	<u>263,915</u>	<u>78,450</u>	<u>78,450</u>	<u>-</u>
Profit before taxation	<u>210,668</u>	<u>263,915</u>	<u>78,450</u>	<u>78,450</u>	<u>-</u>
Income tax expense	(54,021)	(40,952)	-	-	-
Profit after taxation	<u>156,647</u>	<u>222,963</u>	<u>78,450</u>	<u>78,450</u>	<u>-</u>

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

29. PROFIT AFTER TAXATION FROM DISCONTINUED OPERATIONS (CONT'D)

(a) Included in the results from operating activities are the following:-

	<-----Audited----->			Unaudited	Audited
	<-----FYE 31 December----->			Six month period	
	2019	2020	2021	2021	2022
	RM	RM	RM	RM	RM
Auditors' remuneration:					
- audit fees:					
- current year	9,000	13,000	-	-	-
- (over)/under-provision in previous year	(1,500)	4,000	-	-	-
Depreciation:					
- property, plant and equipment	21,960	18,898	4,530	4,530	-
- investment properties	18,760	18,760	3,126	3,126	-
Rental expenses	96,000	96,000	16,000	16,000	-
Staff costs:					
- defined contribution plans	-	2,824	1,430	1,430	-
- salaries and other benefits	510,921	363,100	44,921	44,921	-
Interest income	(1,187)	-	-	-	-

(b) The income tax expense on discontinued operations are summarised below (Note 28):-

	<-----Audited----->			Unaudited	Audited
	<-----FYE 31 December----->			Six month period	
	2019	2020	2021	2021	2022
	RM	RM	RM	RM	RM
Tax expense	54,021	40,952	-	-	-

(c) The cash flows attributable to the discontinued operations are the following:-

	<-----Audited----->			Unaudited	Audited
	<-----FYE 31 December----->			Six month period	
	2019	2020	2021	2021	2022
	RM	RM	RM	RM	RM
Net cash (for)/from operating activities	(65,631)	136,586	5,494	5,494	-
Net cash for investing activities	(14,390)	(73,760)	(14,998)	(14,998)	-
Net cash (for)/from discontinued operations	(80,021)	62,826	(9,504)	(9,504)	-

12. ACCOUNTANTS REPORT (Cont'd)
LEFORM BERHAD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
30. OTHER COMPREHENSIVE INCOME

	←-----Audited-----> ←-----FYE 31 December----->			Unaudited	Audited
	2019 RM	2020 RM	2021 RM	Six month period ←-----FPE 30 June-----> 2021 RM	2022 RM
Items that Will Not be Reclassified Subsequently to Profit or Loss					
Revaluation of properties (Note 4)	6,181,556	-	2,000,000	-	-
Less: Deferred tax liabilities (Note 19)	(1,226,269)	-	(200,000)	-	-
	<u>4,955,287</u>	<u>-</u>	<u>1,800,000</u>	<u>-</u>	<u>-</u>

31. (LOSS)/EARNINGS PER SHARE

	←-----Audited-----> ←-----FYE 31 December----->			Unaudited	Audited
	2019 RM	2020 RM	2021 RM	Six month period ←-----FPE 30 June-----> 2021 RM	2022 RM
(Loss)/Profit attributable to owners of the Company:					
- continuing operations	(1,704,365)	6,578,773	44,494,357	26,864,926	12,166,279
- discontinued operations	156,647	222,963	78,450	78,450	-
	<u>(1,547,718)</u>	<u>6,801,736</u>	<u>44,572,807</u>	<u>26,943,376</u>	<u>12,166,279</u>
Weighted average number of ordinary shares in issue	<u>6,500,000</u>	<u>6,500,000</u>	<u>6,500,000</u>	<u>6,500,000</u>	<u>6,500,000</u>
Basic (loss)/earnings per share:					
- continuing operations	(0.26)	1.01	6.85	4.13	1.87
- discontinued operations	0.02	0.03	0.01	0.01	-
	<u>(0.24)</u>	<u>1.04</u>	<u>6.86</u>	<u>4.14</u>	<u>1.87</u>

The Group has not issued any dilutive potential ordinary shares and hence, the diluted (loss)/earnings per share is equal to the basic (loss)/earnings per share.

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

32. DIVIDENDS

	←-----Audited-----→ ←-----FYE 31 December-----→			Unaudited Six month period ←-----FPE 30 June-----→	Audited
	2019 RM	2020 RM	2021 RM	2021 RM	2022 RM
Interim single tier dividend:					
30.76923% per ordinary share in FYE 31 December 2020	-	2,000,000	-	-	-
46.15384% per ordinary share in FYE 31 December 2021	-	-	3,000,000	-	-
	-	2,000,000	3,000,000	-	-

33. ACQUISITION OF NON-CONTROLLING INTERESTS

On 23 December 2021, the Company acquired an additional 30% equity interests in LSMSB for RM5,586 in cash, increasing its ownership from 70% to 100%. The carrying amount of LSMSB's net assets in the Group's financial statements on that date was RM15,328. The Group recognised an decrease in non-controlling interests of RM4,598 and a decrease in retained profits of RM988.

The following summarises the effect of changes in the equity interests in LSMSB that are attributable to the owners of the Company:-

	2021 RM
Equity interest at 1 January 2021	15,975
Effect of increase in the Company's ownership interest	4,598
Share of losses	(5,245)
Equity interest at 31 December 2021	<u>15,328</u>

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
34. DISPOSAL OF SUBSIDIARIES

On 4 March 2021, LSPSB disposed 2,100,000 ordinary shares representing 100% equity interest in TISB for a consideration of RM1,050,000 in cash.

Consequently, TISB ceased to be a subsidiary of the Group.

The financial effects of the disposal at the date of disposal are summarised below:-

	RM
Property, plant and equipment	97,029
Investment properties	894,227
Goodwill on consolidation	25,876
Inventories	4,038,187
Trade receivables	2,570,405
Other receivables, deposits and prepayments	11,328
Current tax assets	3,382
Cash and bank balances	127,762
Deferred tax liabilities	(27,000)
Trade payables	(4,392,351)
Other payables and accruals	(24,794)
	<hr/>
Carrying amount of net assets disposed of	3,324,051
Loss on disposal of a subsidiary	(2,274,051)
	<hr/>
Consideration received, satisfied in cash	1,050,000
Less: Cash and bank balances of a subsidiary disposed of	(127,762)
	<hr/>
Net cash inflow from the disposal of a subsidiary	922,238
	<hr/>

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

35. CASH FLOW INFORMATION

- (a) The cash disbursed for the purchase of property, plant and equipment, investment properties and right-of-use assets are as follows:-

	<-----Audited-----> <-----FYE 31 December----->			Unaudited	Audited
	2019 RM	2020 RM	2021 RM	Six month period FPE 30 June 2021 RM	2022 RM
Property, plant and equipment					
Cost of property, plant and equipment purchased (Note 4)	1,805,738	3,513,945	2,372,064	1,619,234	422,191
Investment properties					
Cost of investment properties purchased (Note 5)	1,035,000	-	-	-	-
Right-of-use assets					
Cost of right-of-use asset acquired (Note 6)	7,790,558	2,385,267	5,625,551	4,549,672	-
Less: Addition of new lease liabilities (Note 35(b))	(6,437,753)	(2,027,035)	(3,353,199)	(2,768,152)	-
Less: Prepayments	(68,377)	-	-	-	-
	1,284,428	358,232	2,272,352	1,781,520	-

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

35. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliation of liabilities arising from financing activities are as follows:-

Audited	Term Loans RM	Lease Liabilities RM	Bankers' Acceptances RM	Trust Receipts RM	Total RM
31 December 2019					
At 1 January	19,029,649	11,902,961	53,493,502	58,053,441	142,479,553
<u>Changes in Financing Cash Flows</u>					
Proceeds from drawdown	6,566,200	-	228,908,725	153,138,589	388,613,514
Repayment of principal	(5,322,558)	(8,476,326)	(187,501,364)	(162,954,159)	(364,254,407)
Repayment of interests	(1,251,387)	(730,359)	(2,750,451)	(465,776)	(5,197,973)
<u>Non-cash Changes</u>					
Acquisition of new leases (Note 35(a))	-	6,437,753	-	-	6,437,753
Interest expense recognised in profit or loss	1,251,387	730,359	2,750,451	465,776	5,197,973
At 31 December	20,273,291	9,864,388	94,900,863	48,237,871	173,276,413

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

35. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliation of liabilities arising from financing activities are as follows (Cont'd):-

	Term Loans RM	Lease Liabilities RM	Bankers' Acceptances RM	Trust Receipts RM	Total RM
Audited					
31 December 2020					
At 1 January	20,273,291	9,864,388	94,900,863	48,237,871	173,276,413
<u>Changes in Financing Cash Flows</u>					
Proceeds from drawdown	-	-	218,169,762	96,576,368	314,746,130
Repayment of principal	(1,005,110)	(7,028,496)	(223,984,335)	(97,633,745)	(329,651,686)
Repayment of interests	(772,821)	(334,650)	(4,792,305)	(7,347)	(5,907,123)
<u>Non-cash Changes</u>					
Acquisition of new leases (Note 35(a))	-	2,027,035	-	-	2,027,035
Interest expense recognised in profit or loss	772,821	334,650	4,792,305	7,347	5,907,123
At 31 December	19,268,181	4,862,927	89,086,290	47,180,494	160,397,892

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

35. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliation of liabilities arising from financing activities are as follows (Cont'd):-

	Term Loans RM	Lease Liabilities RM	Bankers' Acceptances RM	Trust Receipts RM	Total RM
Audited					
31 December 2021					
At 1 January	19,268,181	4,862,927	89,086,290	47,180,494	160,397,892
<u>Changes in Financing Cash Flows</u>					
Proceeds from drawdown	20,000,000	-	148,407,715	154,189,590	322,597,305
Repayment of principal	(4,126,184)	(3,557,658)	(171,011,211)	(129,028,103)	(307,723,156)
Repayment of interests	(879,265)	(1,038,003)	(1,493,663)	(989,787)	(4,400,718)
<u>Non-cash Changes</u>					
Acquisition of new leases (Note 35(a))	-	3,353,199	-	-	3,353,199
Interest expense recognised in profit or loss	879,265	1,038,003	1,493,663	989,787	4,400,718
At 31 December	35,141,997	4,658,468	66,482,794	72,341,981	178,625,240

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

35. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliation of liabilities arising from financing activities are as follows (Cont'd):-

	Term Loans RM	Lease Liabilities RM	Bankers' Acceptances RM	Trust Receipts RM	Total RM
Unaudited 30 June 2021					
At 1 January	19,268,181	4,862,927	89,086,290	47,180,494	160,397,892
<u>Changes in Financing Cash Flows</u>					
Proceeds from drawdown	-	-	75,515,235	53,404,624	128,919,859
Repayment of principal	(2,529,516)	(2,416,959)	(127,654,560)	(51,074,705)	(183,675,740)
Repayment of interests	(384,002)	(269,894)	(1,185,372)	(76,385)	(1,915,653)
<u>Non-cash Changes</u>					
Acquisition of new leases (Note 35(a))	-	2,768,152	-	-	2,768,152
Interest expense recognised in profit or loss	384,002	269,894	1,185,372	76,385	1,915,653
At 30 June	16,738,665	5,214,120	36,946,965	49,510,413	108,410,163

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

35. CASH FLOW INFORMATION (CONT'D)

(b) The reconciliation of liabilities arising from financing activities are as follows (Cont'd):-

Audited 30 June 2022	Term Loans RM	Lease Liabilities RM	Bankers' Acceptances RM	Trust Receipts RM	Total RM
At 1 January	35,141,997	4,658,468	66,482,794	72,341,981	178,625,240
<u>Changes in Financing Cash Flows</u>					
Proceeds from drawdown	-	-	93,313,229	116,402,206	209,715,435
Repayment of principal	(2,747,652)	(1,112,805)	(79,180,386)	(84,577,267)	(167,618,110)
Repayment of interests	(670,010)	(123,581)	(1,170,412)	(1,229,023)	(3,193,026)
<u>Non-cash Changes</u>					
Interest expense recognised in profit or loss	670,010	123,581	1,170,412	1,229,023	3,193,026
At 30 June	32,394,345	3,545,663	80,615,637	104,166,920	220,722,565

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****35. CASH FLOW INFORMATION (CONT'D)**

(c) The total cash outflows for leases as a lessee are as follows:-

	<-----Audited-----> <-----FYE 31 December----->			Unaudited	Audited
	2019 RM	2020 RM	2021 RM	Six month period <-----FPE 30 June-----> 2021 RM	2022 RM
Interest paid on lease liabilities	730,359	334,650	1,038,003	269,894	123,581
Payment on lease liabilities	8,476,326	7,028,496	3,557,658	2,416,959	1,112,805
	<u>9,206,685</u>	<u>7,363,146</u>	<u>4,595,661</u>	<u>2,686,853</u>	<u>1,236,386</u>

(d) The cash and cash equivalents comprise the following:-

	<-----Audited-----> <-----FYE 31 December----->			Unaudited	Audited
	2019 RM	2020 RM	2021 RM	Six month period <-----FPE 30 June-----> 2021 RM	2022 RM
Fixed deposits with licensed banks	111,967	-	10,000,000	-	-
Cash and bank balances	6,892,850	9,166,570	42,446,681	33,907,514	30,578,563
Bank overdrafts	(9,018,654)	(3,868,813)	-	-	-
	<u>(2,013,837)</u>	<u>5,297,757</u>	<u>52,446,681</u>	<u>33,907,514</u>	<u>30,578,563</u>
Less: Fixed deposits with tenure of more than 3 months	(111,967)	-	-	-	-
	<u>(2,125,804)</u>	<u>5,297,757</u>	<u>52,446,681</u>	<u>33,907,514</u>	<u>30,578,563</u>

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****36. KEY MANAGEMENT PERSONNEL**

The key management personnel of the Group include executive directors and non-executive directors of the Group and certain members of senior management of the Group.

The key management personnel compensation during the financial year/period are as follows:-

	←-----Audited-----→ ←-----FYE 31 December-----→			Unaudited Six month period ←-----FPE 30 June-----→	Audited
	2019 RM	2020 RM	2021 RM	2021 RM	2022 RM
(a) Directors					
<u>Directors of the Company</u>					
Short-term employee benefits:					
- fees	40,000	100,000	80,000	50,000	-
- salaries, bonuses and other benefits	1,120,188	1,194,061	2,117,452	881,275	1,294,596
Defined contribution benefits	136,740	145,940	252,434	7,150	132,926
	1,296,928	1,440,001	2,449,886	938,425	1,427,522
<u>Directors of the Subsidiaries</u>					
Short-term employee benefits:					
- fees	10,000	40,000	50,000	10,000	-
- salaries, bonuses and other benefits	520,608	510,006	761,404	322,962	322,098
Defined contribution benefits	66,120	62,256	81,360	37,440	28,800
	596,728	612,262	892,764	370,402	350,898
Total directors' remuneration (Note 27)	1,893,656	2,052,263	3,342,650	1,308,827	1,778,420

The estimated monetary value of benefits-in-kind provided by the Group to the directors of the Company were RM29,225 (FYE 31 Dec 2019: RM28,000, FYE 31 Dec 2020: RM28,000, FYE 31 Dec 2021: RM28,000) respectively.

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

36. KEY MANAGEMENT PERSONNEL (CONT'D)

The key management personnel compensation during the financial year/period are as follows (Cont'd):-

	←-----Audited----->			Unaudited	Audited
	←-----FYE 31 December----->			Six month period	
	2019	2020	2021	2021	2022
	RM	RM	RM	RM	RM
(b) Other Key Management Personnel					
Short-term employee benefits:					
- salaries, bonuses and other benefits	688,784	648,000	958,696	449,650	330,543
Defined contribution benefits	75,204	65,276	91,492	40,460	33,120
Total compensation for other key management personnel	<u>763,988</u>	<u>713,276</u>	<u>1,050,188</u>	<u>490,110</u>	<u>363,663</u>

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****37. RELATED PARTY DISCLOSURES****(a) Identities of related parties**

Parties are considered to be related to the Group if the Group has the ability, directly or indirectly, to control or jointly control the party or exercise significant influence over the party in making financial and operating decisions, or vice versa, or where the Group and the party are subject to common control.

In addition to the information detailed elsewhere in the financial statements, the Group has related party relationships with its corporate shareholder, companies in which a director has interest, key management personnel, and entities within the same group of companies.

(b) Significant Related Party Transactions and Balances

Other than those disclosed elsewhere in the financial statements, the Group also carried out the following significant transactions with the related parties during the financial year/period:-

	<-----Audited-----> <-----FYE 31 December----->			Unaudited Six month period <-----FPE 30 June----->	
	2019 RM	2020 RM	2021 RM	2021 RM	2022 RM
Acquisition of additional shareholding in subsidiary from a director (Note 41(d))	-	-	5,586	-	-
Advance payment for purchase of pipes to a company in which a director has interest	30,000	-	-	-	-
Disposal of a subsidiary to a corporate shareholder (Note 41(b))	-	-	1,050,000	1,050,000	-
Disposal of shareholding in subsidiary to a director of the subsidiary (Note 41(c))	-	-	270,000	270,000	-
Net advances from a director	-	591,099	-	-	-
Payments on behalf for companies in which a director has interest	20,172	14,659	15,572	12,809	-
Sales to companies in which a director has interest	19,845,369	22,289,434	26,892,395	24,039,713	-
Sales of scrap to companies in which a director has interest	20,175	23,399	552,369	13,940	-
Purchases from companies in which a director has interest	-	3,917,695	6,879,100	4,300,089	-
Rental of premises paid to a corporate shareholder	230,000	228,000	78,000	71,000	-

The significant outstanding balances of the related parties (including the allowance for impairment loss made) together with their terms and conditions are disclosed in the respective notes to the financial statements.

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

38. OPERATING SEGMENTS

For management purposes, the Group is organised into business units based on their products and services provided.

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.

Chief operating decision makers monitors the segment results of profit before taxation of its business units separately for the purpose of making decisions about resource allocation and performance assessment. Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis but exclude tax asset and tax liabilities. Unallocated items comprise corporate assets, liabilities and expenses.

Segment revenue and expenses include transfers between business segments that are eliminated on consolidation. Segment results exclude the effects of transfers between business segments.

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****38. OPERATING SEGMENTS**

38.1 BUSINESS SEGMENTS

Audited 31 December 2019	Manufacturing RM	Trading RM	Other RM	Group RM
Revenue				
External revenue:				
- continuing operations	264,946,656	79,621,163	13,572	344,581,391
- discontinued operations	-	663,121	-	663,121
	264,946,656	80,284,284	13,572	345,244,512
Inter-segment revenue	80,392,959	20,629,388	3,583,986	104,606,333
	345,339,615	100,913,672	3,597,558	449,850,845
Consolidation adjustments				(104,606,333)
Consolidated revenue				<u>345,244,512</u>
Results				
Segment profit before interest and taxation:				
- continuing operations	13,507,905	1,532,211	268,477	15,308,593
- discontinued operations	-	209,481	-	209,481
	13,507,905	1,741,692	268,477	15,518,074
Interest income				29,317
Finance costs				(9,506,286)
Adjustments/eliminations on combination				(4,617,544)
Consolidated profit before taxation				1,423,561
Income tax expense				(2,897,909)
Consolidated loss after taxation				<u>(1,474,348)</u>
Segment profit before interest and taxation includes the following:-				
Depreciation:				
- property, plant and equipment	4,054,552	630,501	220	4,685,273
- investment properties	25,920	131,608	1,280	158,808
- right-of-use assets	2,941,136	265,873	523,816	3,730,825
Written off property, plant and equipment	-	90,308	-	90,308
Gain on disposal of:				
- property, plant and equipment	-	(33,466)	-	(33,466)
- right-of-use assets	(23,710)	-	-	(23,710)
(Gain)/Loss on foreign exchange:				
- realised	(670,893)	52	-	(670,841)

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

38. OPERATING SEGMENTS (CONT'D)

38.1 BUSINESS SEGMENTS (CONT'D)

Audited 31 December 2019	Manufacturing RM	Trading RM	Other RM	Group RM
Assets				
Segment assets	337,078,523	50,094,493	3,432,629	390,605,645
Unallocated assets:				
- current tax assets				3,478,456
Adjustments/eliminations on combination				(34,498,355)
Consolidated total assets				<u>359,585,746</u>
Additions to non-current assets other than financial instruments:				
- property, plant and equipment	1,791,348	14,390	-	1,805,738
- investment properties	1,035,000	-	-	1,035,000
- right-of-use assets	6,898,496	142,279	749,783	7,790,558
Liabilities				
Segment liabilities	224,723,365	24,366,358	1,526,512	250,616,235
Unallocated liabilities:				
- deferred tax liabilities				11,165,670
- current tax liabilities				157,530
Adjustments/eliminations on combination				(22,952,312)
Consolidated total liabilities				<u>238,987,123</u>

12. ACCOUNTANTS REPORT (Cont'd)
LEFORM BERHAD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
38. OPERATING SEGMENTS (CONT'D)

38.1 BUSINESS SEGMENTS (CONT'D)

Audited 31 December 2020	Manufacturing RM	Trading RM	Other RM	Group RM
Revenue				
External revenue:				
- continuing operations	281,446,621	73,263,075	4,788	354,714,484
- discontinued operations	-	300,354	-	300,354
	281,446,621	73,563,429	4,788	355,014,838
Inter-segment revenue	62,424,120	6,801,094	2,726,300	71,951,514
	343,870,741	80,364,523	2,731,088	426,966,352
Consolidation adjustments				(71,951,514)
Consolidated revenue				<u>355,014,838</u>
Results				
Segment profit/(loss) before interest and taxation:				
- continuing operations	22,750,169	(94,344)	41,155	22,696,980
- discontinued operations	-	263,915	-	263,915
	22,750,169	169,571	41,155	22,960,895
Interest income				210,683
Finance costs				(9,160,483)
Adjustments/eliminations on combination				(3,086,444)
Consolidated profit before taxation				10,924,651
Income tax expense				(3,565,162)
Consolidated profit after taxation				<u>7,359,489</u>
Segment profit/(loss) before interest and taxation includes the following:-				
Depreciation:				
- property, plant and equipment	3,692,658	410,907	3,885	4,107,450
- investment properties	25,920	131,608	1,280	158,808
- right-of-use assets	2,923,407	185,606	485,613	3,594,626

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

38. OPERATING SEGMENTS (CONT'D)

38.1 BUSINESS SEGMENTS (CONT'D)

Audited 31 December 2020	Manufacturing RM	Trading RM	Other RM	Group RM
Segment profit before interest and taxation includes the following (Cont'd):-				
Written off property, plant and equipment	-	276,565	-	276,565
Gain on disposal of:				
- property, plant and equipment	-	(427,362)	-	(427,362)
- right-of-use assets	(44,800)	-	-	(44,800)
Loss on foreign exchange:				
- realised	450,933	20,878	-	471,811
Assets				
Segment assets	325,465,756	53,974,569	3,450,466	382,890,791
Unallocated assets:				
- current tax assets				3,023,395
Adjustments/eliminations on combination				(37,517,438)
Consolidated total assets				<u>348,396,748</u>
Additions to non-current assets other than financial instruments:				
- property, plant and equipment	3,314,185	199,760	-	3,513,945
- right-of-use assets	1,240,651	200,468	944,148	2,385,267
Liabilities				
Segment liabilities	203,896,866	31,505,143	1,597,696	236,999,705
Unallocated liabilities:				
- deferred tax liabilities				11,491,104
- current tax liabilities				332,778
Adjustments/eliminations on combination				(26,184,951)
Consolidated total liabilities				<u>222,638,636</u>

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

38. OPERATING SEGMENTS (CONT'D)

38.1 BUSINESS SEGMENTS (CONT'D)

Audited 31 December 2021	Manufacturing RM	Trading RM	Other RM	Group RM
Revenue				
External revenue:				
- continuing operations	295,047,465	78,864,741	61,621	373,973,827
- discontinued operations	-	700,917	-	700,917
	295,047,465	79,565,658	61,621	374,674,744
Inter-segment revenue	74,574,579	1,669,130	2,360,365	78,604,074
	369,622,044	81,234,788	2,421,986	453,278,818
Consolidation adjustments				(78,604,074)
Consolidated revenue				<u>374,674,744</u>
Results				
Segment profit/(loss) before interest and taxation:				
- continuing operations	69,807,434	5,021,018	(481,349)	74,347,103
- discontinued operations	-	78,450	-	78,450
	69,807,434	5,099,468	(481,349)	74,425,553
Interest income				222,764
Finance costs				(5,955,418)
Adjustments/eliminations on combination				(6,741,858)
Consolidated profit before taxation				61,951,041
Income tax expense				(16,463,454)
Consolidated profit after taxation				<u>45,487,587</u>
Segment profit/(loss) before interest and taxation includes the following:-				
Bad debts written off	29,857	-	-	29,857
Depreciation:				
- property, plant and equipment	4,532,928	308,820	22,042	4,863,790
- investment properties	468,570	115,974	1,280	585,824
- right-of-use assets	2,481,369	194,435	520,709	3,196,513
Impairment loss on trade receivables	107,917	-	-	107,917
Impairment loss on investment properties	530,000	-	-	530,000
Inventories written down	557,893	129,932	-	687,825
Loss on disposal a subsidiary	-	2,274,051	-	2,274,051
Written off property, plant and equipment	-	239,653	-	239,653
Gain on disposal of:				
- property, plant and equipment	(192,250)	(2,619,518)	-	(2,811,768)
- right-of-use assets	(428,900)	(46,000)	-	(474,900)
Gain on foreign exchange:				
- realised	(169,311)	-	-	(169,311)

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

38. OPERATING SEGMENTS (CONT'D)

38.1 BUSINESS SEGMENTS (CONT'D)

Audited 31 December 2021	Manufacturing RM	Trading RM	Other RM	Group RM
Assets				
Segment assets	385,497,464	33,430,468	1,821,509	420,749,441
Unallocated assets:				
- current tax assets				92,295
Adjustments/eliminations on combination				<u>(30,830,890)</u>
Consolidated total assets				<u>390,010,846</u>
Additions to non-current assets other than financial instruments:				
- property, plant and equipment	2,353,404	18,660	-	2,372,064
- right-of-use assets	5,012,704	612,847	-	5,625,551
Liabilities				
Segment liabilities	213,594,344	16,046,668	604,172	230,245,184
Unallocated liabilities:				
- deferred tax liabilities				10,986,207
- current tax liabilities				1,788,475
Adjustments/eliminations on combination				<u>(22,819,133)</u>
Consolidated total liabilities				<u>220,200,733</u>

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****38. OPERATING SEGMENTS (CONT'D)****38.1 BUSINESS SEGMENTS (CONT'D)**

Unaudited 30 June 2021	Manufacturing RM	Trading RM	Other RM	Group RM
Revenue				
External revenue:				
- continuing operations	161,378,411	41,950,941	22,109	203,351,461
- discontinued operations	-	700,917	-	700,917
	<u>161,378,411</u>	<u>42,651,858</u>	<u>22,109</u>	<u>204,052,378</u>
Inter-segment revenue	36,349,043	1,154,646	1,358,611	38,862,300
	<u>197,727,454</u>	<u>43,806,504</u>	<u>1,380,720</u>	<u>242,914,678</u>
Consolidation adjustments				(38,862,300)
Consolidated revenue				<u>204,052,378</u>
Results				
Segment profit/(loss) before interest and taxation:				
- continuing operations	37,707,004	4,924,737	(152,082)	42,479,659
- discontinued operations	-	78,450	-	78,450
	<u>37,707,004</u>	<u>5,003,187</u>	<u>(152,082)</u>	<u>42,558,109</u>
Interest income				43,470
Finance costs				(3,078,070)
Adjustments/eliminations on combination				(4,187,197)
Consolidated profit before taxation				<u>35,336,312</u>
Income tax expense				(7,634,729)
Consolidated profit after taxation				<u>27,701,583</u>
Segment profit/(loss) before interest and taxation includes the following:-				
Depreciation:				
- property, plant and equipment	1,804,888	119,883	110	1,924,881
- investment properties	413,260	59,550	640	473,450
- right-of-use assets	1,773,510	133,260	271,269	2,178,039
Impairment loss on trade receivables	137,917	-	-	137,917
Loss on disposal subsidiaries	-	2,274,051	-	2,274,051
Gain on disposal of equipment	(192,248)	(2,516,323)	-	(2,708,571)
Gain on disposal of right-of-use assets	(533,045)	(23,000)	-	(556,045)
Gain on foreign exchange:				
- realised	(70,825)	-	-	(70,825)

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

38. OPERATING SEGMENTS (CONT'D)

38.1 BUSINESS SEGMENTS (CONT'D)

Audited 30 June 2022	Manufacturing RM	Trading RM	Other RM	Group RM
Revenue				
External revenue	167,160,350	46,467,536	42,867	213,670,753
Inter-segment revenue	29,577,608	903,221	1,245,494	31,726,323
	<u>196,737,958</u>	<u>47,370,757</u>	<u>1,288,361</u>	<u>245,397,076</u>
Consolidation adjustments				(31,726,323)
Consolidated revenue				<u>213,670,753</u>
Results				
Segment profit/(loss) before interest and taxation	20,170,536	44,307	(86,723)	20,128,120
Interest income				90,956
Finance costs				(3,611,253)
Adjustments/eliminations on combination				<u>42,959</u>
				16,650,782
Income tax expense				<u>(4,484,503)</u>
				<u>12,166,279</u>
Segment profit/(loss) before interest and taxation includes the following:-				
Depreciation:				
- property, plant and equipment	2,218,237	86,126	169,318	2,473,681
- investment properties	55,310	56,424	640	112,374
- right-of-use assets	1,149,596	95,560	102,061	1,347,217
Impairment loss on trade receivables	402,948	-	-	402,948
Inventories written down	1,616,671	-	-	1,616,671
Gain on disposal of equipment	(1,441,754)	-	-	(1,441,754)
Gain on foreign exchange:				
- realised	(402,818)	-	-	(402,818)
Reversal of impairment loss on trade receivables	(20,000)	-	-	(20,000)

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****38. OPERATING SEGMENTS (CONT'D)****38.1 BUSINESS SEGMENTS (CONT'D)**

Audited 30 June 2022	Manufacturing RM	Trading RM	Other RM	Group RM
Assets				
Segment assets	432,792,704	27,752,936	1,475,972	462,021,612
Unallocated assets:				
- current tax assets				3,437,957
Adjustments/eliminations on combination				(7,988,458)
Consolidated total assets				<u>457,471,111</u>
Additions to non-current assets other than financial instruments:				
- property, plant and equipment	411,360	10,831	-	422,191
Liabilities				
Segment liabilities	253,730,156	10,431,930	332,922	264,495,008
Unallocated liabilities:				
- deferred tax liabilities				10,950,388
- current tax liabilities				68,986
Adjustments/eliminations on combination				(19,663)
Consolidated total liabilities				<u>275,494,719</u>

12. ACCOUNTANTS REPORT (Cont'd)
LEFORM BERHAD
NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)
38. OPERATING SEGMENTS (CONT'D)
38.2 GEOGRAPHICAL INFORMATION

Revenue is based on the country in which the customers are located.

The information on the disaggregation of revenue based on geographical region is summarised below:-

	<-----Audited-----> <-----FYE 31 December----->			Unaudited Six month period	Audited
	2019 RM	2020 RM	2021 RM	<-----FPE 30 June-----> 2021 RM	2022 RM
Continuing operations:-					
Cambodia	-	9,162,529	162,000	162,000	-
Malaysia	334,800,659	337,694,796	362,795,863	199,205,762	210,161,339
New Zealand	5,854,091	4,745,447	9,855,642	3,075,125	3,509,414
Singapore	2,748,350	1,307,933	-	-	-
Others	1,178,291	1,803,779	1,160,322	908,574	-
	<u>344,581,391</u>	<u>354,714,484</u>	<u>373,973,827</u>	<u>203,351,461</u>	<u>213,670,753</u>
Discontinued operations:-					
Malaysia	663,121	300,354	700,917	700,917	-
	<u>345,244,512</u>	<u>355,014,838</u>	<u>374,674,744</u>	<u>204,052,378</u>	<u>213,670,753</u>

38.3 MAJOR CUSTOMER

The following are major customers with revenue equal to or more than 10% of the Group's total revenue.

	<-----Revenue----->					Segment
	<-----Audited-----> <-----FYE 31 December----->			Unaudited Six month period	Audited	
	2019 RM	2020 RM	2021 RM	<-----FPE 30 June-----> 2021 RM	2022 RM	
Customer #1	-	-	-	-	24,204,083	Manufacturing

39. CAPITAL COMMITMENTS

	<-----Audited-----> <-----FYE 31 December----->			Audited FPE 30 June
	2019 RM	2020 RM	2021 RM	2022 RM
Purchase of property and equipment	-	-	-	7,378,406

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****40. FINANCIAL INSTRUMENTS**

The Group's activities are exposed to a variety of market risks (including foreign currency risk, interest rate risk and equity price risk), credit risk and liquidity risk. The Group's overall financial risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

40.1 FINANCIAL RISK MANAGEMENT POLICIES

The Group's policies in respect of the major areas of treasury activity are as follows:-

(a) Market Risk**(i) Foreign Currency Risk**

The Group is exposed to foreign currency risk on transactions and balances that are denominated in currency other than Ringgit Malaysia. The currency giving rise to this risk is primarily United States Dollar. Foreign currency risk is monitored closely on an ongoing basis to ensure that the net exposure is at an acceptable level. On occasion, the Group enters into forward foreign currency contracts to hedge against its foreign currency risk.

The Group's exposure to foreign currency risk (a currency which is other than the functional currency of the entities within the Group) based on the carrying amounts of the financial instruments at the end of the reporting period is summarised below:-

Foreign Currency Exposure

	United States Dollar RM	Ringgit Malaysia RM	Total RM
Audited			
31.12.2019			
<u>Financial Assets</u>			
Trade receivables	632,671	51,076,877	51,709,548
Other receivables and deposits	-	2,194,346	2,194,346
Fixed deposits with licensed banks	-	111,967	111,967
Cash and bank balances	557,175	6,335,675	6,892,850
	<u>1,189,846</u>	<u>59,718,865</u>	<u>60,908,711</u>

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) **Market Risk (Cont'd)**

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd):-

	United States Dollar RM	Ringgit Malaysia RM	Total RM
Audited 31.12.2019			
<u>Financial Liabilities</u>			
Trade payables	19,953,992	20,548,475	40,502,467
Other payables and accruals	-	4,866,389	4,866,389
Bankers' acceptances and trust receipts	-	143,138,734	143,138,734
Lease liabilities	-	9,864,388	9,864,388
Term loans	-	20,273,291	20,273,291
Bank overdrafts	-	9,018,654	9,018,654
	19,953,992	207,709,931	227,663,923
Net financial liabilities	(18,764,146)	(147,991,066)	(166,755,212)
Add: Net financial liabilities denominated in the entity's functional currency	-	147,991,066	147,991,066
Currency exposure	(18,764,146)	-	(18,764,146)

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****40. FINANCIAL INSTRUMENTS (CONT'D)**

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd):-

	United States Dollar RM	Ringgit Malaysia RM	Total RM
Audited 31.12.2020			
<u>Financial Assets</u>			
Trade receivables	476,551	86,368,879	86,845,430
Other receivables and deposits	-	2,706,777	2,706,777
Cash and bank balances	1,130,954	8,035,616	9,166,570
	1,607,505	97,111,272	98,718,777
<u>Financial Liabilities</u>			
Trade payables	2,770,384	40,991,478	43,761,862
Other payables and accruals	-	2,195,088	2,195,088
Amount owing to a director	-	591,099	591,099
Bankers' acceptances and trust receipts	-	136,266,784	136,266,784
Lease liabilities	-	4,862,927	4,862,927
Term loans	-	19,268,181	19,268,181
Bank overdrafts	-	3,868,813	3,868,813
	2,770,384	208,044,370	210,814,754
Net financial liabilities	(1,162,879)	(110,933,098)	(112,095,977)
Add: Net financial liabilities denominated in the entity's functional currency	-	110,933,098	110,933,098
Currency exposure	(1,162,879)	-	(1,162,879)

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd):-

	United States Dollar RM	Ringgit Malaysia RM	Total RM
Audited 31.12.2021			
<u>Financial Assets</u>			
Trade receivables	2,632,850	59,711,470	62,344,320
Other receivables and deposits	-	1,616,167	1,616,167
Fixed deposits with licensed banks	-	10,000,000	10,000,000
Cash and bank balances	1,001,859	41,444,822	42,446,681
	3,634,709	112,772,459	116,407,168
<u>Financial Liabilities</u>			
Trade payables	-	21,996,239	21,996,239
Other payables and Accruals	-	6,804,572	6,804,572
Bankers' acceptances and trust receipts	-	138,824,775	138,824,775
Lease liabilities	-	4,658,468	4,658,468
Term loans	-	35,141,997	35,141,997
	-	207,426,051	207,426,051
Net financial assets/(liabilities)	3,634,709	(94,653,592)	(91,018,883)
Add: Net financial liabilities denominated in the entity's functional currency	-	94,653,592	94,653,592
Currency exposure	3,634,709	-	3,634,709

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)

(i) Foreign Currency Risk (Cont'd)

Foreign Currency Exposure (Cont'd):-

	United States Dollar RM	Ringgit Malaysia RM	Total RM
Audited 30.6.2022			
<u>Financial Assets</u>			
Trade receivables	146,114	83,052,495	83,198,609
Other receivables and deposits	-	5,566,554	5,566,554
Cash and bank balances	5,160	30,573,403	30,578,563
	151,274	119,192,452	119,343,726
<u>Financial Liabilities</u>			
Trade payables	4,802,709	33,386,428	38,189,137
Other payables and accruals	-	5,563,643	5,563,643
Bankers' acceptances and trust receipts	-	184,782,557	184,782,557
Lease liabilities	-	3,545,663	3,545,663
Term loans	-	32,394,345	32,394,345
	4,802,709	259,672,636	264,475,345
Net financial liabilities	(4,651,435)	(140,480,184)	(145,131,619)
Add: Net financial liabilities denominated in the entity's functional currency	-	140,480,184	140,480,184
Currency exposure	(4,651,435)	-	(4,651,435)

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****40. FINANCIAL INSTRUMENTS (CONT'D)**

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)**(i) Foreign Currency Risk (Cont'd)***Foreign currency risk sensitivity analysis*

The following table details the sensitivity analysis to a reasonably possible change in the foreign currencies at the end of the reporting period, with all other variables held constant:-

	←----- Audited ----->			Audited FPE 30 June 2022 RM
	←----- FYE 31 December ----->			
	2019 RM	2020 RM	2021 RM	
Effects on (loss)/ profit after taxation				
USD/RM				
- strengthened by 5%	-713,038	-44,189	+138,119	-176,755
- weakened by 5%	+713,038	+44,189	-138,119	+176,755

(ii) Interest Rate Risk

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The Group's exposure to interest rate risk arises mainly from long-term borrowings with variable rates. The Group's policy is to obtain the most favourable interest rates available and by maintaining a balanced portfolio mix of fixed and floating rate borrowings.

The Group's fixed rate borrowings are carried at amortised cost. Therefore, they are not subject to interest rate risk as defined MFRS 7 since neither they carrying amount nor the future cash flows will fluctuate because of a change in market interest rates.

The Group's exposure to interest rate risk that based on the carrying amounts of the financial instruments at the end of the reporting period is disclosed in Notes 18, 23 and 24 to the financial statements.

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****40. FINANCIAL INSTRUMENTS (CONT'D)**

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(a) Market Risk (Cont'd)**(ii) Interest Rate Risk (Cont'd)***Interest Rate Risk Sensitivity Analysis*

The following table details the sensitivity analysis to a reasonably possible change in the interest rates as at the end of the reporting period, with all other variables held constant:-

	←----- Audited ----->			Audited FPE 30 June 2022 RM
	←----- FYE 31 December ----->			
Effects on (loss)/ profit after taxation	2019 RM	2020 RM	2021 RM	
Increase of 100 basis points ("bp")	+1,310,473	-1,211,469	-1,322,147	-1,650,544
Decrease of 100 bp	-1,310,473	+1,211,469	+1,322,147	+1,650,544

(iii) Equity Price Risk

The Group does not have any quoted investments and hence is not exposed to equity price risk.

(b) Credit Risk

The Group's exposure to credit risk, or the risk of counterparties defaulting, arises mainly from trade receivables. The Group manages its exposure to credit risk by the application of credit approvals, credit limits and monitoring procedures on an ongoing basis. For other financial assets (including cash and bank balances), the Group minimises credit risk by dealing exclusively with high credit rating counterparties.

The Company's exposure to credit risk arises principally from loans and advances to subsidiaries, and corporate guarantee given to financial institutions for credit facilities granted to certain subsidiaries. The Company monitors the results of these subsidiaries regularly and repayments made by the subsidiaries.

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****40. FINANCIAL INSTRUMENTS (CONT'D)**

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)**(i) Credit Risk Concentration Profile**

The Group's major concentration of credit risk that accounted for 10% or more of total receivables at the end of each reporting period is as follows:

	<----- Audited ----->			Audited
	<----- FYE 31 December----->			FPE 30 June
	2019	2020	2021	2022
	RM	RM	RM	RM
Number of customers	1	1	-	1
Percentage of trade receivables	16%	18%	-	10%

(ii) Maximum Exposure to Credit Risk

At the end of the reporting period, the maximum exposure to credit risk is represented by the carrying amount of each class of financial assets recognised in the statements of financial position of the Group after deducting any allowance for impairment losses (where applicable).

(iii) Assessment of Impairment Losses

The Group has an informal credit policy in place and the exposure to credit risk is monitored on an on-going basis through periodic review of the ageing of the trade receivables. The Group closely monitors the trade receivables' financial strength to reduce the risk of loss.

At each reporting date, the Group assesses whether any of the financial assets at amortised cost are credit impaired.

The gross carrying amounts of financial assets are written off against the associated impairment, if any, when there is no reasonable expectation of recovery despite the fact that they are still subject to enforcement activities.

A financial asset is credit impaired when any of following events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred:

- Significant financial difficult of the receivable;
- A breach of contract, such as a default or past due event;
- Restructuring of a debt in relation to the receivable's financial difficulty;
- It is becoming probable that the receivable will enter bankruptcy or other financial reorganisation.

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****40. FINANCIAL INSTRUMENTS (CONT'D)**

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

The Group considers a receivable to be in default when the receivable is unlikely to repay its debt to the Group in full or is more than 90 days past due. The Group uses a more lagging past due criterion for certain trade receivables when it is more appropriate to reflect their loss patterns.

Trade Receivables

The Group applies the simplified approach to measure expected credit losses using a lifetime expected credit loss allowance for all trade receivables.

Inputs, Assumptions and Techniques used for Estimating Impairment Losses

To measure the expected credit losses and trade receivable have been grouped based on shared credit risk characteristics and the days past due.

The Group measures the expected credit losses of certain major customers, trade receivables that are credit impaired and trade receivables with a high risk of default on individual basis.

The expected loss rates are based on the payment profiles of sales over 12 months before the reporting date and the corresponding historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward-looking information on macroeconomic factors affecting the ability of the trade receivables to settle their debts.

There are no significant changes in the estimation techniques and assumptions as compared to the previous financial year.

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****40. FINANCIAL INSTRUMENTS (CONT'D)**

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)*Allowance for Impairment Losses*

	Gross Amount RM	Individual Impairment RM	Carrying Value RM
Audited 31.12.2019			
Not past due	36,634,529	-	36,634,529
Past due:			
- less than 3 months	10,807,439	-	10,807,439
- 3 to 6 months	3,809,544	-	3,809,544
- more than 6 months	458,036	-	458,036
	<u>51,709,548</u>	-	<u>51,709,548</u>
Audited 31.12.2020			
Not past due	72,341,753	-	72,341,753
Past due:			
- less than 3 months	12,883,950	-	12,883,950
- 3 to 6 months	1,431,371	-	1,431,371
- more than 6 months	188,356	-	188,356
	<u>86,845,430</u>	-	<u>86,845,430</u>
Audited 31.12.2021			
Not past due	55,376,418	-	55,376,418
Past due:			
- less than 3 months	6,961,762	-	6,961,762
- 3 to 6 months	6,140	-	6,140
- more than 6 months	107,917	(107,917)	-
	<u>62,452,237</u>	<u>(107,917)</u>	<u>62,344,320</u>

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****40. FINANCIAL INSTRUMENTS (CONT'D)**

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(b) Credit Risk (Cont'd)

(iii) Assessment of Impairment Losses (Cont'd)

Trade Receivables (Cont'd)*Allowance for Impairment Losses*

	Gross Amount RM	Individual Impairment RM	Collective Impairment RM	Carrying Value RM
Audited 30.6.2022				
Not past due	55,302,151	-	(9,427)	55,292,724
Past due:				
- less than 3 months	27,823,451	(272,111)	-	27,551,340
- 3 to 6 months	224,780	(1,480)	-	223,300
- more than 6 months	339,092	(149,692)	(58,155)	131,245
	<u>83,689,474</u>	<u>(423,283)</u>	<u>(67,582)</u>	<u>83,198,609</u>

Other Receivables

Other receivables are also subject to the impairment requirements of MFRS 9, the identified impairment loss was immaterial and hence, it is not provided for.

Cash and Bank Balances

The Group considers these banks and financial institutions have low credit risks. In addition, some of the bank balances are insured by Government agencies. Therefore, the Group is of the view that the loss allowance is immaterial and hence, it is not provided for.

Financial Guarantee Contracts

All of the financial guarantee contracts are considered to be performing, have low risks of default and historically there were no instances where these financial guarantee contracts were called upon by the parties of which the financial guarantee contracts were issued to. Accordingly, no loss allowances were identified based on 12-month expected credit losses.

(c) Liquidity Risk

Liquidity risk arises mainly from general funding and business activities. The Group practises prudent risk management by maintaining sufficient cash balances and the availability of funding through certain committed credit facilities.

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period):-

	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 5 Years RM	Over 5 Years RM
Audited						
31.12.2019						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	40,502,467	40,502,467	40,502,467	-	-
Other payables and accruals	-	4,866,389	4,866,389	4,866,389	-	-
Bankers' acceptances and trust receipts	4.57	143,138,734	143,138,734	143,138,734	-	-
Lease liabilities	4.88	9,864,388	11,242,118	6,404,653	4,837,465	-
Term loans	5.08	20,273,291	33,813,518	3,767,372	13,712,267	16,333,879
Bank overdrafts	7.86	9,018,654	9,018,654	9,018,654	-	-
		227,663,923	242,581,880	207,698,269	18,549,732	16,333,879

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 5 Years RM	Over 5 Years RM
Audited						
31.12.2020						
<u>Non-derivative Financial Liabilities</u>						
Trade payables	-	43,761,862	43,761,862	43,761,862	-	-
Other payables and accruals	-	2,195,088	2,195,088	2,195,088	-	-
Amount owing to a director	-	591,099	591,099	591,099	-	-
Bankers' acceptances and trust receipts	3.19	136,266,784	136,266,784	136,266,784	-	-
Lease liabilities	4.83	4,862,927	5,778,825	3,852,108	1,926,717	-
Term loans	4.02	19,268,181	24,304,819	2,913,585	11,141,968	10,249,266
Bank overdrafts	7.05	3,868,813	3,868,813	3,868,813	-	-
		210,814,754	216,767,290	193,449,339	13,068,685	10,249,266

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 5 Years RM	Over 5 Years RM
Audited						
31.12.2021						
<u>Non-derivative financial liabilities</u>						
Trade payables	-	21,996,239	21,996,239	21,996,239	-	-
Other payables and accruals	-	6,804,572	6,804,572	6,804,572	-	-
Bankers' acceptances and trust receipts	3.69	138,824,775	138,824,775	138,824,775	-	-
Lease liabilities	4.38	4,658,468	4,995,658	2,436,513	2,559,145	-
Term loans	3.86	35,141,997	39,589,628	7,360,112	20,640,075	11,589,441
		207,426,051	212,210,872	177,422,211	23,199,220	11,589,441

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.1 FINANCIAL RISK MANAGEMENT POLICIES (CONT'D)

(c) Liquidity Risk (Cont'd)

Maturity Analysis (Cont'd)

The following table sets out the maturity profile of the financial liabilities as at the end of the reporting period based on contractual undiscounted cash flows (including interest payments computed using contractual rates or, if floating, based on the rates at the end of the reporting period) (Cont'd):-

	Weighted Average Effective Interest Rate %	Carrying Amount RM	Contractual Undiscounted Cash Flows RM	Within 1 Year RM	1 – 5 Years RM	Over 5 Years RM
Audited						
30.6.2022						
<u>Non-derivative financial liabilities</u>						
Trade payables	-	38,189,137	38,189,137	38,189,137	-	-
Other payables and accruals	-	5,563,643	5,563,643	5,563,643	-	-
Bankers' acceptances and trust receipts	4.17	184,782,557	184,782,557	184,782,557	-	-
Lease liabilities	4.29	3,545,663	3,749,954	1,866,935	1,883,019	-
Term loans	3.85	32,394,345	36,247,040	7,913,126	23,305,088	5,028,826
		264,475,345	268,532,331	238,315,398	25,188,107	5,028,826

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****40. FINANCIAL INSTRUMENTS (CONT'D)****40.2 CAPITAL RISK MANAGEMENT**

The Group manages its capital to ensure that entities within the Group will be able to maintain an optimal capital structure so as to support its businesses and maximise shareholders' value. To achieve this objective, the Group may make adjustments to the capital structure in view of changes in economic conditions, such as adjusting the amount of dividend payment, returning of capital to shareholders or issuing new shares.

The Group manages its capital based on debt-to-equity ratio that complies with debt covenants and regulatory, if any. The debt-to-equity ratio is calculated as net debt divided by total equity. The Group includes within net debt, loans and borrowings from financial institutions less cash and cash equivalents. Capital includes equity attributable to the owners of the parent and non-controlling interest. The debt-to-equity ratio of the Group at the end of the reporting period was as follows:-

	<-----Audited-----> <-----FYE 31 December----->			Audited FPE 30 June 2022
	2019 RM	2020 RM	2021 RM	2022 RM
Lease liabilities	9,864,388	4,862,927	4,658,468	3,545,663
Term loans	20,273,291	19,268,181	35,141,997	32,394,345
Bankers' acceptances and trust receipts	143,138,734	136,266,784	138,824,775	184,782,557
Bank overdrafts	9,018,654	3,868,813	-	-
	<u>182,295,067</u>	<u>164,266,705</u>	<u>178,625,240</u>	<u>220,722,565</u>
Less: Fixed deposits with licensed banks	(111,967)	-	(10,000,000)	-
Less: Cash and bank balances	(6,892,850)	(9,166,570)	(42,446,681)	(30,578,563)
	<u>175,290,250</u>	<u>155,100,135</u>	<u>126,178,559</u>	<u>190,144,002</u>
Net debt	<u>175,290,250</u>	<u>155,100,135</u>	<u>126,178,559</u>	<u>190,144,002</u>
Total equity	<u>120,598,623</u>	<u>125,758,112</u>	<u>169,810,113</u>	<u>181,976,392</u>
Debt-to-equity ratio	<u>1.45</u>	<u>1.23</u>	<u>0.74</u>	<u>1.04</u>

There was no change in the Group's approach to capital management during the financial year/period.

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

40. FINANCIAL INSTRUMENTS (CONT'D)

40.3 CLASSIFICATION OF FINANCIAL INSTRUMENTS

	<-----Audited-----> <-----FYE 31 December----->			Audited FPE 30 June 2022 RM
	2019 RM	2020 RM	2021 RM	
Financial Asset				
<u>Amortised Cost</u>				
Trade receivables	51,709,548	86,845,430	62,344,320	83,198,609
Other receivables and deposits	2,194,346	2,706,777	1,616,167	5,566,554
Fixed deposits with licensed banks	111,967	-	10,000,000	-
Cash and bank balances	6,892,850	9,166,570	42,446,681	30,578,563
	<u>60,908,711</u>	<u>98,718,777</u>	<u>116,407,168</u>	<u>119,343,726</u>
Financial Liability				
<u>Amortised Cost</u>				
Trade payables	40,502,467	43,761,862	21,996,239	38,189,137
Other payables and accruals	4,866,389	2,195,088	6,804,572	5,563,643
Amount owing to a director	-	591,099	-	-
Bankers' acceptances and trust receipts	143,138,734	136,266,784	138,824,775	184,782,557
Bank overdrafts	9,018,654	3,868,813	-	-
Lease liabilities	9,864,388	4,862,927	4,658,468	3,545,663
Term loans	20,273,291	19,268,181	35,141,997	32,394,345
	<u>227,663,923</u>	<u>210,814,754</u>	<u>207,426,051</u>	<u>264,475,345</u>

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****40. FINANCIAL INSTRUMENTS (CONT'D)**

40.4 GAINS OR LOSSES ARISING FROM FINANCIAL INSTRUMENTS

	<-----Audited-----> <-----FYE 31 December----->			Audited FPE 30 June 2022 RM
	2019 RM	2020 RM	2021 RM	
Financial Asset				
<u>Amortised cost</u>				
Net gains/(losses) recognised in profit of loss	92,308	210,683	114,847	(291,992)
Financial Liability				
<u>Amortised cost</u>				
Net losses recognised in profit or loss	(8,898,436)	(9,632,294)	(5,786,107)	(3,120,895)

40.5 FAIR VALUE INFORMATION

At the end of the reporting period, there was no financial instrument carried at fair values in the statements of financial position.

The fair values of the financial assets and financial liabilities of the Group that maturing within the next 12 months approximated their carrying amounts due to the relatively short-term maturity of the financial instruments or repayable on demand terms.

The fair value of term loans that carry floating interest rates approximated their carrying amounts as they are repriced to market interest rates on or near the reporting date.

12. ACCOUNTANTS REPORT (Cont'd)**LEFORM BERHAD****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)****41. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR/PERIOD**

- (a) The management has assessed the impact of COVID-19 pandemic on the Group and of the opinion that there were no material financial impacts arising from the pandemic. Nevertheless, the Group has taken and will continue to take necessary steps to safeguard and preserve its financial condition, emphasising on liquidity management to meet its continuing financial commitments and liquidity needs.

Given the dynamic nature of the COVID-19 pandemic, it is not practicable to provide a reasonable estimate of its impacts on the Group's financial position, operating results and cash flows at the date on which these financial statements are authorised for issue.

- (b) On 4 March 2021, LSPSB disposed of 2,100,000 ordinary shares representing 100% of the issued and paid-up share capital of TISB for a total cash consideration of RM1,050,000 to a related party. Following the completion of disposal, TISB ceased to be a subsidiary of LSPSB.
- (c) On 24 March 2021, LFMSB disposed of 50,000 ordinary shares representing 10% of the issued and paid-up share capital of LMKSB for a total cash consideration of RM270,000 to a related party.
- (d) On 23 December 2021, the Company acquired of 30,000 ordinary shares representing 30% of the issued and paid-up share capital of LSMSB for a total cash consideration of RM5,586 from a related party. Following the completion of acquisition, LSMSB became a wholly-owned subsidiary of the Company.
- (e) On 24 March 2022, the Company entered into a Sales and Purchase Agreement ("SPA") with a third party for the acquisition of a parcel of land for a total cash consideration of RM7,840,800. The completion of the acquisition is subject to fulfilment of the terms and conditions stipulated in the SPA and approval of the relevant authorities.
- (f) The Company's Board of Directors had on 31 March 2022 approved the following:
- (i) Proposed bonus issue of 71,500,000 new ordinary shares in the Company to be credited as fully paid-up on the basis of 11 new shares for every 1 existing share held by the capitalisation of retained earnings of the Company of RM71,500,000 ("Proposed Bonus Issue"). The issued shares of the Company has increased from 6,500,000 shares into 78,000,000 shares.
 - (ii) Proposed share split involving the subdivision of every 1 existing share into 15 shares in the Company ("Proposed Share Split"). The issued shares of the Company has increased from 78,000,000 shares into 1,170,000,000 shares.
 - (iii) After the Proposed Bonus Issue and Proposed Share Split, the Company proposes to undertake an Initial Public Offering ("IPO") of up to 1,481,013,000 shares, comprising an public issue of 311,013,000 new shares and an offer for sale of 74,051,000 existing shares in conjunction with the listing of and quotation for the entire enlarged issued shares on the Ace Market of Bursa Securities.

12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONT'D)

42. SIGNIFICANT EVENTS OCCURRING AFTER THE REPORTING PERIOD

- (a) On 19 September 2022, the Company issued 71,500,000 new ordinary shares pursuant to the bonus issue. The bonus issue of 71,500,000 new ordinary shares in the Company to be credited as fully paid-up on the basis of 11 new shares for every 1 existing share held by the capitalisation of retained earnings of the Company of RM71,500,000.
- (b) On 20 September 2022, the Company have subdivided every 1 existing ordinary share into 15 ordinary shares. The issued shares of the Company have increased from 78,000,000 ordinary shares into 1,170,000,000 ordinary shares.


12. ACCOUNTANTS REPORT (Cont'd)

LEFORM BERHAD

STATEMENT BY DIRECTORS

We, Law Kok Thye and Phang Yew Cheong @ Phang Yew Choong, being two of the directors of Leform Berhad, state that, in the opinion of the directors, the consolidated financial statements set out on pages 5 to 111 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the Prospectus Guidelines so as to give a true and fair view of the consolidated financial position of the Group as of 31 December 2019, 31 December 2020, 31 December 2021, and 30 June 2022 and of its consolidated financial performance and its consolidated cash flows for the financial years ended 31 December 2019, 31 December 2020, 31 December 2021, and for the financial period ended 30 June 2022.

Signed in accordance with a resolution of the directors dated 28 September 2022.



Law Kok Thye



Phang Yew Cheong @ Phang Yew Choong

13. STATUTORY AND OTHER GENERAL INFORMATION

13.1 Share capital

- (i) The share capital of our Group as at the LPD and changes in their respective share capital for the past 3 years preceding the LPD are as set out in **Sections 5.1 and 5.4** of this Prospectus.
- (ii) No securities will be allotted, issued or offered on the basis of this Prospectus later than 6 months after the date of the issue of this Prospectus.
- (iii) There are no special rights attached to our Shares. As at the LPD, we have only 1 class of shares in our Company, namely ordinary shares, all of which rank equally with one another.
- (iv) Save for the issuance of new Shares pursuant to the Pre-IPO Exercise as disclosed in **Section 5.1.1** of this Prospectus and the issuance of new shares in LF Engineering as disclosed in **Section 5.4(vii)** of this Prospectus, no shares, debentures, outstanding warrants, options, convertible securities or uncalled capital of our Group have been issued or proposed to be issued as fully or partly paid-up, in cash or otherwise than in cash, within the 3 years preceding the LPD.
- (v) As at the LPD, none of the share capital of our Group is under option, or agreed conditionally or unconditionally to be put under option.
- (vi) Save for our Directors, eligible employees, and persons who have contributed to our success entitlements under the Pink Form Allocation as disclosed in **Section 3.3.1(ii)** of this Prospectus,
 - (a) no Director, employee or business associate of our Group has been or is entitled to be given or has exercised any option to subscribe for any share of our Group; and
 - (b) there is currently no scheme involving our Directors or employees in the shares of our Group.
- (vii) Save for our Public Issue as disclosed in **Section 3.3.1** of this Prospectus, there is no intention on the part of our Directors to further issue any Shares.
- (viii) Our Company does not have any outstanding convertible debt securities, options, warrants or uncalled capital as at the LPD.

13.2 Extracts of our Constitution

The following provisions are extracted from our Constitution and are qualified in their entirety by the remainder of the provisions of our Constitution and by applicable law. Terms defined in our Constitution shall have the same meaning when used herein unless they are otherwise defined herein or the context otherwise requires.

13. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

13.2.1 Remuneration, voting and borrowing powers of Directors

The provisions in our Constitution dealing with remuneration, voting and borrowing powers of Directors are as follows:

(i) **Remuneration of Directors**

Clause 106

The Directors shall be paid by way of remuneration for their services, such fees and any other benefits payable to such directors (if any) subject to annual shareholder approval at General Meeting and such remuneration shall be divided among the Directors in such proportions and manner as the Directors may determine, provided always that:

- (a) save as provided in Clause 106(a), an Executive Director shall, subject to the terms and any agreement (if any) entered into any particular case, receive such remuneration as the Directors may determine. All remuneration, other than the fees provided for in Clause 106(a), payable to the Non-Executive Directors shall be determined by a resolution of the Company in General Meeting;
- (b) fees payable to Non-Executive Directors shall be a fixed sum, and not by a commission on or percentage of profits or turnover;
- (c) salaries payable to Executive Directors may not include a commission or on percentage of turnover;
- (d) fees and any benefits payable to Directors shall be subject to annual shareholder approval at a General Meeting, where notice of the proposed increase has been given in the notice convening the meeting; and
- (e) the fees and / or benefits payable to Non-Executive Directors who are also Director(s) of the subsidiaries include but are not limited to directors' fees, meeting allowances, travelling allowances and benefits, but does not include insurance premium or any issue of securities.

Clause 108

If any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of the Company as a member of a committee of Directors, the Company may remunerate the Director so doing either by a fixed sum or otherwise (other than by a sum to include a commission on or percentage of turnover) as may be determined by the Board in General Meeting and such remuneration may be either in addition to or in substitution for his or their share in the remuneration from time to time provided for the Directors. Extra remuneration payable to Non-Executive Director(s) shall not include a commission or percentage of turnover or profits.

13. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

Clause 150

The remuneration of the Managing Director shall, subject to the terms of any agreement entered into in any particular case may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration shall not include a commission on or percentage of turnover but it may be a term of their appointment that they shall receive pension, gratuity or other benefits upon their retirement.

(ii) **Voting powers of Directors**

Clause 129

Subject to the Constitution any question arising at any meeting of Directors shall be decided by a majority of votes and a determination by a majority of Directors shall for all purposes be deemed a determination of the Directors. In case of an equality of votes, the Chairman of the meeting shall have a second or casting vote except where the quorum is made up of only 2 Directors or where only 2 Directors are competent to vote on the question at issue.

Clause 133

A Director shall not vote in regard to any contract or proposed contract or arrangement in which he has, directly or indirectly, an interest. Without prejudice to the generality of the foregoing, a Director shall also not vote in regard to any contract or proposed contract or arrangement with any other company in which he is interested either as an officer of that other company or as a holder of shares or other securities in that other company.

Clause 134

Subject to Clause 133, a Director may vote in respect of:

- (a) any arrangement for giving the Director himself or any other Director any security or indemnity in respect of money lent by him to or obligations undertaken by him for the benefit of the Company; and
- (b) any arrangement for the giving by the Company of any security to a third party in respect of a debt or obligation of the Company for which the Director himself or any other Director has assumed responsibility in whole or in part under a guarantee or indemnity or by a deposit of security.

(iii) **Borrowing powers of Directors**

Clause 113

The Director may exercise all the powers of the Company to borrow and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of any person or persons or of any company, whether or not having powers or engaged or intending to engage in business similar to those of the Company, including (without limitation) any company which is for the time being associated or allied with the Company in business or which is the holding company or a subsidiary (as defined in Section 4 of the Act) or an associated company.

13. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

13.2.2 Changes in share capital and variation of class rights

The provisions in our Constitution dealing with changes in share capital and variation of class rights are as follows:

(i) **Changes in share capital**

Clause 47

The Company may from time to time by Ordinary Resolution increase the share capital by the creation and issue of new Shares, such new capital to be of such amount to be divided into Shares of such respective amounts and to carry such rights or to be subject to such conditions or restrictions in regard to dividend, return of capital or otherwise as the Company may direct in the resolution authorising such increase.

Clause 51

The Company may alter its share capital in any one or more of the following ways by passing an Ordinary Resolution:

- (a) to consolidate and divide all or any of its share capital, the proportion between the amount paid and the amount, if any, unpaid on each subdivided share shall be the same as it was in the case of the share from which the subdivided Share is derived;
- (b) to convert all or any of its paid-up Shares into stock and may reconvert that stock into paid-up Shares;
- (c) to subdivide its share capital or any part thereof, whatever is in the subdivision, the proportions between the amount paid and the amount, if any, unpaid on each subdivided Share shall be the same as it was in the case of the Shares from which the subdivided Share is derived;
- (d) to increase the share capital by such sum to be divided into shares of such amount as the resolution shall prescribe; or
- (e) to cancel any Shares which at the date of the passing of the resolution which have been forfeited and diminish the amount of its Share capital by the amount of the Shares so cancelled.

Clause 52

Notwithstanding any other authorisation and consent that may be required by the provisions of the Act, the Company may reduce its share capital by:

- (a) Special Resolution and confirmation by the High Court in accordance with Section 116 of the Act; or
- (b) Special Resolution supported by a solvency statement in accordance with Section 117 of the Act.

Clause 53

Subject always to the provisions of the Constitution, the Act and the Listing Requirements, the Company shall be empowered to purchase its own Shares provided that such power shall be exercised if:

13. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

- (a) the Company is solvent at the date of the purchase and will not become insolvent by incurring the debts involved in the obligation to pay for the Shares so purchased;
- (b) the purchase is made through the stock exchange on which Shares of the Company are quoted and in accordance with the relevant rules of the stock exchange; and
- (c) the purchase is made in good faith and in the interests of the Company.

Where the Company has purchased its own Shares, the Directors may, subject to and in accordance with the Act and the Listing Requirements or any other stock exchange upon which the Company's Shares are listed and any other authority:

- (a) cancel the Shares so purchased; and/or
- (b) retain the Shares so purchase in treasury;
- (c) retain part of the Shares and cancel the remainder of the Shares so purchased; and/or
- (d) resell to the market.

(ii) **Variation of class rights**

Clause 49

If at any time, the share capital by reason of the issue of preference shares or otherwise is divided into different classes the repayment of such preferred capital or all or any of the rights and privileges attached to each class may subject to the provisions of the Act be varied modified commuted affected abrogated or dealt with by a written consent representing not less than 75% of the total voting rights of the preference shareholders or by Special Resolution passed by the holders at least 75% of the total voting rights at a separate general meeting of the holders of that class and all the provisions hereinafter contained as to general meetings shall equally apply to every such meeting except that the quorum hereof shall be members holding or representing by proxy at least 1/3 of the issued shares of the class. Provided however that in the event of the necessary majority for such a Special Resolution not having been obtained in the manner aforesaid consent in writing may be secured from members holding at least 75% of the total voting rights and such consent if obtained within 2 months from the date of the separate general meeting shall have the force and validity of a resolution duly carried by a vote in person or by proxy.

13. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

13.2.3 Transfer of shares

The provisions in our Constitution in respect of the arrangement for transfer of securities of our Company and restrictions on their free transferability are as follows:

Clause 36

The instrument of transfer of any listed Securities shall be in writing and in the form approved in the Rules and shall be executed by or on behalf of the transferor and transferee, and the transferor shall be deemed to remain the holder of the securities until the name of the transferee is entered in the Record of Depositors in respect thereof. The transfer of any listed Securities or class of listed Securities of the Company shall be by way of book entry by the Depository in accordance with the Rules and notwithstanding Sections 105, 106 and 110 of the Act, but subject to Subsection 148(2) of the Act and any exemption may be made from compliance with Subsection 148(1) of the Act, the Company shall be precluded from registering and effecting any transfer of listed Securities.

Clause 37

Subject to the Rules and Listing Requirements, the transfer of any Securities may be suspended at such times and for such periods as the Directors may from time to time determine. Ten (10) Market Days' notice, or such other period as may from time to time be specified by the Exchange governing the Register concerned, of intention to close the Register shall be given to the Exchange. At least three (3) Market Days' or such other period as may from time to time be specified by the governing authority, prior notice shall be given to the Bursa Depository to prepare the appropriate Record of Depositors.

Clause 38

The Bursa Depository may refuse to register any transfer of Deposited Security that does not comply with the Central Depositories Act and the Rules. No Securities shall in any circumstances be transferred to any infant, bankrupt or person of unsound mind.

Clause 39

Subject to the provisions of this Constitution, the Directors may recognise a renunciation of any share by the allottee thereof in favour of some other person.

Clause 40

Subject to any law in Malaysia for the time being in force, neither the Company nor the Directors nor any of its officers shall incur any liability for the act of the Bursa Depository in registering or acting upon a transfer of Securities apparently made by a Member or any person entitled to the Securities by reason of death, bankruptcy or insanity of a Member although the same may, by reason of any fraud or other causes not known to the Company or the Directors or the Bursa Depository or other officers, be legally inoperative or insufficient to pass the property in the Securities proposed or professed to be transferred, and although the transfer may as between the transferor Member and the transferee, be liable to be set aside and notwithstanding that the Company may have notice that such instrument or transfer was signed or executed and delivered by the transferor Member in the blank as to the name of the transferee, of the particulars of the Securities transferred or otherwise in defective manner. And in every case, the person registered as transferee, his executors, administrators and assignees alone shall be entitled to be recognised as the holder of such Securities and the previous holder shall, so far as the Company is concerned, be deemed to have transferred his whole title thereto.

13. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)**13.2.4 Rights, preferences and restrictions attached to each class of shares relating to voting, dividend, liquidation and any special rights**

The provisions in our Constitution dealing with rights, preferences and restrictions attached to each class of shares relating to voting, dividend, liquidation and any special rights are as follows:

Clause 71 – Voting by poll

Any resolution set out in the notice of any General Meeting, or in any notice of resolution which may properly be moved and is intended to be moved at any General Meeting shall be voted by poll or in such other manner which is not prohibited under the Listing Requirements. Notwithstanding the above, subject to the Listing Requirements and the Act at any general meeting where a resolution is allowed to be put to the vote of the meeting to be decided on a show of hands, a poll may be demanded in writing (before or on the declaration of the result of the show of hands):

- (a) by the Chairman of the meeting;
- (b) by at least 3 Members present in person or by proxy;
- (c) by any Member present in person or by proxy representing not less than 10% of the total voting rights of all Members having the right to vote at the General Meeting; or
- (d) by a Member holding Shares in the Company conferring a right to vote at the General Meeting being Shares on which an aggregate sum has been paid-up equal to not less than 10% of the total sum paid up on all the Shares conferring that right.

Unless a poll be so demanded, a declaration by the Chairman of the meeting that a resolution has been carried, or lost, or has not been carried by a particular majority, shall be conclusive, and an entry to that effect in the minute book of the Company shall be conclusive evidence thereof, without proof of the number or proportion of the votes recorded in favour of or against such resolution.

Clause 78 – Shares of different monetary denominations

Where the capital of the Company consists of Shares of different monetary denominations, voting rights shall be prescribed in such a manner that a unit of capital in each class, when reduced to a common denominator, shall carry the same voting power when such right is exercisable.

Clause 79 – Voting rights

Subject to any rights or restrictions for the time being attached to any classes of shares at meetings of members or classes of members, each member entitled to vote may vote in person or by proxy or by attorney or by duly authorised representative and on a show of hands every person who is a member or proxy or attorney or representative of a member shall have one vote, and on a poll every member present in person or by proxy or attorney or representative shall have one vote for each share he holds. A proxy shall be entitled to vote on a show of hands or on a poll, on any question, at any general meeting. In a voting by poll, each proxy shall be entitled to such number of votes equal to the proportion of the Member's shareholdings represented by such proxy. A proxy may only vote as directed in the proxy form. However, if the appointor or representative attends and votes on a resolution, the proxy or attorney must not vote.

13. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

As at the date of this Prospectus, we only have 1 class of shares, being ordinary shares, all of which rank equally with each other. There are no special rights attached to our Shares. Please refer to **Section 3.3.6** of this Prospectus for a summary of the rights of our shareholders relating to voting, dividend and liquidation in respect of our Shares.

13.3 Limitation on the rights to hold securities and/or exercise voting rights

Subject to **Section 13.4** of this Prospectus and **Clauses 81 and 84(c)** which have been reproduced below from our Constitution, there are no limitations on the right to own our shares, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on our Shares imposed by law or by our Constitution.

Clause 81

A Member who is of unsound mind or whose person or estate is liable to be dealt with in any way under the law relating to mental disorder may vote, whether on a show of hands or on a poll, by his committee or by such other person who properly has the management of his estate, and any such committee or other person may vote by proxy or attorney and any person entitled under this Constitution to transfer any Shares may vote at any General Meeting in respect thereof in the same manner as if he was the registered holder of such Shares provided that 48 hours at the least before the time of holding the General Meeting or adjourned General Meeting as the case may be at which he proposes to vote, he shall satisfy the Directors of his right to transfer such Shares unless the Directors shall have previously admitted his right to vote at such General Meeting in respect thereof.

Clause 84(c)

Subject to Clauses 58, 59 and 60, a Member of the Company shall be entitled to be present and to vote at any General Meeting in respect of any Share or Shares upon which all calls due to the Company have been paid. No person shall be entitled to be present or to vote on any resolution either as a Member or otherwise as a proxy, or attorney, or representative at any General Meeting or demand a poll or be reckoned in the quorum in respect of any Shares upon which calls are due and unpaid.

13.4 Deposited securities and rights of Depositors (general information)

As our Shares are proposed for quotation on the Official List, such Shares must be prescribed as shares required to be deposited with Bursa Depository. Upon such prescription, holders of our Shares must deposit their Shares with Bursa Depository on or before the date fixed, failing which our Share Registrar will be required to transfer the Shares to the Minister of Finance, Malaysia and such Shares may not be traded on Bursa Securities.

Dealing in Shares deposited with Bursa Depository may only be effected by a person having a securities account with Bursa Depository ("**Depositor**") by means of entries in the securities account of that Depositor.

A Depositor whose name appears in the Record of Depositors maintained by Bursa Depository in respect of our Shares shall be deemed to be our shareholder and shall be entitled to all rights, benefits, powers and privileges and be subject to all liabilities, duties and obligations in respect of, or arising from, such Shares.

13. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)**13.5 Material contracts**

Save as disclosed below, our Group has not entered into any material contract which is not in the ordinary course of our Group's business within the Financial Years and Period Under Review up to the date of this Prospectus: -

- (i) the Sale and Purchase Agreement dated 27 March 2019 between Leform (as purchaser) and Majestic Sanctuary Sdn Bhd (as developer) in respect of the purchase by Leform of 12A, Jalan Majestic 2, Majestic Rawang, 48000 Rawang, Selangor for a consideration of RM1,035,000.00. The sale was completed on 27 March 2019;
- (ii) the Sale and Purchase Agreement dated 22 October 2020 between Leform Marketing (as vendor) and Goldirex Sdn Bhd (as purchaser) in respect of the sale by Leform Marketing of Lot 4236, Jalan Kampung Mohd Taib, Kawasan Perindustrian Sungai Choh, 48000 Sungai Choh for a consideration of RM6,500,000. The sale was completed on 31 January 2021;
- (iii) the disposal of the entire equity interest in Lex-Bridge Industries Sdn Bhd by Leform Steel Pipes to Tianwen Holdings for a consideration of RM1,050,000. The disposal was completed on 4 March 2021;
- (iv) the Sale and Purchase Agreement dated 24 March 2022 between Leform (as purchaser) and Siti Eaishah Binti Hj Mohd Ali and Che Oum Binti Mohd Ali (as vendors) in respect of the purchase by Leform of Lot 857, Persiaran Kesidang Selatan, Kawasan Perindustrian Sungai Choh, 48200 Serendah, Selangor Darul Ehsan for a consideration of RM7,840,800. The purchase was completed on 15 September 2022; and
- (v) the underwriting agreement dated 21 September 2022 between our Company and MIDF Investment.

13.6 Material litigation

As at the LPD, neither our Company nor our subsidiaries is involved in any material litigation or arbitration, either as plaintiff, defendant or third party, including those relating to bankruptcy, receivership or similar proceedings which may have a material adverse effect on the business or financial position of our Group. Our Directors are not aware of any legal proceeding, pending or threatened, or of any fact likely to give rise to any legal proceeding which may have a material adverse effect on the business or financial position of our Group.

13.7 Repatriation of capital and remittance of profit

Our Group has not established any other place of business outside Malaysia and is not subject to governmental law, decrees, regulation and/ or other requirements which may affect the repatriation of capital and remittance of profit by or to our Group.

All corporations in Malaysia are required to adopt single-tier dividends. Hence, all dividends distributed to our shareholders under a single tier dividend are not taxable.

Further, the Malaysian Government does not levy withholding tax on dividend payments. Therefore, the dividends to be paid to shareholders who are non-tax residents in Malaysia are not subject to withholding tax in Malaysia.

13. STATUTORY AND OTHER GENERAL INFORMATION (*Cont'd*)

13.8 Public take-overs

From the beginning of the FYE 31 December 2021 up to the LPD, there were no:

- (i) public take-over offers by third-parties in respect of our Shares; and
- (ii) public take-over offers by us in respect of other companies' shares.

13.9 Letters of consent

The written consents of our Principal Adviser, Sponsor, Sole Underwriter, Sole Placement Agent, Legal Adviser, Company Secretaries, Governance, Risk and Internal Control Consultant, Share Registrar and Issuing House as set out in the Corporate Directory of this Prospectus to the inclusion in this Prospectus of their names in the form and context in which such names appear have been given before the issuance of this Prospectus and have not subsequently been withdrawn.

The written consent of Crowe Malaysia PLT, the Auditors and Reporting Accountants, for the inclusion of its name, Accountants' Report, and Reporting Accountants' Report on the Compilation of Pro Forma Consolidated Statement of Financial Position of our Group as at 30 June 2022 and all references herein in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus and has not subsequently been withdrawn.

The written consent of Providence, the Independent Market Researcher, for the inclusion of its name, the IMR Report and all references herein in the form and context in which they are contained in this Prospectus has been given before the issuance of this Prospectus and has not subsequently been withdrawn.

13.10 Documents available for inspection

Copies of the following documents may be inspected at our registered office at 12th Floor, Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor during normal working hours for a period of 6 months from the date of this Prospectus:

- (i) our Constitution;
- (ii) Reporting Accountants' Report on the Compilation of Pro Forma Consolidated Statements of Financial Position of our Group as at 30 June 2022 as included in **Section 11.2** of this Prospectus;
- (iii) Accountants' Report referred to in **Section 12** of this Prospectus;
- (iv) the letters of consent referred to in **Section 13.9** of this Prospectus;
- (v) material contracts referred to in **Section 13.5** of this Prospectus;
- (vi) audited consolidated financial statements of our Group for the Financial Years and Period Under Review;
- (vii) audited consolidated financial statements for each of our subsidiary for the FYE 2019, FYE 2020 and FYE 2021; and
- (viii) the IMR Report as included in **Section 7** of this Prospectus.

13. STATUTORY AND OTHER GENERAL INFORMATION (Cont'd)

13.11 Responsibility statements

Our Directors, Promoters and Selling Shareholder have seen and approved this Prospectus. They collectively and individually accept full responsibility for the accuracy of the information contained in this Prospectus. Having made all reasonable enquiries, and to the best of their knowledge and belief, they confirm that there is no false or misleading statements or other facts which if omitted, would make any statements in this Prospectus false or misleading.

MIDF Investment as our Principal Adviser, Sponsor, Sole Underwriter and Sole Placement Agent acknowledges that, based on all available information and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our IPO.

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14. PROCEDURES FOR APPLICATION AND ACCEPTANCE

THE SUMMARY OF PROCEDURES FOR APPLICATION AND ACCEPTANCE DOES NOT CONTAIN THE DETAILED PROCEDURES AND FULL TERMS AND CONDITIONS AND YOU CANNOT RELY ON THIS SUMMARY FOR PURPOSES OF ANY APPLICATION FOR OUR IPO SHARES. YOU MUST REFER TO THE DETAILED PROCEDURES AND TERMS AND CONDITIONS AS SET OUT IN THE “DETAILED PROCEDURES FOR APPLICATION AND ACCEPTANCE” ACCOMPANYING THE ELECTRONIC COPY OF OUR PROSPECTUS ON THE WEBSITE OF BURSA SECURITIES. YOU SHOULD ALSO CONTACT THE ISSUING HOUSE FOR FURTHER ENQUIRIES.

Unless otherwise defined, all words and expressions used in this Section shall carry the same meaning as ascribed to them in our Prospectus.

Unless the context otherwise requires, words used in the singular include the plural, and vice versa.

14.1 Opening and closing of Applications

Opening of the application period: 10.00a.m., 26 October 2022

Closing of the application period: 5.00p.m., 11 November 2022

Applications for our Issue Shares will open and close at the times and dates stated above. If there are any changes to this timetable, we will advertise a notice of the changes in a widely circulated English and Bahasa Malaysia newspaper within Malaysia, and make an announcement of such changes to Bursa Securities' website accordingly.

Late Applications will not be accepted.

14.2 Methods of Application

14.2.1 Application for our Issue Shares by the Malaysian Public and Eligible Persons

Application must accord with our Prospectus and our Constitution. The submission of an Application Form does not mean that your Application will succeed. You agree to be bound by our Constitution.

Types of Application and category of investors	Application Method
Applications by Eligible Persons	Pink Application Form only
Applications by the Malaysian Public:- (a) Individuals	- White Application Form; or - Electronic Share Application; or - Internet Share Application
(b) Non-individuals	White Application Form only

14.2.2 Application by identified institutional and/or selected investors and identified Bumiputera investors approved by the MITI via Private Placement

Applications for the IPO Shares may be made using any of the following:

Types of Application and category of investors	Application Method
Applications by: (a) identified institutional and/or selected investors	The Placement Agent will contact the identified institutional and selected investors directly. They should follow the Placement Agent's instructions
(b) identified Bumiputera investors approved by the MITI	MITI will contact the identified Bumiputera investors directly. They should follow MITI's instructions.

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

Identified institutional and/or selected investors and identified Bumiputera investors approved by the MITI may still apply for our Issue Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application, where applicable.

14.3 Eligibility

14.3.1 General

You must have a CDS account and a correspondence address in Malaysia. If you do not have a CDS account, you may open a CDS account by contacting any of the ADAs set out in **Section 12** of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted for the Applications.

Only **1** Application Form for each category from each applicant will be considered and **APPLICATIONS MUST BE FOR AT LEAST 100 ISSUE SHARES OR MULTIPLES OF 100 ISSUE SHARES.**

MULTIPLE APPLICATIONS WILL NOT BE ACCEPTED UNLESS EXPRESSLY ALLOWED IN THESE TERMS AND CONDITIONS. AN APPLICANT WHO SUBMITS MULTIPLE APPLICATIONS IN HIS OWN NAME OR BY USING THE NAME OF OTHERS, WITH OR WITHOUT THEIR CONSENT, COMMITS AN OFFENCE UNDER SECTION 179 OF THE CMSA AND IF CONVICTED, MAY BE PUNISHED WITH A MINIMUM FINE OF RM1,000,000 AND A JAIL TERM OF UP TO 10 YEARS UNDER SECTION 182 OF THE CMSA.

AN APPLICANT IS NOT ALLOWED TO SUBMIT MULTIPLE APPLICATIONS IN THE SAME CATEGORY OF APPLICATION.

14.3.2 Application by the Malaysian Public

You can only apply for our Issue Shares if you fulfill all of the following:

- (i) You must be one of the following:
 - (a) a Malaysian citizen who is at least 18 years old as at the date of the application for our Issue Shares with a Malaysian address; or
 - (b) a corporation/institution incorporated in Malaysia with a majority of Malaysian citizens on your board of directors/trustees and if you have a share capital, more than half of the issued share capital, excluding preference share capital, is held by Malaysian citizens; or
 - (c) a superannuation, co-operative, foundation, provident, pension fund established or operating in Malaysia.
- (ii) You must not be a director or employee of the Issuing House or an immediate family member of a director or employee of the Issuing House; and
- (iii) You must submit an Application by using only one of the following methods:
 - (a) White Application Form;
 - (b) Electronic Share Application; or
 - (c) Internet Share Application.

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

14.3.3 Application by Eligible Persons

Our Eligible Persons will be provided with Pink Application Forms and letters from us detailing their respective allocations. The applicants must follow the notes and instructions in those documents and where relevant, of our Prospectus.

The Eligible Persons may request for a copy of the printed Prospectus from our Company at no cost and are given an option to have the printed Prospectus delivered to them free of charge, or to obtain the printed Prospectus from our Company, the Issuing House, MIDF Investment, Participating organisations of Bursa Securities and Members of the Association of Banks in Malaysia or Malaysian Investment Banking Association.

14.4 Procedures for Application by way of Application Forms

The Application Form must be completed in accordance with the notes and instructions contained in the respective category of the Application Form. Applications made on the incorrect type of Application Form or which do not conform **STRICTLY** to the terms of our Prospectus or the respective category of Application Form or notes and instructions or which are illegible will not be accepted.

The FULL amount payable is RM0.23 for each IPO Share.

Payment must be made out in favour of “**MIH SHARE ISSUE ACCOUNT NO. 622**” and crossed “**A/C PAYEE ONLY**” and endorsed on the reverse side with your name and address.

Each completed Application Form, accompanied by the appropriate remittance and legible photocopy of the relevant documents may be submitted using one of the following methods:

- (i) despatched by **ORDINARY POST** in the official envelopes provided to the following address:

Malaysian Issuing House Sdn Bhd
(Registration No. 199301003608 (258345-X))
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan

or

P.O. Box 00010
Pejabat Pos Jalan Sultan
46700 Petaling Jaya
Selangor Darul Ehsan

- (ii) **DELIVERED BY HAND AND DEPOSITED** in the Drop-in Boxes provided at the front portion of Menara Symphony, No. 5, Jalan Prof. Khoo Kay Kim, Seksyen 13, 46200 Petaling Jaya, Selangor Darul Ehsan so as to arrive not later than 5.00 p.m. on 11 November 2022 or by such other time and date specified in any change to the date or time for closing. We will not accept late Applications.

We, together with the Issuing House, will not issue any acknowledgement of the receipt of your Application Form or Application monies. Please direct all enquiries in respect of the White Application Form to the Issuing House.

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

14.5 Procedures for Application by way of Electronic Share Application

Only Malaysian individuals may apply for our Issue Shares offered to the Malaysian Public by way of Electronic Share Application.

Electronic Share Applications may be made through the ATM of the following Participating Financial Institutions and their branches, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, AmBank (M) Berhad, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Participating Financial Institutions (unless waived) for each Electronic Share Application.

The exact procedures, terms and conditions for Electronic Share Application are set out on the ATM screens of the relevant Electronic Participating Financial Institutions.

14.6 Procedures for Application by way of Internet Share Application

Only Malaysian individuals may use the Internet Share Application to apply for our Issue Shares offered to the Malaysian Public.

Internet Share Applications may be made through an internet financial services website of these Internet Participating Financial Institutions, namely, Affin Bank Berhad, Alliance Bank Malaysia Berhad, CGS-CIMB Securities Sdn Bhd, CIMB Bank Berhad, Malayan Banking Berhad, Public Bank Berhad and RHB Bank Berhad. A processing fee will be charged by the respective Internet Participating Financial Institutions (unless waived) for each Internet Share Application.

The exact procedures, terms and conditions for Internet Share Application are set out on the internet financial services website of the respective Internet Participating Financial Institutions.

14.7 Authority of our Board and Issuing House

The Issuing House, on the authority of our Board reserves the right to:

- (i) reject Applications which:
 - (a) do not conform to the instructions of our Prospectus, Application Forms, Electronic Share Application and Internet Share Application (where applicable); or
 - (b) are illegible, incomplete or inaccurate; or
 - (c) are accompanied by an improperly drawn up, or improper form of remittance; or
- (ii) reject or accept any Application, in whole or in part, on a non-discriminatory basis without the need to give any reason; and
- (iii) bank in all Application monies (including those from unsuccessful/partially successful applicants) which would subsequently be refunded, where applicable (without interest), in accordance with **Section 14.9** below.

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

If you are successful in your Application, our Board reserves the right to require you to appear in person at the registered office of the Issuing House at any time within 14 days of the date of the notice issued to you to ascertain that your Application is genuine and valid. Our Board shall not be responsible for any loss or non-receipt of the said notice nor will it be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.

14.8 Over/under-subscription

In the event of over-subscription, the Issuing House will conduct a ballot in the manner approved by our Directors to determine the acceptance of Applications in a fair and equitable manner. In determining the manner of balloting, our Directors will consider the desirability of allotting and allocating our Issue Shares to a reasonable number of applicants for the purpose of broadening the shareholding base of our Company and establishing a liquid and adequate market for our Shares.

The results of the allocation of Issue shares derived from successful balloting will be made available to the public at the Issuing House's website at www.mih.com.my within 1 Market Day after the balloting date.

Pursuant to the Listing Requirements we are required to have a minimum of 25% of our Company's issued share capital to be held by at least 200 public shareholders holding not less than 100 Shares each upon Listing and completion of our IPO. We expect to achieve this at the point of Listing. In the event the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all Applications will be returned in full (without interest).

In the event of an under-subscription of our Issue Shares by the Malaysian Public and/or Eligible Persons, subject to the clawback and reallocation provisions as set out in **Section 3.3.3** of this Prospectus, any of the abovementioned Issue Shares not applied for will then be subscribed by the Underwriter based on the terms of the Underwriting Agreement.

14.9 Unsuccessful/partially successful applicants

If you are unsuccessful/partially successful in your Application, your Application monies (without interest) will be refunded to you in the following manner:

14.9.1 For applications by way of Application Form

- (i) The Application monies or the balance of it, as the case may be, will be returned to you through the self-addressed and stamped Official "A" envelope you provided by ordinary post (for fully unsuccessful applications) or by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or if you have not provided such bank account information to Bursa Depository, the balance of Application monies will be refunded via banker's draft sent by ordinary/registered post to your registered or correspondence address last maintained with Bursa Depository (for partially successful applications) within 10 Market Days from the date of the final ballot at your own risk.
- (ii) If your Application is rejected because you did not provide a CDS Account number, your Application monies will be refunded via banker's draft sent by ordinary/registered post to your address as stated in the NRIC or official valid temporary identity documents issued by the relevant authorities from time to time or the authority card (if you are a member of the armed forces or police) at your own risk.

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected or unsuccessful or only partly successful will be refunded (without interest) by the Issuing House as per items (i) and (ii) above (as the case may be).
- (iv) The Issuing House reserves the right to bank into its bank account all Application monies from unsuccessful applicants. These monies will be refunded (without interest) within 10 Market Days from the date of the final ballot by crediting into your bank account (the same bank account you have provided to Bursa Depository for the purposes of cash dividend/distribution) or by issuance of banker's draft sent by ordinary/registered post to your registered or correspondence address last maintained with Bursa Depository if you have not provided such bank account information to Bursa Depository or as per item (ii) above (as the case may be).

14.9.2 For applications by way of Electronic Share Application and Internet Share Application

- (i) The Issuing House shall inform the Participating Financial Institutions or Internet Participating Financial Institutions of the unsuccessful or partially successful Applications within 2 Market Days after the balloting date. The full amount of the Application monies or the balance of it will be credited (without interest) into your account with the Participating Financial Institution or Internet Participating Financial Institution (or arranged with the Authorised Financial Institution) within 2 Market Days after the receipt of confirmation from the Issuing House.
- (ii) You may check your account on the 5th Market Day from the balloting date.
- (iii) A number of Applications will be reserved to replace any successfully balloted Applications that are subsequently rejected. The Application monies relating to these Applications which are subsequently rejected will be refunded (without interest) by the Issuing House by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institutions (or arranged with the Authorised Financial Institutions) not later than 10 Market Days from the date of the final ballot. For Applications that are held in reserve and which are subsequently unsuccessful or partially successful, the relevant Participating Financial Institution will be informed of the unsuccessful or partially successful Applications within 10 Market Days after the final balloting date. The Participating Financial Institution will credit the Application monies or any part thereof (without interest) within 10 Market Days after the receipt of confirmation from the Issuing House.

14.10 Successful applicants

If you are successful in your Application:

- (i) Our Shares allotted to you will be credited into your CDS Account.
- (ii) A notice of allotment will be despatched to you at your registered or correspondence address last maintained with the Bursa Depository, at your own risk, before our Listing. This is your only acknowledgement of acceptance of your Application.

14. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (iii) In accordance with Section 14(1) of the SICDA, Bursa Securities has prescribed our Shares as prescribed securities. As such, our Issue Shares issued/offered through our Prospectus will be deposited directly with Bursa Depository and any dealings in these Shares will be carried out in accordance with the SICDA and Rules of Bursa Depository.
- (iv) In accordance with Section 29 of the SICDA, all dealings in our Shares will be by book entries through CDS Accounts. No share certificates will be issued to you and you shall not be entitled to withdraw any deposited securities held jointly with Bursa Depository or its nominee as long as our Shares are listed on Bursa Securities.

14.11 Enquiries

Enquiries in respect of your Applications may be directed as follows:

Mode of application	Parties to direct the enquiries
Application Form	Issuing House Enquiry Services Telephone at telephone no. +603-7890 4700
Electronic Share Application	The relevant Participating Financial Institution
Internet Share Application	The relevant Internet Participating Financial Institution and Authorised Financial Institution

You may also check the status of your Application by calling your respective ADA at the telephone number as stated in the list of ADAs as set out in **Section 12** of the Detailed Procedures for Application and Acceptance accompanying the electronic copy of our Prospectus on the website of Bursa Securities or the Issuing House at the telephone no. +603-7890 4700 between 5 to 10 Market Days (during office hours only) after the final ballot day.

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