

LEFORM BERHAD ("LEFORM" OR THE "COMPANY")

PROPOSED PRIVATE PLACEMENT OF UP TO 10% OF THE TOTAL NUMBER OF ISSUED SHARES OF LEFORM PURSUANT TO SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 ("PROPOSED PRIVATE PLACEMENT")

1. INTRODUCTION

On behalf of the Board of Directors of Leform ("**Board**"), UOB Kay Hian Securities (M) Sdn Bhd ("**UOBKH**") wishes to announce that the Company proposes to undertake a private placement of up to 10% of the total number of issued shares of Leform ("**Leform Share(s)**" or "**Share(s)**") (excluding treasury shares, if any) to third party investor(s) to be identified later at an issue price to be determined and announced later, in accordance with Sections 75 and 76 of the Companies Act 2016 ("**Act**") ("**Proposed Private Placement**").

Further details of the Proposed Private Placement are set out in the ensuing sections of this announcement.

2. DETAILS OF THE PROPOSED PRIVATE PLACEMENT

The Company had obtained the approval from its shareholders at its last annual general meeting ("**AGM**") duly held on 24 June 2024, whereby pursuant to the Act, the Board has been authorised to allot and issue new Leform Shares, provided that the number of new Leform Shares does not exceed 10% of the total number of issued shares of the Company (excluding treasury shares, if any) for the time being ("**General Mandate**"). Such authority shall continue to be in force until the conclusion of the next AGM of the Company.

In addition, the Company had also obtained its shareholders' approval to waive the statutory pre-emptive rights to be offered any new Leform Shares which rank equally to the existing Leform Shares arising from any issuance of new Leform Shares pursuant to Section 85 of the Act read together with Clause 5 of the Company's Constitution.

Further to the above, pursuant to Rule 6.04(1) of the ACE Market Listing Requirements of Bursa Malaysia Securities Berhad ("**Bursa Securities**") ("**Listing Requirements**"), the aggregate number of Shares to be issued under the General Mandate must not exceed 10% of the total number of issued Shares of the Company during the preceding 12 months. For avoidance of doubt, Leform had not issued any Shares under any General Mandate during the preceding 12 months from the date of this announcement.

2.1 Placement size

The Proposed Private Placement entails an issuance of up to 10% of the total number of issued shares of Leform.

As at 31 January 2025, being the latest practicable date of this announcement ("**LPD**"), the Company has a total issued share capital of RM146,909,369 comprising 1,481,013,000 Leform Shares. The Company does not retain any treasury shares and does not have any convertible securities as at the LPD.

The actual number of Placement Shares to be issued pursuant to the Proposed Private Placement will depend on the total issued shares of the Company on a date to be determined and announced later, after receipt of all relevant approvals for the Proposed Private Placement as set out in **Section 7** of this announcement, where applicable.

The Board will ensure at all times that the aggregate number of Shares to be issued under the aforesaid General Mandate, does not exceed 10% of the total number of issued Shares during the preceding 12 months.

2.2 Basis of determining the issue price of the Placement Shares

The issue price of the Placement Shares will be determined and fixed by the Board at a later date after receipt of all relevant approvals for the Proposed Private Placement.

Based on Rule 6.04(1) of the Listing Requirements, the Placement Shares may be issued based on a discount of not more than 10% to the 5-day volume weighted average market price ("VWAP") of Leform Shares immediately preceding the price-fixing date.

For illustrative purpose, the illustrative issue price of the Placement Shares is assumed at RM0.1216 per Placement Share, which represents a discount of approximately 9.99% to the 5-day VWAP of Leform Shares up to and including the LPD of RM0.1351 per Leform Share.

2.3 Ranking of the Placement Shares

The Placement Shares will, upon allotment, issuance and full payment of the issue price, rank equally in all respects with the existing Leform Shares, save and except that the Placement Shares will not be entitled to any dividends, rights, allotments and/ or any other forms of distribution where the entitlement date precedes the relevant date of allotment and issuance of the Placement Shares.

2.4 Listing and quotation for Placement Shares

An application will be made to Bursa Securities for the listing and quotation for the Placement Shares on the ACE Market of Bursa Securities.

2.5 Allocation to placees

The Placement Shares will be placed out to third party investor(s) to be identified at a later stage, where such investor(s) shall be person(s) who/ which qualify under Schedules 6 and 7 of the Capital Markets and Services Act, 2007.

Additionally, the Placement Shares will not be placed out to the following parties:-

- i. any director, major shareholder, chief executive of Leform or a holding company of Leform, where applicable ("**Interested Person**");
- ii. a person connected with an Interested Person; and
- iii. nominee corporations, unless the names of the ultimate beneficiaries are disclosed.

In the event the Board is unable to identify sufficient placees to subscribe for the entire portion of the Placement Shares at one time, the Proposed Private Placement may be implemented in tranches within 6 months from the date of approval of Bursa Securities for the Proposed Private Placement or any extended period as may be approved by Bursa Securities.

2.6 Utilisation of proceeds

Based on the illustrative issue price of RM0.1216 per Placement Share, the Proposed Private Placement is expected to raise gross proceeds of up to RM18.01 million. The gross proceeds are intended to be utilised by Leform and its subsidiaries ("**Leform Group**" or the "**Group**") in the following manner:-

Details of utilisation	Timeframe for utilisation from the receipt of placement funds	RM'000
Purchase of raw materials ^{*1}	Within 12 months	17,939
Estimated expenses ^{*2}	Upon completion	70
Total		18,009

Notes:-

^{*1} As at the LPD, the Group is in the midst of constructing a warehouse storage facility in Serendah, Selangor, to expand its storage space capacity and to cater for higher production volume. As set out in **Section 3.7.1** of the prospectus of the Company dated 26 October 2022 that was issued in conjunction with its initial public offering, the Group's production output has been limited by the storage space at its existing warehouse storage facilities at its headquarters.

The construction of the new warehouse storage facility which is expected to be completed in the second quarter of 2025, will provide the Group additional storage capacity, enabling the Group to stock products in advance of orders, improve delivery efficiency, and procure steel materials ahead of anticipated price increases to enhance gross profit margins. As at the LPD, the Group's warehouse storage facilities with a total built-up area of 157,776 square feet ("**sq ft**") can fit up to 161,372 metric tonnes ("**MT**") of steel products, and the Group has fully utilised its current storage space area. With the increased storage space, the Group's maximum storage capacity will increase by 93.2% from 161,327 MT to 311,720 MT, allowing the Group to increase its utilisation rates of its machineries and operate up to its full capacity of 290,813 MT per year.

In anticipation of higher production volumes upon the new warehouse storage facility's target commissioning in the second quarter of 2025, the Group intends to utilise the entire gross proceeds to be raised from the Proposed Private Placement (after deducting estimated expenses) for the purchase of raw materials (i.e. hot-rolled coils, cold-rolled coils, slitted steel coils and galvanised steel coils) to meet expected increase demand from its customers. Furthermore, following the completion of the new warehouse storage facility, the Group plans to expand its range of steel pipes to include thicker gauge steel pipes (for applications such as infrastructure pipes or large structure poles in construction), which will allow the Group to serve a wider customer base.

^{*2} The estimated expenses include professional fees, regulatory fees and other incidental expenses in relation to the Proposed Private Placement. Any variation in the actual expenses will be adjusted against the proceeds allocated for the purchase of raw materials.

The actual gross proceeds to be raised from the Proposed Private Placement is dependent on the issue price and the number of Placement Shares to be issued. Any variance in the actual gross proceeds raised and the intended gross proceeds to be raised will be adjusted against the amount allocated for the purchase of raw materials.

Pending the utilisation of proceeds for the above purposes, the proceeds raised would be placed as deposits with licensed financial institutions or short-term money market instruments, as the Board may deem fit. Any interest income earned from such deposits or instruments will be used as additional general working capital for the Group

3. RATIONALE AND JUSTIFICATIONS FOR THE PROPOSED PRIVATE PLACEMENT

The Proposed Private Placement is undertaken by the Company to raise the requisite funds to meet the Group's immediate funding requirements as set out in **Section 2.6** of this announcement.

After due consideration of the various methods of fundraising, the Board opines that the Proposed Private Placement is the most appropriate avenue as it enables the Company to raise additional funds without incurring interest costs as compared to conventional bank borrowings, which may affect the Group's bottom line.

The Proposed Private Placement also provides the Company an expeditious way of raising funds from the capital market as opposed to other forms of fundraising, in view that the placement funds will be paid within 5 market days from the price-fixing date. Upon completion of the Proposed Private Placement, the Company's enlarged capital base is also expected to further strengthen its financial position.

4. OTHER FUNDRAISING EXERCISES IN THE PAST 12 MONTHS

The Company has not undertaken any other fundraising exercises in the 12 months prior to the date of this announcement.

5. INDUSTRY OVERVIEW, OUTLOOK AND FUTURE PROSPECTS OF THE GROUP

5.1 Overview and outlook of the Malaysian economy

In 2024, Malaysia's economy is forecast to expand between 4.8% and 5.3%. Growth will be propelled by robust domestic demand and recovery in exports. Consumer spending is expected to remain resilient, supported by improvements in labour market conditions and vibrant tourism-related activities. Investment will be driven by new and ongoing projects by both the private and public sectors, supported by the implementation of key national policies and initiatives, including the NETR and the NIMP 2030. From a sectoral perspective, the services and manufacturing sectors remain the primary engines of growth. Meanwhile, the construction sector is projected to achieve stellar performance, supported by a broad-based expansion across all subsectors.

The growth in 2025 is projected between 4.5% and 5.5%, supported by a resilient external sector, benefitting from improved global trade and stronger demand for E&E goods, leveraging the country's strategic position within the semiconductor supply chain. Additionally, robust domestic demand, fuelled by strong private sector expenditure, will support the expansion, through continued implementation of key national master plans and ongoing initiatives. A pertinent initiative which is GEAR-uP, will synergise efforts across government-linked entities to catalyse growth in high growth sectors, encompassing energy transition, advanced manufacturing, food security, healthcare, Islamic finance and biopharmaceuticals. The potential investment from this initiative is expected to amount to RM120 billion over the span of five years. On the production side, most sectors are expected to expand, highlighting the resilience and agility of Malaysia's economy.

(Source: Belanjawan 2025 - Economic Outlook, Ministry of Finance Malaysia)

5.2 Overview and outlook of the manufacturing industry in Malaysia

Amid stable global economic growth, the manufacturing sector is expected to strengthen by 4.5% in 2025 mainly driven by implementation of major policies such as the NIMP 2030 and National Semiconductor Strategy (NSS). Both domestic- and export-oriented industries continue to uphold the sector's performance in line with resilient domestic demand and favourable external environment. On the domestic front, production in household and consumer goods related industries such as food, beverages and textiles is expected to sustain. This is in line with supportive policy measures such as salary adjustment for civil servants and the EPF Flexible Account withdrawal which will stimulate consumer spending. In addition, favourable tourist arrivals in conjunction with major international events will also spur the demand for consumer goods. On the other hand, increasing approved and realised investments signifies a positive outlook for construction activities, thereby propelling the growth in the manufacturing of construction related materials.

The export-oriented industries is also expected to continue its growth trajectory in line with higher global demand for electronics components. The electrical, electronic and optical products subsector is expected to accelerate further, mainly underpinned by sustained demand for intermediate products, including advanced chips, which are used in next-generation smartphones and other consumer devices. Furthermore, rising realisation of approved investment in semiconductor industry, coupled with concerted efforts by the Government to elevate entire high-tech ecosystem under the NSS, will provide additional support to the growth of the subsector.

(Source: Belanjawan 2025 - Economic Outlook, Ministry of Finance Malaysia)

5.3 Overview and outlook of the iron and steel industry in Malaysia

The global iron and steel market size is expected to reach RM10.8 trillion by 2030. Factors contributing to this growth include rising urbanisation and infrastructure projects; growth of the E&E and machinery and equipment industries driven by semiconductor and automation demands; and the transition towards energy efficiency and decarbonisation within the industry. This potential growth has created opportunities for Malaysia to expand and strengthen the domestic industry, ensuring its competitiveness on a global scale.

The metal industry is the largest contributor of carbon emissions, accounting for 39.8% of total industrial processes and product used sector emissions. The emissions were mainly from the production of iron, steel and aluminium. In order to meet Malaysia's aspiration of achieving net zero emissions by 2050, there is a need for the metal industry to accelerate the transition towards energy efficiency and decarbonisation through the development of carbon footprint policy, including compulsory carbon audit and reporting; introduction of carbon tax, whereby tax is imposed on carbon-emitting companies operating in Malaysia; and introduction of ESG considerations in manufacturing licence.

(Source: NIMP 2030 Sectoral Plan – Metal Industry, Ministry of Investment, Trade and Industry (MITI))

The steel industry is expected to experience positive growth in 2024, with demand to be spurred by the commencement of infrastructure projects, says the Malaysian Iron and Steel Industry Federation ("**MISIF**").

MISIF president Datuk Lim Hong Thye said if the government is able to kickstart the construction of infrastructure projects such as the mass rapid transit line three or MRT3 by this year, it will boost steel demand from the expected 8.3 million tonnes to nine million tonnes.

"If all these infrastructure projects were to begin, the demand (for steel) would surge past nine million tonnes and then we would move closer to the optimum level. That would make a big difference to the industry", he told the media after the launch of MISIF's report on the status and outlook of the iron and steel industry.

However, he pointed out that the country's capacity utilisation of crude steel products at 39.1% and high amount of steel import of 7.2 million tonnes was rather concerning, affecting steel players' ability to survive in the industry.

"The government needs to provide directions for the steel industry, so that our sector can stay intact and survive. The growth currently is not the recovery growth, but for us to reach a growth level to survive", he added.

That being said, Investment, Trade and Industry Deputy Minister Liew Chin Tong said the ministry is committed to working with the steel industry to overcome the scrap metal challenge, finding ways to deal with shortages and create a better ecosystem and a virtuous cycle rather than the current vicious cycle.

He noted that the iron and steel industry is heavily influenced by global factors. Hence, if any policy changes or market trends occur in China or the United States, it would leave a "butterfly effect" on profitability or the survival of the Malaysian steel industry.

Also highlighting Malaysia's capacity utilisation of crude steel products – such as billets, blooms and slabs – Liew stated that it was significantly lower than the global level of 75.7% and the Asean-6 level of 60.1%.

"However, flat products may have a brighter prospect given that there is a once-in-a-generation relocation of the supply chain. With more manufacturing activities in South-East Asia, flat products commonly used in the automotive, heavy machinery and appliances industries should have a better prospect", he said.

Liew went on to say that Malaysia will have to start implementing carbon pricing as a way to facilitate carbon trading, as well as looking into carbon taxing as the European Union (EU) prepares to commence its Carbon Border Adjustment Mechanism (CBAM) in 2026.

He stated that the collections should be channelled into green investments, including investment into green steel, as he acknowledged the challenges in its production (of green steel).

"Carbon pricing, trading and taxing are crucial aspects of the decarbonisation agenda. Under the CBAM, the export of steel and the other five listed items from Malaysia will be taxed by the EU, unless Malaysia collects the tax", he added.

Liew also stated that the ministry is working with the Construction Industry Development Board and the Works Ministry to explore ways to enforce a more stringent localisation programme for government construction projects.

(Source: Media article titled "Infra projects a boon for steel sector" dated 2 July 2024 issued by The Star)

5.4 Future prospects of the Group

Leform Group is principally involved in the business of manufacturing and trading of steel products. Its product range includes steel pipes, guardrails, and flat steel products such as slitted steel coil and sheets providing for end-users in diverse industries such as construction, automotive, furniture and telecommunications. As the manufacturing industry in Malaysia is poised for expansion in 2025, driven by improved performance in both domestic-oriented and export-oriented sectors, as highlighted in **Section 5.2** of this announcement, the Group is well positioned to capitalise on growth opportunities within its core business segments.

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

In anticipation of an increase in demand, the Group is currently in the process of constructing a new facility in Serendah, Selangor, which is on track for completion in the second quarter of 2025. The new facility will serve as a comprehensive "one-stop" center, consolidating manufacturing, warehousing, and transportation operations. At present, the Group's existing headquarters, processing facilities and warehouse have a total built-up area of 316,459 sq ft. The new facility will have a total built-up area 285,547 sq ft and comprises its new headquarters and workers' accommodation, and additional warehouse storage facility. The additional warehouse storage facility will expand our storage space capacity by 93.2% to 311,720 MT, from the current 161,372 MT, allowing the Group's machinery utilisation rate to reach up to the full capacity of 290,813 MT per annum. The Group will be able to reduce lead times, ensuring faster and more efficient delivery to our customers, while reducing the environmental impact and ensuring the well-being of its employees.

Following the expected completion of the new facility in the second quarter of 2025, Leform plans to expand its range of steel pipes to include thicker gauge steel pipes (for applications such as infrastructure pipes or large structure poles in construction), which will allow the Group to serve a wider customer base. Leform's integrated "one-stop" operations will allow the Group to provide a wide range of in-house manufacturing capabilities to support scale procurement of supplies with a better price structure and quick turnaround time to meet customer requirements.

While the construction, automotive parts manufacturing, and furniture manufacturing industries form the base of Leform's clientele, the new facility will allow the Group to diversify into other industries, ensuring long-term value for its stakeholders.

Premised on the above, and barring any unforeseen circumstances, the Board is optimistic about the future prospects of the Group. The Board will continue to monitor and review the performance and progress of the Group's operations and financial performance, and to introduce measures to enhance the Group's financials, if required.

(Source: Management of Leform)

6. EFFECTS OF THE PROPOSED PRIVATE PLACEMENT

6.1 Issued share capital

	No. of Shares	RM
Issued share capital as at the LPD	1,481,013,000	146,909,369
Shares to be issued pursuant to the Proposed Private Placement	148,101,300	18,009,118 ^{*1}
Enlarged issued share capital	1,629,114,300	164,918,487

Note:-

^{*1} Based on the illustrative issue price of RM0.1216 per Placement Share

6.2 Net asset ("NA") per Share and gearing

Based on the latest audited statements of financial position of the Group as at 31 December 2023, the pro forma effects of the Proposed Private Placement on the NA per Share and gearing of the Group are set out as follows:-

	Audited as at 31 December 2023 RM'000	After the Proposed Private Placement RM'000
Share capital	146,909	164,918 ^{*1}
Reserves	66,910	66,840 ^{*2}
Shareholders' fund/ NA	213,819	231,758
Non-controlling interest	2,141	2,141
Total equity	215,960	233,899
No. of Shares in issue ('000)	1,481,013	1,629,114
NA per Share (RM)	0.14	0.14
Total borrowings	191,971	191,971
Gearing ratio (times) ^{*3}	0.89	0.82

Notes:-

^{*1} After the issuance of 148,101,300 Placement Shares at an illustrative issue price of RM0.1216 each

^{*2} After deducting estimated expenses of RM0.07 million in relation to the Proposed Private Placement

^{*3} Calculated by dividing total borrowings over total equity

6.3 Earnings per Share ("EPS")

The Proposed Private Placement is not expected to have any material impact on the earnings of the Group for the financial year ending 31 December 2025. However, the EPS of Leform Group is expected to be diluted upon completion of the Proposed Private Placement as a result of the increase in the number of Leform Shares in issue arising from the Proposed Private Placement.

6.4 Convertible securities

As at the LPD, the Company does not have any convertible securities in issue.

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6.5 Substantial shareholding structure

For information purposes, the Proposed Private Placement may have a dilutive effect on the Company's existing shareholders' shareholdings. However, the Proposed Private Placement is expected to enlarge the share capital of the Company and increase its shareholders' funds. The pro forma effects of the Proposed Private Placement on the substantial shareholders' shareholdings of the Company as at the LPD are set out below:-

Substantial shareholders	Shareholdings as at the LPD				After the Proposed Private Placement			
	<-----Direct----->		<-----Indirect----->		<-----Direct----->		<-----Indirect----->	
	No. of Shares	% ^{*1}	No. of Shares	% ^{*1}	No. of Shares	% ^{*2}	No. of Shares	% ^{*2}
Tianwen Holdings Sdn Bhd	755,400,000	51.01	-	-	755,400,000	46.37	-	-
Law Kok Thye	340,549,000	22.99	761,800,000	51.44 ^{*3}	340,549,000	20.90	761,800,000	46.76 ^{*3}

Notes:-

^{*1} Based on the total issued shares of 1,481,013,000 as at the LPD

^{*2} Based on the total issued shares of 1,629,114,300 after the Proposed Private Placement

^{*3} Deemed interested through his spouse's and children's shareholding in the Company and deemed interested by virtue of his direct substantial shareholding held through Tianwen Holdings Sdn Bhd pursuant to Section 8 of the Act

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7. APPROVALS REQUIRED

The Proposed Private Placement is subject to the following approvals:-

- i. Bursa Securities, for the listing of and quotation for the Placement Shares on the ACE Market of Bursa Securities; and
- ii. Any other relevant authority, if required.

As set out in **Section 2** of this announcement, the General Mandate has been obtained by the Company from its shareholders at its last AGM held on 24 June 2024. Such authority shall continue to be in force until the conclusion of the next AGM of the Company.

The Proposed Private Placement is not conditional upon any other proposals undertaken or to be undertaken by the Company.

8. INTERESTS OF DIRECTORS, MAJOR SHAREHOLDERS, CHIEF EXECUTIVE AND/ OR PERSONS CONNECTED WITH THEM

None of the directors and/ or major shareholders, chief executive of Leform and/ or persons connected with them have any interest, whether direct or indirect, in the Proposed Private Placement.

9. DIRECTORS' STATEMENT

The Board, having considered all aspects of the Proposed Private Placement, including but not limited to the rationale and effects of the Proposed Private Placement, is of the opinion that it is in the best interest of the Company.

10. ESTIMATED TIMEFRAME FOR COMPLETION

Barring any unforeseen circumstances and subject to all relevant approvals being obtained, the Proposed Private Placement is expected to be completed in the third quarter of 2025.

11. APPLICATION TO THE RELEVANT AUTHORITIES

The application to the relevant authority in relation to the Proposed Private Placement shall be made within 2 months from the date of this announcement.

12. PRINCIPAL ADVISER AND PLACEMENT AGENT

UOBKH has been appointed as the principal adviser and placement agent for the Proposed Private Placement.

This announcement is dated 28 February 2025.

ADDITIONAL INFORMATION

1. Financial performance and financial position of Leform Group

The audited financial information of Leform Group for the past 3 financial years up to the financial year ended 31 December ("FYE") 2023 and the latest unaudited results for the 12-month financial period ended 31 December ("FPE") 2024, is set out below:-

	<-----Audited----->			Unaudited
	FYE 2021 RM'000	FYE 2022 RM'000	FYE 2023 RM'000	FPE 2024 RM'000
Revenue	373,974	373,441	370,016	392,821
Profit/ (Loss) before tax ("PBT/ (LBT)")	61,873	(3,295)	(8,296)	1,632
Profit/ (Loss) after tax ("PAT/ (LAT)") attributable to the owners of the Company	44,495	(7,259)	(4,960)	2,422
Earnings/ (Loss) per Share (cents)	3.00	(0.49)	(0.33)	0.16
Cash and bank balances	42,447	35,869	18,096	4,141
Total borrowings	178,625	212,276	191,971	169,257
Gearing ratio (times)	1.05	0.91	0.89	0.77
Current assets	249,238	371,332	299,202	276,840
Non-current assets	140,773	144,826	157,345	177,854
Current liabilities	177,758	241,290	224,824	214,947
Non-current liabilities	42,443	40,438	15,763	18,863
Current ratio (times)	1.40	1.54	1.33	1.29
Shareholders' funds/ NA	167,066	232,108	213,819	219,836
Total equity	169,810	234,430	215,960	220,884
Number of Shares in issue ('000)	1,481,013	1,481,013	1,481,013	1,481,013
NA per share (RM)	0.113	0.157	0.144	0.148

FYE 2022

The Group recorded a marginal decrease in revenue of RM0.53 million or 0.14% to RM373.44 million in the FYE 2022 (FYE 2021: RM373.97 million). The decrease in revenue was mainly attributed to a lower contribution from the Group's manufacturing segment of RM284.07 million in the FYE 2022 (FYE 2021: RM295.05 million). The decrease in revenue for the Group's manufacturing segment was mainly due to lower sales volume and average selling price for the Group's steel products, in line with the decline in global steel coil prices in the FYE 2022.

The Group recorded a LBT of RM3.30 million in the FYE 2022 as compared to a PBT of RM61.87 million recorded in the prior year, mainly due to higher material cost incurred, write-down of inventories, one-off listing expenses and increase in interest expense.

FYE 2023

The Group recorded a decrease in revenue of RM3.42 million or 0.92% to RM264.46 million in the FYE 2023 (FYE 2022: RM284.07 million). The decrease in revenue for the Group's manufacturing segment was mainly due to lower sales volume and average selling price for the Group's steel products, in line with the decline in global steel coil prices in the FYE 2023.

The Group recorded an increase in LBT of RM5.00 million or 151.52% to RM8.30 million in the FYE 2023 (FYE 2022: RM3.30 million). The increase in LBT was mainly due to increase in raw material costs, administrative expenses, transportation and freight charges, interest expense and impairment loss on trade receivables.

ADDITIONAL INFORMATION

FPE 2024

The Group recorded an increase in revenue of RM22.80 million or 6.16% to RM392.82 million in the FPE 2024 (FYE 2023: RM370.02 million). The increase in revenue for the Group was mainly due to higher demand and average selling price for the Group's steel products.

The Group recorded a PBT of RM1.63 million in the FPE 2024 as compared to a LBT of RM8.30 million recorded in the prior year. The improvement of profitability was mainly due to a stronger gross profit margin, as the prior year had been adversely impacted by the decline in steel prices and higher average material costs.

2. Value creation and impact of the Proposed Private Placement to the Group and its shareholders

As set out in **Section 2.6** of this announcement, the Proposed Private Placement will facilitate the Group to raise funding to finance the working capital requirements of the Group without relying solely on internally generated funds and bank borrowings, which will allow the Group flexibility in respect of financial allocations for its operational requirements.

Notwithstanding this, the consolidated EPS of the Group shall be diluted as a result of the issuance of new Shares to third party investor(s) pursuant to the Proposed Private Placement. Further details on the effects of the Proposed Private Placement on the NA and gearing as well as the earnings and EPS of the Company are set out in **Section 6** of this announcement.

Despite the Proposed Private Placement's dilutive effects on the Group's EPS and existing shareholders' shareholding, the Proposed Private Placement serves as an expeditious means of raising funds from the capital market as opposed to other forms of fundraising such as rights issue on which there is no certainty that Leform is able to meet the fundraising objectives as the level of funds raised depends on the subscription rate by the entitled shareholders and/ or renouncee(s), unless underwriting arrangement is procured. Should underwriting be procured, the Group may incur additional costs in the form of underwriting fees. As such, the Board and management are of the opinion that the Proposed Private Placement represent a comparatively efficient avenue to raise the required quantum of funds over other larger scale equity fundraising exercises such as a rights issue at this juncture.

3. Adequacy of the Proposed Private Placement in addressing the Group's financial concerns

At this juncture, our Board is of the view that the primary financial concerns of Leform Group are the funding requirements of the Group as highlighted in **Section 2.6** of this announcement. The fundraising exercise undertaken via the Proposed Private Placement is to enable the Group to maintain flexibility over its cash flow obligation and facilitate its working capital requirements to meet its existing business needs.

The Board is of the view that the proceeds to be raised from the Proposed Private Placement is adequate to address the Group's short-term funding requirements for the time being, which is to finance the purchase of raw materials required for the anticipated increase in production capacity following the commissioning of the new warehouse storage facility in the second quarter of 2025. As set out in **Section 2.6** of this announcement, the enhanced warehouse storage capacity will enable the Group to better manage inventory, improve operational efficiencies, and mitigate cost pressures by procuring steel materials ahead of potential price increases. Additionally, the management of the Company will review and assess the Group's general working capital requirements from time to time to further strengthen its financial position. The proceeds raised from the Proposed Private Placement is expected to further reduce the Group's reliance on bank borrowings so as to not incur additional interest costs or service additional principal payments which may affect its financial performance moving forward. The proceeds raised from the Proposed Private Placement will also allow the Group to maintain flexibility over the cash flow funding for its business operations without being over reliant on bank borrowings.

Premised on the above and after taking into consideration the proposed use of proceeds from the Proposed Private Placement as highlighted in **Section 2.6** of this announcement, the outlook of the manufacturing and steel industry in Malaysia as highlighted in **Sections 5.2 and 5.3**, as well as the effects of the Proposed Private Placement as highlighted in **Section 6** of this announcement, the Board is of the view that the Proposed Private Placement is the most appropriate avenue of fundraising at this juncture to address the Group's short-term financing needs and it will continue to explore and evaluate other suitable funding for the Group's long-term financial requirements should the need arises.

4. Steps or actions taken to improve the financial condition of the Group

Leform Group is principally involved in the manufacturing of steel pipes, guardrails and steel products which can be used in a wide variety of end-user industries, including furniture, construction and industrial products manufacturing. The Group is also involved in the trading of steel products to expand its product offerings by including specifications it does not manufacture.

During the financial years/ period under review, the Group's financial performance was impacted by challenges faced by the steel industry, such as declining steel prices, subdued demand, stiff competition and rising operational costs. These factors had collectively compressed the Group's profit margins despite efforts to sustain its sales volume. In an effort to turn around its core business, the Group has embarked on cost cutting measures, such as prudent cash flow management, optimisation of current human resources, recruitment of additional staff only when required and enhancement of management's expertise to refine its operational efficiency. Furthermore, the Group had since 2023 managed to secure the following projects:-

- i. On 20 March 2023, LF Engineering Sdn Bhd, a 60%-owned subsidiary of Leform ("**LF Engineering**") had executed subcontract agreement with IJM Construction Sdn Bhd ("**IJM Construction**") for the supply and installation of guardrails for Section 11 (Beras Interchange to Taiping South Interchange) of Lebuhraya Pesisiran Pantai Barat (Taiping – Banting) ("**Lebuhraya Pesisiran Pantai Barat Project**") for a contract sum of RM19.53 million. The Lebuhraya Pesisiran Pantai Barat Project had been completed in March 2024;
- ii. On 2 May 2023, LF Engineering had executed a subcontractor agreement with Prebore Piling & Engineering Sdn Bhd for the construction of Section 2 of South Klang Valley Expressway (SKVE) Interchange to Shah Alam Expressway (SAE) Interchange ("**SKVE-SAE Interchange Project**") for a contract sum of RM2.89 million. The SKVE-SAE Interchange Project had been completed in December 2024;
- iii. On 29 May 2023, LF Engineering had accepted a letter of acceptance from IJMC-KEB Joint Venture (an unincorporated joint venture between IJM Construction and WCE Holdings Berhad) for the construction of Section 7 (Part 1 of 2) (Assam Jawa Interchange to Tanjung Karang Interchange) of Lebuhraya Pesisiran Pantai Barat (Taiping - Banting) for the supply and installation of guardrails ("**IJMC-KEB Project**") for a contract value of RM6.25 million. The IJMC-KEB Project is expected to be completed by the end of 2026; and
- iv. On 23 November 2023, Leform Metal Sdn Bhd, an 85%-owned subsidiary of Leform had executed a contract with Nim Meng Group Co Ltd ("**NMG**") for the supply of highway guardrail products under the National Road No. 5 Improvement Project ("**Cambodia National Road Improvement Project**") for a contract value of USD1.95 million. On 27 July 2024, the Company had announced that they had received a letter from NMG dated 23 July 2024 informing that due to unforeseen circumstances, the Cambodia National Road Improvement Project which was initially expected to commence in August 2024 will be postponed to December 2025.

ADDITIONAL INFORMATION

Notwithstanding that some of the above projects have been completed and/ or delayed, the Group generally does not enter into any long-term contracts with its customers, and its orders are primarily secured by way of purchase orders issued by its customers on a project-to-project or an as-needed basis. However, the Group will continuously seek to maintain and strengthen existing business relationships and establish relationship with new customers to expand its network. In addition, the Group will continue to explore collaboration opportunities with potential business partners and alliances to jointly tender and undertake future projects. Such strategic partnerships or alliance would increase chances of securing projects and enable the Group to enhance its operating and financial position. The Board is of the opinion that the Group's strategies are expected to improve the financial position of the Group.

Barring any unforeseen circumstances, the Board is of the view that the Proposed Private Placement and the abovementioned steps may improve the Group's financial performance moving forward. Nevertheless, the Board will continue to evaluate the Group's financial performance, and will consider undertaking future corporate exercises if there is a need/ opportunity that arises. Should the Board identify any suitable and viable corporate exercises, the Board shall make the requisite announcements and/ or seek shareholders' approval in accordance with the Listing Requirements.

(Source: Management of Leform)