



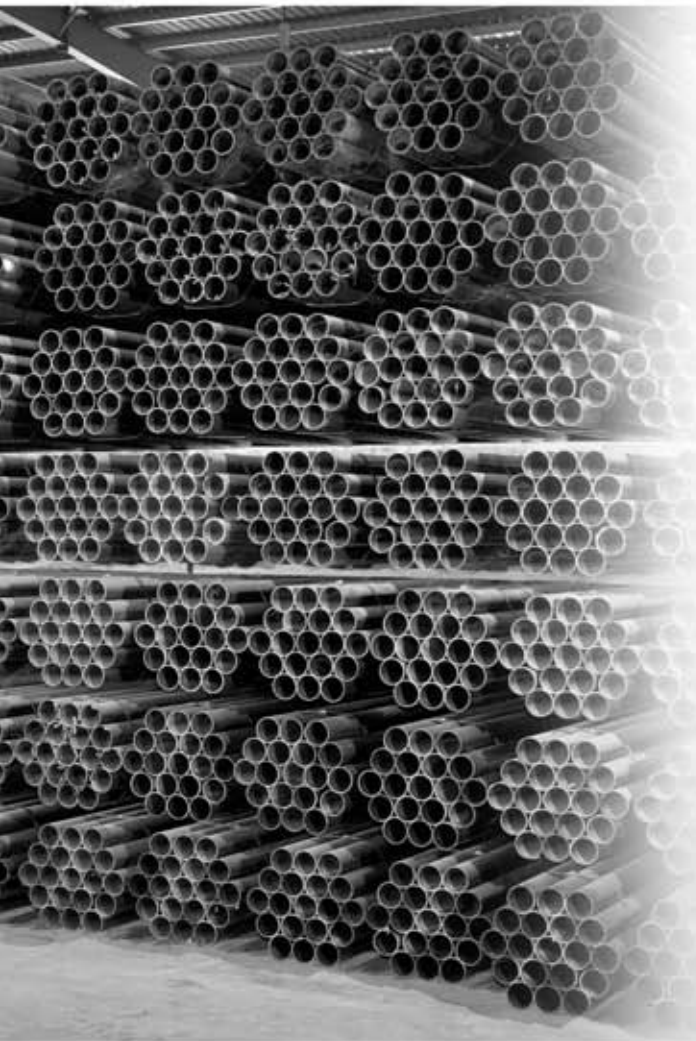
**LEADER STEEL**

ANNUAL REPORT **2008**



**LEADER STEEL HOLDINGS BERHAD**  
267209-K

# Contents



<b>2 - 3</b>	Notice of Annual General Meeting
<b>4</b>	Corporate Information
<b>5</b>	Group Structure and Principal Activities / Financial Highlights
<b>6</b>	Chairman's Statement
<b>7 - 9</b>	Directors' Profile
<b>10 - 14</b>	Statement on Corporate Governance
<b>15</b>	Additional Information
<b>16 - 19</b>	Audit Committee Report
<b>20 - 21</b>	Statement on Internal Control
<b>22</b>	Corporate Social Responsibility
<b>23 - 71</b>	Financial Statements
<b>72</b>	Properties of the Group
<b>73 - 74</b>	Analysis of Shareholdings
<b>Enclosed</b>	Proxy Form

# Notice of Annual General Meeting

**NOTICE IS HEREBY GIVEN** that the SIXTEENTH ANNUAL GENERAL MEETING of shareholders of 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 Thursday, 21 May 2009 at 10:45 a.m. for the following purposes: -

1. To receive the audited Financial Statements for the year ended 31 December 2008 and the Reports of the Directors and Auditors thereon.
- 2a. To re-elect the following Directors who retire pursuant to Article 102 of the Company's Articles of Association:-
  - i) Mr Lim Leng Han
  - ii) Datuk Abdullah Bin Kuntom
- 2b. To re-elect the following Directors who retire pursuant to Section 129 of the Companies Act, 1965:-
  - i) Tan Sri Dato' Mohd Desa bin Pachi
  - ii) Tan Sri Dato' Soong Siew Hoong
3. To approve Directors' fees for the year ended 31 December 2008.
4. To re-appoint Messrs. KPMG as Auditors for the ensuing year and to authorise the Directors to fix their remuneration.
5. As special Business

To consider and if thought fit, to pass the following Resolutions:-

**a) SECTION 132D OF THE COMPANIES ACT, 1965**

"THAT pursuant to Section 132D of the Companies Act, 1965 ("the Act") and subject always to the approval of all the relevant regulatory authorities, the Board of Directors of the Company be and is hereby authorized to issue and allot from time to time such number of ordinary shares of the Company upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, PROVIDED ALWAYS THAT the aggregate number of ordinary shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad ("Bursa Securities") AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting ("AGM") of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier."

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

"THAT pursuant to Chapter 10.09 of the Listing Requirements of the Bursa Securities, a general mandate of the shareholders be and is hereby granted for the Company and its subsidiaries to enter into recurrent related party transactions with Eonmetall Group Berhad and its subsidiaries as stated in Section 2.4 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 parties than those generally available to the public and not detrimental to the minority shareholders; and that the approval shall continue to be in force until the conclusion of the next AGM of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the meeting; or the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or revoked or varied by resolutions passed by the shareholders of the Company in a general meeting; whichever is the earlier."

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

**Ordinary Resolution 1**  
**Ordinary Resolution 2**

**Ordinary Resolution 3**  
**Ordinary Resolution 4**

**Ordinary Resolution 5**

**Ordinary Resolution 6**

**Ordinary Resolution 7**

**Ordinary Resolution 8**

# Notice of Annual General Meeting [cont'd]

## BY ORDER OF THE BOARD

**LAM VOON KEAN**  
**(MIA 4793)**  
Company Secretary

Penang, 29 April 2009.

### **Notes :**

1. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. Where a member appoints more than (1) proxy the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, 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.
2. 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.
3. To be valid, the proxy form must be deposited at the Company's Registered Office at Suite 2-1, 2nd Floor, Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty eight (48) hours before the time appointed for holding the meeting.
4. The details of the Directors standing for re-election as in Agenda 2 are as more particularly disclosed in pages 7 to 9 of the Annual Report of the Company.

### **Explanatory Notes on Special Business:**

1. The proposed Resolution 7, if passed, will give authority to the Board of Directors to issue and allot ordinary shares from the unissued capital of the Company at any time in their absolute discretion and that such authority, shall continue in force until the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.
2. The proposed Resolution 8, if passed, will obtain the Shareholders' Mandate for the Company and its subsidiaries to enter into the specified recurrent related party transactions with Eonmetall Group Berhad and its subsidiaries as set out in Section 2.4 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.

# Corporate Information

## BOARD OF DIRECTORS

Tan Sri Dato' Mohd Desa bin Pachi  
[Chairman]

Dato' Goh Cheng Huat  
[Deputy Chairman]

Datin Tan Pak Say  
[Managing Director]

Tan Sri Dato' Soong Siew Hoong

Lim Leng Han

Mohd Arif bin Mastol

Datuk Abdullah bin Kuntom

## COMPANY SECRETARY

Lam Voon Kean (MIA 4793)

## AUDIT COMMITTEE

Lim Leng Han  
[Chairman]

Mohd Arif bin Mastol  
[Member]

Dato' Goh Cheng Huat  
[Member]

## NOMINATING COMMITTEE

Tan Sri Dato' Mohd Desa bin Pachi  
[Chairman]

Lim Leng Han  
[Member]

Mohd Arif bin Mastol  
[Member]

## REMUNERATION COMMITTEE

Tan Sri Dato' Mohd Desa bin Pachi  
[Chairman]

Dato' Goh Cheng Huat  
[Member]

Lim Leng Han  
[Member]

## REGISTERED OFFICE

Suite 2-1, 2nd Floor  
Menara Penang Garden  
42A Jalan Sultan Ahmad Shah  
10050 Penang  
**Tel** : 04-229 4390  
**Fax** : 04-226 5860

## 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

KPMG, Penang

## MAJOR BANKERS

Hong Leong Bank Berhad  
OCBC Bank (Malaysia) Berhad  
Malayan Banking Berhad  
RHB Bank Berhad  
EON Bank Berhad  
Ambank Berhad  
United Overseas Bank (Malaysia) Bhd  
Alliance Bank Malaysia Berhad  
HSBC Bank Malaysia Berhad

## STOCK EXCHANGE LISTING

Bursa Malaysia Securities Berhad ("Bursa Securities")  
Main Board  
Stock Code : 9881  
Stock Name : LSTEEL

# Group Structure and Principal Activities / Financial Highlights



**LEADER STEEL HOLDINGS BERHAD**  
267209-K

<b>100%</b>	Leader Steel Sdn Bhd (167009-X) Manufacture and trading of steel products
<b>51%</b>	ACME United Sdn Bhd (842244-X) Manufacturing of steel products
<b>100%</b>	Leader Steel Service Centre Sdn Bhd (381289-U) Manufacture and trading of steel products
<b>100%</b>	Leader Steel Asia Sdn Bhd (405625-V) Manufacture and sale of steel products
<b>100%</b>	Leader Steel Technology Sdn Bhd (408196-K) Manufacture and sale of steel product making machinery
<b>100%</b>	Leader Steel Tubes Sdn Bhd (235526-D) Dormant Company
<b>100%</b>	Leader Minerals (Malaysia) Sdn Bhd (671731-D) Dormant Company
<b>100%</b>	Leader Minerals Corporation Sdn Bhd (680990-W) Dormant Company
<b>100%</b>	Leader Minerals International Ltd.(NBD/9549) Investment holding and trading of minerals
<b>100%</b>	Leader Integrated Steel Mills Sdn Bhd (684771-D) Dormant Company
<b>100%</b>	ACME Steel Works Sdn Bhd (735121-V) (formerly known as Bentacorp Sdn Bhd) Dormant Company
<b>100%</b>	GCH Metal Service Centre Sdn Bhd(186360-V) Dormant Company

## Financial Highlights

	2004	2005	2006	2007	2008
<b>Turnover</b> (RM million)	172.9	160.9	187.1	185.6	231.6
<b>Profit/(Loss) before tax</b> (RM million)	19.3	(1.1)	7.0	7.0	1.2

# Chairman's Statement

Dear Valued Shareholders,

On behalf of the Board of Directors of Leader Steel Holdings Berhad ("LSH"), I am pleased to present the Annual Report and Audited Financial Statements of the Group and Company for the financial year ended 31 December 2008.

## Overview

The unpredictable fluctuation of steel prices in the year 2008 had indeed impacted the performance of the Group. The surge of international steel price during the first 3 quarters followed by steel price dropped in the last quarter had a dampening effect in the profit of the Group.

The stability of steel prices will lead to the stable domestic demand despite the financial crisis which has started in the last quarter of the year had greatly impacted the global economy growth and Malaysia in particular.

## Financial Performance

The Group achieved revenue of RM231.60 million for the year ended 31 December 2008 as compared to RM185.56 million in the last financial year. However, the Group registered lower profit before tax of RM1.24 million as compared to RM7.04 million in the last financial year. The decrease in profit was mainly due to settlement of a dispute relating to a quality issue of the trading goods resulting in RM7.2 million adjustments. In addition the current economic crisis has greatly contributed to the lower profit of the Group's products.

## Dividend

A first and final dividend of 2.5 sen per ordinary share less 26% tax totaling RM 2,368,592 in respect of the financial year ended 31 December 2007 was paid on 30 June 2008.

There was no recommendation on dividend for the financial year ended 31 December 2008.

## Outlook

The short term outlook for steel demand is expected weak. The prospects for construction activity and investment in capital equipment, both highly sensitive to the availability of capital, have softened significantly. Consumer consumption on durable steel intensive goods such as automobiles and household appliances is also likely to be modest, affected by lower availability of consumer loans, rising unemployment and low consumer confidence. As a result, global demand for steel should continue to be weak in 2009.

Nevertheless, announcement of RM60 billion stimulus packages by the Malaysian Government is expected to be able to prevent Malaysia from slipping into a recession. The creation of 3 major funds by the Government, ie:- guaranteed funds, equity investments and private finance initiatives would help to generate more economic activities. Under such stimulus package together with 9th Malaysian Plan, the Government will enhance public infrastructure and promote greater activities in the construction sector and stimulate domestic demand. In the presence of this, the Group expects to see a boost in domestic demand in year to come.

## Appreciation

On behalf of the Board, I would like to take this opportunity to thank the management and staff for their contribution and commitment to the Group. I would also like to extend my appreciation to our customers, suppliers, shareholders and bankers for their continued support and confidence in the Group.

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

# Directors' Profile

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

(Non-Independent Non-Executive Director)

TAN SRI DATO' MOHD DESA BIN PACHI, PSM, DSPN, KMN, aged 75, Malaysian, was appointed to the Board of Directors of LSH on 10 August 1995. He is the Chairman of the Board of Directors, and also acts as Chairman of the Remuneration Committee and Nominating Committee.

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

From 1970 to 1976, he was in public practice as a Chartered Accountant and was a partner of Desa Megat & Co and KPMG Peat Marwick. Subsequently, he was appointed as the first CEO of Permodalan Nasional Berhad (PNB) 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 from 1984 to 2006.

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

YA Horng Electronic (M) Berhad, Saujana Consolidated Berhad (Chairman), Xian Leng Holdings Berhad (Chairman), Amanah Saham Nasional Berhad and Eonmetall Group Berhad (Chairman).

Tan Sri Dato' Mohd Desa Bin Pachi has attended all Board meetings held during the financial year ended 31 December 2008.

## **DATO' GOH CHENG HUAT**

(Deputy Chairman, Non-Independent Non-Executive Director)

DATO' GOH CHENG HUAT, aged 48, Malaysian, was appointed to the Board of Directors of LSH on 10 August 1995. He is a member of the Remuneration Committee and Audit Committee of LSH. He resigned as Managing Director and appointed as Deputy Chairman on 29 April 2005.

Founder of the Group, Dato' Goh has extensive experience and knowledge in the processing of iron and steel products. With more than 15 years in the industry, he has accumulated invaluable skills, which includes amongst other, the invention and enhancement of steel making machine and its related processes. In recognition of his entrepreneurial skills, Dato' Goh was conferred the 1990 Young Entrepreneur Award by the Ministry of Youth and Sports. His zeal and untiring efforts to improve steel products making processes did not go unnoticed, for in 1999, he was awarded a patent for "Process For The Manufacturing Of Steel Products And Apparatus". Dato' Goh's visionary approach and keen business acumen certainly augur well for the Group especially in its business direction.

He presently holds directorship in Eonmetall Group Berhad.

He is the spouse of Datin Tan Pak Say.

Dato' Goh has attended all Board meetings held during the financial year ended 31 December 2008.

## **DATIN TAN PAK SAY**

(Managing Director, Non-Independent Executive Director)

DATIN TAN PAK SAY, aged 47, Malaysian, was first appointed to the Board of Directors of LSH on 10 August 1995. She ceased to be a director on 2 January 2004 but was subsequently re-appointed back to the Board on 25 May 2004. She was appointed an Executive Director on 21 February 2005 and subsequently she was appointed as Managing Director on 29 April 2005.

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

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

She is the spouse of Dato' Goh Cheng Huat.

Datin Tan has attended all Board meetings held during the financial year ended 31 December 2008.



## Directors' Profile [cont'd]

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

(Non-Independent Non-Executive Director)

TAN SRI DATO' SOONG SIEW HOONG PSM, KMN, SMS, DPMS, JSM, aged 83, Malaysian, was appointed to the Board of Directors of LSH on 25 July 1994. He was conferred Panglima Setia Mahkota (PSM) which carries the title of "Tan Sri" by the Yang DiPertuan Agong on 6th June 1998 and the Darjah Kebesaran Datuk Mahkota (DPMS) which carries the title of Dato' in 1990.

On experiences, Tan Sri Dato' Soong has previously served as a member on the Councils of Standard & Industrial Research Institute of Malaysia (SIRIM) and the Human Resource Development Council. He was also a director in Telekom Malaysia Berhad from October 1988 to May 1996.

Tan Sri Dato' Soong is currently the Secretary General of the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) and holds various other honorary positions such as Immediate Past President in the Malaysian Iron and Steel Industry Federation (MISIF) and a council member of Standards Malaysia.

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

He presently holds directorship in Eonmetall Group Berhad, Unico Desa Plantations Berhad and Unico Holdings Berhad.

Tan Sri Dato' Soong Siew Hoong has attended all Board meetings held during the financial year ended 31 December 2008.

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

(Senior Independent Non-Executive Director)

MR. LIM LENG HAN, aged 48, Malaysian, was appointed to the Board of Directors of LSH on 25 July 1994. He is the Chairman of the Audit Committee in LSH and also acts as a member of the Remuneration Committee and Nominating Committee. Graduated in 1985 with a degree in Bachelor of Law (LL.B) (Hon) from University of Malaya, he was subsequently admitted as Advocate and Solicitor by the High Court of Malaya on 8 February 1986 and became a member of the Bar Council of Malaysia. He is also an appointed member of the Disciplinary Committee, Bar Council of Malaysia.

Mr. Lim has been active in the legal profession for 21 years and gained wide experience in the corporate, conveyancing and civil matters. Mr. Lim was serving with Johari, Goh & Associates, Kadir & Co. and Zaid Ibrahim & Co. for six (6) years before starting his own legal practice under the name of Messrs. Lim Leng Han & Co., in Butterworth, Penang on 8 February 1993 and thereafter Messrs. Lim Leng Han & SF Tho until todate. He is also the legal adviser of societies and organizations such as Penang Hardware and Machinery Merchants' Association, Lim Clan Association of Penang, Butterworth Buddhist Association, Thang Hsiang Temple, Bayan Lepas and various others.

His current directorship in public companies is only with LSH.

Mr. Lim Leng Han has attended all Board meetings held during the financial year ended 31 December 2008.

### **EN. MOHD ARIF BIN MASTOL**

(Independent Non-Executive Director)

EN. MOHD ARIF BIN MASTOL, aged 54, Malaysian, was appointed to the Board of Directors of LSH on 28 June 2002. He also sits in the Nominating Committee and Audit Committee of LSH as a member. En Mohd Arif is a member of the Malaysian Institute of Accountants.

He started his career in 1977 as an Executive Accounts Officer. In 1985, he served as an Accountant with the Treasury Department of Kuala Lumpur City Hall after completing his Degree in Accounting from the MARA Institute of Technology. From 1991 to 2001, En. Arif was attached with several companies, including a Japanese based company in several capacities including Assistant Manager Finance & Accounts, Finance & Administration Manager, and Company Representative before assuming to his current position as Financial Controller.

He presently holds directorship in SKB Shutters Corporation Bhd.

En. Mohd Arif Bin Mastol has attended all Board meetings held during the financial year ended 31 December 2008.

## Directors' Profile [cont'd]

### **DATUK ABDULLAH BIN KUNTOM**

(Non-Independent Non-Executive Director)

DATUK ABDULLAH BIN KUNTOM, aged 65, Malaysian, was appointed to the Board on 2 October 2003. He holds a Bachelor of Arts Degree from the University of Malaya and a Masters in Public Policy and Administration from the University of Wisconsin, Madison, United States of America.

Yang Berbahagia Datuk Abdullah's distinguished career in the civil service has placed him in many Government ministries and departments. Amongst the key positions held over a period of some 36 years were those of Deputy Secretary of the Contract and Supply Division and Senior Assistant Director of the Budget Division, Ministry of Finance. He was also appointed as the State Financial Officer of Selangor, Administrative Officer of the Asian & Pacific Development Centre, Director General of the Registration Department and Deputy Secretary General I of the Home Affairs Ministry. He retired from the civil service in April 1999 as the Senior Deputy Secretary General in the Prime Minister's Department. After his retirement, he was appointed by the Government as the Chief of Protocol of the Ministry of Foreign Affairs, a position he held for 4 years until April 2003.

Datuk Abdullah current directorships in public companies, other than LSH is with Malaysia Building Society Berhad.

Datuk Abdullah Bin Kuntom has attended all Board meetings held during the financial year ended 31 December 2008.

#### Notes:

1. All the Directors do not have any conflict of interest with the Group.
2. All the Directors have not been convicted for any offences within the past ten years other than for traffic offences, if any.
3. None of the Directors have any family relationship with any director and/or major shareholder of LSH other than Dato' Goh Cheng Huat who is the spouse of Datin Tan Pak Say.
4. The Directors' shareholdings are as disclosed in page 73 of this report.

# Statement on Corporate Governance

The Board of Directors (the "Board") of Leader Steel Holdings Berhad (the "Company") appreciates the importance of adopting high standards of corporate governance within the Group, comprising the Company and its subsidiaries. The Board considers corporate governance in line with three key concepts, namely transparency, accountability and integrity.

The Board endeavours to adopt and apply, where practicable, the Principles and Best Practices as prescribed in Parts 1 and 2 respectively of the Malaysian Code on Corporate Governance (the "Code") in its quest to enhance shareholder value.

The Board is pleased to provide the following statements, which outline the main corporate governance practices that were in place throughout the financial year, unless otherwise stated.

## Principles Statement

The following statement sets out how the Company has applied the Principles in Part 1 of the Code. The Principles are dealt with under the headings of Board of Directors, Directors' Remuneration, Shareholders and Accountability and Audit.

## A. BOARD OF DIRECTORS

### Board duties and responsibilities

The Board of Directors acknowledges the pivotal it plays in the stewardship of the Group relating to the Group's direction and operations, and ultimately the enhancement of long-term shareholder value. To fulfill this role, the Board is responsible for the overall corporate governance of the Group, including the strategic direction, establishing goals for Management, monitoring the achievement of these goals and ensuring that the Group's internal controls and reporting procedures are adequate.

The Board delegates the running of the Group's operations to the Managing Director, who has the relevant experience in the business of the Group.

To streamline Directors' duties and responsibilities, the Board has adopted a Board Charter that formalises, amongst others, the principal responsibilities of the Board as prescribed by the Code.

### Meetings

The Board is scheduled to meet at least four (4) times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. During the financial year under review, the Board met on four (4) occasions, where it deliberated upon and considered a variety of matters, including the Group's financial results and major investments, strategic decisions and direction of the Group, appointment and remuneration of Directors and compliance with the principles of corporate governance.

The attendance of the Directors during the financial year are as follows:-

Name of Director	No. of meetings	
	Held	Attended
Tan Sri Dato' Mohd Desa bin Pachi	4	4
Dato' Goh Cheng Huat	4	4
Datin Tan Pak Say	4	4
Tan Sri Dato' Soong Siew Hoong	4	4
Lim Leng Han	4	4
Mohd Arif bin Mastol	4	4
Datuk Abdullah bin Kuntom	4	4

# Statement on Corporate Governance [cont'd]

## Meetings [cont'd]

All the Directors are provided with an agenda and a set of Board papers on matters requiring their consideration in advance of each Board meeting. The Chairman, with the assistance of the Company Secretary, undertakes the primary responsibility for preparing and organising information necessary for the Board to deal with the agenda and for providing this information to the Directors on a timely basis. During the meetings, the Board is briefed on matters dealt with in the agenda and, where appropriate, additional information is made available to Directors. All proceedings of Board meetings are duly recorded and the minutes thereof are confirmed as correct by the Chairman of the meeting.

## Board Committees

The Board of Directors delegates certain responsibilities to Board Committees, namely the Audit Committee, the Nominating Committee and the Remuneration Committee, in order to enhance business and operational effectiveness and efficiency.

All Board Committees have written terms of reference and operating procedures and the Board receives reports of their proceedings and deliberations, where relevant. The Chairman of each Board Committee reports to the Board on the outcome of the Committee meetings and such reports are normally incorporated in the minutes of the full Board meeting.

## Board Balance

At the date of this statement, the Board consists of seven (7) members, comprising two (2) Independent Non-Executive Directors, four (4) Non-Executive Directors and one (1) Executive Directors. The Directors, with their different profiles, collectively bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, legal, marketing and operations and governmental affairs. A brief profile of each Director is presented on pages 7 and 9 of this Annual Report.

The presence of Independent Non-Executive Directors in the Board is essential as they provide an unbiased and independent view, advice and judgment to the decision-making of the Board and provide an appropriate check and balance for the Executive Director, thereby ensuring that no one individual or group dominates the Board's decision-making process.

There is a clear division of responsibilities at the head of the Company to ensure a balance of authority and power. The Board of Directors is led by YBhg Tan Sri Dato' Mohd Desa bin Pachi, the non-executive Chairman while the executive management of the Company is led by Datin Tan Pak Say, the Managing Director.

According to the Board Charter of the Company, the roles of the Chairman and the Managing Director are formalized and clearly defined with their individual position descriptions. The Chairman is responsible for running the Board and ensures that all Directors receive sufficient and relevant information on financial and non-financial matters to enable them to participate actively in Board decisions. The Managing Director assumes the overall responsibility for the Group's operating units, organisational effectiveness and implementation of Board's policies and decisions.

In accordance with the Code, the Board has identified Mr. Lim Leng Han as the Senior Independent Non-Executive Director to whom concerns may be conveyed.

The Board believes that the current composition of members fairly reflects the investment of minority shareholders in the Company.

## Supply of information

The Chairman ensures that all Directors have full and timely access to information with Board papers distributed in advance of meetings. Every Director has unhindered access to the advice and services of the Company Secretary. The Board believes that the current Company Secretary is capable of carrying out her duties to ensure the effective functioning of the Board. The Articles of Association specify that the removal of the Company Secretary is a matter for the Board as a whole.

# Statement on Corporate Governance [cont'd]

## Supply of information [cont'd]

Before the meetings of the Board and Board Committees, appropriate documents, which include the agenda and reports relevant to the issues of the meetings covering areas of strategic, financial, operational and regulatory compliance matters, are circulated to all the members in order for them to be properly briefed before the meetings.

The Directors meet, review and approve all corporate announcements, including the announcement of the quarterly financial reports, before releasing them to Bursa Malaysia Securities Berhad ("Bursa Securities").

The Board as a whole will determine whether, as a full Board or in their individual capacity, to take independent professional advice, where necessary and under appropriate circumstances, in furtherance of their duties at the Group's expense. However, where necessary and under appropriate circumstances in furtherance of his duties, any Director may do so with the prior approval of the Chairman.

## Appointments to the Board

### *Nominating Committee*

The Nominating Committee, during the financial year under review, comprised the following members:

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

The Board appoints its members through a formal and transparent process via the Nominating Committee. The Nominating Committee is entrusted to recommend to the Board on the appointment of new directors. In making its recommendations, the Nominating Committee will consider the skills, knowledge, expertise, experience, professionalism and integrity of a candidate.

Additionally, under its terms of reference, the Nominating Committee reviews the Board structure, size and composition and systematically assesses the effectiveness of the Board, its Committees and the contribution of each individual Director on an annual basis. The Nominating Committee is empowered to seek professional advice within or outside the Group as it considers necessary in the discharge of its responsibilities.

During the financial year, the Committee met once, attended by all members, to deliberate on the retirement by rotation of Directors and their eligibility for re-election at the AGM.

At the date of this Statement, the Board, through the Nominating Committee's annual appraisal, has assessed the effectiveness of the Board as a whole, the various Board Committees as well as the contributions of individual Directors. The Board believes that the current Board's composition brings the required mix of skills and core competencies required for the Board to discharge its duties effectively. Furthermore, the Board reviews its size and composition with particular consideration on its impact on the effective functioning of the Board.

The Company Secretary will ensure that all the necessary information is obtained and that all legal and regulatory obligations are met before the appointment of new Directors.

## Directors' training

All Directors have attended and successfully completed the Mandatory Accreditation Programme prescribed by Bursa Securities. The Directors are encouraged to attend various professional training programmes to keep abreast with the new statutory and regulatory requirements by related authorities.

The Board continually identifies and determines the training needs of its members. The Board also ensures that appointees to the Board are individuals of sufficient caliber, knowledge as well as experience to fulfill their duties as a Director of the Company.

Training workshops/seminar/conference/education courses attended by Directors are as follows:

1. Building Tomorrow's Mind Today
2. Blue Ocean Strategy
3. Important of Strategy Execution
4. Risk Management challenges and opportunities
5. Ideas for corporate Planning
6. 2nd International Conference 2008
7. MIA Regional Conference 2008 Kota Kinabalu

# Statement on Corporate Governance [cont'd]

## Re-election

The Articles of Association of the Company provide that an election of Directors shall take place each year and at the AGM, one-third of the Directors for the time being, or if their number is not three (3) or a multiple of three (3), the number nearest to one-third, shall retire from office.

Every Director shall retire from office once at least every three (3) years, but he or she shall be eligible for re-election. Such a provision gives an opportunity to shareholders to renew or extinguish their mandate. The election of each Director is voted on separately. In order to assist shareholders in their decision, pertinent information such as personal profile, meeting attendance and the shareholdings in the Group of each Director standing for election are furnished in the Annual Report accompanying the Notice of AGM.

In accordance with Section 129 (6) of the Companies Act, 1965, Directors who are over seventy (70) years of age are required to submit themselves for re-appointment on an annual basis.

## B. DIRECTORS' REMUNERATION

The fees payable to Directors are approved annually by shareholders at the Company's AGM.

The Board has established a Remuneration Committee which comprises the following members:

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

The Remuneration Committee's responsibilities include developing and recommending a remuneration framework for Directors as well as the remuneration package for the Executive Directors of the Company. The adoption of remuneration packages for Directors, however, is a matter for the Board as a whole, with individual Directors abstaining from decision-making in respect of his or her own remuneration package. During the financial year, the Committee met once which was attended by all members.

Details of the nature and amount of the remuneration paid to the Directors of the Company, for the financial year, are as follows:

Director	Fees	Salary and bonus	Other emoluments
	RM'000	RM'000	RM'000
Executive Director	25	754	104
Non-Executive Directors	100	-	54
Independent Non-Executive Directors	50	-	4
	175	754	162

The remuneration of the Directors for the year ended 31 December 2008, analysed into remuneration bands of RM50,000 is as follows:

Range of remuneration	Number of directors	
	Executive	Non-executive
	RM'000	RM'000
Below RM50,000	-	5
RM50,001 to RM100,000	-	1
RM750,000 to RM900,000	1	-

## C. SHAREHOLDERS

The Company recognizes the importance of accountability to its shareholders and investors through proper communication. The Board acknowledges that shareholders should be informed of all material business matters which influence the Group. Timely release of quarterly financial results to Bursa Securities and other information and corporate actions taken by the Group that warrant an announcement to Bursa Securities under the Listing Requirements provide shareholders with a current overview of the Group's performance.

# Statement on Corporate Governance [cont'd]

## C. SHAREHOLDERS [cont'd]

Whilst the Annual Report provides shareholders with information on the financial and operational performance of the Group, the AGM and Extraordinary General Meeting provide platforms for shareholders to seek more information on the audited financial statements and other matters of interest. During general meetings, the Chairman together with members of the Board are prepared to respond to all queries and to clarify concerns raised by shareholders. The Company's practice is to send out the notice of AGM and related papers to shareholders at least twenty one (21) days before the meeting.

In addition, the Board welcomes visits by fund managers and analysts as the Board believes that it will give investors and interested parties a better appreciation and understanding of the Group's performance while giving the Board the opportunity to understand their expectations and concerns. Besides, the Company also maintains an official web site at [www.leadersteel.com.my](http://www.leadersteel.com.my) that provides background information of the Group to the public. However, in any circumstances, the Directors are cautious not to provide undisclosed material information about the Group and stress the importance of timely and equal dissemination of information to shareholders and stakeholders at large.

## D. ACCOUNTABILITY AND AUDIT

### Financial reporting

The Board strives to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects for the financial year, primarily through the annual financial statements and quarterly announcement of results to shareholders as well as the Chairman's statement and review of operations in the Annual Report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

### Directors' responsibility statement in respect of the preparation of the audited financial statements

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

In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied. In this regard, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgments and estimates.

The Directors also have a general responsibility for taking such reasonable steps to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

### State of internal controls

The Statement on Internal Control, furnished on pages 20 to 21 of this Annual Report, provides an overview on the state of internal controls within the Group.

### Relationship with the Auditors

Key features underlying the relationship of the Audit Committee with the external auditors are included in the Audit Committee's terms of reference as detailed on pages 17 to 19 of this Annual Report.

A summary of the activities of the Audit Committee during the year, including the evaluation of the independent audit process, are set out in the Audit Committee Report on page 16 of this Annual Report.

### Compliance Statement

The Group has complied, throughout the financial year ended 31 December 2008, with all the Best Practices of corporate governance set out in Part 2 of the Code except for the following:-

The Audit Committee meet once with the External Auditors in the absence of the Executive Directors and management staff.

This statement is issued in accordance with a resolution of the Directors dated 17 April 2009.

# Additional Information

## 1. Share Buybacks

During the financial year, there were no share buybacks by the Company.

## 2. Options, Warrants or Convertible Securities

During the financial year, the Company issued 882,000 new ordinary shares of RM0.50 each arising from the exercise of option granted under the employees' share option scheme.

No warrants or Convertible Securities were exercised by the company during the financial year.

## 3. American Depository Receipt (ADR) Global Depository Receipt (GDR) Programme

During the financial year, the Company did not sponsor any ADR and GDR programme.

## 4. Sanctions and Penalties

There were no sanctions or penalties imposed on the Company and its subsidiaries, Directors or management by any relevant bodies during the financial year.

## 5. Non-audit fees

Non-audit fees amounting to RM52,650 were paid to the external auditors for the financial year ended 31 December 2008.

## 6. Variation in Results

There was no significant variance between the results for the financial year and the unaudited results previously announced.

## 7. Profit Guarantee

No profit guarantee was given by the Company in respect of the financial year.

## 8. Material Contracts

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

## 9. Revaluation Policy

The Company has not adopted any revaluation policy on landed properties for the financial year.

## 10. Recurrent Related Party Transactions of a Revenue or Trading Nature for the Year Ended 31 December 2008

Details of recurrent related party transactions made during the financial year ended 31 December 2008 pursuant to the shareholders' mandate obtained by the Company at the Annual General Meeting held on 29 May 2008 were as follows:

Company within the Group involved	Related Party	Amount (RM'000)	Nature of transactions	Interested Related Party
Leader Steel Sdn Bhd ("LSSB")	Eonmetall Industries Sdn Bhd	108	Sale of steel products by LSSB	Interested Director and Major Shareholder  Dato' Goh Cheng Huat
	Eonmetall Technology Sdn Bhd	3,340	Purchase of machinery by LSSB	Datin Tan Pak Say
Leader Steel Service Centre Sdn Bhd ("LSSC")	Eonmetall Industries Sdn Bhd	8,218	Purchase of steel products by LSSC	Interested Director and Major Shareholder
		8,679	Sale of steel products by LSSC	
	Eonmetall Systems Sdn Bhd	245	Rental paid by LSSC	
	Eonmetall Systems Sdn Bhd	879	Sale of steel by LSSC	



# Audit Committee Report

## Membership

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

- Mr Lim Leng Han** - **Chairman, Senior Independent Non-Executive Director**  
**En Mohd. Arif bin Mastol** - **Member, Independent Non-Executive Director**  
**(Member of Malaysian Institute of Accountants)**  
**Dato' Goh Cheng Huat** - **Member, Non-Independent, Non-Executive Director**

## Terms of reference

The Audit Committee was established on 14 August 1995 to act as a Committee of the Board, with terms of reference set out on pages 17 to 19 of this Annual Report.

## Meetings

During the financial year ended 31 December 2008, the Committee met four (4) times, attended by all the members, to discuss matters relating to the accounting and reporting practices of the Company and its subsidiaries.

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

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

## Summary of activities during the financial year

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

- Reviewed with the external auditors and internal auditors the scope of their work and audit plan;
- Reviewed with the external auditors the results and findings of the audit, the audit report and management letter;
- Reviewed the annual financial statements of the Group and Company with the external auditors, prior to submission to the Board for its consideration and approval;
- Reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval. The Senior Manager of Finance and Administration was invited to attend the meetings and render the relevant explanations on questions raised during the review;
- Reviewed the Company's compliance, in particular, the quarterly and year-end financial statements, with the Listing Requirements of Bursa Securities, applicable approved accounting standards of the Malaysian Accounting Standards Board and other relevant legal and statutory requirements;
- Reviewed the internal audit report, which highlighted the audit issues and findings, recommendations and Management's response thereto; and
- Reviewed pertinent issues, which had significant impact on the results of the Group, including bank borrowings, investments and divestments and strategic operations of subsidiaries.

## Internal audit function

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

During the financial year ended 31 December 2008, the internal audit function carried out follow-up reviews on the implementation of recommendations of the previous internal audits and assisted the Management in updating the risk profile of the Group. The opportunities for improvement noted, together with the recommendations thereof and agreed management action plans, were presented to the Audit Committee for consideration.

Further details on the internal audit function and its activities are set out in the Statement on Internal Control on pages 20 and 21 of this Annual Report.

## TERMS OF REFERENCE OF THE AUDIT COMMITTEE

### Objective

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

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

### Composition

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

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

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

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

The Chairman of the Committee shall be an independent non-executive Director. No alternate Director of the Board shall be appointed as a member of the Committee.

## **Quorum and Committee's procedures**

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

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

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

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

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

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

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

## **Authority**

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

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

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

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

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

## **Responsibilities and duties**

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

- Review with the external auditor, the audit scope and plan, including any changes to the planned scope of the audit plan.
- Review the adequacy of the internal audit scope and plan, functions, competency and resources of the internal audit functions and that it has the necessary authority to carry out its work.
- Review the external and internal audit reports to ensure that appropriate and prompt remedial action is taken by management on major deficiencies in controls or procedures that are identified.

# Audit Committee Report [cont'd]

## **Responsibilities and duties** [cont'd]

- Review major audit findings and the management's response during the year with management, external auditors and internal auditors, including the status of previous audit recommendations.
- Review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information.
- Review the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money.
- Review the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board.
- Review the Internal Audit Charter, budget and staffing of the internal audit department.
- Review the adequacy and integrity of internal control systems, including enterprise risk management, management information system, and the internal auditors' and/or external auditors' evaluation of the said systems.
- Direct and where appropriate supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts.
- Review the quarterly results and the year end financial statements, prior to the approval by the Board focusing particularly on:
  - changes in or implementation of major accounting policy changes;
  - significant or unusual events; and
  - compliance with accounting standards and other legal requirements.
- Review procedures in place to ensure that the Group is in compliance with the Companies Act 1965, Bursa Securities Listing Requirements and other legislative and reporting requirements.
- Review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises question on management integrity.
- Prepare reports, if the circumstances arise or at least once (1) a year, to the Board summarizing the work performed in fulfilling the Committee's primary responsibilities.
- Review and verify the allocation of shares to employees under the Employees' Share Option Scheme.
- Any other activities, as authorized by the Board.

# Statement on Internal Control

Paragraph 15.27(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 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 internal control of the Group during the financial year ended 31 December 2008.

## **Board responsibility**

The Board affirms its ultimate responsibility for the Group's system of internal control which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. In view of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal control covers financial, operational and compliance controls as well as risk management procedures.

The Board is aware of the requirements on the Statement on Internal Control: Guidance for Directors of Public Listed Companies (the "Internal Control Guidance") and has established a process for identifying, evaluating and managing significant risks faced by the Group. The process has been in place throughout the financial year.

## **Enterprise risk management framework**

The Group has established an enterprise risk management framework. The framework encompasses the following key initiatives:

- The issuance of a Risk Management Policy and Procedure document, which outlines the risk management framework for the Group and offers practical guidance to all employees on risk management issues;
- Workshops and interviews were conducted with the Managing Director, Senior Management and line management personnel and operational managers from the major business units in the Group. A database of all principal business risks and controls has been created, with the information filtered to produce a detailed risk register, and individual risk profiles for the major business units in the Group. Key risks to each major business unit's objectives, aligned with the Group's strategic objectives, were identified and evaluated for likelihood of the risks occurring and magnitude of the impact;
- A risk profile of the Group was developed which, together with a summary of the key findings, was discussed at the Audit Committee meeting before being presented to the Board for consideration;
- The Management of each major business unit has been entrusted to prepare action plans, with implementation time line, to address principal risks and control issues;
- Update of risk profile of the Group at periodically and
- Periodic cycles of internal audit were carried out by a professional firm of consultants which highlighted areas of concerns, including improvement opportunities for Management to strengthen internal control.

## **Internal audit function**

The Group outsourced 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 a detailed 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 Management formulates the relevant action plans to address the issues noted on a periodic basis.

# Statement on Internal Control [cont'd]

## **Internal audit function** [cont'd]

During the financial year ended 31 December 2008, the internal audit function carried out the following activities:

- Presented the internal audit plan to the Audit Committee;
- Carried out an internal audit review on certain business cycles;
- Performed follow up review on the implementation of recommendations of previous internal audits; and
- Presented the internal audit report to the Audit Committee.

## **Other risk and control process**

Apart from risk management and internal audit, the Board has put in place the following measures to provide assurance on operation and validity of the system of internal control:


- 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;
- The close involvement of the Managing Director in the running of the Group's operations. The Managing Director reports to the Board on significant changes in the business and external environmental factors that may impact the Group's operations; and
- An organizational structure with formally defined lines of responsibility and delegation of authority has been put in place. A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability. 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, finally, to the Board.

## **Weaknesses in internal controls that resulted in material losses**

There were no material losses incurred during the financial year ended 31 December 2008 as a result of weaknesses in internal controls. The Board, together with Management, continues to take measures to strengthen the control environment, as appropriate.

This statement is issued in accordance with a resolution of the Directors dated 17 April 2009.

# Corporate Social Responsibility



Leader Steel Holdings Berhad and its subsidiaries ("the Group") have been actively playing its role in maintaining the corporate social responsibility in business operation. Scrap metals are collected and sent to melt shop for recycling purposes. Water mixed with chemicals which serves as coolant in the production process is not disposed of but reused after being treated. These environment-friendly measures have significantly reduced wastage on materials and water consumption to minimum level. The Group also ensures compliance with all environmental regulations and laws at all times.

In support of lifelong learning, the Group provided training programs in the area of financial, IT, health and safety and job-related courses to all staff in 2008. At the same time, the Group also gave sponsorships to in-house sport activities as an effort to enhance work-life balance among the staff.

As a responsible corporate citizen, the Group also provided assistance to local charitable organizations and schools. In 2008, donation in term of money and in-kind amounted to RM89,220 was given out for their development programs and activities which brought benefits to local community.



# Financial Statements

**24 – 28** Directors' Report

---

**29** Consolidated Balance Sheet

---

**30** Consolidated Income Statement

---

**31** Consolidated Statement of Changes in Equity

---

**32 - 33** Consolidated Cash Flow Statement

---

**34** Balance Sheet

---

**35** Income Statement

---

**36** Statement of Changes in Equity

---

**37** Cash Flow Statement

---

**38 - 68** Notes to the Financial Statements

---

**69** Statement by Directors

---

**69** Statutory Declaration

---

**70 - 71** Independent auditors' report to the members

---



# Directors' Report

for the year ended 31 December 2008

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2008.

## Principal activities

The Company is an investment holding company.

The principal activities of its 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 attributable to shareholders of the Company	603,228	3,018,933

## Reserves and provisions

There were no material transfers to or from reserves and provisions during the financial year except as disclosed in the financial statements.

## Dividends

Since the end of the previous financial year, the Company paid a first and final dividend of 2.50 sen per ordinary share less 26% tax, totalling RM2,368,592 in respect of the year ended 31 December 2007 on 30 June 2008.

The Directors do not recommend any dividends to be paid for the current financial year.

## Directors of the Company

Directors who served since the date of the last report are :-

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

# Directors' Report [cont'd]

for the year ended 31 December 2008

## Directors' interests

The interests and deemed interests in the shares and options of the Company and of its related companies (other than wholly-owned subsidiaries) of those who were Directors at year end (including the interest of the spouses and/or children of the Directors who themselves are not Directors of the Company) as recorded in the Register of Directors' Shareholdings are as follows :

Name of Director	← Number of ordinary shares of RM0.50 each →			
	Balance at 1.1.2008	Bought	(Sold)	Balance at 31.12.2008
<b>The Company</b>				
<b>Direct interest</b>				
Dato' Goh Cheng Huat	10,530,594	-	-	10,530,594
Datin Tan Pak Say	1,150,006	-	-	1,150,006
Tan Sri Dato' Soong Siew Hoong	150,000	-	-	150,000
Lim Leng Han	18,000	-	-	18,000

## Deemed interest

Dato' Goh Cheng Huat	55,185,874	-	-	55,185,874
Datin Tan Pak Say	64,566,462	-	-	64,566,462

Name of Director	Exercise price RM	← Number of options over ordinary shares of RM0.50 each →			
		Balance at 1.1.2008	Granted	(Exercised)	Balance at 31.12.2008
<b>The Company</b>					
Tan Sri Dato' Mohd Desa bin Pachi	0.74	450,000	-	-	450,000
Dato' Goh Cheng Huat	0.74	450,000	-	-	450,000
Datin Tan Pak Say	0.74	800,000	-	-	800,000
Tan Sri Dato' Soong Siew Hoong	0.74	350,000	-	-	350,000
Lim Leng Han	0.74	350,000	-	-	350,000
Mohd Arif bin Mastol	0.74	350,000	-	-	350,000
Datuk Abdullah bin Kuntom	0.74	350,000	-	-	350,000

By virtue of their interests of more than 15% in the shares of the Company, Dato' Goh Cheng Huat and Datin Tan Pak Say are also deemed interested in the shares of all the subsidiaries during the financial year to the extent the Company has an interest.

## Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related company 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 certain Directors who may be deemed to derive a benefit from transactions entered into in the ordinary course of business between certain companies in the Group and companies in which certain Directors have substantial financial interests as disclosed in Note 26 to the financial statements.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the Employees' Share Option Scheme ("ESOS") of the Company.

# Directors' Report [cont'd]

for the year ended 31 December 2008

## Issue of shares and debentures

During the financial year, the Company issued 882,000 new ordinary shares of RM0.50 each arising from the exercise of options granted under the ESOS.

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

## Options granted over unissued shares

No options were granted to any person to take up unissued shares of the Company during the year apart from the issue of options pursuant to the ESOS.

The Company's ESOS was approved by the shareholders at the Extraordinary General Meeting held on 20 June 2002.

The options offered to take up unissued ordinary shares of RM0.50 each and the exercise price are as follows :

Date of offer	Exercise price RM	Number of options over ordinary shares of RM0.50 each				Balance at 31.12.2008
		Balance at 1.1.2008	Granted	(Exercised)	(Lapsed due to resignation)	
20 June 2002	0.50	1,517,000	-	(867,000)	-	650,000
18 May 2005	0.74	10,201,000	-	(15,000)	(205,000)	9,981,000

The persons to whom the options have been granted have no right to participate by virtue of the options in any shares issue of any other company.

The salient features of ESOS are summarised as follows :

- a) The maximum number of shares of the Company which may be subscribed on the exercise of options granted under ESOS shall not, in aggregate, exceed fifteen per centum (15%) of the issued and paid-up share capital of the Company or such maximum percentage as allowable by the relevant authorities at any point of time during the existence of ESOS.
- b) The number of new shares that may be offered and allotted to any of the eligible Directors and employees of the Group shall be at the discretion of the option committee after taking into consideration the performance, seniority and length of service, contributions and commitment of the eligible Directors and employees in the Group under ESOS and such other factors that the option committee may deem relevant subject to the following :
  - i) not more than fifty per centum (50%) of the shares available under ESOS should be allocated, in aggregate, to Directors and senior management of the Group; and
  - ii) not more than ten per centum (10%) of the shares available under ESOS should be allocated to any individual Director or employees who, either singly or collectively through persons connected with the Director or employees, holds twenty per centum (20%) or more in the issued and paid-up share capital of the Company.
- c) ESOS shall continue to be in force for a period of ten (10) years from 12 August 2002.
- d) The price of each of the option share granted shall be set based on the 5-day weighted average market price of the Company's shares as quoted on the Bursa Malaysia Securities Berhad immediately preceding the date of offer with a discount of not more than ten per centum (10%), if deemed appropriate, or such lower or higher limit in accordance with any prevailing guidelines issued by the Bursa Securities or any other relevant authorities as amended from time to time, or at the par value of each of the share of the Company, whichever is higher.

# Directors' Report [cont'd]

for the year ended 31 December 2008

## Options granted over unissued shares [cont'd]

- e) The new shares to be allotted and issued upon exercise of any option shall upon allotment rank *pari passu* in all respects with the existing issued and paid-up share capital of the Company except the new shares so allotted shall not be entitled to any dividend, rights, allotment or other distribution unless the shares so allotted have been credited into the relevant securities accounts maintained by Malaysian Central Depository Sdn. Bhd. before the entitlement date of the dividend, rights, allotment or other distribution, and will be subject to all the provision of the Articles of Association of the Company relating to the transfer, transmission or otherwise of the shares of the Company.

## Other statutory information

Before the balance sheets and income statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that :

- i) all known bad debts have been written off and adequate provision made for doubtful debts; and
- ii) all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances :

- i) that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii) that would render the value attributed to the current assets in the financial statements of the Group and of the Company misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

At the date of this report, there does not exist :

- i) any charge on the assets of the Group or of the Company that has arisen since the end of the financial year and which secures the liabilities of any other person, or
- ii) any contingent liability in respect of the Group or of the Company that has arisen since the end of the financial year.

No contingent liability or other liability of any company in the Group has become enforceable, or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may substantially affect the ability of the Group and of the Company to meet their obligations as and when they fall due.

In the opinion of the Directors, except for the allowance for doubtful debts of RM2,724,368 and inventory write-down of RM5,146,642 as disclosed in Note 19 to the financial statements, the results of the operations of the Group and of the Company for the financial year ended 31 December 2008 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

# Directors' Report [cont'd]

for the year ended 31 December 2008



## Subsequent event

Details of such event are disclosed in Note 30 to the financial statements.

## Auditors

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

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

.....  
**Datin Tan Pak Say**

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

Penang,

Date : 17 April 2009



# Consolidated Balance Sheet

as at 31 December 2008

	Note	2008 RM	2007 RM
<b>Assets</b>			
Property, plant and equipment	3	70,552,536	68,228,280
Prepaid lease payments	4	5,964,961	4,099,276
Investment property	5	644,087	-
Other investments	8	300,000	334,525
<b>Total non-current assets</b>		<b>77,461,584</b>	<b>72,662,081</b>
Receivables, deposits and prepayments	9	39,779,215	23,574,466
Inventories	10	38,589,484	36,962,432
Current tax assets		347,293	193,100
Cash and cash equivalents	11	2,869,002	6,194,922
<b>Total current assets</b>		<b>81,584,994</b>	<b>66,924,920</b>
<b>Total assets</b>		<b>159,046,578</b>	<b>139,587,001</b>
<b>Capital and reserves</b>			
Share capital	12	64,016,000	63,575,000
Reserves	13	23,819,433	25,378,197
<b>Total equity attributable to the equity holders of the Company</b>		<b>87,835,433</b>	<b>88,953,197</b>
<b>Liabilities</b>			
Borrowings	14	4,030,067	3,711,924
Deferred tax liabilities	15	7,270,000	8,651,960
<b>Total non-current liabilities</b>		<b>11,300,067</b>	<b>12,363,884</b>
Payables and accruals	16	23,616,302	7,461,017
Borrowings	14	35,240,951	30,290,430
Current tax liabilities		1,053,825	518,473
<b>Total current liabilities</b>		<b>59,911,078</b>	<b>38,269,920</b>
<b>Total liabilities</b>		<b>71,211,145</b>	<b>50,633,804</b>
<b>Total equity and liabilities</b>		<b>159,046,578</b>	<b>139,587,001</b>

The notes on pages 38 to 68 are an integral part of these financial statements.

# Consolidated Income Statement

for the year ended 31 December 2008

	Note	2008 RM	2007 RM
<b>Continuing operations</b>			
Revenue	18	231,596,889	185,563,446
Changes in manufactured inventories and work-in-progress		(607,662)	2,057,931
Raw materials and trading inventories used		(180,891,612)	(152,107,769)
Staff costs		(4,514,406)	(4,689,272)
Depreciation and amortisation expenses		(6,423,486)	(5,487,465)
Other operating expenses		(36,828,281)	(18,417,952)
Other operating income		1,602,861	1,698,011
<b>Operating profit</b>	19	3,934,303	8,616,930
Financing costs	21	(2,693,655)	(1,572,398)
<b>Profit before tax</b>		1,240,648	7,044,532
Tax expense	22	(637,420)	(1,904,644)
<b>Profit for the year</b>		603,228	5,139,888
<b>Attributable to :</b>			
Equity holders of the Company		603,228	5,139,888
<b>Basic earnings per ordinary share (sen)</b>	23	0.47	4.05
<b>Diluted earnings per ordinary share (sen)</b>	23	0.47	4.04
<b>Dividend per ordinary share (sen) -gross</b>	24	-	2.50

The notes on pages 38 to 68 are an integral part of these financial statements.

# Consolidated Statement of Changes In Equity

for the year ended 31 December 2008

← Attributable to equity holders of the Company →

Note	Non-distributable			Distributable		Total equity RM
	Share capital RM	Share premium RM	Share option reserve RM	Capital reserve RM	Retained earnings RM	
<b>At 1 January 2007</b>	62,961,000	-	1,508,000	283,606	20,340,434	85,093,040
Profit for the year	-	-	-	-	5,139,888	5,139,888
Share options exercised	614,000	-	-	-	-	614,000
Share-based payments	17	-	424,000	-	-	424,000
Dividend	24	-	-	-	(2,317,731)	(2,317,731)
<b>At 31 December 2007</b>	63,575,000	-	1,932,000	283,606	23,162,591	88,953,197
Profit for the year	-	-	-	-	603,228	603,228
Share options exercised	441,000	3,600	-	-	-	444,600
Share-based payments	17	-	203,000	-	-	203,000
Dividend	24	-	-	-	(2,368,592)	(2,368,592)
<b>At 31 December 2008</b>	64,016,000	3,600	2,135,000	283,606	21,397,227	87,835,433

The notes on pages 38 to 68 are an integral part of these financial statements.



# Consolidated Cash Flow Statement

for the year ended 31 December 2008

	Note	2008 RM	2007 RM
<b>Cash flows from operating activities</b>			
Profit before tax from continuing operations		1,240,648	7,044,532
Adjustments for :			
Allowance for diminution in value on other investments		848,000	-
Amortisation of prepaid lease payments	4	120,209	91,428
Depreciation			
- Property, plant and equipment	3	6,293,947	5,396,037
- Investment property	5	9,330	-
Dividend income		(37,000)	(20,000)
Impairment loss on goodwill	7	111,877	-
Interest expense	21	2,693,655	1,572,398
Interest income		(70,923)	(32,700)
Loss on disposal of other investments		13,650	-
Plant and equipment			
- Write off		-	19,298
- Loss/(Gain) on disposal		472,233	(3,490)
Reversal of diminution in value of other investments		-	(18,525)
Share-based payments	17	203,000	424,000
Operating profit before changes in working capital		11,898,626	14,472,978
Changes in working capital:			
Inventories		(1,627,052)	3,052,117
Receivables, deposits and prepayments		(16,204,749)	10,692,195
Payables and accruals		16,060,640	(5,565,648)
Cash generated from operations		10,127,465	22,651,642
Dividend received		27,380	14,600
Interest paid	21	(2,693,655)	(1,572,398)
Interest received		70,923	32,700
Tax paid		(1,628,601)	(1,118,063)
<b>Net cash generated from operating activities</b>		<b>5,903,512</b>	<b>20,008,481</b>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	A	(9,408,237)	(8,825,329)
Purchase of prepaid lease payments	4	(1,985,894)	-
Purchase of investment property	5	(8,380)	-
Purchase of other investments		(1,160,000)	(102,000)
Proceeds from disposal of plant and equipment		723,765	46,000
Proceeds from disposal of other investments	8	332,875	-
Acquisition of a subsidiary, net of cash acquired	B	(17,233)	-
<b>Net cash used in investing activities</b>		<b>(11,523,104)</b>	<b>(8,881,329)</b>

The notes on pages 38 to 68 are an integral part of these financial statements.

# Consolidated Cash Flow Statement [cont'd]

for the year ended 31 December 2008

	Note	2008 RM	2007 RM
<b>Cash flows from financing activities</b>			
Drawdown of term loans		-	560,000
Repayment of term loans		(770,077)	(1,239,529)
Re-financing of plant and equipment		1,920,000	-
Repayment of finance lease liabilities		(1,170,673)	(776,992)
Short term borrowings, net		4,238,414	(1,314,949)
Proceeds from issue of shares		444,600	614,000
Dividend paid to shareholders of the Company	24	(2,368,592)	(2,317,731)
<b>Net cash generated from/(used in) financing activities</b>		<b>2,293,672</b>	<b>(4,475,201)</b>
<b>Net (decrease)/increase in cash and cash equivalents</b>		<b>(3,325,920)</b>	<b>6,651,951</b>
<b>Cash and cash equivalents at 1 January</b>		<b>6,194,922</b>	<b>(457,029)</b>
<b>Cash and cash equivalents at 31 December</b>	C	<b>2,869,002</b>	<b>6,194,922</b>

## Notes

### A. Purchase of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM10,459,237 (2007 : RM8,925,329) of which RM1,051,000 (2007 : RM100,000) was acquired by means of finance lease. The balance of RM9,408,237 (2007 : RM8,825,329) was made by cash payments.

### B. Acquisition of a subsidiary, net of cash acquired

The fair value of assets acquired and liabilities assumed are as follows :

	RM
Equipment	1
Current assets	
Cash and cash equivalents	2,769
Current liabilities	
Payables and accruals	(94,645)
Net liabilities assumed	(91,875)
Goodwill on consolidation (Note 7)	111,877
Total purchase consideration	20,002
Less : Cash and cash equivalents acquired	(2,769)
Net of cash acquired	17,233

### C. Cash and cash equivalents

Cash and cash equivalents included in the consolidated cash flow statement comprise the following balance sheet amounts :

	Note	2008 RM	2007 RM
Short term deposit with a licensed bank	11	-	5,100,000
Cash and bank balances	11	2,869,002	1,094,922
		<b>2,869,002</b>	<b>6,194,922</b>

The notes on pages 38 to 68 are an integral part of these financial statements.

# Balance Sheet

at 31 December 2008

	Note	2008 RM	2007 RM
<b>Assets</b>			
Investment in subsidiaries	6	26,157,531	25,008,428
Other investments	8	300,000	334,525
<b>Total non-current assets</b>		<u>26,457,531</u>	<u>25,342,953</u>
Receivables, deposits and prepayments	9	60,187,368	59,285,705
Current tax assets		118,008	5,401
Cash and cash equivalents	11	9,482	9,894
<b>Total current assets</b>		<u>60,314,858</u>	<u>59,301,000</u>
<b>Total assets</b>		<u>86,772,389</u>	<u>84,643,953</u>
<b>Capital and reserves</b>			
Share capital	12	64,016,000	63,575,000
Reserves	13	6,115,744	5,258,803
<b>Total equity attributable to the equity holders of the Company</b>		<u>70,131,744</u>	<u>68,833,803</u>
Payables and accruals	16	16,640,645	15,810,150
<b>Total current liabilities</b>		<u>16,640,645</u>	<u>15,810,150</u>
<b>Total equity and liabilities</b>		<u>86,772,389</u>	<u>84,643,953</u>

The notes on pages 38 to 68 are an integral part of these financial statements.

# Income Statement

for the year ended 31 December 2008

	Note	2008 RM	2007 RM
<b>Continuing operations</b>			
Revenue	18	5,037,000	3,540,213
Staff costs		(53,897)	(104,273)
Operating expenses		(1,304,154)	(510,518)
Other operating income		<u>16,996</u>	<u>18,525</u>
<b>Profit before tax</b>	19	3,695,945	2,943,947
Tax expense	22	<u>(677,012)</u>	<u>(950,457)</u>
<b>Profit for the year</b>		<u><u>3,018,933</u></u>	<u><u>1,993,490</u></u>

The notes on pages 38 to 68 are an integral part of these financial statements.

# Statement of Changes In Equity

for the year ended 31 December 2008

	Note	Share capital RM	Non-distributable Share Premium RM	Share option reserve RM	Distributable Retained earnings RM	Total equity RM
<b>At 1 January 2007</b>		62,961,000	-	1,508,000	3,651,044	68,120,044
Profit for the year		-	-	-	1,993,490	1,993,490
Share option exercised		614,000	-	-	-	614,000
Share-based payments	17	-	-	424,000	-	424,000
Dividend	24	-	-	-	(2,317,731)	(2,317,731)
<b>At 31 December 2007</b>		63,575,000	-	1,932,000	3,326,803	68,833,803
Profit for the year		-	-	-	3,018,933	3,018,933
Share option exercised		441,000	3,600	-	-	444,600
Share-based payments	17	-	-	203,000	-	203,000
Dividend	24	-	-	-	(2,368,592)	(2,368,592)
<b>At 31 December 2008</b>		64,016,000	3,600	2,135,000	3,977,144	70,131,744

The notes on pages 38 to 68 are an integral part of these financial statements.

# Cash Flow Statement

for the year ended 31 December 2008

	Note	2008 RM	2007 RM
<b>Cash flows from operating activities</b>			
Profit before tax		3,695,945	2,943,947
Adjustments for :			
Allowance for diminution in value on other investments		848,000	-
Dividend income		(5,037,000)	(3,540,213)
Loss on disposal of other investments	8	13,650	-
Impairment loss on investment in subsidiaries		-	147,899
Reversal of diminution in value of other investments		-	(18,525)
Share-based payments	17	53,897	104,273
Operating loss before changes in working capital		(425,508)	(362,619)
Changes in working capital :			
Receivables, deposits and prepayments		(901,663)	1,184,171
Payables and accruals		830,495	(1,613,047)
Cash used in operations		(496,676)	(791,495)
Dividend received		4,247,381	2,584,355
Tax refund		-	15,723
<b>Net cash generated from operating activities</b>		3,750,705	1,808,583
<b>Cash flows from investing activities</b>			
Increase in investments in subsidiaries		(1,000,000)	(2)
Purchase of other investments		(1,160,000)	(102,000)
Proceeds from disposal of other investments	8	332,875	-
<b>Net cash used in investing activities</b>		(1,827,125)	(102,002)
<b>Cash flows from financing activities</b>			
Proceeds from issue of shares		444,600	614,000
Dividend paid to shareholders of the Company	24	(2,368,592)	(2,317,731)
<b>Net cash used in financing activities</b>		(1,923,992)	(1,703,731)
<b>Net (decrease)/increase in cash and cash equivalents</b>		(412)	2,850
<b>Cash and cash equivalents at 1 January</b>		9,894	7,044
<b>Cash and cash equivalents at 31 December</b>		9,482	9,894

Note

*Cash and cash equivalents*

Cash and cash equivalents included in the cash flow statement comprise the cash and bank balances as shown in Note 11.

The notes on pages 38 to 68 are an integral part of these financial statements.

# Notes to the Financial Statements

Leader Steel Holdings Berhad is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Board of the Bursa Malaysia Securities Berhad. The addresses of its registered office and principal place of business are as follows:

## Registered office

Suite 2 - 1, 2nd Floor  
Menara Penang Garden  
42A Jalan Sultan Ahmad Shah  
10050 Penang

## Principal place of business

Plot 85, Lorong Perusahaan Utama  
Kawasan Perusahaan Bukit Tengah  
14000 Bukit Tengah  
Penang

The consolidated financial statements as at and for the year ended 31 December 2008 comprise the Company and its subsidiaries (together referred to as the Group).

The Company is principally engaged as an investment holding company. The principal activities of its subsidiaries are disclosed in Note 6 to the financial statements.

The financial statements were approved by the Board of Directors on 17 April 2009.

## 1. Basis of preparation

### (a) Statement of compliance

The financial statements of the Group and the Company have been prepared in accordance with Financial Reporting Standards (FRS), accounting principles generally accepted and the Companies Act, 1965, in Malaysia.

The Group and the Company has not applied the following accounting standards (including its consequential amendments) and interpretations that have been issued by the Malaysian Accounting Standards Boards (MASB) but are not yet effective :

FRSs/Interpretations	Effective date
FRS 4, Insurance Contracts	1 January 2010
FRS 7, Financial Instruments: Disclosures	1 January 2010
FRS 8, Operating Segments	1 July 2009
FRS 139, Financial Instruments: Recognition and Measurement	1 January 2010
IC Interpretation 9, Reassessment of Embedded Derivatives	1 January 2010
IC Interpretation 10, Interim Financial Reporting and Impairment	1 January 2010

The Group and the Company plan to apply the above mentioned FRSs/ Interpretations from the annual period beginning 1 January 2010 except for FRS 4 which is not applicable to the Group and the Company.

The impact of applying FRS 7, and FRS 139 on the financial statements upon first adoption as required by paragraph 30(b) of FRS 108, Accounting Policies, Changes in Accounting Estimates and Errors is not disclosed by virtue of the exemption given in the respective FRSs. The initial application of the standards (and its consequential amendments) and interpretations is not expected to have any material impact on the Group and the Company's financial statements.

## 1. Basis of preparation [cont'd]

### (a) Statement of compliance [cont'd]

#### *FRS 8, Operating Segments*

FRS 8 will become effective for financial statements for the year ending 31 December 2010. FRS 8, which replaces FRS 114, Segment Reporting, requires identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and to assess its performance. Currently, the Group presents segment information in respect of its business and geographical segments (see note 2(u)). The adoption of FRS 8 will not have any significant impact on the financial statements of the Group other than expanded disclosure requirements, if any.

### (b) Basis of measurement

The financial statements have been prepared on the historical cost basis except as disclosed in the notes to the financial statements.

### (c) Functional and presentation currency

These financial statements are presented in Ringgit Malaysia (RM), which is the Company's functional currency.

### (d) Use of estimates and judgements

The preparation of financial statements requires management to make judgements, estimates and assumptions that affect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements other than as disclosed in Note 9 – Recoverability of debts and Note 10 – Measurement of net realisable value of inventories.

## 2. Significant accounting policies

The accounting policies set out below have been applied consistently to the periods presented in these financial statements, and have been applied consistently by Group entities, unless otherwise stated.

### (a) Basis of consolidation

#### *i) Subsidiaries*

Subsidiaries are entities, including unincorporated entities, controlled by the Group. Control exists when the Group has the ability to exercise its power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. In assessing control, potential voting rights that presently are exercisable are taken into account. Subsidiaries are consolidated using the purchase method of accounting except for Leader Steel Sdn. Bhd. which are accounted for using the pooling-of-interests method of accounting.

Under the purchase method of accounting, the financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Under the pooling-of-interests method of accounting, the results of entities or businesses under common control are accounted for as if the acquisition had occurred at the beginning of the earliest comparative period presented or, if later, at the date that common control was established. The assets and liabilities acquired were recognised at the carrying amounts recognised previously in the Group's controlling shareholder's consolidated financial statement. The difference between the cost of acquisition and the nominal value of the shares acquired together with share premium are taken to merger reserve (or adjusted against any suitable reserve in the case of debit differences). The other components of equity of the acquired entities are added to the same components within Group equity.

Investments in subsidiaries are stated in the Company's balance sheet at cost less impairment losses, unless the investment is classified as held for sale (or included in a disposal group that is classified as held for sale).



## 2. Significant accounting policies [cont'd]

### (a) Basis of consolidation [cont'd]

#### ii) Changes in Group composition

Where a subsidiary issues new equity shares to minority interest for cash consideration and the issue price has been established at fair value, the reduction in the Group's interests in the subsidiary is accounted for as a disposal of equity interest with the corresponding gain or loss recognised in the income statement.

When a group purchases a subsidiary's equity shares from minority interest for cash consideration and the purchase price has been established at fair value, the accretion of the Group's interests in the subsidiary is accounted for as a purchase of equity interest for which the purchase method of accounting is applied.

The Group treats all other changes in group composition as equity transactions between the Group and its minority shareholders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

#### iii) Transactions eliminated on consolidation

Intra-group balances, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements. Unrealised gains arising from transactions with equity accounted investees are eliminated against the investment to the extent of the Group's interest in the investee. Unrealised losses are eliminated in the same way as unrealised gains, but only to the extent that there is no evidence of impairment.

### (b) Foreign currency

Transactions in foreign currencies are translated to the respective functional currencies of the Group entities at exchange rates at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are retranslated to the functional currency at the exchange rate at that date. Non-monetary assets and liabilities denominated in foreign currencies are translated at exchange rates at the dates of the transactions except for those that are measured at fair value, which are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Foreign currency differences arising on retranslation are recognised in the income statements.

### (c) Property, plant and equipment

#### i) Recognition and measurement

Items of property, plant and equipment are stated at cost/valuation less accumulated depreciation and impairment losses.

The Group has availed itself to the transitional provision when the MASB first adopted IAS 16, Property, Plant and Equipment in 1998. Certain short term leasehold land and factory buildings were revalued in 1995 and no later valuation has been recorded for these properties (except in the case of impairment adjustments based on a valuation).

Cost includes expenditures that are directly attributable to the acquisition of the asset and any other costs directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets includes the cost of materials and direct labour and, for qualifying assets, borrowing costs are capitalised in accordance with the Group's accounting policy. Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

The cost of property, plant and equipment recognised as a result of a business combination is based on fair value at acquisition date. The fair value of property is the estimated amount for which a property could be exchanged between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion. The fair value of other items of plant and equipment is based on the quoted market prices for similar item.

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

## 2. Significant accounting policies [cont'd]

### (c) Property, plant and equipment [cont'd]

#### i) Recognition and measurement [cont'd]

Gains and losses on disposal of an item of property, plant and equipment are determined by comparing the proceeds from disposal with the carrying amount of property, plant and equipment and are recognised net within "other operating income" or "other operating expenses" respectively in the income statements. When revalued assets are sold, the amounts included in the revaluation surplus reserve are transferred to retained earnings.

#### ii) Subsequent costs

The cost of replacing part of an item of property, plant and equipment is recognised in the carrying amount of the item if it is probable that the future economic benefits embodied within the part will flow to the Group and its cost can be measured reliably. The carrying amount of the replaced parts is derecognised. The costs of the day-to-day servicing of property, plant and equipment are recognised in the income statements as incurred.

#### iii) Depreciation

Depreciation is recognised in the income statement on a straight-line basis over the estimated useful lives of each part of an item of property, plant and equipment. Leased assets are depreciated over the shorter of the lease term and their useful lives unless it is reasonably certain that the Group will obtain ownership by the end of the lease term. Freehold land is not depreciated. Property, plant and equipment under construction are not depreciated until the assets are ready for their intended use.

The depreciation rate for the current and comparative periods based on their estimated useful lives are as follows:

	%
Factory buildings	2
Staff quarters	2
Plant and machinery	7 - 10
Furniture, fittings and office equipment	10 - 14
Electrical and other installations	10 - 14
Tools and equipment	7 - 10
Motor vehicles	14

Depreciation methods, useful lives and residual values are reassessed at the balance sheet date.

### (d) Leased assets

#### (i) Finance lease

Leases in terms of which the Group assumes substantially all the risks and rewards of ownership are classified as finance leases. Upon initial recognition the leased asset is measured at an amount of its fair value and the present value of the minimum lease payments. Subsequent to initial recognition, the asset is accounted for in accordance with the accounting policy applicable to that asset.

Minimum lease payments made under finance leases are apportioned between the finance expense and the reduction of the outstanding liability. The finance expense is allocated to each period during the lease term so as to produce a constant periodic rate of interest on the remaining balance of the liability. Contingent lease payments are accounted for by revising the minimum lease payments over the remaining term of the lease when the lease adjustment is confirmed.

## 2. Significant accounting policies [cont'd]

### (d) Leased assets [cont'd]

#### (ii) Operating lease

Leasehold land that normally has an indefinite economic life and title is not expected to pass to the lessee by the end of the lease term is treated as an operating lease. The payment made on entering into or acquiring a leasehold land is accounted for as prepaid lease payments, except for leasehold land classified as investment property.

Certain leasehold land were revalued in 1995 and the Group has retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provision in FRS 117.67A when it first adopted FRS 117, Leases in 2006.

Payments made under operating leases are recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives received are recognised as an integral part of the total lease expense, over the term of the lease.

### (e) Impairment of assets

The carrying amount of assets, except for inventories and financial assets, are reviewed at each reporting date to determine whether there is any indication of impairment. If any such indication exists then the asset's recoverable amount is estimated. For goodwill that has indefinite useful life, recoverable amount is estimated at each reporting date.

The recoverable amount of an asset or cash-generating unit is the greater of its value in use and its fair value less costs to sell. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash flows from continuing use that are largely independent of the cash inflows of other assets or groups of assets (the "cash-generating unit").

An impairment loss is recognised if the carrying amount of an asset or its cash-generating unit exceeds its recoverable amount unless the asset is carried at a revalued amount, in which case the impairment loss is recognised directly against any revaluation surplus for the asset to the extent that the impairment loss does not exceed the amount in the revaluation surplus for that same asset. Impairment losses are recognised in the income statements. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (groups of units) on a pro rata basis.

An impairment loss in respect of goodwill is not reversed. In respect of other assets, impairment losses recognised in prior periods are assessed at each reporting date for any indications that the loss has decreased or no longer exists. An impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount. An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. Reversals of impairment losses are credited to the income statements in the year in which the reversals are recognised, unless it reverses an impairment loss on a revalued surplus. Where an impairment loss on the same revalued asset was previously recognised in the income statements, a reversal of that impairment loss is also recognised in the income statements.

### (f) Investments in debt and equity securities

Investments in debt and equity securities are recognised initially at fair value plus attributable transaction costs.

Subsequent to initial recognition, investments in non-current equity securities other than investments in subsidiaries are stated at cost less allowance for diminution in value.

Where in the opinion of the Directors, there is a decline other than temporary in the value of non-current equity securities and non-current debt securities other than investment in subsidiaries, the allowance for diminution in value is recognised as an expense in the financial year in which the decline is identified.

On disposal of an investment, the difference between net disposal proceeds and its carrying amount is recognised in the income statement.

## 2. Significant accounting policies [cont'd]

### (f) Investments in debt and equity securities [cont'd]

All investments in debt and equity securities are accounted for using settlement date accounting. Settlement date accounting refers to :

- a) the recognition of an asset on the day it is received by the entity, and
- b) the derecognition on an asset and recognition of any gain or loss on disposal on the date it is delivered.

### (g) Investment property

#### (i) Investment property carried at cost

Investment properties are properties which are owned to earn rental income or for capital appreciation or for both. These include land (other than leasehold land) held for a currently undetermined future use. Properties that are occupied by the companies in the Group are accounted for as owner-occupied rather than as investment properties.

Investment properties are stated at cost less any accumulated depreciation and any accumulated impairment losses, consistent with the accounting policy for property, plant and equipment as stated in accounting policy note 2(c).

Depreciation is charged to the income statements on a straight-line basis over the estimated useful lives of 50 years for buildings. Freehold land is not depreciated.

#### (ii) Determination of fair value

The Directors estimate the fair values of the Group's investment property without involvement of independent valuers.

The fair values are based on market values, being the estimated amount for which a property could be exchanged on the date of the valuation between a willing buyer and a willing seller in an arm's length transaction after proper marketing wherein the parties had each acted knowledgeably, prudently and without compulsion.

### (h) Goodwill

Goodwill arises on business combinations and is measured at cost less any accumulated impairment losses.

For acquisitions prior to 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the fair values of the net identifiable assets and liabilities.

With the adoption of FRS 3 beginning 1 January 2006, goodwill represents the excess of the cost of the acquisition over the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities of the acquiree.

Any excess of the Group's interest in the net fair value of acquiree's identifiable assets, liabilities and contingent liabilities over the cost of acquisition is recognised immediately in income statements.

### (i) Inventories

Inventories are measured at the lower of cost and net realisable value. The cost of inventories is based on the weighted average principle, and includes expenditure incurred in acquiring the inventories and bringing them to their existing location and condition. In the case of work-in-progress and manufactured inventories, cost includes an appropriate share of production overheads based on normal operating capacity. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated costs of completion and the estimated costs necessary to make the sales.

### (j) Receivables

Receivables are initially recognised at their cost when the contractual right to receive cash or another financial asset from another entity is established.

Subsequent to initial recognition, receivables are stated at cost less allowance for doubtful debts.

Receivables are not held for the purpose of trading.

### (k) Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

## 2. Significant accounting policies [cont'd]

### (l) Provisions

A provision is recognised if, as a result of a past event, the Group has a present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation. Provisions are determined by discounting the expected future cash flows at a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

### *Contingent liabilities*

Where it is not probable that an outflow of economic benefits will be required, or the amount cannot be estimated reliably, the obligation is disclosed as a contingent liability, unless the probability of outflow of economic benefits is remote. Possible obligations, whose existence will only be confirmed by the occurrence or non-occurrence of one or more future events are also disclosed as contingent liabilities unless the probability of outflow of economic benefits is remote.

Where the Company enters into financial guarantee contracts to guarantee the indebtedness of other companies within its group, the Company considers these to be insurance arrangements, and accounts for them as such. In this respect, the Company treats the guarantee contract as a contingent liability until such time as it becomes probable that the Company will be required to make a payment under the guarantee.

### (m) Payables

Payables are measured initially and subsequently at cost. Payables are recognised when there is a contractual obligation to deliver cash or another financial asset to another entity.

### (n) Loans and borrowings

Loans and borrowings are stated at amortised cost with any difference between cost and redemption value being recognised in the income statements over the period of the loans and borrowings using the effective interest method.

### (o) Equity instruments

All equity instruments are stated at cost on initial recognition and are not re-measured subsequently.

Incremental costs directly attributable to issue of equity instruments are recognised as a deduction from equity.

### (p) Revenue recognition

#### (i) *Goods sold*

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates. Revenue is recognised when the significant risks and rewards of ownership have been transferred to the buyer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

#### (ii) *Services*

Revenue from services rendered is recognised in the income statements upon completion of services rendered.

#### (iii) *Dividend income*

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

#### (iv) *Rental income*

Rental income from investment property is recognised in the income statements on a straight-line basis over the term of the lease. Lease incentives granted are recognised as an integral part of the total rental income, over the term of the lease.

### (q) Interest income and borrowing costs

Interest income is recognised as it accrues, using the effective interest method.

All borrowing costs are recognised in the income statements using the effective interest method, in the period in which they are incurred except to the extent that they are capitalised as being directly attributable to the acquisition, construction or production of an asset which necessarily takes a substantial period of time to be prepared for its intended use.

## 2. Significant accounting policies [cont'd]

### (r) Tax expense

Tax expense comprises current and deferred tax. Tax expense is recognised in the income statements except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted or substantively enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is recognised using the balance sheet method, providing for temporary differences between the carrying amounts of assets and liabilities for reporting purposes and the amounts used for taxation purposes. Deferred tax is not recognised for the following temporary differences: the initial recognition of goodwill, the initial recognition of assets or liabilities in a transaction that is not a business combination and that affects neither accounting nor taxable profit (tax loss). Deferred tax is measured at the tax rates that are expected to be applied to the temporary differences when they reverse, based on the laws that have been enacted or substantively enacted by the balance sheet date.

Deferred tax liability is recognised for all taxable temporary differences.

A deferred tax asset is recognised to the extent that it is probable that future taxable profits will be available against which temporary difference can be utilised. Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefit will be realised.

### (s) Employee benefits

#### i) Short term employee benefits

Short-term employee benefit obligations in respect of salaries, annual bonuses, paid annual leave and sick leave are measured on an undiscounted basis and are expensed as the related service is provided.

A provision is recognised for the amount expected to be paid under short-term cash bonus or profit-sharing plans if the Group has a present legal or constructive obligation to pay this amount as a result of past service provided by the employee and the obligation can be estimated reliably.

The Group's contribution to the statutory pension funds is charged to the income statements in the year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

#### ii) Share-based payment transactions

The grant date fair value of options granted to employees is recognised as an employee expense, with a corresponding increase in equity, over the period that the employees become unconditionally entitled to the options. The amount recognised as an expense is adjusted to reflect the actual number of share options that vest.

The fair value of employee share options is measured using a binomial lattice model. Measurement inputs include share price on measurement date, exercise price of the instrument, expected volatility (based on weighted average historic volatility adjusted for changes expected due to publicly available information), weighted average expected life of the instruments (based on historical experience and general option holder behaviour), expected dividends, and the risk-free interest rate (based on government bonds). Service and non-market performance conditions attached to the transactions are not taken into account in determining fair value.

### (t) Earnings per ordinary share

The Group presents basic and diluted earnings per ordinary share ("EPS") data for its ordinary shares. Basic EPS is calculated by dividing the profit or loss attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding during the period. Diluted EPS is determined by adjusting the profit or loss attributable to ordinary shareholders and the weighted average number of ordinary shares outstanding for the effects of all dilutive potential ordinary shares, which comprise convertible notes and share options granted to employees.

### (u) Segment reporting

A segment is a distinguishable component of the Group that is engaged either in providing products or services (business segment), or in providing products or services within a particular economic environment (geographical segment), which is subject to risks and rewards that are different from those of other segments.

## 3. Property, plant and equipment - Group

Valuation/Cost	Land and buildings RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Electrical and other installations RM	Tools and equipment RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
At 1 January 2007	27,352,707	75,417,584	2,560,143	2,805,057	1,968,064	2,609,020	2,281,733	114,994,308
Additions	309,518	7,364,990	164,307	261,581	12,763	120,840	691,330	8,925,329
Disposals	-	-	-	-	-	(80,000)	-	(80,000)
Write off	-	-	(23,095)	-	-	-	-	(23,095)
Reclassification	340,676	-	-	256,508	-	-	(597,184)	-
At 31 December 2007/ At 1 January 2008	28,002,901	82,782,574	2,701,355	3,323,146	1,980,827	2,649,860	2,375,879	123,816,542
Acquisition of a subsidiary	-	-	-	-	-	60,679	-	60,679
Additions	810,432	7,457,514	179,517	35,050	12,749	264,672	1,699,303	10,459,237
Offset of accumulated depreciation on property transferred to investment property	(2,157)	-	-	-	-	-	-	(2,157)
Transfer to investment property (Note 5)	(645,037)	-	-	-	-	-	-	(645,037)
Disposals	-	(1,545,640)	(19,664)	-	-	-	-	(1,565,304)
Reclassification	-	565,123	-	-	-	-	(565,123)	-
At 31 December 2008	28,166,139	89,259,571	2,861,208	3,358,196	1,993,576	2,975,211	3,510,059	132,123,960

## 3. Property, plant and equipment - Group [cont'd]

	Land and buildings RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Electrical and other installations RM	Tools and equipment RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
At 1 January 2007								
- Accumulated depreciation	4,162,966	37,794,629	1,827,565	1,746,355	1,904,781	1,202,838	-	48,639,134
- Accumulated impairment losses	-	-	-	-	-	-	1,594,378	1,594,378
	4,162,966	37,794,629	1,827,565	1,746,355	1,904,781	1,202,838	1,594,378	50,233,512
Depreciation for the year	396,667	4,463,741	167,585	79,739	40,315	247,990	-	5,396,037
Disposals	-	-	-	-	-	(37,490)	-	(37,490)
Write off	-	-	(3,797)	-	-	-	-	(3,797)
	4,559,633	42,258,370	1,991,353	1,826,094	1,945,096	1,413,338	1,594,378	53,993,884
At 31 December 2007/ 1 January 2008								
- Accumulated depreciation	4,559,633	42,258,370	1,991,353	1,826,094	1,945,096	1,413,338	-	53,993,884
- Accumulated impairment losses	-	-	-	-	-	-	1,594,378	1,594,378
	4,559,633	42,258,370	1,991,353	1,826,094	1,945,096	1,413,338	1,594,378	55,588,262
Acquisition of a subsidiary	-	-	-	-	-	60,678	-	60,678
Depreciation for the year	394,509	5,368,851	147,656	91,562	20,040	271,329	-	6,293,947
Offset of accumulated depreciation on property transferred to investment property	(2,157)	-	-	-	-	-	-	(2,157)
Disposals	-	(363,849)	(5,457)	-	-	-	-	(369,306)
	4,951,985	47,263,372	2,133,552	1,917,656	1,965,136	1,745,345	-	59,977,046
At 31 December 2008								
- Accumulated depreciation	4,951,985	47,263,372	2,133,552	1,917,656	1,965,136	1,745,345	-	59,977,046
- Accumulated impairment losses	-	-	-	-	-	-	1,594,378	1,594,378
	4,951,985	47,263,372	2,133,552	1,917,656	1,965,136	1,745,345	1,594,378	61,571,424



3. Property, plant and equipment - Group [cont'd]

	Land and buildings RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Electrical and other installations RM	Tools and equipment RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
<b>Carrying amounts</b>								
At 1 January 2007	23,189,741	37,622,955	732,578	1,058,702	63,283	1,406,182	687,355	64,760,796
At 31 December 2007/ 1 January 2008	23,443,268	40,524,204	710,002	1,497,052	35,731	1,236,522	781,501	68,228,280
At 31 December 2008	23,214,154	41,996,199	727,656	1,440,540	28,440	1,229,866	1,915,681	70,552,536

# Notes to the Financial Statements [cont'd]

## 3. Property, plant and equipment - Group [cont'd]

Land and buildings comprise :

	Valuation/Cost		Net Book Value	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>At valuation</b>				
Factory buildings	3,805,000	3,805,000	2,721,717	2,797,913
<b>At cost</b>				
Freehold land	7,630,269	7,630,269	7,630,269	7,630,269
Factory buildings	15,676,562	15,676,562	11,869,643	12,183,079
Staff quarters	1,054,308	891,070	992,525	832,007
	<u>28,166,139</u>	<u>28,002,901</u>	<u>23,214,154</u>	<u>23,443,268</u>

### 3.1 Security

Certain property, plant and equipment of the Group with the net book value of RM8,266,086 (2007 : RM8,275,306) are charged to banks as securities for term loan facilities granted to a subsidiary of the Company (refer Note 14).

### 3.2 Assets under finance lease

Plant and equipment of the Group acquired under finance lease arrangements are as follows :

	2008 RM	2007 RM
At net book value		
Plant and machinery	6,389,394	3,499,952
Motor vehicles	<u>898,673</u>	<u>910,988</u>

### 3.3 Revaluation

The factory buildings are shown at Directors' valuation based on a valuation exercise carried out in 1995 by a firm of professional valuers on an open market value basis, modified by Government valuers as approved by the Securities Commission. Subsequent additions are shown at cost while deletions are at valuation or cost as appropriate.

Had the buildings been carried at historical cost less accumulated depreciation, the carrying amount of the revalued assets that would have been included in the financial statements at the end of the year would be as follows :

	Cost RM	Accumulated depreciation RM	Net book value RM
<b>2008</b>			
Factory buildings	<u>2,152,495</u>	<u>647,599</u>	<u>1,504,896</u>
<b>2007</b>			
Factory buildings	<u>2,152,495</u>	<u>604,549</u>	<u>1,547,946</u>

## 4. Prepaid lease payments - Group

### *Leasehold land - Unexpired period less than 50 years*

	RM
<b>Cost/Valuation</b>	
At 1 January 2007/31 December 2007	5,323,306
Addition	1,985,894
At 31 December 2008	<u>7,309,200</u>
<b>Amortisation</b>	
At 1 January 2007	1,132,602
Amortisation for the year	91,428
At 31 December 2007/1 January 2008	1,224,030
Amortisation for the year	120,209
At 31 December 2008	<u>1,344,239</u>
<b>Carrying amounts</b>	
At 1 January 2007	<u>4,190,704</u>
At 31 December 2007/1 January 2008	<u>4,099,276</u>
At 31 December 2008	<u>5,964,961</u>

The Group has retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments in accordance with the transitional provision in FRS 117.

## 5. Investment property - Group

	Freehold land RM	Buildings RM	Total RM
<b>Cost</b>			
At 1 January 2007/31 December 2007	-	-	-
At 1 January 2008	-	-	-
Additions	-	8,380	8,380
Transfer from property, plant and equipment	159,600	485,437	645,037
At 31 December 2008	<u>159,600</u>	<u>493,817</u>	<u>653,417</u>
<b>Accumulated depreciation</b>			
At 1 January 2007/31 December 2007	-	-	-
At 1 January 2008	-	-	-
Depreciation for the year	-	9,330	9,330
At 31 December 2008	<u>-</u>	<u>9,330</u>	<u>9,330</u>
<b>Carrying amounts</b>			
At 1 January 2007/31 December 2007/1 January 2008	<u>-</u>	<u>-</u>	<u>-</u>
At 31 December 2008	<u>159,600</u>	<u>484,487</u>	<u>644,087</u>

# Notes to the Financial Statements [cont'd]

## 5. Investment property - Group [cont'd]

Investment properties comprise residential properties that are either vacant or leased to third parties. The Directors estimate that the fair value of the investment properties approximate to their carrying amounts.

The following are recognised in the income statements in respect of investment properties:

	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
Rental income	10,150	-
Direct operating expenses		
- income generating investment properties	2,053	-

## 6. Investment in subsidiaries - Company

	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
Unquoted shares, at cost	24,656,877	23,656,877
Add : Effect of adopting FRS 2 - share-based payments allocated to subsidiaries	1,648,653	1,499,550
Less : Impairment losses	(147,999)	(147,999)

Details of the subsidiaries are as follows :

Name of subsidiaries	Principal Activities	Effective interest held	
		2008	2007
Leader Steel Sdn. Bhd.	Manufacture and trading of metal products	100%	100%
Leader Steel Service Centre Sdn. Bhd.	Manufacture and trading of steel products	100%	100%
Leader Steel Technology Sdn. Bhd.	Manufacture and sale of steel product making machinery	100%	100%
Leader Steel Asia Sdn. Bhd.	Manufacture and sale of steel products	100%	100%
Leader Steel Tubes Sdn. Bhd.	Dormant	100%	100%
Leader Minerals (Malaysia) Sdn. Bhd.	Dormant	100%	100%
Leader Minerals Corporation Sdn. Bhd.	Dormant	100%	100%
Leader Integrated Steel Mills Sdn. Bhd.	Dormant	100%	100%
ACME Steel Works Sdn. Bhd. (formerly known as Bentacorp Sdn. Bhd.)	Dormant	100%	100%
GCH Metal Service Centre Sdn. Bhd.	Dormant	100%	-

All the above subsidiaries are incorporated in Malaysia and audited by KMPG.

During the financial year, the Company acquired all the interest in GCH Metal Service Centre Sdn. Bhd. for a cash consideration of RM20,002. The acquisition of the subsidiary does not have significant impact on the consolidated revenue and profit for the year as the subsidiary has remained dormant during the year.

# Notes to the Financial Statements [cont'd]

## 7. Goodwill on consolidation - Group

	2008 RM	2007 RM
At 1 January	-	-
Acquisition of a subsidiary	111,877	-
Impairment loss	(111,877)	-
	<hr/>	<hr/>
At 31 December	<hr/> <hr/>	<hr/> <hr/>

## 8. Other investments - Group/Company

	2008 RM	2007 RM
Quoted shares, at cost	1,160,000	346,525
Less : Allowance for diminution in value	(860,000)	(12,000)
	<hr/>	<hr/>
	300,000	334,525
	<hr/> <hr/>	<hr/> <hr/>
Market value	300,000	395,000

Details of disposed investments stated at cost are as follows :

	2008 RM	2007 RM
Proceeds from disposal	332,875	-
Carrying amount of other investments disposed	(346,525)	-
	<hr/>	<hr/>
Loss on disposal of investments	(13,650)	-

## 9. Receivables, deposits and prepayments

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
<b>Trade</b>					
Amount due from a company in which a Director has substantial financial interest	9.1	403,892	317,142	-	-
Trade receivables	9.2	29,306,973	12,668,324	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		29,710,865	12,985,466	-	-
Less : Allowance for doubtful debts		(2,724,368)	-	-	-
		<hr/>	<hr/>	<hr/>	<hr/>
		26,986,497	12,985,466	-	-

# Notes to the Financial Statements [cont'd]

## 9. Receivables, deposits and prepayments [cont'd]

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
<b>Non-trade</b>					
Amount due from subsidiaries	9.3	-	-	60,186,368	59,284,705
Other receivables		3,457,165	5,688,780	-	-
Deposits		8,552,394	4,301,476	-	-
Prepayments		783,159	598,744	1,000	1,000
		12,792,718	10,589,000	60,187,368	59,285,705
		39,779,215	23,574,466	60,187,368	59,285,705

### 9.1 Amount due from a company in which a Director has substantial financial interest

The trade receivable due from a company in which a Director has substantial financial interest is subject to the normal trade terms.

### 9.2 Analysis of foreign currency exposure for significant receivables

Significant receivables outstanding at year end that are not in the functional currency of the Group entities are as follows :

Functional currency	Foreign currency	Group	
		2008 RM	2007 RM
RM	US Dollars	6,446,632	4,141,890
RM	Euro	-	129,741

### 9.3 Amount due from subsidiaries

The non-trade amount due from subsidiaries is unsecured, interest-free and repayable on demand.

### 9.4 Recoverability of debts

Trade receivables which are outstanding for more than a year amounted to RM2,724,368 (2007 : RM2,838,368). These debts have been fully provided for during the financial year as the Directors are of the opinion that recoverability of these debts are remote.

# Notes to the Financial Statements [cont'd]

## 10. Inventories - Group

	2008 RM	2007 RM
<b>At cost</b>		
Raw materials	22,756,993	21,895,952
Work-in-progress	545,353	259,620
Manufactured inventories	8,190,775	9,084,170
Trading inventories	7,096,363	5,722,690
	<u>38,589,484</u>	<u>36,962,432</u>

During the financial year, the Group wrote down inventories to net realisable value amounting to RM5,146,642 (2007 : RM Nil).

## 11. Cash and cash equivalents

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Short term deposit with a licensed bank	-	5,100,000	-	-
Cash and bank balances	2,869,002	1,094,922	9,482	9,894
	<u>2,869,002</u>	<u>6,194,922</u>	<u>9,482</u>	<u>9,894</u>

## 12. Share capital - Group/Company

	Amount RM	Number of shares
Ordinary shares of RM0.50 each		
Authorised :		
At 1 January 2007/31 December 2007	<u>500,000,000</u>	<u>1,000,000,000</u>
At 1 January 2008/31 December 2008	<u>500,000,000</u>	<u>1,000,000,000</u>
Issued and fully paid :		
At 1 January 2007	62,961,000	125,922,000
Share options exercised under ESOS	<u>614,000</u>	<u>1,228,000</u>
At 31 December 2007/ 1 January 2008	63,575,000	127,150,000
Share options exercised under ESOS	<u>441,000</u>	<u>882,000</u>
At 31 December 2008	<u>64,016,000</u>	<u>128,032,000</u>

# Notes to the Financial Statements [cont'd]

## 13. Reserves

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Non-distributable				
Share premium	3,600	-	3,600	-
Share option reserve	2,135,000	1,932,000	2,135,000	1,932,000
Distributable				
Capital reserve	283,606	283,606	-	-
Retained earnings	21,397,227	23,162,591	3,977,144	3,326,803
	<u>23,819,433</u>	<u>25,378,197</u>	<u>6,115,744</u>	<u>5,258,803</u>

### Share option reserve

The share option reserve comprises the cumulative value of employee services received for the issue of share options. When the option is exercised, the amount from the share option reserve is transferred to share premium. When the share options expire, the amount from the share option reserve is transferred to retained earnings.

### Capital reserve

The capital reserve of the Group represents gain on disposal of freehold land by a subsidiary.

## 14. Borrowings - Group

	2008 RM	2007 RM
Non-current :		
Term loans - secured	1,495,126	2,338,775
Finance lease liabilities	2,534,941	1,373,149
	<u>4,030,067</u>	<u>3,711,924</u>
Current :		
Term loans - secured	829,372	755,800
Bankers' acceptances - unsecured	32,967,961	28,729,547
Finance lease liabilities	1,443,618	805,083
	<u>35,240,951</u>	<u>30,290,430</u>
	<u>39,271,018</u>	<u>34,002,354</u>

Bankers' acceptances are subject to interest rates ranging from 3.46% to 4.79% (2007 : 3.40% to 4.62%) per annum.



# Notes to the Financial Statements [cont'd]

## 14. Borrowings - Group [cont'd]

The secured term loans are subject to interest rates as follows :

	Term loan 1	Term loan 2
First year	- 4.00% per annum	3.50% per annum
Second year	- 5.25% per annum	0% + lending bank's base lending rate
Third year onwards	- 6.75% per annum	0.35% + lending bank's base lending rate

The term loans are secured against first fixed charge over certain property, plant and machinery (see Note 3) of the Group and corporate guarantees executed by the Company.

### Term and debt repayment schedule

Group	Year of maturity	Total RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
At 31 December 2008						
- secured term loans	2010-2017	2,324,498	829,372	893,572	385,654	215,900
- unsecured bankers' acceptances	2009	32,967,961	32,967,961	-	-	-
- finance lease liabilities	2010-2013	3,978,559	1,443,618	956,532	1,578,409	-
At 31 December 2007						
- secured term loans	2010-2017	3,094,575	755,800	755,800	1,297,325	285,650
- unsecured bankers' acceptances	2008	28,729,547	28,729,547	-	-	-
- finance lease liabilities	2010-2012	2,178,232	805,083	858,073	515,076	-

### Finance lease liabilities

The finance lease liabilities are repayable as follows :

	2008			2007		
	Payments RM	Interest RM	Principal RM	Payments RM	Interest RM	Principal RM
Less than one year	1,677,600	233,982	1,443,618	922,886	117,803	805,083
Between one and five years	2,829,833	294,892	2,534,941	1,590,500	217,351	1,373,149
	<u>4,507,433</u>	<u>528,874</u>	<u>3,978,559</u>	<u>2,513,386</u>	<u>335,154</u>	<u>2,178,232</u>

The finance lease liabilities are subject to fixed interest rates ranging from 2.28% to 4.00% (2007 : 2.28% to 3.55%) per annum.

# Notes to the Financial Statements [cont'd]

## 15. Deferred tax liabilities - Group

### Recognised deferred tax liabilities

	2008 RM	2007 RM
Deferred tax liabilities		
Property, plant and equipment (including prepaid lease payments)		
- capital allowances	6,681,399	7,956,563
- revaluation	588,601	809,960
Tax loss carry-forward	-	(114,563)
	<u>7,270,000</u>	<u>8,651,960</u>

The component and movement of deferred tax liabilities during the year are as follows :

	At 1 January 2007 RM	Recognised in the income statement (Note 22) RM	At 31 December 2007 RM	Recognised in the income statement (Note 22) RM	At 31 December 2008 RM
<b>Deferred tax liabilities</b>					
Property, plant and equipment (including prepaid lease payments)					
- Capital allowances	7,564,040	392,523	7,956,563	(1,275,164)	6,681,399
- Revaluation	809,960	-	809,960	(221,359)	588,601
Tax loss carry-forward	-	(114,563)	(114,563)	114,563	-
	<u>8,374,000</u>	<u>277,960</u>	<u>8,651,960</u>	<u>(1,381,960)</u>	<u>7,270,000</u>

### Unrecognised deferred tax assets

No deferred tax has been recognised for the following items :

	Group	
	2008 RM	2007 RM
Taxable temporary differences	-	(799,000)
Tax loss carry-forwards	6,125,000	1,927,000
Unabsorbed capital allowances	-	442,000
	<u>6,125,000</u>	<u>1,570,000</u>

The tax loss carry-forwards and unabsorbed capital allowances do not expire under current tax legislation. Deferred tax assets have not been recognised in respect of this item because it is not probable that future taxable profits will be available against which the Group can utilise the benefits there from.

The comparative figures have been restated to reflect the revised tax loss carry-forwards and unabsorbed capital allowances available to the Group.

# Notes to the Financial Statements [cont'd]

## 16. Payables and accruals

	Note	Group		Company	
		2008 RM	2007 RM	2008 RM	2007 RM
<b>Trade</b>					
Trade payables	16.1	19,965,151	4,969,282	-	-
<b>Non-trade</b>					
Amount due to a related party	16.2	60,875	-	-	-
Amount due to subsidiaries	16.2	-	-	16,449,010	15,617,905
Other payables	16.3	2,054,581	1,402,711	-	-
Accrued expenses		1,535,695	1,089,024	191,635	192,245
		3,651,151	2,491,735	16,640,645	15,810,150
		23,616,302	7,461,017	16,640,645	15,810,150

### 16.1 Analysis of foreign currency exposure for significant payables

Significant payables outstanding at year end that are not in the functional currency of the Group entities are as follows :

Functional currency	Foreign currency	Group	
		2008 RM	2007 RM
RM	US Dollars	9,220,420	225,443

### 16.2 Amount due to a related party and subsidiaries

The non-trade amounts due to a related party and subsidiaries are unsecured, interest-free and repayable on demand.

### 16.3 Other payables

Other payables denominated in currency other than the functional currency are RM Nil (2007 : RM348,575) denominated in US Dollars.

# Notes to the Financial Statements [cont'd]

## 17. Employee benefits - Group

### Equity compensation benefits

Share option plan

The Group offers vested share options over ordinary shares to Directors and other senior employees with more than one year of service. Movements in the number of share options held by employees are as follows :

Date of offer	Exercise price RM	Balance as at 1.1.2007			Balance as at 31.12.2007			Balance as at 31.12.2008			Exercisable option 31.12.2007 '000
		as at '000	Exercised '000	Options lapsed '000	as at '000	Exercised '000	Options lapsed '000	as at '000	31.12.2008 '000		
20 June 2002 *	0.50	2,763	(1,228)	(18)	1,517	(867)	-	650	650	1,517	
18 May 2005	0.74	11,922	-	(1,721)	10,201	(15)	(205)	9,981	8,017	6,165	
		14,685	(1,228)	(1,739)	11,718	(882)	(205)	10,631	8,667	7,682	

During the year, 882,000 (2007 : 1,228,000) shares options were exercised. The weighted average share price for the year was RM0.51 (2007 : RM0.59).

\* The recognition and measurement principles in FRS 2 have not been applied to these grants as they were granted prior to the effective date of FRS 2.

Value of employee services received for issue of share option are as follows :

	Group		Company	
	2008 RM'000	2007 RM'000	2008 RM'000	2007 RM'000
Share options granted in 2005/Total expenses recognised as share-based payments	203	424	54	104

## 18. Revenue

Revenue comprises the following :

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Invoiced value of goods sold less discounts and returns	231,559,889	185,543,446	-	-
Gross dividend received				
- subsidiaries	-	-	5,000,000	3,520,213
- other investments	37,000	20,000	37,000	20,000
	231,596,889	185,563,446	5,037,000	3,540,213

# Notes to the Financial Statements [cont'd]

## 19. Operating profit/Profit before tax

Operating profit/Profit before tax is arrived at after charging :

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Allowance for diminution				
in value of other investments	848,000	-	848,000	-
Allowance for doubtful debts	2,724,368	-	-	-
Auditors' remuneration				
- Statutory audit by KPMG				
- audit services				
- current year	74,500	74,000	17,000	17,000
- prior year	5,000	13,000	-	5,000
- Other services by KPMG	52,650	82,600	19,100	33,000
Directors' emoluments				
- Directors of the Company				
- fees	175,000	175,000	175,000	175,000
- remuneration	869,705	774,135	14,000	13,500
- advisory fees	46,000	46,000	-	-
- share-based payments	63,050	121,443	46,799	90,503
- Other Directors				
- remuneration	454,484	439,066	-	-
- share-based payments	34,372	71,550	-	-
Depreciation of property, plant and equipment (Note 3)	6,293,947	5,396,037	-	-
Amortisation of prepaid lease payments (Note 4)	120,209	91,428	-	-
Depreciation on investment property (Note 5)	9,330	-	-	-
Plant and equipment written off	-	19,298	-	-
Impairment loss				
- Subsidiaries	-	-	-	147,899
- Goodwill (Note 7)	111,877	-	-	-
Inventories written down	5,146,642	-	-	-
Loss on disposal				
- Other investments	13,650	-	13,650	-
- Plant and equipment	472,233	-	-	-
Loss on foreign exchange (realised)	-	492,310	-	-
Rental of premises	245,000	192,279	-	-
Personnel expenses (including key management personnel)				
- Wages, salaries and others	4,048,106	4,533,526	-	-
- Contributions to Employees Provident Fund	435,129	492,380	-	-
- Share-based payments (Note 17)	203,000	424,000	53,897	104,273
and crediting :				
Gross dividend received				
- subsidiary	-	-	5,000,000	3,520,213
- other investments	37,000	20,000	37,000	20,000
Gain on foreign exchange (realised)	28,017	-	-	-
Interest income	70,923	32,700	-	-
Gain on disposal of plant and equipment	-	3,490	-	-
Rental of equipment	732,000	726,500	-	-
Reversal of diminution in value of other investments	-	18,525	-	18,525

## 20. Key management personnel compensation

The key management personnel compensation are as follows :

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Director of the Company				
- Fees	25,000	25,000	25,000	25,000
- Remuneration	857,705	762,635	2,000	2,000
- Share-based payments	16,271	30,940	-	-
Other Directors				
- Remuneration	454,484	439,066	-	-
- Share-based payments	27,254	57,778	-	-
	<u>1,380,714</u>	<u>1,315,419</u>	<u>27,000</u>	<u>27,000</u>

## 21. Financing costs - Group

	2008 RM	2007 RM
Interest paid/ payable :		
Term loans	213,896	270,895
Bank overdrafts	54,557	254,192
Finance lease liabilities	279,729	127,984
Other borrowings	2,145,473	919,327
	<u>2,693,655</u>	<u>1,572,398</u>

## 22. Tax expense

### Recognised in the income statement

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
<b>Current tax expense</b>				
- Current	1,340,199	1,201,000	732,372	950,457
- Prior years	679,181	425,684	(55,360)	-
	2,019,380	1,626,684	677,012	950,457
<b>Deferred tax expense</b>				
- Current	(722,601)	32,000	-	-
- Prior years	(438,000)	245,960	-	-
- Reversal of deferred tax on revaluation surplus	(221,359)	-	-	-
	(1,381,960)	277,960	-	-
Total tax expense on continuing operation	<u>637,420</u>	<u>1,904,644</u>	<u>677,012</u>	<u>950,457</u>

## 22. Tax expense [cont'd]

### Reconciliation of effective tax expense

	Group		Company	
	2008 RM	2007 RM	2008 RM	2007 RM
Profit before tax	1,240,648	7,044,532	3,695,945	2,943,947
Tax at Malaysian tax rate at 26% (2007 : 27%)	322,568	1,902,024	960,945	794,866
Non-deductible expenses	620,479	334,045	286,433	155,591
Effect of lower tax rate for certain subsidiaries *	(61,724)	(35,000)	-	-
Effect of change in tax rate **	(267,244)	(285,935)	-	-
Tax exempt income	-	-	(520,000)	-
Tax incentives	(1,186,561)	(849,522)	-	-
Deferred tax assets not recognised	1,184,241	180,761	-	-
Reversal of deferred tax on revaluation surplus	(221,359)	-	-	-
Other items	5,839	(13,373)	4,994	-
Under/ (Over) provided in prior years	241,181	671,644	(55,360)	-
Tax expense	637,420	1,904,644	677,012	950,457

\* With effect from year of assessment 2004, companies with paid-up capital at RM2.5 million and below at the beginning of the basic period for a year of assessment are subject to corporate tax at 20% on chargeable income up to RM500,000.

\*\* With effect from year of assessment 2008, corporate tax rate is at 27%. The Malaysian Budget 2008 also announced the reduction of corporate tax rate to 26% in 2008. Consequently, deferred tax assets and liabilities are measured using these tax rates.

During the financial year, the investigation unit of the Inland Revenue Board commenced a detailed inquiry into the tax affairs of a subsidiary of the Company, Leader Steel Sdn. Bhd.. As at balance sheet date, the case has yet to be finalised.

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank/distribute its retained earnings at 31 December 2008 if paid out as dividends.

The Finance Act, 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2008 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

## 23. Earnings per ordinary share - Group

### Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM603,228 (2007 : RM5,139,888) and on the weighted average number of ordinary shares outstanding during the year of 127,682,000 (2007 : 126,872,000) calculated as follows :

	2008 '000	2007 '000
Issued ordinary shares at beginning of year	127,150	125,922
Effect of shares issued	532	950
Weighted average number of ordinary shares	127,682	126,872

## 23. Earnings per ordinary share - Group [cont'd]

### Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM603,228 (2007 : RM5,139,888) and the weighted average number of ordinary shares outstanding after adjustment for the effect of dilutive potential ordinary shares of 127,694,000 (2007 : 127,111,000) calculated as follows :

	<b>2008</b> <b>'000</b>	<b>2007</b> <b>'000</b>
Weighted average number of ordinary shares	127,682	126,872
Effect of share options	12	239
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted)	<u>127,694</u>	<u>127,111</u>

## 24. Dividend - Group/Company

	<b>2008</b> <b>RM</b>	<b>2007</b> <b>RM</b>
Paid :		
- first and final dividend of 2.50 sen (2006 : 2.50 sen) per ordinary share less 26% (2006 : 27%) tax	<u>2,368,592</u>	<u>2,317,731</u>

A first and final dividend of 2.50 sen per ordinary share less 26% tax amounting to RM2,368,592 proposed in the last financial year and approved by members in the Annual General Meeting was paid on 30 June 2008 and accordingly, this amount has been appropriated from the retained earnings in this financial year.

## 25. Contingent liabilities, unsecured - Company

### i) Corporate guarantees

	<b>2008</b> <b>RM'000</b>	<b>2007</b> <b>RM'000</b>
- Amount of corporate guarantees given to licensed banks for credit facilities granted to certain subsidiaries	250,825	228,381
- Amount of corporate guarantee given to a third party for credit facilities granted to a subsidiary	<u>5,000</u>	<u>5,000</u>

The amount of credit facilities utilised as at balance sheet date was RM33.85 million (2007 : RM36.90 million).

### ii) The Company also provides financial support to certain subsidiaries to enable them to continue operating as a going concern.



## 26. Significant related party transactions

26.1 Controlling related party relationships are as follows :

- i) Subsidiaries as disclosed in Note 6
- ii) Companies in which the Director, Dato' Goh Cheng Huat, is deemed to have substantial financial interests :
  - Eonmetall Group Berhad and its subsidiaries
- iii) Key management personnel of the Group :
  - Datin Tan Pak Say
  - Tan Yew Teong
  - Goh Li Li
  - Cheah Khoon Hong

26.2 Significant transactions with related parties

- i) There were no transactions with the key management personnel and Directors other than the following :
  - a) advisory fees of RM46,000 paid by a subsidiary to a Director of the Company, Tan Sri Dato' Mohd Desa bin Pachi, in the ordinary course of business.
  - b) legal fees of RM12,541 paid by a subsidiary to a firm in which a Director of the Company, Mr. Lim Leng Han, has interest in the ordinary course of business.
  - c) the remuneration package paid in accordance with the terms and conditions of their appointment as disclosed in Note 20.
- ii) Transactions with subsidiaries

	<b>Company</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
Dividend income		
- Leader Steel Sdn. Bhd.	-	3,520,213
- Leader Steel Service Centre Sdn. Bhd.	5,000,000	-
	<u>5,000,000</u>	<u>-</u>

- iii) Transactions with companies in which the Director, Dato' Goh Cheng Huat is deemed to have substantial financial interests.

	<b>Group</b>	
	<b>2008</b>	<b>2007</b>
	<b>RM</b>	<b>RM</b>
Sales	9,665,790	494,095
Purchases	8,218,802	583,885
Purchase of equipment	3,340,000	4,851,000
Rental payable	245,000	-
	<u>245,000</u>	<u>-</u>

The Directors are of the opinion that the above transactions were entered into the normal course of business and the terms of which have been established on a negotiated basis.

Non-trade balances with subsidiaries are disclosed in Note 9 and 16. All outstanding balances are to be settled in cash.

## 27. Capital commitments - Group

	2008 RM'000	2007 RM'000
Plant and equipment		
Contracted but not provided for and payable within 1 year	1,738	1,671

## 28. Segmental information - Group

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise investments and related revenue, loans and borrowings and related expenses, corporate assets and head office expenses, and tax assets and liabilities.

Segment capital expenditure is the total cost incurred during the year to acquire property, plant and equipment and prepaid lease payments that are expected to be used for more than one period.

Inter-segment pricing is determined on an arm's length basis.

### *Business segments*

The Group is principally engaged in the manufacture, sale and trading of metal products. Business segmental information has not been prepared as the Group's revenue, operating profit, assets employed, liabilities, capital expenditure, depreciation and amortisation and non cash expenses are mainly confined to one business segment.

### *Geographical segments*

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are also based on the geographical location of assets.

	Revenue from external customers by location of customers RM	← By location of assets → Segment assets RM	Capital expenditure RM
<b>2008</b>			
Malaysia	175,153,636	158,699,285	12,453,511
China	38,392,597	-	-
Germany	13,075,851	-	-
Ghana	3,457,396	-	-
Singapore	1,009,510	-	-
Others	507,899	-	-
Total	231,596,889	158,699,285	12,453,511
<b>2007</b>			
Malaysia	96,898,749	139,393,901	8,925,329
China	32,009,224	-	-
Indonesia	30,065,224	-	-
Vietnam	15,624,474	-	-
South Africa	6,149,925	-	-
Others	4,815,850	-	-
Total	185,563,446	139,393,901	8,925,329

## 29. Financial instruments

### Financial risk management objectives and policies

Exposure to credit, interest rate, liquidity and currency risk arises in the normal course of the Group's business. The Board reviews and agrees policies for managing each of these risks and they are summarised below :

#### Credit risk

The Group has no significant concentrations of credit risk at the balance sheet date other than amount due from a Vietnamese customer of RM2,724,368 (2007 : RM2,838,368).

Management monitors the credit risk on an ongoing basis. Credit evaluations are performed on all customers where sales are transacted on credit terms.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk.

#### Interest rate risk

The Group borrows for operations at variable rates using their bankers' acceptances, overdrafts and discounting bills facilities to finance the working capital and term loans and finance lease facilities at fixed/floating rates to finance capital expenditure.

#### Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.

	Effective interest rate per annum %	Total RM	Within 1 year RM	1 - 5 years RM	Over 5 years RM
<b>2008</b>					
<b>Group</b>					
<b>Financial liabilities</b>					
Unsecured bankers' acceptances	4.58	32,967,961	32,967,961	-	-
Secured term loans	6.75	494,900	494,900	-	-
Finance lease liabilities	3.43	3,978,559	1,443,618	2,534,941	-
<b>2007</b>					
<b>Financial asset</b>					
Short term deposit with a licensed bank	2.50	5,100,000	5,100,000	-	-
<b>Group</b>					
<b>Financial liabilities</b>					
Unsecured bankers' acceptances	3.68	28,729,547	28,729,547	-	-
Secured term loans	3.50	550,700	550,700	-	-
Finance lease liabilities	3.31	2,178,232	805,083	1,373,149	-

## 29. Financial instruments [cont'd]

### Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

### Foreign currency risk

The Group incurs foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The currency giving rise to this risk is primarily the US dollar. At any point in time, the Group also hedges its currency exposure by booking forward its sales and purchase. Where necessary, the forward exchange contracts are rolled over at maturity at market rates.

### Fair values

#### *Recognised financial instruments*

In respect of cash and cash equivalents, receivables, payables and short term borrowings, the carrying amounts approximate fair value due to the relatively short term nature of these financial instruments.

The Company provides financial guarantees to banks for credit facilities extended to certain subsidiaries. The fair value of such financial guarantees is not expected to be material as the probability of the subsidiaries defaulting on the credit lines is remote.

The aggregate fair values of the other financial assets and liabilities carried on the balance sheet as at 31 December are represented in the following table.

	2008		2007	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
<b>Group</b>				
<b>Financial assets</b>				
Quoted investment	300,000	300,000	334,525	395,000
<b>Financial liabilities</b>				
Finance lease liabilities	3,978,559	3,978,559	2,178,232	2,178,232
Secured term loans				
- housing loans	494,900	494,900	550,700	550,700

There is no disclosure of fair value for long term loan procured under Islamic banking principles as FRS 132, Financial Instruments: Disclosure and Presentation does not apply to the recognition, measurement and disclosure of transactions and events conducted on the basis of Islamic banking principles.

# Notes to the Financial Statements [cont'd]

## 29. Financial instruments [cont'd]

### *Unrecognised financial instruments*

The contracted amount and fair value of financial instruments not recognised in the balance sheet as at 31 December are :

Group	2008		2007	
	Contracted amount RM	Fair value RM	Contracted amount RM	Fair value RM
Forward foreign exchange contracts	-	-	4,141,894	4,126,445

Forward exchange contracts were either marked to market using listed market prices or by discounting the contractual forward price and deducting the current spot rate.

## 30. Subsequent event

Subsequent to balance sheet date, the Company's wholly-owned subsidiary, Leader Steel Sdn. Bhd. subscribed for 51,000 ordinary shares of RM1 each representing 51% of the issued and paid-up capital of ACME United Sdn. Bhd. ("ACME") for total cash considerations of RM51,000. The remaining 49% of the issued and paid-up capital of ACME is held by Liuzhou Kaifan Material Co.Ltd. ("LKM"), a company incorporated in China. ACME is currently dormant.

# Statement by Directors

pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 29 to 68 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2008 and of their financial performance and cash flows for the year then ended.

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

.....  
**Datin Tan Pak Say**

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

Penang,

Date : 17 April 2009

# Statutory Declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, **Datin Tan Pak Say**, 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 29 to 68 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Georgetown in the State of Penang on 17 April 2009

.....  
Datin Tan Pak Say

Before me :

Cheah Beng Sun (No. P.103)  
DJN, AMN, PKT, PJK, PJM, PK  
Commissioner for oaths  
Penang

# Independent Auditors' Report to the members

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

## Report on the Financial Statements

We have audited the financial statements of Leader Steel Holdings Berhad, which comprise the balance sheets as at 31 December 2008 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 29 to 68.

### *Directors' Responsibility for the Financial Statements*

The Directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

### *Auditors' Responsibility*

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

### Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2008 and of their financial performance and cash flows for the year then ended.

## Report on Other Legal and Regulatory Requirements

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

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

# Independent Auditors' Report to the members [cont'd]

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



## Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

### **KPMG**

AF 0758

Chartered Accountants

### **Ng Swee Weng**

1414/03/10(J/PH)

Chartered Accountant

Date : 17 April 2009

Penang



# Properties of the Group

Net Book Value  
as at  
31 December  
2008  
RM'000

Location	Date of *Revaluation / Acquisition	Tenure	Approximate Age of Building	Area (Square Meters)	Description	Net Book Value as at 31 December 2008 RM'000
<b>Leader Steel Sdn. Bhd.</b>						
Plot 85 Lorong Perusahaan Utama Kawasan Perusahaan 14000 Bukit Tengah Pulau Pinang, Malaysia	*8.7.94	Leasehold 60 years, expiring 21.12.2052	16 years	34,000	Factory	11,740
6 Lorong Limau Manis 1 Taman Limau Manis 14000 Bukit Tengah Pulau Pinang, Malaysia	17.2.95	Freehold Double Storey Terrace house	14 years	111	Residential premise for factory workers	91
8 Lorong Limau Manis 1 Taman Limau Manis 14000 Bukit Tengah Pulau Pinang, Malaysia	17.2.95	Freehold Double Storey Terrace house	14 years	111	Residential premise for factory workers	91
Lot 841 Block 7 MTL D Sejingkat Industrial Park 93050 Kuching Sarawak, Malaysia	11.11.93	Leasehold 60 years, expiring 10.11.2053	16 years	33,600	Factory	6,857
<b>Leader Steel Service Centre Sdn. Bhd.</b>						
Geran 43145, Lot No. 6483 Kapar, Klang Selangor, Malaysia	15.1.04	Freehold	-	52,483	-	7,631
37, Lorong Bayu Mutiara 8 Taman Bayu Mutiara 14000 Bukit Mertajam Pulau Pinang, Malaysia	1.11.07	Freehold Double Storey Terrace house	2 years	130	Residential premise for rent	214
42A, Lorong Bayu Mutiara 8 Taman Bayu Mutiara 14000 Bukit Mertajam Pulau Pinang, Malaysia	1.11.07	Freehold Double Storey Terrace house	2 years	130	Residential premise for rent	214
48, Lorong Bayu Mutiara 8 Taman Bayu Mutiara 14000 Bukit Mertajam Pulau Pinang, Malaysia	1.11.07	Freehold Double Storey Terrace house	2 years	130	Residential premise for rent	214
53, Jalan Setia Impian, U13/4D Sek U13, Setia Alam 40170 Shah Alam Selangor	24.4.08	Freehold Double Storey Terrace house	1 year	130	Residential premise for factory workers	256
33, Jalan Setia Impian, U13/5F Sek U13 Setia Alam 40170 Shah Alam Selangor	18.4.08	Freehold Double Storey Terrace house	1 year	130	Residential premise for factory workers	297
32A, Jalan Setia Impian, U13/4D Sek U13 Setia Alam 40170 Shah Alam Selangor	7.10.08	Freehold Double Storey Terrace house	1 year	130	Residential premise for factory workers	257
<b>GCH Metal Service Centre Sdn. Bhd.</b>						
PT 2984, Mukim 11, Daerah Seberang Perai Tengah, Penang	16.5.08	Leasehold 60 years, expiring 10.6.2053	-	10,117	-	1,957

# Analysis of Shareholdings

as at 31 March 2009

Authorised share capital	: RM500,000,000.00
Issued and fully paid-up share capital	: RM64,016,000.00
Class of share	: Ordinary shares of RM0.50 each fully paid
Voting rights	: On a show of hands one vote for every shareholder
	: On a poll one vote for every ordinary share held

Size of holdings	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shares held
Less than 100	3	0.11	104	0.00
100 - 1,000	210	7.55	184,900	0.15
1,001 - 10,000	1775	63.83	9,705,896	7.58
10,001 - 100,000	736	26.46	20,281,326	15.84
100,001 - 6,401,599	54	1.94	15,099,606	11.79
6,401,600 - 128,032,000	3	0.11	82,760,168	64.64
<b>TOTAL</b>	<b>2,781</b>	<b>100.00</b>	<b>128,032,000</b>	<b>100.00</b>

## Substantial Shareholders as at 31 March 2009

No.	Name	Direct Interest		Deemed Interest	
		No. of Shares	%	No. of Shares	%
1	Dato' Goh Cheng Huat	10,530,594	8.22	55,185,874	43.10
2	Datin Tan Pak Say	1,150,006	0.90	64,566,462	50.43
3	Bischart Sdn. Bhd.	54,035,868	42.20	-	-
4	Amanah Raya Nominees (Tempatan) Sdn. Bhd. - Skim Amanah Saham Bumiputera	18,224,300	14.23	-	-

## Directors' Shareholdings as at 31 March 2009

No.	Name	Direct Interest		Deemed Interest	
		No. of Shares	%	No. of Shares	%
1	#Tan Sri Dato' Mohd Desa bin Pachi	-	-	-	-
2	#Dato' Goh Cheng Huat	10,530,594	8.22	55,185,874	43.10
3	^Datin Tan Pak Say	1,150,006	0.90	64,566,462	50.43
4	*Tan Sri Dato' Soong Siew Hoong	150,000	0.12	-	-
5	* Lim Leng Han	18,000	0.01	-	-
6	* Datuk Abdullah bin Kuntom	-	-	-	-
7	* Mohd Arif bin Mastol	-	-	-	-

By virtue of their interests of more than 15% in the shares of the Company, Dato' Goh Cheng Huat and Datin Tan Pak Say are also deemed to have interest in the shares of all the subsidiaries to the extent the Company has an interest.

^ Option to subscribe for 800,000 shares in the Company pursuant to Employee Share Option Scheme 2002.

# Option to subscribe for 450,000 shares in the Company pursuant to Employee Share Option Scheme 2002.

\*Option to subscribe for 350,000 shares in the Company pursuant to Employee Share Option Scheme 2002.

# Analysis of Shareholdings [cont'd]

as at 31 March 2009

## THIRTY LARGEST SHAREHOLDERS AS AT 31.03.2009

	<b>Name</b>	<b>No. of Shares</b>	<b>% of Issued Share Capital</b>
1	Amanah Raya Nominees (Tempatan) Sdn. Bhd. Skim Amanah Saham Bumiputera	18,224,300	14.23
2	Bischart Sdn. Bhd.	18,035,868	14.09
3	Bischart Sdn. Bhd.	18,000,000	14.06
4	Bischart Sdn. Bhd.	18,000,000	14.06
5	EB Nominees (Tempatan) Sendirian Berhad Pledged Securities Account for Goh Cheng Huat (SBK)	10,500,000	8.20
6	Chuah Choon Imm	1,221,100	0.95
7	Tan Pak Say	1,150,006	0.90
8	Tan Yew Teong	847,000	0.66
9	Tan Phaik Hoon	600,000	0.47
10	Citigroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tee Cheng Teok (474305)	546,400	0.43
11	Ng Yoon Peng	520,000	0.41
12	Tan Kheng Hwa	500,000	0.39
13	Kueh Song Joo	420,000	0.33
14	Sim Choh Sang @ Sim Choh Shan	336,000	0.26
15	Cheah Suan Lee	330,000	0.26
16	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Bong Siew Kiaw	320,000	0.25
17	Public Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Yap Chi Keong (E-TAI/TIN)	317,600	0.25
18	Lim Khuan Eng	306,100	0.24
19	Kenanga Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Goh Kim Sin	306,000	0.24
20	Wong Yang Chong	302,000	0.24
21	Goh Khang Leng	300,000	0.23
22	Ang Hock Heng	289,000	0.23
23	Chan Mei Yee	261,100	0.20
24	Tee Ching Haa	258,000	0.20
25	Loo Chee Lain	243,500	0.19
26	Eng Hoo @ Ng Kok Hoo	240,900	0.19
27	Citigroup Nominees (Tempatan) Sdn. Bhd. Pledged Securities Account for Tan King Tai @ Tan Khoon Hai (471821)	235,200	0.18
28	Tan Chuan Li	230,000	0.18
29	Kong Kok Leong	220,000	0.17
30	Lim Choon Yeak	216,900	0.17

# Proxy Form



LEADER STEEL HOLDINGS BERHAD (267209K)

I/We, \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_  
(ADDRESS)

being a member of Leader Steel Holdings Berhad hereby appoint \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_  
(ADDRESS)

or failing him, \_\_\_\_\_  
(FULL NAME IN BLOCK LETTERS)

of \_\_\_\_\_  
(ADDRESS)

as my/our proxy, to vote for me/us and on my/our behalf at the SIXTEENTH ANNUAL GENERAL MEETING of the Company to be held at 2nd Floor, Wisma Leader Steel, Plot 85, Lorong Perusahaan Utama, Kawasan Perusahaan Bukit Tengah, 14000 Bukit Tengah, Seberang Prai Tengah, Penang on Thursday, 21 May 2009 at 10:45 a.m. and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		
Ordinary Resolution 7		
Ordinary Resolution 8		

(Please indicate with "X" 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).

No. of Ordinary Shares Held

Signed this \_\_\_\_\_ day of May, 2009.

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

## Notes :

1. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. Where a member appoints more than (1) proxy the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, 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.
2. 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.
3. To be valid, the proxy form must be deposited at the Company's Registered Office at Suite 2-1, 2nd Floor, Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty eight (48) hours before the time appointed for holding the meeting.

please fold across the line and close

stamp

The Secretary:

**LEADER STEEL HOLDINGS BERHAD** (267209-K)  
Suite 2-1, 2nd Floor,  
Menara Penang Garden,  
42A Jalan Sultan Ahmad Shah,  
10050 Penang, Malaysia.

please fold across the line and close



**LEADER STEEL HOLDINGS BERHAD** (267209-K)

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

Tel : 604-507 1515 (Hunting Line)  
Fax : 604-507 9527 & 507 9537  
Website : [www.leadersteel.com.my](http://www.leadersteel.com.my)