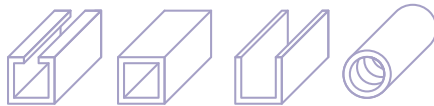


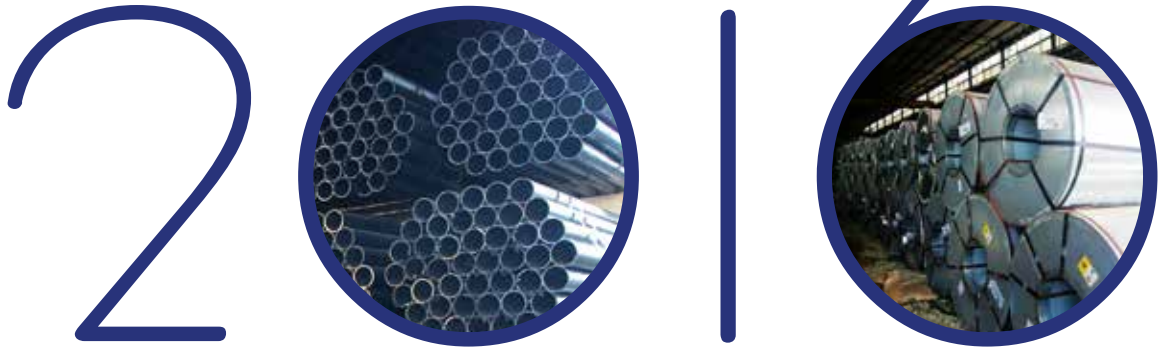


LEADER STEEL HOLDINGS BERHAD
267209-K

EMERGING STRONGER



ANNUAL
REPORT



CONTENTS



Notice of Annual General Meeting	02 - 05
Corporate Information	06
Group Structure and Principal Activities/Financial Highlights	07
Chairman's Statement	08
Management Discussion & Analysis	09 - 11
Directors' Profile	12 - 15
Key Senior Management's Profile	16
Statement on Corporate Governance	17 - 27
Additional Information	28 - 29
Audit Committee Report	30 - 33
Statement on Risk Management and Internal Control	34 - 36
Corporate Social Responsibility and Sustainability	37
Directors' Report	38 - 41
Statement by Directors	42
Statutory Declaration	42
Independent Auditors' Report	43 - 46
Consolidated Statement of Financial Position	47
Statement of Financial Position	48
Statements of Profit or Loss and Other Comprehensive Income	49
Consolidated Statement of Changes in Equity	50 - 51
Statement of Changes in Equity	52
Statements of Cash Flows	53 - 54
Notes to the Financial Statements	55 - 89
Supplementary Information on Realised and Unrealised Profits or Losses	90
Properties of the Group	91
Analysis of Shareholdings	92 - 93
Proxy Form	

NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Fourth Annual General Meeting of the shareholders of LEADER STEEL HOLDINGS BERHAD will 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 Thursday, 25 May 2017, at 12.15 p.m. for the following purposes:

Ordinary Business:

1. To receive the Audited Financial Statements for the year ended 31 December 2016 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 Tan Sri Dato' Mohd Desa bin Pachi Resolution 1
 - 2.2 Tan Sri Dato' Soong Siew Hoong Resolution 2
 - 2.3 Datuk Abdullah bin Haji Kuntom Resolution 3
 - 2.4 Mr Lim Leng Han Resolution 4
3. To re-elect Ms Goh Wan Jing retiring pursuant to Article 109 of the Company's Constitution and who, being eligible, offer herself for re-election. Resolution 5
4. To approve the payment of Directors' fees amounting to RM175,000 for the year ended 31 December 2016. Resolution 6
5. To approve the payment of Directors' fees and benefits up to RM300,000 for the period commencing 1 January 2017 through to the next Annual General Meeting of the Company. Resolution 7
6. To re-appoint Messrs BDO as Auditors of the Company and to authorise the Directors to fix their remuneration. Resolution 8

As Special Business

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

7. **SECTION 76 OF THE COMPANIES ACT, 2016** Resolution 9

"THAT pursuant to Section 76 of the Companies Act, 2016 ("the Act") and subject always to the approval of all the relevant regulatory authorities, the Board of Directors of the Company be and is hereby authorised to issue and allot from time to time such number of ordinary shares of the Company upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, PROVIDED ALWAYS THAT the aggregate number of ordinary shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad ("Bursa Securities") AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("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."
8. **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("Proposed Shareholders' Mandate")** Resolution 10

"THAT pursuant to Paragraph 10.09 of the Bursa Securities Main Market Listing Requirements ("Listing Requirements"), a general mandate of the shareholders be and is hereby granted for the Company and its subsidiaries to enter into recurrent related party transactions with Eonmetall Group Berhad and its subsidiaries as stated 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 parties than those generally available to the public and not detrimental to the minority shareholders; and that the approval shall continue to be in force until the conclusion of the next AGM of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the meeting; or 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 revoked or varied by resolution passed by the shareholders of the Company in a general meeting; whichever is the earlier."



NOTICE OF ANNUAL GENERAL MEETING

(CONT'D)

9. **PROPOSED RENEWAL OF AUTHORITY TO BUY-BACK ITS OWN SHARES BY THE COMPANY** Resolution 11

“THAT subject to the Act, rules, regulations and orders made pursuant to the Act, provisions of the Constitution of the Company and the Listing Requirements of the Bursa Malaysia Securities Berhad (“Bursa Securities”) and any other relevant authorities, the Directors of the Company be hereby unconditionally and generally authorised to make purchases of ordinary shares in the Company’s total number of issued shares through the Bursa Securities at any time and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, subject to the following:

- (i) the maximum number of ordinary shares which may be purchased and/or held by the Company shall be ten per centum (10%) of the total number of issued shares of the Company for the time being (“LSTEEL Shares”);
- (ii) the maximum fund to be allocated by the Company for the purpose of purchasing the LSTEEL Shares shall not exceed the aggregate of the retained profits of the Company, otherwise available for dividend for the time being;
- (iii) the authority conferred by this Resolution will be effective immediately upon the passing of this Resolution and will continue to be in force until:
 - (a) the conclusion of the next AGM of the Company, unless by ordinary resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions;
 - (b) the expiration of the period within which the next AGM is required by law to be held (unless earlier revoked or varied by ordinary resolution of the shareholders of the Company in general meeting) but not so as to prejudice the completion of purchase(s) by the Company made before the aforesaid expiry date and, in any event, in accordance with the Listing Requirements of the Bursa Securities or any other relevant authorities;
- (iv) upon completion of the purchase(s) of the LSTEEL Shares by the Company, the Directors of the Company be hereby authorised to deal with the LSTEEL Shares in the following manner:
 - (a) to cancel the LSTEEL Shares so purchased; or
 - (b) to retain the LSTEEL Shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resale on the market of Bursa Securities and/or for cancellation subsequently; or
 - (c) to retain part of the LSTEEL Shares so purchased as treasury shares and cancel the remainder; or
 - (d) in such other manner as the Bursa Securities and such other relevant authorities may allow from time to time.

AND THAT the Directors of the Company be and are hereby authorised to take all such actions and steps as are necessary or expedient to implement or to affect the purchase of LSTEEL Shares.”

10. **RETENTION OF INDEPENDENT DIRECTORS**

“THAT the following Directors be retained as Independent Directors of the Company, in accordance with the Malaysian Code on Corporate Governance 2012 until the conclusion of the next Annual General Meeting:-

- (a) Mr Lim Leng Han
- (b) En Mohd Arif bin Mastol

Resolution 12

Resolution 13

11. To transact any other business of which due notice shall have been given.

By Order of the Board

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

Penang, 28 April 2017



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 (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 18 May 2017 (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 7, if passed, will facilitate the payment of the Directors' fees and benefits to the Directors for the period commencing 1 January 2017 through the next annual general meeting ("AGM"). Details of the Directors' fees and benefits payable to the Directors for the financial year ended 31 December 2016 are enumerated under the Corporate Governance Statement in the Annual Report 2016.

The Directors' fees and benefits proposed for the period 1 January 2017 up to the next AGM are calculated based on the number of scheduled Board's and Board Committees' meetings. The Board will seek approval from the shareholders at the next AGM in the event the Directors' fees and benefits proposed is insufficient due to an 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 9 is for the purpose of granting a renewed general mandate ("General Mandate") and if passed, will give authority to the Board of Directors to issued 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 24 May 2016 and which will lapse at the conclusion of the Twenty-Fourth 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 10, 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 28 April 2017.



NOTICE OF ANNUAL GENERAL MEETING

(CONT'D)

Explanatory Note: (cont'd)

4. The proposed Ordinary Resolution 11, 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 12 and 13, 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 recommendation No. 3.2 of the Malaysian Code on Corporate Governance 2012. The detail of the Board's justification and recommendation for the retention of the Independent Directors are set out in the Corporate Governance Statement in the 2016 Annual Report.

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 Twenty-Fourth AGM of the Company.



CORPORATE INFORMATION

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/
Executive 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

LIM SOO AUN
General Manager

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

Dato' Goh Cheng Huat
Member

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,
Pulau Pinang, Malaysia.
Tel : 04-507 1515
Fax : 04-507 9527
& 04-507 9537

REGISTRAR

AGRITEUM Share Registration
Services Sdn. Bhd.
2nd 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

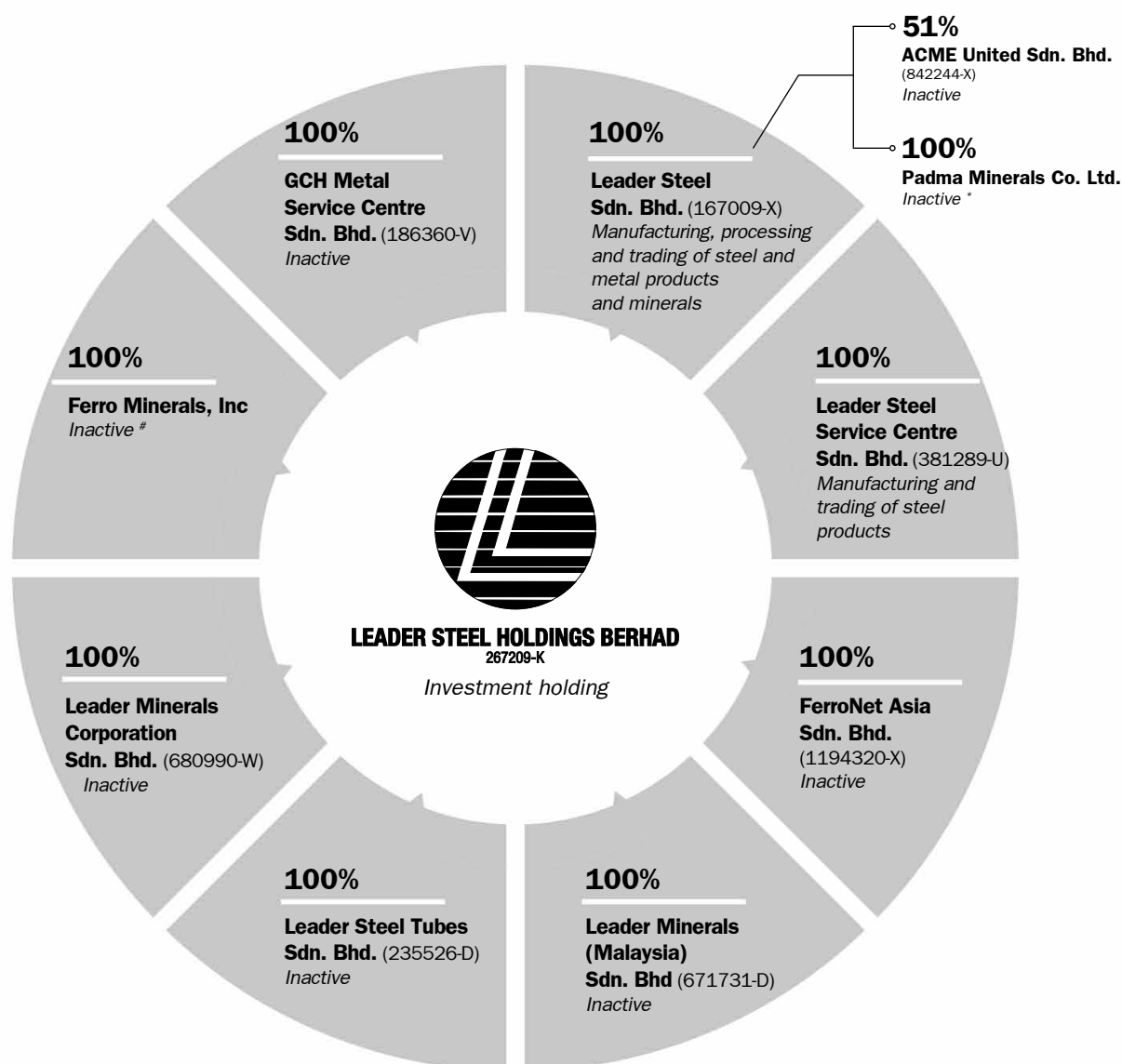
HSBC Bank Berhad
Malayan Banking Berhad
RHB Bank Berhad
Hong Leong Bank Berhad
Ambank (M) Berhad

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

Incorporated in the United States of America

FINANCIAL HIGHLIGHTS

	2011	2012	2013	2014	2015	2016
1. Financial Highlights of Statement of Profit or Loss						
Revenue (RM mil)	273.4	283.4	258.7	234.7	153.7	167.3
EBITDA (RM mil) ^	16.1	4.6	18.8	0.5	7.6	18.8
Profit/(loss) before tax (RM mil)	2.9	(11.2)	2.4	(14.7)	(5.7)	7.6
Profit/(loss) after tax (RM mil)	(1.5)	(10.6)	0.5	(12.0)	(3.5)	6.5
2. Financial Highlights of Statement of Financial Position						
Total assets (RM mil)	235.0	276.1	263.5	254.6	249.3	245.2
Total borrowings (RM mil)	107.0	123.3	121.7	107.0	90.6	70.1
Shareholder equity (RM mil)	95.1	116.3	116.5	120.3	122.6	131.9

^ Earnings before interest, taxation, depreciation, amortisation.



CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

On behalf of the Board of Directors of Leader Steel Holdings Berhad (“LSH”), I am pleased to present the Annual Report and Audited Financial Statements of the Group and its subsidiaries for the year ended 31 December 2016.

Overview

The Group set a positive growth in 2016 for achieving a revenue of RM167.3 million, representing an increase of 8.8% as compared to RM153.7 million in the financial year 2015. Recovery in global commodity prices and government’s imposition of several trade remedies are augur well for local industry players.

Internationally, Chinese authorities intervened to curtail excess steel production capacity through enforcement of strict environmental laws and formulation of new industry regulations. Domestically, the introduction of provisional safeguard duties and anti-dumping duties were meant to balance out playing field between local steel players and Chinese millers. Besides, Megasteel put a halt on its production which signaled the end of monopoly of HRC. Amidst the booming in steel sector, the margins are slashed by the escalating costs of doing business, such as natural gas tariff hike, lifting of minimum wage ceiling, phasing out of Electricity Special Industry Tariff, and weakening of Ringgit Malaysia against greenback.

Nonetheless, the Group reported profit before tax of RM7.6 million in financial year 2016 as compared to the loss before tax of RM5.7 million in financial year 2015. The substantial improvement was mainly due to the increase in profit margins for both steel and mineral segments.

Outlook

Commodity price volatility remains a global issue and China’s decapacity process is also expected to be taken in slower pace due to overall slowdown in demand from China’s manufacturing and property sectors. However, it is a positive note to note that local steel demand and consumption will continue to move uptrend given government’s various stimulus plans, and foreign demand for mineral also remain stable.

The Group acknowledges the need to be on alert for any changes or development in both the domestic and international steel and mineral markets so as to achieve promising performance for financial year 2017.

Dividend

No dividend had been paid for the financial year ended 31 December 2016.

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.

TAN SRI DATO’ MOHD DESA BIN PACHI
Chairman



MANAGEMENT DISCUSSION & ANALYSIS

31 December 2016

OVERVIEW

Leader Steel Holdings Berhad (“Leader Steel” or “the Group”) is a Shariah-compliant public company that is listed on the Main Market of Bursa Malaysia Securities Berhad. The Group has a diverse range of business operations categorised into the manufacturing and trading of steel related products such as steel pipes and tubes, hollow section and steel flat bar, as well as the trading and processing of minerals such as iron ore, manganese, mill scales and slags.

Having established roots in Malaysia since 1987, Leader Steel currently has four manufacturing facilities and offices located throughout Malaysia including head office in Bukit Tengah and Sungai Bakap in Penang; Kapar, Selangor; and Kuching in Sarawak. The Group has also leveraged on its industry experience than spans three decades to successfully expand its presence beyond Malaysian shore.

Leader Steel’s continued growth can be attributed to its steadfast focus on attaining customer satisfaction through product excellence, reliable quality, and competitive pricing. The Group prides itself for its team of around 190 skilled and dedicated direct and indirect employees in addition to management. The Group strongly believes in investing in human capital in order to sustain growth and this is evidenced by a significant number of long serving team members with more than 15 years of service.

Following operational restructuring to enhance production capacity and optimization of resources and introduction of new product offerings of steel concrete reinforcing bars and wider range of sizes for steel pipes, the Group is poised to establish a stronger presence overseas. The Group’s primary market for steel products is domestic presently with certain range exported to Singapore whereas minerals are exported to China.

REVIEW OF FINANCIAL PERFORMANCE

For the financial year ended 31 December 2016 (“FYE 2016”), Leader Steel reported an 8% increase in revenue to RM167.3 million compared with RM153.7 million a year ago. The increase in revenue was primarily derived from improved performance of the manufacturing and trading segment, which saw total revenue rose to RM144.8 million from RM118.7 million last year.

Consequently, the Group reported profit before tax (“PBT”) of RM7.5 million, a strong turnaround from a loss before tax (“LBT”) of RM5.7 million last year. Net of tax, the Group’s profit was RM6.53 million compared to a loss of RM3.5 million reported in FYE2015.

The positive result is reflective of the improving operational landscape in 2016 that saw gradual recovery of steel prices and tight cost rationalization across operations in the Group. On top of lower revenue, the Group’ FYE2015 results were severely impacted by higher depreciation and interest expense.

Basic earnings per share was at 5.3 sen compared to a deficit of 2.73 sen a year ago. Net tangible assets per share as at 31 December 2016 stood at 103 sen, which was marginally higher compared to 96 sen a year ago.

The Group’s liquidity has also improved over the comparative period with current and quick ratios increasing to 1.01 and 0.50 from 0.89 and 0.45 respectively in FYE2016. The improved performance is aided by strong cash inflows from operations whilst maintaining tight control over receivables and inventory despite growth in revenue. Cash flows generated from operations over FY2015 and FY2016 were RM26.5 million and RM24.9 million respectively. There is also a strong turnaround on net cash position, soaring above 108% to RM312,550 from a RM4 million deficit position in FYE2015.

Gearing ratio has improved to 0.53 for FYE2016 from 0.74 over comparative period as management tapers off reliance on borrowings. This has, in turn, reduced interest expense by almost 27%. At the same time, EBITDA (earnings before interest, tax, depreciation and amortization) has strengthened by 148% from RM7.6 million in FYE2015 to RM18.8 million in FY2016 as a result of improved profits and significant reduction in both depreciation and interest expense.



MANAGEMENT DISCUSSION & ANALYSIS

31 December 2016 (CONT'D)

REVIEW OF OPERATIONS

Manufacturing and trading of steel

The manufacturing and trading of steel segment continues to be the primary income contributor to the Group. For FYE2016, the segment recorded operating profits of RM13.96 million compared to RM0.49 million in prior year.

The improved performance was due to increase in selling prices and improved profit margins derived from strong cost rationalization exercise. Operations and working capital were aggressively managed to ensure enhanced efficiencies and cost saving.

During the year, the Group was granted Product Certification License from SIRIM for its plant in Kuching, Sarawak. Leader Steel is also applying for SIRIM certifications for a wider range of its steel products at the Sungai Bakap, Penang 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.

The implementation of the Import of Iron and Steel Control Policy from SIRIM-QAS to issue COA (Certificate of Approval) based on testing and verification for standard compliances for international iron and steel suppliers has reduced the influx of the cheap materials and also managed to cushion the pressure on steel prices and profit margins.

As part of its strategic planning, the Group restructured its organization to streamline business activities for cost and operational efficiency. Given its business activities, Padma Minerals Co., Limited, its Hong Kong SAR based subsidiary was placed under Leader Steel Sdn Bhd instead of Leader Minerals Corporation Sdn. Bhd..

Earlier this year, the Group acquired a dormant company, Aurea Canyon Mining Sdn. Bhd., and planned to use this entity to further expand its manufacturing of steel products business.

In line with the planned strategic business expansion, construction of office building and Phase II of the production floor is ongoing at the Kapar plant in Klang, Selangor. The Group will have increased production capacity to meet the growing domestic orders and demand in the south-central region of peninsular Malaysia in a timely manner upon completion. In addition, the set-up will help to minimize logistics for transportation to customers in that region with the effective savings passed down to the customers.

Trading and processing of mineral

Leader Steel's trading and processing of mineral segment was greatly affected by subdued global mineral prices throughout the year under review.

On the average, 20,000 MT of minerals such as manganese ores are exported, monthly, to the world's largest steel producer, China. Notwithstanding economic slowdown in China particularly in the real estate and construction sectors, the Group has been able to secure consistent orders, thus, gaining a strong foothold in the Chinese market. The Group remains confident that the market will improve as the price for manganese continues to rise moving forward.

The division is undergoing reorganization and cost rationalization to further improve efficiency as management geared up activities to expand its market shares beyond its traditional reach.



MANAGEMENT DISCUSSION & ANALYSIS

31 December 2016 (CONT'D)

OUTLOOK

As the half-way point of 2017 approaches, the global economic outlook is still fraught with uncertainties. Factors ranging from fluctuations in foreign exchange, Brexit from Europe to concerns over China's economy continue to weigh down sentiments. The chronic excess production capacity, especially in China, has destroyed world steel supply equilibrium and promoting unfair and intense competition as suppliers compete for limited demand.

Nevertheless, signs of improvements in the global economy are beginning to become more evident. Steel prices appear to be on the road to recovery. Closer to home, the outlook for the Malaysian economy is improving. The country's economy is projected to expand between 4.3% and 4.8% in 2017 according to Bank Negara Malaysia with 8.8% projected in the construction industry. This growth will be driven by domestic demand and support from the external sector. The Malaysian property sector is also expected to recover gradually.

From an industry perspective, the operating landscape is also expected to improve. Over the recent years, the region had faced unfair competition due to low-priced imports, especially from China. Following last year's G20 Summit in Hangzhou, China, China had promised to reduce its steel capacity by 45 million MT in 2017 to tackle the steel glut. Moreover, the Malaysian Government's numerous safeguard measures and anti-dumping policy on imported steel has also managed to curtail the entry of low quality steel products from overseas.

In addition, other initiatives such as preferential electricity tariff, "Buy Malaysia 1st Policy" and promotion of Industrialised Building Systems in the construction industry have helped to stabilize and boost demand for local producers.

These public policy measures, coupled with stronger demand from the construction, renovation and furniture industries, are beginning to impact steel manufacturers and traders like Leader Steel in a positive manner. Further, the RM260 billion of development expenditure under the 11th Malaysia Plan (2016-2020) that represents a 16.0% increase from the previous plan should augur well for the local steel players.

The Group is cognisant that value creation through forward integration into customized products is the way forward. Market study and product development to understand customers' application of required performance of products are twin-pronged efforts to drive growth.

Moving forward, the Group's expansion and diversification plan is focused on customized products by rolling out new range of products for the construction industry. The Group plans to reactive its existing hot rolling mill in Kuching, Sawawak to produce steel concrete reinforcing bars to cater the growing demands locally and internationally, that shall depends on the market conditions. Hot-rolled coils are presently fully imported at lower prices as no local manufacturer can meet the demand.

The Group will also widen its product range to cater the needs of different customers as well as continue to effectively manage cost in an effort to maximise returns.

The demand for minerals is stable. We foresee that continued increase in price of manganese would benefit the Group in the foreseeable future and improve contribution from the trading of minerals segment. The Group will be able to leverage on its strong foothold in China to bolster sales of minerals.

The recent announcement of new steel policy in the form of definitive safeguard duties for selected types of steel concrete reinforcing bar ("rebar"), deformed bar in coils ("DBIC") and steel wire rods ("SWR") at 13.42% and 13.9% respectively that will gradually reducing for the next 3 years will augur well for the Group as it embarked on increasing its range of steel concrete reinforcing bar products. The imposition of safeguard duties is expected to reduce importation and will help to grow the domestic industry.

All in all, the Group has successfully recorded a positive turnaround in FYE2016. Barring any unforeseen circumstances, the Board of Directors of Leader Steel, are cautiously optimistic that this positive momentum will be sustained in the current financial year.



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 83, 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 acts as 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 Peat Marwick & Mitchel. 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:

Saujana Consolidated Berhad (Chairman), Eonmetall Group Berhad (Chairman) and Handal Dimanis Holdings Berhad.

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

He has attended all four (4) Board meetings held during the financial year ended 31 December 2016.

DATO' GOH CHENG HUAT

Deputy Chairman, Executive Director

DATO' GOH CHENG HUAT, aged 56, Malaysian, was appointed to the Board of Directors of LSH on 10 August 1995. He is a member of the Remuneration Committee. 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 knowledge in the processing of iron and steel products. With more than 30 years in the industry, he has accumulated invaluable skills, which includes amongst other, the invention and enhancement of steel making machine 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 has attended all four (4) Board meetings held during the financial year ended 31 December 2016.



DIRECTORS' PROFILE

(CONT'D)

DATIN TAN PAK SAY

Managing Director, Executive Director

DATIN TAN PAK SAY, aged 55, Malaysian, was first appointed to the Board of Directors of LSH on 10 August 1995. She ceased to be a director on 2 January 2004 but was subsequently re-appointed back to the Board on 25 May 2004. She was appointed as Executive Director on 21 February 2005 and subsequently she was appointed as Managing Director on 29 April 2005.

Datin Tan Pak Say has been actively involved in the steel industry since mid-1980 after completing her early years of education. With her many years of experience in the industry, she has helped to lead LSH to its present status and establishment.

Apart from LSH, she does not hold any other directorship in any private or public companies.

She is the spouse of Dato' Goh Cheng Huat.

She has attended all four (4) Board meetings held during the financial year ended 31 December 2016.

TAN SRI DATO' SOONG SIEW HOONG

Non-Independent Non-Executive Director

TAN SRI DATO' SOONG SIEW HOONG PSM, KMN, SMS, DPMS, JSM, aged 91, 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 di-Pertuan Agong on 6th June 1998 and the Darjah Kebesaran Datuk Mahkota Selangor (DPMS) which carries the title of Dato' in 1990.

On experiences, Tan Sri Dato' Soong has previously served as a member on the Councils 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 Standard Malaysia, advisor to the Myanmar Industry Association, advisor to the Cambodia Chamber of Commerce and Industries, advisor to Uzbekistan Chambers of Commerce and Industries and also an advisor to the Union of Myanmar Federation of Commerce and Industry.

In addition, Tan Sri Dato' Soong is also on the executive council of MASSA (Malaysia South Association) and also a council member of the Federation of Malaysia Manufacturers (FMM).

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

He has attended all four (4) Board meetings held during the financial year ended 31 December 2016.



DIRECTORS' PROFILE

(CONT'D)

MR. LIM LENG HAN

Senior Independent Non-Executive Director

MR. LIM LENG HAN, aged 56, Malaysian, was appointed to the Board of Directors of LSH on 25 July 1994. He is the Chairman of the Audit Committee in LSH and also acts as a member of 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 also 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 30 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 Messrs. Lim Leng Han & SF Tho until to date. He is also the legal adviser of societies and organizations such as Penang Hardware and Machinery Merchants' Association, Lim Clan Association of Penang, Butterworth Buddhist Association, Thang Hsiang Temple, Bayan Lepas and various others.

His current directorship in public companies is only with LSH.

He has attended all four (4) Board meetings held during the financial year ended 31 December 2016.

EN. MOHD ARIF BIN MASTOL

Independent Non-Executive Director

EN. MOHD ARIF BIN MASTOL, aged 62, 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. En. 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) before assuming his last position as Chief Executive Officer (CEO).

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

He has attended all four (4) Board meetings held during the financial year ended 31 December 2016.



DIRECTORS' PROFILE

(CONT'D)

DATUK ABDULLAH BIN HAJI KUNTOM

Non-Independent Non-Executive Director

DATUK ABDULLAH BIN HAJI KUNTOM, aged 73, Malaysian, was appointed to the Board on 2 October 2003 and was appointed to be a member of the Audit Committee on 9 April 2014. Datuk holds a Bachelor of Arts Degree from the University of Malaya and a Master in Public Policy and Administration from the University of Wisconsin, Madison, United States of America.

Datuk Abdullah's distinguished career in the civil service has placed him in many Government ministries and departments. Amongst the key positions held over a period of 37 years 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.

His current directorship in public companies is only with LSH.

He has attended all four (4) Board meetings held during the financial year ended 31 December 2016.

MS. GOH WAN JING

Executive Director

Ms. Goh Wan Jing, aged 28, Malaysian, is Executive Director and Deputy General Manager at Leader Steel Group. She was appointed to the Board on 31 March 2017.

Ms. Goh served internships with Goldman Sachs Group, Inc in the USA and China Steel in 2011. Upon her return to Malaysia, Ms. Goh joined KPMG as auditor and involved in audit engagements of publicly listed companies and banking clientele while on the IT audit team. She later joined financial audit on financial services audit engagement teams. She joined Leader Steel Group in 2014 as Personal Assistant to Managing Director. She led the management team in successful migration to SAP ERP system across the Group. In 2016, she was promoted to Deputy General Manager where she was responsible for companywide process improvement. She is also member of the senior management committee for strategic planning.

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.

Apart from LSH, she does not hold any other directorship in any private or public companies.

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



KEY SENIOR MANAGEMENT'S PROFILE

MR. LIM SOO AUN

General Manager

Mr. Lim Soo Aun, aged 47, Malaysian, was appointed as General Manager of LSH on 1 March 2010. He graduated from The Institute of Chartered Secretaries and Administrator (ICSA), United Kingdom. He is an Associated Member of Malaysia Institute of Chartered Secretaries and Administrator (MAICSA) and Chartered Secretaries and Managers in Profession.

He started his career in 1989 in audit division with J.B. Lau & Associate (now known as Grant Thornton). Later, he attached with Consulnet Management Services Sdn. Bhd. in 1997 as a senior consultant cum director to take charge of consultancy division, providing professional business advisory services to wide spectrum of clientele including public listed companies and multinationals. In 1999, he was appointed by Premier Frozen Food Holdings Sdn. Bhd. as Director cum Group Financial Controller. He was also appointed as a local director in Iomega Asia Pacific Sdn., a US base multinational company in 2003. In 2004, he joined Ten Ten Telecommunications Sdn. Bhd. as General Manager responsible for company business developments.

He has more than 28 years of professional experience in accounting, finance, corporate finance, business development, mergers and acquisition, management accounting and operational management. During his tenure of career, he held various key management roles in local established corporation, public listed companies and renowned multinational companies. He was involved in numerous listing exercise in Bursa Malaysia, Dubai International Financial Exchange (DIFX) and Hong Kong Exchanges (HKEx). His international exposures covered East Asia, South East Asia and South America, with extensive practices across control system improvement, investment evaluation, industry behaviour analysis etc.



STATEMENT ON CORPORATE GOVERNANCE

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 2012 (“Code”) in March 2012, the Board had endeavoured to adopt and apply, where practicable, the principles as set out in the Code in its quest to enhance shareholders value and safeguard the Group’s assets

The Group has complied substantially with the relevant principles and recommendations of the Code and the provision of the Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) in so far as applicable and described herein.

Principle 1: Establish Roles & Responsibilities

1.1 Clear functions of the Board and Management

The Board leads and controls the Group. As a collective body, the Board assumes the overall responsibility for the Group: determining strategic direction, overseeing the proper conduct of the Group’s business, identifying principal risk 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 Chairman, Board Committees, the Managing Director and the Management.

The Board Committees refers to the Audit, Remuneration and Nomination Committee. These Committees operate within specific terms of reference 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 efficiencies. All deliberations and decisions reached at Board Committees are recorded with Chairman of the respective Committees reporting to the Board on the outcome of the Committees’ meetings. Minutes of the Board Committee meetings are circulated to the Board. The authority and terms of reference 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.

On the other hand, management is responsible for the execution of activities to meet corporate plans as well instituting various measures to ensure due compliance with various governing legislations.

The Board has also identified Mr. Lim Leng Han as the Senior Independent Non-Executive Director to whom concerns may be conveyed. The Board believes that the current composition of its members fairly reflects the investment of minority shareholders in the Company.



STATEMENT ON CORPORATE GOVERNANCE

(CONT'D)

Principle 1: Establish Roles & Responsibilities (cont'd)

1.2 Clear roles and responsibilities

The Managing Director leads management and is responsible for the day-to-day operational management of the Group. The Non-Executive Directors do not participate in daily management of the Group.

There is a clear division of responsibilities and roles for the Chairman and Managing Director.

The Chairman provides leadership and governance of 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. As part of that role, Chairman ensures that no member dominates discussion, that appropriate discussions takes place and that relevant opinions among members is forthcoming. Other roles of the Chairman include leading the Board in the oversight of management, ensuring adequacy and integrity of the governance process and issues, maintain regular dialogue with the executive Board members over operational matters and seek opinion of fellow Board members over any matters that give cause for major concerns.

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 organizational 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.

There is no individual or group of individuals who dominate the Board's decision-making as key decisions are tabled to the Board for deliberation as this enables the Board to provide clear and effective leadership to the Group. During meetings, the Non-Executive Directors participate fully during Board deliberations and fulfill crucial role in corporate accountability by providing independent and objective views, opinions and judgements to various aspects of the Group's strategies and performance.

Although all the Directors have an equal responsibility for the Group's business activities, the role of these Non-Executive Directors are particularly important as they provide unbiased and independent views, advice and judgment.

1.3 Formalise ethical standards through a Code of Conduct and Ethics

There is in place policies and procedures to guide the conduct of behavior of employees.

A Board Charter was approved and put in place in May 2014. The Board Charter includes the Code of Conduct of the Directors, Code of Ethics and Corporate Disclosure Policy and Procedures, to provide reference for Directors in relation to the Board's role, duties and functions, division of responsibilities between the Board, the different Board Committees, the Chairman and the Managing Director as well to formalize ethical standards for the Board in discharging its duties.

The implementation of the Code of Conduct of the Directors and Code of Ethics reflect the Board's commitment and set the tone for proper ethical behavior expected of the Directors and employees.

At this juncture, the Board does not see the need to establish a separate whistleblowing policy given the presence of the Whistleblower Protection Act which came into effect in 2010.

1.4 Strategies promoting sustainability

The Board is cognizant of the need for business sustainability over the long term vis a vis the environmental, governance and social context. The Board and the Group firmly believe in a 3-pronged approach focused on high quality, effective cost rationalization and timely delivery as the guiding principles in conducting its business and operational activities.

The Board acknowledges its role in ensuring the well-being of its employees, community where the Group operates and surrounding environment. To that end, the Board supports management's initiative on human development as our employees are our greatest asset. It is the employees who have significantly contributed to the continued success and growth.



STATEMENT ON CORPORATE GOVERNANCE

(CONT'D)

Principle 1: Establish Roles & Responsibilities (cont'd)

1.4 Strategies promoting sustainability (cont'd)

The Group continuously promotes human capital development by encouraging and sponsoring the participation of the The Group's employees in training programmes and seminars to enhance their technical knowledge, general management and soft skills and competency.

The Board had also approved a Sustainability Policy as an overarching guide towards promotion of sustainability throughout its business operations. A copy would be made available on the corporate website at www.leadersteel.my.

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. However, 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.

Verbal explanations are provided by the Managing Director, Executive Director, management personnel and or external consultants, as applicable, to further the Directors' understanding of operational management and or matters tabled for Board' deliberation. 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 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. All Directors also have access to all information within the Group.

The Directors may seek the advice of Management on matters under discussion or request further information on the Group's business activities.

The Board will review, consider and authorise the release of all corporate announcements to Bursa Securities. The Board, 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.

1.6 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 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 the preparation of Board papers with Management, 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.

1.7 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, was first approved in 2014. The Board Policy Documentation will be reviewed from time to time to ensure its relevance.



STATEMENT ON CORPORATE GOVERNANCE

(CONT'D)

Principle 2: Strengthen composition

2.1 Nomination Committee

The current composition of the Nomination Committee are:-

Tan Sri Dato' Mohd Desa bin Pachi	- Chairman, Independent Non-Executive Director
Lim Leng Han	- Senior Independent Non-Executive Director
Mohd. Arif bin Mastol	- Independent Non-Executive Director

The Nomination Committee comprised of three (3) members, all of whom are Independent Non-Executive Directors. The Committee would meet at least once annually with additional meetings convened on needs basis.

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

The Nomination Committee operates within approved scope of engagement as approved by the Board as part of Policy Documentation on book basis.

The Nomination Committee's key duties included:

- recommend, with regard to any appointment of Directors considering their skills, knowledge, education, qualities, expertise and experience; professionalism; integrity, time commitment, contribution, boardroom diversity and other factors that will best qualify a nominee to serve on the Board; and for the position of Independent Non-Executive Directors, the ability to discharge such responsibilities/ functions as expected; 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, any other committees of the Board and the contributions of each individual Director, including the independence of Independent Non-Executive Directors, as well as the Group CEO and Group CFO (where these positions are not Board members), based on the process and procedures laid out by the Board; and to provide the necessary feedback to directors in respect of their performance;
- 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, one (1) meeting was held where the Committee met to deliberate on the following:

- 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 Independent Non-Executive Directors.
- Discussed the character, experience, integrity and competence of the Directors, chief executive or chief financial officer and to ensure they have the time to discharge their respective roles.
- Reviewed and discussed on Independent Non-Executive Directors who have served the Company for a cumulative term of more nine years or more, for re-appointment at the Company's annual general meeting.
- Discussed and recommended for the re-election / re-appointment of Directors at annual general meeting.

The Articles of Association of the Company provide that an election of Directors shall take place each year and, at the annual general meeting, 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-election/re-appointment as the case applies. This provides an opportunity for shareholders to renew their mandates. The re-election of each Director is voted on separately.



STATEMENT ON CORPORATE GOVERNANCE

(CONT'D)

Principle 2: Strengthen composition (cont'd)

2.2 Develop, maintain and review criteria for recruitment and annual assessment of Directors (cont'd)

The director who is subject to re-election and/or re-appointment at next annual general meeting 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 Nomination Committee is based on the annual assessment conducted.

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 Managing Director is a lady who has been with the Group since its inception. On 31 March 2017, the Board appointed Ms Goh Wan Jing as Executive Director. Ms Goh Wan Jing's appointment is part of the executive Board members' succession planning. That brings the total number of lady Directors to 2 and is a strong testimony to the Group's commitment on gender diversity.

The evaluation of the suitability of candidates is based on the candidates' competency, character, time commitment, integrity, performance and experience to bring value and expertise to the Board. The Company Secretary will ensure that all appointments are properly effected with the necessary legal and regulatory obligations duly met.

2.3 Remuneration Policy

The Remuneration Committee is populated as follows:

Tan Sri Dato' Mohd Desa bin Pachi	-	Chairman, Independent Non-Executive Director
Dato' Goh Cheng Huat	-	Deputy Chairman / Executive Director
Lim Leng Han	-	Independent Non-Executive Director

The Committee comprised majority Independent Non-Executive Directors and is chaired by an Independent Non-Executive Director. The Committee met once during the year to consider the remuneration package for the Executive Director.

All deliberations of the Remuneration Committee are properly documented in the minutes of Committee meetings and recommendations are reported by the Remuneration Committee Chairman at Board meetings.

The duties of the Committee included the following:

- (a) To implement/ maintain a reward system for Executive Director 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; and
- (b) To review and recommend the entire individual remuneration packages for Executive Director.

The Board determines the remuneration of each Director. It is the Board and Remuneration Committee's duty to ensure that the level of remuneration is sufficient to attract, motivate and retain the executive Board members needed to run the Group successfully. 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. The fees for Directors are endorsed by the Board of Directors for approval by the shareholders at the annual general meeting prior to payment to the Directors. In addition, the Independent Non-Executive Directors are also paid committee allowances and meeting allowances for attendance at meetings.



STATEMENT ON CORPORATE GOVERNANCE

(CONT'D)

Principle 2: Strengthen composition (cont'd)

2.3 Remuneration Policy (cont'd)

Details of remuneration of Directors of the Company for the financial year ended 31 December 2016 received or receivable from the Company and the Group are as follows:

	Executive RM '000	Non-Executive RM '000	Total RM '000
Received from the Company			
Directors' Fees	50	125	175
Salaries ⁽¹⁾	-	-	-
Allowances ⁽²⁾	5	21	26
EPF and SOCSO	-	-	-
Total	55	146	201
Received from the Group			
Directors' Fees	50	125	175
Salaries ⁽¹⁾	1,552	-	1,552
Allowances ⁽²⁾	5	67	72
EPF and SOCSO	187	-	187
Total	1,794	192	1,986

⁽¹⁾ Bonus is included herein.

⁽²⁾ Allowances refer to committee allowances and meeting allowances.

The number of Directors whose total remuneration paid/payable falls within the following bands of RM50,000 is summarised as follows.

Range of Remuneration	Executive Directors	Non-Executive Directors
Below RM 50,000	1	4
RM 50,000 to RM100,000	-	1
RM1,550,000 to RM1,600,000	1	-
Total	2	5

The Board chose to disclose the remuneration bands pursuant to the Listing Requirements of Bursa Securities and is of the opinion that detailed disclosure of individual Directors' remuneration will not add significantly to the understanding and evaluation of the Group's governance.

Principle 3: Reinforce Independence

3.1 Annual assessment of Independent Non-Executive Directors

The Independent Non-Executive Directors are assessed annually by the Nomination Committee on behalf of the Board. Following an assessment carried out for financial year ended 31 December 2016, the Board is satisfied with the level of independence demonstrated by the Independent Non-Executive Directors and their ability to provide unbiased impartial opinion and act in the best interest of the Company during decision-making.

The concept of independence as adopted by the Board is consistent with definition of Independent Non-Executive Director 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.



STATEMENT ON CORPORATE GOVERNANCE

(CONT'D)

Principle 3: Reinforce Independence (cont'd)

3.2 Tenure of Independent Non-Executive Directors

The Board is mindful of the recommendation of the Code for the tenure of an Independent Non-Executive Director not exceed a cumulative term of nine (9) years. The nine (9) years could be consecutive service or cumulative service with intervals. However, an Independent Non-Executive Director who had exceeded the prescribed nine (9) years may continue to serve in the Board subject to his re-designation as Non-Independent Non-Executive Director. As at to-date, two (2) Independent Non-Executive Directors have served for more than nine (9) years.

The presence of Independent Non-Executive Directors are to ensure 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.

Following the assessment and deliberation by the Nomination Committee and the Board, the Board recommended Lim Leng Han and Mohd Arif Mastol, both who had served the Board as an Independent Non-Executive Director of the Company since 17 June 2002 and 4 December 2001, to continue as Independent Non-Executive Director subject to shareholders' approval at the forthcoming annual general meeting. Key justifications for their recommended continuance as Independent Non-Executive Director are as follows:

- 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.
- They had fulfilled the criteria on independence as prescribed by Bursa Securities and therefore able to bring element of objectivity that provide check and balance to the executive team.
- They had carried their duties diligently and had participated actively during deliberations of both Board and Board Committees and decision-making.
- They understand the business and operations of the Group as they has been with the Company for a long period of time. Therefore, they are able to participate effectively during meetings.

3.3 Shareholders' Approval for retaining Independent Non-Executive Directors

In the event the Board intends to retain a Director as Independent Non-Executive Director after the latter has served a cumulative term of 9 years, the Board must justify the decision and seek shareholders' approval at annual general meeting. In justifying the decision, the Board had assessed the candidates' suitability to continue as Independent Non-Executive Directors.

At the annual general meeting held on 24 May 2016, the shareholders had approved the retention of Lim Leng Han and Mohd. Arif bin Mastol as Independent Non-Executive Directors of the Company until the forthcoming annual general meeting.

3.4 Separation of position of Chairman and 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. There is a clear and separate division of responsibility in the roles and duties of the Chairman and Managing Director.

3.5 Composition of the Board

The Board comprised of eight (8) members, as tabulated, as at the date of this Annual Report:

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



STATEMENT ON CORPORATE GOVERNANCE

(CONT'D)

Principle 3: Reinforce Independence (cont'd)

3.5 Composition of the Board (cont'd)

Brief profile of each Director is detailed under Profile of Directors in this Annual Report. The Directors, with their diverse background and specialization, 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, sales and marketing and property development.

On 24 March 2017, the Board re-designated Tan Sri Dato' Mohd Desa bin Pachi as Independent Non-Executive Chairman following his compliance with the definition of Independent Director as prescribed under the Listing Requirements of Bursa Securities.

The Senior Independent Non-Executive Director, who is also the Chairman of Audit Committee, was the person to whom concerns regarding the Group could be conveyed.

The present composition of 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.

Principle 4: Fostering Commitment

4.1 Time Commitment

The Board of Directors meets at least four (4) times a year at quarterly intervals with additional meetings convened as necessary. During the financial year ended 31 December 2016, 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, implementation of investment policy, business plan and any other strategic issues that may affect the Group's business.

The listing of the Board members and their attendance at the Board meetings held during the financial year under review is as tabulated below:

Director(s)	Attendance at meetings
Tan Sri Dato' Mohd Desa bin Pachi	4/4
Dato' Goh Cheng Huat	4/4
Datin Tan Pak Say	4/4
Tan Sri Dato' Soong Siew Hoong	4/4
Lim Leng Han	4/4
Datuk Abdullah bin Haji Kuntom	4/4
Mohd Arif bin Mastol	4/4

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 Board members will notify the Board or the Chairman upon acceptance of new Directorship in other public listed companies. The number of Directorship held by each Director complied with the Listing Requirements of Bursa Securities.

4.2 Directors' Training

The Board is cognisant of the need to ensure that its members undergo continuous trainings to enhance their knowledge, expertise and professionalism in discharging their duties. As at the date of this statement, all Directors, save and except for Ms Goh Wan Jing, have attended and successfully completed the Mandatory Accreditation Programme ("MAP"). Ms Goh Wan Jing will attend the MAP within the prescribed time frame from the date of her appointment.



STATEMENT ON CORPORATE GOVERNANCE

(CONT'D)

Principle 4: Fostering Commitment (cont'd)

4.2 Directors' Training (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 Nomination Committee, 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.

The Directors have attended various training workshops/seminar/conference/education courses such as follows:-

- a. International forum on the World's economic outlook – Challenges and Opportunities for Malaysian Companies
- b. The Directors of Global Competition Malaysia Seminar – Presentation on how to create the climate for a nation's economic development and profitable private enterprise to growth and development leading to both success and failures
- c. How effective Boards engage on succession planning for the Chief Executive Officer and Top Management
- d. The Highlight of Government Budget for 2017
- e. The New Companies Act 2016: Revamp Towards Modernization
- f. The Mind Magnet

The Company facilitates the organisation of training programs for Directors and maintain a record of the trainings attended by the Directors.

Principle 5: Uphold Integrity in Financial Reporting

5.1 Compliance with Applicable Financial Reporting Standards

The Company's financial statements are prepared in accordance with the requirements of the applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965. The Board is responsible to ensure that the financial statements of the Company present a balanced and understandable assessment of the state of affairs of the Company and the Group. The Audit Committee assists the Board to scrutinizing information for disclosure to ensure accuracy and adequacy. In this respect, it is the Board's policy to ensure the accurate and timely dissemination of financial and corporate announcements for greater accountability and transparency. Such announcements are made to the Bursa Securities promptly upon the Board's approval.

5.2 Statement of Directors' Responsibilities in respect of the Audited Financial Statements

The Board is responsible for ensuring that the financial statements give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year / period and of the results and cash flows for the year / period then ended.

The Directors consider that in preparing the financial statements:

- (a) the Group and the Company have used appropriate accounting policies that are consistently applied;
- (b) reasonable and prudent judgments and estimates have been made; and
- (c) all applicable approved accounting standards in Malaysia have been adhered to.

The Directors are responsible for ensuring that the Company maintains accounting records that disclose with reasonable accuracy the financial position of the Group and of the Company, and that the financial statements comply with the requirements of the Companies Act, 1965.



STATEMENT ON CORPORATE GOVERNANCE

(CONT'D)

Principle 5: Uphold Integrity in Financial Reporting (cont'd)

5.2 Statement of Directors' Responsibilities in respect of the Audited Financial Statements (cont'd)

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

5.3 Assessment of Suitability and Independence of External Auditors by the Audit Committee

The Audit Committee undertakes an annual assessment of the suitability and independence of the external auditors and is satisfied with the technical competency and independence of the external auditors. The Audit Committee meets with the external auditors at least twice a year to discuss their audit plan, audit findings and the Company's financial statements. At least once a year and whenever necessary, the Audit Committee met with the external auditors without the presence of executive Board members or management personnel, to allow the Audit Committee and the external auditors to exchange independent views on matters which require the Audit Committee's attention.

The Audit Committee considered the non-audit services provided by the external auditors during the financial year ended 31 December 2016 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 fees paid to the external auditors.

The external auditors have confirmed to the Audit Committee that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the independence rules of the Malaysian Institute of Accountants.

A summary of activities of the Audit Committee during the financial period under review is set out in the Audit Committee in this Annual Report.

Principle 6: Recognise and Manage Risks

6.1 Sound Framework to Manage Risks

The Board of Directors recognises the importance of sound internal controls and risk management practices to good corporate governance. 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 Control in this Annual Report provides an overview on the state of internal controls and risk management within the Group.

6.2 Internal Audit Function

The internal audit function is independent of the operations of the Group and provides 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 system.

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

Principle 7: Ensure Timely and High Quality Disclosure

7.1 Corporate Disclosure Policy

Group recognises the value of transparent, consistent and coherent communications with the investment community consistent with commercial confidentiality and regulatory considerations. The Group aims to build long-term relationships with shareholders and potential investors through appropriate channels for disclosure of information.



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



STATEMENT ON CORPORATE GOVERNANCE

(CONT'D)

Principle 7: Ensure Timely and High Quality Disclosure (cont'd)

7.1 Corporate Disclosure Policy (cont'd)

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 Managing Director before these are submitted to the Audit Committee and Board for approval.

While the Board endeavours to provide as much information as possible to its shareholders and stakeholders, it is mindful of the legal and regulatory framework governing the release of material and price-sensitive information. Such material and price sensitive information are not released unless it has been duly announced or made public through the proper channels and stress the importance of timely and equal dissemination of information to all shareholders and stakeholders.

7.2 Leverage on Information Technology for Effective Dissemination of Information

The Group has established a corporate website at www.leadersteel.my which shareholders can access for information pertaining to the Group. The website incorporates an Investor Relations section which provides all relevant information on the Company which is accessible to the public and include all announcements made by the Company and its annual reports. 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.

Principle 8: Strengthen Relationship between Company and Shareholders

8.1 Shareholder's Participation at General Meetings

The Board encourages shareholders' participation and as such, the annual general meeting 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 notice of annual general meeting is sent at least twenty-one (21) days before meeting date to shareholders and 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 annual general meeting 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.

8.2 Encourage Poll Voting

Going forward, the Board will conduct poll voting for all resolutions in line with the provision of Listing Requirements of Bursa Securities.

8.3 Effective Communication and Proactive Engagement

The Directors recognises the importance of accountability to its shareholders and investors through proper communication and acknowledges 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.

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

Compliance with the Best Practices of the Code

The Group has complied substantially with the Principles and Recommendations of the Code, insofar as applicable and described herein, during the financial year ended 31 December 2016 and up to-date.

This statement is issued in accordance with a resolution of the Directors dated 25 April 2017.



ADDITIONAL INFORMATION

1. Share Buy-Back

The details of the Company's Share Buy-Back exercise during the financial year ended 31 December 2016 are as follows:

Date of Purchase	No. of Shares Purchased and Retained As Treasury Shares	Purchase Price Per Share		Average Price (RM)	Total Consideration Paid (RM)
		Highest Price (RM)	Lowest Price (RM)		
02.03.16	39,900	0.160	0.160	0.160	6,384.00
30.05.16	20,000	0.320	0.320	0.320	6,400.00
30.06.16	200,000	0.330	0.315	0.323	64,582.52
30.11.16	47,100	0.375	0.355	0.360	16,954.50
01.12.16	124,400	0.405	0.395	0.401	49,913.50
02.12.16	86,400	0.395	0.390	0.394	34,046.00

During the financial year, a total of 517,800 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 2016, the number of treasury shares was 1,742,800 ordinary shares.

2. Non-audit fees

Non-audit fees amounting to RM5,500.00 were paid to the external auditors for the financial year ended 31 December 2016.

3. Material Contracts

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



ADDITIONAL INFORMATION

(CONT'D)

4. Recurrent Related Party Transactions of a Revenue or Trading Nature for the Year Ended 31 December 2016

Details of recurrent related party transactions made during the financial year ended 31 December 2016 pursuant to the shareholders' mandate obtained by the Company at the Annual General Meeting held on 24 May 2016 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.	13	Sale of steel products	Interested Director and Major Shareholder Dato' Goh Cheng Huat
	Eonmetall Technology Sdn. Bhd.	427	Sale of steel products	
Leader Steel Service Centre Sdn. Bhd. ("LSSC")	Eonmetall Industries Sdn. Bhd.	15,144	Sale, purchase and servicing of steel products	Datin Tan Pak Say Interested Major Shareholder Bischart Sdn. Bhd.
		300	Rental	
	Eonmetall Technology Sdn. Bhd.	259	Sale of steel products	
	Eonsteel Sdn. Bhd.	85	Sale of steel products	
	Eonmetall Systems Sdn. Bhd.	101	Sale of steel products	



AUDIT COMMITTEE REPORT

MEMBERSHIP

The Directors who have served as members of the Audit Committee (the “Committee”) during the financial year under review and as at the date of this report are:

Mr. Lim Leng Han	- Chairman, Senior Independent Non-Executive Director
En. Mohd Arif bin Mastol	- Member, Independent Non-Executive Director (Member of Malaysian Institute of Accountants)
Datuk Abdullah bin Haji Kuntom	- Member, Non-Independent Non-Executive Director

TERMS OF REFERENCE

The Audit Committee was established on 14 August 1995 to act as a Committee of the Board, with the terms of reference as set out in pages 31 to 33 of this Annual Report.

MEETINGS

During the financial year ended 31 December 2016, the Committee met four (4) times, which was attended by the members, 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.

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:-

Name of Director	No. of meetings	
	Held	Attended
Lim Leng Han	4	4
Mohd Arif bin Mastol	4	4
Datuk Abdullah bin Haji Kuntom	4	4

SUMMARY OF ACTIVITIES 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:

- Reviewed with the external auditors and internal auditors the scope of their work and audit plan;
- Reviewed with the external auditors the results and findings of the audit, the audit report and management letter;
- Reviewed the annual financial statements of the Group and Company with the external auditors, prior to submission to the Board for its consideration and approval;
- Reviewed the quarterly unaudited financial results announcements before recommending them for the Board’s approval. The General Manager was invited to attend the meetings and render the 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 Securities, applicable approved accounting standards of the Malaysian Accounting Standards Board and other relevant legal and statutory requirements;
- Reviewed the internal audit report, which highlighted the audit issues and findings, recommendations and Management’s response thereto;
- Reviewed pertinent issues, which had significant impact on the results of the Group, including bank borrowings, investments and divestments and strategic operations of subsidiaries;
- Reviewed the independence of the External Auditors and made its recommendations to the Board on their re-appointment and fees; 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)

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 control 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 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.

During the financial year ended 31 December 2016, the internal audit function carried out follow-up reviews on the implementation of recommendations of the previous internal audits and assisted the 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 Control on pages 34 to 36 of this Annual Report.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

OBJECTIVE

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling the following oversight objectives on the Group activities:

- assess the Group's processes relating to its risks and control environment;
- oversee financial reporting; and
- evaluate the internal and external audit processes.

COMPOSITION

The Board shall elect and appoint Committee members from amongst their numbers, comprising no fewer than three (3) Directors, all must be Non-Executive Directors, with a majority of them being Independent Directors.

The Board shall at all times ensure that at least one (1) member of the Committee shall be:

- a member of the Malaysian Institute of Accountants ("MIA");
- if he or she is not a member of MIA, he or she must have at least three (3) years of working experience and:
 - he or she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - he or she must be a member of the associations of accountants specified in Part II of the Accountants Act 1967.
- fulfills such other requirements as prescribed or approved by the Bursa Securities.

If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced below three (3), the Board shall within three (3) months of the event appoint such number of new members as may be required to fill the vacancy.

The Chairman of the Committee shall be an Independent Non-Executive Director. No alternate Director of the Board shall be appointed as a member of the Committee.



AUDIT COMMITTEE REPORT

(CONT'D)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE (cont'd)

QUORUM AND COMMITTEE'S PROCEDURES

Meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate.

In order to form a quorum for the meeting, the majority of the members present must be Independent Non-Executive Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

The Company Secretary shall be appointed as the Secretary of the Committee ("the Secretary"). The Secretary, in conjunction with the Chairman, shall draw up an agenda, which shall be circulated together with the relevant support papers, at least one (1) week prior to each meeting to the members of the Committee. The minutes shall be circulated to members of the Board.

The Committee may, as and when deemed necessary, invite other Board members and senior management members to attend the meetings.

The Chairman shall submit an annual report to the Board summarising the Committee's activities during the year and the related significant results and findings.

The Committee shall meet at least annually with the management, and at least once every year with the Head of Internal Audit and external auditors in separate sessions to discuss any matters with the Committee without the presence of any executive member of the Board.

The Committee shall regulate the manner of proceedings of its meetings, having regard to normal conventions on such matter.

AUTHORITY

The Committee is authorised to seek any information it requires from employees, who are required to co-operate with any request made by the Committee.

The Committee shall have full and unlimited access to any information pertaining to the Group.

The Committee shall have direct communication channels with the internal and external auditors and with senior management of the Group and shall be able to convene meetings with the external auditors, the internal auditors or both, excluding the attendance of other directors and employees of the Company, whenever deemed necessary.

The Committee shall have the resources that are required to perform its duties. The Committee can obtain, at the expense of the Company, outside legal or other independent professional advice it considers necessary.

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Bursa Securities Listing Requirements, the Committee shall promptly report such matter to the Bursa Securities.



AUDIT COMMITTEE REPORT

(CONT'D)

TERMS OF REFERENCE OF THE AUDIT COMMITTEE (cont'd)

Responsibilities and duties

In fulfilling its primary objectives, the Committee shall undertake the following responsibilities and duties:

- Review with the external auditor, the audit scope and plan, including any changes to the planned scope of the audit plan;
- Review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work;
- Review the external and internal audit reports to ensure that appropriate and prompt remedial action is taken by management on major deficiencies in controls or procedures that are identified;
- Review major audit findings and the management's response during the year with management, external auditors and internal auditors, including the status of previous audit recommendations;
- Review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information;
- Review the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money;
- Review the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board;
- Review the Internal Audit Charter, budget and staffing of the outsourced internal audit team;
- Review the adequacy and integrity of internal control systems, including enterprise risk management, management information system, and the internal auditors' and/or external auditors' evaluation of the said systems;
- Direct and where appropriate supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts;
- Review the quarterly results and the year end financial statements, prior to the approval by the Board focusing particularly on:
 - changes in or implementation of major accounting policy changes;
 - significant or unusual events; and
 - compliance with accounting standards and other legal requirements.
- Review procedures in place to ensure that the Group is in compliance with the Companies Act, 2016, Bursa Securities Listing Requirements and other legislative and reporting requirements;
- Review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises question on management integrity;
- Prepare reports, if the circumstances arise or at least once (1) a year, to the Board summarizing the work performed in fulfilling the Committee's primary responsibilities; and
- Any other activities, as authorized by the Board.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Paragraph 15.26(b) of the Listing Requirements of Bursa Securities 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 2016.

(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 organizational 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 2016, 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 certain business cycles;
- 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 2016 were approximately RM34,000.00.

(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 General Manager 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 2016 and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material aspects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, 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 2016 as a result of weaknesses in internal controls.

This statement is issued in accordance with a resolution of the Directors dated 25 April 2017.



CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

Leader Steel Holdings Berhad and its subsidiaries (“the Group”) have been actively playing their role in maintaining the corporate social responsibility (“CSR”) in business activities in a professional, ethical and socially responsible manner.

As a responsible corporate citizen, the Group has undertaken considerable effort in enhancing the well-being of its employees, environment, community, customers, suppliers and all other stakeholders wherever we operate.

WORKPLACE

In support of lifelong learning, the Group provides training programs in the area of financial, IT, health and safety and job related courses to all staff in 2016. At the same time, the Group also gave sponsorships to in-house sport activities as an effort to enhance work-life balance among the staff.

As an employer, the Group recognizes and accepts its responsibilities for providing and maintaining a safe and healthy workplace for all its employees. Workplace security initiatives such as fire and evacuation drills, safety tips and training on proper usage of safety equipment have been provided to the employees to ensure a protected working environment.

ENVIRONMENT

The Group is 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 of irresponsibly but reused after being treated. These environment-friendly measures have significantly reduced wastage on materials and water consumption to a minimum level. The Group also ensures compliance with all environmental regulations and laws at all times.

COMMUNITY

As a responsible corporate citizen, the Group has made financial contributions and other benefit in kind to local charitable organizations 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.



DIRECTORS' REPORT

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 2016.

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>6,529,980</u>	<u>(456,201)</u>
Attributable to:		
Owners of the parent	6,751,741	(456,201)
Non-controlling interests	<u>(221,761)</u>	<u>0</u>
	<u>6,529,980</u>	<u>(456,201)</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 those disclosed in the financial statements.

ISSUE OF SHARES AND DEBENTURES

There were no new shares and debentures issued 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' REPORT

(CONT'D)

DIRECTORS

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

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 (appointed on 31 March 2017)

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 2016 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 134 of the Companies Act, 1965 in Malaysia were as follows:

Names of Directors	Number of ordinary shares of RM0.50 each			Balance as at 31.12.2016
	Balance as at 1.1.2016	Bought	Sold	
Shares in the Company				
Direct interests:				
Dato' Goh Cheng Huat	10,530,594	0	0	10,530,594
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
Indirect interests:				
Dato' Goh Cheng Huat	56,402,974	0	0	56,402,974
Datin Tan Pak Say	65,778,562	0	0	65,778,562

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 has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments 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.



DIRECTORS' REPORT

(CONT'D)

TREASURY SHARES

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting ('AGM') held on 24 May 2016, renewed the approval for the Company to repurchase its own shares.

During the financial year, the Company repurchased 517,800 of its issued ordinary shares from the open market at an average price of RM0.344 per share. The total consideration paid for the repurchased shares was RM178,280. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965 in Malaysia.

As at 31 December 2016, 1,742,800 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 RM527,791 and further relevant details are disclosed in Note 11 to the financial statements.

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT END OF THE FINANCIAL YEAR

- (a) Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, 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 all known bad debts had been written off 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.

(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 render the amounts written off for bad debts or 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.



DIRECTORS' REPORT

(CONT'D)

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

(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.

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

Datin Tan Pak Say
Director

Penang
25 April 2017

Tan Sri Dato' Mohd Desa bin Pachi
Director



STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 47 to 89 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act, 1965 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 2016 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

In the opinion of the Directors, the information set out in Note 31 to the financial statements on page 90 has been compiled in accordance with the Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, issued by the Malaysian Institute of Accountants, and presented based on the format prescribed by Bursa Malaysia Securities Berhad.

On behalf of the Board,

Datin Tan Pak Say
Director

Tan Sri Dato' Mohd Desa bin Pachi
Director

Penang
25 April 2017

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 47 to 90 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 25 April 2017

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 Financial Statements

We have audited the financial statements of Leader Steel Holdings Berhad, which comprise the statements of financial position as at 31 December 2016 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 47 to 89.

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 2016 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, 1965 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 2016, trade receivables that were past due and not impaired amounted to RM10,654,839. The details of trade receivables and its credit risk have been disclosed in Note 9 and Note 28 to the financial statements respectively.

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

The determination of whether trade receivables are recoverable involves significant management judgement.

Audit response

Our audit procedures included the followings:

- (a) evaluated the credit process operated by management over the recoverability of trade receivables of the Group;



INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LEADER STEEL HOLDINGS BERHAD (Incorporated in Malaysia) Company No: 267209-K (CONT'D)

Key Audit Matters (cont'd)

Recoverability of trade receivables (cont'd)

Audit response (cont'd)

- (b) critically assessed recoverability of receivables that were past due but not impaired with reference to their historical bad debt expense, ageing profiles of the counter parties and past historical repayment trends; and
- (c) 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.

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, 1965 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 Group's and Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or 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.



INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LEADER STEEL HOLDINGS BERHAD (Incorporated in Malaysia) Company No: 267209-K (CONT'D)

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:

- 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 the Group's and the Company's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the 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.
- 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 Directors and managers 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.



INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LEADER STEEL HOLDINGS BERHAD (Incorporated in Malaysia) Company No: 267209-K (CONT'D)

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (b) We have considered the accounts and the auditors' reports of the subsidiaries of which we have not acted as auditors, which are indicated in Note 6 to the financial statements, being accounts that have been included in the consolidated accounts.
- (c) We are satisfied that the accounts of the subsidiaries that have been consolidated with the financial statements of the Company are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (d) The audit reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Other Reporting Responsibilities

The supplementary information set out in Note 31 to the financial statements is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 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

25 April 2017



CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	2016 RM	Group 2015 RM
ASSETS			
Non-current assets			
Property, plant and equipment	5	151,433,087	154,430,604
Available-for-sale financial asset	7	36,000	44,000
		<u>151,469,087</u>	<u>154,474,604</u>
Current assets			
Inventories	8	46,841,535	47,170,534
Trade and other receivables	9	44,984,624	45,129,915
Current tax asset		0	1,873,135
Cash and bank balances	10	1,943,639	615,459
		<u>93,769,798</u>	<u>94,789,043</u>
TOTAL ASSETS		<u>245,238,885</u>	<u>249,263,647</u>
EQUITY AND LIABILITIES			
Equity attributable to owners of the parent			
Share capital	11	64,016,000	64,016,000
Treasury shares, at cost	11	(527,791)	(349,511)
Reserves	12	68,380,391	58,679,988
		<u>131,868,600</u>	<u>122,346,477</u>
Non-controlling interests		72,774	294,535
TOTAL EQUITY		<u>131,941,374</u>	<u>122,641,012</u>
LIABILITIES			
Non-current liabilities			
Borrowings	13	3,317,203	5,686,499
Trade and other payables	16	3,748,463	0
Deferred tax liabilities	15	13,168,446	14,481,484
		<u>20,234,112</u>	<u>20,167,983</u>
Current liabilities			
Trade and other payables	16	26,142,853	21,566,485
Current tax liability		144,163	0
Borrowings	13	66,776,383	84,888,167
		<u>93,063,399</u>	<u>106,454,652</u>
TOTAL LIABILITIES		<u>113,297,511</u>	<u>126,622,635</u>
TOTAL EQUITY AND LIABILITIES		<u>245,238,885</u>	<u>249,263,647</u>

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



STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

		Company	
	Note	2016 RM	2015 RM
ASSETS			
Non-current assets			
Investments in subsidiaries	6	54,690,345	54,690,345
Available-for-sale financial asset	7	36,000	44,000
		<u>54,726,345</u>	<u>54,734,345</u>
Current assets			
Other receivables	9	17,502	17,502
Current tax assets		9,762	9,762
Cash and bank balances	10	20,157	28,755
		<u>47,421</u>	<u>56,019</u>
TOTAL ASSETS		<u>54,773,766</u>	<u>54,790,364</u>
EQUITY AND LIABILITY			
Equity attributable to owners of the parent			
Share capital	11	64,016,000	64,016,000
Treasury shares, at cost	11	(527,791)	(349,511)
Reserves	12	(9,979,630)	(9,523,429)
TOTAL EQUITY		<u>53,508,579</u>	<u>54,143,060</u>
Current liability			
Other payables	16	1,265,187	647,304
TOTAL EQUITY AND LIABILITY		<u>54,773,766</u>	<u>54,790,364</u>



STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
Revenue	19	167,348,862	153,677,252	0	0
Cost of sales		(136,301,079)	(139,893,622)	0	0
Gross profit		31,047,783	13,783,630	0	0
Other income		2,892,593	5,188,693	0	0
Distribution expenses		(12,619,323)	(10,785,226)	0	0
Administrative expenses		(9,861,298)	(8,579,228)	(456,201)	(377,000)
Finance costs	20	(3,885,057)	(5,303,098)	0	0
Profit/(Loss) before tax	21	7,574,698	(5,695,229)	(456,201)	(377,000)
Taxation	24	(1,044,718)	2,196,160	0	0
Profit/(Loss) for the financial year		6,529,980	(3,499,069)	(456,201)	(377,000)
Other comprehensive income					
Items that will not be reclassified subsequently to profit or loss					
Gross revaluation increase of properties		3,437,712	7,708,269	0	0
Deferred tax relating to revalued properties		(489,050)	(1,849,985)	0	0
Total other comprehensive income, net of tax		2,948,662	5,858,284	0	0
Total comprehensive income/(loss)		9,478,642	2,359,215	(456,201)	(377,000)
Profit/(Loss) attributable to:					
Owners of the parent		6,751,741	(3,475,530)	(456,201)	(377,000)
Non-controlling interests		(221,761)	(23,539)	0	0
		6,529,980	(3,499,069)	(456,201)	(377,000)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		9,700,403	2,382,754	(456,201)	(377,000)
Non-controlling interests		(221,761)	(23,539)	0	0
		9,478,642	2,359,215	(456,201)	(377,000)
Profit/(Loss) per ordinary share attributable to equity holders of the Company (sen):					
- Basic	25(a)	5.30	(2.73)		
- Diluted	25(b)	5.30	(2.73)		

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

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	attributable to owners of the parent RM	Non-controlling interests RM	
Balance as at 1 January 2015		64,016,000	(307,655)	3,600	47,613,487	2,545	8,677,602	120,005,579	318,074	120,323,653
Loss for the financial year		0	0	0	0	0	(3,475,530)	(3,475,530)	(23,539)	(3,499,069)
Gross revaluation increase of properties		0	0	0	7,708,269	0	0	7,708,269	0	7,708,269
Deferred tax relating to revalued properties		0	0	0	(1,849,985)	0	0	(1,849,985)	0	(1,849,985)
Total comprehensive income		0	0	0	5,858,284	0	(3,475,530)	2,382,754	(23,539)	2,359,215
Transactions with owners										
Purchase of treasury shares	11	0	(41,856)	0	0	0	0	(41,856)	0	(41,856)
Total transactions with owners		0	(41,856)	0	0	0	0	(41,856)	0	(41,856)
Balance as at 31 December 2015		64,016,000	(349,511)	3,600	53,471,771	2,545	5,202,072	122,346,477	294,535	122,641,012

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

Group	Note	Non-distributable					Distributable			Total equity
		Share capital	Treasury shares	Share premium	Revaluation reserve	Currency translation reserve	Retained earnings	attributable to owners of the parent	Non-controlling interests	
		RM	RM	RM	RM	RM	RM	RM	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
Transactions with owners										
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.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Company	Note	Non-distributable			Accumulated losses RM	Total equity RM
		Share capital RM	Treasury shares RM	Share premium RM		
Balance as at 1 January 2015		64,016,000	(307,655)	3,600	(9,150,029)	54,561,916
Loss for the financial year		0	0	0	(377,000)	(377,000)
Other comprehensive income, net of tax		0	0	0	0	0
Total comprehensive loss		0	0	0	(377,000)	(377,000)
Transactions with owners						
Purchase of treasury shares	11	0	(41,856)	0	0	(41,856)
Total transactions with owners		0	(41,856)	0	0	(41,856)
Balance as at 31 December 2015/ 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)
Transactions with owners						
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



STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group		Company	
		2016 RM	2015 RM	2016 RM	2015 RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		7,574,698	(5,695,229)	(456,201)	(377,000)
Adjustments for:					
Depreciation of property, plant and equipment	5	7,317,278	7,976,126	0	0
Gain on disposal of property, plant and equipment		(2,662,702)	(1,199,497)	0	0
Impairment losses on:					
- available-for-sale investment		8,000	0	8,000	0
- trade receivables	9(g)	0	431,914	0	0
- other receivables	9(g)	532,099	0	0	0
Interest expense		3,885,057	5,303,098	33,235	0
Inventories written down	8(c)	236,113	722,919	0	0
Reversal of impairment losses on:					
- trade receivables	9(g)	(88,020)	(28,305)	0	0
- other receivables	9(g)	(435,002)	0	0	0
- available-for-sale investment		0	(24,000)	0	(24,000)
Unrealised loss/(gain) on foreign exchange		1,091,316	(1,257,241)	0	0
Operating profit/(loss) before changes in working capital		17,458,837	6,229,785	(414,966)	(401,000)
Decrease in inventories		92,886	12,281,615	0	0
(Increase)/Decrease in trade and other receivables		(734,501)	(318,256)	0	87
Increase in trade and other payables		8,061,300	8,257,145	584,648	440,881
Cash generated from operations		24,878,522	26,450,289	169,682	39,968
Interest paid		(3,885,057)	(5,303,098)	0	0
Tax refunded		1,016,704	98,863	0	0
Tax paid		(1,846,212)	(711,950)	0	0
Net cash from operating activities		20,163,957	20,534,104	169,682	39,968
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	5(d)	(592,049)	(5,112,554)	0	0
Proceeds from disposal of property, plant and equipment		2,662,702	1,843,612	0	0
Net cash from/(used in) investing activities		2,070,653	(3,268,942)	0	0

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



STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 (CONT'D)

		Group		Company	
	Note	2016 RM	2015 RM	2016 RM	2015 RM
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayment of commodity financing		(3,520,000)	(3,631,571)	0	0
Repayment of short-term borrowings, net		(11,902,318)	(11,353,506)	0	0
Repayment of term loans		(1,879,730)	(2,996,083)	0	0
Repayment of hire purchase and lease creditors		(422,790)	(524,546)	0	0
Purchase of treasury shares	11	(178,280)	(41,856)	(178,280)	(41,856)
Net cash used in financing activities		<u>(17,903,118)</u>	<u>(18,547,562)</u>	<u>(178,280)</u>	<u>(41,856)</u>
Net increase/(decrease) in cash and cash equivalents		4,331,492	(1,282,400)	(8,598)	(1,888)
Effect of exchange rate changes on cash and cash equivalents		42,930	0	0	0
Cash and cash equivalents at beginning of financial year		(4,061,872)	(2,779,472)	28,755	30,643
Cash and cash equivalents at end of financial year	10(b)	<u>312,550</u>	<u>(4,061,872)</u>	<u>20,157</u>	<u>28,755</u>



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016

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 2016 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 25 April 2017.

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, 1965 in Malaysia.

However, Note 31 to the financial statements set out on page 90 has been prepared in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ('MIA Guidance') and the directive of Bursa Malaysia Securities Berhad.

The new MFRSs and amendments to MFRSs adopted during the financial year are set out in Note 30(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

31 DECEMBER 2016 (CONT'D)

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	
	2016 RM	2015 RM	2016 RM	2015 RM
Malaysia	141,470,257	115,003,428	151,469,087	154,474,604
China	6,517,986	16,098,628	0	0
Hong Kong	10,230,302	8,320,471	0	0
Others	9,130,317	14,254,725	0	0
	<u>167,348,862</u>	<u>153,677,252</u>	<u>151,469,087</u>	<u>154,474,604</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

31 DECEMBER 2016 (CONT'D)

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. 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	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 are 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 Group's accounting policy, 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 2015.

Freehold land, short term leasehold land and buildings of the Group were revalued on 31 December 2016 by the Directors based on a valuation exercise carried out by an independent professional valuer using the open market value basis.

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

	2016 RM	Group 2015 RM
Buildings	24,273,503	25,394,757
Freehold land	15,509,485	15,509,485
Short term leasehold land	3,274,661	3,366,442
	<u>43,057,649</u>	<u>44,270,684</u>



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

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:

	2016	Group
	RM	2015
		RM
Level 2		
Buildings	48,539,700	50,409,700
Freehold land	42,300,000	40,900,000
Short term leasehold land	20,200,000	17,900,000
	<u>111,039,700</u>	<u>109,209,700</u>

- (i) There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 31 December 2016 and 31 December 2015.
- (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:

	2016	Group
	RM	2015
		RM
Purchase of property, plant and equipment	882,049	6,852,554
Financed by hire purchase arrangements	(290,000)	(1,740,000)
Cash payments on purchase of property, plant and equipment	<u>592,049</u>	<u>5,112,554</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:

	2016	Group
	RM	2015
		RM
Plant and machinery	1,440,000	1,802,170
Motor vehicles	1,405,434	1,186,046
	<u>2,845,434</u>	<u>2,988,216</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 2016, property, plant and equipment of the Group with carrying amount of RM56,533,185 (2015: RM79,633,185) 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

31 DECEMBER 2016 (CONT'D)

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2016 RM	2015 RM
At cost:	59,329,494	59,329,494
Unquoted shares	1,684,535	1,684,535
Fair value of share options allocated to subsidiaries	(6,323,684)	(6,323,684)
Less: Impairment loss	<u>54,690,345</u>	<u>54,690,345</u>
 Movement of impairment loss:		
Balance as at 1 January/31 December 2016	<u>6,323,684</u>	<u>6,323,684</u>

(a) Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective ownership interest		Principal activities
		2016 %	2015 %	
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	Investment holding
GCH Metal Service Centre Sdn. Bhd.#	Malaysia	100	100	Inactive
Ferronet Asia Sdn. Bhd.^	Malaysia	100	0	Inactive
Ferro Minerals, Inc*	United States of America	100	100	Inactive



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

6. INVESTMENTS IN SUBSIDIARIES (cont'd)

(a) Details of the subsidiaries are as follows: (cont'd)

Name of company	Country of incorporation	Effective ownership interest		Principal activities
		2016 %	2015 %	
Subsidiary of Leader Steel Sdn. Bhd.				
ACME United Sdn. Bhd.#	Malaysia	51	51	Inactive
Padma Minerals Co. Limited**	Hong Kong	100	0	Inactive
Subsidiary of Leader Minerals Corporation Sdn. Bhd.				
Padma Minerals Co. Limited**	Hong Kong	0	100	Inactive

Subsidiaries audited by BDO Malaysia.

* Subsidiaries not audited by BDO Malaysia.

** The financial statements of this subsidiary is not required to be audited in its country of incorporation.

^ Consolidated using management financial statements up to 31 December 2016 as this subsidiary was incorporated on 13 July 2016 and its first financial year end was fixed on 31 December 2017.

(b) On 10 January 2017, Leader Steel Sdn. Bhd., a wholly-owned subsidiary, had acquired 2 ordinary shares of RM1 each, 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 ('Proposed Acquisition').

Aurea Canyon Mining Sdn. Bhd. will be a wholly owned subsidiary of Leader Steel Sdn. Bhd. upon completion of the Proposed Acquisition.

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

	ACME United Sdn. Bhd.	
	2016 RM	2015 RM
NCI percentage of ownership interest and voting interest	49%	49%
Carrying amount of NCI (RM)	72,774	294,535
Loss allocated to NCI (RM)	(221,761)	(23,539)



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

6. INVESTMENTS IN SUBSIDIARIES (cont'd)

- (d) 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.	
	2016	2015
	RM	RM
Assets and liabilities		
Non-current assets	709,950	910,865
Current assets	5,936	1,035,212
Current liabilities	(685,822)	(1,463,440)
Net assets	<u>30,064</u>	<u>482,637</u>
Result		
Revenue	0	0
Loss for the financial year	(452,573)	(48,039)
Total comprehensive loss	<u>(452,573)</u>	<u>(48,039)</u>
Cash flows from/(used in) operating activities	<u>1,120</u>	<u>(202)</u>
Net increase/(decrease) in cash and cash equivalents	<u>1,120</u>	<u>(202)</u>

7. AVAILABLE-FOR-SALE FINANCIAL ASSET

	Group and Company	
	2016	2015
	RM	RM
Available-for-sale financial asset		
- Quoted shares in Malaysia	<u>36,000</u>	<u>44,000</u>

- (a) Information on the fair value hierarchy is disclosed in Note 27 to the financial statements.
- (b) Information on financial risks of other investments is disclosed in Note 28 to the financial statements.

8. INVENTORIES

	Group	
	2016	2015
	RM	RM
At cost		
Raw materials	22,880,611	17,876,517
Work-in-progress	415,238	374,729
Manufactured inventories	13,103,673	15,850,965
Trading inventories	2,579,768	6,304,633
	<u>38,979,290</u>	<u>40,406,844</u>
At net realisable value		
Trading inventories	<u>7,862,245</u>	<u>6,763,690</u>
Total	<u>46,841,535</u>	<u>47,170,534</u>



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

8. INVENTORIES (cont'd)

- (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 RM123,847,732 (2015: RM123,949,500).
- (c) During the financial year, the Group has written down trading inventories amounting to RM236,113 (2015: RM722,919).

9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Trade receivables				
Third parties	23,880,672	26,495,280	0	0
Related parties	1,166,081	827,062	0	0
	25,046,753	27,322,342	0	0
Less: Impairment loss				
- Third parties	(3,987,773)	(3,468,472)	0	0
	21,058,980	23,853,870	0	0
Other receivables				
Other receivables	14,438,661	22,833,004	0	1,000
Less: Impairment loss	(1,414,926)	(3,113,970)	0	0
	13,023,735	19,719,034	0	1,000
Loan and receivables	34,082,715	43,572,904	0	1,000
Deposits and prepayments				
Deposits	757,738	471,364	0	0
Prepayments	10,144,171	1,085,647	17,502	16,502
	10,901,909	1,557,011	17,502	16,502
	44,984,624	45,129,915	17,502	17,502

- (a) Trade and other receivables are classified as loans and receivables, and 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 (2015: 14 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (c) Included in other receivables of the Group are advanced payments made to purchase of minerals amounting to RM10,653,011 (2015: RM17,020,389).



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

9. TRADE AND OTHER RECEIVABLES (cont'd)

(d) The currency exposure profile of loan and receivables are as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	28,767,096	30,362,079	0	1,000
United States Dollar	5,190,394	13,145,325	0	0
Singapore Dollar	60,675	0	0	0
Chinese Yuan	64,550	65,500	0	0
	<u>34,082,715</u>	<u>43,572,904</u>	<u>0</u>	<u>1,000</u>

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

	Group	
	2016 RM	2015 RM
Neither past due nor impaired	10,404,141	7,990,615
Past due but not impaired		
1 to 30 days	4,406,361	3,548,128
31 to 120 days	3,948,979	3,109,848
More than 121 days	2,299,499	9,205,279
	10,654,839	15,863,255
Past due and impaired	3,987,773	3,468,472
	<u>25,046,753</u>	<u>27,322,342</u>

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.

(f) 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	
	2016 RM	2015 RM
Counterparties without external credit ratings		
- Group A	60,675	265,009
- Group B	10,343,466	7,725,606
	<u>10,404,141</u>	<u>7,990,615</u>

(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.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

9. TRADE AND OTHER RECEIVABLES (cont'd)

- (f) The credit quality of trade receivables that are neither past due nor impaired as at the end of reporting period were assessed as follows: (cont'd)

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	
	2016 RM	2015 RM
Group		
Trade receivables, gross	3,987,773	3,468,472
Less: Impairment loss	(3,987,773)	(3,468,472)
	0	0

- (g) The reconciliation of movement in the impairment loss are as follows:

	Group	
	2016 RM	2015 RM
Trade receivables		
Balance as at 1 January	3,468,472	3,064,863
Charge for the financial year (Note 21)	0	431,914
Reversal of impairment loss (Note 21)	(88,020)	(28,305)
Exchange differences	607,321	0
Balance as at 31 December	3,987,773	3,468,472
Other receivables		
Balance as at 1 January	3,113,970	3,113,970
Charge for the financial year (Note 21)	532,099	0
Reversal of impairment loss (Note 21)	(435,002)	0
Written off	(1,796,141)	0
Balance as at 31 December	1,414,926	3,113,970
	5,402,699	6,582,442

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.

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, aging profiles 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.

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



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

10. CASH AND BANK BALANCES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash and bank balances	1,943,639	615,459	20,157	28,755

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	1,103,337	296,627	20,157	28,755
United States Dollar	634,592	312,935	0	0
Singapore Dollar	3,028	5,897	0	0
Chinese Yuen	202,682	0	0	0
	1,943,639	615,459	20,157	28,755

(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	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash and bank balances	1,943,639	615,459	20,157	28,755
Bank overdrafts included in borrowings (Note 13)	(1,631,089)	(4,677,331)	0	0
	312,550	(4,061,872)	20,157	28,755

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

11. SHARE CAPITAL

(a) Share capital

	Group and Company			
	2016 Number of shares	2016 RM	2015 Number of shares	2015 RM
Ordinary shares of RM0.50 each:				
Authorised	1,000,000,000	500,000,000	1,000,000,000	500,000,000
Issued and fully paid	128,032,000	64,016,000	128,032,000	64,016,000

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.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

11. SHARE CAPITAL (cont'd)

(b) Treasury shares

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting ('AGM') held on 24 May 2016 renewed the approval for the Company to repurchase its own shares.

	Group and Company			
	2016		2015	
	Number of shares	RM	Number of shares	RM
Balance as at 1 January	(1,225,000)	(349,511)	(1,025,000)	(307,655)
Purchase of treasury shares	(517,800)	(178,280)	(200,000)	(41,856)
Balance as at 31 December	<u>(1,742,800)</u>	<u>(527,791)</u>	<u>(1,225,000)</u>	<u>(349,511)</u>

During the financial year, the Company repurchased a total of 517,800 (2015: 200,000) of its issued ordinary shares from the open market at an average price of RM0.344 (2015: RM0.209) per share. The total consideration paid for the repurchase was RM178,280 (2015: RM41,856). The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965 in Malaysia.

As at 31 December 2016, 1,742,800 (2015: 1,225,000) out of the total 128,032,000 (2015: 128,032,000) issued and fully paid ordinary shares are held as treasury shares by the Company. The number of ordinary shares of RM0.50 each in issue and fully paid as at 31 December 2016 after excluding the treasury shares is 126,289,200 (2015: 126,807,000).

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.

12. RESERVES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Non-distributable:				
Share premium	3,600	3,600	3,600	3,600
Revaluation reserve	56,420,433	53,471,771	0	0
Currency translation reserve	2,545	2,545	0	0
	<u>56,426,578</u>	<u>53,477,916</u>	<u>3,600</u>	<u>3,600</u>
Distributable:				
Retained earnings/ (Accumulated losses)	<u>11,953,813</u>	<u>5,202,072</u>	<u>(9,983,230)</u>	<u>(9,527,029)</u>
	<u>68,380,391</u>	<u>58,679,988</u>	<u>(9,979,630)</u>	<u>(9,523,429)</u>

(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.



68

(b) Revaluation reserve

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



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

12. RESERVES (cont'd)

(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.

13. BORROWINGS

	2016 RM	Group 2015 RM
Current		
<i>Secured</i>		
Commodity financing	172,430	3,381,668
Hire purchase and lease creditors (Note 14)	572,812	594,914
Term loans	1,949,852	1,881,736
Bank overdrafts (Note 10)	1,631,089	4,677,331
Bankers' acceptances	57,524,737	69,438,615
Revolving credit	4,925,463	4,913,903
	66,776,383	84,888,167
Non-current		
<i>Secured</i>		
Commodity financing	0	310,762
Hire purchase and lease creditors (Note 14)	1,396,360	1,507,048
Term loans	1,920,843	3,868,689
	3,317,203	5,686,499
Total borrowings		
Bankers' acceptances	57,524,737	69,438,615
Bank overdrafts (Note 10)	1,631,089	4,677,331
Commodity financing	172,430	3,692,430
Hire purchase and lease creditors (Note 14)	1,969,172	2,101,962
Revolving credit	4,925,463	4,913,903
Term loans	3,870,695	5,750,425
	<u>70,093,586</u>	<u>90,574,666</u>

(a) All borrowings are denominated in Ringgit Malaysia.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

13. BORROWINGS (cont'd)

(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

	2016 RM	2015 RM
Freehold land	17,300,000	40,900,000
Short term leasehold land	6,300,000	6,200,000
Buildings	16,400,000	16,000,000
Plant and machinery	16,533,185	0
Capital work-in-progress	0	16,533,185
Property, plant and equipment (Note 5)	<u>56,533,185</u>	<u>79,633,185</u>

(ii) corporate guarantee of RM188,540,000 (2015: RM224,458,920) by the Company.

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

14. HIRE PURCHASE AND LEASE CREDITORS

	2016 RM	Group 2015 RM
Minimum hire purchase and lease payments:		
- not later than one (1) year	768,754	711,905
- later than one (1) year but not later than five (5) years	1,407,810	1,658,458
Total minimum hire purchase and lease payments	2,176,564	2,370,363
Less: Future interest charges	(207,392)	(268,401)
Present value of hire purchase and lease payments	<u>1,969,172</u>	<u>2,101,962</u>
Repayable as follows:		
Current liabilities:		
- not later than one (1) year (Note 13)	572,812	594,914
Non-current liabilities		
- later than one (1) year and not later than five (5) years (Note 13)	1,396,360	1,507,048
	<u>1,969,172</u>	<u>2,101,962</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.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

15. DEFERRED TAX LIABILITIES

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

	2016	Group	2015
	RM		RM
Balance as at 1 January	(14,481,484)		(14,368,826)
Recognised in profit or loss (Note 24)	1,802,088		1,737,327
Recognised in other comprehensive income	(489,050)		(1,849,985)
Balance as at 31 December	<u>(13,168,446)</u>		<u>(14,481,484)</u>
Presented after appropriate offsetting:			
Deferred tax assets	2,534,331		4,212,200
Deferred tax liabilities	<u>(15,702,777)</u>		<u>(18,693,684)</u>
	<u>(13,168,446)</u>		<u>(14,481,484)</u>



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

15. DEFERRED TAX LIABILITIES (cont'd)

- (c) The amount of temporary differences for which no deferred tax asset has been recognised in the statement of financial position are as follows:

	Group	
	2016 RM	2015 RM
Unabsorbed tax losses	439,490	461,800
Unabsorbed capital allowances	139,590	91,120
	579,080	552,920

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.

16. TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Non-current				
Other payable				
Amount due to a Director	3,748,463	0	0	0
Current				
Trade payables				
Related parties	16,106,878	4,331,294	0	0
Third parties	4,295,090	7,714,083	0	0
	20,401,968	12,045,377	0	0
Other payables				
Amount due to subsidiaries	0	0	1,038,211	432,270
Amount due to related parties	544,971	0	0	0
Amount due to a Director	0	3,180,000	0	0
Accrued expenses	2,015,481	2,228,883	18,000	37,100
Other payables	3,180,433	4,112,225	208,976	177,934
	5,740,885	9,521,108	1,265,187	647,304
	26,142,853	21,566,485	1,265,187	647,304

- (a) Trade and other payables are classified as other financial liabilities, and measured at amortised cost using the effective interest method.

- (b) Amount due to a Director is unsecured, not repayable within the next twelve (12) months and interest-free except for RM3,132,150 on which interest is charged at 4.5% per annum.

In the previous financial year, amount due to a Director was unsecured, interest-free and payable upon demand in cash and cash equivalents.

- (c) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group and the Company range from 14 to 120 days (2015: 5 to 90 days).



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

16. TRADE AND OTHER PAYABLES (cont'd)

- (d) Amount due to subsidiaries is non-trade in nature, unsecured, which bear interest at rate ranging from 4.46% to 4.61% (2015: Nil) per annum and payable upon demand in cash and cash equivalents.
- (e) The amount due to related parties is 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	
	2016 RM	2015 RM	2016 RM	2015 RM
Ringgit Malaysia	23,179,928	18,934,384	1,265,187	647,304
United States Dollar	6,711,388	1,326,099	0	0
Chinese Yuen	0	1,306,002	0	0
	<u>29,891,316</u>	<u>21,566,485</u>	<u>1,265,187</u>	<u>647,304</u>

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

17. CONTINGENT LIABILITIES

	Company	
	2016 RM	2015 RM
Corporate guarantee given to financial institutions for credit facilities granted to subsidiaries	<u>69,700,675</u>	<u>86,427,986</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.

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.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

18. COMMITMENTS (cont'd)

(a) Operating lease commitments (cont'd)

The Group as lessee (cont'd)

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:

	2016	Group	2015
	RM		RM
Not later than one (1) year	180,550		207,600
Later than one (1) year and not later than five (5) years	6,400		17,200
	<u>186,950</u>		<u>224,800</u>

(b) Capital commitments

	2016	Group	2015
	RM		RM
Capital expenditure in respect of purchase of property, plant and equipment:			
Contracted but not provided for	2,581,800		0

19. REVENUE

The revenue of the Group represents income from the sales 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

	2016	Group	2015
	RM		RM
Interest expenses on:			
Bank overdrafts	224,205		312,522
Term loans	384,888		577,979
Hire purchase	132,903		109,993
Bankers' acceptances	2,711,354		3,700,518
Revolving credit	251,264		256,177
Amount due to a Director	88,463		0
Others	91,980		345,909
	<u>3,885,057</u>		<u>5,303,098</u>



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

21. PROFIT/(LOSS) BEFORE TAX

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Auditors' remuneration:				
- statutory audits	145,000	138,523	45,000	32,000
- underprovision in prior years	24,618	7,947	4,000	8,000
Depreciation of property, plant and equipment	7,317,278	7,976,126	0	0
Directors' emoluments:				
- fees	175,000	175,000	175,000	175,000
- other emoluments	1,810,914	1,404,410	26,000	26,500
Impairment losses on:				
- available-for-sale financial asset	8,000	0	8,000	0
- trade receivables (Note 9(g))	0	431,914	0	0
- other receivables (Note 9(g))	532,099	0	0	0
Interest expense on amount due to subsidiaries	0	0	33,235	0
Inventory written down (Note 8(c))	236,113	722,919	0	0
Rental of equipment	7,408	11,639	0	0
Rental of premises	497,778	521,228	0	0
Unrealised foreign exchange loss	1,091,316	0	0	0
And crediting:				
Gain on disposal of property, plant and equipment	2,662,702	1,199,497	0	0
Realised foreign exchange gain	865,771	1,879,945	0	0
Unrealised foreign exchange gain	0	1,257,241	0	0
Reversal of impairment loss on:				
- available-for-sale financial asset	0	24,000	0	24,000
- trade receivables (Note 9(g))	88,020	28,305	0	0
- other receivables (Note 9(g))	435,002	0	0	0

22. EMPLOYEES BENEFITS

	Group	
	2016 RM	2015 RM
Wages, salaries, bonuses and incentive	7,392,236	6,222,529
Contributions to defined contribution plan	845,018	828,400
Social security contributions	65,057	60,224
Other benefits	734,671	838,460
	<u>9,036,982</u>	<u>7,949,613</u>



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

23. DIRECTORS' REMUNERATION

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Director of the Company				
Executive:				
- fees	50,000	50,000	50,000	50,000
- remuneration	1,743,914	1,383,410	5,000	5,500
	<u>1,793,914</u>	<u>1,433,410</u>	<u>55,000</u>	<u>55,500</u>
Non-executive				
- fees	125,000	125,000	125,000	125,000
- other emoluments	67,000	21,000	21,000	21,000
	<u>192,000</u>	<u>146,000</u>	<u>146,000</u>	<u>146,000</u>
Total Directors' remuneration	<u>1,985,914</u>	<u>1,579,410</u>	<u>201,000</u>	<u>201,500</u>

24. TAXATION

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Current tax expense for the financial year	2,275,300	254,700	0	0
Under/(Over)provision in prior years	571,506	(713,533)	0	0
	<u>2,846,806</u>	<u>(458,833)</u>	<u>0</u>	<u>0</u>
Deferred tax (Note 15):				
Relating to origination and reversal of temporary differences	253,790	(1,093,263)	0	0
Crystallisation of deferred tax liability on revaluation surplus	(123,420)	(341,643)	0	0
Overprovision in prior years	(1,932,458)	(302,421)	0	0
	<u>(1,802,088)</u>	<u>(1,737,327)</u>	<u>0</u>	<u>0</u>
	<u>1,044,718</u>	<u>(2,196,160)</u>	<u>0</u>	<u>0</u>

The Malaysian income tax is calculated at the statutory tax rate of 24% (2015: 25%) of the estimated taxable profits for the fiscal year.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

24. TAXATION (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	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit/(Loss) before tax	7,574,698	(5,695,229)	(456,201)	(377,000)
Tax at Malaysian statutory tax rate of 24% (2015: 25%)	1,817,920	(1,423,800)	(109,500)	(94,200)
Tax effects in respect of:				
Non-allowable expenses	656,703	2,359,114	109,500	94,200
Non-taxable income	(95,113)	(2,209,300)	0	0
Deferred tax assets not recognised	26,160	93,780	0	0
	2,405,670	(1,180,206)	0	0
Under/(Over)provision of tax expense in prior years	571,506	(713,533)	0	0
Overprovision of deferred tax in prior years	(1,932,458)	(302,421)	0	0
	1,044,718	(2,196,160)	0	0

25. EARNINGS PER SHARE

(a) Basic

Basic earnings per ordinary share for the financial year is calculated by dividing the profit/(loss) 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	
	2016 RM	2015 RM
Profit/(Loss) attributable to equity holders of the parent	6,751,741	(3,475,530)
Weighted average number of ordinary shares in issue (units)	127,361,282	127,443,043
Basic earnings per ordinary share (sen)	5.30	(2.73)

(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.

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.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

26. RELATED PARTY DISCLOSURES (cont'd)

(a) Identities of related parties (cont'd)

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	
	2016 RM	2015 RM	2016 RM	2015 RM
Related parties:				
Rental of premise	300,000	313,500	0	0
Provision of services to related party	21,043	3,779	0	0
Purchase of property, plant and equipment	26,570	1,873,140	0	0
Sales	2,651,817	1,772,607	0	0
Purchases	<u>16,959,491</u>	<u>9,804,769</u>	<u>0</u>	<u>0</u>
Related companies:				
Interest payable	<u>0</u>	<u>0</u>	<u>33,235</u>	<u>0</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 a 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 was as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Short term employee benefits	2,309,389	1,847,702	201,000	201,500
Post-employment benefits				
- Contribution to defined benefit plan	<u>247,353</u>	<u>198,622</u>	<u>0</u>	<u>0</u>
	<u>2,556,742</u>	<u>2,046,324</u>	<u>201,000</u>	<u>201,500</u>

Included in the total remuneration of key management personnel are:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Directors' remuneration (Note 23)	<u>1,985,914</u>	<u>1,579,410</u>	<u>201,000</u>	<u>201,500</u>



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

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	
	2016 RM	2015 RM	2016 RM	2015 RM
Loans and borrowings	70,093,586	90,574,666	0	0
Trade and other payables	26,142,853	21,566,485	1,265,187	647,304
Total liabilities	96,236,439	112,141,151	1,265,187	647,304
Total equity	131,941,374	122,641,012	53,508,579	54,143,060
Total capital	228,177,813	234,782,163	54,773,766	54,790,364
Debt-to-equity ratio	0.73 : 1	0.91 : 1	0.02 : 1	0.01 : 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 2016.

(b) Categories of financial instruments

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Financial assets				
Available-for-sale financial assets				
Quoted shares	36,000	44,000	36,000	44,000
Loans and receivables				
Trade and other receivables	34,082,715	43,572,904	0	1,000
Cash and bank balances	1,943,639	615,459	20,157	28,755
	36,026,354	44,188,363	20,157	29,755
Financial liabilities				
Other financial liabilities				
Borrowings	70,093,586	90,574,666	0	0
Trade and other payables (current and non-current)	29,891,316	21,566,485	1,265,187	647,304
	99,984,902	112,141,151	1,265,187	647,304



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

27. FINANCIAL INSTRUMENTS (cont'd)

(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

31 DECEMBER 2016 (CONT'D)

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	Carrying amount RM
	Level 1 RM	Level 2 RM	Level 3 RM	Level 1 RM	Level 2 RM	Level 3 RM		
2016 Group								
Financial asset								
Available-for-sale financial asset								
Quoted shares	36,000	0	0	0	0	0	0	36,000
Financial liabilities								
Other financial liabilities								
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
Company								
Financial asset								
Available-for-sale financial asset								
Quoted shares	36,000	0	0	0	0	0	0	36,000



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

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)

2015 Group	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	Level 1 RM	Level 2 RM	Level 3 RM		
Financial asset								
Available-for-sale financial asset								
Quoted shares	44,000	0	0	44,000	0	0	0	44,000
Financial liability								
Other financial liability								
Hire purchase and lease creditors	0	0	0	0	2,058,600	0	2,058,600	2,101,962
Company								
Financial asset								
Available-for-sale financial asset								
Quoted shares	44,000	0	0	44,000	0	0	0	44,000

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 31 December 2016 and 31 December 2015.

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



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

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 one (1) month, 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 Group's trade receivables at the end of the reporting period are as follows:

	2016		2015	
	RM	% of total	RM	% of total
By countries				
Malaysia	17,303,145	82%	8,620,112	36%
China	3,755,835	18%	15,233,758	64%
	<u>21,058,980</u>	<u>100%</u>	<u>23,853,870</u>	<u>100%</u>
By industry sectors				
Minerals	3,768,836	18%	15,201,749	64%
Steel product and trading activity	17,290,144	82%	8,652,121	36%
	<u>21,058,980</u>	<u>100%</u>	<u>23,853,870</u>	<u>100%</u>

At the end of each reporting period, approximately three percent (3%) (2015: 2%) 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.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

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

(a) Credit risk (cont'd)

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.

(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
As at 31 December 2016			
Group			
Financial liabilities			
Trade and other payables	26,142,853	3,773,438	29,916,291
Loan and 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>
Company			
Financial liability			
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>
As at 31 December 2015			
Group			
Financial liabilities			
Trade and other payables	21,566,485	0	21,566,485
Loan and borrowings	85,657,264	6,012,816	91,670,080
Total undiscounted financial liabilities	<u>107,223,749</u>	<u>6,012,816</u>	<u>113,236,565</u>
Company			
Financial liability			
Other payables	647,304	0	647,304
Total undiscounted financial liability	<u>647,304</u>	<u>0</u>	<u>647,304</u>



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

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

(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').

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	
		2016 RM	2015 RM
USD/RM	- strengthen by 10% (2015: 10%)	(67,367)	909,912
	- weaken by 10% (2015: 10%)	67,367	(909,912)

(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 Increase/(Decrease) Group	
		2016 RM	2015 RM
	- Increase by 0.1% (2015: 0.1%)	(21,739)	(27,877)
	- Decrease by 0.1% (2015: 0.1%)	21,739	27,877



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

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 effective interest rate %	Within					Total
			one (1) year	One (1) to two (2) years	Two (2) to three (3) years	Three (3) to four (4) years	Four (4) to five (5) years	
			RM	RM	RM	RM	RM	
As at 31 December 2016								
Fixed rates								
Amount owing to a Director	16	4.50	0	3,132,150	0	0	0	3,132,150
Hire purchase creditors	14	6.13	572,812	620,634	484,532	253,257	37,937	1,969,172
Floating rates								
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
As at 31 December 2015								
Fixed rate								
Hire purchase creditors	14	6.27	594,914	516,451	477,597	384,750	128,250	2,101,962
Floating rates								
Bankers' acceptances	13	4.25	69,438,615	0	0	0	0	69,438,615
Bank overdrafts	13	8.45	4,677,331	0	0	0	0	4,677,331
Commodity financing	13	5.75	3,381,668	310,762	0	0	0	3,692,430
Revolving credit	13	4.46	4,913,903	0	0	0	0	4,913,903
Term loans	13	7.49	1,881,736	1,945,915	1,922,774	0	0	5,750,425



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

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)

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

29. COMPANIES ACT, 2016

The Companies Act, 2016 (New Act) was enacted to replace the Companies Act, 1965 and was passed by Parliament on 4 April 2016. The New Act was subsequently gazetted on 15 September 2016. On 26 January 2017, the Minister of Domestic Trade, Co-operatives and Consumerism announced that the effective date of the New Act, except for section 241 and Division 8 of Part III of the New Act, to be 31 January 2017.

Amongst the key changes introduced in the New Act, which will affect the financial statements of the Group and of the Company, are the removal of the authorised share capital, introduction of no par value shares in place of par or nominal value shares, and the treatment of share premium and capital redemption reserves.

The adoption of the New Act does not have any financial impact on the Group and the Company for the financial year ended 31 December 2016 as any accounting implications will only be applied prospectively, if applicable, and the effect of adoption mainly will be on the disclosures to the annual report and financial statements of the Group and of the Company for the financial year ending 31 December 2017.

30. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

(a) New MFRSs adopted during the financial year

The accounting policies adopted are consistent with those of the previous financial year except as follows:

On 1 January 2016, the Group and the Company adopted the following Standards that are mandatory for annual financial periods beginning on or after 1 January 2016.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2016 (CONT'D)

30. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs (cont'd)

(a) New MFRSs adopted during the financial year (cont'd)

Title	Effective Date
MFRS 14 <i>Regulatory Deferral Accounts</i>	1 January 2016
Amendments to MFRS 10, MFRS 12 and MFRS 128 <i>Investment Entities: Applying the Consolidation Exception</i>	1 January 2016
Amendments to MFRS 11 <i>Accounting for Acquisitions of Interests in Joint Operations</i>	1 January 2016
Amendments to MFRS 101 <i>Disclosure Initiative</i>	1 January 2016
Amendments to MFRS 116 and MFRS 138 <i>Clarification of Acceptable Methods of Depreciation and Amortisation</i>	1 January 2016
Amendments to MFRS 116 and MFRS 141 <i>Agriculture: Bearer Plants</i>	1 January 2016
Amendments to MFRS 127 <i>Equity Method in Separate Financial Statements</i>	1 January 2016
Amendments to MFRSs <i>Annual Improvements to MFRSs 2012-2014 Cycle</i>	1 January 2016

There is no material impact upon the adoption of these Standard and Amendments during the financial year, other than the adoption of Amendments MFRS 101 Disclosure Initiative, which resulted in the following:

- (i) Grouping together supporting information for items presented in the statements of financial position, statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows, in the order in which each statement and each line item is presented.
- (ii) Disclosures of only significant accounting policies comprising the measurement bases used in preparing the financial statements and other accounting policies that are relevant to the financial statements.

(b) New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2017

The Standards that are issued but not yet effective up to the date of issuance of financial statements of the Group and of the Company are disclosed below. The Group and the Company intend to adopt these Standards, if applicable, when they become effective.

Title	Effective Date
Amendments to MFRS 12 <i>Annual Improvements to MFRS Standards 2014 – 2016 Cycle</i>	1 January 2017
Amendments to MFRS 107 <i>Disclosure Initiative</i>	1 January 2017
Amendments to MFRS 112 <i>Recognition of Deferred Tax Assets for Unrealised Losses</i>	1 January 2017
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS as issued by IASB in July 2014)</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarification 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 Standard 2014 - 2016 Cycle</i>	1 January 2018
Amendments to MFRS 140 <i>Transfer 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
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associates or Joint Venture</i>	Deferred

The Group and the Company are in the process of assessing the impact of implementing these Standards, since the effects would only be observable for the future financial years.



SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

31. SUPPLEMENTARY INFORMATION ON REALISED AND UNREALISED PROFITS OR LOSSES

The retained earnings/(accumulated losses) as at the end of each reporting period may be analysed as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Total retained earnings/ (accumulated losses) of the Company and its subsidiaries:				
- Realised	7,294,150	(2,382,598)	(9,983,230)	(9,527,029)
- Unrealised	710,772	430,499	0	0
Total retained earnings/ (accumulated losses)	8,004,922	(1,952,099)	(9,983,230)	(9,527,029)
Add: Consolidation adjustments	3,948,891	7,154,171	0	0
Total retained earnings/ (accumulated losses)	11,953,813	5,202,072	(9,983,230)	(9,527,029)



PROPERTIES OF THE GROUP

Location	Date of Revaluation	Tenure	Approximate Age of Building	Area (Square Meters)	Description	Net Book Value as at 31 December 2016 RM'000
Leader Steel Sdn. Bhd.						
Plot 85 Lorong Perusahaan Utama Kawasan Perusahaan Bukit Tengah Pulau Pinang, Malaysia	31.12.16	Leasehold 60 years, expiring 21.12.2052	23 years	34,000	Factory	27,200
6 Lorong Limau Manis 1 Taman Limau Manis 14000 Bukit Tengah Pulau Pinang, Malaysia	31.12.16	Freehold Double Storey Terrace house	22 years	111	Residential premise for factory workers	390
8 Lorong Limau Manis 1 Taman Limau Manis 14000 Bukit Tengah Pulau Pinang, Malaysia	31.12.16	Freehold Double Storey Terrace house	22 years	111	Residential premise for factory workers	390
Lot 841 Block 7 MTLD Sejingkat Industrial Park 93050 Kuching Sarawak, Malaysia	31.12.16	Leasehold 60 years, expiring 10.11.2053	24 years	33,600	Factory	17,800
Lot No.1596 Title No. GRN 77765 Mukim 12, Daerah Seberang Perai Selatan, Pulau Pinang, Malaysia	31.12.16	Freehold Land & Building	4 years	39,250	Factory	22,200
Leader Steel Service Centre Sdn. Bhd.						
Geran 43145, Lot No. 6483 Kapar, Klang Selangor, Malaysia	31.12.16	Freehold	13 years	52,483	Factory	25,000
Lot 6483, Jalan Sungai Puloh, KU5 42100 Klang, Selangor	31.12.16	Freehold Building	8 years	17,000	Factory	14,500
42A, Lorong Bayu Mutiara 8 Taman Bayu Mutiara 14000 Bukit Mertajam Pulau Pinang, Malaysia	31.12.16	Freehold Double Storey Terrace house	10 years	130	Residential premise for factory workers	530
48, Lorong Bayu Mutiara 8 Taman Bayu Mutiara 14000 Bukit Mertajam Pulau Pinang, Malaysia	31.12.16	Freehold Double Storey Terrace house	10 years	130	Residential premise for factory workers	530
32A, Jalan Setia Impian, U13/5F Sek U13 Setia Alam 40170 Shah Alam, Selangor	31.12.16	Freehold Double Storey Terrace house	9 years	130	Residential premise for factory workers	600
32, Klang Central Industrial Park, Lorong 5 Di Lorong Sg. Puloh, Batu 5 ¾, Jln Kapar 41400 Klang, Selangor	31.12.16	Shophouse	7 years	186	Residential premise for factory workers	600
No.8, Jln Setia Impian U13/8G, Setia Alam Seksyen U13, Setia Alam, 40170 Shah Alam	31.12.16	Freehold Double Storey Terrace house	8 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	31.12.16	Double Storey Shophouse	4 years	191	Residential premise for factory workers	620



ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2017

SHAREHOLDING STATISTICS

Issued And Fully Paid-Up Capital	:	RM64,016,000 comprising 128,032,000 ordinary shares (including 1,742,800 treasury shares)
Class Of Share	:	Ordinary Shares
No. Of Shareholder	:	2,028
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	0.25	297	0.00
100 - 1,000	168	8.28	139,200	0.11
1,001 - 10,000	1,164	57.40	6,549,435	5.12
10,001 - 100,000	620	30.57	18,134,100	14.16
100,001 – 6,401,599	68	3.35	21,642,506	16.90
6,401,600 – 128,032,000	3	0.15	81,566,462	63.71
TOTAL:	2,028	100.00	128,032,000	100.00

Substantial shareholders

No.	Name of Major Shareholders	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
1.	Dato' Goh Cheng Huat	10,530,594	8.34	[^] 56,402,974	44.66
2.	Datin Tan Pak Say	1,155,006	0.91	^{^^} 65,778,562	52.09
3.	Bischart Sdn Bhd	54,035,868	42.79	-	-
4.	Amanah Trustees Berhad – Skim Amanah Saham Bumiputera	17,000,000	13.46	-	-

[^] 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.

^{^^} 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	10,530,594	8.34	[^] 56,402,974	44.66
4.	Datin Tan Pak Say	1,155,006	0.91	^{^^} 65,778,562	52.09
5.	Lim Leng Han	18,000	0.01	-	-
6.	Datuk Abdullah bin Haji Kumtom	-	-	-	-
7.	Mohd Arif bin Mastol	-	-	-	-
8.	Goh Wan Jing	-	-	-	-

[^] 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.

^{^^} 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

AS AT 31 MARCH 2017 (CONT'D)

LIST OF TOP 30 HOLDERS AS AT 31 MARCH 2017

No.	Name	Holdings	%
1	BISCHART SDN. BHD.	18,035,868	14.0870
2	BISCHART SDN. BHD.	18,000,000	14.0590
3	BISCHART SDN. BHD.	18,000,000	14.0590
4	AMANAHRAYA TRUSTEES BERHAD AMANAH SAHAM BUMIPUTERA	17,000,000	13.2779
5	GOH CHENG HUAT	10,500,000	8.2011
6	LEADER STEEL HOLDINGS BERHAD SHARE BUY BACK ACCOUNT	1,742,800	1.3612
7	GOH HONG KENT	1,212,100	0.9467
8	TAN PHAIK HOON	1,160,000	0.9060
9	TAN PAK SAY	1,155,006	0.9021
10	GOH CHIN LIM	1,009,000	0.7881
11	CHEANG BENG CHEE	847,000	0.6616
12	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEE CHENG TEOK (474305)	682,000	0.5327
13	TAN KHENG HWA	500,000	0.3905
14	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE NYEK (CEB)	399,300	0.3119
15	LIM SOON HUAT	395,000	0.3085
16	KUEH CHIAW BOON	380,000	0.2968
17	LIM JIN KEAT	360,000	0.2812
18	SIM CHOH SANG @ SIM CHOH SHAN	336,000	0.2624
19	TEE KAR HAE	333,000	0.2601
20	TEE KA GUAT	330,000	0.2577
21	LOW LAI SENG	321,000	0.2507
22	WONG YANG CHONG	312,900	0.2444
23	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH KIM SIN	306,000	0.2390
24	CH'NG LAY CHENG	300,000	0.2343
25	BONG CHONG TAT	294,100	0.2297
26	ANG HOCK HENG	289,000	0.2257
27	CHAN MEI YEE	261,100	0.2039
28	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BONG SIEW KIAW	260,000	0.2031
29	SAW HAI EARN	260,000	0.2031
30	CHEAH SUAN LEE	250,000	0.1953
TOTAL :		95,231,174	74.3807



This page is intentionally left blank



**PROXY FORM**

Twenty-Fourth Annual General Meeting

No. of Shares	
CDS Account No.	

I/We, _____ (Full name in Block Letters and NRIC/Company No.)
of _____ and _____ (Address) _____ (Tel. No.)
being a member of Leader Steel Holdings Berhad (267209-K) 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 TWENTY-FOURTH 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 Thursday, 25 May 2017 at 12.15 p.m. and at any adjournment thereof.

	Ordinary Resolutions												
	1	2	3	4	5	6	7	8	9	10	11	12	13
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 _____ 2017.

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 (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 18 May 2017 (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

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

www.leadersteel.my