



LEADER STEEL HOLDINGS BERHAD
267209-K



A **Path** to **Sustainable** Success

Annual Report 2018



A **Path** to **Sustainable** Success

For over 30 years, Leader Steel Group has contributed to the building of local communities with our steel products and minerals. Today, we strive to be a better participant in building a sustainable global community, one in which the generations to come will still be able to enjoy abundant resources as we do today.

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Sixth (26th) Annual General Meeting ("AGM") of the shareholders of LEADER STEEL HOLDINGS BERHAD ("the Company") 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 Tuesday, 28 May 2019 at 12.15 pm for the following purposes:

Ordinary Business

- | | | |
|----|---|---------------------|
| 1. | To receive the Audited Financial Statements for the financial year ended 31 December 2018 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' Dr. Soong Siew Hoong | Resolution 1 |
| | 2.2 Tan Sri Dato' Mohd Desa bin Pachi | Resolution 2 |
| | 2.3 Mr. Lim Leng Han | Resolution 3 |
| 3. | To approve the payment of Directors' fees and benefits payable of up to RM300,000 for the period commencing this AGM through to the next AGM of the Company in 2020. | Resolution 4 |
| 4. | To re-appoint Messrs BDO PLT (converted from conventional partnership BDO on 2 January 2019) as Auditors of the Company and to authorise the Directors to fix their remuneration. | Resolution 5 |

As Special Business

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

AUTHORITY UNDER SECTIONS 75 AND 76 OF THE COMPANIES ACT 2016 FOR THE DIRECTORS TO ALLOT AND ISSUE SHARES

- | | | |
|----|--|---------------------|
| 5. | "THAT subject always to the Companies Act 2016 ("the Act"), the Company's Constitution (Articles of Association), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant governmental or regulatory authorities, where such approval is required, the Directors be and are hereby authorised and empowered pursuant to Sections 75 and 76 of the Act to issue and allot shares in the Company to such persons, at any time until the conclusion of the next AGM and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued does not exceed ten per centum (10%) of the total number of issued shares of the Company for the time being." | Resolution 6 |
|----|--|---------------------|

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

- | | | |
|----|---|---------------------|
| 6. | "THAT subject to the provision of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, approval be and is hereby given to the Company and its subsidiaries ("Group") to enter into any of the transactions falling within the types of recurrent related party transactions of a revenue or trading nature with specified classes of related parties ("Recurrent Related Party Transactions") which are necessary for the day to day operations and are in the ordinary course of business and are carried out at arms' length basis on normal commercial terms of the Group on terms not more favourable to the related parties than those generally available to the public and are not, in the Company's opinion, detrimental to minority shareholders of the Company and that such approval shall continue to be in force until: | Resolution 7 |
| | (a) the conclusion of the next annual general meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the next AGM, the authority is renewed; | |
| | (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or | |
| | (c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting, whichever is earlier. | |

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

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)



PROPOSED RENEWAL OF AUTHORITY TO BUY-BACK ITS OWN SHARES BY THE COMPANY ("Proposed Share Buy-Back")

7. "THAT, subject to the Companies Act 2016 ("the Act") (as may be amended, modified or re-enacted from time to time), the Company's Constitution (Articles of Association), the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and approvals of all relevant governmental and/or regulatory authorities, where applicable, the Company be and is hereby authorised to purchase and/or hold such amount of ordinary shares in the Company (Proposed Share Buy-Back) as may be determined by the Directors of the Company from time to time and upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of ordinary shares purchased and/or held pursuant to this resolution shall not exceed ten per centum (10%) of the total issued share capital of the Company at any given point in time and an amount of funds not exceeding the total retained profits of the Company based on the audited financial statements for the financial year ended 31 December 2018 be utilized by the Company for the Proposed Share Buy-Back.

Resolution 8

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

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

- (a) the conclusion of the next annual general meeting of the Company ("AGM") in 2020 at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
- (b) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (c) revoked or varied by resolution passed by the shareholders in general meeting, whichever is earlier; but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid date and in any event, in accordance with the provisions in the guidelines issued by Bursa Securities and/or by any other relevant authorities."

RETENTION AS INDEPENDENT DIRECTORS

8. "THAT, contingent upon the passing of Ordinary Resolution 3, approval be and is hereby given for Mr. Lim Leng Han who has served as an Independent Director of the Company for a cumulative term of more than 12 years to continue to act as an Independent Non-Executive Director of the Company and to hold office until the next AGM of the Company."
9. "THAT authority be and is hereby given to Encik Mohd. Arif bin Mastol who has served as an Independent Director of the Company for a cumulative term of more than 12 years to continue to act as an Independent Non-Executive Director of the Company and to hold office until the next AGM of the Company."

Resolution 9

Resolution 10

PROPOSED ADOPTION OF NEW CONSTITUTION OF THE COMPANY ("Proposed Adoption of New Constitution")

10. "THAT the Company's existing Constitution be deleted in its entirety with immediate effect and in place thereof, adopt the new Constitution of the Company as set out in Part C of the Circular to Shareholders dated 29 April 2019.

Special Resolution

AND THAT the Directors and Secretaries of the Company be and are hereby authorised to assent to any modifications, variations and/or amendments as may be required by the relevant authorities and to do all things and take all such steps as may be considered necessary and/or expedient in order to give full effect to the Proposed Adoption of New Constitution."

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, 29 April 2019

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

Notes:

1. A proxy may but need not be a member of the Company and a member shall be entitled to appoint any person to be his proxy without limitation. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account its 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 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Penang, not less than forty-eight (48) hours before the time appointed for holding the meeting.
6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 21 May 2019 (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 Notes:

1. The proposed Ordinary Resolution 4, if passed, will facilitate the payment of the Directors' fees and benefits payable to the Directors for the period commencing this AGM through to the next AGM in 2020. Details of the Directors' fees and benefits payable to the Directors for the financial year ended 31 December 2018 are enumerated under the Corporate Governance Overview Statement in the Annual Report 2018.

The Directors' fees and benefits payable proposed from this AGM up to the next AGM are calculated based on the number of days scheduled for Board and Board Committees' meetings. The amount also includes a contingency sum to cater for unforeseen circumstances such as the appointment of any additional Director, additional unscheduled Board and Board Committees' meeting days and/or for the formation of additional Board Committees.

2. The proposed Ordinary Resolution 6 is for the purpose of granting a renewed general mandate ("General Mandate") empowering the Directors of the Company, pursuant to Sections 75 and 76 of the Act to issue and allot new shares in the Company from time to time provided that the aggregate number of shares issued pursuant to the General Mandate does not exceed ten per centum (10%) of the issued share capital of the Company for the time being. The General Mandate, unless revoked or varied by the Company in general meeting, will expire at the next AGM of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the General Mandate granted to the Directors at the last AGM held on 28 May 2018 and which will lapse at the conclusion of the Twenty-Sixth (26th) 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 Ordinary Resolution 7, if passed, will obtain the Shareholders' Mandate for the Company and its subsidiaries to enter into specified recurrent related party transactions with Eonmetall Group Berhad and its subsidiaries as set out under Section 2.4 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 29 April 2019.
4. The proposed Ordinary Resolution 8, if passed, will allow the Company to purchase its own shares. The total number of ordinary shares purchased shall not exceed ten per centum (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, expire at the next AGM in 2020.
5. The proposed Ordinary Resolutions 9 and 10, if passed, will retain Mr. Lim Leng Han and Encik Mohd. Arif bin Mastol as Independent Directors of the Company to fulfill the requirements of Paragraph 3.04 of the Bursa Securities' Main Market Listing Requirements and in line with the Practice 4.2 of the Malaysian Code on Corporate Governance issued by the Securities Commission on 26 April 2017. The detail of the Board's justification and recommendation for the retention of them both as Independent Directors are set out in the Corporate Governance Overview Statement in the Annual Report 2018.
6. The proposed Special Resolution, if passed, will align the Company's Constitution with the Companies Act 2016 which came into force on 31 January 2017, the updated provision of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and prevailing statutory and regulatory requirements as well as to enhance administrative efficiency and to provide greater clarity. The Proposed Adoption of New Constitution is set out in Part C of the Circular to Shareholders dated 29 April 2019.

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 26th 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

TAN SRI DATO' DR. SOONG SIEW HOONG

Independent
Non-Executive Director

MR. LIM LENG HAN

Senior Independent
Non-Executive Director

ENCIK MOHD. ARIF BIN MASTOL

Independent
Non-Executive Director

DATUK ABDULLAH BIN HAJI KUNTOM

Independent
Non-Executive Director

MS. GOH WAN JING

Executive Director

KEY SENIOR MANAGEMENT

Dato' Goh Cheng Huat

Deputy Chairman/
Executive Director

Datin Tan Pak Say

Managing Director

Ms. Goh Wan Jing

Executive Director

AUDIT COMMITTEE

Mr. Lim Leng Han
Chairman

Encik Mohd. Arif bin Mastol
Member

Datuk Abdullah
bin Haji Kuntom
Member

NOMINATING COMMITTEE

Tan Sri Dato'
Mohd Desa bin Pachi
Chairman

Mr. Lim Leng Han
Member

Encik Mohd. Arif bin Mastol
Member

REMUNERATION COMMITTEE

Tan Sri Dato'
Mohd Desa bin Pachi
Chairman

Mr. Lim Leng Han
Member

Encik Mohd. Arif bin Mastol
Member

JOINT COMPANY SECRETARIES

Tai Yit Chan MAICSA 7009143
Ong Tze-En MAICSA 7026537

REGISTERED OFFICE

170-09-01, Livingston Tower
Jalan Argyll
10050 George Town, Penang
Tel : 04-229 4390
Fax : 04-226 5860

HEAD OFFICE

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

REGISTRAR

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

AUDITORS

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

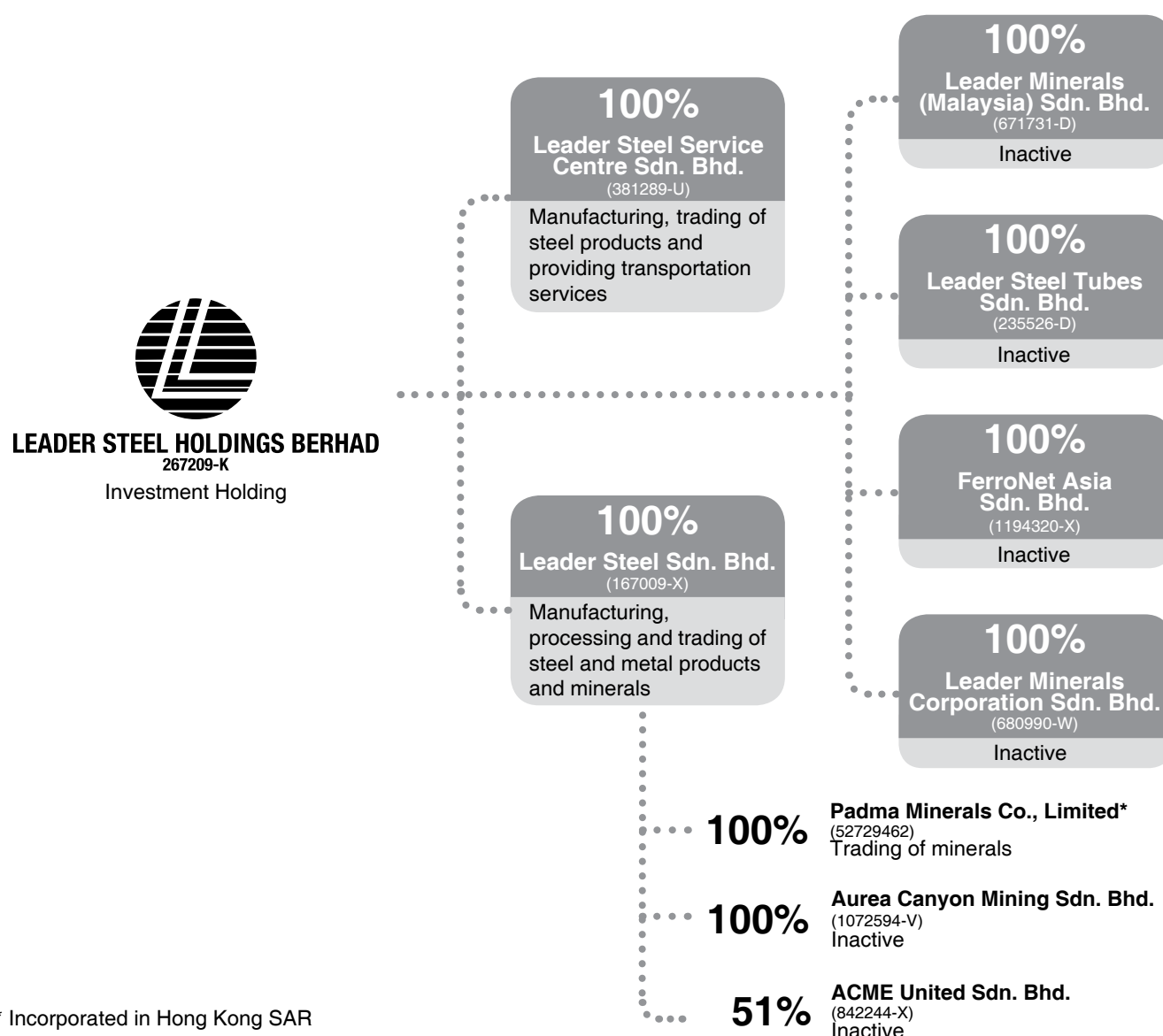
MAJOR BANKERS

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

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Stock code : 9881
Stock name : LSTEEL

GROUP STRUCTURE AND PRINCIPAL ACTIVITIES/ FINANCIAL HIGHLIGHTS



	2013	2014	2015	2016	2017	2018
1 Financial Highlights of Statements of Profit or Loss						
Revenue (RM mil)	258.7	234.7	153.7	167.3	243.8	284.0
EBITDA (RM mil)^	18.8	0.5	7.6	18.8	21.5	15.7
Profit/(Loss) before tax (RM mil)	2.4	(14.7)	(5.7)	7.6	10.6	5.9
Profit/(Loss) after tax (RM mil)	0.5	(12.0)	(3.5)	6.5	7.7	5.2
2 Financial Highlights of Statements of Financial Position						
Total assets (RM mil)	263.5	254.6	249.3	245.2	264.1	288.0
Total borrowings (RM mil)	121.7	107.0	90.6	70.1	88.7	97.8
Shareholder equity (RM mil)	116.5	120.3	122.6	131.9	140.6	143.7

^ Earnings before interest, taxation, depreciation and amortisation.

CHAIRMAN'S STATEMENT



Dear Valued Shareholders,

2018 has been an eventful year for Leader Steel Holdings Berhad (“LSH” or “the Group”).

In March 2018, the United States of America imposed a 25% tariff on steel from mainland China under Section 232 of its Trade Expansion Act 1962. The act has ignited a trade dispute that is gradually unfolding its impact on the world economy. In May 2018, a change in our political landscape brought on the review of infrastructure projects, construction activities slowed. In September 2018, the steel industry welcomed the abolition of Goods and Services Tax (GST) and the exclusion from Sales and Services Tax (SST), a much-needed breather for an industry beset by uncertainties.

Our manufacturing and trading of steel products segment faced challenges from pricing pressure due to slower demand and increase in raw material cost from volatility in foreign currencies and oil prices. Our trading and processing of minerals segment benefitted from better pricing and stable growth in business.

We are pleased that despite the challenges presented, LSH grew financially during financial year ended 31 December 2018 (FY2018). On behalf of the Board of Directors, I am pleased to present the Annual Report and Audited Financial Statements for FY2018.

Performance Overview

I am pleased to report that the Group turned in a robust financial performance in FY2018. LSH achieved a total revenue of RM284.0 million and profit before tax (PBT) of RM5.9 million. This represents an increase of 16.5% in revenue and a decrease of 44.3% in PBT as compared to preceding year revenue of RM243.8 million and PBT of RM10.6 million.

On a year-on-year comparison, our revenue has increased mainly due to strengthened development of market in the manufacturing and trading of steel products segment and better pricing in the trading and processing of minerals segment over the same comparative period. But our profit has decreased due to pricing competition for the slowed demand in the manufacturing and trading of steel products segment.

Organisational Context

ASEAN-6 region (Indonesia, Malaysia, the Philippines, Singapore, Thailand and Vietnam) is expected to maintain a steady growth rate in steel consumption of around 5%-6% per year in the short-term. In 2019, steel consumption in the region is expected to surpass 80 million metric tonne (MT). The continuous growth of steel consumption in the region is mainly driven by numerous government related infrastructure projects, especially in Vietnam, the Philippines, and Indonesia. Currently, 65% of ASEAN-6's steel demand is met through import, and steel manufacturers in the region are investing in bigger capacities to meet the growing demand.

Malaysia, from 2007 to 2017, has lost 60% of its market share in crude steel production to other ASEAN countries. Most notably, Malaysia's flat products segment is falling significantly in the absence of strong local players. Without an internationally competitive local flat product supplier, LSH's major product category- pipes and tubes is exposed to risks ranging from logistics to currency fluctuation. In the 2018 steel industry's white paper to the government, LSH and other steel products manufacturers strongly urge the government to support internationally-competitive local flat product steel mills. Malaysia's steel industry can support and contribute to Malaysia's vision of being a developed nation by 2025 in a self-sustainable manner.

70% of the approximate 10 million MT of steel use in Malaysia is consumed by the construction sector every year. A slowdown in construction demand similarly will impact the steel manufacturers, LSH amongst them. However, we expect the slowdown to be temporary and turnaround will come when Malaysia's construction projects worth RM350 billion gradually come onstream over the next two (2) to three (3) years. Furthermore, LSH has been exploring opportunities in steel-using manufacturing sectors and export market. We trust this strategic move would reduce risks of operating largely in single market.

2019 Outlook

From November 2018 to March 2019, steel mills in mainland China had cut production to improve air quality, and are expected to resume production in April 2019. In the short term, there is a likely iron ore supply shortage resulted from Vale's Brazilian mine closure. Barring any external shock such as global slowdown and given that demand for steel products continue to maintain stable growth, profit margin should improve. Our trading and processing of minerals segment is expected to continue its measured growth.

We remain cautiously optimistic and hope to achieve a positive performance for LSH despite macro-economic and business challenges.

We will continue to focus our strategies and priorities to further strengthen our position in local steel market and increase our presence in targeted overseas markets. LSH acknowledges the need to be on alert for any changes or development in both the domestic and international steel markets so as to achieve promising performance for FY2019.

CHAIRMAN'S STATEMENT (Cont'd)

Dividend

Our Directors do not recommend any dividend for the FY2018.

Appreciation

On behalf of the Board of Directors, I would like to express my gratitude and sincere appreciation to the Management and staff of LSH for their continued commitment and dedication. My appreciation and thanks are also extended to our customers, shareholders, regulators, bankers and business partners for their unwavering loyalty, patience and continuous support. Last but not least, my thanks to my fellow Board members for their independent view and wise counsel.

TAN SRI DATO' MOHD DESA BIN PACHI

Chairman

MANAGEMENT DISCUSSION & ANALYSIS



Dear Shareholders,

The purpose of the Management Discussion & Analysis (“MD&A”) is to provide shareholders with an overview of the business operations of Leader Steel Holdings Berhad (“LSH” or “the Company”) and its subsidiaries (collectively known as “the Group”), review of the performance during financial year ended 31 December 2018 (“FY2018”), review of operating activities, anticipated and known risks, and the outlook going into 2019.

OVERVIEW OF BUSINESS AND OPERATIONS

LSH is a Shariah-compliant publicly listed company on the Main Market of Bursa Malaysia, and an investment holding company with nine (9) subsidiaries. The principal activities of the subsidiaries are disclosed under the audited financial statements in this Annual Report.

Our Strategic Focus

At LSH, our vision is to become a major player in the steel industry. We are committed to provide the market- our customers, with quality steel and minerals products, we do so by being the dependable, flexible, and competitive business partner of choice. We will continue to focus our strategies and priorities on the business in further strengthening our position in local steel industry and increasing our presence in targeted overseas steel markets.

It is our aim to create value for our stakeholders - business partners, employees, shareholders and society. To achieve value-creation, we focus our business activities on continual improvement in product excellence, profitability and sustainability.

Products and Services

LSH has two (2) major business segments: manufacturing and trading of steel products (steel products segment), and trading and processing of minerals (minerals segment). The primary market for steel products is domestic, with certain range exported to Singapore, whereas the minerals segment mainly exports to China.

Currently, the Group employs 225 skilled and dedicated employees who are involved in the manufacturing and trading of our products. The Group believes strongly in investing in human capital in order to sustain growth and this is evidenced by a number of long serving employees with more than 15 years of service.

Office and Manufacturing Facilities

Headquartered at Bukit Tengah, Penang, the Group services its customers from four (4) manufacturing facilities across Malaysia and an office serving international trade customers in Hong Kong SAR. Leveraging on its three-decade industry experience, the Group has successfully expanded its presence beyond Malaysian shore.

REVIEW OF FINANCIAL PERFORMANCE

FY2018 has seen the Group weathering a difficult business environment. While minerals and steel products prices have improved, the minerals segment is challenged by slower demand, and the steel products segment is affected by higher raw material cost and pricing pressure. Amidst the challenges, the Group was able to register positive financial results in FY2018.

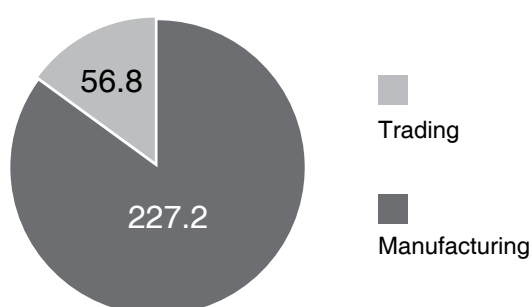
MANAGEMENT DISCUSSION & ANALYSIS (Cont'd)

Summary of Group Financial Performance

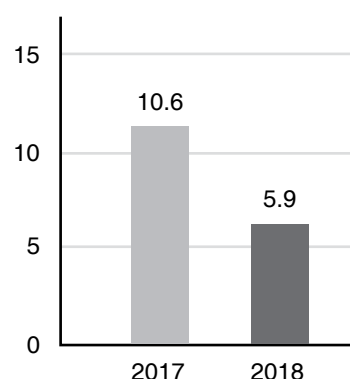
(RM mil)	2017	2018	%
Profitability			
Revenue	243.8	284.0	16.5
EBITDA ^	21.5	15.7	(27.0)
Profit before tax	10.6	5.9	(44.3)
Profit after tax	7.7	5.2	(32.5)
Financial Position			
Shareholder equity	140.6	143.7	2.2
Total assets	264.1	288.0	9.0
Inventories	56.4	88.2	56.4
Trade & other receivables	46.1	32.9	(28.6)
Total borrowings	88.7	97.8	10.3
Gearing (times)	0.6	0.7	16.7

^ Earnings before interest, taxation, depreciation, and amortization.

ANALYSIS OF REVENUE IN 2018 (RM million)



PROFIT BEFORE TAX (RM million)



(A) Revenue

The Group registered revenue of RM284.0 million, a 16.5% rise over revenue of RM243.8 million in FY2017. The steel products segment contributed 80.0% and the minerals segment contributed 20.0% of the Group's total revenue in FY2018.

The increase in revenue was primarily attributed to improved performance in the steel products segment, which saw an increase of RM23.9 million (or 11.8%) in revenue, from RM203.3 million in FY2017 to RM227.2 million in FY2018. This increase was mainly attributed to higher sales tonnage and strengthened market development in our various product range in the steel products segment. The minerals segment saw an increase of RM16.3 million (or 40.2%) in revenue, from RM40.5 million in FY2017 to RM56.8 million in FY2018. The increase was mainly due to higher product pricing in manganese ore.

(B) Profit before Tax

The Group's profit before tax declined by 44.3% to RM5.9 million in FY 2018 from RM10.6 million in FY2017. The decline on profit before tax was mainly due to lower profit margin in the steel products segment.

(C) Cash Flows and Liquidity

The Group's cash and bank balances have increased from RM6.4 million in FY2017 to RM7.8 million in FY2018. The cash inflow was mainly attributed to the drawdown of short term bank borrowings from RM84.4 million in FY2017 to RM96.1 million in FY2018. The cash inflow of RM9.2 million was offsetting in cash outflow of RM8.7 million due to purchase of inventories at year end as well as capital expenditure incurred for capital investment in new and upgrading of machineries.



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

The Group's current and quick ratios are at the level of 1.01 and 0.33 in FY2018, compared to respective ratios of 1.01 and 0.49 in FY2017.

We maintain a total debt facility of RM158 million with several licensed financial institutions in Malaysia. Gearing ratio has increased from 0.6 in FY2017 to 0.7 in FY2018. The Group continues to utilize short term bank facilities to support its short term working capital requirements.

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

REVIEW OF OPERATING ACTIVITIES

The Group reports its financial performance in the following two (2) business segments: manufacturing and trading of steel products, and trading and processing of minerals. Albeit sustaining each of its own business challenges, both business segments saw positive growth in FY2018 for the Group.

Manufacturing and Trading of Steel Products Segment

The Group's manufacturing and trading of steel products segment is focused on production operations and trading of steel related products. Its existing product range include steel pipes and tubes, hollow section, angle bar, flat bar, square bar, steel plates, u-channel, and trolley track. The segment services its customers across Malaysia from its four (4) manufacturing sites in Bukit Tengah, Penang; Sungai Bakap, Penang; Klang, Selangor; and Kuching, Sarawak.

The steel products segment continues to be the primary revenue and profit contributor to the Group. The segment recorded revenue of RM227.2 million and operating profit of RM6.5 million in FY2018 compared to RM203.3 million and RM17.1 million respectively in FY2017. The improved performance was due to strengthened market presence in existing product range, a rebound and continued upward trend in steel products price during the year, coupled with effective raw material purchase strategy.

The year also saw the Group's three (3) Peninsular Malaysia plants attain their ISO 9001:2015 Quality Management System. These certifications demonstrate compliance with required quality standards and placing our products at the forefront of "Made in Malaysia" items.

Expansion Plans

The Group plans to further expand its steel products manufacturing business in Sarawak. A land acquisition at a strategic location in Kuching, Sarawak is under consideration. The plant expansion will help the Group expand its products and services offering as well as warehouse space, which will place LSH in a competitive position to serve the growing Sarawak market in the years to come.

To remain competitive in this challenging environment, the segment's strategies are improving product excellence to drive revenue growth, improving profitability via effective cost control, continual investment in developing our work force and upgrading of production facilities to improve the business's sustainability.

Trading and Processing of Minerals Segment

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

The minerals segment recorded revenue of RM56.8 million in FY2018 compared to RM40.5 million in FY2017. The increase in revenue is mainly attributed to improved manganese ore market price. On average in FY2018, 10,000MT (FY2017: 15,000MT) of minerals is exported monthly to the world's largest steel producing country, China. The decrease is attributed to slower demand stemming from rising ore price.

The segment's strategies are geared towards expanding the export market and cost control.

MANAGEMENT DISCUSSION & ANALYSIS (Cont'd)

ANTICIPATED RISKS

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

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

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

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

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

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

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

FORWARD-LOOKING STATEMENTS

In late 2018 to early 2019, slow local demand for steel products met with high raw material input cost, profit margin suffered. However, iron ore price increased drastically following speculations of supply shortage resulted from Vale's Brazilian mine accident and subsequent closure in January 2019. Several mining players including Rio Tinto, BHP, and Fortescue have expressed that they have no additional capacity to meet the gap left by Vale's mine closure, thus we are bracing for the possibility of raw material shortage and subsequent increase in raw material input cost for our steel products segment in the short term. We expect manganese ore deliveries in our minerals segment would continue its measured growth.

Ripple effects from the US-China trade tension that started with 2018's Section 232's 25% tariff on imported steel are transpiring across global economy. LSH is not directly affected by the tariff, as our dominant market is domestic and trade measures are in place to protect the industry against unfair imports. Nevertheless, we are monitoring for signs of global slowdown, and following local market demand closely, especially in the construction sector.

Up to 70% of steel products produced locally is absorbed by local infrastructure and construction sector applications, hence the outlook for steel industry is closely tied to the growth and performance of this sector. However, we expect the slowdown to be temporary as construction projects worth RM350 billion gradually come onstream over the next two (2) to three (3) years. Barring any external shock such as global slowdown and given the demand for steel products maintain stable growth, profit margin should improve.

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

We expect the challenging operating environment to continue through 2019. The recent developments reinforce the need for integrating sustainability into our core business strategy, and we believe that we have taken the right steps to ensure our long-term sustainability. The Group will continue to focus its strategies and priorities on sustainable business development through product excellence, operational efficiency and human capital development.

Moving forward, we remain cautiously optimistic and hope to achieve a positive performance for the Group despite business challenges.

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 85, Malaysian, was appointed to the Board of Directors of LSH on 10 August 1995. He is the Chairman of the Board of Directors, and also Chairman of the Remuneration Committee and Nominating Committee.

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

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

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

Eonmetall Group Berhad and Handal Dinamis Holdings Berhad.

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

He attended all four (4) Board meetings held during the financial year ended 31 December 2018.

DATO' GOH CHENG HUAT

Deputy Chairman/Executive Director

DATO' GOH CHENG HUAT, aged 58, Malaysian, was appointed to the Board of Directors of LSH on 10 August 1995. He resigned as Managing Director and was appointed as Deputy Chairman on 29 April 2005. On 25 February 2014, Dato' Goh was re-designated as an Executive Director.

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

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

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

He is the spouse of Datin Tan Pak Say and father of Ms. Goh Wan Jing.

He attended all four (4) Board meetings held during the financial year ended 31 December 2018.

DATIN TAN PAK SAY

Managing Director

DATIN TAN PAK SAY, aged 57, Malaysian, was first appointed to the Board of Directors of LSH on 10 August 1995. Datin Tan took a brief break from 2 January 2004 before rejoining the Board at 25 May 2004. She was appointed as Executive Director on 21 February 2005 and subsequently as Managing Director on 29 April 2005.

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

She is the spouse of Dato' Goh Cheng Huat and mother of Ms. Goh Wan Jing.

She attended all four (4) Board meetings held during the financial year ended 31 December 2018.

DIRECTORS' PROFILE (CONT'D)

TAN SRI DATO' DR. SOONG SIEW HOONG

Independent Non-Executive Director

TAN SRI DATO' DR. SOONG SIEW HOONG PSM, KMN, SMS, DPMS, JSM, aged 93, Malaysian, was appointed to the Board of Directors of LSH on 25 July 1994. He was re-designated as Independent Non-Executive Director on 26 February 2019. He was conferred Panglima Setia Mahkota (PSM) which carries the title of "Tan Sri" by the Yang DiPertuan Agong on 6th June 1998 and the Darjah Kebesaran Datuk Mahkota Selangor (DPMS) which carries the title of Dato' in 1990. He was awarded the Honorary Doctor of Business Degree by Wawasan Open University on 24th November 2018.

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

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

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

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

He attended all four (4) Board meetings held during the financial year ended 31 December 2018.

MR. LIM LENG HAN

Senior Independent Non-Executive Director

MR. LIM LENG HAN, aged 58, Malaysian, was appointed to the Board of Directors of LSH on 25 July 1994. He is the Chairman of the Audit Committee and a member of both the Remuneration Committee and Nominating Committee. Graduated in 1985 with a degree in Bachelor of Law (LLB) (Hon) from University of Malaya, he was subsequently admitted as Advocate and Solicitor by the High Court of Malaya on 8 February 1986 and became a member of the Bar Council of Malaysia. He is an appointed member of the Disciplinary Committee, Bar Council of Malaysia and also an appointed Notary Public of the Attorney-General's Chambers.

Mr. Lim has been active in the legal profession for 33 years and gained wide experience in the corporate, conveyancing and civil matters. Mr. Lim was serving with Johari, Goh & Associates, Kadir & Co. and Zaid Ibrahim & Co. for six (6) years before starting his own legal practice under the name of Messrs. Lim Leng Han & Co., in Butterworth, Penang on 8 February 1993 and thereafter as Messrs. Lim Leng Han & SF Tho until to date. He is also the legal advisor of societies and organisations such as Penang Hardware and Machinery Merchants' Association, Lim Clan Association of Penang, Butterworth Buddhist Association, Thang Hsiang Temple, Bayan Lepas and various others.

He attended all four (4) Board meetings held during the financial year ended 31 December 2018.

ENCIK MOHD. ARIF BIN MASTOL

Independent Non-Executive Director

ENCIK MOHD. ARIF BIN MASTOL, aged 64, Malaysian, was appointed to the Board of Directors of LSH on 28 June 2002. He also sits on the Nominating Committee, Remuneration Committee and Audit Committee of LSH as a member. Encik Mohd. Arif is a member of the Malaysia Institute of Accountants.

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

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

He attended all four (4) Board meetings held during the financial year ended 31 December 2018.

DIRECTORS' PROFILE (CONT'D)



DATUK ABDULLAH BIN HAJI KUNTOM

Independent Non-Executive Director

DATUK ABDULLAH BIN HAJI KUNTOM, aged 75, Malaysian, was appointed to the Board on 2 October 2003 and was appointed as a member of the Audit Committee on 9 April 2014. He was re-designated as Independent Non-Executive Director on 26 February 2019. He holds a Bachelor of Arts from the University of Malaya and a Master in Public Policy and Administration from the University of Wisconsin, Madison, U.S.A..

Datuk Abdullah's distinguished career in the civil service has placed him in many Government ministries and departments. Amongst the key positions held over 38 years tenure of service were those of Deputy Secretary of the Contract and Supply Division and Senior Assistant Director of the Budget Division, Ministry of Finance. He was also appointed as the State Financial Officer of Selangor, Administrative Officer of the Asian & Pacific Development Centre, Director General of the Registration Department and Deputy Secretary General I of the Home Affairs Ministry. He retired from the civil service in April 1999 as the Senior Deputy Secretary General in the Prime Minister's Department. After his retirement, he was appointed by the Government as the Chief of Protocol of the Ministry of Foreign Affairs, a position he held for 4 years until April 2003.

He attended three (3) out of four (4) Board meetings held during the financial year ended 31 December 2018.

MS. GOH WAN JING

Executive Director

MS. GOH WAN JING, aged 30, Malaysian, is Executive Director at LSH. She was appointed to the Board on 31 March 2017.

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

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

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

She attended all four (4) Board meetings held during the financial year ended 31 December 2018.

Notes:

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

None of the Director has any family relationship with any Director and/or major shareholder other than:

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

None of the Director has any other directorship in public companies, other than:

- (i) Dato' Goh Cheng Huat presently holds directorship in Eonmetall Group Berhad and its subsidiaries
- (ii) Tan Sri Dato' Mohd Desa bin Pachi presently holds directorship in Eonmetall Group Berhad and Handal Dinamis Holdings Berhad
- (iii) Tan Sri Dato' Dr. Soong Siew Hoong presently holds directorship in Eonmetall Group Berhad
- (iv) Encik Mohd. Arif bin Mastol presently holds directorships in SKB Shutters Corporation Berhad and Federal Furniture Berhad

KEY SENIOR MANAGEMENT'S PROFILE

DATO' GOH CHENG HUAT

Deputy Chairman/Executive Director

Company	: Leader Steel Holdings Berhad group of companies
Age, Gender	: 58, Male
Nationality	: Malaysian
Date of Appointment	: 29 April 2005
Academic / Professional Qualification(s)	: Master of Business Administration, National University of Singapore
Working experience	: Extensive experience and knowledge in the processing of iron and steel products Conferred the 1990 Young Entrepreneur Award by the Ministry of Youth and Sports Awarded a patent for "Process for the Manufacturing of Steel Products and Apparatus"

DATIN TAN PAK SAY

Managing Director

Company	: Leader Steel Holdings Berhad group of companies
Age, Gender	: 57, Female
Nationality	: Malaysian
Date of Appointment	: 29 April 2005
Academic / Professional Qualification(s)	: Secondary
Working experience	: Actively involved in the steel industry since mid-1980

MS. GOH WAN JING

Executive Director

Company	: Leader Steel Holdings Berhad group of companies
Age, Gender	: 30, Female
Nationality	: Malaysian
Date of Appointment	: 31 March 2017
Academic / Professional Qualification(s)	: Degree in Business Administration, focus in finance and information systems, from the University of Washington in Seattle, Washington, U.S.A.
Working experience	: In 2014, led the successful ERP system migration In 2016, promoted to Deputy General Manager, where she was responsible for companywide process improvement In 2017, involved in group level strategic planning and execution

Notes:

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

None of the key senior management has family relationship with any director and/or major shareholder other than:

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT



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

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

The Board has implemented the Practices of the Code with the ensuing paragraphs in this Corporate Governance Overview Statement to describe the extent of how the Group has applied and complied with the Principles and Practices of the Code for the financial year ended 31 December 2018 (“FY2018”). This Overview Statement is made pursuant to paragraph 15.25(1) of Main Market Listing Requirements (“Listing Requirements”) of Bursa Malaysia Securities Berhad (“Bursa Securities”) with guidance drawn from Practice Note 9 of Listing Requirements and the Corporate Governance Guide (3rd edition) issued by Bursa Securities.

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

PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS

Part I Board Responsibilities

1. Board’s Leadership on Objectives and Goals

1.1 Strategic Aims, Values and Standards

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

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

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part I Board Responsibilities (Cont'd)

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

1.2 Chairman of the Board

The Board is led by an Independent Non-Executive Director ("INED") supported by an experienced Board, comprising members with wide ranging experience in relevant fields such as general management, public policy, accounting and finance industry and information technology. The Chairman is responsible for leading the Board and ensures that all Directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in Board decisions.

The Chairman leads governance activities on the Board in order to create a conducive condition geared towards building and growing Directors' effectiveness and ensure that appropriate issues are discussed by the Board in a timely manner. As part of that role, Chairman ensures that no member dominates discussion so 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 Managing Director over operational matters and seek opinion of fellow Board members over any matters that give cause for major concerns.

1.3 Separation of Position of Chairman and Managing Director

The Board has always made the distinction that the position of the Chairman and Managing Director ("MD") does not reside with the same person. In this regards the Chairman, Tan Sri Dato' Mohd Desa bin Pachi is an INED of the Board. Such division provides for organisational check and balance for better governance. There is a clear and separate division of responsibility in the roles and duties of the Chairman and MD.

The MD, together with two (2) Executive Directors, leads management and is responsible for the day-to-day operational management of the Group.

The MD has overall responsibilities over the daily conduct of operating units, human resource management with respect to key positions in the Group's hierarchy, financial management and business affairs as well as organisational effectiveness and implementation of Board policies and decisions. The MD 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.

During scheduled Board meetings, the MD briefed on the performance and activities of the Group and specific proposals for capital expenditure and acquisition and disposal, if any. The Directors review and approve all corporate announcements, including the announcements on quarterly financial results, before releasing them to Bursa Securities.

All decisions and deliberations at Board Committee level are documented in the minutes of the respective Committee meetings. The Chairman of the Board Committees reports on the outcome and recommendations of the Board Committee meetings to the Board for further deliberation and approval. Such reporting is included in the minutes of Board meetings.

The Board recognises the importance for a proper identification of the roles and authority of Management as well as a formal procedure on matters that require multiple Board signatures and/or Board decision. The current set-up of the Board consists of a majority of the members have been with the Group since its commencement and thus, are cognisant of their respective roles and responsibilities over the years.

In reviewing the succession planning, the Board reviewed its size and composition based on the prevailing laws, rules, regulations and the internal policies of the Group on the tenure of directorships, not only to ensure continuity in meeting its long term goals and objectives but also to affirm that the knowledge, experience and skill sets of its members would be well suited to meet the demands of the ever changing landscape of the industry.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)



PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part I Board Responsibilities (Cont'd)

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

1.3 Separation of Position of Chairman and Managing Director (Cont'd)

The INEDs are active in their roles by providing independent judgement, unbiased and independent views, when required and contributing actively to the deliberations on policies and issues. They also act in a manner to protect the interest of the minority shareholders in respect of policies and decisions deliberated by the Board. The INEDs do not participate in the daily management of the Group and are not engaged in any business or other relationship with the Group. Their presence ensures 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. In carrying out their roles, they thereby fulfil a crucial role in corporate accountability as they provide independent and objective views, opinions and judgements on issues being deliberated.

1.4 Qualified and Competent Company Secretaries

The Company Secretaries are capable of carrying out their duties to ensure the effective functioning of the Board. The Board is satisfied with the performance and support rendered by the Company Secretaries as the Directors are able to seek advice and service of the Company Secretaries. The Company Secretaries, who are competent, qualified and experienced, advises the Board on any updates relating to new statutory and regulatory requirements pertaining to the duties and responsibilities of Directors and potential impact and implications arising there from.

The Company Secretaries, or her representatives, attend and ensure that all Board and its Committees meetings are properly convened. The decisions made and/or resolutions passed thereof are recorded in minutes of meetings and kept at the registered office of the Company together with its statutory registers. The Company Secretaries also facilitate the communication of key decisions and policies between the Board, Board Committees and Management. The Board is also regularly updated and kept informed of the latest developments in the legislation and regulatory framework affecting the Group and are advised on the proposed contents and timing of material announcements to be made to regulatory authorities.

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

1.5 Access to Information and Advice

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

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

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

The Board, as a whole, will determine, whether as a full board or in their individual capacity, to engage independent professional advice, where necessary and under appropriate circumstances, in furtherance of their duties and to enable them to discharge their duties, at the Group's expense.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part I Board Responsibilities (Cont'd)

2. Demarcation of Responsibilities

2.1 Board Charter

The Board Charter clearly delineate the roles, duties and responsibilities of the Chairman, MD, Board, Board Committees and Management in order to provide a structured guidance. The Board Charter also includes the requirements of Directors in carrying out their leadership and supervisory role and in discharging their duties towards the Group as well as boardroom activities. The Board Policy Documentation, incorporating the Board Charter, Terms of Reference of the Board Committees and other policies, was first approved in 2014. The Board Policy Documentation will be reviewed from time to time to ensure its relevance. The Board Charter is available on the Company's corporate website at www.leadersteel.my.

3. Good Business Conduct and Corporate Culture

3.1 Code of Ethics & Conduct

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

3.2 Whistleblowing Policy

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

Part II Board Composition

4. Board Objectivity

4.1 Board Composition

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

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

Brief profile of each Director is detailed under Profile of Directors in this annual report.

On 26 February 2019, Tan Sri Dato' Dr. Soong Siew Hoong and Datuk Abdullah bin Haji Kuntom were re-designated as INEDs. All concerns regarding the Group can be conveyed to Tan Sri Dato' Mohd Desa bin Pachi, the Independent Non-Executive Chairman or Mr. Lim Leng Han, the Senior INED for deliberated by all Directors during Board meetings.

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 (1/3) of the Board of the Company, whichever is the higher, are Independent Directors.

Board comprises a majority of INEDs, which represents more than 60% of the Board, well in excess of the composition recommended under Practice 4.1 of the Code (Malaysia Code on Corporate Governance) for which INEDs are to comprise half (50%) of the Board members.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)



PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part II Board Composition (Cont'd)

4. Board Objectivity (Cont'd)

4.2 Tenure of Independent Director

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

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

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

At the annual general meeting ("AGM") last held on 28 May 2018, the shareholders approved unanimously the separate resolutions, by way of poll, to retain Mr. Lim Leng Han and Encik Mohd. Arif bin Mastol as INEDs.

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

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

4.3 Policy on Tenure of Independent Director

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

4.4 Diverse of Board and Senior Management

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

The current Directors, with their diverse background and professional 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 as well as sales and marketing.

4.5 Gender Diversity

The presence of two (2) female executive Board members (MD and Executive Director) on the Board testified to the Group's commitment on gender diversity. The presence of two (2) ladies Directors on the Board reflected a 25% female representation on the Board. The Group has gender diversity in its Management team with over 35% female representation.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part II Board Composition (Cont'd)

4. Board Objectivity (Cont'd)

4.5 Gender Diversity (Cont'd)

It must be noted that the Board and the Company's primary responsibility is the strength of the Board and the principal aim that new appointments must always be to select the best candidate available. Whilst acknowledging the recommendation of the Code on gender diversity, the Board is of the collective opinion that there was no necessity to adopt a formal gender diversity policy as the Group is committed to provide fair and equal opportunities and nurturing diversity within the Group.

4.6 Diverse Sources for New Candidate(s) for Board Appointment

There was no new appointment to the Board during the financial year ended 31 December 2018.

4.7 Nominating Committee ("NC")

The Board, through the NC, ensures that it recruits to the Board only individuals with sufficient caliber, knowledge and experience, integrity and reputation, competence and capability to fulfil the duties of a Director appropriately. The Terms of Reference ("TOR") of the NC is available for viewing at the Company's corporate website at www.leadersteel.my.

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

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

The Committee meets at least once (1) annually with additional meetings convened on need basis.

The NC's key duties encompassed the following:

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)



PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part II Board Composition (Cont'd)

4. Board Objectivity (Cont'd)

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

Develop, Maintain and Review Criteria for Recruitment and Annual Assessment of Directors

The NC is empowered by the Board and its TOR to recommend to the Board on the appointment of new Directors. A formal and transparent procedure is in place for the appointment of new Directors to the Board such as screening, conducting initial selection of internal and external candidates, performing requisite evaluation and assessment on the candidates' ability to discharge their duties effectively and efficiently, prior to making recommendations to the Board for its approval. The NC also ensures candidates possess the appropriate skills, core competencies, experience, integrity and time to effectively discharge his or her role as a Director. The Company Secretaries will ensure that all necessary information is obtained and that all legal and regulatory obligations are met before appointments of new Directors are made. The NC had also discussed and deliberated on the qualifications and contributions of the Board and NC with the respective members of the NC abstaining from the process.

The Constitution (Articles of Association) of the Company provides that an election of Directors shall take place each year and, at the AGM, one-third (1/3) 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 (1/3) 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 re-appointment. A retiring Director is eligible for re-appointment. This provides an opportunity for shareholders to renew their mandates. The re-election of each Director is voted on separately.

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

5. Overall Board Effectiveness

5.1 Overall Effectiveness of the Board and Individual Directors

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

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

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

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

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

The assessment in respect of FY2018 was carried out with the results deemed satisfactory by the NC and Board.

The Board of Directors meets at least four (4) times a year at quarterly intervals with additional meetings convened as necessary. During FY2018, four (4) Board meetings were held where the Board deliberated upon and considered a variety of matters including the Group's quarterly operation and financial results, major investments and strategic decisions and any other strategic issues that may affect the Group's business.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part II Board Composition (Cont'd)

5. Overall Board Effectiveness (Cont'd)

5.1 Overall Effectiveness of the Board and Individual Directors (Cont'd)

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

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

Note:

¹ His absence was due to illness.

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

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

Committee	Director(s)	Attendance
Audit	Mr. Lim Leng Han, Chairman	4/4
	Encik Mohd. Arif bin Mastol, member	4/4
	Datuk Abdullah bin Haji Kuntom, member	3/4
Nominating	Tan Sri Dato' Mohd Desa bin Pachi, Chairman	1/1
	Mr. Lim Leng Han, member	1/1
	Encik Mohd. Arif bin Mastol, member	1/1
Remuneration	Tan Sri Dato' Mohd Desa bin Pachi, Chairman	1/1
	Mr. Lim Leng Han, member	1/1
	Encik Mohd. Arif bin Mastol, member ¹	0/0

Note:

¹ Attendance calculated for Board Committee meeting held after his appointment to the RC on 26 February 2019.

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

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

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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)



PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part II Board Composition (Cont'd)

5. Overall Board Effectiveness (Cont'd)

5.1 Overall Effectiveness of the Board and Individual Directors (Cont'd)

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

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

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

1. Centennial Celebration of the Birth of Tun Ismail Ali
2. MIA Conference 2018 – Annual
3. Global Market Review and Outlook 2018
4. Members' Rights under the Companies Act 2016 – What are they?
5. Redefining Financial Integrity
6. 2019 Budget Tax Seminar
7. Building an Excellent Team
8. Sustainability Engagement Series for Director/CFO
9. Sustainability Engagement Series for CFO/CSO
10. Introduction to Steel Making
11. 13th Conference on Status & Outlook of the Malaysian Iron & Steel Industry – Forging Ahead in Challenging Times
12. Shaanxi – Hong Kong Economic and Trade Cooperation Exchange Conference
13. Sales Territory Management

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

Part III Remuneration

6. Level and Composition of Remuneration

6.1 Remuneration Policy

The objective of the Group's Directors' Remuneration Policy is to determine the level of remuneration package of executive Board members, attract, develop and retain high performing and motivated Executive Directors, to provide a remuneration that commensurate with the responsibilities of their position and encourage of value creation for the Company and its stakeholders.

As for Non-Executive Directors, the level of remuneration is reflective of their experience, expertise, contribution to the Group, duty and level of responsibilities undertaken by them including the number of Board meetings attended. The determination of Directors' fees for the Non-Executive Directors including that of Non-Executive Chairman of the Board shall be a matter for the Board as a whole.

The RC is responsible for, inter alia, recommending to the Board the policy framework and remuneration structure for Directors as well as the remuneration packages of Executive Directors.

In the case of the executive Board members, the components of the remuneration package are linked to scope of the duty and responsibilities, conditions and experiences required, ethical values, internal balances and strategic targets of the Group as well as the corporate and individual performance. The executive Board members played no part in deciding their remuneration and would abstain from all discussion pertaining to their remuneration.

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part III Remuneration (Cont'd)

6. Level and Composition of Remuneration (Cont'd)

6.2 Remuneration Committee ("RC")

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

Chairman	Tan Sri Dato' Mohd Desa bin Pachi
Members	Mr. Lim Leng Han Encik Mohd. Arif bin Mastol (Appointed on 26 February 2019)

The TOR and Remuneration Policy are available on the corporate website at www.leadersteel.my.

The key duties of the Committee included the following:

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

7. Remuneration of Directors and Senior Management

7.1 Details of Directors' Remuneration

The remuneration payable in respect of Directors' fees and benefits payable for FY2018 and FY2019 are categorised as follows:

Type	FY2018	FY2019
Directors' Fees	25,000	25,000
Allowance for Board Chairman	46,000	46,000
Meeting allowance – per meeting	500	500

A total of ten (10) meetings are scheduled for FY2019. The Directors' fees and benefits payable are endorsed by the Board of Directors for approval by the shareholders at the AGM prior to payment. In addition, the Non-Executive Directors are also paid meeting allowances for attendance at meetings.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)



PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part III Remuneration (Cont'd)

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

7.1 Details of Directors' Remuneration (Cont'd)

The remuneration of the Directors of the Company for FY2018 which is paid/payable is as tabulated:

Directors	Received or to be received or to be received from the Company (RM)		Received or to be received or to be received from the Group (RM)			Total
	Fees	Allowances ¹	Salaries ²	Allowance	Benefits-in-kind	
	RM	RM	RM	RM	RM	RM
Tan Sri Dato' Mohd Desa bin Pachi	25,000	3,500	-	46,000	-	74,500
Mr. Lim Leng Han	25,000	5,500	-	-	-	30,500
Encik Mohd. Arif bin Mastol	25,000	5,000	-	-	-	30,000
Tan Sri Dato' Dr. Soong Siew Hoong	25,000	2,500	-	-	-	27,500
Datuk Abdullah bin Haji Kuntom	25,000	3,500	-	-	-	28,500
Datin Tan Pak Say	25,000	2,500	1,022,811	-	23,950	1,074,261
Dato' Goh Cheng Huat	25,000	3,000	-	-	23,950	51,950
Ms. Goh Wan Jing	25,000	2,500	290,644	-	15,950	334,094
Grand total	200,000	28,000	1,313,455	46,000	63,850	1,651,305

Note:

¹ Allowances included meeting allowances

² Bonus, EPF and SOCSO are included herein

7.2 Details of Top Five (5) Senior Management's Remuneration

The Board takes the view that there is no necessity for the Group to disclose the remuneration of senior management other than Directors of the Company given the competitive human resources environment as such disclosure may give rise to talent retention issues.

7.3 Detailed Remuneration of Top Five (5) Senior Management on Named Basis

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

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

The Board takes the view that there is no necessity for the Group to disclose the names of the top five (5) senior management personnel who are not Directors of the Company.

PRINCIPLE B EFFECTIVE AUDIT AND RISK MANAGEMENT

Part I Audit Committee ("AC")

8. Effective and Independent AC

8.1 Chairman of the AC

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

Part I Audit Committee ("AC") (Cont'd)

8. Effective and Independent AC (Cont'd)

8.2 Policy Requiring Former Key Audit Partner to observe 2-year Cooling Off Period

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

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

8.3 Policy and Procedures to Assess the Suitability, Objectivity and Independence of the External Auditor

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

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

The AC has considered the non-audit services provided by the external auditors during FY2018 and concluded that the provision of these services did not compromise the external auditors' independence and objectivity. The amount of fees paid for these services was not significant when compared to the total audit fees paid to the external auditors. The external auditors have confirmed to the AC that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of relevant professional and regulatory requirements.

8.4 Composition of the AC

The Audit Committee complies with the Step-Up recommendation of the CG Code requiring all members to be independent.

8.5 Diversity in Skills of the AC

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

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

Part II Risk Management & Internal Control Framework

9. Effective Risk Management and Internal Control Framework

9.1 Establish an Effective Risk Management and Internal Control Framework

The Board of Directors recognises the importance of sound internal controls which encompass risk management practices as well as financial, operational and compliance controls. 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 these systems.

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)



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

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

9. Effective Risk Management and Internal Control Framework (Cont'd)

9.2 Disclosure on the Features of Risk Management and Internal Control Framework

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

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

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

9.3 Establishment of a Risk Management Committee

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

10. Effective Governance, Risk Management and Internal Control

10.1 Effectiveness of the Internal Audit Function

10.2 Disclosure on the Internal Audit Function

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

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

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

The total expenses incurred for internal audit work during FY2018 was approximately RM32,000 (FY2017: RM26,000).

The activities of the internal auditors during the financial year are set out in the AC Report in this annual report.

PRINCIPLE C INTEGRITY IN CORPORATE GOVERNANCE AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Part I Communication with Stakeholders

11. Continuous Communication between Company and Stakeholders

11.1 Effective and Transparent and Regular Communication with Stakeholders

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

PRINCIPLE C INTEGRITY IN CORPORATE GOVERNANCE AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (Cont'd)

Part I Communication with Stakeholders (Cont'd)

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

11.1 Effective and Transparent and Regular Communication with Stakeholders (Cont'd)

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

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

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

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

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

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

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

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

11.2 Integrated Reporting

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

Part II Conduct of General Meetings

12. Encourage Shareholders Participation at General Meetings

12.1 Notice for Annual General Meeting

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)



PRINCIPLE C INTEGRITY IN CORPORATE GOVERNANCE AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (Cont'd)

Part II Conduct of General Meetings (Cont'd)

12. Encourage Shareholders Participation at General Meetings (Cont'd)

12.2 All Directors to Attend General Meetings

All the Directors attended, in person, the Annual General Meeting held on 28 May 2018.

12.3 Leveraging on Technology for Voting in Absentia and Remote Shareholders' Participation

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

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

SUMMARY OF CORPORATE GOVERNANCE PRACTICES

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

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

STATEMENT ON COMPLIANCE

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

The Corporate Governance Overview Statement is issued in accordance with a resolution of the Board of Directors dated 15 April 2019.

ADDITIONAL INFORMATION

1. Share Buy-Back

The details of the Company's Share Buy-Back exercise during the financial year ended 31 December 2018 are as follows:

Date of Purchase	No. of shares Purchased and Retained As Treasury Shares	Purchase Price Per Share			Total Consideration Paid (RM)
		Highest Price (RM)	Lowest Price (RM)	Average Price (RM)	
15.03.2018	130,000	0.465	0.460	0.463	60,375.00
05.04.2018	160,000	0.430	0.420	0.425	67,905.00
31.05.2018	200,000	0.395	0.385	0.390	77,925.00
02.07.2018	20,000	0.360	0.360	0.360	7,200.00
04.07.2018	10,500	0.370	0.360	0.365	3,880.00
11.10.2018	119,900	0.335	0.320	0.328	39,921.55
18.12.2018	262,700	0.260	0.250	0.255	66,158.50
21.12.2018	260,000	0.275	0.260	0.268	70,181.00

During the financial year, a total of 1,163,100 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 2018, the number of treasury shares was 3,923,900 ordinary shares.

2. Non-Audit Fees

Non-audit fees amounting to RM15,500 were paid to the external auditors for the financial year ended 31 December 2018.

3. Material Contracts

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

4. Recurrent Related Party Transactions of a Revenue or Trading Nature for the Year Ended 31 December 2018

Details of recurrent related party transactions made during the financial year ended 31 December 2018 pursuant to the shareholders' mandate obtained by the Company at the Annual General Meeting held on 28 May 2018 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.	145	Purchase of steel products	
	Eonmetall Technology Sdn. Bhd.	538	Sale and purchase of steel products	
		3,170	Purchase of property, plant and equipment	Interested Director and Major Shareholder Dato' Goh Cheng Huat
Leader Steel Service Centre Sdn. Bhd. ("LSSC")	Eonmetall Industries Sdn. Bhd.	4,504	Sale, purchase and servicing of steel products	Datin Tan Pak Say
		307	Rental	Interested Major Shareholder Bischart Sdn. Bhd.
	Eonmetall Technology Sdn. Bhd.	221	Sale of steel products	
		867	Purchase of property, plant and equipment	

AUDIT COMMITTEE REPORT



Composition & Meeting

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

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

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

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

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

The terms of reference of the AC is published on the corporate website on www.leadersteel.my.

During the financial year ended 31 December 2018 (“FY2018”), the Committee met four (4) times to discuss matters relating to the accounting and reporting practices of the Company and its subsidiaries. In addition, the Committee had conducted two (2) separate sessions with the external auditors without the presence of Executive Directors and Management.

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

The Company Secretary or her representative was in attendance 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:

Committee	Director(s)	Attendance
Audit	Mr. Lim Leng Han, Chairman	4/4
	Encik Mohd. Arif bin Mastol, member	4/4
	Datuk Abdullah bin Haji Kuntom, member	3/4

Summary of activities carried out during the financial year

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

Financial reporting

- Reviewed the quarterly unaudited financial results announcements before recommending them for the Board’s approval. The Executive Director and the Account Manager were 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 pertinent issues, which had significant impact on the results of the Group, including bank borrowings, investments and divestments and strategic operations of subsidiaries; and
- Reviewed the recurrent related party transactions of revenue and trading nature and other related party transactions entered into by the Group.

AUDIT COMMITTEE REPORT (CONT'D)

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

External audit

- (a) Reviewed with the external auditors on scope of work and annual audit plan in respect of audit of the Company and its subsidiaries for FY2018;
- (b) Reviewed with the external auditors the results and findings of the audit, the audit report and management letter for FY2018;
- (c) Met twice (2) with the external auditors (on 22 November 2018 and 26 February 2019) without the presence of the executive Board members and Management to enquire the extent of assistance rendered by the Management, issues on audit and accounting and suggestions arising from the audits; and
- (d) Reviewed and assessed the objectivity, independence and competency of the external auditors touching on quality of service, experience and expertise and made its recommendations to the Board on their re-appointment and fees.

Internal audit

- (a) Reviewed with the internal auditors the scope of work and annual audit plan in respect of the Company and its subsidiaries for FY2018;
- (b) Reviewed the Risk Management Report which was in relation to the risk assessment and risk profile for the steel manufacturing business and mineral trading business updated following a Risk Management Committee meeting;
- (c) Reviewed the internal audit report, which highlighted the audit issues and findings, recommendations and Management's response thereto; and
- (d) Monitored the outcome of follow-up audits to ascertain the extent to which agreed action plans have been implemented by Management and any issues arising therefrom.

Internal Audit Function

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

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

During FY2018, the internal audit function carried out review on IT control environment, review on revenue and indirect purchases cycles, oversight on safeguard of inventory and safety and health, follow-up reviews on the status of implementation of previously issued audit recommendations, assisted Management in updating the risk profile of the Group. The opportunities for improvement noted, together with the recommendations thereof and agreed management action plans, were presented to the Audit Committee for consideration.

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL



Paragraph 15.26(b) of the Listing Requirements of Bursa 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 2018.

(A) BOARD RESPONSIBILITY

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

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

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

(B) RISK MANAGEMENT FRAMEWORK

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

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

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

The steps involved in Risk Management Process are:

(i) Identifying Risks

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

(ii) Evaluating Risks

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

(iii) Managing Risks

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)

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

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

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

(D) INTERNAL AUDIT FUNCTION

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

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

During the financial year ended 31 December 2018, the internal audit function carried out the following activities:

- Presented the internal audit plan to the Audit Committee;
- Carried out an internal audit review on selected business cycles:
 - (a) Information technology
 - (b) Branch operations - revenue, indirect purchases, inventory management and safety & health
- 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 2018 were approximately RM32,000.

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

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

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL (CONT'D)



(F) CONCLUSION

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

Pursuant to paragraph 15.23 of the MMLR of Bursa Securities, the external auditors have reviewed this Statement for inclusion in the annual report of the Company for the year ended 31 December 2018 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 2018 as a result of weaknesses in internal controls.

This statement is issued in accordance with a resolution of the Directors dated 15 April 2019.

SUSTAINABILITY STATEMENT

CORPORATE SUSTAINABILITY STATEMENT

The Board of Directors of Leader Steel Holdings Berhad (“LSH” or “the Company”) is pleased to present the Sustainability Statement of the Group (collectively LSH and its subsidiaries) in respect of financial year ended 31 December 2018 (“FY2018”), which has been prepared based on the Bursa Malaysia Sustainability Reporting Guide and toolkits.

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

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

A. GOVERNANCE STRUCTURE

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

Board of Directors	The Board sets the sustainability strategy of the Group. It ensures that the Group’s business strategies consider sustainability.
Risk Management Committee	The Risk Management Committee oversees the implementation of sustainability strategy. It evaluates overall sustainability risks and opportunities.
Heads of Departments	The Heads of Department support implementation of sustainability strategies. It reports on the Key Sustainability Indicators.

B. SCOPE

In order to enable the Group to achieve sustainable growth and enhance long-term value for its shareholders, the Group applies a good corporate governance framework, environmentally responsible practices and sound social policies. In 2019, the Group continues with this commitment as a good and responsible corporate citizen.

C. STAKEHOLDERS’ ENGAGEMENT

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

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

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

SUSTAINABILITY STATEMENT (Cont'd)

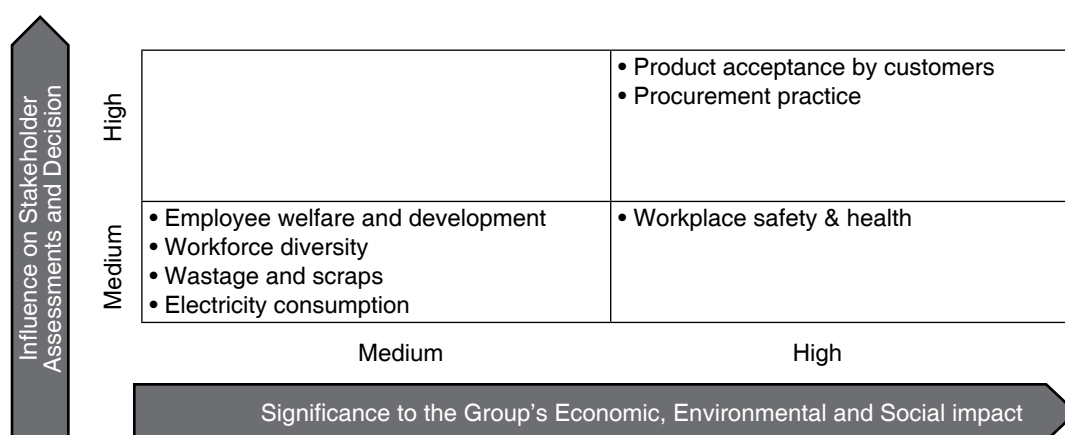


D. MATERIAL SUSTAINABILITY MATTERS

The principal businesses of the Group are manufacturing and trading of steel products, and trading and processing of minerals. The production of steel products is part of a heavy industry, where workplace safety is of a key social concern. In view of this, the Group places high priority for occupational safety health centric labour practices. At Leader Steel, sustainability is more than just talks about recycling paper and energy saving. Sustainability is a long-term business strategy that contributes to our financial growth. By maintaining solid financial performance, we can invest in our business to better serve our business partners, contribute to growing the economy, and providing for the environment and communities around us.

Materiality Matrix

The Materiality Matrix shows the Material Sustainability Matters (“EES”) with their significance to the Group’s economic, environmental and social impact and the influence on the stakeholder’s assessments and decision:



Sustainability Management

The Sustainability efforts of the Group are set out below:

Economic

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

Steel is a widely used metal in various industries and in Malaysia, the Group’s products play an important role in supporting the local economy. As one of the key local steel product suppliers, we place high priority on customer engagement with various customer feedback channels in order to ensure our customers are satisfied, not only with our products but also services.

(i) Our Customers

LSH steel products are made to national and international standards. In fulfilling the Group’s objective of ensuring that we consistently deliver high quality products to our customers, all four (4) steel products manufacturing facilities have obtained ISO 9001:2015 during FY2017 and FY2018. Consistency in delivering high and acceptable quality products ensure that our steel products are safe for their intended use, minimising wastages.

In the FY2018, the percentage of products accepted by customers was 99.7%. Product acceptance percentage is one of the key matrices the Management uses to measure the Group’s performance in meeting customer’s satisfaction.

(ii) Our Suppliers

As a Malaysian entity, the Management gives priority in buying from local suppliers. In supporting local suppliers, the Management hopes to grow the local vendors’ capability and capacity in serving the manufacturing industry as well as strengthen the steel industry supply chain. The Management recognises that a strong and competitive supply chain will in turn enable the Group to consistently produce high quality products. In addition, with their support, the Group will be in better position to move up the value chain within the steel industry in the long term.

In FY2018, the number of local vendors accounted for 98% of the total vendors of the Group.

SUSTAINABILITY STATEMENT (Cont'd)

Environmental

We are committed to undertake a holistic approach to incorporate sustainability practices into our everyday activities. Scrap metals from our steel production are collected and sent to licensed waste disposal company for recycling purposes. Water mixed with chemicals which serves as coolant in the production process is responsibly treated and reused. These environmental-friendly measures have significantly reduced wastage on materials and water consumption to a minimum level. We also ensure compliance with the Environmental Quality Act 1994 ("EQA") at all times. In FY2018, none of the Group's subsidiaries was subject to penalties due to non-compliance with EQA.

(1) Waste Management

In our industry, it is a norm that steel scraps are the by-products of production. Thus, the minimisation of steel scraps is one of the primary objectives of the Group in achieving greater production efficiency, lowering production costs, and eventually resulting in higher profitability. While meeting financial objective is essential, a reduction of steel scraps will reduce the energy consumption at the downstream level in scrap recycling. All industrial wastes are handled as per Environmental Quality (Scheduled Wastages) Regulation 2005.

(2) Electricity Consumption

The steel manufacturing operations of LSH involve the use of heavy machines and equipments that are powered by electricity. In seeking to improve the efficiency of electricity consumption and costs, the Management monitors the Group's electricity usage on a monthly basis. In striving to reduce dependency on unskilled labour, the Group seeks to progressively implement automation in production. In doing so inevitably, the consumption of electricity is expected to increase while overall production cost is expected to reduce.

The Group also changed the existing fluorescent light tubes to energy efficient LED tubes that saves on electricity bills in the long term.

In view of the above, measures to control electricity use are becoming an important factor in the Group's business sustainability. Apart from financial profitability, an efficient use of electricity energy will result in lesser harm to the environment.

(3) Going Green

Moving towards green practices, we strive to reduce paper consumption and carbon footprints from the previous years. We began e-mailing E-statement and official receipts to our business partners to replace paper and mail delivery. We also began using online banking in place of issuing manual cheques to reduce paper usage and delivery errands to banks and various institutions. We encourage our employees to reduce paper consumption with double-sided printing and digitizing documents and records where possible.

Social

As a responsible manufacturing employer, the Group strives to provide and maintain a safe and healthy workplace for all employees. As a corporate citizen, we are conscious about the impact we have on the society.

(1) Employees

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

i. Training and Learning

In support of lifelong learning, we provide training programs to employees in various areas. During the financial year, our employees participated in trainings relating to:

- Safety & Health
- Manufacturing 4.0
- Waste Management
- Accounting & Tax Rules and Regulations
- Human Resource Management
- Management Skills

ii. Workforce Diversity

The Group provides equal opportunity for employees to progress their careers in the Group. Employees are evaluated based a set of matrices which include performance targets and job dedication.

SUSTAINABILITY STATEMENT (Cont'd)



Social (Cont'd)

(1) Employees (Cont'd)

ii. Workforce Diversity (Cont'd)

The gender representation in the Group as at the end of the financial year is as follows:

	Female	Male	Total
Management and executive positions	51%	49%	100%
Other positions	10%	90%	100%

iii. Employee Welfare and Motivational Activities

The Management recognises it is important for employees to achieve work-life balance. In addition, compliance with employer obligations under the law, employees are provided with welfare benefits such as free lunch meals, Zumba and Yoga classes, cosy rest area with reading corner, team building trip, and various gatherings and celebratory activities.

iv. Safety at Workplace

The Group places high priority to ensure a safe and healthy working environment at all the factories. In doing so, the Board ensures that the requirements of Occupation Safety and Health 1994 ("OSHA") are complied with as well as observing good safety and health practices. In FY2018, none of the Group's subsidiaries was subject to penalties due to non-compliance with OSHA.

The key safety and health measures in place in the Group are as follows:

- Appointing an approved safety officer at each factory. The responsibility of the safety officer is to manage matters relating to safety and health. In addition to safety officers, there is a safety committee set up at each factory with the purpose of providing a forum for Management and workers to identify and resolve safety and health related issues.
- Ensuring that employees are well-aware of the safety and health procedures. The Group provides personal protective equipment to employees in the production areas, which are required to be worn during work.
- Providing adequate training to employees. The safety and health related trainings attended by employees in FY2018 include:
 - Forklift operation
 - Chemical and scheduled waste management
 - Occupational first aid
 - Posture at workplace
 - Fire safety

(2) Society

I. Contribution to the Community

Being a corporate citizen, we are aware of our responsibilities towards the local society. For the past few years, the Group has been commissioning art work produced by students in the Group's corporate calendars. Through such an arrangement, we hope to encourage students' creativity in a meaningful way.

II. Internship Programmes

We provide internship opportunities to students and graduates of local universities, colleges and high school. We believe in providing the young generation with a supportive environment, where they can gain practical experience, hone relevant technical and social skills, and further their studies to meet the work force requirements.

In 2018, the Group offered internships for students and graduates of universities, colleges, polytechnics and high school from different states of Malaysia, which have benefited a total of 18 students.

A Path to Sustainable Success

As we continue to focus on how our business can contribute to the Economy, Environment and Society, we also want to acknowledge that we are only starting on this long journey to build a sustainable business. This long-term work requires collective efforts and innovation, and we will undertake bigger initiatives to improve our performance in a sustainable manner.

DIRECTORS' RESPONSIBILITY STATEMENT FOR THE AUDITED FINANCIAL STATEMENTS

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

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

In preparing the financial statements, the Directors have:

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

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

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

DIRECTORS' REPORT



The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and the details 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 for the financial year	5,241,828	2,413,601
Attributable to:		
Owners of the parent	4,987,539	2,413,601
Non-controlling interests	254,289	0
	5,241,828	2,413,601

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.

ISSUE OF SHARES AND DEBENTURES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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

DIRECTORS

The Directors who have held office during the financial year and up to the date of this report are as follows:

Leader Steel Holdings Berhad

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

DIRECTORS' REPORT (CONT'D)

DIRECTORS (Cont'd)

The Directors of subsidiaries who have held office during the financial year and up to the date of this report, not including those Directors listed above are:

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

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 2018 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	← Number of ordinary shares →			
	Balance as at 1.1.2018	Bought	Sold	Balance as at 31.12.2018

Shares in the Company

Direct interests:

Dato' Goh Cheng Huat	10,903,894	824,000	0	11,727,894
Datin Tan Pak Say	1,155,006	0	0	1,155,006
Tan Sri Dato' Dr. 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	66,151,862	824,000	0	66,975,862

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

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

DIRECTORS' BENEFITS

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

- (a) certain Directors who may be deemed to derive benefits by virtue of trade transactions entered into with companies in which certain Directors have substantial financial interests; and
- (b) certain Directors who received remuneration from the subsidiaries as Directors of the subsidiaries.

The details of the above transactions are disclosed in Note 24 to the financial statements.

DIRECTORS' REPORT (CONT'D)



DIRECTORS' BENEFITS (Cont'd)

There were no arrangements made during and at the end of the financial year, to which the Company is a party, which had the object of enabling the Directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

TREASURY SHARES

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting ('AGM') held on 28 May 2018, renewed the approval for the Company to repurchase its own shares.

During the financial year, the Company repurchased 1,163,100 of its issued ordinary shares from the open market at an average price of RM0.338 per share. The total consideration paid for the repurchased shares was RM393,547. The shares repurchased are being held as treasury shares in accordance with Section 59 of the Companies Act 2016 in Malaysia.

As at 31 December 2018, 3,923,900 out of the total 128,032,000 issued and fully paid ordinary shares are held as treasury shares by the Company. Such treasury shares are held at a carrying amount of RM1,450,702 and further relevant details are disclosed in Note 10 to the financial statements.

DIRECTORS' REMUNERATION

The details of Directors' remuneration are disclosed in Note 21 to the financial statements.

INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS

The Group effected Directors' liability insurance during the financial year to protect the Directors of the Group against potential costs and liabilities arising from claims brought against the Directors.

During the financial year, the total amount of indemnity coverage and insurance premium paid for the Directors and the officers of the Group are RM10,000,000 and RM22,000 respectively.

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

OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

- (a) Before the financial statements of the Group and of the Company were prepared, the Directors took reasonable steps:
 - (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of provision for doubtful debts and had satisfied themselves that there were no known bad debts to be 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 necessitate the writing off of bad debts or render the amount of the provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any material extent;
 - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; and
 - (iii) which have arisen which would render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

DIRECTORS' REPORT (CONT'D)

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

(II) FROM THE END OF THE FINANCIAL YEAR TO THE DATE OF THIS REPORT (Cont'd)

(d) In the opinion of the Directors:

- (i) there has not arisen any item, transaction or event of a material and unusual nature which is likely to affect substantially the results of operations of the Group and of the Company for the financial year in which this report is made; and
- (ii) no contingent or other liability has become enforceable, or is likely to become enforceable, within the period of twelve (12) months after the end of the financial year which would or may affect the ability of the Group or of the Company to meet their obligations as and when they fall due.

(III) AS AT THE DATE OF THIS REPORT

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

AUDITORS

The auditors, BDO PLT (LLP0018825-LCA & AF 0206), have expressed their willingness to continue in office.

Auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2018 amounted to RM49,000 and RM112,000 respectively.

BDO PLT (LLP0018825-LCA & AF 0206) was registered on 2 January 2019 and with effect from that date, BDO (AF 0206), a conventional partnership was converted to a limited liability partnership.

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

Datin Tan Pak Say

Director

Tan Sri Dato' Mohd Desa bin Pachi

Director

Penang
15 April 2019

STATEMENT BY DIRECTORS



In the opinion of the Directors, the financial statements set out on pages 51 to 98 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2018 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Datin Tan Pak Say

Director

Tan Sri Dato' Mohd Desa bin Pachi

Director

Penang
15 April 2019

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STATUTORY DECLARATION

I, Datin Tan Pak Say, being the Director primarily responsible for the financial management of Leader Steel Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 51 to 98 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 George Town in the State
of Penang this 15 April 2019

Datin Tan Pak Say

Before me,

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

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

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Leader Steel Holdings Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 51 to 98.

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 2018 and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current financial 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 2018, the Group had trade receivables amounted to RM26,649,422, which were net of impairment losses of RM4,483,046. The details of trade receivables and their credit risks have been disclosed in Note 8 and Note 26 to the financial statements respectively.

We determined this to be a key audit matter because it requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward looking information.

Audit response

Our audit procedures included the followings:

Impairment assessment of trade receivables

- (i) recomputed the probability of default using historical data and forward looking information adjustment applied by the Group;
- (ii) recomputed the correlation coefficient between the macroeconomic indicators set by the Group and historical credit losses to determine the appropriateness of the forward-looking information used by the Group; and
- (iii) inquired of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses.

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

INDEPENDENT AUDITORS' REPORT (Cont'd)

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



Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

- Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of internal control of the Group and of the Company.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the ability of the Group or of the Company to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.

INDEPENDENT AUDITORS' REPORT (Cont'd)

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

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

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

- Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

Report on Other Legal and Regulatory Requirements

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

Other Matters

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

BDO

LLP0018825-LCA & AF 0206

Chartered Accountants

Koay Theam Hock

02141/04/2021 J

Chartered Accountant

Penang
15 April 2019

STATEMENTS OF FINANCIAL POSITION

as at 31 December 2018



		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	156,905,687	154,572,806	0	0
Investments in subsidiaries	6	0	0	54,610,347	54,690,347
Goodwill		58,426	58,426	0	0
		156,964,113	154,631,232	54,610,347	54,690,347
Current assets					
Inventories	7	88,238,887	56,358,925	0	0
Trade and other receivables	8	32,935,501	46,097,801	17,502	17,502
Current tax assets		2,050,062	618,614	9,762	9,762
Cash and bank balances	9	7,790,568	6,421,626	24,860	28,492
		131,015,018	109,496,966	52,124	55,756
TOTAL ASSETS		287,979,131	264,128,198	54,662,471	54,746,103
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	10	64,019,600	64,019,600	64,019,600	64,019,600
Treasury shares, at cost	10	(1,450,702)	(1,057,155)	(1,450,702)	(1,057,155)
Reserves	11	80,931,126	77,637,794	(8,174,150)	(10,587,751)
		143,500,024	140,600,239	54,394,748	52,374,694
Non-controlling interests	6	209,444	(44,845)	0	0
TOTAL EQUITY		143,709,468	140,555,394	54,394,748	52,374,694

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

STATEMENTS OF FINANCIAL POSITION (Cont'd)

as at 31 December 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
LIABILITIES					
Non-current liabilities					
Borrowings	12	619,418	1,280,030	0	0
Deferred tax liabilities	14	13,962,582	13,728,522	0	0
		14,582,000	15,008,552	0	0
Current liabilities					
Trade and other payables	15	32,428,203	20,624,376	267,723	2,371,409
Current tax liabilities		51,282	492,505	0	0
Borrowings	12	97,208,178	87,447,371	0	0
		129,687,663	108,564,252	267,723	2,371,409
TOTAL LIABILITIES		144,269,663	123,572,804	267,723	2,371,409
TOTAL EQUITY AND LIABILITIES		287,979,131	264,128,198	54,662,471	54,746,103

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

for the financial year ended 31 December 2018



	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Revenue	18	284,032,191	243,761,503	3,405,062	0
Cost of sales		(259,442,527)	(202,172,476)	0	0
Gross profit		24,589,664	41,589,027	3,405,062	0
Other income		826,611	474,733	325,760	0
Distribution expenses		(5,164,193)	(17,733,489)	0	0
Administrative expenses		(11,439,527)	(10,425,831)	(1,317,221)	(604,521)
Finance costs	19	(2,942,274)	(3,323,828)	0	0
Profit/(Loss) before tax		5,870,281	10,580,612	2,413,601	(604,521)
Tax expense	22	(628,453)	(2,929,246)	0	0
Profit/(Loss) for the financial year		5,241,828	7,651,366	2,413,601	(604,521)
Other comprehensive income/(loss)					
Items that may be reclassified subsequently to profit or loss					
Reclassification adjustment relating to subsidiary dissolved during the financial year		0	(2,545)	0	0
Items that will not be reclassified subsequently to profit or loss					
Gross revaluation increase of properties		0	1,966,528	0	0
Deferred tax relating to revalued properties		(470,641)	(471,965)	0	0
Total other comprehensive (loss)/income, net of tax		(470,641)	1,494,563	0	0
Total comprehensive income/(loss)		4,771,187	9,143,384	2,413,601	(604,521)
Profit/(Loss) attributable to:					
Owners of the parent		4,987,539	7,768,985	2,413,601	(604,521)
Non-controlling interests	6	254,289	(117,619)	0	0
		5,241,828	7,651,366	2,413,601	(604,521)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		4,516,898	9,261,003	2,413,601	(604,521)
Non-controlling interests		254,289	(117,619)	0	0
		4,771,187	9,143,384	2,413,601	(604,521)
Profit per ordinary share attributable to equity holders of the Company (sen):					
- Basic and diluted	23	3.93	6.10		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2018

		← Non-distributable →				Distributable													
Group	Note	Share capital		Treasury shares		Share premium		Revaluation reserve		Currency translation reserve		Retained earnings		Total attributable to owners of the parent		Non-controlling interests		Total equity	
		RM		RM		RM		RM		RM		RM		RM		RM		RM	
Balance as at 1 January 2017		64,016,000		(527,791)		3,600		56,420,433		2,545		11,953,813		131,868,600		72,774		131,941,374	
Profit for the financial year		0		0		0		0		0		7,768,985		7,768,985		(117,619)		7,651,366	
Gross revaluation increase of properties		0		0		0		1,966,528		0		0		1,966,528		0		1,966,528	
Reclassification adjustment relating to subsidiary dissolved during the financial year		0		0		0		0		(2,545)		0		(2,545)		0		(2,545)	
Deferred tax relating to revalued properties		0		0		0		(471,965)		0		0		(471,965)		0		(471,965)	
Total comprehensive income		0		0		0		1,494,563		(2,545)		7,768,985		9,261,003		(117,619)		9,143,384	
Transaction with owners																			
Purchase of treasury shares	10	0		(529,364)		0		0		0		0		(529,364)		0		(529,364)	
Total transaction with owners		0		(529,364)		0		0		0		0		(529,364)		0		(529,364)	
Transfer pursuant to Companies Act 2016	10	3,600		0		(3,600)		0		0		0		0		0		0	
Balance as at 31 December 2017		64,019,600		(1,057,155)		0		57,914,996		0		19,722,798		140,600,239		(44,845)		140,555,394	

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (Cont'd)

for the financial year ended 31 December 2018



Group	Note	Non-distributable		Distributable		Total attributable to owners of the parent	Non-controlling interests	Total equity
		Share capital	Treasury shares	Revaluation reserve	Retained earnings			
		RM	RM	RM	RM	RM	RM	RM
Balance as at 1 January 2018, as previously reported		64,019,600	(1,057,155)	57,914,996	19,722,798	140,600,239	(44,845)	140,555,394
Adjustment on initial application of MFRS 9	27.1(a)	0	0	0	(1,223,566)	(1,223,566)	0	(1,223,566)
Balance as at 1 January 2018, as restated		64,019,600	(1,057,155)	57,914,996	18,499,232	139,376,673	(44,845)	139,331,828
Profit for the financial year		0	0	0	4,987,539	4,987,539	254,289	5,241,828
Deferred tax relating to revalued properties		0	0	(470,641)	0	(470,641)	0	(470,641)
Total comprehensive income		0	0	(470,641)	4,987,539	4,516,898	254,289	4,771,187
Transaction with owners								
Purchase of treasury shares	10	0	(393,547)	0	0	(393,547)	0	(393,547)
Total transaction with owners		0	(393,547)	0	0	(393,547)	0	(393,547)
Balance as at 31 December 2018		64,019,600	(1,450,702)	57,444,355	23,486,771	143,500,024	209,444	143,709,468

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

STATEMENT OF CHANGES IN EQUITY

for the financial year ended 31 December 2018

Company	Note	Non-distributable			Accumulated losses	Total equity
		Share capital	Treasury shares	Share premium		
		RM	RM	RM	RM	RM
Balance as at 1 January 2017		64,016,000	(527,791)	3,600	(9,983,230)	53,508,579
Loss for the financial year		0	0	0	(604,521)	(604,521)
Other comprehensive income, net of tax		0	0	0	0	0
Total comprehensive loss		0	0	0	(604,521)	(604,521)
Transaction with owners						
Purchase of treasury shares	10	0	(529,364)	0	0	(529,364)
Total transaction with owners		0	(529,364)	0	0	(529,364)
Transfer pursuant to Companies Act 2016	10	3,600	0	(3,600)	0	0
Balance as at 31 December 2017		64,019,600	(1,057,155)	0	(10,587,751)	52,374,694

	Note	Non-distributable			Accumulated losses	Total equity
		Share capital	Treasury shares			
		RM	RM		RM	RM
Balance as at 1 January 2018		64,019,600	(1,057,155)		(10,587,751)	52,374,694
Profit for the financial year		0	0		2,413,601	2,413,601
Other comprehensive income, net of tax		0	0		0	0
Total comprehensive income		0	0		2,413,601	2,413,601
Transaction with owners						
Purchase of treasury shares	10	0	(393,547)		0	(393,547)
Total transaction with owners		0	(393,547)		0	(393,547)
Balance as at 31 December 2018		64,019,600	(1,450,702)		(8,174,150)	54,394,748

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

STATEMENTS OF CASH FLOWS

for the financial year ended 31 December 2018



		Group		Company	
		2018	2017	2018	2017
Note		RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		5,870,281	10,580,612	2,413,601	(604,521)
Adjustments for:					
Depreciation of property, plant and equipment	5	6,845,581	7,605,603	0	0
Loss/(Gain) on disposal of property, plant and equipment		5,965	(134,953)	0	0
Cost of investment written off		0	0	80,000	0
Impairment losses on:					
- available-for-sale investment		0	36,000	0	36,000
- trade receivables	8(e)	1,158,041	0	0	0
Interest expense		2,942,274	3,323,828	0	63,535
Inventories written down	7(c)	2,011,086	0	0	0
Reversal of impairment losses on trade receivables	8(e)	(1,723,566)	0	0	0
Unrealised (gain)/loss on foreign exchange		(256,332)	341,984	0	0
Waiver of debts		0	0	483,561	0
Operating profit/(loss) before changes in working capital		16,853,330	21,753,074	2,977,162	(504,986)
Increase in inventories		(33,891,048)	(9,517,390)	0	0
Decrease/(Increase) in trade and other receivables		12,662,305	(1,028,318)	0	0
Increase/(Decrease) in trade and other payables		11,801,143	(9,921,178)	(2,587,247)	1,042,687
Cash generated from operations		7,425,730	1,286,188	389,915	537,701
Interest paid		(36,705)	(3,323,828)	0	0
Tax paid		(2,749,100)	(3,409,010)	0	0
Tax refunded		11,395	297,603	0	0
Net cash from/(used in) operating activities		4,651,320	(5,149,047)	389,915	537,701
CASH FLOWS FROM INVESTING ACTIVITIES					
Acquisition of a subsidiary		0	0	0	(2)
Acquisition of a subsidiary for cash, net of cash acquired		0	323,409	0	0
Purchase of property, plant and equipment	5(d)	(8,680,065)	(7,411,198)	0	0
Proceeds from disposal of property, plant and equipment		839	150,113	0	0
Net cash used in investing activities		(8,679,226)	(6,937,676)	0	(2)

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

STATEMENTS OF CASH FLOWS (Cont'd)

for the financial year ended 31 December 2018

		Group		Company	
		2018	2017	2018	2017
	Note	RM	RM	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES					
Repayments of commodity financing		0	(172,430)	0	0
Drawdown of short term borrowings		8,235,496	21,904,724	0	0
Repayments of term loans		(1,997,570)	(1,940,296)	0	0
Repayments of hire purchase and lease creditors		(1,320,555)	(909,850)	0	0
Purchase of treasury shares	10 (b)	(393,547)	(529,364)	(393,547)	(529,364)
Net cash from/(used in) financing activities		4,523,824	18,352,784	(393,547)	(529,364)
Net increase/(decrease) in cash and cash equivalents		495,918	6,266,061	(3,632)	8,335
Effect of exchange rate changes on cash and cash equivalents		100,970	(156,985)	0	0
Cash and cash equivalents at beginning of financial year		6,421,626	312,550	28,492	20,157
Cash and cash equivalents at end of financial year	9(b)	7,018,514	6,421,626	24,860	28,492

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Short term borrowings* (Note 12) RM	Term loans (Note 12) RM	Commodity financing (Note 12) RM	Hire purchase and lease creditors (Note 13) RM
Group				
Balance as at 1 January 2017	62,450,200	3,870,695	172,430	1,969,172
Cash flows	21,904,724	(1,940,296)	(172,430)	(909,850)
Non-cash flows:				
- purchase of property, plant and equipment	0	0	0	1,382,756
Balance as at 31 December 2017	<u>84,354,924</u>	<u>1,930,399</u>	<u>0</u>	<u>2,442,078</u>

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

STATEMENTS OF CASH FLOWS (Cont'd)

for the financial year ended 31 December 2018



RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES (Cont'd)

	Short term borrowings* (Note 12) RM	Term loans (Note 12) RM	Commodity financing (Note 12) RM	Hire purchase and lease creditors (Note 13) RM
Group				
Balance as at 1 January 2018	84,354,924	1,930,399	0	2,442,078
Cash flows	8,235,496	(1,997,570)	0	(1,320,555)
Non-cash flows	2,727,139	67,171	0	616,460
Balance as at 31 December 2018	<u>95,317,559</u>	<u>0</u>	<u>0</u>	<u>1,737,983</u>

* Short term borrowings are bankers' acceptances, discounting bills and revolving credit, excluding bank overdrafts.

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

NOTES TO THE FINANCIAL STATEMENTS

31 December 2018

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 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, 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 2018 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 15 April 2019.

2. PRINCIPAL ACTIVITIES

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

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

3. BASIS OF PREPARATION

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

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and amendments to MFRSs adopted during the financial year are set out in Note 27 to the financial statements.

The Group and the Company applied MFRS 15 *Revenue from Contracts with Customers* and MFRS 9 *Financial Instruments* for the first time during the current financial year, using the cumulative effect method as at 1 January 2018. Consequently, the comparative information were not restated and are not comparable to the financial information of the current financial year.

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, and also on the basis of accounting principles applicable to a going concern.

The Directors have considered the application of the going concern basis in the preparation of financial statements to be appropriate, given the ability of the Company to generate adequate net cash inflows in the foreseeable future. In relation to this, the Company has assessed its cash flow position for the next twelve months to ensure that the Company has sufficient funds to meet its obligations as and when it falls due.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018



4. OPERATING SEGMENTS

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

The following tables provided an analysis of the Group's segment revenue and non-current assets by geographical segment.

	Revenue		Non-current assets	
	2018	2017	2018	2017
	RM	RM	RM	RM
Malaysia	226,636,158	192,796,733	156,964,113	154,631,232
China	35,322,281	27,458,212	0	0
Hong Kong	0	15,845,547	0	0
Macau	10,159,845	0	0	0
United Kingdom	6,310,521	0	0	0
Others	5,603,386	7,661,011	0	0
	284,032,191	243,761,503	156,964,113	154,631,232

Major customers

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018

5. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.1.2018 RM	Additions RM	Disposal RM	Reclassification RM	Depreciation charge for the financial year RM	Balance as at 31.12.2018 RM
Carrying amount						
<u>At Valuation</u>						
Buildings	49,823,350	187,352	0	0	(1,398,969)	48,611,733
Freehold land	42,300,000	0	0	0	0	42,300,000
Short term leasehold land	20,200,000	0	0	0	(588,824)	19,611,176
<u>At Cost</u>						
Plant and machinery	30,788,591	5,347,628	0	3,564,926	(3,996,422)	35,704,723
Furniture, fittings and office equipment	1,288,844	107,417	(2,120)	0	(206,332)	1,187,809
Electrical and other installations	4,504	0	0	0	0	4,504
Tools and equipment	49,928	0	0	0	(9,129)	40,799
Motor vehicles	2,838,616	533,395	(4,684)	0	(645,905)	2,721,422
Capital work-in-progress	7,278,973	3,009,474	0	(3,564,926)	0	6,723,521
	154,572,806	9,185,266	(6,804)	0	(6,845,581)	156,905,687

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018



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

	2018				
	Cost RM	Valuation RM	Accumulated depreciation RM	Accumulated impairment losses RM	Carrying amount RM
Group					
Buildings	0	50,010,702	(1,398,969)	0	48,611,733
Freehold land	0	42,300,000	0	0	42,300,000
Short term leasehold land	0	20,200,000	(588,824)	0	19,611,176
Plant and machinery	138,855,158	0	(103,150,435)	0	35,704,723
Furniture, fittings and office equipment	4,560,924	0	(3,373,115)	0	1,187,809
Electrical and other installations	3,370,196	0	(3,365,692)	0	4,504
Tools and equipment	2,080,393	0	(2,039,594)	0	40,799
Motor vehicles	6,971,101	0	(4,249,679)	0	2,721,422
Capital work-in-progress	7,212,613	0	0	(489,092)	6,723,521
	163,050,385	112,510,702	(118,166,308)	(489,092)	156,905,687

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018

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

Group	Balance as at 1.1.2017 RM	Additions RM	Disposal RM	Revaluation RM	Depreciation charge for the financial year RM	Balance as at 31.12.2017 RM
Carrying amount						
<u>At Valuation</u>						
Buildings	48,539,700	1,225,516	0	1,394,385	(1,336,251)	49,823,350
Freehold land	42,300,000	0	0	0	0	42,300,000
Short term leasehold land	20,200,000	0	0	572,143	(572,143)	20,200,000
<u>At Cost</u>						
Plant and machinery	34,687,125	885,174	0	0	(4,783,708)	30,788,591
Furniture, fittings and office equipment	1,312,101	183,664	0	0	(206,921)	1,288,844
Electrical and other installations	4,504	0	0	0	0	4,504
Tools and equipment	55,760	4,500	0	0	(10,332)	49,928
Motor vehicles	1,908,592	1,641,432	(15,160)	0	(696,248)	2,838,616
Capital work-in-progress	2,425,305	4,853,668	0	0	0	7,278,973
	151,433,087	8,793,954	(15,160)	1,966,528	(7,605,603)	154,572,806

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018



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

	2017		2017		Carrying amount
	Cost	Valuation	Accumulated depreciation	Accumulated impairment losses	
Group	RM	RM	RM	RM	RM
Buildings	0	49,823,350	0	0	49,823,350
Freehold land	0	42,300,000	0	0	42,300,000
Short term leasehold land	0	20,200,000	0	0	20,200,000
Plant and machinery	129,942,604	0	(99,154,013)	0	30,788,591
Furniture, fittings and office equipment	4,456,307	0	(3,167,463)	0	1,288,844
Electrical and other installations	3,370,196	0	(3,365,692)	0	4,504
Tools and equipment	2,080,393	0	(2,030,465)	0	49,928
Motor vehicles	6,443,815	0	(3,605,199)	0	2,838,616
Capital work-in-progress	7,768,065	0	0	(489,092)	7,278,973
	154,061,380	112,323,350	(111,322,832)	(489,092)	154,572,806

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018

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

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

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

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

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

Buildings	2% - 3%
Plant and machinery	2.5% - 10%
Furniture, fittings and office equipment	14%
Electrical and other installations	10% - 14%
Tools and equipment	10%
Motor vehicles	14%

Freehold land has unlimited useful life and is not depreciated. Short term leasehold land is depreciated over the period of the lease of 60 years. The short term leasehold land has a remaining tenure of 35 years to 36 years (2017: 36 years to 37 years).

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

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

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

	Group	
	2018	2017
	RM	RM
Buildings	24,078,067	24,696,418
Freehold land	15,509,485	15,509,485
Short term leasehold land	3,091,099	3,182,880
	<u>42,678,651</u>	<u>43,388,783</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018



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

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

	Group	
	2018	2017
	RM	RM
Level 2		
Buildings	48,611,733	49,823,350
Freehold land	42,300,000	42,300,000
Short term leasehold land	19,611,176	20,200,000
	<u>110,522,909</u>	<u>112,323,350</u>

- (i) There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 31 December 2018 and 31 December 2017.
- (ii) Level 2 fair value of freehold land, short term leasehold land and buildings (at valuation) was determined by external and independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. It has been derived from observable recent transacted prices of similar land and buildings in the local market.
- (d) During the financial year, the Group made the following cash payments to purchase property, plant and equipment:

	Group	
	2018	2017
	RM	RM
Purchase of property, plant and equipment	9,185,266	8,793,954
Financed by hire purchase arrangements	(505,201)	(1,382,756)
Cash payments on purchase of property, plant and equipment	<u>8,680,065</u>	<u>7,411,198</u>

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

	Group	
	2018	2017
	RM	RM
Plant and machinery	1,080,000	1,260,000
Motor vehicles	<u>2,461,753</u>	<u>2,573,358</u>
	<u>3,541,753</u>	<u>3,833,358</u>

Details of the terms and conditions and information on financial risks of the hire purchase arrangements are disclosed in Note 13 and Note 26 to the financial statements.

- (f) As at 31 December 2018, freehold land, short term leasehold land and buildings of the Group with carrying amount of RM106,966,652 (2017: RM108,706,230) have been charged to banks for credit facilities granted to the Group as disclosed in Note 12(b) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018

6. INVESTMENTS IN SUBSIDIARIES

	Company	
	2018 RM	2017 RM
At cost:		
Unquoted shares	59,249,493	59,329,493
Fair value of share options allocated to subsidiaries	1,684,535	1,684,535
Less: Impairment loss	(6,323,681)	(6,323,681)
	54,610,347	54,690,347
Movement of impairment loss:		
Balance as at 1 January	6,323,681	6,323,684
Reversal of impairment loss	0	(3)
Balance as at 31 December	6,323,681	6,323,681

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

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

- (b) Details of the subsidiaries are as follows:

Name of company	Country of incorporation	Effective ownership interest		Principal activities
		2018 %	2017 %	
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, trading of steel products and providing transportation services
Leader Steel Tubes Sdn. Bhd. #	Malaysia	100	100	Inactive
Leader Minerals (Malaysia) Sdn. Bhd. #	Malaysia	100	100	Inactive
Leader Minerals Corporation Sdn. Bhd. #	Malaysia	100	100	Inactive
GCH Metal Service Centre Sdn. Bhd. #	Malaysia	0	100	Dissolved
FerroNet Asia Sdn. Bhd. #	Malaysia	100	100	Inactive
Subsidiaries of Leader Steel Sdn. Bhd.				
ACME United Sdn. Bhd. #	Malaysia	51	51	Inactive
Padma Minerals Co., Limited *	Hong Kong	100	100	Trading of minerals
Aurea Canyon Mining Sdn. Bhd. #	Malaysia	100	100	Inactive

Subsidiaries audited by BDO PLT in Malaysia.

* Subsidiary not audited by BDO PLT in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018



6. INVESTMENTS IN SUBSIDIARIES (Cont'd)

- (c) During the financial year, GCH Metal Service Centre Sdn. Bhd., a dormant wholly-owned subsidiary of the Company had submitted a strike off application to the Companies Commission of Malaysia. GCH Metal Service Centre Sdn. Bhd. had been dissolved and ceased to be a wholly-owned subsidiary of the Group with effect from 31 December 2018. The financial results of the subsidiary being deregistered are insignificant to the Group.
- (d) On 10 January 2017, Leader Steel Sdn. Bhd., a wholly-owned subsidiary, had acquired 2 ordinary shares, representing 100% of the total issued and paid-up share capital in Aurea Canyon Mining Sdn. Bhd. from Dato' Goh Cheng Huat and Datin Tan Pak Say for RM2.
- (i) The identifiable assets and liability of Aurea Canyon Mining Sdn. Bhd. as at the date of acquisition are as follows:

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

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

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

- (iii) In the previous financial year, the effect of this acquisition on the financial results of the Group was as follows:

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018

6. INVESTMENTS IN SUBSIDIARIES (Cont'd)

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

(iv) In the previous financial year, the effect of this acquisition on the financial position of the Group was as follows:

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

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

	ACME United Sdn. Bhd.	
	2018	2017
	RM	RM
NCI percentage of ownership interest and voting interest	49%	49%
Carrying amount of NCI (RM)	<u>209,444</u>	<u>(44,845)</u>
Profit/(Loss) allocated to NCI (RM)	<u>254,289</u>	<u>(117,619)</u>

- (f) 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.	
	2018	2017
	RM	RM
Assets and liabilities		
Non-current assets	308,119	509,035
Current assets	6,864	5,779
Current liabilities	<u>(6,000)</u>	<u>(724,789)</u>
Net assets/(liabilities)	<u>308,983</u>	<u>(209,975)</u>
Result		
Revenue	0	0
Profit/(Loss) for the financial year	518,958	(240,039)
Total comprehensive income/(loss)	<u>518,958</u>	<u>(240,039)</u>
Cash flows used in operating activities	<u>(540)</u>	<u>(672)</u>
Net decrease in cash and cash equivalents	<u>(540)</u>	<u>(672)</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018



7. INVENTORIES

	Group	
	2018	2017
	RM	RM
At cost		
Raw materials	43,567,095	24,370,011
Manufactured inventories	23,195,570	17,918,521
Trading inventories	5,250,757	1,231,301
Goods-in-transit	5,629,880	4,804,608
	77,643,302	48,324,441
At net realisable value		
Raw materials	1,858,238	0
Manufactured inventories	528,880	0
Trading inventories	8,208,467	8,034,484
	10,595,585	8,034,484
Total	88,238,887	56,358,925

- (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 RM242,496,659 (2017: RM194,158,387).
- (c) During the financial year, the Group had written down its inventories under cost of sales. The details of written down are as follows:

	Group	
	2018	2017
	RM	RM
Raw Materials	1,486,523	0
Manufactured inventories	459,013	0
Trading inventories	65,550	0
	2,011,086	0

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Trade receivables				
Third parties	30,933,834	30,972,004	0	0
Related parties	198,634	3,894,051	0	0
	31,132,468	34,866,055	0	0
Less: Impairment loss				
- third parties	(4,483,046)	(3,789,187)	0	0
	26,649,422	31,076,868	0	0
Other receivables				
Other receivables	5,034,186	7,529,887	0	0
Less: Impairment loss	(1,480,061)	(1,474,708)	0	0
	3,554,125	6,055,179	0	0
Deposits	390,852	345,488	0	0
Total receivables	30,594,399	37,477,535	0	0
Prepayments	2,341,102	8,620,266	17,502	17,502
	32,935,501	46,097,801	17,502	17,502

- (a) Total receivables are classified as financial assets measured at amortised cost.
- (b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 14 to 90 days (2017: 14 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (c) The currency exposure profile of trade and other receivables, net of prepayments is as follows:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Ringgit Malaysia	18,031,873	34,359,468	0	0
United States Dollar	12,502,356	2,931,574	0	0
Singapore Dollar	0	124,193	0	0
Chinese Yuan	60,170	62,300	0	0
	30,594,399	37,477,535	0	0

- (d) Impairment for trade receivables that do not contain a significant financing component are recognised based on the simplified approach using the lifetime expected credit losses.

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information (inflation rate) and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018



8. TRADE AND OTHER RECEIVABLES (Cont'd)

(d) (Cont'd)

It requires management to exercise significant judgement in determining the probability of default by trade receivables and appropriate forward looking information.

The following table provides information about lifetime expected loss provision for trade receivables as at 31 December 2018 which are grouped together with similar loss experience, except for the credit impaired trade receivables:

	Current	More than 1 to 90 days past due	More than 90 days past due	Credit impaired- individually impaired	Total RM
Expected loss rate	0.005%	0.002%	46.648%	100.000%	
Gross carrying amount (RM)	15,381,241	9,945,656	2,480,566	3,325,005	31,132,468
Impairment (RM)	766	150	1,157,125	3,325,005	4,483,046

During the financial year, the Group did not renegotiate the terms of any trade receivables.

Credit impaired refers to individually determined trade receivables who are in significant financial difficulties and have defaulted on payments to be impaired as at the financial year end.

(e) Movements in the impairment allowance for trade receivables are as follows:

	Group	
	2018 RM	2017 RM
Balance as at 1 January under MFRS 139	3,789,187	3,987,773
Restated through opening retained earnings	1,223,566	0
Opening impairment loss of trade receivables in accordance with MFRS 9	5,012,753	3,987,773
Reversal of impairment losses	(1,723,566)	0
Charge for the financial year	1,158,041	0
Exchange differences	35,818	(198,586)
Balance as at 31 December	4,483,046	3,789,187

(f) Movements in the impairment allowance for other receivables are as follows:

	Group Credit impaired	
	2018 RM	2017 RM
Balance as at 1 January	1,474,708	1,414,926
Exchange differences	5,353	59,782
Balance as at 31 December	1,480,061	1,474,708

Credit impaired refers to individually determined other receivables who are in significant financial difficulties and have defaulted on payments to be impaired as at the financial year end.

No further expected credit loss is recognised arising from the other receivables as it is negligible.

(g) Information on financial risks of trade and other receivables is disclosed in Note 26 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018

9. CASH AND BANK BALANCES

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Cash and bank balances	7,790,568	6,421,626	24,860	28,492

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

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Ringgit Malaysia	6,761,204	4,169,665	24,860	28,492
United States Dollar	877,797	1,900,436	0	0
Singapore Dollar	17,911	18,512	0	0
Chinese Yuan	111,326	322,352	0	0
Hong Kong Dollar	22,330	10,661	0	0
	7,790,568	6,421,626	24,860	28,492

(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	
	2018	2017	2018	2017
	RM	RM	RM	RM
Cash and bank balances	7,790,568	6,421,626	24,860	28,492
Bank overdrafts included in borrowing (Note 12)	(772,054)	0	0	0
	7,018,514	6,421,626	24,860	28,492

(c) No expected credit losses were recognised arising from the bank balances because the probability of default by these financial institutions were negligible.

(d) Information on financial risks of cash and bank balances is disclosed in Note 26 to the financial statements.

10. SHARE CAPITAL

(a) Share capital

	Group and Company			
	2018		2017	
	Number of shares	RM	Number of shares	RM
Issued and fully paid				
Balance as at 1 January	128,032,000	64,019,600	128,032,000	64,016,000
Transfer from share premium account pursuant to the new Companies Act 2016	0	0	0	3,600
Balance as at 31 December	128,032,000	64,019,600	128,032,000	64,019,600

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018



10. SHARE CAPITAL (Cont'd)

(a) Share capital (Cont'd)

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

(b) Treasury shares

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting ('AGM') held on 28 May 2018, renewed the approval for the Company to repurchase its own shares.

	Group and Company			
	2018		2017	
	Number of shares	RM	Number of shares	RM
Balance as at 1 January	(2,760,800)	(1,057,155)	(1,742,800)	(527,791)
Purchase of treasury shares	(1,163,100)	(393,547)	(1,018,000)	(529,364)
Balance as at 31 December	<u>(3,923,900)</u>	<u>(1,450,702)</u>	<u>(2,760,800)</u>	<u>(1,057,155)</u>

- (i) When the Group repurchases its own shares, the shares repurchased would be accounted for using the treasury stock method.

Where the treasury stock method is applied, the shares repurchased and held as treasury shares shall be measured and carried at the cost of repurchase on initial recognition and subsequently. It shall not be revalued for subsequent changes in the fair value or market price of the shares.

The carrying amount of the treasury shares shall be offset against equity in the statements of financial position. To the extent that the carrying amount of the treasury shares exceeds the share premium account, it shall be considered as a reduction of any other reserves as may be permitted by the Companies Act 2016 in Malaysia.

No gain or loss is recognised in profit or loss on the purchase, sale, issue or cancellation of the own equity instruments of the Company. If such shares are issued by resale, any difference between the sale consideration and the carrying amount is shown as a movement in equity.

- (ii) During the financial year, the Company repurchased a total of 1,163,100 (2017: 1,018,000) of its issued ordinary shares from the open market at an average price of RM0.338 (2017: RM0.520) per share. The total consideration paid for the repurchase shares was RM393,547 (2017: RM529,364). The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 59 of the Companies Act 2016 in Malaysia.

As at 31 December 2018, 3,923,900 (2017: 2,760,800) out of the total 128,032,000 (2017: 128,032,000) issued and fully paid ordinary shares are held as treasury shares by the Company. The number of ordinary shares in issue and fully paid as at 31 December 2018 after excluding the treasury shares is 124,108,100 (2017: 125,271,200).

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018

11. RESERVES

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Non-distributable:				
Revaluation reserve	57,444,355	57,914,996	0	0
Distributable:				
Retained earnings/(Accumulated losses)	23,486,771	19,722,798	(8,174,150)	(10,587,751)
	80,931,126	77,637,794	(8,174,150)	(10,587,751)

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

12. BORROWINGS

	Group	
	2018	2017
	RM	RM
Current		
<i>Secured</i>		
Bankers' acceptances	86,512,000	79,448,346
Bank overdrafts (Note 9)	772,054	0
Discounting bills	3,903,326	0
Hire purchase and lease creditors (Note 13)	1,118,565	1,162,048
Revolving credit	4,902,233	4,906,578
Term loans	0	1,930,399
	97,208,178	87,447,371
Non-current		
<i>Secured</i>		
Hire purchase and lease creditors (Note 13)	619,418	1,280,030
Total borrowings		
Bankers' acceptances	86,512,000	79,448,346
Bank overdrafts (Note 9)	772,054	0
Discounting bills	3,903,326	0
Hire purchase and lease creditors (Note 13)	1,737,983	2,442,078
Revolving credit	4,902,233	4,906,578
Term loans	0	1,930,399
	97,827,596	88,727,401

(a) All borrowings are denominated in Ringgit Malaysia.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018



12. 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 as disclosed in Note 5(f) to the financial statements

	Group	
	2018	2017
	RM	RM
Freehold land	42,300,000	42,300,000
Short term leasehold land	19,611,176	20,200,000
Buildings	45,055,476	46,206,230
	106,966,652	108,706,230

- (ii) corporate guarantee of RM221,190,000 (2017: RM226,690,000) by the Company.

- (c) Information on financial risks of borrowing is disclosed in Note 26 to the financial statements.

13. HIRE PURCHASE AND LEASE CREDITORS

	Group	
	2018	2017
	RM	RM
Minimum hire purchase and lease payments:		
- not later than one (1) year	1,188,581	1,268,716
- later than one (1) year but not later than five (5) years	642,487	1,341,700
Total minimum hire purchase and lease payments	1,831,068	2,610,416
Less: Future interest charges	(93,085)	(168,338)
Present value of hire purchase and lease payments	1,737,983	2,442,078
Repayable as follows:		
Current liabilities:		
- not later than one (1) year (Note 12)	1,118,565	1,162,048
Non-current liabilities		
- later than one (1) year and not later than five (5) years (Note 12)	619,418	1,280,030
	1,737,983	2,442,078

- (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 26 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018

14. DEFERRED TAX LIABILITIES

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

	Group	
	2018 RM	2017 RM
Balance as at 1 January	13,728,522	13,168,446
Recognised in profit or loss (Note 22)	(236,581)	88,111
Recognised in other comprehensive income	470,641	471,965
Balance as at 31 December	<u>13,962,582</u>	<u>13,728,522</u>
Presented after appropriate offsetting:		
Deferred tax assets	(476,255)	(1,646,796)
Deferred tax liabilities	<u>14,438,837</u>	<u>15,375,318</u>
	<u>13,962,582</u>	<u>13,728,522</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018



14. DEFERRED TAX LIABILITIES (Cont'd)

(b) Deferred tax (assets)/liabilities are attributable to the following:

Group

	Assets		Liabilities		Net	
	2018 RM	2017 RM	2018 RM	2017 RM	2018 RM	2017 RM
Property, plant and equipment	0	0	4,443,585	5,529,349	4,443,585	5,529,349
Provisions	(208,816)	(328,606)	0	0	(208,816)	(328,606)
Other deductible temporary differences	(267,439)	(1,318,190)	0	0	(267,439)	(1,318,190)
Revaluation of freehold and leasehold land and buildings	0	0	9,995,252	9,845,969	9,995,252	9,845,969
Deferred tax (assets)/liabilities	(476,255)	(1,646,796)	14,438,837	15,375,318	13,962,582	13,728,522
	Provisions RM	Unutilised reinvestment allowance RM	Other deductible temporary differences RM	Revaluation of freehold and leasehold land and buildings RM	Property, plant and equipment RM	Total RM
Balance as at 1 January 2018	(328,606)	0	(1,318,190)	9,845,969	5,529,349	13,728,522
Recognised in profit or loss	119,790	0	1,050,751	(321,358)	(1,085,764)	(236,581)
Recognised in other comprehensive income	0	0	0	470,641	0	470,641
Balance as at 31 December 2018	(208,816)	0	(267,439)	9,995,252	4,443,585	13,962,582
Balance as at 1 January 2017	(328,606)	(615,813)	(1,589,912)	9,676,693	6,026,084	13,168,446
Recognised in profit or loss	0	615,813	271,722	(302,689)	(496,735)	88,111
Recognised in other comprehensive income	0	0	0	471,965	0	471,965
Balance as at 31 December 2017	(328,606)	0	(1,318,190)	9,845,969	5,529,349	13,728,522

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018

14. DEFERRED TAX LIABILITIES (Cont'd)

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

	Group	
	2018 RM	2017 RM
Unabsorbed capital allowances	256,800	196,580
Unabsorbed tax losses	461,800	461,800
	718,600	658,380

Deferred tax assets of certain subsidiaries have not been recognised in respect of these items as it is not probable that taxable profits of the subsidiaries will be available against which the deductible temporary differences can be utilised. The unabsorbed tax losses up to the year of assessment 2018 shall be deductible until year of assessment 2025. The unabsorbed tax losses for the year of assessment 2019 onwards will expire in 7 years.

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade payables				
Third parties	14,451,894	5,306,086	0	0
Amount due to related parties	1,409,949	6,531,744	0	0
	15,861,843	11,837,830	0	0
Other payables				
Amount due to Directors	11,510	11,510	0	0
Amount due to subsidiaries	0	0	0	2,083,855
Amount due to related parties	5,315,812	717,781	0	0
Accrued expenses	3,272,392	2,016,061	66,500	46,700
Other payables	7,966,646	6,041,194	201,223	240,854
	16,566,360	8,786,546	267,723	2,371,409
	32,428,203	20,624,376	267,723	2,371,409

- (a) Trade and other payables are classified as financial liabilities measured at amortised cost.
- (b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 14 to 120 days (2017: 14 to 120 days).
- (c) In the previous financial year, the amount due to subsidiaries was non-trade in nature, unsecured, which bore interest at rates ranging from 4.56% to 4.64% per annum and payable upon demand in cash and cash equivalents.
- (d) Amount due to Directors and amount due to related parties are unsecured, interest-free and payable upon demand in cash and cash equivalents.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018



15. TRADE AND OTHER PAYABLES (Cont'd)

(e) The currency exposure profile of trade and other payables is as follows:

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Ringgit Malaysia	19,198,161	15,802,063	267,723	2,371,409
United States Dollar	9,782,389	3,527,449	0	0
Chinese Yuen	3,447,653	1,246,000	0	0
Hong Kong Dollar	0	48,864	0	0
	32,428,203	20,624,376	267,723	2,371,409

(f) Information on financial risks of trade and other payables is disclosed in Note 26 to the financial statements.

16. CONTINGENT LIABILITIES

- (a) 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.
- (b) The Company has given corporate guarantees to financial institutions for credit facilities granted to its subsidiaries for a limit of up to RM221,190,000 (2017: RM226,690,000) of which RM79,146,924 (2017: RM88,727,401) was utilised at the end of reporting period.

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.

17. 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 (Cont'd)

31 December 2018

17. 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:

	Group	
	2018	2017
	RM	RM
Not later than one (1) year	215,600	182,000
Later than one (1) year and not later than five (5) years	7,150	0
	<u>222,750</u>	<u>182,000</u>

(b) Capital commitments

	Group	
	2018	2017
	RM	RM
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided for	<u>1,176,000</u>	<u>0</u>

18. REVENUE

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Revenue from contracts with customers:				
- Sales of goods	284,032,191	243,761,503	0	0
Other revenue:				
- Dividend income	0	0	3,405,062	0
	<u>284,032,191</u>	<u>243,761,503</u>	<u>3,405,062</u>	<u>0</u>

(a) Sale of goods

Revenue from sale of goods is recognised at a point in time when the goods has been transferred to the customer and coincides with the delivery of goods and acceptance by customers.

There is no right of return and warranty provided to the customers on the sale of goods.

There is no significant financing component in the revenue arising from sale of goods as the sales are made on the normal credit terms not exceeding twelve months.

(b) Dividend income

Dividend income is recognised when the right to receive payment is established.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018



19. FINANCE COSTS

	Group	
	2018	2017
	RM	RM
Interest expenses on:		
Bank overdrafts	36,705	84,736
Term loans	67,171	235,049
Hire purchases	111,259	135,638
Bankers' acceptances	2,445,984	2,544,632
Revolving credit	281,155	260,880
Others	0	62,893
	2,942,274	3,323,828

20. EMPLOYEE BENEFITS

	Group	
	2018	2017
	RM	RM
Wages, salaries, bonuses and incentive	8,802,785	6,657,147
Contributions to defined contribution plan	955,608	787,937
Social security contributions	89,770	73,179
Other benefits	1,689,544	1,308,125
	11,537,707	8,826,388

21. DIRECTORS' REMUNERATION

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Directors of the Company				
Executive:				
- fees	75,000	75,000	75,000	75,000
- remuneration	1,313,455	1,485,900	0	0
- other emoluments	8,000	0	8,000	6,000
	1,396,455	1,560,900	83,000	81,000
Non-executive:				
- fees	125,000	125,000	125,000	125,000
- other emoluments	66,000	65,000	20,000	19,000
	191,000	190,000	145,000	144,000
Total Directors' remuneration	1,587,455	1,750,900	228,000	225,000

Estimated monetary value of benefits-in-kind provided to the Executive Directors of the Company is RM63,850 (2017: RM48,065).

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018

22. TAX EXPENSE

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Current tax expense for the financial year	1,074,576	3,007,188	0	0
Overprovision in prior years	(209,542)	(166,053)	0	0
	<u>865,034</u>	<u>2,841,135</u>	<u>0</u>	<u>0</u>
Deferred tax (Note 14):				
Relating to origination and reversal of temporary differences	(359,400)	338,493	0	0
Crystallisation of deferred tax liability on revaluation surplus	(321,360)	(302,689)	0	0
Underprovision in prior years	444,179	52,307	0	0
	<u>(236,581)</u>	<u>88,111</u>	<u>0</u>	<u>0</u>
	<u>628,453</u>	<u>2,929,246</u>	<u>0</u>	<u>0</u>

The Malaysian income tax is calculated at the statutory tax rate of 24% (2017: 24%) of the estimated taxable profits for the fiscal year.

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	
	2018 RM	2017 RM	2018 RM	2017 RM
Profit/(Loss) before tax	<u>5,870,281</u>	<u>10,580,612</u>	<u>2,413,601</u>	<u>(604,521)</u>
Tax at Malaysian statutory tax rate of 24% (2017: 24%)	1,408,867	2,539,347	579,264	(145,085)
Tax effects in respect of:				
Non-allowable expenses	578,685	781,012	248,409	145,085
Non-taxable income	(1,480,952)	(311,418)	(827,673)	0
Lower tax rates in foreign jurisdiction	(173,004)	(13,269)	0	0
Deferred tax assets not recognised	60,220	47,320	0	0
	<u>393,816</u>	<u>3,042,992</u>	<u>0</u>	<u>0</u>
Overprovision of tax expense in prior years	(209,542)	(166,053)	0	0
Underprovision of deferred tax in prior years	444,179	52,307	0	0
	<u>628,453</u>	<u>2,929,246</u>	<u>0</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018



22. TAX EXPENSE (Cont'd)

Tax on each component of other comprehensive income is as follows:

	Before tax RM	Group Tax effect RM	After tax RM
2018			
Items that will not be reclassified subsequently to profit or loss			
Deferred tax relating to revalued properties	<u>(470,641)</u>	<u>0</u>	<u>(470,641)</u>
2017			
Items that may be reclassified subsequently to profit or loss			
Reclassification adjustment relating to subsidiary dissolved during the financial year	<u>(2,545)</u>	<u>0</u>	<u>(2,545)</u>
Items that will not be reclassified subsequently to profit or loss			
Gross revaluation increase of properties	1,966,528	0	1,966,528
Deferred tax relating to revalued properties	<u>(471,965)</u>	<u>0</u>	<u>(471,965)</u>
	<u>1,494,563</u>	<u>0</u>	<u>1,494,563</u>

23. BASIC AND DILUTED EARNINGS PER SHARE

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

	Group	
	2018 RM	2017 RM
Profit attributable to equity holders of the parent	<u>4,987,539</u>	<u>7,768,985</u>
Weighted average number of ordinary shares in issue (units)	<u>126,789,187</u>	<u>127,275,496</u>
Basic earnings per ordinary share (sen)	<u>3.93</u>	<u>6.10</u>

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018

24. RELATED PARTY DISCLOSURES

(a) Identities of related parties

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

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

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

	Group		Company	
	2018	2017	2018	2017
	RM	RM	RM	RM
Related parties:				
Rental of premise	307,500	318,000	0	0
Purchase of property, plant and equipment	(4,036,709)	0	0	0
Sales	2,607,436	3,403,657	0	0
Purchases	(2,800,606)	(23,556,705)	0	0
Subsidiaries:				
Dividend income	0	0	3,405,062	0
Waiver of debts	0	0	483,561	0
Interest expenses	0	0	0	(63,535)

Balances with related parties at the end of the financial year are disclosed in Note 8 and Note 15 to the financial statements.

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

(c) Compensation of key management personnel

The key management personnel comprise the Executive Directors and Non Executive Directors of the Group and their remuneration during the financial year are disclosed in Note 21 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018



25. 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	
	2018	2017	2018	2017
	RM	RM	RM	RM
Borrowings	97,827,596	88,727,401	0	0
Trade and other payables	32,428,203	20,624,376	267,723	2,371,409
Total loans and borrowings	130,255,799	109,351,777	267,723	2,371,409
Total equity	143,709,468	140,555,394	54,394,748	52,374,694
Total capital	273,965,267	249,907,171	54,662,471	54,746,103
Debt-to-equity ratio	0.91 : 1	0.78 : 1	0.01 : 1	0.05 : 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 2018.

The Group and the Company have complied with these externally imposed capital requirements as at the end of reporting period.

(b) Categories of financial instruments

	Group	Company
	RM	RM
31 December 2018		
Financial assets		
Amortised cost		
Trade and other receivables, net of prepayments	30,594,399	0
Cash and bank balances	7,790,568	24,860
	38,384,967	24,860
Financial liabilities		
Amortised cost		
Borrowings	97,827,596	0
Trade and other payables	32,428,203	267,723
	130,255,799	267,723

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018

25. FINANCIAL INSTRUMENTS (Cont'd)

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

	Group RM	Company RM
31 December 2017		
Financial assets		
Loans and receivables		
Trade and other receivables, net of prepayments	37,477,535	0
Cash and bank balances	6,421,626	28,492
	<u>43,899,161</u>	<u>28,492</u>
Financial liabilities		
Other financial liabilities		
Borrowings	88,727,401	0
Trade and other payables	20,624,376	2,371,409
	<u>109,351,777</u>	<u>2,371,409</u>

(c) Methods and assumptions used to estimate fair value

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

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

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

- (ii) Hire purchase and lease creditors

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

(d) Fair value hierarchy

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018



25. 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.

Group	Fair value of financial instruments carried at fair value					Fair value of financial instruments not carried at fair value					Total	
	Level 1		Level 2		Level 3		Level 1		Level 2		Level 3	
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
2018												
Financial liability												
Armortised cost												
Hire purchase and lease creditors	0	0	0	0	0	0	0	0	1,704,040	0	1,704,040	1,704,040
												1,737,983
2017												
Financial liability												
Other financial liability												
Hire purchase and lease creditors	0	0	0	0	0	0	0	0	2,382,005	0	2,382,005	2,382,005
												2,442,078

There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 31 December 2018 and 31 December 2017.

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

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

(a) Credit risk

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

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

Exposure to credit risk

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

Credit risk concentration profile

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

	2018		2017	
	RM	% of total	RM	% of total
By countries				
Malaysia	14,770,291	55%	28,710,424	92%
China	11,879,131	45%	2,366,444	8%
	26,649,422	100%	31,076,868	100%
By industry sectors				
Minerals	13,350,131	50%	13,948,047	45%
Steel product and trading activity	13,299,291	50%	17,128,821	55%
	26,649,422	100%	31,076,868	100%

At the end of each reporting period, approximately one percent (1%) (2017: 8%) 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. The Group do not anticipate the carrying amounts recorded at the end of each reporting period to be significantly different from the values that would eventually be received.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018



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

(b) Liquidity and cash flow risk

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

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

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

	On demand or within one (1) year RM	One (1) to five (5) years RM	Total RM
As at 31 December 2018			
Group			
Financial liabilities			
Trade and other payables	32,428,203	0	32,428,203
Borrowings	97,278,194	642,488	97,920,682
Total undiscounted financial liabilities	<u>129,706,397</u>	<u>642,488</u>	<u>130,348,885</u>
Company			
Financial liabilities			
Other payables	267,723	0	267,723
Financial guarantee contract	79,146,924	0	79,146,924
Total undiscounted financial liabilities	<u>79,414,647</u>	<u>0</u>	<u>79,414,647</u>
As at 31 December 2017			
Group			
Financial liabilities			
Trade and other payables	20,624,376	0	20,624,376
Borrowings	87,628,236	1,341,700	88,969,936
Total undiscounted financial liabilities	<u>108,252,612</u>	<u>1,341,700</u>	<u>109,594,312</u>
Company			
Financial liabilities			
Other payables	2,371,409	0	2,371,409
Financial guarantee contract	88,727,401	0	88,727,401
Total undiscounted financial liabilities	<u>91,098,810</u>	<u>0</u>	<u>91,098,810</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018

26. 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	
		2018	2017
		RM	RM
USD/RM	- strengthen by 10% (2017: 10%)	273,430	99,147
	- weaken by 10% (2017: 10%)	<u>(273,430)</u>	<u>(99,147)</u>

(d) Interest rate risk

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

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

Sensitivity analysis for interest rate risk

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

		Effect on profit after tax (Decrease)/Increase Group	
		2018	2017
		RM	RM
	- Increase by 0.1% (2017:0.1%)	(20,661)	(26,301)
	- Decrease by 0.1% (2017:0.1%)	<u>20,661</u>	<u>26,301</u>

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018



26. 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 one (1) year RM	One (1) to two (2) years RM	Two (2) to three (3) years RM	Three (3) to four (4) years RM	Four (4) to five (5) years RM	Total RM
As at 31 December 2018								
Fixed rate								
Hire purchase and lease creditors	13	4.75%	1,118,565	515,407	104,011	0	0	1,737,983
Floating rates								
Bankers' acceptances	12	4.30%	86,512,000	0	0	0	0	86,512,000
Revolving credit	12	4.46%	4,902,233	0	0	0	0	4,902,233
As at 31 December 2017								
Fixed rate								
Hire purchase and lease creditors	13	5.50	1,162,048	874,482	405,548	0	0	2,442,078
Floating rates								
Bankers' acceptances	12	4.10	79,448,346	0	0	0	0	79,448,346
Revolving credit	12	5.60	4,906,578	0	0	0	0	4,906,578
Term loans	12	7.74	1,930,399	0	0	0	0	1,930,399

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018

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

(d) Interest rate risk (Cont'd)

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

Company	Note	Weighted average effective interest rate %	Within one (1) year RM
As at 31 December 2017			
Floating rate			
Amount due to subsidiaries	15	4.54	<u>2,083,855</u>

27. ADOPTION OF NEW MFRSs AND AMENDMENT TO MFRSs

27.1 New MFRSs adopted during the financial year

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

Title	Effective Date
Amendments to MFRS 1 <i>Annual Improvements to MFRS Standards 2014 - 2016 Cycle</i>	1 January 2018
MFRS 15 <i>Revenue from Contracts with Customers</i>	1 January 2018
Clarifications to MFRS 15	1 January 2018
MFRS 9 <i>Financial Instruments (IFRS 9 as issued by IASB in July 2014)</i>	1 January 2018
Amendments to MFRS 2 <i>Classification and Measurement of Share-based Payment Transactions</i>	1 January 2018
Amendments to MFRS 128 <i>Annual Improvements to MFRS Standards 2014 - 2017 Cycle</i>	1 January 2018
IC Interpretation 22 <i>Foreign Currency Transactions and Advance Consideration</i>	1 January 2018
Amendments to MFRS 140 <i>Transfers of Investment Property</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

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of MFRS 9 described in the following sections.

a) MFRS 9 *Financial Instruments*

MFRS 9 replaces MFRS 139 *Financial Instruments: Recognition and Measurement* for annual periods beginning on or after 1 January 2018, encompassing all two aspects of the accounting for financial instruments: classification and measurement and impairment.

The Group applied MFRS 9 prospectively, with an initial application date of 1 January 2018. The Group has not restated the comparative information, which continues to be reported under MFRS 139. Differences arising from the adoption of MFRS 9 have been recognised directly in retained earnings and other components of equity.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018



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

27.1 New MFRSs adopted during the financial year (Cont'd)

a) MFRS 9 *Financial Instruments* (Cont'd)

(i) Classification of financial assets and financial liabilities

The Group and the Company classify their financial assets into the following measurement categories depending on the business model of the Group and the Company for managing the financial assets and the terms of contractual cash flows of the financial assets:

- Those to be measured at amortised cost; and
- Those to be measured subsequently at fair value either through other comprehensive income or through profit or loss.

The following summarises the key changes:

- The Available-For-Sale (AFS), Held-To-Maturity (HTM) and Loans and Receivables (L&R) financial asset categories were removed.
- A new financial asset category measured at Amortised Cost (AC) was introduced. This applies to financial assets with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by collecting contractual cash flows.
- A new financial asset category measured at Fair Value Through Other Comprehensive Income (FVTOCI) was introduced. This applies to debt instruments with contractual cash flow characteristics that are solely payments of principal and interest and held in a business model whose objective is achieved by both collecting contractual cash flows and selling financial assets.
- A new financial asset category for non-traded equity investments measured at FVTOCI was introduced.

MFRS 9 largely retains the existing requirements in MFRS 139 for the classification of financial liabilities.

However, under MFRS 139 all fair value changes of liabilities designated as FVTPL are recognised in profit or loss, whereas under MFRS 9 these fair value changes are generally presented as follows:

- Amount of change in the fair value that is attributable to changes in the credit risk of the liability is presented in Other Comprehensive Income; and
- The remaining amount of change in the fair value is presented in profit or loss.

(ii) Impairment of financial assets

The adoption of MFRS 9 has fundamentally changed the accounting for impairment losses for financial assets of the Group by replacing the incurred loss approach of MFRS 139 with a forward-looking expected credit loss approach. MFRS 9 requires the Group to record an allowance for expected credit losses for all debt financial assets not held at fair value through profit or loss.

Expected credit losses are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Group expects to receive. The estimate of expected cash shortfall shall reflect the cash flows expected from collateral and other credit enhancements that are part of the contractual terms. The shortfall is then discounted at an approximation to the asset's original effective interest rate of the asset.

Impairment for trade receivables and contract assets that do not contain a significant financing component are recognised based on the simplified approach within MFRS 9 using the lifetime expected credit losses.

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018

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

27.1 New MFRSs adopted during the financial year (Cont'd)

a) MFRS 9 *Financial Instruments* (Cont'd)

(ii) Impairment of financial assets (Cont'd)

During this process, the probability of non-payment by the trade receivables is adjusted by forward looking information and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

Impairment for receivables from related parties and other receivables are recognised based on the general approach within MFRS 9 using the forward looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

(iii) Classification and measurement

The following table summarises the reclassification and measurement of the financial assets and financial liabilities of the Group and of the Company as at 1 January 2018:

	Classification		Carrying amount	
	Existing under MFRS 139	New under MFRS 9	Existing under MFRS 139 RM	New under MFRS 9 RM
Group				
Financial assets				
Trade and other receivables	L&R	AC	37,477,535	36,253,969
Cash and bank balances	L&R	AC	6,421,626	6,421,626
Financial liabilities				
Trade and other payables	OFL	AC	20,624,376	20,624,376
Borrowings	OFL	AC	88,727,401	88,727,401
Company				
Financial assets				
Cash and bank balances	L&R	AC	28,492	28,492
Financial liabilities				
Trade and other payables	OFL	AC	2,371,409	2,371,409

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018



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

27.1 New MFRSs adopted during the financial year (Cont'd)

a) MFRS 9 *Financial Instruments* (Cont'd)

(iii) Classification and measurement (Cont'd)

The following tables are reconciliations of the carrying amount of the statement of financial position of the Group and of the Company from MFRS 139 to MFRS 9 as at 1 January 2018:

	Existing under MFRS 139		New under MFRS 9
	Carrying amount as at 31 December		Carrying amount as at 1 January
	2017 RM	Remeasurement RM	2018 RM

Group

Trade and other receivables:

Opening balance	37,477,535	0	37,477,535
Increase in impairment loss	0	(1,223,566)	(1,223,566)
Total trade and other receivables	37,477,535	(1,223,566)	36,253,969

Retained earnings:

Opening balance	19,722,798	0	19,722,798
Increase in impairment loss for trade and other receivables	0	(1,223,566)	(1,223,566)
Total retained earnings	19,722,798	(1,223,566)	18,499,232

NOTES TO THE FINANCIAL STATEMENTS (Cont'd)

31 December 2018

27.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2019

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

Title	Effective Date
MFRS 16 <i>Leases</i>	1 January 2019
IC Interpretation 23 <i>Uncertainty over Income Tax Treatments</i>	1 January 2019
Amendments to MFRS 128 <i>Long-term Interests in Associates and Joint Ventures</i>	1 January 2019
Amendments to MFRS 9 <i>Prepayment Features with Negative Compensation</i>	1 January 2019
Amendments to MFRS 3 <i>Annual Improvements to MFRS Standards 2015–2017 Cycle</i>	1 January 2019
Amendments to MFRS 11 <i>Annual Improvements to MFRS Standards 2015–2017 Cycle</i>	1 January 2019
Amendments to MFRS 112 <i>Annual Improvements to MFRS Standards 2015–2017 Cycle</i>	1 January 2019
Amendments to MFRS 123 <i>Annual Improvements to MFRS Standards 2015–2017 Cycle</i>	1 January 2019
Amendments to MFRS 119 <i>Plan Amendment, Curtailment or Settlement</i>	1 January 2019
Amendments to <i>References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
Amendments to MFRS 3 <i>Definition of a Business</i>	1 January 2020
Amendments to MFRS 101 and MFRS 108 <i>Definition of Material</i>	1 January 2020
MFRS 17 <i>Insurance Contracts</i>	1 January 2021
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

The Group is in the process of assessing the impact of implementing these Standards and Amendments, other than MFRS 16, since the effects would only be observable for the future financial years. The Group is currently finalising the adjustments upon adoption of MFRS 16.

PROPERTIES OF THE GROUP



Location	Date of Revaluation	Tenure	Approximate Age of Building	Area (Square Meters)	Description	Carrying Amount as at 31 December 2018 RM'000
Leader Steel Sdn. Bhd.						
Plot 85 Lorong Perusahaan Utama Kawasan Perusahaan Bukit Tengah Pulau Pinang, Malaysia	31.12.2017	Leasehold 60 years, expiring 21.12.2052	25 years	34,000	Factory	26,451
6 Lorong Limau Manis 1 Taman Limau Manis 14000 Bukit Tengah Pulau Pinang, Malaysia	31.12.2017	Freehold Double Storey Terrace house	24 years	111	Residential premise for factory workers	385
8 Lorong Limau Manis 1 Taman Limau Manis 14000 Bukit Tengah Pulau Pinang, Malaysia	31.12.2017	Freehold Double Storey Terrace house	24 years	111	Residential premise for factory workers	385
Lot 841 Block 7 MTLD Sejangkat Industrial Park 93050 Kuching Sarawak, Malaysia	11.10.2017	Leasehold 60 years, expiring 10.11.2053	26 years	33,600	Factory	17,300
Lot No. 1596 Title No. GRN 77765 Mukim 12, Daerah Seberang Perai Selatan Pulau Pinang, Malaysia	31.10.2017	Freehold Land & Building	6 years	39,250	Factory	22,102
Leader Steel Service Centre Sdn. Bhd.						
Geran 43145, Lot No. 6483 Kapar, Klang Selangor, Malaysia	31.12.2017	Freehold	15 years	52,483	Factory	25,000
Lot 6483 Jalan Sungai Puloh, KU5 42100 Klang, Selangor	31.12.2017	Freehold Building	10 years	17,000	Factory	15,377
42A, Lorong Bayu Mutiara 8 Taman Bayu Mutiara 14000 Bukit Mertajam Pulau Pinang, Malaysia	31.12.2017	Freehold Double Storey Terrace house	12 years	130	Residential premise for rent	538
48, Lorong Bayu Mutiara 8 Taman Bayu Mutiara 14000 Bukit Mertajam Pulau Pinang, Malaysia	31.12.2017	Freehold Double Storey Terrace house	12 years	130	Residential premise for rent	538
32A, Jalan Setia Impian U13/5F Sek U13 Setia Alam 40170 Shah Alam Selangor	31.12.2017	Freehold Double Storey Terrace house	11 years	130	Residential premise for factory workers	587
32, Klang Central Industrial Park, Lorong 5 Di Lorong Sg. Puloh, Batu 5 ¾, Jln Kapar 41400 Klang, Selangor	31.12.2017	Shophouse	9 years	186	Residential premise for factory workers	587
No.8, Jln Setia Impian U13/8G, Setia Alam Seksyen U13, Setia Alam 40170 Shah Alam	31.12.2017	Freehold Double Storey Terrace house	10 years	130	Residential premise for factory workers	665
No.30, Klang Central Industrial Park, Lorong 5, Di Lorong Sungai Puloh, Batu ¾, Jalan Kapar 41400 Klang Selangor Darul Ehson	31.12.2017	Double Storey Shophouse	6 years	191	Residential premise for factory workers	608

ANALYSIS OF SHAREHOLDINGS

as at 29 March 2019

SHAREHOLDING STATISTICS AS AT 29 MARCH 2019

Issued Share Capital	:	128,032,000 ordinary shares (including 3,923,900 treasury shares)
Class of Share	:	Ordinary Shares
No. of Shareholders	:	2,330
Voting Rights	:	One vote per ordinary share

Analysis by size of shareholdings

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares held
LESS THAN 100	7	0.3004	297	0.0002
100 - 1,000	199	8.5408	158,800	0.1240
1,001 - 10,000	1,283	55.0644	7,448,135	5.8174
10,001 - 100,000	763	32.7468	23,859,400	18.6355
100,001 – 6,401,599	76	3.2618	30,801,606	24.0578
6,401,600 – 128,032,000	2	0.0858	65,763,762	51.3651
TOTAL:	2,330	100.00	128,032,000	100.00

Substantial Shareholders

No.	Name of Substantial Shareholders	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
1.	Dato' Goh Cheng Huat	11,727,894	9.45	[^] 56,402,974	45.45
2.	Datin Tan Pak Say	1,155,006	0.93	^{^^} 66,975,862	53.97
3.	Bischart Sdn. Bhd.	54,035,868	43.54	-	-

[^] 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' Dr. Soong Siew Hoong	150,000	0.12	-	-
3.	Dato' Goh Cheng Huat	11,727,894	9.45	[^] 56,402,974	45.45
4.	Datin Tan Pak Say	1,155,006	0.93	^{^^} 66,975,862	53.97
5.	Lim Leng Han	18,000	0.01	-	-
6.	Datuk Abdullah bin Kuntom	-	-	-	-
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 (Cont'd)

as at 29 March 2019



LIST OF TOP 30 HOLDERS AS AT 29 MARCH 2019

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	GOH CHENG HUAT	11,697,300	9.1362
5	LEADER STEEL HOLDINGS BERHAD SHARE BUY BACK ACCOUNT	3,923,900	3.0648
6	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG KOK CHOY (8092812)	2,380,000	1.8589
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	1,105,000	0.8631
11	LOW KHEK HENG @ LOW CHOON HUAT	980,600	0.7659
12	TAN AIK CHOON	884,700	0.6910
13	CHEANG BENG CHEE	847,000	0.6616
14	THAM KOK WING	828,000	0.6467
15	TAN AIK CHOON	631,400	0.4932
16	ZACHARY GNOW WAI JOON	599,700	0.4684
17	TAN KHENG HWA	500,000	0.3905
18	TEE CHENG TEOK	469,000	0.3663
19	LIM SOON HUAT	415,000	0.3241
20	TAN AH SIM @ TAN SIEW WAH	400,000	0.3124
21	RHB CAPITAL NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE NYEK (CEB)	399,300	0.3119
22	KUEH CHIAW BOON	380,000	0.2968
23	LOH CHENG HOON	380,000	0.2968
24	CIMSEC NOMINEES (TEMPATAN) SDN BHD CIMB BANK FOR KOH CHIN KOON (MY0857)	338,100	0.2641
25	SIM CHOH SANG @ SIM CHOH SHAN	336,000	0.2624
26	LIM JIN KEAT	326,000	0.2546
27	CHUAH CHOON IMM	323,000	0.2523
28	TEOH CHAI HENG	320,000	0.2499
29	GOH GENE NI	315,000	0.2460
30	LIM KIAN HUAT	310,900	0.2428
TOTAL		86,652,874	67.6805

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LEADER STEEL HOLDINGS BERHAD
(Company No. 267209-K)

FORM OF PROXY

Twenty-Sixth (26th)
Annual General Meeting

CDS Account No.	
-----------------	--

No. of Shares Held	
--------------------	--

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

of _____ and _____
(Address) (Tel. No.)

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

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

* and/or (*delete if not applicable)

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

as my*/our* proxy, to vote for me*/us* and on my*/our* behalf at the 26TH 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 Tuesday, 28 May 2019 at 12.15 pm and at any adjournment thereof.

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

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

Signed this _____ day of _____ 2019

Signature of Shareholder

Common Seal to be affixed here
if Shareholder is a Corporation

Note:

1. A proxy may but need not be a member of the Company and a member shall be entitled to appoint any person to be his proxy without limitation. Where a member appoints more than one (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds. An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
5. To be valid, the form of proxy must be deposited at the Company's Registered Office at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, not less than forty eight (48) hours before the time appointed for holding the meeting.
6. In respect of deposited securities, only members whose names appear on the Record of Depositors on 21 May 2019 (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)
170-09-01 Livingston Tower, Jalan Argyll
10050 George Town, Pulau Pinang

Please fold across the line and close



www.leadersteel.my

Leader Steel Holdings Berhad (267209-K)

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

Tel 604 507 1515 **Hunting Line**

Fax 604 507 9527 & 507 9537