

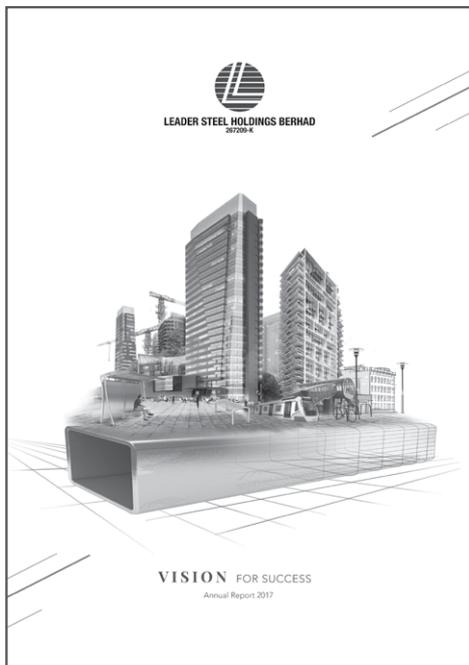


**LEADER STEEL HOLDINGS BERHAD**  
267209-K



**VISION** FOR SUCCESS

Annual Report 2017



## VISION FOR SUCCESS

Leader Steel Holdings Berhad (“LSH” or the “Company”) values the vision of teamwork as it promotes unity and efficient performance. Building on a platform of highly committed staff team that always sets precise momentum to attain the next level of success, Leader Steel Holdings Berhad has the capacity to outperform its competitors. The visual of a city under construction reflects Leader Steel Holdings Berhad’s business approach-plan-analyse-strategies-to secure success in its endeavours.

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# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the Twenty-Fifth (25<sup>th</sup>) Annual General Meeting (“AGM”) of the shareholders of LEADER STEEL HOLDINGS BERHAD will be held at 2<sup>nd</sup> Floor, Wisma Leader Steel, Plot 85, Lorong Perusahaan Utama, Kawasan Perusahaan Bukit Tengah, 14000 Bukit Tengah, Seberang Perai Tengah, Penang on Monday, 28 May 2018, at 12.15 pm for the following purposes:

## Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2017 and the Reports of the Directors and Auditors thereon.
2. To re-elect the following Directors retiring pursuant to Article 102 of the Company’s Constitution and who, being eligible, offer themselves for re-election:
  - 2.1 Dato’ Goh Cheng Huat **Resolution 1**
  - 2.2 Datin Tan Pak Say **Resolution 2**
  - 2.3 Encik Mohd. Arif bin Mastol **Resolution 3**
3. To approve the payment of Directors’ fees and benefits payable of up to RM300,000 for the period commencing this AGM through to the next AGM of the Company in 2019. **Resolution 4**
4. To re-appoint Messrs BDO as Auditors of the Company and to authorise the Directors to fix their remuneration. **Resolution 5**

## As Special Business

To consider and if thought fit, to pass the following Ordinary Resolutions with or without modifications:

### SECTION 76 OF THE COMPANIES ACT, 2016

5. “THAT subject always to the Companies Act, 2016 (“the Act”), the Company’s Constitution (Articles of Association), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and the approvals of the relevant governmental or regulatory authorities, where such approval is required, the Directors be and are hereby authorised and empowered pursuant to Section 76 of the Act to issue and allot shares in the Company to such persons, at any time until the conclusion of the next AGM and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being.” **Resolution 6**

### PROPOSED RENEWAL OF SHAREHOLDERS’ MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE (“Proposed Shareholders’ Mandate”)

6. “THAT subject to the provision of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries (“Group”) to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature with specified classes of related parties (“Recurrent Related Party Transactions”) which are necessary for the day to day operations and are in the ordinary course of business and are carried out at arms’ length basis on normal commercial terms of the Group on terms not more favourable to the related parties than those generally available to the public and are not, in the Company’s opinion, detrimental to minority shareholders of the Company and that such approval shall continue to be in force until:
  - (a) the conclusion of the next annual general meeting (“AGM”) of the Company at which time it will lapse, unless by a resolution passed at the next AGM, the authority is renewed;
  - (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
  - (c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting, whichever is earlier.



## **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("Proposed Shareholders' Mandate") (Cont'd)**

6. AND THAT the Directors of the Company be and are hereby authorised to do all acts, deeds, things and execute all necessary documents as they may consider necessary or expedient in the best interest of the Company with full powers to assent to any conditions, variations, modifications and/or amendments in any manner as may be required or permitted under relevant authorities to give full effect to the Proposed Shareholders' Mandate."

## **PROPOSED RENEWAL OF AUTHORITY TO BUY-BACK ITS OWN SHARES BY THE COMPANY**

7. "THAT, subject to the Companies Act, 2016 ("the Act") (as may be amended, modified or re-enacted from time to time), the Company's Constitution (Articles of Association), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and approvals of all relevant governmental and/or regulatory authorities, where applicable, the Company be and is hereby authorised to purchase and/or hold such amount of ordinary shares in the Company (Proposed Share Buy-Back) as may be determined by the Directors of the Company from time to time and upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of ordinary shares purchased and/or held pursuant to this resolution shall not exceed ten per centum (10%) of the total issued share capital of the Company at any given point in time and an amount of funds not exceeding the total retained profits of the Company based on the audited financial statements for the financial year ended 31 December 2017 be utilised by the Company for the Proposed Share Buy-Back.

**Resolution 8**

AND THAT at the discretion of the Directors of the Company, the ordinary shares of the Company to be purchased may be cancelled; and/or retained as treasury shares and subsequently distributed as dividends or resold on Bursa Securities or transfer for the purpose of or under an employees share option scheme or as part of purchase consideration; or be cancelled.

AND THAT the Directors of the Company be and are hereby empowered to take all such steps as necessary to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be required or imposed by the relevant authorities from time to time and to do all such acts and things as the Board may deem fit and expedient in the best interest of the company.

- (a) the conclusion of the next Annual General Meeting of the Company ("AGM") in 2019 at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Companies Act, 2016 (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting, whichever is earlier; but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid date and in any event, in accordance with the provisions in the guidelines issued by Bursa Securities and/or by any other relevant authorities."

## **RETENTION AS INDEPENDENT DIRECTORS**

8. "THAT Mr. Lim Leng Han be retained as Independent Director of the Company, in accordance with the Malaysian Code on Corporate Governance until the conclusion of the next AGM."
9. "THAT, contingent upon the passing of Ordinary Resolution 3, Encik Mohd. Arif bin Mastol be retained as Independent Director of the Company, in accordance with the Malaysian Code on Corporate Governance until the conclusion of the next AGM."
10. To transact any other business of which due notice shall have been given.

**Resolution 9**

**Resolution 10**

By Order of the Board

Tai Yit Chan (MAICSA 7009143)  
Ong Tze-En (MAICSA 7026537)

Joint Company Secretaries  
Penang, 25 April 2018

# Notice of Annual General Meeting (Cont'd)

## Notes:

1. A proxy may but need not be a member of the Company and a member shall be entitled to appoint any person to be his proxy without limitation. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
5. To be valid, the form of proxy must be deposited at the Company's Registered Office at Suite 16-1 (Penthouse Upper), Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty-eight (48) hours before the time appointed for holding the meeting.
6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 21 May 2018 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

## Explanatory Note:

1. The proposed Resolution 4, if passed, will facilitate the payment of the Directors' fees and benefits to the Directors for the period commencing this AGM (annual general meeting) through to the next AGM. Details of the Directors' fees and benefits payable to the Directors for the financial year ended 31 December 2017 are enumerated under the Corporate Governance Overview Statement in the Annual Report 2017.

The Directors' fees and benefits proposed from this AGM up to the next AGM are calculated based on the number of scheduled Board's meetings and Board Committees' meetings after taking into account potential increase in the number of the Board's and Board Committees' meetings and/or increase in the Board size and/or revision to the existing Directors' fees and benefits structure.

2. The proposed Ordinary Resolution 6 is for the purpose of granting a renewed general mandate ("General Mandate") and if passed, will give authority to the Board of Directors to issue and allot ordinary shares from the unissued capital of the Company at any time in their absolute discretion and that such authority shall continue in force until the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 25 May 2017 and which will lapse at the conclusion of the 25<sup>th</sup> AGM. The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

3. The proposed Resolution 7, if passed, will obtain the Shareholders' Mandate for the Company and its subsidiaries to enter into the specified recurrent related party transactions with Eonmetall Group Berhad and its subsidiaries as set out in Section 2.3 of the Circular which are necessary for the Group's day to day operations and are carried out in the ordinary course of business and are on normal commercial terms which are not more favourable to the related party than those generally available to the public and not detrimental to the minority shareholders. Further information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 25 April 2018.
4. The proposed Ordinary Resolution 8, if passed, will allow the Company to purchase its own shares. The total number of ordinary shares purchased shall not exceed 10% of the total number of issued share capital of the Company. This authority will, unless revoked or varied by the Company in general meeting, expires at the next AGM of the Company.
5. The proposed Ordinary Resolutions 9 and 10, if passed, will retain Mr. Lim Leng Han and Encik Mohd. Arif bin Mastol as Independent Directors of the Company to fulfill the requirements of Paragraph 3.04 of the Bursa Securities' Main Market Listing Requirements and in line with the Practice 4.2 of the Malaysian Code on Corporate Governance issued by the Securities Commission on 26 April 2017. The details of the Board's justifications and recommendations for the retention of the Independent Directors are set out in the Corporate Governance Overview Statement in the Annual Report 2017.

## Statement Accompanying Notice of Annual General Meeting (Pursuant to Paragraph 8.27(2) of the Listing Requirements)

No individual is standing for election as a Director at the forthcoming 25<sup>th</sup> AGM of the Company.



## BOARD OF DIRECTORS

### TAN SRI DATO' MOHD DESA BIN PACHI

Chairman/Independent  
Non-Executive Director

### DATO' GOH CHENG HUAT

Deputy Chairman/  
Executive Director

### DATIN TAN PAK SAY

Managing Director

### TAN SRI DATO' SOONG SIEW HOONG

Non-Independent  
Non-Executive Director

### LIM LENG HAN

Senior Independent  
Non-Executive Director

### MOHD. ARIF BIN MASTOL

Independent  
Non-Executive Director

### DATUK ABDULLAH BIN HAJI KUNTOM

Non-Independent  
Non-Executive Director

### GOH WAN JING

Executive Director

## KEY SENIOR MANAGEMENT

### Dato' Goh Cheng Huat

Deputy Chairman/  
Executive Director

### Datin Tan Pak Say

Managing Director

### Goh Wan Jing

Executive Director

## AUDIT COMMITTEE

### Lim Leng Han

Chairman

### Mohd. Arif bin Mastol

Member

### Datuk Abdullah bin Haji Kuntom

Member

## NOMINATING COMMITTEE

### Tan Sri Dato' Mohd Desa bin Pachi

Chairman

### Lim Leng Han

Member

### Mohd. Arif bin Mastol

Member

## REMUNERATION COMMITTEE

### Tan Sri Dato' Mohd Desa bin Pachi

Chairman

### Lim Leng Han

Member

## JOINT COMPANY SECRETARIES

Tai Yit Chan MAICSA 7009143

Ong Tze-En MAICSA 7026537

## REGISTERED OFFICE

Suite 16-1 (Penthouse Upper)  
Menara Penang Garden  
42A Jalan Sultan Ahmad Shah  
10050 Penang  
Tel : 04-229 4390  
Fax : 04-226 5860

## HEAD OFFICE

Wisma Leader Steel  
Plot 85, Lorong Perusahaan Utama  
Kawasan Perusahaan Bukit Tengah  
14000 Bukit Tengah  
Seberang Perai Tengah  
Penang, Malaysia  
Tel : 04-507 1515  
Fax : 04-507 9527 & 04-507 9537

## REGISTRAR

AGRITEUM Share Registration  
Services Sdn. Bhd.  
2<sup>nd</sup> Floor, Wisma Penang  
Garden  
42 Jalan Sultan Ahmad Shah  
10050 Penang  
Tel : 04-228 2321  
Fax: 04-227 2391

## AUDITORS

BDO  
Chartered Accountants  
51-21-F, Menara BHL  
Jalan Sultan Ahmad Shah  
10050 Penang  
Tel : 04-227 6888  
Fax: 04-229 8118

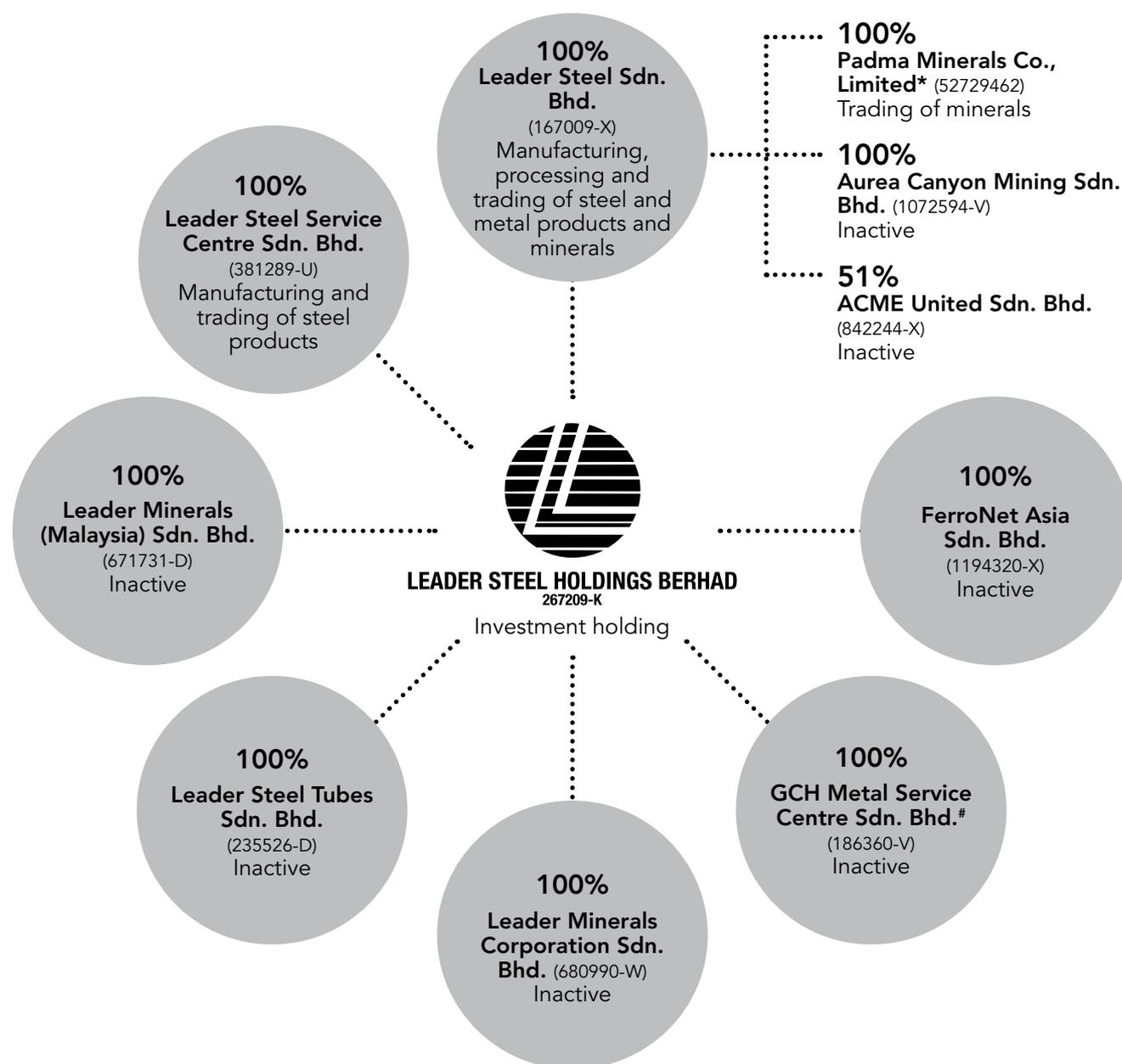
## MAJOR BANKERS

HSBC Bank Malaysia  
Berhad  
Ambank (M) Berhad  
Malayan Banking Berhad  
Hong Leong Bank Berhad  
RHB Bank Berhad  
OCBC Bank (Malaysia)  
Berhad

## STOCK EXCHANGE LISTING

Main Market of Bursa  
Malaysia  
Securities Berhad  
Stock Code : 9881  
Stock Name : LSTEEL

# Group Structure and Principal Activities/ Financial Highlights



\* Incorporated in Hong Kong

# Under de-registration

	2012	2013	2014	2015	2016	2017
<b>1. Financial Highlights of Statements of Profit or Loss</b>						
Revenue (RM mil)	283.4	258.7	234.7	153.7	167.3	<b>243.8</b>
EBITDA (RM mil) ^	4.6	18.8	0.5	7.6	18.8	<b>21.5</b>
Profit/(loss) before tax (RM mil)	(11.2)	2.4	(14.7)	(5.7)	7.6	<b>10.6</b>
Profit/(loss) after tax (RM mil)	(10.6)	0.5	(12.0)	(3.5)	6.5	<b>7.7</b>
<b>2. Financial Highlights of Statements of Financial Position</b>						
Total assets (RM mil)	276.1	263.5	254.6	249.3	245.2	<b>264.1</b>
Total borrowings (RM mil)	123.3	121.7	107.0	90.6	70.1	<b>88.7</b>
Shareholder equity (RM mil)	116.3	116.5	120.3	122.6	131.9	<b>140.6</b>

^ Earnings before interest, taxation, depreciation, amortisation.

# Chairman's Statement



## Dear Valued Shareholders,

On behalf of the Board of Directors of Leader Steel Holdings Berhad (the Group), I am pleased to present the Group's Annual Report and Audited Financial Statements for the financial year ended 31 December 2017 (FY2017).

During FY2017, the Group remained resolute in navigating the fast-changing, difficult market and operating conditions. Despite the challenges presented, we persevered and our efforts successfully reflected in an even stronger performance compared to the year before.

## Market Conditions

As China, the largest steel producing country in the world, progressed with its planned reduction in steel production capacity and the closures of its induction furnaces, minerals and steel products prices surged. Our manufacturing and trading of steel products segment was marked by challenges from pricing pressure and increase in raw material cost from volatility in foreign currencies and oil prices. Our minerals segment benefitted from better pricing. However, demand was affected by the increasing environmental control in the Chinese steel industry.

Amidst the challenging business environment, the Group was able to register positive financial results.

## Performance Overview

I am pleased to report that the Group turned in a robust financial performance in FY2017. The Group achieved revenue of RM243.8 million and profit before tax (PBT) of RM10.6 million. This represents an increase of 45.7% and 39.5% in revenue and PBT respectively as compared to preceding year's revenue of RM167.3 million and PBT of RM7.6 million.

On a year-on-year comparison, our revenue and profit have increased mainly due to better pricing in both the steels product and minerals segments, as well as effective cost control and strengthened development of market in the steel products segment.

## 2018 Outlook

In the beginning of 2018, the steel market sees increasing prices for steel making materials such as iron and manganese ores and China's continued efforts in curbing steel production. The Group's steel products segment along with the local market, face challenges from regional raw material supply shortage, increased raw material cost, and product pricing pressure. The minerals segment continues to benefit from high price despite slowed demand.

The Group's outlook for latter part of 2018 is very much dependent on international trade policy associated with the steel products export to the United States. Though not directly affected, the Group will continue to monitor the imposed tariff's effect on regional steel market conditions. Barring any unforeseen circumstances, the local market should continue past years' upward trend after the Raya festive season.

We remain cautiously optimistic and hope to achieve a positive performance for the Group despite business challenges. The Group will continue to focus its strategies and priorities in further strengthening its position in local steel market and increasing its presence in targeted overseas market. The Group acknowledges the need to be on alert for any changes or development in both the domestic and international steel markets so as to achieve positive performance for financial year 2018.

## Dividend

Our Directors do not recommend any dividend for FY2017.

## Appreciation

On behalf of the Board of Directors, I would like to express my gratitude and sincere appreciation to the Management and staff of the Group for their continued commitment and dedication. My appreciation and thanks are also extended to our customers, shareholders, bankers and business associates for their unwavering loyalty, patience and continuous support to the Group. I also wished to thank my fellow Board members for their contribution, counsel and support.

**TAN SRI DATO' MOHD DESA BIN PACHI**

*Chairman*  
23 April 2018

# Management Discussion & Analysis

## Dear Shareholders,

The purpose of the Management Discussion & Analysis (MD&A) is to provide shareholders with an overview of the business operations of Leader Steel Holdings Berhad (the Group), review of the performance during financial year ended 31 December 2017 (FY2017), review of operating activities, anticipated and known risks, and the Group's expectations of the business going into 2018.

## OVERVIEW OF BUSINESS AND OPERATIONS

The Group is a Shariah-compliant publicly listed company on the Main Market of Bursa Malaysia Securities Berhad. The Company is an investment holding company with ten subsidiaries. The principal activities of the subsidiaries are disclosed under the audited financial statements in this Annual Report.

### Office and Manufacturing Facilities

The Group is headquartered at Bukit Tengah, Penang. The Group has 4 manufacturing facilities across Malaysia and an office serving international trade customers in Hong Kong SAR. This multi-location strategy enables the Group to better service its customer base. The Group has also leveraged on its industry experience that spans three decades to successfully expand its presence beyond Malaysian shore.

### Products and Services

The Group has two major business segments: manufacturing and trading of steel products (steel products segment), and trading and processing of minerals segment (minerals segment). The Group's primary market for steel products is domestic, with certain range exported to Singapore, whereas minerals segment mainly exports to People's Republic of China.

Currently, the Group employs approximately 190 skilled and dedicated employees who are involved in the manufacturing and trading of our products. The Group believes strongly in investing in human capital in order to sustain growth and this is evidenced by a significant number of long serving employees with more than 15 years of service.

### Our Strategic Focus

The Group's continued growth can be attributed to its ability to attain and retain customers through product excellence, reliable quality, and competitive pricing. The Group will continue to focus its strategies and priorities on the business in further strengthening its position in local steel industry and increasing its presence in targeted overseas steel market.

In order to achieve the strategies, the Group will continue to work on operational efficiency, developing a business-focus, results-driven staff team and expanding the senior management team to steer the Group forward.

## REVIEW OF FINANCIAL PERFORMANCE

FY2017 has seen the Group weathering a difficult business environment. While minerals and steel product prices have improved, the minerals segment is challenged by slower demand, and the steel products segment is affected by higher raw material cost and pricing pressure. Amidst the challenges, the Group was able to register positive financial results in FY2017.

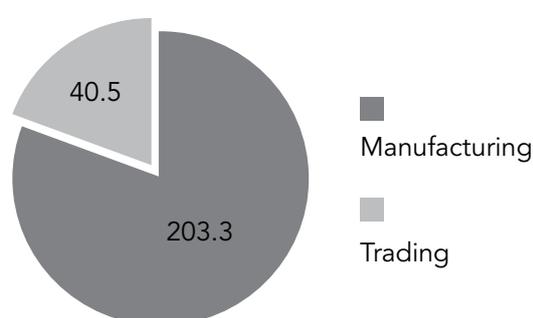


## Summary of Group Financial Performance

(RM mil)	2016	2017	%
<b>Profitability</b>			
Revenue	167.3	<b>243.8</b>	45.7
EBITDA <sup>^</sup>	18.8	<b>21.5</b>	14.4
Profit before tax	7.6	<b>10.6</b>	39.5
Profit after tax	6.5	<b>7.7</b>	18.5
<b>Financial Position</b>			
Shareholder equity	131.9	<b>140.6</b>	6.6
Total asset	245.2	<b>264.1</b>	7.7
Inventories	46.8	<b>56.4</b>	20.5
Trade & Other Receivables	45.0	<b>46.1</b>	2.4
Total borrowings	70.1	<b>88.7</b>	26.5
Gearing (times)	0.5	<b>0.6</b>	20.0

<sup>^</sup> Earnings before interest, taxation, depreciation, amortisation.

GROUP REVENUE (RM million)

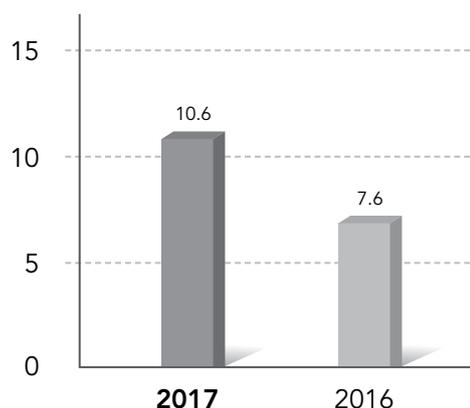


### (A) Revenue

The Group registered a total revenue of RM243.8 million in FY2017, a 45.7% rise over RM167.3 million reported in FY2016. The steel products segment contributed 83.4% while the minerals segment contributed 16.6% of the Group's total revenue in FY2017.

The increase in revenue was primarily attributed to improved performance in the steel products segment, which saw an increase of RM61.4 million (or 43.3%) in revenue, from RM141.9 million in FY2016 to RM203.3 million in FY2017. This increase was mainly attributed to higher product pricing and strengthened market development in our various products range. The minerals segment saw an increase of RM15.1 million (or 59.6%) in revenue, from RM25.4 million in FY2016 to RM40.5 million in FY2017. The increase was mainly due to higher product pricing for manganese ore.

PROFIT BEFORE TAX (RM million)



### (B) Profit before Tax

The Group's profit before tax improved by a significant 39.5% to RM10.6 million in FY2017 from RM7.6 million in FY2016. The significant improvement on profit before tax was mainly due to effective raw material purchase strategy in the steel products segment.

### (C) Cash Flows and Liquidity

The Group's cash and bank balances have increased from RM1.9 million in FY2016 to RM6.4 million in FY2017. The cash inflow was mainly attributed to the drawdown of short term bank borrowings from RM62.5 million in FY2016 to RM84.4 million in FY2017. The cash inflow of RM18.4 million in cash outflow offset cash outflow the purchase of inventory at year end, higher income tax payment as well as capital expenditure incurred for the new office.

# Management Discussion & Analysis (Cont'd)

## (C) Cash Flows and Liquidity (Cont'd)

The Group's current and quick ratios were maintained at the level of 1.01 and 0.49 in FY2017, compared to respective ratios of 1.01 and 0.50 in FY2016.

We maintain a total debt facility of RM154 million with several licensed financial institutions in Malaysia. Gearing ratio has increased from 0.53 in FY2016 to 0.63 in FY2017. The Group continues to utilise short term bank facilities to support its short term working capital requirements.

The Group remains prudent in maintaining a sound financial position that enables the execution of our strategic objectives in creating value over the coming years.

## REVIEW OF OPERATING ACTIVITIES

The Group reports its financial performance in the following business segments: steel product segment and mineral segment. Albeit sustaining each of their own business challenges, both business segments saw positive growth in FY2017 for the Group.

### Manufacturing and Trading of Steel Products Segment

The Group's steel products segment is focused on production, operations and trading of steel related products, its existing product range include steel pipes and tubes, hollow section, angle bar, flat bar, square bar, steel plates, u-channel, and trolley track. The segment services its customers across Malaysia from its four manufacturing sites in Bukit Tengah, Penang; Sungai Bakap, Penang; Klang, Selangor; and Kuching, Sarawak.

The steel products segment continue to be the primary revenue and profit contributor to the Group. The segment recorded revenue of RM203.3 million and operating profit of RM17.1 million in FY2017 compared to RM141.9 million and RM14.0 million respectively in FY2016. The improved performance was due to strengthened market presence for existing product range, a rebound and continued upward trend in steel products prices during the year, coupled with effective raw material purchase strategy.

The year also saw the Group's Kuching, Sarawak plant attained its ISO 9001:2015 Quality Management System. The Sungai Bakap, Penang plant added SIRIM Product Certification License for the hollow sections pipes for construction use, adding to the existing Product Certification License in Kuching, Sarawak plant. These certifications are independent assurance of the reliability and quality of the Group's products as well as demonstrate compliance with required quality standards and placing the products at the forefront of "Made in Malaysia" items.

### Expansion Plans

In a bid to develop peninsular Malaysia's south-central region market, the Group initiated construction of Phase II of Klang, Selangor plant to increase production capacity to meet the growing domestic orders and demand. In FY2017, the Group completed construction of office building while review of proposal to double production capacity is in progress. In addition to increased production capacity, the set-up will help to minimise logistics for transportation to customers in that region with the effective savings passed down to the customers.

In addition to expansion of market for the existing products, in FY2017, the Group acquired a dormant company, Aurea Canyon Mining Sdn. Bhd., to expand into long product business, including deformed bar.

The steel products segment's strategies are increasing sales of high margin steel products, increasing steel products offering, expanding the export market, cost control, and continual upgrading of production facilities in order to remain competitive in the ever-changing steel business environment.



## REVIEW OF OPERATING ACTIVITIES (Cont'd)

### Trading and Processing of Mineral Segment

The Group's trading and processing of minerals segment focuses on export of steel-making related minerals, including iron ore and manganese ore.

The minerals segment recorded revenue of RM40.5 million in FY2017 compared to RM25.4 million in FY2016. The increase in revenue is mainly attributed to improved manganese ore market price. During FY2017, average of 19,000MT (FY2016: 20,000MT) of minerals is exported monthly to the world's largest steel producing country, China. The decrease in sales volume is attributed to slower demand stemming from rising ore price.

The segment's strategies are geared towards expanding the export market and cost control. As part of its strategic planning, the Group restructured its organisation to streamline business activities for cost and operational efficiency, moving Hong Kong SAR based subsidiary, Padma Minerals Co., Limited from Leader Minerals Corporation Sdn. Bhd. to Leader Steel Sdn. Bhd..

### ANTICIPATED RISKS

As the Group moves forward, we are aware of certain risks that our business activities expose us to, in particular financial risks, including credit risk, liquidity risk, currency risk and interest rate risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising potential adverse impacts of financial risks on its financial position, performance and cash flows.

The Group's exposure to credit risk arises mainly from trade receivables. Trade receivables could give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are the customers of the Group. The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' purchasing limits and credit terms. The maximum credit risk exposure of these financial assets is substantially represented by the carrying amounts of each class of financial assets recognised in the statement of financial position.

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The Group practices prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

The Group's exposure to currency risks arises mainly from transactions entered into by individual entities within the Group in currencies other than their functional currencies. The functional currency within the Group is Ringgit Malaysia whereas the major foreign currency transacted is US Dollar. The Group observes the movements in exchange rate and acts accordingly to minimise its exposure to currency risk.

The Group's exposure to interest rate risk arises mainly from loans and borrowings. The Group borrows at both floating and fixed rates of interest to generate the desired interest profile and to manage the exposure of the Group to interest rate fluctuations.

Other external factors such as market pricing, exchange rate fluctuations and cost push factors are harder to mitigate and anticipate.

It is the business philosophy of the Company to be prudent when expanding its financial resources and is constantly remaining vigilant and monitoring about future trends. The Group mitigates these risks by developing and expanding its business-focus, professional team at all levels, and providing training, certification and incentive to upgrade competent and skilled team members.

# Management Discussion & Analysis (Cont'd)

## FORWARD-LOOKING STATEMENTS

In early 2018, driven by increasing prices of steel making materials such as iron and manganese ores and China's continued efforts in curbing steel production, the Group's steel products segment along with the local market, faces challenges from regional raw material supply shortage, increased raw material cost, and product pricing pressure. The minerals segment continues to benefit from high prices albeit slower demand.

The latter part of 2018 is very much dependent on political and market demand factors. In political factor, we are following the United States government's review results for product and country exemptions from the Section 232 tariff of 25% on imported steel and 10% on aluminium. At the point of writing, the US Commerce Department has started accepting applications for exclusion from the tariff. The Group is not directly affected by the tariff, as our dominant market is domestic. However, ripple effects from the tariff on regional steel market remains to be seen.

As majority of steel products produced locally is absorbed for local infrastructure and construction sector applications, the outlook for steel industry is tied to the growth and performance of this sector. The apparent steel consumption can be benchmarked to Malaysia's economic performance indicator, GDP (gross domestic product) growth, which IMF projected at 5.0% to 5.5% for 2018.

The Group will continue to monitor the tariff's effect on regional raw material supplied, which affects input cost, and regional and local market competition conditions, which affects revenue and margin. Ongoing regulatory development and enforcement in limiting unfair imports will help Malaysian steel manufacturers.

We expect the challenging operating environment to continue through 2018. The recent developments reinforce the need for a sustainable core at heart of our operations, and we believe that we have taken the right steps to ensure our long-term sustainability. The Group will continue to focus its strategies and priorities on business expansion through operational excellence and human capital development.

Moving forward, we remain cautiously optimistic and hope to achieve a positive performance for the Group in 2018.

# Directors' Profile



## **TAN SRI DATO' MOHD DESA BIN PACHI**

Chairman/Independent Non-Executive Director

TAN SRI DATO' MOHD DESA BIN PACHI, PSM, DSPN, KMN, aged 84, Malaysian, was appointed to the Board of Directors of LSH on 10 August 1995. He is the Chairman of the Board of Directors, and also Chairman of the Remuneration Committee and Nominating Committee.

He is a Chartered Accountant by profession and is a Fellow of the Institute of Chartered Accountants in Australia. He studied accountancy in Melbourne, Australia under the Colombo Plan Scholarship. He joined Shell Group of Companies in 1962 and served in various capacities in the Finance Administration.

From 1970 to 1976, he was in public practice as a Chartered Accountant and was a partner of Desa Megat & Co and KPMG Peat Marwick. Subsequently, he was appointed as the first CEO of Permodalan Nasional Berhad and later served as Chairman/CEO of Malaysia Mining Corporation Bhd, Executive Chairman of Fleet Group Sdn. Bhd., Chairman/MD of The New Straits Times Press (Malaysia) Berhad and Chairman of Sistem Televisyen Malaysia Berhad (TV3). He was also Chairman of Bumiputra - Commerce Holdings Berhad (now known as CIMB Group Holdings Berhad) from 1984 to 2006.

He sits on the Board of several private companies and the following public companies:

Eonmetall Group Berhad and Handal Dinamis Holdings Berhad.

He is a Fellow Member of the Malaysian Institute of Management.

He attended all four (4) Board meetings held during the financial year ended 31 December 2017.

## **DATO' GOH CHENG HUAT**

Deputy Chairman/Executive Director

DATO' GOH CHENG HUAT, aged 57, Malaysian, was appointed to the Board of Directors of LSH on 10 August 1995. He resigned as Managing Director and was appointed as Deputy Chairman on 29 April 2005. On 25 February 2014, Dato' Goh was re-designated as an Executive Director.

The founder of the Group, Dato' Goh has extensive experience and technical knowledge of the processing of iron and steel products. With more than 40 years in the industry, he has accumulated invaluable skills, which included amongst other, the invention and enhancement of steel making machines and its related processes. In recognition of his entrepreneurial skills, Dato' Goh was conferred the 1990 Young Entrepreneur Award by the Ministry of Youth and Sports. His zeal and untiring efforts to improve steel products making processes did not go unnoticed, for in 1999, he was awarded a patent for "Process for the Manufacturing of Steel Products and Apparatus". Dato' Goh's visionary approach and keen business acumen certainly augur well for the Group especially in its business direction.

He graduated from National University of Singapore in 2013 with a Master of Business Administration.

He presently holds directorship in Eonmetall Group Berhad and its subsidiaries.

He is the spouse of Datin Tan Pak Say.

He attended two (2) out of four (4) Board meetings held during the financial year ended 31 December 2017.

## Directors' Profile (Cont'd)

### **DATIN TAN PAK SAY**

Managing Director

DATIN TAN PAK SAY, aged 56, Malaysian, was first appointed to the Board of Directors of LSH on 10 August 1995. Datin Tan took a brief break from 2 January 2004 before rejoining the Board at 25 May 2004. She was appointed as Executive Director on 21 February 2005 and subsequently as Managing Director on 29 April 2005.

Datin Tan Pak Say has been actively involved in the steel industry since mid-1980 upon completion of her secondary education. She has leveraged on her extensive experience to assist in building up LSH to its present position.

She is the spouse of Dato' Goh Cheng Huat.

She attended all four (4) Board meetings held during the financial year ended 31 December 2017.

### **TAN SRI DATO' SOONG SIEW HOONG**

Non-Independent Non-Executive Director

TAN SRI DATO' SOONG SIEW HOONG PSM, KMN, SMS, DPMS, JSM, aged 92, Malaysian, was appointed to the Board of Directors of LSH on 25 July 1994. He was conferred Panglima Setia Mahkota (PSM) which carries the title of "Tan Sri" by the Yang DiPertuan Agong on 6th June 1998 and the Darjah Kebesaran Datuk Mahkota Selangor (DPMS) which carries the title of Dato' in 1990.

Tan Sri Dato' Soong has previously served as a member on the Council of Standard & Industrial Research Institute of Malaysia (SIRIM) Human Resource Development Council (HRDC) and Malaysian Investment Development Authority (MIDA). He was also a Director in Telekom Malaysia Berhad from October 1988 to May 1996.

Tan Sri Dato' Soong is currently the Executive Advisor of the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) and has held various other honorary positions such as Honorary Past President in the Malaysian Iron and Steel Industry Federation (MISIF). He is a current council member of Standards Malaysia, advisor to the Myanmar Industries Association, advisor to the Cambodia Chamber of Commerce and Industries and advisor to Chamber of Commerce and Industry of Uzbekistan.

In addition, Tan Sri Dato' Soong is also on the executive council of MASSA (Malaysia South Association).

He presently holds directorship in Eonmetall Group Berhad and sits on the Board of several private companies.

He attended all four (4) Board meetings held during the financial year ended 31 December 2017.

## Directors' Profile (Cont'd)



### **MR. LIM LENG HAN**

Senior Independent Non-Executive Director

MR. LIM LENG HAN, aged 57, Malaysian, was appointed to the Board of Directors of LSH on 25 July 1994. He is the Chairman of the Audit Committee and a member of both the Remuneration Committee and Nominating Committee. Graduated in 1985 with a degree in Bachelor of Law (LL.B) (Hon) from University of Malaya, he was subsequently admitted as Advocate and Solicitor by the High Court of Malaya on 8 February 1986 and became a member of the Bar Council of Malaysia. He is an appointed member of the Disciplinary Committee, Bar Council of Malaysia and also an appointed Notary Public of the Attorney-General's Chambers.

Mr. Lim has been active in the legal profession for 32 years and gained wide experience in the corporate, conveyancing and civil matters. Mr. Lim was serving with Johari, Goh & Associates, Kadir & Co. and Zaid Ibrahim & Co. for six (6) years before starting his own legal practice under the name of Messrs. Lim Leng Han & Co., in Butterworth, Penang on 8 February 1993 and thereafter as Messrs. Lim Leng Han & SF Tho until to date. He is also the legal adviser of societies and organisations such as Penang Hardware and Machinery Merchants' Association, Lim Clan Association of Penang, Butterworth Buddhist Association, Thang Hsiang Temple, Bayan Lepas and various others.

He attended all four (4) Board meetings held during the financial year ended 31 December 2017.

### **ENCIK MOHD. ARIF BIN MASTOL**

Independent Non-Executive Director

ENCIK MOHD. ARIF BIN MASTOL, aged 63, Malaysian, was appointed to the Board of Directors of LSH on 28 June 2002. He also sits on the Nominating Committee and Audit Committee of LSH as a member. Encik Mohd. Arif is a member of the Malaysian Institute of Accountants.

He started his career in 1977 as an Executive Accounts Officer. In 1985, he served as an Accountant with the Treasury Department of Kuala Lumpur City Hall after completing his Degree in Accounting from the MARA Institute of Technology (now known as Universiti Teknologi Mara). From 1991 to 2001, he was attached with several companies, including a Japanese based company in several capacities including Assistant Manager Finance & Accounts, Finance & Administration Manager, Financial Controller and Chief Operation Officer (COO).

He presently holds directorships in SKB Shutters Corporation Berhad and Federal Furniture Berhad.

He attended all four (4) Board meetings held during the financial year ended 31 December 2017.

## Directors' Profile (Cont'd)

### **DATUK ABDULLAH BIN HAJI KUNTOM**

Non-Independent Non-Executive Director

DATUK ABDULLAH BIN HAJI KUNTOM, aged 74, Malaysian, was appointed to the Board on 2 October 2003 and was appointed as a member of the Audit Committee on 9 April 2014. He holds a Bachelor of Arts from the University of Malaya and a Master in Public Policy and Administration from the University of Wisconsin, Madison, U.S.A..

Datuk Abdullah's distinguished career in the civil service has placed him in many Government ministries and departments. Amongst the key positions held over 37 years tenure of service were those of Deputy Secretary of the Contract and Supply Division and Senior Assistant Director of the Budget Division, Ministry of Finance. He was also appointed as the State Financial Officer of Selangor, Administrative Officer of the Asian & Pacific Development Centre, Director General of the Registration Department and Deputy Secretary General I of the Home Affairs Ministry. He retired from the civil service in April 1999 as the Senior Deputy Secretary General in the Prime Minister's Department. After his retirement, he was appointed by the Government as the Chief of Protocol of the Ministry of Foreign Affairs, a position he held for 4 years until April 2003.

He attended two (2) out of four (4) Board meetings held during the financial year ended 31 December 2017.

### **MS. GOH WAN JING**

Executive Director

Ms. Goh Wan Jing, aged 29, Malaysian, is Executive Director at LSH. She was appointed to the Board on 31 March 2017.

Ms. Goh started her career at KPMG as IT auditor and subsequently as financial auditor. In 2014, she joined Leader Steel Group as Personal Assistant to Managing Director, where she led the successful ERP system migration. In 2016, she was promoted to Deputy General Manager, where she was responsible for company-wide process improvement. Since assuming her role as Executive Director in 2017, she has been involved in group level strategic planning and execution.

She received her undergraduate degree in Business Administration, focus in finance and information systems, from the University of Washington in Seattle, Washington, U.S.A..

She is the daughter of Dato' Goh Cheng Huat and Datin Tan Pak Say.

She attended all three (3) Board meetings held after her appointment to the Board.

# Key Senior Management's Profile



## DATO' GOH CHENG HUAT

Deputy Chairman/Executive Director

Company	Leader Steel Holdings Berhad
Age, Gender	57, Male
Nationality	Malaysian
Date of Appointment	29 April 2005
Academic/Professional Qualification(s)	Master of Business Administration, National University of Singapore
Working experience	Extensive experience and knowledge in the processing of iron and steel products Conferred the 1990 Young Entrepreneur Award by the Ministry of Youth and Sports Awarded a patent for "Process for the Manufacturing of Steel Products and Apparatus"

## DATIN TAN PAK SAY

Managing Director

Company	Leader Steel Holdings Berhad
Age, Gender	56, Female
Nationality	Malaysian
Date of Appointment	29 April 2005
Academic/Professional Qualification(s)	Secondary
Working experience	Actively involved in the steel industry since mid-1980

## MS. GOH WAN JING

Executive Director

Company	Leader Steel Holdings Berhad
Age, Gender	29, Female
Nationality	Malaysian
Date of Appointment	31 March 2017
Academic/Professional Qualification(s)	Degree in Business Administration, focus in finance and information systems, from the University of Washington in Seattle, Washington, U.S.A.
Working experience	In 2014, led the successful ERP system migration In 2016, promoted to Deputy General Manager, where she was responsible for company-wide process improvement In 2017, involved in group level strategic planning and execution

### Notes:

None of the key senior management has any conflict of interest with LSH, or any personal interest in any business arrangement involving LSH other than as disclosed in the Notes to the Financial Statements. None of the key senior management had been convicted for offences within the past 5 years other than traffic offences.

The key senior management has family relationship with any director and/or major shareholder of LSH:

- (i) Dato' Goh Cheng Huat is the spouse of Datin Tan Pak Say and father of Ms. Goh Wan Jing
- (ii) Datin Tan Pak Say is the spouse of Dato' Goh Cheng Huat and mother of Ms. Goh Wan Jing
- (iii) Ms. Goh Wan Jing is the daughter of Dato' Goh Cheng Huat and Datin Tan Pak Say

None of the key senior management has any other directorship in public companies, other than:

- (i) Dato' Goh Cheng Huat presently holds directorship in Eonmetall Group Berhad and its subsidiaries.

# Corporate Governance Overview Statement

The Board of Leader Steel Holdings Berhad ("the Company") is committed to ensuring that good corporate governance is practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the long-term financial performance of the Group.

The Board considers corporate governance in line with three key concepts, namely, transparency, accountability and integrity. With the introduction of the Malaysian Code on Corporate Governance ("Code") on 26 April 2017, the Board had endeavoured to adopt and apply, where practicable, the Practices as set out in the Code in its quest to enhance shareholders value and safeguard the Group's assets.

The Board has implemented the Practices of the Code with the ensuing paragraphs in this Corporate Governance Overview Statement to describe the extent of how the Group has applied and complied with the Principles and Practices of the Code for the financial year ended 31 December 2017 ("FY2017"). This Overview Statement is made pursuant to paragraph 15.25(1) of Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") with guidance drawn from Practice Note 9 of Listing Requirements and the Corporate Governance Guide (3<sup>rd</sup> edition) issued by Bursa Securities.

The detailed application for each Practice as set out in the Code is disclosed in the Corporate Governance Report ("CG Report") which is available on the corporate website: [www.leadersteel.my](http://www.leadersteel.my) and through an announcement on the website of Bursa Securities. The CG Report is based on a prescribed format as outlined under para 15.25(2) of the Listing Requirements.

## PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS

### Part I Board Responsibilities

#### 1. Board's Leadership on Objectives and Goals

##### 1.1 Strategic Aims, Values and Standards

The Board leads and controls the Group through overseeing the business performance and affairs of the Company and provision of general guidance to Management. Its principal functions include determining strategic direction, overseeing the proper conduct of the Group's business, identifying principal risks and ensuring the implementation of systems to manage risks, succession planning, developing investor relations programme, reviewing the adequacy and integrity of the Group's internal control systems and management information systems, establishing goals for management and monitoring the achievement of these goals.

As part of the initiative to ensure effective discharge of its leadership role, specific powers are delegated by the Board to the Board Committees, the Managing Director and the Management. The Board Committees refer to the Audit Committee ("AC"), Remuneration Committee ("RC") and Nominating Committee ("NC"). These Committees operate within specific terms of reference ("TOR") that were drawn up in accordance with best practices in the Code and function principally to assist the Board in the execution of its duties and responsibilities towards improvement in operational and general management efficiency.

All deliberations and decisions reached at meetings of Board Committees are recorded with Chairman of the respective Committees reporting to the Board on the outcome of the Committees' meetings. The authority and TOR of the Board Committees are reviewed from time to time with the aim to ensure its relevance and enhance its efficacy.

Notwithstanding the delegation of specific powers, the Board retains full responsibility for the direction and control of the Company and the Group. The ultimate responsibility for decision-making on all matters lies with the Board.

The Board has established clear functions reserved for the Board and those delegated to Management. The Board is responsible for the overall business framework within which the Group operates. This is formalised into a schedule of events that is reserved for the Board and these included determining overall group strategy and direction to approving acquisitions and divestments, business plan, budgets, capital expenditures, quarterly and annual financial results as well as monitoring financial and operational performance against targets. Management is responsible for the execution of activities to meet corporate plans as well as instituting various measures to ensure due compliance with various governing legislations.

# Corporate Governance Overview Statement (Cont'd)



## PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### Part I Board Responsibilities (Cont'd)

#### 1. Board's Leadership on Objectives and Goals (Cont'd)

##### 1.2 Chairman of the Board

The Chairman of the Board, Tan Sri Dato' Mohd Desa bin Pachi is an Independent Non-Executive Director ("INED"). He leads governance activities on the Board in order to create a conducive condition geared towards building and growing Directors' effectiveness and ensure that appropriate issues are discussed by the Board in a timely manner. Essentially, Chairman ensures that no member dominates discussion so that appropriate discussions takes place and that relevant opinions among members is forthcoming.

##### 1.3 Separation of the position of Chairman and the Managing Director

The Board has always made the distinction that the position of the Chairman and Managing Director does not reside with the same person. Datin Tan Pak Say is the Managing Director of the Company and assumed the role of Chief Executive Officer (CEO) as well. Such division provides for organisational check and balance for better governance. There is a clear and separate division of responsibility in the roles and duties of the Chairman and Managing Director.

The Managing Director, together with 2 Executive Directors, leads management and is responsible for the day-to-day operational management of the Group.

The Managing Director has overall responsibilities over the daily conduct of operating units, human resource management with respect to key positions in the Group's hierarchy, financial management and business affairs as well as organisational effectiveness and implementation of Board policies and decisions. The Managing Director also ensures that the Group's corporate identity, products and services are of high standard and reflective of market environment, business practices are in compliance with governmental regulations.

##### 1.4 Qualified and competent Company Secretaries

The Company Secretaries are competent, qualified and capable of providing the needful support to the Board in discharging its fiduciary duties. The Constitution (formerly the Articles of Association) of the Company provides that removal of the Company Secretary is a matter for the Board as a whole.

The Company Secretary, or her assistant, is present at all meetings to record deliberation, issues discussed and conclusions in discharging her duties and responsibilities and also provide advice in relation to relevant guides and legislations.

Other roles of the Company Secretary included coordinating with Management on the preparation of Board papers, ensure Board procedures and applicable rules are observed and maintaining records of the Board as well as provide timely dissemination of information relevant to the Directors' roles and functions and keeping them updated on evolving regulatory requirements.

##### 1.5 Access to information and advice

The Board of Directors is satisfied that it is supplied, on a timely basis, information in a form and of quality sufficient to enable the Board to discharge its duties. The said information includes, amongst others, the performance report of the Group and major operational, financial and corporate issues. The agenda and board papers for consideration are distributed seven (7) days in advance before each meeting to ensure that Directors have sufficient time to study them and be properly prepared for discussion and decision-making. Timely dissemination also enable Directors to solicit, as necessary, further explanation and information, where necessary so that deliberation at Board meetings are focused and constructive.

Board materials deemed sensitive would be embargoed for release only at time of meeting. In the event physical meeting could not be convened owing to timeliness, conference calls are set-up to facilitate Board's understanding of the issues at hand and to receive approval for the same.

# Corporate Governance Overview Statement (Cont'd)

## PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### Part I Board Responsibilities (Cont'd)

#### 1. Board's Leadership on Objectives and Goals (Cont'd)

##### 1.5 Access to information and advice (Cont'd)

The Board has unhindered access to the advice and services of the Company Secretaries who are responsible for ensuring that all Board procedures are followed and that applicable rules and regulations are complied with. The Company Secretaries also act as the Company Secretaries for all the Board Committees. Minutes are prepared for all Board and Board Committees' proceedings and will be confirmed and signed by the respective Chairman at the subsequent meetings.

The Directors, whether as full Board or in their personal capacity, may upon approval from the Board, seek independent professional advice if required, in furtherance of their duty, at the Group's expense.

#### 2. Demarcation of responsibilities

##### 2.1 Board Charter

The Board Charter provides reference for Directors in relation to the Board's role, powers, duties and functions. The Board Policy Documentation, incorporating the Board Charter, TOR and other policies, was first approved in 2014. The Board Policy Documentation will be reviewed from time to time to ensure its relevance.

#### 3. Good business conduct and corporate culture

##### 3.1 Code of Ethics & Conduct

The Group is committed to maintaining high standards of ethics, professionalism and integrity in all business dealings. As such, the Group has Code of Conduct for Directors and Code of Ethics in place. Reading together, these reflect Board's commitment and underscored tone from the top for proper ethical values and behavior expected of the Directors and employees. These documents provide guidance to Directors and employees in their decision-making in that these are correct and comply with high ethical standards particularly those work-related decisions which are highly judgmental.

##### 3.2 Whistleblowing policy

The Board is of the view that the Group can rely upon the provisions of the Whistleblower Protection Act which came into effect in 2010. As such, there is no need to establish a separate whistleblowing policy at this juncture.

### Part II Board Composition

#### 4. Board objectivity

##### 4.1 Board composition

The Board comprised of eight (8) members with the composition as outlined below:

Directorate	Director(s)
Chairman/Independent Non-Executive Director	Tan Sri Dato' Mohd Desa bin Pachi
Deputy Chairman/Executive Director	Dato' Goh Cheng Huat
Managing Director	Datin Tan Pak Say
Executive Director	Goh Wan Jing
Independent Non-Executive Directors	Lim Leng Han Mohd. Arif bin Mastol
Non-Independent Non-Executive Directors	Tan Sri Dato' Soong Siew Hoong Datuk Abdullah bin Haji Kuntom

# Corporate Governance Overview Statement (Cont'd)



## PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### Part II Board Composition (Cont'd)

#### 4. Board objectivity (Cont'd)

##### 4.1 Board composition (Cont'd)

Brief profile of each Director is detailed under Profile of Directors in this Annual Report.

On 24 March 2017, Tan Sri Dato' Mohd Desa bin Pachi was re-designated as Independent Non-Executive Chairman. All concerns regarding the Group can be conveyed to him or Mr. Lim Leng Han, the Senior Independent Non-Executive Director for deliberated by all Directors during Board meetings.

On 31 March 2017, Ms. Goh Wan Jing was appointed as Executive Director in line with succession planning for the executive Board members.

The Board is in compliance with Chapter 15.02 of the Listing Requirements of Bursa Securities, which requires that at least two (2) Directors or one-third of the Board of the Company, whichever is the higher, are Independent Directors.

The Board is mindful that the Board does not comprise at least half of INEDs as it is of the view that the present INEDs, with the breadth of professional background, have enabled the Board to exercise objective judgement on various issues through their sharing of impartial, objective and unbiased opinion and viewpoints.

Further, the presence of an Independent Non-Executive Chairman together with that of a Senior INED affirmed the Board's commitment towards independence in Board leadership and provide strong check and balance in the Board functioning. Therefore, the lack of the necessary number of INEDs has not jeopardise the independence of Board deliberations and all decisions have been made in the best interest of the Company. Nonetheless the Board will address Board succession planning in the near future to ensure that INEDs form half of Board composition.

##### 4.2 Tenure of Independent Director

The Board is mindful of the recommendation of the Code for the tenure of an INED not to exceed a cumulative or consecutive term of nine (9) years. However, an INED who had exceeded the prescribed nine (9) years may continue to serve in the Board subject to his re-designation as Non-INED.

The concept of independence as adopted by the Board is consistent with definition of INEDs outlined in para 1.01 and Practice Note 13 of the Listing Requirements. The key elements for fulfilling the criteria are the appointment of Directors who are not members of management and who are free of any relationship which could interfere with the exercise of independent judgment or the ability to act in the best interest of the Company.

As at to-date, Mr. Lim Leng Han and Encik Mohd. Arif bin Mastol have served the Board as INEDs for more than twelve (12) years since their appointment on 25 July 1994 and 28 June 2002 respectively. Notwithstanding their long tenure of service, both INEDs have served the Board well. Their presence together with that of the Independent Non-Executive Chairman had ensured that issues of strategies, performance and resources proposed by the Management are objectively evaluated, taking into consideration the long-term interests of shareholders, employees, customers, and other communities in which the Group conducts its business.

At the annual general meeting ("AGM") last held on 25 May 2017, the shareholders approved unanimously the separate resolutions, by way of poll, to retain Mr. Lim Leng Han and Encik Mohd. Arif bin Mastol as INEDs.

# Corporate Governance

## Overview Statement (Cont'd)

### PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

#### Part II Board Composition (Cont'd)

#### 4. Board objectivity (Cont'd)

##### 4.2 Tenure of Independent Director (Cont'd)

Following annual assessment, the Board had recommended for Mr. Lim Leng Han and Encik Mohd. Arif bin Mastol to continue as INEDs subject to shareholders' approval at the forthcoming AGM. Key justifications to retain them as INEDs are as follows:

- (a) They have remained objective and independent in expressing their views during deliberation and decision-making of the Board and the Board Committees. Their judgment is not clouded by familiarity.
- (b) They had fulfilled the criteria on independence as prescribed by Bursa Securities and therefore able to bring element of objectivity and impartiality that provide check and balance to the executive team.
- (c) They provided the Board with a diverse set of experience, skill and expertise.
- (d) They had carried their duties diligently and had participated actively during deliberations of both Board and Board Committees by bringing different perspectives and balanced assessment to deliberation and decision-making.
- (e) They understand the business and operations of the Group as they have been with the Company for a long period of time. Therefore, they are able to participate effectively during meetings.

##### 4.3 Policy on Tenure of Independent Director

The Company does not have a policy which limits the tenure of its independent directors to nine (9) years. In the event the Board intends to retain a Director as INEDs after the latter has served a cumulative/ consecutive term of nine (9) years, the Board must justify the decision and seek shareholders' approval at AGM. Shareholders' approval was obtained at the AGM annually for the retention of Mr. Lim Leng Han and Encik Mohd. Arif bin Mastol as INEDs.

##### 4.4 Diverse Board and senior management team

The Board is supportive of diversity on the Board and in senior management team. Appointment of Board and senior management personnel are based on objective criteria, merit and also due regard for diversity in experience, skills set, age and cultural background.

The current Directors, with their diverse background and professional specialisation, collectively, bring with them a wealth of experience and expertise in areas such as general management and operations, law, commercial, finance and accounting, corporate affairs, manufacturing as well as sales and marketing.

##### 4.5 Gender diversity

The Board is supportive of gender diversity on the Board and in senior management. The presence of two (2) female executive Board members (Managing Director and Executive Director) on the Board testified to the Group's commitment on gender diversity. Their presence reflected a 25% female representation on the Board. The Board is of the view that the Company has met the gender diversity target as its female representation is above average and very much higher than 19.1% recorded by Top 100 companies in 2017. The Group has gender diversity in its management team with over 31.3% female representation.

It must be noted that the Board and the Company's primary responsibility is the strength of the Board and the principal aim that new appointments must always be to select the best candidate available. Whilst acknowledging the recommendation of the Code on gender diversity, the Board is of the collective opinion that there was no necessity to adopt a formal gender diversity policy as the Group is committed to provide fair and equal opportunities and nurturing diversity within the Group. The NC and the Board, will consider gender diversity as part of its future selection and will look into increasing female board representation going forward.

# Corporate Governance Overview Statement (Cont'd)



## PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### Part II Board Composition (Cont'd)

#### 4. Board objectivity (Cont'd)

##### 4.6 Diverse sources for new candidate(s) for Board appointment

Ms. Goh Wan Jing was appointed as Executive Director on 31 March 2017. An assessment of her candidacy was carried out by the NC. Ms. Goh's candidacy was an internal search and integral part of the executive Board members' succession planning to groom new leaders for the Group going forward.

##### 4.7 Nominating Committee ("NC")

The NC, formed on 26 August 2002, comprised solely of INEDs and the present composition is as follows:

Chairman	Tan Sri Dato' Mohd Desa Bin Pachi
Members	Lim Leng Han Mohd. Arif bin Mastol

The Committee meets at least once annually with additional meetings convened on need basis.

The NC's key duties encompassed the following:

- Recommend candidates to the Board and Board Committees with due consideration for their skills set, knowledge, education, qualities, expertise and experience; professionalism; integrity, time commitment, contribution, board room diversity and other factors that will best qualify a nominee to serve on the Board; and for the position of INEDs, the ability to discharge such responsibilities/functions as expected;
- Assist the Board to review regularly the Board structure, size and composition and the required mix of skills and experience and other qualities including core competencies which Non-Executive Directors should bring to the Board;
- Assess the effectiveness of the Board, Board Committees and the contributions of each individual Director, including the independence of INEDs, as well as the CEO and CFO (where these positions are not Board members), based on the criteria, process and procedures laid out by the Board; and to provide the necessary feedback to the Board. The criteria would include, among others, required mix of skills and experience and other qualities including core competencies. All assessments and evaluations carried out are documented;
- To recommend to the Board, Directors who are retiring by rotation to be put forward for re-election; and
- To evaluate training needs for Directors annually.

During the year under review, key activities undertaken by the Committee are summarised as follows:

- Reviewed the composition, mix of skills and experience and other qualities, including core competencies as well as contribution of each individual Director and the effectiveness of the Board as a whole and the Board Committees drawing upon the guidance in Directors' Performance Assessment Policy with the aim of achieving balance of views on the Board;
- Reviewed the level of independence of the INEDs;
- Discussed the character, experience, integrity and competency of the Directors and to ensure they have the time to discharge their respective roles;
- Reviewed and recommended INEDs who have served the Company for a cumulative term of more than twelve (12) years, for retention as INEDs at the Company's AGM; and
- Discussed and recommended the re-election of Directors at AGM.

The TOR is available on the corporate website at [www.leadersteel.my](http://www.leadersteel.my).

# Corporate Governance Overview Statement (Cont'd)

## PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### Part II Board Composition (Cont'd)

#### 4. Board objectivity (Cont'd)

##### 4.7 Nominating Committee ("NC") (Cont'd)

###### **Develop, maintain and review criteria for recruitment and annual assessment of Directors**

The Constitution (Articles of Association) of the Company provides that an election of Directors shall take place each year and, at the AGM, one-third of the Directors for the time being or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third shall retire from office and be eligible for re-election. All the Directors shall retire from office once at least in three (3) years but shall be eligible for re-election. The Directors to retire in each year shall be those who have been longest in office since their appointment or reappointment. A retiring Director is eligible for re-appointment. This provides an opportunity for shareholders to renew their mandates. The re-election of each Director is voted on separately.

The Director who is subject to re-election and/or re-appointment at next AGM is assessed by the Nomination Committee before recommendation is made to the Board and shareholders for re-election and/or re-appointment. Appropriate assessment and recommendation by the NC is based on the annual assessment conducted.

#### 5. Overall Board effectiveness

##### 5.1 Overall effectiveness of the Board and individual Directors

The INEDs are assessed annually by the NC on behalf of the Board.

The NC undertakes annual assessment of the effectiveness of the Board, the Board Committees and the contribution of each individual Director on an annual basis. All assessments and evaluations carried out by the NC in the discharge of all its functions are documented.

The assessment is performed on a Board review or self-assessment basis. All Directors are provided with the same set of assessment forms for their completion. The results of all assessments and comments by Directors are summarised and tabled at the NC meeting. The Chairman of the NC will report the results and deliberation to the Board.

The criteria used in the assessment of the Board and the Board Committees focussed on board mix and composition, quality of information and decision-making, boardroom activities, board's relationship with Management and Board Committees.

The assessment of individual Director focussed on fit and proper, contribution and performance, calibre and personality, skills set and independence.

The assessment in respect of financial year ended 31 December 2017 was carried out with the results deemed satisfactory by the Board.

The Board of Directors meets at least four (4) times a year at quarterly intervals with additional meetings convened as necessary. During FY2017, four (4) Board meetings were held where the Board deliberated upon and considered a variety of matters including the Group's quarterly operation and financial results, major investments and strategic decisions and any other strategic issues that may affect the Group's business.

In the intervals between Board meetings, Board approvals are obtained via circular resolutions for exceptional matters requiring urgent Board decisions which are then supported with information necessary for an informed decision. As a mean to facilitate Directors' planning and time management, an annual meeting calendar is prepared and given to Directors before the beginning of each new financial year.

# Corporate Governance Overview Statement (Cont'd)



## PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### Part II Board Composition (Cont'd)

#### 5. Overall Board effectiveness (Cont'd)

##### 5.1 Overall effectiveness of the Board and individual Directors (Cont'd)

During the year, four (4) Board meetings were held. The listing of the Board members and their attendance at meetings held are as tabulated below:

Directorate	Director(s)	Attendance
Chairman/Independent Non-Executive Director	Tan Sri Dato' Mohd Desa bin Pachi	4/4
Deputy Chairman/Executive Director	Dato' Goh Cheng Huat <sup>1</sup>	2/4
Managing Director	Datin Tan Pak Say	4/4
Executive Director	Goh Wan Jing <sup>2</sup>	3/3
Non-Independent Non-Executive Director	Tan Sri Dato' Soong Siew Hoong	4/4
Non-Independent Non-Executive Director	Datuk Abdullah bin Haji Kuntom <sup>3</sup>	2/4
Senior Independent Non-Executive Director	Lim Leng Han	4/4
Independent Non-Executive Director	Mohd. Arif bin Mastol	4/4

Note:

<sup>1</sup> His absence was due to unexpected matters which required his urgent attention.

<sup>2</sup> Attendance calculated for Board meetings held after her appointment to the Board on 31 March 2017.

<sup>3</sup> His absence was due to illness.

Board meetings are scheduled ahead to enable the Directors to plan and adjust their schedule to ensure good attendance and the expected degree of attention to the Board meeting agenda. Management personnel and external consultants are also invited to attend the Board meetings as and when required in order to present and advise the members with information and clarification on certain meeting agenda to facilitate informed decision-making.

The attendance records for meetings of Board Committees, namely, AC, NC and RC are as tabulated:

Committee	Director(s)	Attendance
Audit	Lim Leng Han, Chairman	4/4
	Mohd. Arif bin Mastol, member	4/4
	Datuk Abdullah bin Haji Kuntom, member	2/4
Nominating	Tan Sri Dato' Mohd Desa bin Pachi, Chairman	2/2
	Lim Leng Han, member	2/2
	Mohd. Arif bin Mastol, member	2/2
Remuneration	Tan Sri Dato' Mohd Desa bin Pachi, Chairman	1/1
	Lim Leng Han, member	1/1

The Board is satisfied with the time commitment given by the Directors. The number of Directorship held by each Director complied with para 15.06 of the Listing Requirements. The Board members will notify the Chairman in writing prior to accepting new Directorship in other public listed companies.

The Directors recognised the importance of continuous trainings to enhance their knowledge, expertise and professionalism in discharging their duties. As at the date of this statement, all the Directors have attended and successfully completed the MAP (Mandatory Accreditation Programme).

# Corporate Governance Overview Statement (Cont'd)

## PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### Part II Board Composition (Cont'd)

#### 5. Overall Board effectiveness (Cont'd)

##### 5.1 Overall effectiveness of the Board and individual Directors (Cont'd)

The Directors will continue to attend various seminars and training programmes necessary to enhance and keep abreast with relevant changes, development and updates affecting industries that the Group operates in as well as regulatory requirements. The Directors are regularly updated by the Company Secretaries on any changes to new statutory, corporate and regulatory developments relating to Directors' duties and responsibilities or the discharge of their duties as Directors of the Company.

The Board had, through the NC, undertake an assessment of the training needs of the Directors and concluded that the Directors are to determine their training needs as they are in the better position to assess their areas of concern.

Nonetheless, the NC had recommended for participation at training to improve financial literacy and keep up with changes to financial reporting environment as well as understanding the impact of the changes arising from implementation of Companies Act, 2016 and other related laws.

The training attended by the Directors during the year under review is as follows:

1. 2018 Budget Presentation
2. Corporate Governance Breakfast Series: Thought leadership session for Directors - Leading in a Volatile, Uncertain Complex, Ambiguous (VUCA) World
3. How smart companies are harnessing the power of the stock exchange
4. Joining the Dots: Good decision making in a VUCA World
5. ERA Trade and Investment Delegation to Dhaka, Bangladesh
6. Understand Macroeconomics Data and Issues for Better Investment Decision
7. MFRS 9, 15 and 16 Training and Workshop
8. Transformation Masterclass – Global Transformation Forum
9. ISO 9001:2015 Internal Auditor Training
10. EABC-MSBC Forum for Entrepreneurs: How to utilise regional agreements and How to benefit from Mega-Projects?
11. Mandatory Accreditation Programme for Directors of Public Listed Companies

Management assist in the administrative management of training programs for Directors and maintain a record of the trainings attended by the Directors.

### Part III Remuneration

#### 6. Level and composition of Remuneration

##### 6.1 Remuneration Policy

The objective of the Group's Remuneration Policy is to attract and retain the Directors required to lead and control the Group effectively. In the case of the executive Board members, the components of the remuneration package are linked to individual and corporate performance. As for Non-Executive Directors, the level of remuneration is reflective of their experience, level of responsibilities and the onerous challenges in discharging their fiduciary duties.

The Committee met once (1) during the year to consider the remuneration package for the executive Board members as well as Directors' fees for the Non-Executive Directors. The Directors' fees reflect the broad based roles and responsibilities as well as time commitment to the Group that go with Board membership.

The executive Board members played no part in deciding their own remuneration and the respective Board members shall abstain from all discussion pertaining to their remuneration.

# Corporate Governance Overview Statement (Cont'd)



## PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

### Part III Remuneration (Cont'd)

#### 6. Level and composition of Remuneration (Cont'd)

##### 6.2 Remuneration Committee ("RC")

The RC, established on 26 August 2002, is populated as follows:

Chairman	Tan Sri Dato' Mohd Desa bin Pachi
Member	Lim Leng Han

On 22 February 2018, Dato' Goh Cheng Huat stepped down as member of the RC in line with Practice 6.2 for the Committee to comprise solely of NEDs. A replacement will be appointed in due course.

The TOR and Remuneration Policy are available on the corporate website at [www.leadersteel.my](http://www.leadersteel.my).

The key duties of the Committee included the following:

- To determine and recommend to the Board the framework for the remuneration, in all forms, of the executive Board members and/or any other persons as the Committee is designated to consider by the Board, drawing from outside advice as necessary.
- To implement/maintain a reward system for the executive Board members based on their performance against the Company's results. The following factors shall be taking into consideration in determining the quantum of remuneration: position and scope of work, long term objectives of the Group, complexities of Group activities, individual performance, length of service, experience and mark-to-market salary.

#### 7. Remuneration of Directors and Senior Management

##### 7.1 Details of Directors' Remuneration

The remuneration payable in respect of Directors' fees and benefits payable for FY2017 and FY2018 are categorised as follows:

Types	FY2017	FY2018
Directors' Fees – per Director	25,000	25,000
Chairman's Allowance	46,000	46,000
Meeting Allowance – per meeting	500	500

A total of ten (10) meetings are scheduled for FY2018. The Directors' fees and benefits payable are endorsed by the Board of Directors for approval by the shareholders at the AGM prior to payment. In addition, the Non-Executive Directors are also paid meeting allowances for attendance at meetings as well as Committee allowances.

# Corporate Governance

## Overview Statement (Cont'd)

### PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

#### Part III Remuneration (Cont'd)

#### 7. Remuneration of Directors and Senior Management (Cont'd)

##### 7.1 Details of Directors' Remuneration (Cont'd)

The remuneration of the Directors of the Company for FY2017 which is paid/payable is as tabulated:

Directors	Received or to be received from the Company (RM)		Received or to be received from the Group (RM)		Total
	Fees	Allowances <sup>1</sup>	Salaries <sup>2</sup>	Benefits-in-kind	
Tan Sri Dato' Mohd Desa Bin Pachi	25,000	49,500	-	-	74,500
Lim Leng Han	25,000	5,500	-	-	30,500
Mohd. Arif Bin Mastol	25,000	5,000	-	-	30,000
Tan Sri Dato' Soong Siew Hoong	25,000	2,500	-	-	27,500
Datuk Abdullah Bin Haji Kuntom	25,000	2,500	-	-	27,500
Datin Tan Pak Say	25,000	2,500	1,227,279	23,950	1,278,729
Dato' Goh Cheng Huat	25,000	1,500	-	10,958	37,458
Goh Wan Jing	25,000	2,000	252,621	13,157	292,778
<b>Grand total</b>	<b>200,000</b>	<b>71,000</b>	<b>1,479,900</b>	<b>48,065</b>	<b>1,798,965</b>

Note:

<sup>1</sup> Allowances included meeting allowances

<sup>2</sup> Bonus, EPF and SOCSO are included herein

##### 7.2 Details of top 5 Senior Management's remuneration

##### 7.3 Detailed remuneration of top 5 Senior Management on named basis

The Company adopts a remuneration system that is responsive to the market elements and performance of the Group and business divisions respectively.

The Board acknowledged the need for transparency in the disclosure of its senior management remuneration. Nonetheless, it is of the view that such disclosure could be detrimental to its business interests given the highly competitive human resource environment in which the Group operates where intense headhunting for personnel with the right expertise, knowledge and relevant working experience is the norm. As such, disclosure of specific remuneration information could rise to recruitment and talent retention issues going forward.

The remuneration of the top five senior management personnel (who are not Directors or ED) of the Group for this financial year under review are set out below in remuneration bands of RM50,000.

Range of Remuneration	Top 5 Senior Management Team
RM400,000 – RM450,000	1
RM300,000 – RM350,000	2
RM200,000 – RM250,000	2

# Corporate Governance Overview Statement (Cont'd)



## PRINCIPLE B EFFECTIVE AUDIT AND RISK MANAGEMENT

### Part I Audit Committee ("AC")

#### 8. Effective and independent AC

##### 8.1. Chairman of the AC

Mr. Lim Leng Han, Senior INED, is the Chairman of the AC. Details on the composition, TOR and other pertinent facts of the AC is outlined under the AC Report in this Annual Report. The scope of the external auditors is ascertained by the AC, with a twice-a-year meeting held between the AC and the external auditors in the absence of executive Board members and management staff.

##### 8.2 Policy requiring former key audit partner to observe 2-year cooling off period

None of the members of the Board were former key audit partners. Hence, no former key audit partner is appointed to the AC. As such, there was no need to establish such policy presently. Such a policy would be established when the need arises in future.

The Board will observe a cooling-off period of at least two (2) years in the event any potential candidate to be appointed as a member of the AC was a key audit partner.

##### 8.3 Policy and procedures to assess the suitability, objectivity and independence of the external auditor

Under its TOR, the AC reviews the suitability, objectivity and independence of the external auditor of the Company on an annual basis. The review process covers the assessment of the independence of the external auditor, the evaluation of the external auditor's performance, competency, quality of work, audit fees and the adequacy of resources.

The AC has assessed the suitability and independence of the external auditors and is satisfied with the technical competency and independence of the external auditors. The AC meets with the external auditors at least twice (2) a year to discuss their audit plan and audit findings. At least once a year and whenever necessary, the AC met with the external auditors without the presence of executive Board members or management personnel, to allow the AC and the external auditors to exchange independent views on matters which require the AC's attention.

The AC has considered the non-audit services provided by the external auditors during FY2017 and concluded that the provision of these services did not compromise the external auditors' independence and objectivity. The amount of fees paid for these services was not significant when compared to the total audit fees paid to the external auditors. The external auditors have confirmed to the AC that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of relevant professional and regulatory requirements.

##### 8.4 Composition of the AC

An AC comprised solely of INEDs is not applicable to the Group presently. The current AC comprised of NEDs with a majority independent. The Board will consider an AC populated solely by INEDs concurrent with its Board succession planning.

##### 8.5 Diversity in skills of the AC

The AC currently comprised of members with professional experience in financial, legal and public service environment. All members are financially literate and are able to read, interpret and understand the financial statements. The diversity in skills set coupled with their financial literacy gave the AC the ability to effectively discharge their roles and responsibilities.

Upon review of the outcome of the AC effectiveness assessment carried out by the NC during the year, the Board is satisfied with the AC's performance and capability as its Chairman and members possessed the necessary knowledge, experience and skills necessary for the overall effectiveness of the AC.

# Corporate Governance

## Overview Statement (Cont'd)

### PRINCIPLE B EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

#### Part II Risk Management & Internal Control Framework

#### 9. Effective risk management and internal control framework

##### 9.1 Establish an effective risk management and internal control framework

The Board of Directors recognises the importance of sound internal controls which encompass risk management practices as well as financial, operational and compliance controls on a quarterly basis. In this respect, the Board affirms its overall responsibility for the Group's systems of internal controls and risk management, and for reviewing the adequacy and integrity of those systems.

The Statement on Risk Management and Internal Controls in this Annual Report provides an overview on the state of internal controls and risk management within the Group.

Continuous reviews are carried out by the Group's internal audit function and management to identify, evaluate, monitor and manage significant risks affecting the business and ensure that adequate and effective controls are in place. The findings of the internal audit function are reported to the AC regularly.

##### 9.2 Disclosure on the features of risk management and internal control framework

Risk assessment, monitoring and review of the risks faced by the Group are continuous processes within the key operating units with the Risk Management Committee (a Management level Committee) playing key oversight function as delegated by the Board of Directors.

The Board has further received assurance from the Managing Director and Executive Director that the Group's risk management and internal control systems are operating adequately and effectively.

The Statement on Risk Management and Internal Control in this Annual Report provides an overview on the state of internal controls and risk management within the Group.

##### 9.3 Establishment of a Risk Management Committee

There is a Risk Management Committee in place which undertakes regular risk reviews on the Group's businesses and operations. An analysis of the risks identified together with proposed mitigating actions are tabled to the AC annually. The AC will report to the Board on exception basis if there was any change in the risks identified.

#### 10. Effective governance, risk management and internal control

##### 10.1 Effectiveness of the internal audit function

##### 10.2 Disclosure on the internal audit function

The internal audit function is independent of the operations of the Group and is outsourced to a competent consulting firm which is sufficiently resourced to provide the services that meet with the Group's required service level. The internal auditors report directly to the Chairman of the AC. The AC reviews and approves the Internal Audit Plan annually and ensures that the internal auditors are accorded with appropriate standing and authority to facilitate the discharge of its duties. Audits of the practices, procedures, expenditure and internal controls of identified business and support units and subsidiaries are undertaken on a regular basis.

The service provider has been able to provide reasonable assurance that the Group's system of internal control and risk management is satisfactory and operating effectively. The internal auditors adopt a risk-based approach towards the planning and conduct of their audits, and this is consistent with the Group's approach in designing, implementing and monitoring its internal control and risk management system.

The AC has received the confirmation form the internal auditors that they have adopted internal audit standards and best practices based on the International Professional Practices Framework (IPPF), endorsed by the Institute of Internal Auditors Malaysia.

# Corporate Governance Overview Statement (Cont'd)



## PRINCIPLE B EFFECTIVE AUDIT AND RISK MANAGEMENT (Cont'd)

### Part II Risk Management & Internal Control Framework (Cont'd)

#### 10. Effective governance, risk management and internal control (Cont'd)

##### 10.2 Disclosure on the internal audit function (Cont'd)

The total expenses incurred for the internal audit work during FY2017 was approximately RM26,000 (FY2016: RM34,000).

The activities of the internal auditors during the financial period are set out in the AC Report in this Annual Report.

## PRINCIPAL C INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

### Part I Communication with Stakeholders

#### 11. Continuous Communication between Company and Stakeholders

##### 11.1 Effective and transparent and regular communication with stakeholders

The Group is committed to maintaining regular, transparent, coherent, timely and equitable dissemination of relevant and material information on the development of the Group to shareholders and stakeholders whilst balancing commercial confidentiality and regulatory considerations.

The Directors recognise the importance of accountability to its shareholders and investors through proper communication and acknowledge that shareholders should be informed of all material business matters which influence the Group. Circulars to shareholders, distribution of annual reports, announcements and release of financial results on a quarterly basis provide the shareholders and the investing public with an overview of the Group's performance and operations. The timely dissemination of these information is a part of the Company's efforts to ensure transparency and good governance. These are also available on the Bursa Securities' website and provides an avenue to its shareholders to receive information about the Group electronically.

The Group aims to build long-term relationships with shareholders and potential investors through appropriate channels for disclosure of information such as Annual Report, quarterly results, analyst briefings, announcement to Bursa Malaysia and corporate website.

Investors are provided with sufficient business, operational and financial information on the Group to enable them to make informed investment decisions.

All announcements are reviewed and endorsed by the Board prior to release to the public through Bursa Securities. In addition, all financial related announcements are pre-approved by the executive Board Members before these are submitted to the AC and Board for approval.

The Managing Director is the designated spokesperson for all matters related to the Group and dedicated personnel are tasked to prepare and verify material information for timely disclosure upon approval by the Board.

The Group maintains a website at [www.leadersteel.my](http://www.leadersteel.my) for shareholders and the public to access information on, amongst others, the Group's background and products, announcements and financial performance. Stakeholders can at any time seek clarification or raise queries through the corporate website, by email or phone. The website also post all press releases made by the Group together with latest news on the Group.

The quarterly financial results are also announced via Bursa LINK immediately after the Board's approval. This is important in ensuring equal and fair access to information by the investing public.

At all times, shareholders may contact the Company through the Company Secretaries for information.

# Corporate Governance

## Overview Statement (Cont'd)

### PRINCIPAL C INTEGRITY IN CORPORATE REPORTING AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (Cont'd)

#### Part I Communication with Stakeholders (Cont'd)

#### 11. Continuous Communication between Company and Stakeholders (Cont'd)

##### 11.2 Integrated Reporting

Integrated reporting is not applicable to the Group presently. This is not applicable to the Company in view that the Company does not fall within the definition of "Large Companies".

#### Part II Conduct of general meetings

#### 12. Encourage Shareholders Participation at General Meetings

##### 12.1 Notice for annual general meeting

The Board encourages shareholders' participation and as such, the AGM is an important event as the Board is given the opportunity to have a dialogue with the shareholders following presentation of annual audited financial results and to address any questions that may arise. The Directors, Company Secretary and the Group's external auditors are available to respond to the queries raised. In the event that an answer cannot be readily given at the meeting, the Chairman will undertake to provide a written reply to the shareholder.

The notice of AGM is sent at least twenty-eight (28) days before meeting date to shareholders and is published in a major local newspaper. Items of special business included in the Notice of Annual General Meeting will be accompanied by an explanation of the proposed resolution. Separate resolutions are proposed for substantially separate issues at the meeting. All suggestions and comments put forth by shareholders will be noted by the Board for consideration. The Directors attend the AGM to answer any such questions that may arise as shareholders may seek more information than what is available in the Annual Report and/or circulars.

The Board is satisfied with the current programme at AGM and there have been no major contentious issues noted with shareholders/investors.

##### 12.2 All Directors to attend general meetings

All the Directors attended, in person, the annual general meeting held on 25 May 2017.

##### 12.3 Leveraging on technology for voting in absentia and remote shareholders' participation

Based on the past trend of number of investors, the Company does not have a large number of shareholders to warrant voting in absentia and/or remote shareholders' participation at AGM. The total number of shareholders hover around 2,400 on a monthly basis with a majority Malaysian. Further, all general meetings are held at the Company's premises which is easily accessible to all shareholders.

As of now, the Company encourages participation of shareholders through the issuance of proxies when the said shareholders are unable to attend and vote in person at general meetings and maintain the same location for the AGM for the past years.

# Corporate Governance Overview Statement (Cont'd)



## SUMMARY OF CORPORATE GOVERNANCE PRACTICES

As part of the Group's efforts and commitment towards sound corporate governance, the Group has benchmarked its existing practices against the Code.

In line with the leeway accorded in the application mechanism of the Code, the Company has provided forthcoming explanations for the departures from certain Practices. The explanations on the departures are supplemented with a description on the alternative measures (where applicable) to be taken that would to achieve the Intended Outcome of the departed Practices and measures that the Company has taken or intends to take to adopt the departed Practices. Further details on the application of each individual Practice of Code are available in the CG Report.

## STATEMENT ON COMPLIANCE

The Board will continue to strive for sound standards of corporate governance throughout the Group. Presently, the Board is of the view that the Company has in all material aspects satisfactorily complied with the Principles and Practices set out in the Code, except for the departures set out in the CG Report.

The Corporate Governance Overview Statement is issued in accordance with a resolution of the Board of Directors dated 23 April 2018.

# Additional Information

## 1. Share Buy-Back

The details of the Company's Share Buy-Back exercise during the financial year ended 31 December 2017 are as follows:

Date of Purchase	No. of Shares Purchased and Retained as Treasury Shares	Purchase Price Per Share			Total Consideration Paid (RM)
		Highest Price (RM)	Lowest Price (RM)	Average Price (RM)	
30.05.2017	20,000	0.480	0.480	0.480	9,600.00
29.11.2017	190,000	0.525	0.510	0.518	99,340.00
30.11.2017	500,000	0.540	0.530	0.535	268,087.50
06.12.2017	200,000	0.490	0.475	0.483	96,868.00
27.12.2017	108,000	0.515	0.510	0.513	55,468.50

During the financial year, a total of 1,018,000 shares were purchased by the Company and all shares purchased were retained as treasury shares with no shares being resold or cancelled. As at 31 December 2017, the number of treasury shares was 2,760,800.

## 2. Non-audit Fees

Non-audit fees amounting to RM42,500 for the Group were paid to the external auditors of the Company for the financial year ended 31 December 2017, mainly for the services in connect with Review of Statement of Risk Management and Internal Control, ITGC Audit, and MFRS Training and Workshop.

## 3. Material Contracts

During the financial year, there were no material contracts with the Company and its subsidiaries involving Directors' and major shareholders' interest.

## 4. Recurrent Related Party Transactions of a Revenue or Trading Nature for the Year Ended 31 December 2017

Details of recurrent related party transactions made during the financial year ended 31 December 2017 pursuant to the shareholders' mandate obtained by the Company at the Annual General Meeting held on 25 May 2017 were as follows:

Company within the Group involved	Transacting Party	Amount (RM'000)	Nature of transactions	Interested Related Party
Leader Steel Sdn. Bhd. ("LSSB")	Eonmetall Industries Sdn. Bhd.	7	Purchase of steel products	
	Eonmetall Technology Sdn. Bhd.	4,388	Sale and purchase of steel products	Interested Director and Major Shareholder Dato' Goh Cheng Huat
Leader Steel Service Centre Sdn. Bhd. ("LSSC")	Eonmetall Industries Sdn. Bhd.	20,858	Sale, purchase and servicing of steel products	
		318	Rental	Datin Tan Pak Say
	Eonmetall Technology Sdn. Bhd.	484	Sale of steel products	Interested Major Shareholder
		1,218	Purchase of property, plant and equipment	Bischart Sdn. Bhd.
	Eonmetall Systems Sdn. Bhd.	6	Sale of steel products	

# Audit Committee Report



## Composition & Meeting

The Audit Committee ("AC" or "the Committee") was established by the Board of Directors of Leader Steel Holdings Berhad ("the Company") on 14 August 1995 with the purpose to assist the Board in fulfilling the Board's responsibilities with respect to its oversight responsibilities on the integrity of the Group's financial reporting process and its audit process.

The AC comprises of three (3) Non-Executive Directors with majority independent thus ensuring that the Company is in compliance with para 15.09 of the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities").

Chairman	Lim Leng Han, Senior Independent Non-Executive Director
Members	Mohd. Arif bin Mastol, Independent Non-Executive Director Datuk Abdullah bin Haji Kuntom, Non-Independent Non-Executive Director

All members of the AC are financially literate and are able to analyse and interpret financial statements in order to effectively discharge their duties and responsibilities as members of the AC. Encik Mohd. Arif bin Mastol is a member of the Malaysian Institute of Accountants.

The minutes of each AC meeting were recorded and tabled for confirmation at the following AC meeting. The AC Chairman reported to the Board on the activities undertaken and the key recommendations for the Board's consideration and decision.

The terms of reference of the AC is published on the corporate website on [www.leadersteel.my](http://www.leadersteel.my).

During the financial year ended 31 December 2017 ("FY2017"), the Committee met four (4) times to discuss matters relating to the accounting and reporting practices of the Company and its subsidiaries. In addition, the Committee had conducted two (2) separate sessions with the external auditors without the presence of Executive Directors and Management.

The meetings were appropriately structured through the use of agenda, which was distributed to members with sufficient notification given.

The Company Secretary or her representative was present by invitation at all the meetings. The Group's Senior Management, representatives of the external auditors and internal auditors also attended the meetings upon invitation.

Details of Directors' attendance at the meetings of the Audit Committee during the financial year are as follows:

Director(s)	Attendance
Lim Leng Han, Chairman	4/4
Mohd. Arif bin Mastol, member	4/4
Datuk Abdullah bin Haji Kuntom, member	2/4

## Summary of activities carried out during the financial year

The Committee had carried out its duties in accordance with its terms of reference during the financial year under review. The main activities undertaken by the Committee were as follows:

### Financial reporting

- Reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval. The Executive Director (and the previous General Manager) were invited to attend the meetings and render relevant explanations on questions raised during the review;
- Reviewed the Company's compliance, in particular, the quarterly and year-end financial statements, with the Listing Requirements of Bursa Malaysia Securities Berhad, applicable approved accounting standards of the Malaysian Accounting Standards Board and other relevant legal and statutory requirements;
- Reviewed pertinent issues, which had significant impact on the results of the Group, including bank borrowings, investments and divestments and strategic operations of subsidiaries; and
- Reviewed the recurrent related party transactions of revenue and trading nature and other related party transactions entered into by the Group.

# Audit Committee Report (Cont'd)

## Summary of activities carried out during the financial year (Cont'd)

### External audit

- (a) Reviewed with the external auditors on scope of work and annual audit plan in respect of audit of the Company and its subsidiaries for FY2017;
- (b) Reviewed with the external auditors the results and findings of the audit, the audit report and management letter for FY2017;
- (c) Met twice (2) with the external auditors (on 23 November 2017 and 22 February 2018) without the presence of the executive Board members and Management to enquire the extent of assistance rendered by the Management, issues on audit and accounting and suggestions arising from the audits; and
- (d) Reviewed and assessed the objectivity, independence and competency of the external auditors touching on quality of service, experience and expertise and made its recommendations to the Board on their re-appointment and fees.

### Internal audit

- (a) Reviewed with the internal auditors on scope of work and annual audit plan in respect of audit of the Company and its subsidiaries for FY2017;
- (b) Reviewed the Risk Management Report which was in relation to the risk assessment and risk profile for the steel manufacturing business and mineral trading business updated following a Risk Management Committee meeting;
- (c) Reviewed the internal audit report, which highlighted the audit issues and findings, recommendations and Management's response thereto; and
- (d) Monitored the outcome of follow-up audits to ascertain the extent to which agreed action plans have been implemented by Management and any issues arising therefrom.

## Internal Audit Function

The Group outsourced its internal audit function to a professional firm of consultants to carry out internal audit work for the Group. The principal role of the internal audit function is to undertake independent and regular reviews of the system of internal controls and risk management so as to provide reasonable assurance that such system continues to operate satisfactorily and effectively. It is the responsibility of the internal audit function to provide the Committee with independent and objective reports on the risk management profile as well as the state of internal control of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements.

The Internal Audit Annual Plan was prepared based on a risk-based approach for the approval of the AC.

During FY2017, the internal audit function carried out review on mineral trading and oversight on accounts receivable, follow-up reviews on the status of implementation of previously issued audit recommendations, assisted Management in updating the risk profile of the Group. The opportunities for improvement noted, together with the recommendations thereof and agreed management action plans, were presented to the Audit Committee for consideration.

Further details on the internal audit function and its activities are set out under the Statement on Risk Management and Internal Controls in this Annual Report.

# Statement on Risk Management and Internal Control



Paragraph 15.26(b) of the Listing Requirements of Bursa Malaysia Securities Berhad stipulates that the Board of Directors of public listed companies should include in its annual report a statement about the state of the risk management and internal control of the listed issuer as a group. In this regard, the Board is pleased to provide the following statement, which outlines the nature and scope of the risk management and internal control of the Group during the financial year ended 31 December 2017.

## (A) BOARD RESPONSIBILITY

The Board acknowledges its responsibility for the adequacy and effectiveness of the Group's risk management and internal control system. The Board recognises that to achieve its business objectives and sustain success, it is vital that the risk management and internal control processes of the Group are effective.

The Board has in place an on-going process for identifying, evaluating and managing the significant risks encountered by the Group. The Board, through its Audit Committee, reviews the results of this process. This process has been in place for the financial year under review and up to the date of approval of this Statement for inclusion in the Annual Report of the Company.

However, because the risk management and internal control system is designed to mitigate, rather than eliminate, the risk of failure in achieving the business objectives, it provides reasonable but not absolute assurance against material misstatement of financial information or losses, contingencies, fraud or any irregularities.

## (B) RISK MANAGEMENT FRAMEWORK

The Group has engaged an independent professional firm to assist the Board in establishing a risk management framework for the Group.

Under the framework, the Group has formed a Risk Management Committee, which consists of the Senior Management of the Group. The primary function of the Committee is to oversee the risk management process of the Group. It reports to the Audit Committee.

During the financial year, the Risk Management Committee assessed the risks and controls of the Group and the quantified risks have been compiled into the risk profiles. The Committee also came up with initiatives to improve the risk management process of the Group.

The steps involved in Risk Management Process are:-

### (i) Identifying Risks

All potential events that could adversely impact the achievement of business objectives are identified, whether in strategic, operation, reporting or compliance level.

### (ii) Evaluating Risks

The Management will perform risk analysis which involves development of an understanding on the identified risks. The identified risks are quantified for their impact and the likelihood of occurrence.

### (iii) Managing Risks

Management will determine the relevant control strategies in order to response to each identified risk. Besides, the management will conduct periodic review and monitor the effectiveness of the corrective actions towards the risk profiles.

# Statement on Risk Management and Internal Control (Cont'd)

## (C) KEY ELEMENTS OF THE GROUP'S RISK MANAGEMENT AND INTERNAL CONTROL SYSTEM

The risk management and internal control processes are embedded within the operations of the Group. The key elements of controls that are in place for the year under review are as follows:

- Diligent review of the quarterly financial results and reports and evaluating the reasons given for any unusual variances noted thereof by the Board and Audit Committee;
- An organisational structure with formally defined lines of responsibility and delegation of authority has been put in place;
- A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability; and
- Policies and procedures in place and enforced in the Group include health and safety, training and development, equality of opportunity, staff performance and actions on serious misconduct. These policies and procedures provide for continuous assurance to be given at increasingly higher levels of Management and, ultimately, to the Board.

## (D) INTERNAL AUDIT FUNCTION

The Group outsources its internal audit function to a professional firm of consultants, which provides the Board with much of the assurance it requires regarding the adequacy and integrity of the Group's systems of internal control.

The internal audit function reviews the internal controls in the key activities of the Group's businesses based on an annual internal audit plan which have been approved by the Audit Committee. The internal audit function adopts a risk-based approach and prepares its audit plan based on the updated risk profiles of the major business units of the Group. Opportunities for improvements to the system of internal control are identified and presented to the Audit Committee via internal audit reports whilst the Management formulates relevant action plans to address issues noted on a periodic basis.

During the financial year ended 31 December 2017, the internal audit function carried out the following activities:

- Presented the internal audit plan to the Audit Committee;
- Carried out an internal audit review on selected business cycles:
  - (a) Reviewing the Group's Controls and Policies
  - (b) Mineral trading, accounts receivable and accounts payable
- Performed follow up review on the implementation of recommendations of previous internal audits; and
- Presented the internal audit reports to the Audit Committee.

The total costs incurred in managing the internal audit function for the financial year ended 31 December 2017 were approximately RM26,000.

## (E) BOARD'S REVIEW OF RISK MANAGEMENT AND INTERNAL CONTROLS

During the year, the Board reviewed the adequacy and effectiveness of risk management and internal control system of the Group as follows:

- Matters concerning strategies and operations of the Group were presented by the Senior Management and deliberated during Board meetings and where relevant, approvals were given;
- Quarterly financial reports were discussed before being announced; and
- The Board, through the Audit Committee, has reviewed the internal audit reports presented by the internal auditors.

# Statement on Risk Management and Internal Control (Cont'd)



## (F) CONCLUSION

The Board has received assurance from the Managing Director and the Executive Director that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, during the financial year under review up to date of this statement.

Pursuant to paragraph 15.23 of the MMLR of Bursa Securities, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Company for the year ended 31 December 2017. Their review is performed in accordance with Audit and Assurance Practice Guide 3 issued by the Malaysian Institute of Accountants. The external auditors' procedures have been conducted to assess whether the Statement on Risk Management and Internal Control is supported by the documentation prepared by or for the Directors and that it is an appropriate reflection of the process adopted by the Directors in reviewing the adequacy and integrity of the system of internal control of the Group.

Audit and Assurance Practice Guide 3 does not require the external auditors to consider whether this Statement covers all risk and controls or to form an opinion on the adequacy and effectiveness of the Group's risk and control procedures. Based on their procedures performed, the external auditors have reported to the Board that nothing has come to their attention to cause them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement of Risk Management and Internal Control: Guidelines for Directors of Listed Issuers nor is this statement factually inaccurate.

Overall, the Board and Management are satisfied that the process of identifying, evaluating and managing significant risks that may affect achievement of the Group's business objectives are in place. There are continuing efforts to strengthen the internal control environment taking into consideration the recommendations from the internal auditors. There were no material losses incurred during the financial year ended 31 December 2017 as a result of weaknesses in internal controls.

This statement is issued in accordance with a resolution of the Directors dated 23 April 2018.

# Sustainability Statement

## CORPORATE SUSTAINABILITY STATEMENT

The Board of Directors is pleased to present the Sustainability Statement of the Group.

Sustainability in the context of this Statement is defined as development that meets the needs of the present without compromising the ability of future generations to meet their own needs.

To sustain its operations for the long term, the Board recognises that sustainable development is an important and integral part of the pursuit of value creation for customers, employees, shareholders and society at large. In this regard, the Board is responsible for setting the Group's sustainability strategies. In fact, sustainability practices are embedded in the Group's day to day operations. In this report, the Board has set the key elements of the Group's practices with respect to economic, environmental and social sustainability matters.

### A. GOVERNANCE STRUCTURE

The Group is presently at Phase 2 of the governance structure as prescribed by the Bursa Malaysia Sustainability Reporting Guide. The governance structure for the Group's Sustainability is as per below:

<b>Board of Directors</b>	The Board sets the sustainability strategy of the Group. It ensures that the Group's business strategies consider sustainability.
<b>Risk Management Committee</b>	The Risk Management Committee oversees the implementation of sustainability strategy. It evaluates overall sustainability risks and opportunities.
<b>Head of Departments</b>	The Head of Departments support implementation of sustainability strategies. It reports on the Key Sustainability Indicators.

### B. SCOPE

In order to enable the Group to achieve sustainable growth and enhance long-term value for its shareholders, the Group applies a sound corporate governance framework, environmentally responsible practices and community centric social policies. In 2018, the Group continues with this commitment as a good and responsible corporate citizen.

### C. STAKEHOLDERS' ENGAGEMENT

The Board of Directors recognises that the Directors can make better progress in their sustainability journey by collaborating with the stakeholders. The Group continuously engages the stakeholders to identify and respond to their concerns.

We strive to improve our stakeholders' engagement approach by identifying the sustainability stakeholders as follows:

Key Stakeholders	Engagement Objectives	Stakeholders' Interest
Shareholders and Investors	To assist investors in making informed investment decisions by providing timely and regular updates on financial performance, business strategy and other issues	- Strong financial performance - Sustainability reporting
Employees	To create a safe and healthy workplace and provide training programs	- Employee welfare - Training and development
Customers	To create stronger market integrity	- Operational concerns - Customers' satisfaction
Suppliers	To drive sustainability across the supply chain	- Sustainable practices
Government and Regulators	To comply with applicable laws and regulations across all operations	- Regulatory compliance - Annual reporting - Sustainability reporting
Local Communities	To support local communities in economic, environmental and social development	- Financial contributions and other benefits-in-kind



## CORPORATE SUSTAINABILITY STATEMENT (Cont'd)

### D. MATERIAL SUSTAINABILITY MATTERS

The principal businesses of the Group are manufacturing of steel products and trading in minerals. The production of steel products is part of heavy industry, where workplace safety is a key social concern. In view of this, the Group places high priority for occupational safety and health centric Labour practices.

The Board has identified the Material Sustainability Matters (“EES”) of the Group as follows:

#### Economic

We recognise the value brought to our stakeholders by building sustainable relationships with stakeholders and utilising our resources to contribute to economic growth.

##### *i Customers*

We place high priority on customer engagement with various customer feedback channels in order to ensure our customers are satisfied, not only with our products but also services.

##### *ii Employees*

We recognise that the employees are key to the success of the business of the Group. In this respect, the Group has always ensured that laws and regulations relating to labour are fully complied with.

We also provide equal opportunities for all employees to progress in their career within the Group.

##### *iii Training and Learning*

In support of lifelong learning, we provide training programs in the areas of financial, IT, health and safety and job related courses to all staff in FY2017. At the same time, we also provide sponsorships for in-house sport activities as an effort to enhance work-life balance among the staff.

#### Environmental

We are committed to undertake a holistic approach to incorporate sustainability practices into our everyday activities. Scrap metals from our steel production are collected and sent to licensed waste disposal company for recycling purposes. Water mixed with chemicals which serves as coolant in the production process is not disposed off irresponsibly but reused after being treated. These environmental-friendly measures have significantly reduced wastage on materials and water consumption to a minimum level. We also ensure compliance with all environmental regulations and laws at all times.

#### Social

As employer, we recognise and accept our responsibilities for providing and maintaining a safe and healthy workplace for all employees. Workplace security initiatives such as fire and evacuation drills, safety tips and training on proper usage of safety equipment have been provided to employees to ensure a protected and safe working environment.

As responsible corporate citizen, we made financial contributions and other benefits-in-kind to various local charitable organisations and schools.

We further strive to seek meaningful contributions to the less privileged with the simple hope and belief for a better quality of life.

### E. KEY SUSTAINABILITY INDICATORS

The Risk Management Committee has identified the Key Sustainability Indicators (KSI) for each of the above Material Sustainability Matters. The KSI will be complied for reporting at the forthcoming Board/Audit Committee meeting.

This statement is issued in accordance with a resolution of the Directors dated 23 April 2018.

# Directors' Responsibility Statement for the Audited Financial Statements

The Directors are required by the Companies Act, 2016 ("the Act") to prepare the financial statements for each financial year which have been made out in accordance with applicable Malaysian Financial Reporting Standards ("MFRSs"), the requirements of the Companies Act, 2016 ("the Act") in Malaysia and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

The Directors are responsible to ensure that the financial statements give a true and fair view of the state of affairs of the Group and of the Company at the end of the financial year, and of the results and cash flows of the Group and of the Company for the financial year.

In preparing the financial statements, the Directors have:

- (a) Adopted appropriate accounting policies and applied them consistently;
- (b) Made judgements and estimates that are reasonable and prudent; and
- (c) Prepared the financial statements on a going concern basis.

The Directors are responsible to ensure that the Group and the Company keep accounting records which disclose the financial position of the Group and of the Company with reasonable accuracy, enabling them to ensure that the financial statements comply with the Act.

The Directors are responsible for taking such steps as are reasonably open to them to safeguard the assets of the Group and of the Company and to detect and prevent fraud and other irregularities.

# Directors' Report



The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2017.

## PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

## RESULTS

	Group RM	Company RM
Profit/(Loss) for the financial year	<u>7,651,366</u>	<u>(604,521)</u>
Attributable to:		
Owners of the parent	7,768,985	(604,521)
Non-controlling interests	<u>(117,619)</u>	<u>0</u>
	<u>7,651,366</u>	<u>(604,521)</u>

## DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year. The Directors do not recommend any payment of dividend for the current financial year.

## RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year other than the effects of adoption of Companies Act, 2016 as disclosed in Note 12 to the financial statements.

## ISSUE OF SHARES AND DEBENTURES

The Company did not issue any new shares or debentures during the financial year.

## OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued ordinary shares of the Company during the financial year.

## DIRECTORS

The Directors who have held for office since the date of the last report are:

### Leader Steel Holdings Berhad

Tan Sri Dato' Mohd Desa bin Pachi  
Dato' Goh Cheng Huat  
Datin Tan Pak Say  
Tan Sri Dato' Soong Siew Hoong  
Lim Leng Han  
Mohd. Arif bin Mastol  
Datuk Abdullah bin Haji Kuntom  
Goh Wan Jing

# Directors' Report (Cont'd)

## DIRECTORS (Cont'd)

The Directors of subsidiaries who have held for office since the date of the last report at the date of this report, not including those Directors listed above are:

Goh Li Li  
Goh Hong Kent  
Anton Ong Lim \*  
Wang Yunyun \*  
Hu PingFan

\* On 10 January 2017, Leader Steel Sdn. Bhd., a wholly-owned subsidiary, had acquired 2 ordinary shares, representing 100% of the total issued and paid-up share capital in Aurea Canyon Mining Sdn. Bhd. from Dato' Goh Cheng Huat and Datin Tan Pak Say for RM2.

## DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2017 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act, 2016 in Malaysia were as follows:

	Number of ordinary shares			Balance as at 31.12.2017
	Balance as at 1.1.2017	Bought	Sold	
<b>Shares in the Company</b>				
<u>Direct interests:</u>				
Dato' Goh Cheng Huat	10,530,594	373,300	0	10,903,894
Datin Tan Pak Say	1,155,006	0	0	1,155,006
Tan Sri Dato' Soong Siew Hoong	150,000	0	0	150,000
Lim Leng Han	18,000	0	0	18,000
<u>Indirect interests:</u>				
Dato' Goh Cheng Huat	56,402,974	0	0	56,402,974
Datin Tan Pak Say	65,778,562	373,300	0	66,151,862

By virtue of their interests in the ordinary shares of the Company, Dato' Goh Cheng Huat and Datin Tan Pak Say are also deemed to be interested in the ordinary shares of all the subsidiaries to the extent the Company has an interest.

None of the other Directors holding office at the end of the financial year held any interest in ordinary shares of the Company and of its related corporations during the financial year.

## DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than benefits included in the aggregate amount of remuneration received or due and receivable by the Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than the following:

- (i) deemed benefits arising from related party transactions as disclosed in Note 26 to the financial statements; and
- (ii) remuneration received by certain Directors as Directors and executives of the subsidiaries.



## TREASURY SHARES

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting ('AGM') held on 25 May 2017, renewed the approval for the Company to repurchase its own shares.

During the financial year, the Company repurchased 1,018,000 of its issued ordinary shares from the open market at an average price of RM0.52 per share. The total consideration paid for the repurchased shares was RM529,364. The shares repurchased are being held as treasury shares in accordance with Section 76 of the Companies Act, 2016 in Malaysia.

As at 31 December 2017, 2,760,800 out of the total 128,032,000 issued and fully paid ordinary shares are held as treasury shares by the Company. Such treasury shares are held at a carrying amount of RM1,057,155 and further relevant details are disclosed in Note 11 to the financial statements.

## DIRECTORS' REMUNERATION

Fees and other benefits of the Directors who held office during the financial year ended 31 December 2017 are as follows:

	<b>Group 2017 RM</b>	<b>Company 2017 RM</b>
Fees	200,000	200,000
Salaries	1,320,050	0
Others	230,850	25,000
	<u>1,750,900</u>	<u>225,000</u>

## INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS

There were no indemnity given to or insurance effected for the Directors, officers and auditors of the Group and of the Company during the financial year.

## OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

### (I) AS AT END OF THE FINANCIAL YEAR

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that there were no known bad debts and that adequate provision had been made for doubtful debts; and
  - (ii) to ensure that any current assets other than debts, which were unlikely to realise their book values in the ordinary course of business had been written down to their estimated realisable values.
- (b) In the opinion of the Directors, the results of operations of the Group and of the Company during the financial year have not been substantially affected by any item, transaction or event of a material and unusual nature.

# Directors' Report (Cont'd)

## OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY (Cont'd)

### (II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT

- (c) The Directors are not aware of any circumstances:
- (i) which would necessitate the writing off of bad debts or render the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
  - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.
- (d) In the opinion of the Directors:
- (i) there has not arisen any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made; and
  - (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

### (III) AS AT THE DATE OF THIS REPORT

- (e) There are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year to secure the liabilities of any other person.
- (f) There are no contingent liabilities of the Group and of the Company which have arisen since the end of the financial year.
- (g) The Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements of the Group and of the Company misleading.

## AUDITORS

The auditors, BDO, have expressed their willingness to continue in office.

Auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2017 are disclosed in Note 21 to the financial statements.

Signed on behalf of the Board in accordance with a resolution of the Directors.

**Datin Tan Pak Say**  
Director

**Tan Sri Dato' Mohd Desa bin Pachi**  
Director

Penang  
23 April 2018

# Statement by Directors



In the opinion of the Directors, the financial statements set out on pages 51 to 94 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

**Datin Tan Pak Say**  
Director

Penang  
23 April 2018

**Tan Sri Dato' Mohd Desa bin Pachi**  
Director

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## Statutory Declaration

I, Datin Tan Pak Say (I/C No.: 610717-07-5308), being the Director primarily responsible for the financial management of Leader Steel Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 51 to 94 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Georgetown in the State of Penang this 23 April 2018

**Datin Tan Pak Say**

Before me,

Commissioner for Oaths

# Independent Auditors' Report

to the members of Leader Steel Holdings Berhad  
(Incorporated in Malaysia) (Company No. 267209-K)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Leader Steel Holdings Berhad, which comprise the statements of financial position as at 31 December 2017 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 51 to 94.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2017 and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the requirements of the Companies Act, 2016 in Malaysia.

### Basis for Opinion

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

### Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company 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' *Code of Ethics for Professional Accountants* ('IESBA Code'), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

#### Recoverability of trade receivables

As at 31 December 2017, trade receivables that were past due and not impaired amounted to RM10,208,461. The details of trade receivables and its credit risk have been disclosed in Note 9 and Note 28 to the financial statements respectively.

Management recognised allowances for impairment losses on trade receivables based on specific known facts or circumstances on customers' abilities to pay.

The determination of whether the trade receivables are recoverable involves significant management judgement and inherent subjectivity given the uncertainty regarding the ability of the trade receivables to settle their debts. We focused on the audit risk that the trade receivables may be overstated and hence, further impairment losses may be required.

#### *Audit response*

Our audit procedures included the followings:

- (a) assessed the recoverability of trade receivables by reference to their historical bad debt expense, ageing profiles of the counter parties and past historical repayment trends; and
- (b) assessed cash receipts subsequent to the end of the reporting period for its effect in reducing amounts outstanding as at the end of the reporting period.

We have determined that there are no key audit matters to communicate in our report in respect of the audit of the financial statements of the Company.

# Independent Auditors' Report (Cont'd)

to the members of Leader Steel Holdings Berhad  
(Incorporated in Malaysia) (Company No. 267209-K)



## Information Other than the Financial Statements and Auditors' Report Thereon

The Directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

## Responsibilities of the Directors for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with MFRSs, IFRSs, and the requirements of the Companies Act, 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the ability of the Group and of the Company 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 the Company or to cease operations, or have no realistic alternative but to do so.

## Auditors' Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 ISAs 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 financial statements.

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, 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 internal control of the Group and of the Company.
- 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 ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company 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 auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

# Independent Auditors' Report (Cont'd)

to the members of Leader Steel Holdings Berhad  
(Incorporated in Malaysia) (Company No. 267209-K)

## Auditors' Responsibilities for the Audit of the Financial Statements (Cont'd)

As part of an audit in accordance with approved standards on auditing in Malaysia and ISAs, we exercise professional judgement and maintain professional scepticism throughout the audit. We also: (Cont'd)

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- 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.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current financial year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 2016 in Malaysia, we report that the subsidiaries of which we have not acted as auditors, are disclosed in Note 6 to the financial statements.

## Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act, 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

**BDO**  
AF: 0206  
Chartered Accountants

**Koay Theam Hock**  
02141/04/2019 J  
Chartered Accountant

Penang  
23 April 2018

# Statements of Financial Position

as at 31 December 2017



	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>ASSETS</b>					
<b>Non-current assets</b>					
Property, plant and equipment	5	<b>154,572,806</b>	151,433,087	<b>0</b>	0
Investments in subsidiaries	6	<b>0</b>	0	<b>54,690,347</b>	54,690,345
Goodwill	6	<b>58,426</b>	0	<b>0</b>	0
Available-for-sale financial asset	7	<b>0</b>	36,000	<b>0</b>	36,000
		<b>154,631,232</b>	151,469,087	<b>54,690,347</b>	54,726,345
<b>Current assets</b>					
Inventories	8	<b>56,358,925</b>	46,841,535	<b>0</b>	0
Trade and other receivables	9	<b>46,097,801</b>	44,984,624	<b>17,502</b>	17,502
Current tax assets		<b>618,614</b>	0	<b>9,762</b>	9,762
Cash and bank balances	10	<b>6,421,626</b>	1,943,639	<b>28,492</b>	20,157
		<b>109,496,966</b>	93,769,798	<b>55,756</b>	47,421
<b>TOTAL ASSETS</b>		<b>264,128,198</b>	245,238,885	<b>54,746,103</b>	54,773,766
<b>EQUITY AND LIABILITIES</b>					
<b>Equity attributable to owners of the parent</b>					
Share capital	11	<b>64,019,600</b>	64,016,000	<b>64,019,600</b>	64,016,000
Treasury shares, at cost	11	<b>(1,057,155)</b>	(527,791)	<b>(1,057,155)</b>	(527,791)
Reserves	12	<b>77,637,794</b>	68,380,391	<b>(10,587,751)</b>	(9,979,630)
		<b>140,600,239</b>	131,868,600	<b>52,374,694</b>	53,508,579
<b>Non-controlling interests</b>	6	<b>(44,845)</b>	72,774	<b>0</b>	0
<b>TOTAL EQUITY</b>		<b>140,555,394</b>	131,941,374	<b>52,374,694</b>	53,508,579

The accompanying notes form an integral part of the financial statements.

# Statements of Financial Position (Cont'd)

as at 31 December 2017

		Group		Company	
	Note	2017 RM	2016 RM	2017 RM	2016 RM
<b>LIABILITIES</b>					
<b>Non-current liabilities</b>					
Borrowings	13	1,280,030	3,317,203	0	0
Trade and other payables	16	0	3,748,463	0	0
Deferred tax liabilities	15	13,728,522	13,168,446	0	0
		<u>15,008,552</u>	<u>20,234,112</u>	<u>0</u>	<u>0</u>
<b>Current liabilities</b>					
Trade and other payables	16	20,624,376	26,142,853	2,371,409	1,265,187
Current tax liabilities		492,505	144,163	0	0
Borrowings	13	87,447,371	66,776,383	0	0
		<u>108,564,252</u>	<u>93,063,399</u>	<u>2,371,409</u>	<u>1,265,187</u>
<b>TOTAL LIABILITIES</b>		<u>123,572,804</u>	<u>113,297,511</u>	<u>2,371,409</u>	<u>1,265,187</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>264,128,198</u>	<u>245,238,885</u>	<u>54,746,103</u>	<u>54,773,766</u>

The accompanying notes form an integral part of the financial statements.

# Statements of Profit or Loss and Other Comprehensive Income

for the financial year ended 31 December 2017



	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
Revenue	19	<b>243,761,503</b>	167,348,862	<b>0</b>	0
Cost of sales		<b>(202,172,476)</b>	(136,301,079)	<b>0</b>	0
Gross profit		<b>41,589,027</b>	31,047,783	<b>0</b>	0
Other income		<b>474,733</b>	2,892,593	<b>0</b>	0
Distribution expenses		<b>(17,733,489)</b>	(12,619,323)	<b>0</b>	0
Administrative expenses		<b>(10,425,831)</b>	(9,861,298)	<b>(604,521)</b>	(456,201)
Finance costs	20	<b>(3,323,828)</b>	(3,885,057)	<b>0</b>	0
Profit/(Loss) before tax	21	<b>10,580,612</b>	7,574,698	<b>(604,521)</b>	(456,201)
Tax expense	24	<b>(2,929,246)</b>	(1,044,718)	<b>0</b>	0
Profit/(Loss) for the financial year		<b>7,651,366</b>	6,529,980	<b>(604,521)</b>	(456,201)
<b>Other comprehensive income/ (loss)</b>					
<b>Items that may be reclassified subsequently to profit or loss</b>					
Reclassification adjustment relating to subsidiary dissolved during the financial year		<b>(2,545)</b>	0	<b>0</b>	0
<b>Items that will not be reclassified subsequently to profit or loss</b>					
Gross revaluation increase of properties		<b>1,966,528</b>	3,437,712	<b>0</b>	0
Deferred tax relating to revalued properties		<b>(471,965)</b>	(489,050)	<b>0</b>	0
Total other comprehensive income, net of tax		<b>1,492,018</b>	2,948,662	<b>0</b>	0
Total comprehensive income/(loss)		<b>9,143,384</b>	9,478,642	<b>(604,521)</b>	(456,201)
Profit/(Loss) attributable to:					
Owners of the parent		<b>7,768,985</b>	6,751,741	<b>(604,521)</b>	(456,201)
Non-controlling interests	6	<b>(117,619)</b>	(221,761)	<b>0</b>	0
		<b>7,651,366</b>	6,529,980	<b>(604,521)</b>	(456,201)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		<b>9,261,003</b>	9,700,403	<b>(604,521)</b>	(456,201)
Non-controlling interests		<b>(117,619)</b>	(221,761)	<b>0</b>	0
		<b>9,143,384</b>	9,478,642	<b>(604,521)</b>	(456,201)
Profit per ordinary share attributable to equity holders of the Company (sen):					
- Basic	25(a)	<b>6.10</b>	5.30		
- Diluted	25(b)	<b>6.10</b>	5.30		

The accompanying notes form an integral part of the financial statements.

# Consolidated Statement of Changes in Equity

for the financial year ended 31 December 2017

Group	Note	Non-distributable				Distributable			Total equity RM	
		Share capital RM	Treasury shares RM	Share premium RM	Revaluation reserve RM	Currency translation reserve RM	Retained earnings RM	Total attributable to owners of the parent RM		Non-controlling interests RM
Balance as at 1 January 2016		64,016,000	(349,511)	3,600	53,471,771	2,545	5,202,072	122,346,477	294,535	122,641,012
Profit for the financial year		0	0	0	0	0	6,751,741	6,751,741	(221,761)	6,529,980
Gross revaluation increase of properties		0	0	0	3,437,712	0	0	3,437,712	0	3,437,712
Deferred tax relating to revalued properties		0	0	0	(489,050)	0	0	(489,050)	0	(489,050)
Total comprehensive income		0	0	0	2,948,662	0	6,751,741	9,700,403	(221,761)	9,478,642
<b>Transactions with owners</b>										
Purchase of treasury shares	11	0	(178,280)	0	0	0	0	(178,280)	0	(178,280)
Total transactions with owners		0	(178,280)	0	0	0	0	(178,280)	0	(178,280)
Balance as at 31 December 2016		64,016,000	(527,791)	3,600	56,420,433	2,545	11,953,813	131,868,600	72,774	131,941,374

The accompanying notes form an integral part of the financial statements.

# Consolidated Statement of Changes in Equity (Cont'd)

for the financial year ended 31 December 2017

Group	Note	Non-distributable				Distributable			Total equity RM	
		Share capital RM	Treasury shares RM	Share premium RM	Revaluation reserve RM	Currency translation reserve RM	Retained earnings RM	Total attributable to owners of the parent RM		Non-controlling interests RM
Balance as at 1 January 2017		64,016,000	(527,791)	3,600	56,420,433	2,545	11,953,813	131,868,600	72,774	131,941,374
Profit for the financial year		0	0	0	0	0	7,768,985	7,768,985	(117,619)	7,651,366
Gross revaluation increase of properties		0	0	0	1,966,528	0	0	1,966,528	0	1,966,528
Reclassification adjustment relating to subsidiary dissolved during the financial year		0	0	0	0	(2,545)	0	(2,545)	0	(2,545)
Deferred tax relating to revalued properties		0	0	0	(471,965)	0	0	(471,965)	0	(471,965)
Total comprehensive income		0	0	0	1,494,563	(2,545)	7,768,985	9,261,003	(117,619)	9,143,384
<b>Transactions with owners</b>										
Purchase of treasury shares	11	0	(529,364)	0	0	0	0	(529,364)	0	(529,364)
Total transactions with owners		0	(529,364)	0	0	0	0	(529,364)	0	(529,364)
Transfer pursuant to Companies Act, 2016	11	3,600	0	(3,600)	0	0	0	0	0	0
Balance as at 31 December 2017		64,019,600	(1,057,155)	0	57,914,996	0	19,722,798	140,600,239	(44,845)	140,555,394

The accompanying notes form an integral part of the financial statements.

# Statement of Changes in Equity

for the financial year ended 31 December 2017

Company	Note	Non-distributable			Accumulated losses RM	Total equity RM
		Share capital RM	Treasury shares RM	Share premium RM		
Balance as at 1 January 2016		64,016,000	(349,511)	3,600	(9,527,029)	54,143,060
Loss for the financial year		0	0	0	(456,201)	(456,201)
Other comprehensive income, net of tax		0	0	0	0	0
Total comprehensive loss		0	0	0	(456,201)	(456,201)
<b>Transactions with owners</b>						
Purchase of treasury shares	11	0	(178,280)	0	0	(178,280)
Total transactions with owners		0	(178,280)	0	0	(178,280)
Balance as at 31 December 2016		64,016,000	(527,791)	3,600	(9,983,230)	53,508,579
Balance as at 1 January 2017		<b>64,016,000</b>	<b>(527,791)</b>	<b>3,600</b>	<b>(9,983,230)</b>	<b>53,508,579</b>
Loss for the financial year		0	0	0	(604,521)	(604,521)
Other comprehensive income, net of tax		0	0	0	0	0
Total comprehensive loss		0	0	0	(604,521)	(604,521)
<b>Transactions with owners</b>						
Purchase of treasury shares	11	0	(529,364)	0	0	(529,364)
Total transactions with owners		0	(529,364)	0	0	(529,364)
Transfer pursuant to Companies Act, 2016	11	3,600	0	(3,600)	0	0
Balance as at 31 December 2017		<b>64,019,600</b>	<b>(1,057,155)</b>	<b>0</b>	<b>(10,587,751)</b>	<b>52,374,694</b>

The accompanying notes form an integral part of the financial statements.

# Statements of Cash Flows

for the financial year ended 31 December 2017



	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>					
Profit/(Loss) before tax		<b>10,580,612</b>	7,574,698	<b>(604,521)</b>	(456,201)
Adjustments for:					
Depreciation of property, plant and equipment	5	<b>7,605,603</b>	7,317,278	<b>0</b>	0
Gain on disposal of property, plant and equipment		<b>(134,953)</b>	(2,662,702)	<b>0</b>	0
Impairment losses on:					
- available-for-sale investment	7(a)	<b>36,000</b>	8,000	<b>36,000</b>	8,000
- other receivables	9(e)	<b>0</b>	532,099	<b>0</b>	0
Interest expense		<b>3,323,828</b>	3,885,057	<b>63,535</b>	33,235
Inventories written down	8(c)	<b>0</b>	236,113	<b>0</b>	0
Reversal of impairment losses on:					
- trade receivables	9(e)	<b>0</b>	(88,020)	<b>0</b>	0
- other receivables	9(e)	<b>0</b>	(435,002)	<b>0</b>	0
Unrealised loss on foreign exchange		<b>341,984</b>	1,091,316	<b>0</b>	0
Operating profit/(loss) before changes in working capital		<b>21,753,074</b>	17,458,837	<b>(504,986)</b>	(414,966)
(Increase)/Decrease in inventories		<b>(9,517,390)</b>	92,886	<b>0</b>	0
Increase in trade and other receivables		<b>(1,028,318)</b>	(734,501)	<b>0</b>	0
(Decrease)/Increase in trade and other payables		<b>(9,921,178)</b>	8,061,300	<b>1,042,687</b>	584,648
Cash generated from operations		<b>1,286,188</b>	24,878,522	<b>537,701</b>	169,682
Interest paid		<b>(3,323,828)</b>	(3,885,057)	<b>0</b>	0
Tax paid		<b>(3,409,010)</b>	(1,846,212)	<b>0</b>	0
Tax refunded		<b>297,603</b>	1,016,704	<b>0</b>	0
Net cash (used in)/ from operating activities		<b>(5,149,047)</b>	20,163,957	<b>537,701</b>	169,682
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Acquisition of a subsidiary		<b>0</b>	0	<b>(2)</b>	0
Acquisition of a subsidiary for cash, net of cash acquired	6(c)(ii)	<b>323,409</b>	0	<b>0</b>	0
Purchase of property, plant and equipment	5(d)	<b>(7,411,198)</b>	(592,049)	<b>0</b>	0
Proceeds from disposal of property, plant and equipment		<b>150,113</b>	2,662,702	<b>0</b>	0
Net cash (used in)/ from investing activities		<b>(6,937,676)</b>	2,070,653	<b>(2)</b>	0

The accompanying notes form an integral part of the financial statements.

# Statements of Cash Flows (Cont'd)

for the financial year ended 31 December 2017

	Note	Group		Company	
		2017 RM	2016 RM	2017 RM	2016 RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Repayments of commodity financing		(172,430)	(3,520,000)	0	0
Drawdown/(Repayments) of short term borrowings, net		21,904,724	(11,902,318)	0	0
Repayments of term loans		(1,940,296)	(1,879,730)	0	0
Repayments of hire purchase and lease creditors		(909,850)	(422,790)	0	0
Purchase of treasury shares	11	(529,364)	(178,280)	(529,364)	(178,280)
Net cash from/ (used in) financing activities		<u>18,352,784</u>	<u>(17,903,118)</u>	<u>(529,364)</u>	<u>(178,280)</u>
Net increase/(decrease) in cash and cash equivalents		6,266,061	4,331,492	8,335	(8,598)
Effect of exchange rate changes on cash and cash equivalents		(156,985)	42,930	0	0
Cash and cash equivalents at beginning of financial year		<u>312,550</u>	<u>(4,061,872)</u>	<u>20,157</u>	<u>28,755</u>
Cash and cash equivalents at end of financial year	10(b)	<u>6,421,626</u>	<u>312,550</u>	<u>28,492</u>	<u>20,157</u>

## RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

Group	Short term borrowings* (Note 13) RM	Term loans (Note 13) RM	Commodity financing (Note 13) RM	Hire purchase and lease creditors (Note 14) RM
Balance as at 1 January 2017	62,450,200	3,870,695	172,430	1,969,172
Cash flows	21,904,724	(1,940,296)	(172,430)	(909,850)
Non-cash flows:				
- purchase of property, plant and equipment	0	0	0	1,382,756
Balance as at 31 December 2017	<u>84,354,924</u>	<u>1,930,399</u>	<u>0</u>	<u>2,442,078</u>

\* Short term borrowings are bankers' acceptances and revolving credit.

The accompanying notes form an integral part of the financial statements.

# Notes to the Financial Statements

31 December 2017



## 1. CORPORATE INFORMATION

Leader Steel Holdings Berhad ('the Company') is a public limited liability company, incorporated and domiciled in Malaysia, and is listed on the Main Market of Bursa Malaysia Securities Berhad.

The registered office of the Company is located at Suite 16-1 (Penthouse Upper), Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang.

The principal place of business of the Company is located at Plot 85, Lorong Perusahaan Utama, Kawasan Perusahaan Bukit Tengah, 14000 Bukit Tengah, Penang.

The consolidated financial statements for the financial year ended 31 December 2017 comprise the financial statements of the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 23 April 2018.

## 2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities of the subsidiaries are set out in Note 6 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

## 3. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the requirements of the Companies Act, 2016 in Malaysia.

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year.

The new MFRSs and amendments to MFRSs adopted during the financial year are set out in Note 29(a) to the financial statements.

The financial statements of the Group and of the Company have been prepared under the historical cost convention except as otherwise stated in financial statements.

# Notes to the Financial Statements (Cont'd)

31 December 2017

## 4. OPERATING SEGMENTS - GROUP

Information about operating segments has not been reported separately as the Group's revenue, profit or loss, assets and liabilities are mainly confined to a single operating segment, namely the manufacturing, processing and trading of steel and metal products and minerals.

### Geographical information

Revenue and non-current assets information are based on the geographical location of customers and assets respectively.

	Revenue		Non-current assets	
	2017 RM	2016 RM	2017 RM	2016 RM
Malaysia	<b>192,796,733</b>	141,470,257	<b>154,631,232</b>	151,469,087
China	<b>27,458,212</b>	6,517,986	<b>0</b>	0
Hong Kong	<b>15,845,547</b>	10,230,302	<b>0</b>	0
Others	<b>7,661,011</b>	9,130,317	<b>0</b>	0
	<b><u>243,761,503</u></b>	<u>167,348,862</u>	<b><u>154,631,232</u></b>	<u>151,469,087</u>

### Major customers

The Group does not have any major customer that contributed 10% or more of its total revenue.

# Notes to the Financial Statements (Cont'd)

31 December 2017



## 5. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.1.2017 RM	Additions RM	Disposal RM	Revaluation RM	Depreciation charge for the financial year RM	Balance as at 31.12.2017 RM
<b>Carrying amount</b>						
<u>At Valuation</u>						
Buildings	48,539,700	1,225,516	0	1,394,385	(1,336,251)	49,823,350
Freehold land	42,300,000	0	0	0	0	42,300,000
Short term leasehold land	20,200,000	0	0	572,143	(572,143)	20,200,000
<u>At Cost</u>						
Plant and machinery	34,687,125	885,174	0	0	(4,783,708)	30,788,591
Furniture, fittings and office equipment	1,312,101	183,664	0	0	(206,921)	1,288,844
Electrical and other installations	4,504	0	0	0	0	4,504
Tools and equipment	55,760	4,500	0	0	(10,332)	49,928
Motor vehicles	1,908,592	1,641,432	(15,160)	0	(696,248)	2,838,616
Capital work-in-progress	2,425,305	4,853,668	0	0	0	7,278,973
	<b>151,433,087</b>	<b>8,793,954</b>	<b>(15,160)</b>	<b>1,966,528</b>	<b>(7,605,603)</b>	<b>154,572,806</b>
				← 2017 →		
<b>Group</b>						
Buildings		0	49,823,350	0	0	49,823,350
Freehold land		0	42,300,000	0	0	42,300,000
Short term leasehold land		0	20,200,000	0	0	20,200,000
Plant and machinery	129,942,604		0	(99,154,013)	0	30,788,591
Furniture, fittings and office equipment	4,456,307		0	(3,167,463)	0	1,288,844
Electrical and other installations	3,370,196		0	(3,365,692)	0	4,504
Tools and equipment	2,080,393		0	(2,030,465)	0	49,928
Motor vehicles	6,443,815		0	(3,605,199)	0	2,838,616
Capital work-in-progress	7,768,065		0	0	(489,092)	7,278,973
	<b>154,061,380</b>		<b>112,323,350</b>	<b>(111,322,832)</b>	<b>(489,092)</b>	<b>154,572,806</b>



# Notes to the Financial Statements (Cont'd)

31 December 2017



## 5. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

- (a) All items of property, plant and equipment are initially measured at cost. Cost includes expenditure that is directly attributable to the acquisition of the asset.

After initial recognition, property, plant and equipment except for freehold land, short term leasehold land and buildings are stated at cost less accumulated depreciation and any accumulated impairment losses. Freehold land, short term leasehold land and buildings are stated at valuation, which is the fair value at the date of revaluation less subsequent accumulated depreciation.

Freehold land, short term leasehold land and buildings are revalued at least every one (1) to three (3) years to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of each reporting period. The surplus arising from such revaluations is credited to shareholders' equity as a revaluation reserve, net of deferred tax and any subsequent deficit is offset against such surplus to the extent of a previous increase for the same property. In all other cases, the deficit would be charged to profit or loss. For a revaluation increase subsequent to a revaluation deficit of the same asset, the surplus is recognised as income to the extent that it reverses the deficit previously recognised as an expense with the balance of increase credited to revaluation reserve.

Depreciation is calculated to write off the cost or valuation of the assets to their residual values on a straight line basis over their estimated useful lives. The principal depreciation periods and annual rates are as follows:

Buildings	2% - 3%
Short term leasehold land	36 years to 37 years
Plant and machinery	2.5% - 10%
Furniture, fittings and office equipment	14%
Electrical and other installations	10% - 14%
Tools and equipment	10%
Motor vehicles	14%

Freehold land has unlimited useful life and is not depreciated. Capital work-in-progress represents plant and machinery under installation and is stated at cost. Capital work-in-progress is not depreciated until such time when the asset is available for use.

- (b) Based on the accounting policy of the Group, freehold land, short term leasehold land and buildings are revalued at least every one (1) to three (3) years. The freehold land, short term leasehold land and buildings were last revalued on 31 December 2017.

Had the revalued assets been carried at cost less accumulated depreciation, the carrying amounts would have been:

	Group	
	2017 RM	2016 RM
Buildings	<b>24,696,418</b>	24,273,503
Freehold land	<b>15,509,485</b>	15,509,485
Short term leasehold land	<b>3,182,880</b>	3,274,661
	<b><u>43,388,783</u></b>	<u>43,057,649</u>

# Notes to the Financial Statements (Cont'd)

31 December 2017

## 5. PROPERTY, PLANT AND EQUIPMENT (Cont'd)

- (c) The fair value of freehold land, short term leasehold land and buildings (at valuation) of the Group are categorised as follows:

	Group	
	2017 RM	2016 RM
<b>Level 2</b>		
Buildings	49,823,350	48,539,700
Freehold land	42,300,000	42,300,000
Short term leasehold land	20,200,000	20,200,000
	<u>112,323,350</u>	<u>111,039,700</u>

- (i) There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 31 December 2017 and 31 December 2016.
- (ii) Level 2 fair value of freehold land, short term leasehold land and buildings (at valuation) was determined by external and independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. It has been derived from observable recent transacted prices of similar land and buildings in the local market.
- (d) During the financial year, the Group made the following cash payments to purchase property, plant and equipment:

	Group	
	2017 RM	2016 RM
Purchase of property, plant and equipment	8,793,954	882,049
Financed by hire purchase arrangements	<u>(1,382,756)</u>	<u>(290,000)</u>
Cash payments on purchase of property, plant and equipment	<u>7,411,198</u>	<u>592,049</u>

- (e) The carrying amount of the property, plant and equipment of the Group under hire purchase at the end of the reporting period are as follows:

	Group	
	2017 RM	2016 RM
Plant and machinery	1,260,000	1,440,000
Motor vehicles	2,573,358	1,405,434
	<u>3,833,358</u>	<u>2,845,434</u>

Details of the terms and conditions and information on financial risks of the hire purchase arrangements are disclosed in Note 14 and Note 28 to the financial statements.

- (f) As at 31 December 2017, property, plant and equipment of the Group with carrying amount of RM56,120,830 (2016: RM56,533,185) have been charged to banks for credit facilities granted to the Group as disclosed in Note 13(b) to the financial statements.

# Notes to the Financial Statements (Cont'd)

31 December 2017



## 6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2017 RM	2016 RM
<b>At cost:</b>		
Unquoted shares	<b>59,329,493</b>	59,329,494
Fair value of share options allocated to subsidiaries	<b>1,684,535</b>	1,684,535
Less: Impairment loss	<b>(6,323,681)</b>	(6,323,684)
	<b>54,690,347</b>	54,690,345
<b>Movement of impairment loss:</b>		
Balance as at 1 January 2017	<b>6,323,684</b>	6,323,684
Reversal of impairment loss	<b>(3)</b>	0
Balance as at 31 December 2017	<b>6,323,681</b>	6,323,684

(a) Investments in subsidiaries, which are eliminated on consolidation, are stated in the separate financial statements of the Company at cost less impairment losses, if any.

All components of non-controlling interests shall be measured at their acquisition-date fair values, unless another measurement basis is required by MFRSs. The choice of measurement basis is made on a combination-by-combination basis. Subsequent to initial recognition, the carrying amount of non-controlling interests is the amount of those interests at initial recognition plus the non-controlling interests' share of subsequent changes in equity.

(b) Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective ownership interest		Principal activities
		2017 %	2016 %	
Leader Steel Sdn. Bhd. #	Malaysia	100	100	Manufacturing, processing and trading of steel and metal products and minerals
Leader Steel Service Centre Sdn. Bhd. #	Malaysia	100	100	Manufacturing and trading of steel products
Leader Steel Tubes Sdn. Bhd. #	Malaysia	100	100	Inactive
Leader Minerals (Malaysia) Sdn. Bhd. #	Malaysia	100	100	Inactive
Leader Minerals Corporation Sdn. Bhd. #	Malaysia	100	100	Inactive
GCH Metal Service Centre Sdn. Bhd. #	Malaysia	100	100	Inactive
FerroNet Asia Sdn. Bhd. #	Malaysia	100	100	Inactive
Ferro Minerals, Inc. *	United States of America	0	100	Dissolved

# Notes to the Financial Statements (Cont'd)

31 December 2017

## 6. INVESTMENTS IN SUBSIDIARIES (Cont'd)

(b) Details of the subsidiaries are as follows: (Cont'd)

Name of company	Country of incorporation	Effective ownership interest		Principal activities
		2017 %	2016 %	
<b>Subsidiaries of Leader Steel Sdn. Bhd.</b>				
ACME United Sdn. Bhd. #	Malaysia	51	51	Inactive
Padma Minerals Co., Limited *	Hong Kong	100	100	Trading of minerals
Aurea Canyon Mining Sdn. Bhd. #	Malaysia	100	0	Inactive

# Subsidiaries audited by BDO Malaysia.

\* Subsidiaries not audited by BDO Malaysia.

(c) On 10 January 2017, Leader Steel Sdn. Bhd., a wholly-owned subsidiary, had acquired 2 ordinary shares, representing 100% of the total issued and paid-up share capital in Aurea Canyon Mining Sdn. Bhd. from Dato' Goh Cheng Huat and Datin Tan Pak Say for RM2.

(i) The identifiable assets and liability of Aurea Canyon Mining Sdn. Bhd. as at the date of acquisition are as follows:

	At date of acquisition 2017 RM
Other receivables	928,900
Cash and cash equivalents	323,411
Total identifiable assets	<u>1,252,311</u>
Other payables	<u>(1,310,735)</u>
Total identifiable net liability	(58,424)
Goodwill arising from acquisition	58,426
	<u>2</u>

(ii) The effects of the acquisition of Aurea Canyon Mining Sdn. Bhd. on cash flows of the Group are as follows:

	2017 RM
Consideration settled in cash	2
Less: Cash and cash equivalents of subsidiary acquired	<u>(323,411)</u>
Net cash inflow of the Group on acquisition	<u>(323,409)</u>

# Notes to the Financial Statements (Cont'd)

31 December 2017



## 6. INVESTMENTS IN SUBSIDIARIES (Cont'd)

(c) On 10 January 2017, Leader Steel Sdn. Bhd., a wholly-owned subsidiary, had acquired 2 ordinary shares, representing 100% of the total issued and paid-up share capital in Aurea Canyon Mining Sdn. Bhd. from Dato' Goh Cheng Huat and Datin Tan Pak Say for RM2. (Cont'd)

(iii) The effect of this acquisition on the financial results of the Group during the financial year is as follows:

	2017 RM
Other income	106,515
Administration expenses	<u>(146,778)</u>
Loss before tax	(40,263)
Tax expense	<u>5,766</u>
Decrease in Group net profit	<u>(34,497)</u>

(iv) The effect of this acquisition on the financial position of the Group at the end of the financial year is as follows:

	2017 RM
Property, plant and equipment	3,447,192
Other receivables	3,900
Cash and bank balances	248,910
Other payables	<u>(1,847,182)</u>
Increase in Group net assets	<u>1,852,820</u>

(d) During the financial year, Ferro Minerals, Inc., a dormant wholly-owned subsidiary of the Company had submitted a strike off application to the Secretary of State of Alex Padilla. Ferro Minerals, Inc. had been dissolved and ceased to be a wholly-owned subsidiary of the Group with effect from 31 December 2017. The financial results of the subsidiary being deregistered are insignificant to the Group.

(e) On 9 February 2018, GCH Metal Service Centre Sdn. Bhd., a wholly-owned subsidiary of the Company had submitted a strike off application to the Companies Commission of Malaysia.

(f) The subsidiary of the Group that has non-controlling interests ('NCI') is as follows:

	ACME United Sdn. Bhd.	
	2017 RM	2016 RM
NCI percentage of ownership interest and voting interest	49%	49%
Carrying amount of NCI (RM)	<u>(44,845)</u>	<u>72,774</u>
Loss allocated to NCI (RM)	<u>(117,619)</u>	<u>(221,761)</u>

# Notes to the Financial Statements (Cont'd)

31 December 2017

## 6. INVESTMENTS IN SUBSIDIARIES (Cont'd)

- (g) The summarised financial information before intra-group elimination of the subsidiary that has material NCI as at the end of each reporting period is as follows:

	ACME United Sdn. Bhd.	
	2017 RM	2016 RM
<b>Assets and liabilities</b>		
Non-current assets	509,035	709,950
Current assets	5,779	5,936
Current liabilities	(724,789)	(685,822)
Net (liabilities)/assets	<u>(209,975)</u>	<u>30,064</u>
<b>Result</b>		
Revenue	0	0
Loss for the financial year	(240,039)	(452,573)
Total comprehensive loss	<u>(240,039)</u>	<u>(452,573)</u>
Cash flows (used in)/from operating activities	<u>(672)</u>	<u>1,120</u>
Net (decrease)/increase in cash and cash equivalents	<u>(672)</u>	<u>1,120</u>

## 7. AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group and Company	
	2017 RM	2016 RM
Available-for-sale financial asset		
- Quoted shares in Malaysia	<u>0</u>	<u>36,000</u>

- (a) During the financial year, an impairment loss of RM36,000 (2016: RM8,000) has been recognised in profit or loss.
- (b) Information on the fair value hierarchy is disclosed in Note 27 to the financial statements.

# Notes to the Financial Statements (Cont'd)

31 December 2017



## 8. INVENTORIES

	Group	
	2017 RM	2016 RM
<b>At cost</b>		
Raw materials	24,370,011	22,880,611
Work-in-progress	0	415,238
Manufactured inventories	17,918,521	13,103,673
Trading inventories	1,231,301	2,579,768
Goods-in-transit	4,804,608	0
	<u>48,324,441</u>	<u>38,979,290</u>
<b>At net realisable value</b>		
Trading inventories	<u>8,034,484</u>	<u>7,862,245</u>
<b>Total</b>	<u>56,358,925</u>	<u>46,841,535</u>

(a) Inventories are determined using the weighted average method. The cost of trading inventories and raw materials comprises all costs of purchase, cost of conversion plus other costs incurred in bringing the inventories to their present location and condition. The cost of work-in-progress and manufactured inventories includes the cost of raw materials, direct labour, other direct cost and a proportion of production overheads based on normal operating capacity of the production facilities.

(b) During the financial year, inventories of the Group recognised as cost of sales amounted to RM124,232,979 (2016: RM123,847,732).

(c) In the previous financial year, the Group had written down trading inventories amounted to RM236,113.

## 9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Trade receivables</b>				
Third parties	30,972,004	23,880,672	0	0
Related parties	3,894,051	1,166,081	0	0
	<u>34,866,055</u>	<u>25,046,753</u>	<u>0</u>	<u>0</u>
Less: Impairment loss				
- third parties	(3,789,187)	(3,987,773)	0	0
	<u>31,076,868</u>	<u>21,058,980</u>	<u>0</u>	<u>0</u>
<b>Other receivables</b>				
Other receivables	7,529,887	14,438,661	0	0
Less: Impairment loss	(1,474,708)	(1,414,926)	0	0
	<u>6,055,179</u>	<u>13,023,735</u>	<u>0</u>	<u>0</u>
<b>Deposits</b>	<u>345,488</u>	<u>757,738</u>	<u>0</u>	<u>0</u>
<b>Loans and receivables</b>	<u>37,477,535</u>	<u>34,840,453</u>	<u>0</u>	<u>0</u>
<b>Prepayments</b>	<u>8,620,266</u>	<u>10,144,171</u>	<u>17,502</u>	<u>17,502</u>
	<u>46,097,801</u>	<u>44,984,624</u>	<u>17,502</u>	<u>17,502</u>

# Notes to the Financial Statements (Cont'd)

31 December 2017

## 9. TRADE AND OTHER RECEIVABLES (Cont'd)

- (a) Trade and other receivables are classified as loans and receivables, and are measured at amortised cost using effective interest method.
- (b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 14 to 90 days (2016: 14 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (c) The currency exposure profile of loans and receivables is as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	<b>34,421,768</b>	29,524,834	0	0
United States Dollar	<b>2,931,574</b>	5,190,394	0	0
Singapore Dollar	<b>124,193</b>	60,675	0	0
Chinese Yuen	<b>0</b>	64,550	0	0
	<b>37,477,535</b>	34,840,453	<b>0</b>	0

- (d) The ageing analysis of trade receivables of the Group is as follows:

	Group	
	2017 RM	2016 RM
Neither past due nor impaired	<b>20,868,407</b>	10,404,141
Past due but not impaired		
1 to 30 days	<b>5,173,619</b>	4,406,361
31 to 120 days	<b>3,394,722</b>	3,948,979
More than 121 days	<b>1,640,120</b>	2,299,499
	<b>10,208,461</b>	10,654,839
Past due and impaired	<b>3,789,187</b>	3,987,773
	<b>34,866,055</b>	25,046,753

### Trade receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy receivables with good payment records with the Group. None of the trade receivables of the Group that are neither past due nor impaired have been renegotiated during the financial year.

The credit quality of trade receivables that are neither past due nor impaired as at the end of reporting period were assessed as follows:

	Group	
	2017 RM	2016 RM
Counterparties without external credit ratings		
- Group A	<b>174,981</b>	60,675
- Group B	<b>20,693,426</b>	10,343,466
	<b>20,868,407</b>	10,404,141

# Notes to the Financial Statements (Cont'd)

31 December 2017



## 9. TRADE AND OTHER RECEIVABLES (Cont'd)

(d) The ageing analysis of trade receivables of the Group is as follows: (Cont'd)

Trade receivables that are neither past due nor impaired (Cont'd)

- (i) Group A refers to new customers (less than 12 months).
- (ii) Group B refers to existing customers, including related parties (more than 12 months) with no defaults in the past.

Trade receivables that are past due but not impaired

Trade receivables that are past due but not impaired mainly arose from active corporate clients with healthy business relationship, in which the management is of the view that the amounts are recoverable based on past payment history. The trade receivables that are past due but not impaired are unsecured in nature.

Trade receivables that are past due and impaired

Trade receivables of the Group that are past due and impaired at the end of the reporting period are as follows:

	Individually impaired	
	2017 RM	2016 RM
<b>Group</b>		
Trade receivables, gross	<b>3,789,187</b>	3,987,773
Less: Impairment loss	<b>(3,789,187)</b>	(3,987,773)
	<b>0</b>	0

(e) The reconciliation of movements in the impairment loss are as follows:

	Group	
	2017 RM	2016 RM
<b>Trade receivables</b>		
Balance as at 1 January	<b>3,987,773</b>	3,468,472
Reversal of impairment loss (Note 21)	<b>0</b>	(88,020)
Exchange differences	<b>(198,586)</b>	607,321
Balance as at 31 December	<b>3,789,187</b>	3,987,773
<b>Other receivables</b>		
Balance as at 1 January	<b>1,414,926</b>	3,113,970
Charge for the financial year (Note 21)	<b>0</b>	532,099
Reversal of impairment loss (Note 21)	<b>0</b>	(435,002)
Written off	<b>0</b>	(1,796,141)
Exchange differences	<b>59,782</b>	0
Balance as at 31 December	<b>1,474,708</b>	1,414,926
	<b>5,263,895</b>	5,402,699

Trade receivables that are individually determined to be impaired at the end of the reporting period relate to those debtors that exhibit significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

# Notes to the Financial Statements (Cont'd)

31 December 2017

## 9. TRADE AND OTHER RECEIVABLES (Cont'd)

(e) The reconciliation of movements in the impairment loss are as follows: (Cont'd)

The Group makes impairment of receivables based on an assessment of the recoverability of receivables. Impairment is applied to receivables where events or changes in circumstances indicate that the carrying amounts may not be recoverable. Management specifically analyses historical bad debts, ageing profile of the customers and past historical payment trends when making a judgement to evaluate the adequacy of impairment of receivables. Where expectations differ from the original estimates, the differences would impact the carrying amount of receivables.

(f) Information on financial risks of trade and other receivables is disclosed in Note 28 to the financial statements.

## 10. CASH AND BANK BALANCES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances	<u>6,421,626</u>	<u>1,943,639</u>	<u>28,492</u>	<u>20,157</u>

(a) The currency exposure profile of cash and bank balances is as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	4,169,665	1,103,337	28,492	20,157
United States Dollar	1,900,436	634,592	0	0
Singapore Dollar	18,512	3,028	0	0
Chinese Yuen	322,352	202,682	0	0
Hong Kong Dollar	10,661	0	0	0
	<u>6,421,626</u>	<u>1,943,639</u>	<u>28,492</u>	<u>20,157</u>

(b) For the purpose of the statements of cash flows, cash and cash equivalents comprise the following as at the end of the reporting period:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Cash and bank balances	6,421,626	1,943,639	28,492	20,157
Bank overdrafts included in borrowings (Note 13)	0	(1,631,089)	0	0
	<u>6,421,626</u>	<u>312,550</u>	<u>28,492</u>	<u>20,157</u>

(c) Information on financial risks of cash and bank balances is disclosed in Note 28 to the financial statements.

# Notes to the Financial Statements (Cont'd)

31 December 2017



## 11. SHARE CAPITAL

### (a) Share capital

	Group and Company			
	2017		2016	
	Number of shares	RM	Number of shares	RM
<b>Issued and fully paid</b>				
Balance as at 1 January	128,032,000	64,016,000	128,032,000	64,016,000
Transfer from share premium account pursuant to the new Companies Act, 2016	0	3,600	0	0
Balance as at 31 December	<u>128,032,000</u>	<u>64,019,600</u>	<u>128,032,000</u>	<u>64,016,000</u>

- (i) The owners of the parent (except treasury shares) are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.
- (ii) With the introduction of the Companies Act, 2016 effective 31 January 2017, the concepts of authorised share capital and par value of share capital have been abolished. Consequently, balance within the share premium account of RM3,600 has been transferred to the share capital account pursuant to the transitional provisions set out in Section 618(2) of the Companies Act, 2016. Notwithstanding this provision, the Company may utilise its share premium account for purposes stipulated in Section 618(3) of the Companies Act, 2016 for a transitional period of 24 months from 31 January 2017. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

### (b) Treasury shares

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting ('AGM') held on 25 May 2017, renewed the approval for the Company to repurchase its own shares.

	Group and Company			
	2017		2016	
	Number of shares	RM	Number of shares	RM
Balance as at 1 January	(1,742,800)	(527,791)	(1,225,000)	(349,511)
Purchase of treasury shares	(1,018,000)	(529,364)	(517,800)	(178,280)
Balance as at 31 December	<u>(2,760,800)</u>	<u>(1,057,155)</u>	<u>(1,742,800)</u>	<u>(527,791)</u>

During the financial year, the Company repurchased a total of 1,018,000 (2016: 517,800) of its issued ordinary shares from the open market at an average price of RM0.520 (2016: RM0.344) per share. The total consideration paid for the repurchase shares was RM529,364 (2016: RM178,280). The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 76 of the Companies Act, 2016 in Malaysia.

As at 31 December 2017, 2,760,800 (2016: 1,742,800) out of the total 128,032,000 (2016: 128,032,000) issued and fully paid ordinary shares are held as treasury shares by the Company. The number of ordinary shares in issue and fully paid as at 31 December 2017 after excluding the treasury shares is 125,271,200 (2016: 126,289,200).

None of the treasury shares held were resold or cancelled during the financial year. Treasury shares have no rights to voting, dividends or participation in other distribution.

# Notes to the Financial Statements (Cont'd)

31 December 2017

## 12. RESERVES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Non-distributable:</b>				
Share premium	0	3,600	0	3,600
Revaluation reserve	57,914,996	56,420,433	0	0
Currency translation reserve	0	2,545	0	0
	<b>57,914,996</b>	<b>56,426,578</b>	<b>0</b>	<b>3,600</b>
<b>Distributable:</b>				
Retained earnings/ (Accumulated losses)	<b>19,722,798</b>	11,953,813	<b>(10,587,751)</b>	(9,983,230)
	<b>77,637,794</b>	<b>68,380,391</b>	<b>(10,587,751)</b>	<b>(9,979,630)</b>

(a) Share premium

The share premium account for the Group and the Company arose from the public issue in year 2008 and the issuance of shares under employee share option scheme.

During the financial year, share premium balances have been transferred to share capital pursuant to the transitional provisions in Section 618(2) of the new Companies Act, 2016.

(b) Revaluation reserve

The revaluation reserve arose from the revaluation of freehold land, short term leasehold land and buildings.

(c) Currency translation reserve

The translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign operations whose functional currencies are different from that of the Group's presentation currency. It is also used to record the exchange differences arising from monetary items which form part of the Group's net investment in foreign operations, where the monetary item is denominated in either the functional currency of the reporting entity or the foreign operation.

# Notes to the Financial Statements (Cont'd)

31 December 2017



## 13. BORROWINGS

	Group	
	2017 RM	2016 RM
<b>Current</b>		
<i>Secured</i>		
Bank overdrafts (Note 10)	0	1,631,089
Bankers' acceptances	79,448,346	57,524,737
Commodity financing	0	172,430
Hire purchase and lease creditors (Note 14)	1,162,048	572,812
Revolving credit	4,906,578	4,925,463
Term loans	1,930,399	1,949,852
	<b>87,447,371</b>	<b>66,776,383</b>
<b>Non-current</b>		
<i>Secured</i>		
Hire purchase and lease creditors (Note 14)	1,280,030	1,396,360
Term loans	0	1,920,843
	<b>1,280,030</b>	<b>3,317,203</b>
<b>Total borrowings</b>		
Bank overdrafts (Note 10)	0	1,631,089
Bankers' acceptances	79,448,346	57,524,737
Commodity financing	0	172,430
Hire purchase and lease creditors (Note 14)	2,442,078	1,969,172
Revolving credit	4,906,578	4,925,463
Term loans	1,930,399	3,870,695
	<b>88,727,401</b>	<b>70,093,586</b>

- (a) All borrowings are denominated in Ringgit Malaysia.
- (b) The bank borrowings of the Group, other than hire purchase and lease creditors are secured by the following:
- (i) fixed charges over the following assets of the Group

	Group	
	2017 RM	2016 RM
Freehold land	17,300,000	17,300,000
Short term leasehold land	6,300,000	6,300,000
Buildings	16,400,000	16,400,000
Plant and machinery	16,120,830	16,533,185
Property, plant and equipment (Note 5(f))	<b>56,120,830</b>	<b>56,533,185</b>

- (ii) corporate guarantee of RM226,690,000 (2016: RM188,540,000) by the Company.

- (c) Information on financial risks of borrowings is disclosed in Note 28 to the financial statements.

# Notes to the Financial Statements (Cont'd)

31 December 2017

## 14. HIRE PURCHASE AND LEASE CREDITORS

	Group	
	2017 RM	2016 RM
Minimum hire purchase and lease payments:		
- not later than one (1) year	1,268,716	768,754
- later than one (1) year but not later than five (5) years	1,341,700	1,407,810
Total minimum hire purchase and lease payments	<u>2,610,416</u>	2,176,564
Less: Future interest charges	(168,338)	(207,392)
Present value of hire purchase and lease payments	<u>2,442,078</u>	<u>1,969,172</u>
Repayable as follows:		
Current liabilities:		
- not later than one (1) year (Note 13)	1,162,048	572,812
Non-current liabilities		
- later than one (1) year and not later than five (5) years (Note 13)	1,280,030	1,396,360
	<u>2,442,078</u>	<u>1,969,172</u>

- (a) Hire purchase and lease creditors are effectively secured as the rights to the assets under hire purchase in the event of default as disclosed in Note 5(e) to the financial statements.
- (b) Information on financial risks of hire purchase and lease creditors is disclosed in Note 28 to the financial statements.

## 15. DEFERRED TAX LIABILITIES

- (a) The deferred tax liabilities is made up of the following:

	Group	
	2017 RM	2016 RM
Balance as at 1 January	13,168,446	14,481,484
Recognised in profit or loss (Note 24)	88,111	(1,802,088)
Recognised in other comprehensive income	471,965	489,050
Balance as at 31 December	<u>13,728,522</u>	<u>13,168,446</u>
Presented after appropriate offsetting:		
Deferred tax liabilities	<u>13,728,522</u>	<u>13,168,446</u>



# Notes to the Financial Statements (Cont'd)

31 December 2017

## 15. DEFERRED TAX LIABILITIES (Cont'd)

- (c) The estimated amount of net deferred tax assets calculated at the applicable tax rate, which is not recognised in the financial statements are as follows:

	Group	
	2017 RM	2016 RM
Unabsorbed tax losses	452,280	461,800
Unabsorbed capital allowances	196,430	139,590
	<u>648,710</u>	<u>601,390</u>

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that taxable profits of the subsidiaries will be available against which the deductible temporary differences can be utilised.

The deductible temporary differences do not expire under the current tax legislation.

## 16. TRADE AND OTHER PAYABLES

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Non-current</b>				
<b>Other payable</b>				
Amount due to a Director	<u>0</u>	<u>3,748,463</u>	<u>0</u>	<u>0</u>
<b>Current</b>				
<b>Trade payables</b>				
Related parties	6,531,744	16,106,878	0	0
Third parties	5,306,086	4,295,090	0	0
	<u>11,837,830</u>	<u>20,401,968</u>	<u>0</u>	<u>0</u>
<b>Other payables</b>				
Amount due to Directors	11,510	0	0	0
Amount due to subsidiaries	0	0	2,083,855	1,038,211
Amount due to related parties	717,781	544,971	0	0
Accrued expenses	2,016,061	2,015,481	46,700	18,000
Other payables	6,041,194	3,180,433	240,854	208,976
	<u>8,786,546</u>	<u>5,740,885</u>	<u>2,371,409</u>	<u>1,265,187</u>
	<u>20,624,376</u>	<u>26,142,853</u>	<u>2,371,409</u>	<u>1,265,187</u>

# Notes to the Financial Statements (Cont'd)

31 December 2017



## 16. TRADE AND OTHER PAYABLES (Cont'd)

- (a) Trade and other payables are classified as other financial liabilities, and are measured at amortised cost using the effective interest method.
- (b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 14 to 120 days (2016: 14 to 120 days).
- (c) In the previous financial year, amount due to a Director was unsecured and interest-free except for RM3,132,150 on which interest was charged at 4.5% per annum.
- (d) Amount due to subsidiaries is non-trade in nature, unsecured, which bear interest at rates ranging from 4.56% to 4.64% (2016: 4.46% to 4.61%) per annum and payable upon demand in cash and cash equivalents.
- (e) Amount due to Directors and amount due to related parties are unsecured, interest-free and payable upon demand in cash and cash equivalents.
- (f) The currency exposure profile of trade and other payables is as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Ringgit Malaysia	15,802,063	23,179,928	2,371,409	1,265,187
United States Dollar	3,527,449	6,711,388	0	0
Chinese Yuen	1,246,000	0	0	0
Hong Kong Dollar	48,864	0	0	0
	<u>20,624,376</u>	<u>29,891,316</u>	<u>2,371,409</u>	<u>1,265,187</u>

- (g) Information on financial risks of trade and other payables is disclosed in Note 28 to the financial statements.

## 17. CONTINGENT LIABILITIES

	Company	
	2017 RM	2016 RM
Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries	<u>88,727,401</u>	<u>69,700,675</u>

The Group designates corporate guarantees given to banks for credit facilities granted to subsidiaries as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these insurance contracts as recognised insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.

The corporate guarantees are given to the financial institutions as one of the securities in relation to banking facilities granted to the subsidiaries.

The Directors are of the view that the fair value of such corporate guarantees given by the Company is negligible as it is unlikely that the financial institutions will call upon the corporate guarantees in view of the financial strength of the subsidiaries.

# Notes to the Financial Statements (Cont'd)

31 December 2017

## 18. COMMITMENTS

### (a) Operating lease commitments

#### The Group as lessee

The Group had entered into non-cancellable lease agreements for land and staff housing, resulting in future rental commitments which can, subject to certain terms in the agreements, be revised annually based on prevailing market rates.

The lease terms do not contain restrictions on the activities of the Group concerning dividends or additional debt. The Group has aggregate future minimum lease commitment as at the end of each reporting period as follows:

	2017 RM	Group 2016 RM
Not later than one (1) year	182,000	180,550
Later than one (1) year and not later than five (5) years	0	6,400
	<u>182,000</u>	<u>186,950</u>

### (b) Capital commitments

	2017 RM	Group 2016 RM
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided for	<u>0</u>	<u>2,581,800</u>

## 19. REVENUE

The revenue of the Group represents income from the sale of goods. Revenue from sale of goods is recognised when the significant risks and rewards of ownership of the goods have been transferred to the customer and where the Group does not have continuing managerial involvement over the goods, which coincides with the delivery of goods and acceptance by customers.

## 20. FINANCE COSTS

	2017 RM	Group 2016 RM
Interest expenses on:		
Bank overdrafts	84,736	224,205
Term loans	235,049	384,888
Hire purchases	135,638	132,903
Bankers' acceptances	2,544,632	2,711,354
Revolving credit	260,880	251,264
Amount due to a Director	0	88,463
Others	62,893	91,980
	<u>3,323,828</u>	<u>3,885,057</u>

# Notes to the Financial Statements (Cont'd)

31 December 2017



## 21. PROFIT/(LOSS) BEFORE TAX

Profit/(Loss) before tax is arrived at after charging:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Auditors' remuneration:				
- statutory audit	<b>189,324</b>	145,000	<b>61,000</b>	45,000
- underprovision in prior years	<b>0</b>	24,618	<b>0</b>	4,000
Depreciation of property, plant and equipment (Note 5)	<b>7,605,603</b>	7,317,278	<b>0</b>	0
Impairment losses on:				
- available-for-sale financial asset (Note 7(a))	<b>36,000</b>	8,000	<b>36,000</b>	8,000
- other receivables (Note 9(e))	<b>0</b>	532,099	<b>0</b>	0
Interest expense on amount due to subsidiaries	<b>0</b>	0	<b>63,535</b>	33,235
Inventories written down (Note 8(c))	<b>0</b>	236,113	<b>0</b>	0
Rental of equipment	<b>7,458</b>	7,408	<b>0</b>	0
Rental of premises	<b>410,669</b>	497,778	<b>0</b>	0
Unrealised loss on foreign exchange	<b>341,984</b>	1,091,316	<b>0</b>	0
And crediting:				
Gain on disposal of property, plant and equipment	<b>134,953</b>	2,662,702	<b>0</b>	0
Realised gain on foreign exchange	<b>303,533</b>	865,771	<b>0</b>	0
Reversal of impairment losses on:				
- trade receivables (Note 9(e))	<b>0</b>	88,020	<b>0</b>	0
- other receivables (Note 9(e))	<b>0</b>	435,002	<b>0</b>	0

## 22. EMPLOYEE BENEFITS

	Group	
	2017 RM	2016 RM
Wages, salaries, bonuses and incentive	<b>6,657,147</b>	7,392,236
Contributions to defined contribution plan	<b>787,937</b>	845,018
Social security contributions	<b>73,179</b>	65,057
Other benefits	<b>1,308,125</b>	734,671
	<b>8,826,388</b>	9,036,982

# Notes to the Financial Statements (Cont'd)

31 December 2017

## 23. DIRECTORS' REMUNERATION

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Directors of the Company</b>				
Executive:				
- fees	75,000	50,000	75,000	50,000
- remuneration	1,485,900	1,743,914	6,000	5,000
	<u>1,560,900</u>	<u>1,793,914</u>	<u>81,000</u>	<u>55,000</u>
Non-executive:				
- fees	125,000	125,000	125,000	125,000
- other emoluments	65,000	67,000	19,000	21,000
	<u>190,000</u>	<u>192,000</u>	<u>144,000</u>	<u>146,000</u>
Total Directors' remuneration	<u>1,750,900</u>	<u>1,985,914</u>	<u>225,000</u>	<u>201,000</u>

Estimated monetary value of benefits-in-kind provided to the Executive Directors of the Company is RM48,065 (2016: RM23,950).

## 24. TAX EXPENSE

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Current tax expense for the financial year	3,007,188	2,275,300	0	0
(Over)/Underprovision in prior years	(166,053)	571,506	0	0
	<u>2,841,135</u>	<u>2,846,806</u>	<u>0</u>	<u>0</u>
Deferred tax (Note 15):				
Relating to origination and reversal of temporary differences	338,493	253,790	0	0
Crystallisation of deferred tax liability on revaluation surplus	(302,689)	(123,420)	0	0
Under/(Over)provision in prior years	52,307	(1,932,458)	0	0
	<u>88,111</u>	<u>(1,802,088)</u>	<u>0</u>	<u>0</u>
	<u>2,929,246</u>	<u>1,044,718</u>	<u>0</u>	<u>0</u>

The Malaysian income tax is calculated at the statutory tax rate of 24% (2016: 24%) of the estimated taxable profits for the fiscal year.

# Notes to the Financial Statements (Cont'd)

31 December 2017



## 24. TAX EXPENSE (Cont'd)

The numerical reconciliation between the tax expense and the product of accounting profit/(loss) multiplied by the applicable tax rates of the Group and of the Company are as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Profit/(Loss) before tax	<u>10,580,612</u>	<u>7,574,698</u>	<u>(604,521)</u>	<u>(456,201)</u>
Tax at Malaysian statutory tax rate of 24% (2016: 24%)	2,539,347	1,817,920	(145,085)	(109,500)
Tax effects in respect of:				
Non-allowable expenses	781,012	656,703	145,085	109,500
Non-taxable income	(311,418)	(95,113)	0	0
Lower tax rates in foreign jurisdiction	(13,269)	0	0	0
Deferred tax assets not recognised	47,320	26,160	0	0
	<u>3,042,992</u>	<u>2,405,670</u>	<u>0</u>	<u>0</u>
(Over)/Underprovision of tax expense in prior years	(166,053)	571,506	0	0
Under/(Over)provision of deferred tax in prior years	52,307	(1,932,458)	0	0
	<u>2,929,246</u>	<u>1,044,718</u>	<u>0</u>	<u>0</u>

## 25. EARNINGS PER SHARE

### (a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit for the financial year attributable to equity holders of the parent by the weighted average number of ordinary shares outstanding during the financial year, excluding treasury shares held by the Company.

	Group	
	2017 RM	2016 RM
Profit attributable to equity holders of the parent	<u>7,768,985</u>	<u>6,751,741</u>
Weighted average number of ordinary shares in issue (units)	<u>127,275,496</u>	<u>127,361,282</u>
Basic earnings per ordinary share (sen)	<u>6.10</u>	<u>5.30</u>

### (b) Diluted

Diluted earnings per ordinary share is the same as basic earnings per ordinary share as there is no dilutive potential ordinary share outstanding during the financial year.

# Notes to the Financial Statements (Cont'd)

31 December 2017

## 26. 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 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 or common significant influence. Related parties may be individuals or other entities.

The Company has controlling related party relationship with its direct and indirect subsidiaries.

### (b) In addition to the transactions and balances detailed elsewhere in the financial statements, the Group and the Company had the following transactions with related parties during the financial year:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Related parties:				
Rental of premise	318,000	300,000	0	0
Provision of services to related party	0	21,043	0	0
Purchase of property, plant and equipment	0	26,570	0	0
Sales	3,403,657	2,651,817	0	0
Purchases	<u>23,556,705</u>	<u>16,959,491</u>	<u>0</u>	<u>0</u>
Subsidiaries:				
Interest payable	<u>0</u>	<u>0</u>	<u>63,535</u>	<u>33,235</u>

Balances with related parties at the end of the financial year are disclosed in Note 9 and Note 16 to the financial statements.

The above transactions were carried out on terms and rates as agreed between the Group and the related parties.

### (c) Compensation of key management personnel

Key management personnel are those persons having the authority and responsibility for planning, directing and controlling the activities of the entity, directly and indirectly, including any Director (whether executive or otherwise) of the Group and the Company.

The remuneration of Directors and other key management personnel during the financial year is as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Short term employee benefits	1,592,500	2,309,389	225,000	201,000
Post-employment benefits				
- Contribution to defined benefit plan	158,400	247,353	0	0
	<u>1,750,900</u>	<u>2,556,742</u>	<u>225,000</u>	<u>201,000</u>

# Notes to the Financial Statements (Cont'd)

31 December 2017



## 26. RELATED PARTY DISCLOSURES (Cont'd)

### (c) Compensation of key management personnel (Cont'd)

Included in the total remuneration of key management personnel are:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Directors' remuneration (Note 23)	<u>1,750,900</u>	<u>1,985,914</u>	<u>225,000</u>	<u>201,000</u>

## 27. FINANCIAL INSTRUMENTS

### (a) Capital management

The overall capital management objective of the Group is to safeguard its ability to continue as a going concern so as to provide fair returns to owners and benefits to other stakeholders. In order to meet this objective, the Group always strives to maintain an optimal capital structure to reduce the cost of capital and sustain its business development.

The Group considers its total equity (including non-controlling interests) and total loans and borrowings to be the key components of its capital structure and may, from time to time, adjust the dividend payouts, purchase own shares, issue new shares, sell assets, raise or redeem debts, where necessary, to maintain an optimal capital structure. The Group monitors capital using a debt-to-equity ratio, which is calculated as total loans and borrowings divided by total equity as follows:

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
Loans and borrowings	<b>88,727,401</b>	70,093,586	<b>0</b>	0
Trade and other payables	<b>20,624,376</b>	26,142,853	<b>2,371,409</b>	1,265,187
Total liabilities	<b>109,351,777</b>	96,236,439	<b>2,371,409</b>	1,265,187
Total equity	<b>140,555,394</b>	131,941,374	<b>52,374,694</b>	53,508,579
Total capital	<b>249,907,171</b>	228,177,813	<b>54,746,103</b>	54,773,766
Debt-to-equity ratio	<b>0.78 : 1</b>	0.73 : 1	<b>0.05 : 1</b>	0.02 : 1

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities, the Group is required to maintain a consolidated shareholders' equity equal to or not less than twenty-five percent (25%) of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40.0 million. The Company has complied with this requirement for the financial year ended 31 December 2017.

### (b) Categories of financial instruments

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Financial assets</b>				
<b>Available-for-sale financial assets</b>				
Quoted shares	<u>0</u>	<u>36,000</u>	<u>0</u>	<u>36,000</u>
<b>Loans and receivables</b>				
Trade and other receivables	<b>37,477,535</b>	34,840,453	<b>0</b>	0
Cash and bank balances	<b>6,421,626</b>	1,943,639	<b>28,492</b>	20,157
	<b>43,899,161</b>	36,784,092	<b>28,492</b>	20,157

# Notes to the Financial Statements (Cont'd)

31 December 2017

## 27. FINANCIAL INSTRUMENTS (Cont'd)

### (b) Categories of financial instruments (Cont'd)

	Group		Company	
	2017 RM	2016 RM	2017 RM	2016 RM
<b>Financial liabilities</b>				
<b>Other financial liabilities</b>				
Borrowings	88,727,401	70,093,586	0	0
Trade and other payables (current and non-current)	20,624,376	29,891,316	2,371,409	1,265,187
	<u>109,351,777</u>	<u>99,984,902</u>	<u>2,371,409</u>	<u>1,265,187</u>

### (c) Methods and assumptions used to estimate fair value

The fair values of financial assets and financial liabilities are determined as follows:

- (i) Financial instruments that are not carried at fair values and whose carrying amounts are a reasonable approximation of fair values

The carrying amounts of financial assets and financial liabilities, such as trade and other receivables, trade and other payables and borrowings, are reasonable approximation of fair values, either due to their short-term nature or that they are floating rate instruments that are re-priced to market interest rates on or near the end of each reporting period.

- (ii) Quoted shares

The fair value of quoted investments in Malaysia is determined by reference to the exchange quoted market bid prices at the close of the business on the end of the reporting period.

- (iii) Hire purchase and lease creditors

The fair values of hire purchase and lease creditors are estimated based on the future contractual cash flows discounted at current market interest rates available for similar financial instruments and of the same remaining maturities.

### (d) Fair value hierarchy

Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active markets for identical assets or liabilities.

Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Fair value of non-derivative financial liabilities, which is determined for disclosure purposes, is calculated based on the present value of future principal and interest cash flows, discounted at the market rate of interest at the end of the reporting period. In respect of the borrowings, the market rate of interest is determined by reference to similar borrowing arrangements.

Level 3 fair value measurements are those derived from inputs for the asset or liability that are not based on observable market data (unobservable inputs).

# Notes to the Financial Statements (Cont'd)

31 December 2017



## 27. FINANCIAL INSTRUMENTS (Cont'd)

(d) Fair value hierarchy (Cont'd)

The following tables set out the financial instruments carried at fair value and not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position.

	Fair value of financial instruments carried at fair value			Fair value of financial instruments not carried at fair value			Total fair value RM	Total carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
<b>2017</b>								
<b>Group</b>								
<b>Financial liability</b>								
<b>Other financial liability</b>								
Hire purchase and lease creditors	0	0	0	0	2,382,005	0	2,382,005	2,442,078
<b>2016</b>								
<b>Group</b>								
<b>Financial asset</b>								
<b>Available-for-sale financial asset</b>								
Quoted shares	36,000	0	0	0	0	0	36,000	36,000
<b>Financial liabilities</b>								
<b>Other financial liabilities</b>								
Amount due to a Director	0	0	0	0	0	3,561,649	3,561,649	3,748,463
Hire purchase and lease creditors	0	0	0	0	1,943,239	0	1,943,239	1,969,172

# Notes to the Financial Statements (Cont'd)

31 December 2017

## 27. FINANCIAL INSTRUMENTS (Cont'd)

(d) Fair value hierarchy (Cont'd)

The following tables set out the financial instruments carried at fair value and not carried at fair value for which fair value is disclosed, together with their fair values and carrying amounts shown in the statements of financial position. (Cont'd)

	Fair value of financial instruments carried at fair value				Fair value of financial instruments not carried at fair value				Total fair value RM	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Total RM	Level 1 RM	Level 2 RM	Level 3 RM	Total RM		
<b>2016</b>										
<b>Company</b>										
<b>Financial asset</b>										
<b>Available-for-sale financial asset</b>										
Quoted shares	36,000	0	0	36,000	0	0	0	0	36,000	36,000

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 31 December 2017 and 31 December 2016.

(e) The management regularly reviews valuation adjustments in relation to the measurement of fair values of financial instrument.



## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

The financial risk management objective of the Group is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from fluctuations in foreign currency exchange and interest rates and the unpredictability of the financial markets.

The Group is exposed mainly to credit risk, liquidity and cash flow risk, foreign currency risk and interest rate risk. Information on the management of the related exposures is detailed below.

### (a) Credit risk

Trade receivables could give rise to credit risk which requires the loss to be recognised if a counter party fails to perform as contracted. The counter parties are the customers of the Group and licensed financial institutions. It is the policy of the Group to monitor the financial standing of these counter parties on an ongoing basis to ensure that the Group is exposed to minimal credit risk.

The primary exposure of the Group to credit risk arises through its trade receivables. The trading terms of the Group with its customers are mainly on credit, except for new customers, where deposits in advance are normally required. The credit period is generally for a period of fourteen (14) days, extending up to three (3) months for major customers. The Group consistently monitors its outstanding receivables to minimise credit risk.

#### Exposure to credit risk

At the end of the reporting period, the maximum exposure of the Group and of the Company to credit risk is substantially represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

#### Credit risk concentration profile

The Group determines concentration of credit risk by monitoring the country and industry sector profiles of its trade receivables on an ongoing basis. The credit risk concentration profile of the trade receivables of the Group at the end of the reporting period are as follows:

	2017		2016	
	RM	% of total	RM	% of total
<b>By countries</b>				
Malaysia	28,710,424	92%	17,303,145	82%
China	2,366,444	8%	3,755,835	18%
	<u>31,076,868</u>	<u>100%</u>	<u>21,058,980</u>	<u>100%</u>
<b>By industry sectors</b>				
Minerals	13,948,047	45%	3,768,836	18%
Steel product and trading activity	17,128,821	55%	17,290,144	82%
	<u>31,076,868</u>	<u>100%</u>	<u>21,058,980</u>	<u>100%</u>

At the end of each reporting period, approximately eight percent (8%) (2016: 3%) of the trade and other receivables of the Group were due from related parties whilst none of the receivables of the Company were balances with related parties.

#### Financial assets that are neither past due nor impaired

Information regarding trade and other receivables that are neither past due nor impaired is disclosed in Note 9 to the financial statements.

#### Financial assets that are either past due or impaired

Information regarding financial assets that are either past due or impaired is disclosed in Note 9 to the financial statements.

# Notes to the Financial Statements (Cont'd)

31 December 2017

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

### (b) Liquidity and cash flow risk

The Group actively manages its debt maturity profile, operating cash flows and availability of funding so as to ensure that all operating, investing and financing needs are met. In executing its liquidity risk management strategy, the Group measures and forecasts its cash commitments and maintains a level of cash and cash equivalents deemed adequate to finance the activities of the Group.

The Group practises prudent liquidity risk management to minimise the mismatch of financial assets and liabilities whilst maintaining sufficient cash and the availability of funding through standby credit facilities.

The table below summarises the maturity profile of the liabilities of the Group and of the Company at the end of the reporting period based on contractual undiscounted repayment obligations.

	On demand or within one (1) year RM	One (1) to five (5) years RM	Total RM
<b>As at 31 December 2017</b>			
<b>Group</b>			
<b>Financial liabilities</b>			
Trade and other payables	20,624,376	0	20,624,376
Borrowings	87,628,236	1,341,700	88,969,936
Total undiscounted financial liabilities	<u>108,252,612</u>	<u>1,341,700</u>	<u>109,594,312</u>
<b>Company</b>			
<b>Financial liability</b>			
Other payables	2,371,409	0	2,371,409
Total undiscounted financial liability	<u>2,371,409</u>	<u>0</u>	<u>2,371,409</u>
<b>As at 31 December 2016</b>			
<b>Group</b>			
<b>Financial liabilities</b>			
Trade and other payables	26,142,853	3,773,438	29,916,291
Borrowings	67,196,807	3,405,572	70,602,379
Total undiscounted financial liabilities	<u>93,339,660</u>	<u>7,179,010</u>	<u>100,518,670</u>
<b>Company</b>			
<b>Financial liability</b>			
Other payables	1,265,187	0	1,265,187
Total undiscounted financial liability	<u>1,265,187</u>	<u>0</u>	<u>1,265,187</u>

### (c) Foreign currency risk

Foreign currency risk is the risk that the fair value or future cash flows of a financial instrument would fluctuate because of changes in foreign exchange rates.

The Group is exposed to foreign currency risk on sales and purchases that are denominated in a currency other than the respective functional currencies of Group entities. The currency giving rise to this risk is primarily in United States Dollar ('USD').



## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

### (c) Foreign currency risk (Cont'd)

The following table demonstrates the sensitivity analysis of the Group to a reasonably possible change in the USD exchange rate against the respective functional currencies of the Group entities, with all other variables held constant:

	Effect on profit after tax Increase/(Decrease) Group	
	2017 RM	2016 RM
USD/RM - strengthen by 10% (2016: 10%)	99,147	(67,367)
- weaken by 10% (2016: 10%)	<u>(99,147)</u>	<u>67,367</u>

### (d) Interest rate risk

Interest rate risk is the risk that the fair value or future cash flows of the financial instruments of the Group and of the Company would fluctuate because of changes in market interest rates.

The exposure of the Group to interest rate risk arises primarily from their loans and borrowings. The Group borrows at both, floating and fixed rates of interest to generate the desired interest profile and to manage the exposure of the Group to interest rate fluctuations.

#### Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity analysis of the Group if interest rates at the end of reporting period changed by ten (10) basis points with all other variables held constant:

	Effect on profit after tax (Decrease)/Increase Group	
	2017 RM	2016 RM
- Increase by 0.1% (2016: 0.1%)	(26,301)	(21,739)
- Decrease by 0.1% (2016: 0.1%)	<u>26,301</u>	<u>21,739</u>

# Notes to the Financial Statements (Cont'd)

31 December 2017

## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

### (d) Interest rate risk (Cont'd)

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of the reporting period and the remaining maturities of the financial instruments of the Group and of the Company that are exposed to interest rate risk:

Group	Note	Weighted average interest rate %	Within one (1) year RM	One (1) to two (2) years RM	Two (2) to three (3) years RM	Three (3) to four (4) years RM	Four (4) to five (5) years RM	Total RM
<b>As at 31 December 2017</b>								
<b>Fixed rate</b>								
Hire purchase and lease creditors	14	5.50	1,162,048	874,482	405,548	0	0	2,442,078
<b>Floating rates</b>								
Bankers' acceptances	13	4.10	79,448,346	0	0	0	0	79,448,346
Revolving credit	13	5.60	4,906,578	0	0	0	0	4,906,578
Term loans	13	7.74	1,930,399	0	0	0	0	1,930,399
<b>As at 31 December 2016</b>								
<b>Fixed rates</b>								
Amount owing to a Director	16	4.50	0	3,132,150	0	0	0	3,132,150
Hire purchase and lease creditors	14	6.13	572,812	620,634	484,532	253,257	37,937	1,969,172
<b>Floating rates</b>								
Bankers' acceptances	13	4.25	57,524,737	0	0	0	0	57,524,737
Bank overdrafts	13	8.15	1,631,089	0	0	0	0	1,631,089
Commodity financing	13	5.75	172,430	0	0	0	0	172,430
Revolving credit	13	4.46	4,925,463	0	0	0	0	4,925,463
Term loans	13	7.60	1,949,852	1,920,843	0	0	0	3,870,695

# Notes to the Financial Statements (Cont'd)

31 December 2017



## 28. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (Cont'd)

### (d) Interest rate risk (Cont'd)

The following tables set out the carrying amounts, the weighted average effective interest rates as at the end of the reporting period and the remaining maturities of the financial instruments of the Group and of the Company that are exposed to interest rate risk: (Cont'd)

Company	Note	Weighted average effective interest rate %	Within one (1) year RM
<b>As at 31 December 2017</b>			
<b>Floating rate</b>			
Amount due to subsidiaries	16	4.60	<u>2,083,855</u>
<b>As at 31 December 2016</b>			
<b>Floating rate</b>			
Amount due to subsidiaries	16	4.54	<u>1,038,211</u>

## 29. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

### (a) New MFRSs adopted during the financial year

The Group and the Company adopted the following Standards of the MFRS Framework that were issued by the Malaysian Accounting Standards Board ('MASB') during the financial year:

Title	Effective Date
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2017

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company.

### (b) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ('MASB') but have not been early adopted by the Group and the Company:

Title	Effective Date
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS 9 as issued by IASB in July 2014)</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarifications to MFRS 15	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018

# Notes to the Financial Statements (Cont'd)

31 December 2017

## 29. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (Cont'd)

### (b) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2018 (Cont'd)

The following are Standards of the MFRS Framework that have been issued by the Malaysian Accounting Standards Board ('MASB') but have not been early adopted by the Group and the Company: (Cont'd)

Title	Effective Date
Amendments to MFRS 140 <i>Transfers of Investment Property</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 4 <i>Applying MFRS 9 Financial Instruments with MFRS 4 Insurance Contracts</i>	See MFRS 4 Paragraphs 46 and 48
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015–2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015–2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015–2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015–2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group is in the process of assessing the impact of implementing these Standards and Amendments, other than MFRS 15 and MFRS 9, since the effects would only be observable for the future financial years. The Group is currently finalising the adjustments upon adoption of MFRS 15 and MFRS 9.

# Properties of the Group



Location	Date of Revaluation	Tenure	Approximate Age of Building	Area (Square Meters)	Description	Net Book Value as at 31 December 2017 RM'000
<b>Leader Steel Sdn. Bhd.</b>						
Plot 85 Lorong Perusahaan Utama Kawasan Perusahaan Bukit Tengah Pulau Pinang, Malaysia	31.12.2017	Leasehold 60 years, expiring 21.12.2052	24 years	34,000	Factory	27,200
6 Lorong Limau Manis 1 Taman Limau Manis 14000 Bukit Tengah Pulau Pinang, Malaysia	31.12.2017	Freehold Double Storey Terrace house	23 years	111	Residential premise for factory workers	400
8 Lorong Limau Manis 1 Taman Limau Manis 14000 Bukit Tengah Pulau Pinang, Malaysia	31.12.2017	Freehold Double Storey Terrace house	23 years	111	Residential premise for factory workers	400
Lot 841 Block 7 MTLD Sejingkat Industrial Park 93050 Kuching Sarawak, Malaysia	11.10.2017	Leasehold 60 years, expiring 10.11.2053	25 years	33,600	Factory	17,800
Lot No. 1596 Title No. GRN 77765 Mukim 12, Daerah Seberang Perai Selatan Pulau Pinang, Malaysia	31.10.2017	Freehold Land & Building	5 years	39,250	Factory	22,200
<b>Leader Steel Service Centre Sdn. Bhd.</b>						
Geran 43145, Lot No. 6483 Kapar, Klang Selangor, Malaysia	31.12.2017	Freehold	14 years	52,483	Factory	25,000
Lot 6483, Jalan Sungai Puloh, KU5 42100 Klang, Selangor	31.12.2017	Freehold Building	9 years	17,000	Factory	15,706
42A, Lorong Bayu Mutiara 8 Taman Bayu Mutiara 14000 Bukit Mertajam Pulau Pinang, Malaysia	31.12.2017	Freehold Double Storey Terrace house	11 years	130	Residential premise for factory workers	550
48, Lorong Bayu Mutiara 8 Taman Bayu Mutiara 14000 Bukit Mertajam Pulau Pinang, Malaysia	31.12.2017	Freehold Double Storey Terrace house	11 years	130	Residential premise for factory workers	550
32A, Jalan Setia Impian, U13/5F Sek U13 Setia Alam 40170 Shah Alam Selangor	31.12.2017	Freehold Double Storey Terrace house	10 years	130	Residential premise for factory workers	600
32, Klang Central Industrial Park, Lorong 5 Di Lorong Sg. Buloh, Batu 5 ¾, Jln Kapar 41400 Klang, Selangor	31.12.2017	Shophouse	8 years	186	Residential premise for factory workers	600
No.8, Jln Setia Impian U13/8G, Setia Alam Seksyen U13, Setia Alam, 40170 Shah Alam	31.12.2017	Freehold Double Storey Terrace house	9 years	130	Residential premise for factory workers	680
No.30, Klang Central Industrial Park, Lorong 5, Di Lorong Sungai Puloh, Batu ¾, Jalan Kapar 41400 Klang, Selangor Darul Ehsan	31.12.2017	Double Storey Shophouse	5 years	191	Residential premise for factory workers	620

# Analysis of Shareholdings

as at 30 March 2018

## SHAREHOLDING STATISTICS AS AT 30 MARCH 2018

Issued Share Capital	: 128,032,200 ordinary shares (including 2,890,800 treasury shares)
Class Of Share	: Ordinary Shares
No. Of Shareholders	: 2,449
Voting Right	: One vote per ordinary share

### Analysis by size of shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares held
LESS THAN 100	5	0.21	213	0.00
100 – 1,000	206	8.41	161,384	0.12
1,001 – 10,000	1,379	56.31	8,037,635	6.28
10,001 – 100,000	782	31.93	24,564,600	19.19
100,001 – 6,401,599	75	3.06	30,328,406	23.69
6,401,600 – 128,032,000	2	0.08	64,939,762	50.72
<b>TOTAL:</b>	<b>2,449</b>	<b>100.00</b>	<b>128,032,000</b>	<b>100.00</b>

### Substantial Shareholders

No.	Name of Major Shareholders	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
1.	Dato' Goh Cheng Huat	10,903,894	8.71	<sup>^</sup> 56,402,974	45.07
2.	Datin Tan Pak Say	1,155,006	0.92	<sup>^^</sup> 66,151,862	52.86
3.	Bischart Sdn. Bhd.	54,035,868	43.18	-	-

<sup>^</sup> Deemed interested by virtue of his shareholding in Bischart Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016 and shares held by his spouse, Datin Tan Pak Say and son Goh Hong Kent.

<sup>^^</sup> Deemed interested by virtue of her spouse's shareholding in Bischart Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016 and her spouse and son's direct shareholding in Leader Steel Holdings Berhad.

### DIRECTOR'S INTEREST IN THE SHARE CAPITAL

No.	Name of Directors	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
1.	Tan Sri Dato' Mohd Desa bin Pachi	-	-	-	-
2.	Tan Sri Dato' Soong Siew Hoong	150,000	0.12	-	-
3.	Dato' Goh Cheng Huat	10,903,894	8.71	<sup>^</sup> 56,402,974	45.07
4.	Datin Tan Pak Say	1,155,006	0.92	<sup>^^</sup> 66,151,862	52.86
5.	Lim Leng Han	18,000	0.01	-	-
6.	Datuk Abdullah bin Haji Kuntom	-	-	-	-
7.	Mohd. Arif bin Mastol	-	-	-	-
8.	Goh Wan Jing	-	-	-	-

<sup>^</sup> Deemed interested by virtue of his shareholding in Bischart Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016 and shares held by his spouse, Datin Tan Pak Say and son Goh Hong Kent.

<sup>^^</sup> Deemed interested by virtue of her spouse's shareholding in Bischart Sdn. Bhd. pursuant to Section 8 of the Companies Act, 2016 and her spouse and son's direct shareholding in Leader Steel Holdings Berhad.

By virtue of their interests of more than 20% in the shares of the Company, Dato' Goh Cheng Huat and Datin Tan Pak Say are also deemed to have an interest in the shares of all the subsidiaries to the extent the Company has an interest.

# Analysis of Shareholdings (Cont'd)

as at 30 March 2018



## LIST OF TOP 30 HOLDERS AS AT 30 MARCH 2018

NO.	NAME	HOLDINGS	%
1	BISCHART SDN. BHD.	18,035,868	14.087
2	BISCHART SDN. BHD.	18,000,000	14.059
3	BISCHART SDN. BHD.	18,000,000	14.059
4	GOH CHENG HUAT	10,873,300	8.493
5	LEADER STEEL HOLDINGS BERHAD SHARE BUY BACK ACCOUNT	2,890,800	2.258
6	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG KOK CHOY (8092812)	2,180,000	1.703
7	GOH HONG KENT	1,212,100	0.947
8	TAN PHAIK HOON	1,160,000	0.906
9	TAN PAK SAY	1,155,006	0.902
10	GOH CHIN LIM	1,075,000	0.840
11	LOW KHEK HENG @ LOW CHOON HUAT	980,600	0.766
12	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIA BOON CHIN (E-KLG)	942,200	0.736
13	TAN AIK CHOON	884,700	0.691
14	CHEANG BENG CHEE	847,000	0.662
15	THAM KOK WING	828,000	0.647
16	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR KOH CHIN KOON (MY0857)	639,200	0.499
17	TAN AIK CHOON	631,400	0.493
18	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIEW BOON SIONG	500,000	0.391
19	TAN KHENG HWA	500,000	0.391
20	TEE CHENG TEOK	469,000	0.366
21	ZACHARY GNOW WAI JOON	460,800	0.360
22	LIM SOON HUAT	400,000	0.312
23	TAN AH SIM @ TAN SIEW WAH	400,000	0.312
24	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE NYEK (CEB)	399,300	0.312
25	KUEH CHIAW BOON	380,000	0.297
26	SIM CHOH SANG @ SIM CHOH SHAN	336,000	0.262
27	CHUAH CHOON IMM	330,000	0.258
28	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEOH CHOO HING	330,000	0.258
29	CIMSEC NOMINEES (ASING) SDN BHD EXEMPT AN FOR CIMB SECURITIES (SINGAPORE) PTE LTD (RETAIL CLIENTS)	329,000	0.257
30	TEOH CHAI HENG	309,500	0.242
<b>TOTAL</b>		<b>85,478,774</b>	<b>66.766</b>

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CDS Account No.	
No. of Shares Held	

I\*/We\* \_\_\_\_\_  
 \_\_\_\_\_  
 (Full name in Block Letters and NRIC / Company No.)

of \_\_\_\_\_ and \_\_\_\_\_  
 \_\_\_\_\_  
 (Address) (Tel. No.)

being a member\*/members\* of Leader Steel Holdings Berhad hereby appoint

Full Name (in Block Letters)	NRIC/Passport No.	No. of Shares	% of Shareholding

\* and/or (\*delete if not applicable)

Full Name (in Block Letters)	NRIC/Passport No.	No. of Shares	% of Shareholding

as my\*/our\* proxy, to vote for me\*/us\* and on my\*/our\* behalf at the 25TH ANNUAL GENERAL MEETING of the Company to be held at 2nd Floor, Wisma Leader Steel, Plot 85, Lorong Perusahaan Utama, Kawasan Perusahaan Bukit Tengah, 14000 Bukit Tengah, Seberang Prai Tengah, Penang on Monday, 28 May 2018 at 12.15 pm and at any adjournment thereof.

	Ordinary Resolutions									
	1	2	3	4	5	6	7	8	9	10
FOR										
AGAINST										

(Please indicate with "X" in the appropriate space how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion)

Signed this \_\_\_\_\_ day of \_\_\_\_\_ 2018

\_\_\_\_\_  
 Signature of Shareholder

\_\_\_\_\_  
 Common Seal to be affixed here  
 if Shareholder is a Corporation

**Note:**

1. A proxy may but need not be a member of the Company and a member shall be entitled to appoint any person to be his proxy without limitation. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
5. To be valid, the form of proxy must be deposited at the Company's Registered Office at Suite 16-1 (Penthouse Upper), Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty eight (48) hours before the time appointed for holding the meeting.
6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 21 May 2018 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his behalf.

Please fold across the line and close

**Affix  
Stamp**

Joint Company Secretaries  
**LEADER STEEL HOLDINGS BERHAD** (267209-K)  
Suite 16-1 (Penthouse Upper)  
Menara Penang Garden  
42A, Jalan Sultan Ahmad Shah  
10050 Penang

Please fold across the line and close



[www.leadersteel.my](http://www.leadersteel.my)

**Leader Steel Holdings Berhad** (267209-K)

Wisma Leader Steel, Plot 85,  
Lorong Perusahaan Utama,  
Kawasan Perusahaan Bukit Tengah,  
14000 Bukit Tengah, Seberang Perai Tengah,  
Pulau Pinang, Malaysia.

**Tel** 604 507 1515 **Hunting Line**  
**Fax** 604 507 9527 & 507 9537