



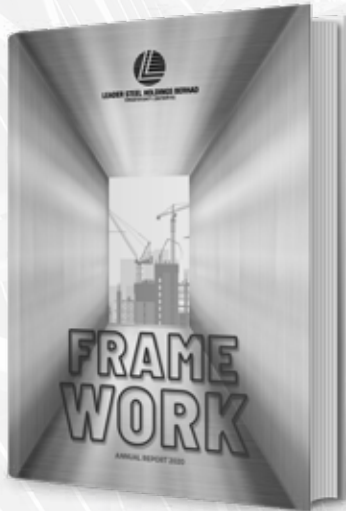
LEADER STEEL HOLDINGS BERHAD
199301012471 (267209-K)



FRAME WORK

ANNUAL REPORT 2020

CONTENTS



FRAMEWORK

Over the course of our business at Leader Steel Holdings Berhad, we have built and maintained a solid business foundation. The very foundation enabled us to withstand the unprecedented challenges presented by the pandemic, and distinguished us as a firm and dependable business partner in the industry. We have emerged from the markedly challenging year of 2020 stronger than ever, and in unison with our people.

As the sun rises over the new horizon, exciting new developments await us!

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Twenty-Eighth (28th) Annual General Meeting ("AGM") of the shareholders of LEADER STEEL HOLDINGS BERHAD ("the Company") will be held at 2nd Floor, Wisma Leader Steel, Plot 85, Lorong Perusahaan Utama, Kawasan Perusahaan Bukit Tengah, 14000 Bukit Tengah, Seberang Perai Tengah, Pulau Pinang, Malaysia on Thursday, 20 May 2021 at 12.15 pm for the following purposes:

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2020 and the Reports of the Directors and Auditors thereon.
2. To re-elect the following Directors retiring pursuant to Clause 107 of the Company's Constitution and who, being eligible, offer themselves for re-election:
 - 2.1 Datin Tan Pak Say Ordinary Resolution 1
 - 2.2 Encik Mohd. Arif Bin Mastol Ordinary Resolution 2
3. To approve the payment of Directors' fees and benefits payable up to RM300,000 for the period commencing this AGM through to the next AGM of the Company in 2022. Ordinary Resolution 3
4. To re-appoint BDO PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. Ordinary Resolution 4

As Special Business

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

PROPOSED AMENDMENTS TO THE CONSTITUTION OF THE COMPANY ("Proposed Amendments to the Constitution")

5. "THAT, the proposed alteration or amendments to the existing Constitution of the Company, as detailed in Part C and annexed herewith as Appendix B in the Circular to Shareholders dated 28 April 2021, be and are hereby approved and adopted, with immediate effect. Special Resolution
AND THAT, the Directors of the Company be and are hereby authorised to assent to any conditions, modification, variation and/or amendments as may be required by any relevant authorities, and to do all acts and things and take all such steps as may be considered necessary to give full effect to the foregoing."

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

6. "THAT, subject to the passing of the Special Resolution above, pursuant to the Act and subject always to the provisions of the Constitution of the Company and the approvals from the relevant regulatory authorities, the Board of Directors of the Company be and is hereby authorised to issue and allot from time to time such number of ordinary shares of the Company upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, PROVIDED ALWAYS THAT the aggregate number of ordinary shares to be issued pursuant to this resolution does not exceed twenty per centum (20%) of the total number of issued shares of the Company (excluding treasury shares) for the time being, to be utilised until 31 December 2021 as empowered by Bursa Malaysia Securities Berhad ("Bursa Securities") pursuant to Bursa Securities' letter dated 16 April 2020 to grant additional temporary relief measures to listed issuers and thereafter, ten per centum (10%) of the total number of issued shares of the Company (excluding treasury shares) for the time being as stipulated under Paragraph 6.03(3) of the Main Market Listing Requirements of Bursa Securities. Ordinary Resolution 5
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 Securities.
AND THAT, such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier."

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)



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

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

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

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

8. "THAT, subject to the Companies Act 2016 ("the Act") (as may be amended, modified or re-enacted from time to time), the Company's Constitution, the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and approvals of all relevant governmental and/or regulatory authorities, where applicable, the Company be and is hereby authorized to purchase and/or hold such amount of ordinary shares in the Company (Proposed Share Buy-Back) as may be determined by the Directors of the Company from time to time and upon such terms and conditions as the Directors may deem fit and expedient in the interest of the Company provided that the aggregate number of ordinary shares purchased and/or held pursuant to this resolution shall not exceed ten per centum (10%) of the total issued shares of the Company at any given point in time and an amount of funds not exceeding the total retained profits of the Company based on the audited financial statements for the financial year ended 31 December 2020 be utilized by the Company for the Proposed Share Buy-Back.
- Ordinary Resolution 7
- AND THAT, at the discretion of the Directors of the Company, the ordinary shares of the Company to be purchased may be cancelled; and/or retained as treasury shares and subsequently distributed as dividends or resold on Bursa Securities or transfer for the purpose of or under an employee share option scheme ("ESOS") or as part of purchase consideration; or be cancelled.
- AND THAT, the Directors of the Company be and are hereby empowered to take all such steps as necessary to implement, finalise and give full effect to the Proposed Share Buy-Back with full powers to assent to any conditions, modifications, variations and/or amendments (if any) as may be required or imposed by the relevant authorities from time to time and to do all such acts and things as the Board may deem fit and expedient in the best interest of the company.
- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company in 2022 at which time it will lapse, unless by a resolution passed at the meeting, the authority is renewed, either unconditionally or subject to conditions; or
 - (b) the expiration of the period within which the next AGM is required to be held pursuant to Section 340(2) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
 - (c) revoked or varied by resolution passed by the shareholders in general meeting,

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)

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

whichever is earlier; but not so as to prejudice the completion of purchase(s) by the Company before the aforesaid date and in any event, in accordance with the provisions in the guidelines issued by Bursa Securities and/or by any other relevant authorities."

RETENTION AS INDEPENDENT DIRECTORS

9. "THAT, Mr. Lim Leng Han be retained as Independent Director of the Company, in accordance with the Malaysian Code on Corporate Governance until the conclusion of the next AGM." Ordinary Resolution 8
10. "THAT, contingent upon the passing of Ordinary Resolution 2, Encik Mohd. Arif bin Mastol be retained as Independent Director of the Company, in accordance with the Malaysian Code on Corporate Governance until the conclusion of the next AGM." Ordinary Resolution 9
11. To transact any other business of which due notice shall have been given.

By Order of the Board

Tai Yit Chan (MAICSA 7009143) (SSM PC No. 202008001023)
Ong Tze-En (MAICSA 7026537) (SSM PC No. 202008003397)
Joint Company Secretaries

Penang, 28 April 2021

Notes:

1. A member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint not more than two (2) proxies to attend and vote in his stead at the meeting, and that a proxy may but need not be a member. There shall be no restriction as to the qualification of the proxy. Where a member appoints more than one (1) proxy, he shall specify the proportion of his holdings to be represented by each proxy, failing which the appointment shall be invalid. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
3. Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. Where an exempt authorised nominee appoints more than one (1) proxy in respect of each Omnibus Account, the appointment shall be invalid unless the exempt authorised nominee specifies the proportion of its shareholding to be represented by each proxy. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
4. The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or, if the appointer is a corporation, either under its Common Seal, or under the hand of an officer or attorney duly authorised. A proxy must be of full age. An instrument appointing a proxy to vote shall be deemed to include the power to demand or concur in demanding a poll on behalf of the appointer. Members not resident in Malaysia may appoint and revoke proxies by cable.
5. For the proxy to be valid, the Form of Proxy duly completed must be deposited at the Company's Registered Office at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
6. In respect of deposited securities, only a depositor whose name appears on the Record of Depositors on 12 May 2021 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxy(ies) to attend and/or vote on his/her behalf.

Explanatory Notes:

1. The proposed Ordinary Resolution 3, if passed, will facilitate the payment of the Directors' fees and benefits payable to the Directors for the period commencing this AGM through to the next AGM in 2022. Details of the Directors' fees and benefits payable to the Directors for the financial year ended 31 December 2020 are enumerated under the Corporate Governance Overview Statement in the Annual Report 2020.

NOTICE OF ANNUAL GENERAL MEETING (Cont'd)



Explanatory Notes: (Cont'd)

2. The Directors' fees and benefits payable proposed from this AGM up to the next AGM are calculated based on the number of days scheduled for Board and Board Committees' meetings. The amount also includes a contingency sum to cater to unforeseen circumstances such as the appointment of any additional Director, additional unscheduled Board and Board Committees' meeting days and/or for the formation of additional Board Committees.
3. The proposed Special Resolution, if passed, will enhance administrative efficiency and provide greater clarity to the Constitution. The Proposed Amendments to the Constitution is set out in Part C of the Circular to Shareholders dated 28 April 2021.
4. The Company wished to renew the mandate on the authority to issue shares pursuant to Sections 75 and 76 of the Companies Act 2016 granted by its shareholders at the last AGM of the Company held on 25 August 2020.

Subject to and contingent upon the passing of the Special Resolution as above mentioned, the proposed Ordinary Resolution 5, if passed, will empower the Directors to issue shares up to an aggregate number of shares not exceeding twenty per centum (20%) of the total number of issued shares of the Company (excluding treasury shares) for the time being ("20% General Mandate"). This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM in year 2022.

The Board of Directors, having considered the current economic climate arising from the global COVID-19 pandemic and future financial needs of the Group, is of the opinion that this 20% General Mandate is in the best interests of the Company and its shareholders. This 20% General Mandate will provide flexibility for the Company for fund raising including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions and enable the Company, should it required to do so, to meet its funding requirements for working capital or strategic development of the Group and operational expenditure, expeditiously and efficiently. This would eliminate any delay arising from and cost involved in convening a separate general meeting to obtain approval of the shareholders for such issuance of shares during this challenging period.

The 20% General Mandate may be utilised by the Company to issue new securities until 31 December 2021 and thereafter, the 10% general mandate will be reinstated.

On 30 July 2020, the Company had announced a proposal to undertake a private placement of up to ten per centum (10%) of the total number of issued shares of the Company (excluding treasury shares) for which Bursa Securities had granted approval vide its letter dated 6 August 2020 for the listing and quotation of up to 12,803,200 Placement Shares to be issued pursuant to the Proposed Private Placement on the Main Market of Bursa Securities. The private placement exercise was completed on 17 August 2020. From the date of the Notice of the 27th AGM on 30 June 2020 and as at the date of this Notice, the Company had issued a total of 12,302,960 new ordinary shares at an issue price of RM0.2600 per ordinary share pursuant to the mandate granted to the Directors at the AGM of the Company held on 28 May 2019 which such mandate had lapsed at the conclusion of the 27th AGM held on 25 August 2020.

As at the date of this Notice, no new ordinary shares in the Company were issued pursuant to the general mandate granted to the Directors at the 27th AGM held on 25 August 2020 which will lapse at the conclusion of the 28th AGM.

5. The proposed Ordinary Resolution 6, if passed, will obtain the Shareholders' Mandate for the Company and its subsidiaries to enter into specified recurrent related party transactions with Eonmetall Group Berhad and its subsidiaries as set out under Section 2.4 of the Circular which are necessary for the Group's day to day operations and are carried out in the ordinary course of business and are on normal commercial terms which are not more favourable to the related party than those generally available to the public and not detrimental to the minority shareholders. Further information on the Proposed Shareholders' Mandate is set out in Part A of the Circular to Shareholders dated 28 April 2021.
6. The proposed Ordinary Resolution 7, if passed, will allow the Company to purchase its own shares. The total number of ordinary shares purchased shall not exceed ten per centum (10%) of the total number of issued shares of the Company. This authority will, unless revoked or varied by the Company in general meeting, expire at the next AGM in year 2022. Further information on the Proposed Share Buy-Back is set out in Part B of the Circular to Shareholders dated 28 April 2021.
7. The proposed Ordinary Resolutions 8 and 9, if passed, will retain Mr. Lim Leng Han and Encik Mohd. Arif bin Mastol as Independent Directors of the Company to fulfill the requirements of Paragraph 3.04 of the Bursa Securities' Main Market Listing Requirements and in line with the Practice 4.2 of the Malaysian Code on Corporate Governance issued by the Securities Commission on 26 April 2017. The detail of the Board's justifications and recommendations to retain both of them as Independent Directors are set out in the Corporate Governance Overview Statement in the Annual Report 2020.

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

No individual is standing for election as a Director at the forthcoming 28th AGM of the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

TAN SRI DATO' MOHD DESA BIN PACHI

Chairman/Independent Non-Executive Director

DATO' GOH CHENG HUAT

Deputy Chairman/Executive Director

DATIN TAN PAK SAY

Managing Director

TAN SRI DATO' DR. SOONG SIEW HOONG

*Independent Non-Executive Director
(Retired on 01 October 2020)*

MR. LIM LENG HAN

Senior Independent Non-Executive Director

ENCIK MOHD. ARIF BIN MASTOL

Independent Non-Executive Director

DATUK ABDULLAH BIN HAJI KUNTOM

Independent Non-Executive Director

MS. GOH WAN JING

Executive Director



KEY SENIOR MANAGEMENT

Dato' Goh Cheng Huat

Deputy Chairman/Executive Director

Datin Tan Pak Say

Managing Director

Ms. Goh Wan Jing

Executive Director

AUDIT COMMITTEE

Mr. Lim Leng Han

Chairman

Encik Mohd. Arif bin Mastol

Member

Datuk Abdullah bin Haji Kuntom

Member

NOMINATING COMMITTEE

Tan Sri Dato' Mohd Desa bin Pachi

Chairman

Mr. Lim Leng Han

Member

Encik Mohd. Arif bin Mastol

Member

REMUNERATION COMMITTEE

Tan Sri Dato' Mohd Desa bin Pachi

Chairman

Mr. Lim Leng Han

Member

Encik Mohd. Arif bin Mastol

Member

JOINT COMPANY SECRETARIES

Tai Yit Chan (MAICSA 7009143)

(SSM PC No. 202008001023)

Ong Tze-En (MAICSA 7026537)

(SSM PC No. 202008003397)

REGISTERED OFFICE

170-09-01, Livingston Tower

Jalan Argyll

10050 George Town

Pulau Pinang

Malaysia

Tel : 04-229 4390

Fax : 04-226 5860

HEAD OFFICE

Wisma Leader Steel

Plot 85, Lorong Perusahaan Utama

Kawasan Perusahaan Bukit Tengah

14000 Bukit Tengah

Seberang Perai Tengah

Pulau Pinang

Malaysia

Tel : 04-507 1515

Fax : 04-507 9527/04-507 9537

REGISTRAR

AGRITEUM Share Registration
Services Sdn. Bhd.

2nd Floor, Wisma Penang Garden

42, Jalan Sultan Ahmad Shah

10050 Pulau Pinang

Malaysia

Tel : 04-228 2321

Fax : 04-227 2391

AUDITORS

BDO PLT

Chartered Accountants

51-21-F, Menara BHL

Jalan Sultan Ahmad Shah

10050 Pulau Pinang

Malaysia

Tel : 04-222 0288

Fax : 04-222 0299

MAJOR BANKERS

Ambank (M) Berhad

Hong Leong Bank Berhad

HSBC Bank Malaysia Berhad

Malayan Banking Berhad

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia

Securities Berhad

Stock code : 9881

Stock name : LSTEEL

GROUP STRUCTURE AND PRINCIPAL ACTIVITIES

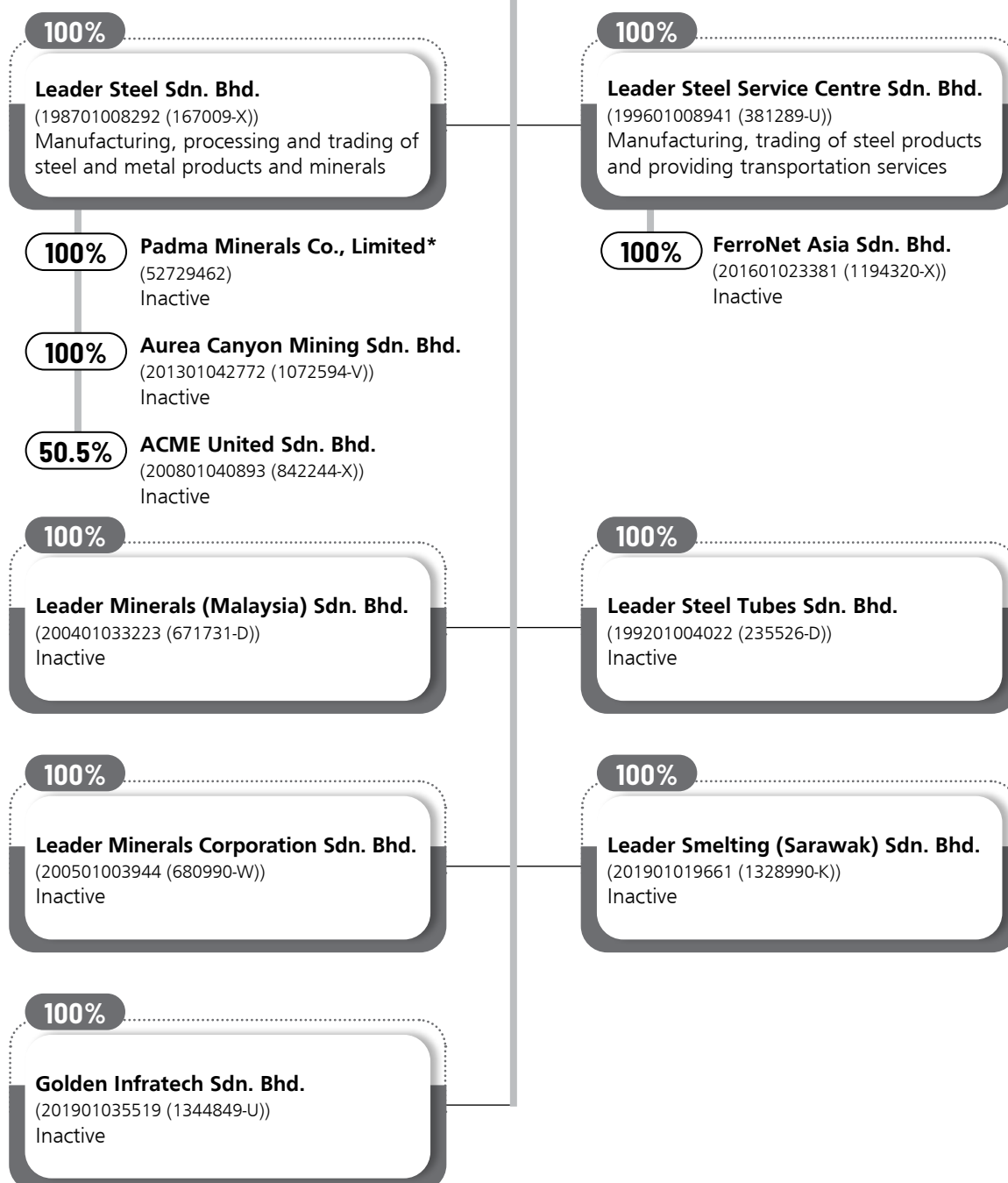
AS AT 31 DECEMBER 2020



LEADER STEEL HOLDINGS BERHAD

199301012471 (267209-K)

Investment Holding

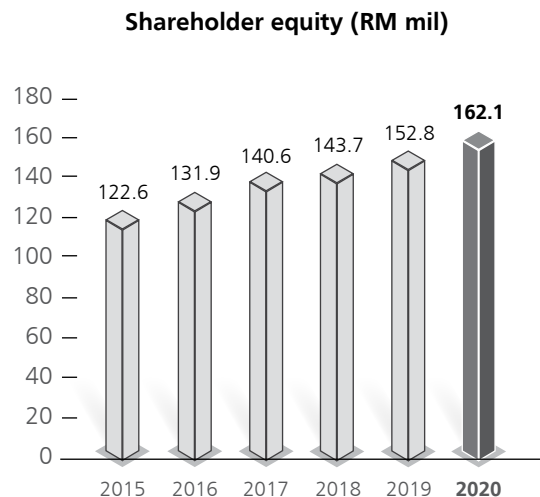
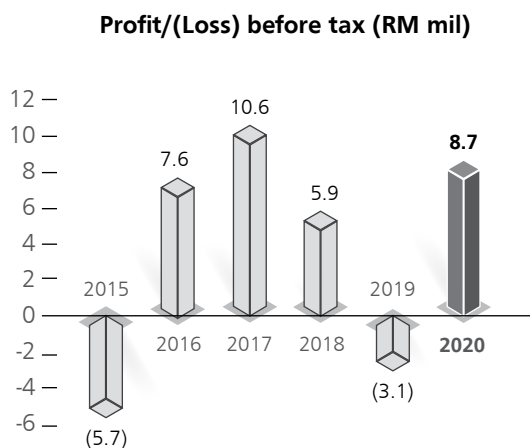
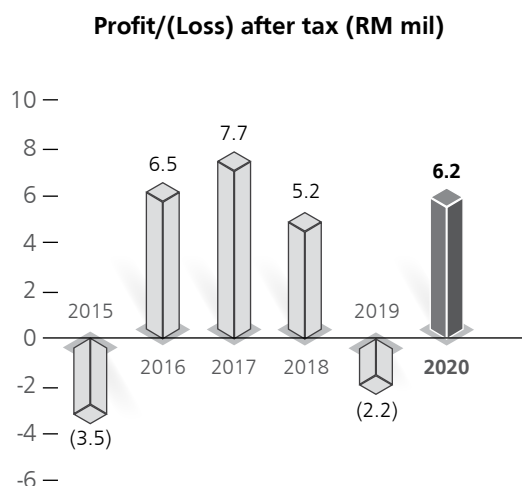
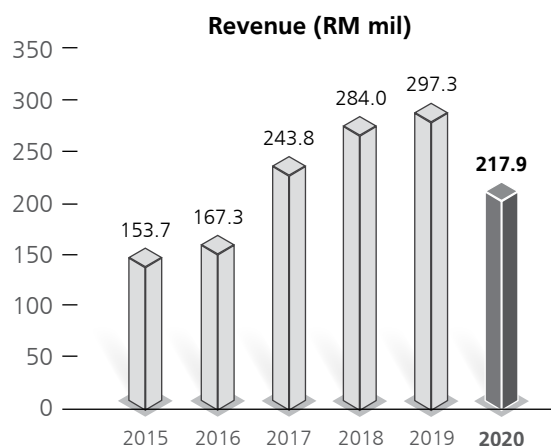


* Incorporated in Hong Kong SAR

FINANCIAL HIGHLIGHTS

	2015	2016	2017	2018	2019	2020
1 Financial Highlights of Statements of Profit or Loss						
Revenue (RM mil)	153.7	167.3	243.8	284.0	297.3	217.9
EBITDA (RM mil)^	7.6	18.8	21.5	15.7	7.6	17.7
Profit/(Loss) before tax (RM mil)	(5.7)	7.6	10.6	5.9	(3.1)	8.7
Profit/(Loss) after tax (RM mil)	(3.5)	6.5	7.7	5.2	(2.2)	6.2
2 Financial Highlights of Statements of Financial Position						
Total assets (RM mil)	249.3	245.2	264.1	288.0	277.9	257.2
Total borrowings (RM mil)	90.6	70.1	88.7	97.8	88.8	64.2
Shareholder equity (RM mil)	122.6	131.9	140.6	143.7	152.8	162.1

^ Earnings before interest, taxation, depreciation and amortisation.



CHAIRMAN'S STATEMENT



Dear Valued Shareholders,

2020 is a pivotal year for Leader Steel Holdings Berhad ("LSH" or "the Company") and its subsidiaries (collectively known as "the Group" or "LSH Group").

During financial year ended 31 December 2020 ("FY2020"), the Group remained vigilant in responding to unprecedented challenges. Despite the challenges faced, our efforts were successfully and reflected with even a stronger performance compared to the year before.

We are pleased to report that LSH financial strength grew during FY2020. On behalf of the Board of Directors, I am pleased to present the Company's Annual Report and Audited Financial Statements for FY2020.

Performance Overview

The Group achieved a total revenue of RM217.9 million, 26.71% decrease compared to the preceding financial year ended 31 December 2019 ("FY2019") revenue of RM297.3 million. However, the Group reported a profit before tax of RM8.7 million, 380.65% increase compared to FY2019 loss before tax of RM3.1 million.

Profit before tax increased as a result of improved profit margin, despite revenue decrease from supply chain disruptions. The Movement Control Order ("MCO") to curb the spread of the COVID-19 pandemic and the halt of most business activities had negatively impacted the 1st half of 2020 revenue. Following the resumption of business operations in early May 2020, the Group achieved significant growth in revenue. The global lockdown had disrupted supply chains and negatively impacted volume and revenue. More positively, the improved steel pricing allows for more sustainable margin spread.

2021 Outlook

Economies around the world were brought to a sudden halt by COVID-19 lockdown in the 1st half of 2020. In 2nd half of 2020, lockdown eased and resumption of activities brought gradual recoveries to major economies. Though the worldwide post-lockdown, steel demand had been stronger than expected, there was still a deep contraction in demand. In 2021, steel industry worldwide is expecting demand recovery from very low base. Worldsteel forecasts that steel demand is expecting a partial recovery to 1,795.1 MT, an increase of 4.1 % over 2020.

The Group manufactures steel products from hot rolled and cold rolled raw material, we work with both local and international suppliers to obtain the best competitive pricing for our customers. Most of the Group's international raw material suppliers have been calling for an upward price trend due to strong demand in international markets, i.e. US and Europe. The trending steel prices is based on a number of factors, for example, extended lead time due to logistics disruptions and capacity resumptions, historically low inventories, and higher demand in US and European markets. The international upward price trend may be supported into 3rd quarter of 2021.

In view of lagging pricing and low construction activities in Malaysia, international supply has largely been diverted away to more profitable markets. Upward price trend, supply and economic recovery uncertainties have made many downstream players to exhibit caution in purchasing activity. For the 2nd half of 2021, we are closely monitoring China's steel industry policies, US-China relations, economic activities following COVID-19 vaccination rollout, and the government stimulus plans in view of their effects on steel output and pricing.

There is a phenomenon in the steel industry known as the "price-cost effect," where the raw material cost lags behind the steel spot price, creating a positive steel spread and vice versa. This is particularly important in the Malaysian steel industry, where raw materials are sourced internationally, resulting in an inevitable structural lag. On a cautionary note, while the steel industry players are benefiting from a positive price-cost effect, the very same effect had worked negatively against the industry at various points from 2nd half of 2018 to 1st half of 2020. The Group maintains its support for an internationally competitive local flat product supplier, without which, LSH's major product category - pipes and tubes is exposed to risks from supply to currency fluctuation.

The Group continues to focus its strategies and priorities on further strengthening its position via diversification away from construction industry. The Group is optimistic and will continue to exercise caution for any changes or development in both the domestic and international steel markets and strive to achieve promising performance for FY2021.

CHAIRMAN'S STATEMENT **(Cont'd)**

Dividend

On 13 April 2021, the Board of Directors of LSH had declared an interim single tier dividend of 1.5 sen per ordinary share in respect of FY2020. The said interim dividend will be payable on 11 May 2021.

Appreciation

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

Sympathy and Prayers

On behalf of the Board of Directors, I would like to express our sympathy to those affected by the COVID-19 pandemic and gratitude towards the medical staffs and volunteers across the globe. We pray for the speedy recovery of the affected patients and containment of the pandemic.

TAN SRI DATO' MOHD DESA BIN PACHI

Chairman

MANAGEMENT DISCUSSION AND ANALYSIS



Dear Shareholders,

The purpose of the Management Discussion and Analysis ("MD&A") is to provide shareholders with an overview of the business operations of Leader Steel Holdings Berhad ("LSH" or "the Company") and its subsidiaries (collectively known as "the Group"), review of the performance during financial year ended 31 December 2020 ("FY2020"), review of operating activities, anticipated and known risks, and the outlook going into year 2021.

OVERVIEW OF BUSINESS AND OPERATIONS

LSH is a publicly listed company on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"), and an investment holding company with eleven (11) subsidiaries. The principal activities of the subsidiaries are disclosed under the audited financial statements in this Annual Report.

Our Strategic Focus

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

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

Products and Services

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

Currently, the Group employs 169 skilled and dedicated employees who are involved in the manufacturing and trading of our products. The Group believes strongly in investing in human capital in order to sustain growth and this is evidenced by a number of long serving employees with more than fifteen (15) years of service.

Office and Manufacturing Facilities

Headquartered at Bukit Tengah, Penang, the Group services its customers from three (3) manufacturing facilities across Malaysia and an office in Hong Kong SAR serving international trade customers. Leveraging on its three-decade industry experience, the Group has successfully expanded its presence beyond the Malaysian shore.

GROUP'S FINANCIAL PERFORMANCE

Revenue

For the FY2020, the Group achieved a total revenue of RM217.9 million (FY2019: RM297.3 million), a 26.71% decrease primarily due to the implementation of the MCO imposed by the Malaysia government from March to May 2020 and pandemic-related disruption to supply chain in the following months. The steel products segment contributed 71.7% while the minerals segment contributed 28.3% of the Group's total revenue in FY2020.

Profit Before Tax

The Group achieved a profit before tax of RM8.7 million (FY2019: loss before tax of RM3.1 million). The improved profit was mainly due to better margin attributable to rising steel prices in 2nd half of 2020.

Cash Flow

The Group's cash and bank balances stand at RM2.8 million in FY2020 (FY2019: RM3.1 million). The reduction in cash flow was mainly due to cash used for repayments of short-term bank borrowings and bank overdraft amounting to RM24.1 million, with the reductions offset by cash generated from operating activities of RM23.1 million.

FINANCIAL CONDITION OF THE GROUP

The Group's financial conditions has improved. In FY2020, current and quick ratios are at 1.29 and 0.70 (FY2019: 1.08 and 0.41 respectively), and gearing ratio stands at 0.4 times (FY2019: 0.6 times).

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)

FINANCIAL CONDITION OF THE GROUP (Cont'd)

The Group continues to utilize short-term bank facilities to support its short-term working capital requirements. We maintain a total debt facility of RM127 million with several licensed financial institutions in Malaysia.

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

REVIEW OF OPERATING ACTIVITIES

Manufacturing and Trading of Steel Products Segment

The Group's steel products segment is focused on production, operations and trading of steel related products. Its product range included steel pipes and tubes, hollow section, angle bar, flat bar, square bar, steel plates, u-channel, and trolley track.

The steel products segment continues to be the primary revenue contributor to the Group. The segment recorded revenue of RM156.1 million in FY2020 (FY2019: RM215.2 million). The decrease in performance was mainly attributed to temporary ceasing of business operations during MCO period and pandemic-related disruption to raw material supply chain.

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

Expansion Plans

The Group plans to further expand its steel products business in Selangor. The Group had entered into a sales and purchase agreement to acquire a land in Klang, Selangor ("the Land") in FY 2020. The Group believes that the strategically located Land will be the foundation on which we will build the future of our business.

The Land is advantageous to the Group's business expansion plan to other regions in Peninsular Malaysia and export market due to excellent public infrastructure and its proximity to Port Klang, Selangor. The Group intends to build manufacturing and warehouse facility to accommodate future expansion of business activities.

The Group echoes the call from Ministry of Trade and Industry for Malaysian steel industry players to focus on becoming high-value-added solutions exporters. The Group will invest in technology to create new value propositions through service-based manufacturing, thereby differentiating itself from the low-cost commodity competition.

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

Trading and Processing of Minerals Segment

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

The minerals segment recorded revenue of RM61.8 million in FY2020 (FY2019: RM82.1 million). The decrease in revenue is mainly attributed to pandemic-related disruption to supply chain and change in market preferences in FY2020. On average in FY2020, 14,000 MT (FY2019: 15,000 MT) of minerals is exported monthly to the world's largest steel producing country, China.

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

ANTICIPATED RISKS

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

MANAGEMENT DISCUSSION AND ANALYSIS (Cont'd)



ANTICIPATED RISKS (Cont'd)

Credit Risk

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

Liquidity and Cash Flow Risk

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

Foreign Currency Risk

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

Interest Rate Risk

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

Volatility in Steel Price

The Group has exposure to volatility in steel price. Changes in steel prices directly affect the performance of the Group. The COVID-19 pandemic is expected to impact the steel industry. The continuing impact of the pandemic on supply chain and economic activity that has rebounded as the country reopened are the main factors which affect the movement of steel prices. To mitigate the impact of adverse steel price movements, the Group will continue to monitor the movement of steel prices.

2019 Novel Coronavirus ("COVID-19") Pandemic

As the pandemic unfolds across the globe, its impact on the economic side is also expected to be significant and widespread. As such, the Group will react by continuously improving its competitiveness and providing customers with the best support. The Group will closely observe the market situation and adjust its business strategy accordingly to maintain a balance in production and sales for better profit margin.

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

FORWARD-LOOKING STATEMENTS

In 2021, steel industry worldwide is expecting demand recovery from very low base. International steel prices are on a sustained upward trend. The trending steel prices is based on a number of factors, namely extended lead times due to logistics disruptions and capacity resumption, historically low inventories, higher demand for automobile markets in US and European markets. The international upward price trend may be supported into 3rd quarter of 2021.

In turn, Malaysia faces steel supply shortage due to lag in price and construction activities. Local downstream players exhibit caution in purchasing behaviour due to the high price trend and uncertainties in supply and economic recovery.

We are monitoring macro factors that may affect the steel price in FY2021, in particular the Chinese steel policies and post-pandemic economic stimulus plans both global and local.

LSH continue to focus its strategies and priorities on further strengthening its position via diversification away from construction industry. LSH is optimistic and will continue to exercise caution for any changes or development in both the domestic and international steel markets so as to achieve promising performance for FY2021.

DIRECTORS' PROFILE

TAN SRI DATO' MOHD DESA BIN PACHI

(Chairman/Independent Non-Executive Director)

TAN SRI DATO' MOHD DESA BIN PACHI, PSM, DSPN, KMN, aged 87, Malaysian, was appointed to the Board of Directors of LSH on 10 August 1995. He is the Chairman of the Board of Directors, and also Chairman of the Remuneration Committee and Nominating Committee.

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

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

He sits on the Board of several private companies.

He is the Independent Non-Executive Director of a listed company, Eonmetall Group Berhad and a public company, Handal Dinamis Holdings Berhad.

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

He attended all four (4) Board meetings held during the financial year ended 31 December 2020.

DATO' GOH CHENG HUAT

(Deputy Chairman/Executive Director)

DATO' GOH CHENG HUAT, aged 60, Malaysian, was appointed to the Board of Directors of LSH on 10 August 1995. He resigned as Managing Director and was appointed as Deputy Chairman on 29 April 2005. On 25 February 2014, Dato' Goh was re-designated as an Executive Director.

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

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

He presently also holds directorship in a listed company, Eonmetall Group Berhad and its subsidiaries.

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

He attended all four (4) Board meetings held during the financial year ended 31 December 2020.

DIRECTORS' PROFILE (Cont'd)



DATIN TAN PAK SAY (Managing Director)

DATIN TAN PAK SAY, aged 59, Malaysian, was first appointed to the Board of Directors of LSH on 10 August 1995. Datin Tan took a brief break from 2 January 2004 before rejoining the Board at 25 May 2004. She was appointed as Executive Director on 21 February 2005 and subsequently as Managing Director on 29 April 2005.

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

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

She attended three (3) out of four (4) Board meetings held during the financial year ended 31 December 2020.

MR. LIM LENG HAN (Senior Independent Non-Executive Director)

MR. LIM LENG HAN, aged 60, Malaysian, was appointed to the Board of Directors of LSH on 25 July 1994. He is the Chairman of the Audit Committee and a member of both the Remuneration Committee and Nominating Committee. Graduated in 1985 with a degree in Bachelor of Law (LLB) (Hon) from University of Malaya, he was subsequently admitted as Advocate and Solicitor by the High Court of Malaya on 8 February 1986 and became a member of the Bar Council of Malaysia. He is an appointed member of the Disciplinary Committee, Bar Council of Malaysia and also an appointed Notary Public of the Attorney-General's Chambers.

Mr. Lim has been active in the legal profession for 35 years and gained wide experience in the corporate, conveyancing and civil matters. Mr. Lim was serving with Johari, Goh & Associates, Kadir & Co. and Zaid Ibrahim & Co. for six (6) years before starting his own legal practice under the name of Messrs. Lim Leng Han & Co., in Butterworth, Penang on 8 February 1993 and thereafter as Messrs. Lim Leng Han & SF Tho until to date. He is also the legal advisor of societies and organisations such as Penang Hardware and Machinery Merchants' Association, Lim Clan Association of Penang, Butterworth Buddhist Association, Thang Hsiang Temple, Bayan Lepas and various others.

He attended all four (4) Board meetings held during the financial year ended 31 December 2020.

ENCIK MOHD. ARIF BIN MASTOL (Independent Non-Executive Director)

ENCIK MOHD. ARIF BIN MASTOL, aged 66, Malaysian, was appointed to the Board of Directors of LSH on 28 June 2002. He also sits on the Nominating Committee, Remuneration Committee and Audit Committee of LSH as a member. Encik Mohd. Arif is a member of the Malaysia Institute of Accountants.

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

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

He attended all four (4) Board meetings held during the financial year ended 31 December 2020.

DIRECTORS' PROFILE (Cont'd)

DATUK ABDULLAH BIN HAJI KUNTOM

(Independent Non-Executive Director)

DATUK ABDULLAH BIN HAJI KUNTOM, aged 77, Malaysian, was appointed to the Board on 2 October 2003 and was appointed as a member of the Audit Committee on 9 April 2014. He was re-designated as Independent Non-Executive Director on 26 February 2019. He holds a Bachelor of Arts from the University of Malaya and a Master in Public Policy and Administration from the University of Wisconsin, Madison, U.S.A..

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

He attended all four (4) Board meetings held during the financial year ended 31 December 2020.

MS. GOH WAN JING

(Executive Director)

MS. GOH WAN JING, aged 32, Malaysian, is Executive Director at LSH. She was appointed to the Board on 31 March 2017.

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

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

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

She attended all four (4) Board meetings held during the financial year ended 31 December 2020.

Notes:

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

None of the Director has any family relationship with any Director and/or major shareholder other than Dato' Goh Cheng Huat being the spouse of Datin Tan Pak Say and father of Ms. Goh Wan Jing.

Saved and except for Dato' Goh Cheng Huat, Tan Sri Dato' Mohd Desa bin Pachi and Encik Mohd. Arif bin Mastol, none of the Director has any other directorship in public companies and listed issuers.

KEY SENIOR MANAGEMENT'S PROFILE



Name	: Dato' Goh Cheng Huat
Position	: Deputy Chairman, Executive Director
Age, Gender	: 60, Male
Nationality	: Malaysian
Date of Appointment	: 29 April 2005
Academic / Professional Qualification(s)	: Master of Business Administration, National University of Singapore
Working Experience	: <ul style="list-style-type: none"> • Extensive experience and knowledge in the processing of iron and steel products • Conferred the 1990 Young Entrepreneur Award by the Ministry of Youth and Sports • Awarded a patent for "Process for the Manufacturing of Steel Products and Apparatus"

Name	: Datin Tan Pak Say
Position	: Managing Director
Age, Gender	: 59, Female
Nationality	: Malaysian
Date of Appointment	: 29 April 2005
Academic / Professional Qualification(s)	: Secondary
Working Experience	: Actively involved in the steel industry since mid-1980s

Name	: Ms. Goh Wan Jing
Position	: Executive Director
Age, Gender	: 32, Female
Nationality	: Malaysian
Date of Appointment	: 31 March 2017
Academic / Professional Qualification(s)	: Degree in Business Administration, focus in finance and information systems, from the University of Washington in Seattle, Washington, U.S.A.
Working Experience	: <ul style="list-style-type: none"> • In 2014, led the successful ERP system migration • In 2016, promoted to Deputy General Manager, where she was responsible for group-wide process improvement • In 2017, involved in group level strategic planning and execution

Notes:

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

None of the key senior management has family relationship with any director and/or major shareholder other than Dato' Goh Cheng Huat being the spouse of Datin Tan Pak Say and father of Ms. Goh Wan Jing.

None of the key senior management has any other directorship in public companies, other than Dato' Goh Cheng Huat presently holds directorship in Eonmetall Group Berhad and its subsidiaries.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors ("The Board") of Leader Steel Holdings Berhad ("LSH" or "the Company") and its subsidiaries (collectively known as "the Group") is committed to ensure that good Corporate Governance is practiced throughout the Group as a fundamental part of discharging its responsibilities to protect and enhance shareholders' value and the long-term financial performance of the Group.

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

The Board has implemented the Practices of the Code with the ensuing paragraphs in this Corporate Governance Overview Statement to describe the extent of how the Group has applied and complied with the Principles and Practices of the Code for the financial year ended 31 December 2020 ("FY2020"). This Overview Statement is made pursuant to paragraph 15.25(1) of Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") with guidance drawn from Practice Note 9 of Listing Requirements and the Corporate Governance Guide (3rd edition) issued by Bursa Securities.

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

PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS

Part I Board Responsibilities

1 Board's Leadership on Objectives and Goals

1.1 Strategic Aims, Values and Standards

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

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

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)



PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part I Board Responsibilities (Cont'd)

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

1.2 Chairman of the Board

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

The Chairman leads governance activities on the Board in order to create a conducive condition geared towards building and growing Directors' effectiveness and ensure that appropriate issues are discussed by the Board in a timely manner. As part of that role, Chairman ensures that no member dominates discussion so that appropriate discussions takes place and that relevant opinions among members is forthcoming.

Other roles of the Chairman include leading the Board in the oversight of management, ensuring adequacy and integrity of the governance process and issues, maintain regular dialogue with Managing Director ("MD") over operational matters and seek opinion of fellow Board members over any matters that give cause for major concerns.

1.3 Separation of Position of Chairman and Managing Director

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

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

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

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

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part I Board Responsibilities (Cont'd)

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

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

The INEDs are active in their roles by providing independent judgement, unbiased and independent views, when required and contributing actively to the deliberations on policies and issues. They also act in a manner to protect the interest of the minority shareholders in respect of policies and decisions deliberated by the Board. The INEDs do not participate in the daily management of the Group and are not engaged in any business or other relationship with the Group. Their presence ensures that issues of strategies, performance and resources proposed by the Management are objectively evaluated, taking into consideration the long-term interests of shareholders, employees, customers, and other communities in which the Group conducts its business. In carrying out their roles, they thereby fulfil a crucial role in corporate accountability as they provide independent and objective views, opinions and judgements on issues being deliberated.

1.4 Qualified and Competent Company Secretaries

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

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

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

1.5 Access to Information and Advice

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)



PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part I Board Responsibilities (Cont'd)

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

1.5 Access to Information and Advice (Cont'd)

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

2 Demarcation of Responsibilities

2.1 Board Charter

The Board Charter clearly delineate the roles, duties and responsibilities of the Chairman, MD, Board, Board Committees and Management in order to provide a structured guidance. The Board Charter also includes the requirements of Directors in carrying out their leadership and supervisory role and in discharging their duties towards the Group as well as boardroom activities. The Board Policy Documentation, incorporating the Board Charter, TOR of the Board Committees and other policies, was reused and approved on 28 August 2018. The Board Policy Documentation will be reviewed from time to time to ensure its relevance. The Board Charter is available on the Company's corporate website at www.leadersteel.my.

3 Good Business Conduct and Corporate Culture

3.1 Code of Ethics and Conduct

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

3.2 Whistleblowing Policy

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

3.3 Anti-Bribery and Anti-Corruption Policy

In compliance with the new provision, the Malaysian Anti-Corruption Commission (Amendment) Act 2018, the Board has approved an Anti-Bribery and Anti-Corruption Policy. The Group has adopted the policy to achieve and maintain the highest standard of integrity and work ethics in the conduct of its business and operations. The Policy provides guidance to all Directors, employees and business associates of the Group relating to specific acts of bribery and corruption and also to related matters such as proper reporting and accounting. A copy of the Anti-Bribery and Anti-Corruption Policy is available on the Company's website at www.leadersteel.my.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part II Board Composition

4 Board Objectivity

4.1 Board Composition

The Board comprises of seven (7) members with the composition as outlined below:

Directorate	Director(s)
Chairman/Independent Non-Executive Director	Tan Sri Dato' Mohd Desa bin Pachi
Deputy Chairman/Executive Director	Dato' Goh Cheng Huat
Managing Director	Datin Tan Pak Say
Executive Director	Ms. Goh Wan Jing
Independent Non-Executive Directors	Tan Sri Dato' Dr. Soong Siew Hoong (Retired on 1 October 2020) Mr. Lim Leng Han Encik Mohd. Arif bin Mastol Datuk Abdullah bin Haji Kuntom

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

The Board is in compliance with Chapter 15.02 of the Listing Requirements of Bursa Securities, which requires that at least two (2) Directors or one-third (1/3) of the Board of the Company, whichever is the higher, are Independent Directors.

The Board comprises a majority of INEDs, which represents approximately 57% of the Board, well in excess of the composition recommended under Practice 4.1 of the Code for which INEDs are to comprise half (50%) of the Board members.

4.2 Tenure of Independent Director

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

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

As at to-date, Mr. Lim Leng Han and Encik Mohd. Arif bin Mastol have served the Board as INEDs for more than twelve (12) years since their appointment on 25 July 1994 and 28 June 2002 respectively. Notwithstanding their long tenure of service, both INEDs have served the Board well. Their presence, together with two (2) other Independent Non-Executive Directors, had ensured that issues of strategies, performance and resources proposed by the Management are objectively evaluated, taking into consideration the long-term interests of shareholders, employees, customers, and other communities in which the Group conducts its business.

At the annual general meeting ("AGM") last held on 25 August 2020, the shareholders approved unanimously the separate resolutions, by way of poll, to retain Mr. Lim Leng Han and Encik Mohd. Arif bin Mastol as INEDs.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)



PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part II Board Composition (Cont'd)

4 Board Objectivity (Cont'd)

4.2 Tenure of Independent Director (Cont'd)

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

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

4.3 Policy on Tenure of Independent Director

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

4.4 Diverse of Board and Senior Management

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

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

4.5 Gender Diversity

The presence of two (2) female executive Board members (MD and Executive Director) on the Board reflected a 29% female representation and testified to the Group's commitment on gender diversity. The Group has gender diversity in its Management team with over 54% female representation.

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

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

There was no new appointment to the Board during the financial year ended 31 December 2020.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part II Board Composition (Cont'd)

4 Board Objectivity (Cont'd)

4.7 Nominating Committee ("NC")

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

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

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

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

The NC's key duties encompassed the following:

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)



PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part II Board Composition (Cont'd)

4 Board Objectivity (Cont'd)

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

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

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

The Constitution of the Company provides that an election of Directors shall take place each year and, at the AGM, one-third (1/3) of the Directors for the time being or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) shall retire from office and be eligible for re-election. All the Directors shall retire from office once at least in three (3) years but shall be eligible for re-election. The Directors to retire in each year shall be those who have been longest in office since their appointment or re-appointment. A retiring Director is eligible for re-appointment. This provides an opportunity for shareholders to renew their mandates. The re-election of each Director is voted on separately.

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

5 Overall Board Effectiveness

5.1 Overall Effectiveness of the Board and Individual Directors

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

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

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

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

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

The assessment in respect of FY2020 was carried out with the results deemed satisfactory by the NC and Board.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part II Board Composition (Cont'd)

5 Overall Board Effectiveness (Cont'd)

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

The Board of Directors meets at least four (4) times a year at quarterly intervals with additional meetings convened as necessary. During FY2020, four (4) Board meetings were held where the Board deliberated upon and considered a variety of matters including the Group's quarterly operation and financial results, major investments and strategic decisions and any other strategic issues that may affect the Group's business.

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

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

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

Notes:

¹ Their absence was due to illness

² Retired on 1 October 2020

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)



PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part II Board Composition (Cont'd)

5 Overall Board Effectiveness (Cont'd)

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

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

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

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

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

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

The trainings attended by the Directors during the year under review are as follows:

1. BDO Tax Budget Webinar 2020
2. Section 17A Malaysian Anti Corruption Act 2009
3. Guidelines on Conduct of Directors of Listed Corporations and their Subsidiaries
4. Enhanced General Mandate for Pro-rata Rights Issue to expedite Secondary Fund Raising for Eligible Listed Issuers

Management assist in the administrative management of training programs for Directors and maintain a record of the trainings attended by the Directors. However, the number of training reduced in 2020 due to potential trainings being interrupted by the COVID-19 pandemic outbreak.

Part III Remuneration

6 Level and Composition of Remuneration

6.1 Remuneration Policy

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part III Remuneration (Cont'd)

6 Level and Composition of Remuneration (Cont'd)

6.1 Remuneration Policy (Cont'd)

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

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

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

6.2 Remuneration Committee ("RC")

The RC is empowered by the Board and its TOR to review proposed share option schemes, appraise performance of each individual Executive Director in proposing salary increment as well as annual bonus, considering and reviewing fringe benefits issues and to evaluate different remuneration methods and philosophies as well conducting studies of current industry practice. The TOR of the RC is available for viewing at the Company's corporate website at www.leadersteel.my.

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

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

The key duties of the Committee included the following:

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

7 Remuneration of Directors and Senior Management

7.1 Details of Directors' Remuneration

The remuneration payable in respect of Directors' fees and benefits payable for FY2020 are categorised as follows:

Type	FY2020
Directors' Fees	25,000
Allowance for Board Chairman	46,000
Meeting allowance – per meeting	500

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)



PRINCIPLE A BOARD LEADERSHIP AND EFFECTIVENESS (Cont'd)

Part III Remuneration (Cont'd)

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

7.1 Details of Directors' Remuneration (Cont'd)

A total of ten (10) meetings are scheduled for FY2021. The Directors' fees and benefits payable are endorsed by the Board of Directors for approval by the shareholders at the AGM prior to payment. In addition, the Non-Executive Directors are also paid meeting allowances for attendance at meetings as well as Committee allowances.

The remuneration of the Directors of the Company for FY2020 which is paid/payable is as tabulated:

Directors	Received or receivable from the Company		Received or receivable from the Group			Total RM
	Fees RM	Allowances ¹ RM	Salaries ² RM	Allowances RM	Benefits- in-kind RM	
Tan Sri Dato' Mohd Desa bin Pachi	25,000	3,000	-	46,000	-	74,000
Mr. Lim Leng Han	25,000	5,000	-	-	-	30,000
Mohd. Arif bin Mastol	25,000	5,000	-	-	-	30,000
Tan Sri Dato' Dr. Soong Siew Hoong ³	25,000	1,000	-	-	-	26,000
Datuk Abdullah bin Haji Kuntom	25,000	4,000	-	-	-	29,000
Datin Tan Pak Say	25,000	1,500	1,014,270	-	11,300	1,052,070
Dato' Goh Cheng Huat	25,000	2,000	-	-	-	27,000
Ms. Goh Wan Jing	25,000	2,000	236,123	-	15,000	278,123
Grand total:	200,000	23,500	1,250,393	46,000	26,300	1,546,193

Notes:

¹ Allowances included meeting allowances

² Bonus, EPF, SOCSO and EIS are included herein

³ Retired on 1 October 2020

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

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

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

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

PRINCIPLE B EFFECTIVE AUDIT AND RISK MANAGEMENT

Part I Audit Committee ("AC")

8 Effective and Independent AC

8.1 Chairman of the AC

Mr. Lim Leng Han, Senior INED, is the Chairman of the AC. Details on the composition, TOR and other pertinent facts of the AC is outlined under the AC Report in this Annual Report. The scope of the external auditors is ascertained by the AC, with twice (2) a year meeting held between the AC and the external auditors in the absence of executive Board members and Management staff.

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

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

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

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

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

The AC has assessed the suitability and independence of the external auditors and is satisfied with the technical competency, service level and independence of the external auditors. The AC met with the external auditors at least twice (2) a year to discuss their audit plan and audit findings. At least once (1) a year and whenever necessary, the AC met with the external auditors without the presence of executive Board members or Management personnel, to allow the AC and the external auditors to exchange independent views on matters which require the AC's attention.

The AC has considered the non-audit services provided by the external auditors during FY2020 and concluded that the provision of these services did not compromise the external auditors' independence and objectivity. The amount of fees paid for these services was not significant when compared to the total audit fees paid to the external auditors. The external auditors have confirmed to the AC that they are, and have been, independent throughout the conduct of the audit engagement in accordance with the terms of relevant professional and regulatory requirements.

8.4 Composition of the AC

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

8.5 Diversity in Skills of the AC

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)



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

Part II Risk Management and Internal Control Framework

9 Effective Risk Management and Internal Control Framework

9.1 Establish an Effective Risk Management and Internal Control Framework

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

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

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

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

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

9.3 Establishment of a Risk Management Committee

There is a RMC in place which oversees the implementation of sustainability strategy. It evaluates overall sustainability risks and opportunities.

10 Effective Governance, Risk Management and Internal Control

10.1 Effectiveness of the Internal Audit Function

10.2 Disclosure on the Internal Audit Function

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

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

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)

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

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

10 Effective Governance, Risk Management and Internal Control (Cont'd)

10.2 Disclosure on the Internal Audit Function (Cont'd)

The total expenses incurred for internal audit work during FY2020 was approximately RM16,000 (FY2019: RM32,000).

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

PRINCIPLE C INTEGRITY IN CORPORATE GOVERNANCE AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

Part I Communication with Stakeholders

11 Continuous Communication between Company and Stakeholders

11.1 Effective and Transparent and Regular Communication with Stakeholders

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

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

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

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

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

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

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

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

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

11.2 Integrated Reporting

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

CORPORATE GOVERNANCE OVERVIEW STATEMENT (Cont'd)



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

PART II Conduct of General Meetings

12 Encourage Shareholders' Participation at General Meetings

12.1 Notice for Annual General Meeting

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

The notice of AGM in 2020 was sent at least twenty-eight (28) days before meeting date to shareholders and is published in a major local newspaper. Items of special business included in the Notice of AGM will be accompanied by an explanation of the proposed resolutions. Separate resolutions are proposed for substantially separate issues. All suggestions and comments put forth by shareholders will be noted by the Board for consideration. All Directors (save and except for Datin Tan Pak Say and Tan Sri Dato' Dr Soong Siew Hoong who were absent due to ill health) attended the AGM in 2020 to answer any such questions that may arise as shareholders may seek more information than what is available in the Annual Report and/or circulars.

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

12.2 All Directors to Attend General Meetings

All the Directors attended, in person, the Annual General Meeting held on 25 August 2020 except Datin Tan Pak Say and Tan Sri Dato Dr' Soong Siew Hoong. Their absence was due to illness.

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

Based on the past trend of number of investors, the Company does not have a large number of shareholders to warrant voting in absentia and/or remote shareholders' participation at AGM. The total number of shareholders hover around 3,300 on a monthly basis with a majority being Malaysian. Further, all general meetings are held at the Company's premise which is easily accessible to all shareholders.

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

SUMMARY OF CORPORATE GOVERNANCE PRACTICES

As part of the Group's efforts and commitment towards sound Corporate Governance, the Group has benchmarked its existing practices against the Code. In line with the leeway accorded in the application mechanism of the Code, the Company has provided forthcoming explanations for the departures from certain Practices. The explanations on the departures are supplemented with a description on the alternative measures (where applicable) to be taken that would to achieve the Intended Outcome of the departed Practices and measures that the Company has taken or intends to take to adopt the departed Practices. Further details on the application of each individual Practice of Code are available in the CG Report.

STATEMENT ON COMPLIANCE

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

The Corporate Governance Overview Statement is issued in accordance with a resolution of the Board of Directors dated 23 April 2021.

ADDITIONAL INFORMATION

1. Utilisation of Proceeds

The Company raised RM3,198,770 from issuance of 12,302,960 unit Private Placement shares at the issue price of RM0.26 each during the financial year ended 31 December 2020.

	RM'000
Proceeds from issuance of Private Placements Shares	3,199
Expenses of Corporate Exercise	95
Working Capital Available	<u>3,104</u>

The proceeds of RM3,198,770 from the Private Placement has been fully utilised in the following manner:

Purpose	Utilisation as at 31 December 2020 (RM'000)
Working Capital	3,104
Total utilised	<u>3,104</u>

2. Non-audit Fees

Non-audit fees amounting to RM20,000 were paid to the external auditors for the financial year ended 31 December 2020.

3. Material Contracts

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

4. Recurrent Related Party Transactions of a Revenue or Trading Nature for the Year Ended 31 December 2020

Details of recurrent related party transactions made during the financial year ended 31 December 2020 pursuant to the shareholders' mandate obtained by the Company at the Annual General Meeting held on 25 August 2020 were as follows:

Company within the Group involved	Transacting Party	Amount (RM'000)	Nature of transactions	Interested Related Party
Leader Steel Sdn. Bhd. ("LSSB")	Eonmetall Industries Sdn. Bhd.	94	Sale of steel products	
	Eonsteel Sdn. Bhd.	13	Sale of steel products	Interested Director and Major Shareholder Dato' Goh Cheng Huat
Leader Steel Service Centre Sdn. Bhd. ("LSSC")	Eonmetall Industries Sdn. Bhd.	1,244	Sale of steel products	
		26	Purchase of steel products	Datin Tan Pak Say
	Eonmetall Technology Sdn. Bhd.	1,779	Sale of steel products	Interest Major Shareholder Bischart Sdn. Bhd.
		587	Purchase of property, plant and equipment	
	Eonsteel Sdn. Bhd.	49	Sale of steel products	
	Eonmetall Systems Sdn. Bhd.	16	Sale of steel products	

AUDIT COMMITTEE REPORT



Composition & Meeting

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

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

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

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

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

The Terms of Reference ("TOR") of the AC is published on the corporate website at www.leadersteel.my.

During the financial year ended 31 December 2020 ("FY2020"), the Committee met four (4) times to discuss matters relating to the accounting and reporting practices of the Group. In addition, the Committee had conducted two (2) separate sessions with the external auditors without the presence of Executive Directors.

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

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

Details of Directors' attendance at the meetings of the Audit Committee in FY2020 are as follows:

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

Summary of activities carried out during the financial year

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

Financial reporting

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

AUDIT COMMITTEE REPORT (Cont'd)

External audit

- (a) Reviewed with the external auditors on scope of work and annual audit plan in respect of audit of the Group for FY2020;
- (b) Reviewed with the external auditors the results and findings of the audit, the audit report and management letter (if any) for FY2020;
- (c) Met twice (2) with the external auditors (on 26 November 2020 and 25 March 2021) without the presence of the executive Board members and Management to enquire the extent of assistance rendered by the Management, issues on audit and accounting and suggestions arising from the audits; and
- (d) Reviewed and assessed the objectivity, independence and competency of the external auditors touching on quality of service, experience and expertise and made its recommendations to the Board on their re-appointment and fees.

Internal audit

- (a) Reviewed with the internal auditors the scope of work and annual audit plan in respect of audit of the Group for FY2020;
- (b) Reviewed the Risk Management Report which was in relation to the risk assessment and risk profile for the steel manufacturing business and mineral trading business updated following a Risk Management Committee meeting;
- (c) Reviewed the internal audit report, which highlighted the audit issues and findings, recommendations and Management's response thereto; and
- (d) Monitored the outcome of follow-up audits to ascertain the extent to which agreed action plans have been implemented by Management and any issues arising therefrom.

Internal Audit Function

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

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

During FY2020, the internal audit function carried out review on payroll and human resource development, safety and health, inventory management, revenue, trade receivables, recurrent related party transactions, follow-up reviews on the status of implementation of previously issued audit recommendations and assisted Management in updating the risk profile of the Group. The opportunities for improvement noted, together with the recommendations thereof and agreed management action plans, were presented to the Audit Committee for consideration.

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

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL



Paragraph 15.26(b) of the Listing Requirements of Bursa Securities stipulates that the Board of Directors of public listed companies should include in its annual report a statement about the state of the risk management and internal control of the listed issuer as a group. In this regard, the Board is pleased to provide the following statement, which outlines the nature and scope of the risk management and internal control of the Group during the financial year ended 31 December 2020.

(A) BOARD RESPONSIBILITY

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

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

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

(B) RISK MANAGEMENT FRAMEWORK

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

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

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

The steps involved in Risk Management Process are:-

(i) Identifying Risks

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

(ii) Evaluating Risks

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

(iii) Managing Risks

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

COVID-19 Pandemic

The outbreak of Covid-19 has significantly impacted the global health and economy. In response, the Management is proactively monitoring and managing the pandemic's impact on the Group's performance and operations. The Group has implemented strict Standard Operating Procedures set by the government, such as daily temperature screening, distribution of face masks, physical distancing and frequent disinfection of workplace to protect the safety and health of our employees and supply chain.

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

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

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

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

(D) INTERNAL AUDIT FUNCTION

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

The internal audit function reviews the internal controls in the key activities of the Group's businesses based on an annual internal audit plan which have been approved by the Audit Committee. The internal audit is carried out in line with the International Professional Practices Framework. Opportunities for improvements to the system of internal control are identified and presented to the Audit Committee via internal audit reports whilst the Management formulates relevant action plans to address issues noted on a periodic basis.

During the financial year ended 31 December 2020, the internal audit function carried out the following activities:

- Presented the internal audit plan to the Audit Committee;
- Carried out internal audit reviews on selected business cycles:
 - (a) Payroll, human resource development and safety and health
 - (b) Inventory management, revenue and trade receivables
 - (c) Recurrent related party transactions
- Performed follow up review on the implementation of recommendations of previous internal audits;
- Presented the internal audit reports to the Audit Committee; and
- Reviewed the Group's Anti-Bribery and Anti-Corruption Policy and implementation of preventive measures in compliance with Section 17A of the Malaysian Anti-Corruption Commission (Amendment) Act 2018.

The total costs incurred in managing the internal audit function for the financial year ended 31 December 2020 were approximately RM16,000.

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



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

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

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

(F) CONCLUSION

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

Pursuant to paragraph 15.23 of the MMLR of Bursa Securities, the external auditors have reviewed this Statement for inclusion in the Annual Report of the Company for the year ended 31 December 2020 and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material aspects, in accordance with the disclosures required by Paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is this Statement factually inaccurate.

Overall, the Board and Management are satisfied that the process of identifying, evaluating and managing significant risks that may affect achievement of the Group's business objectives are in place. There are continuing efforts to strengthen the internal control environment taking into consideration the recommendations from the internal auditors. There were no material losses incurred during the financial year ended 31 December 2020 as a result of weaknesses in internal controls.

This statement is issued in accordance with a resolution of the Directors dated 23 April 2021.

SUSTAINABILITY STATEMENT

The Board of Directors ("the Board") of Leader Steel Holdings Berhad ("LSH" or "the Company") is pleased to present the Sustainability Statement of the Group in respect of financial year ended 31 December 2020 ("FY2020"), which has been prepared based on the Bursa Malaysia Sustainability Reporting Guide and toolkits.

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

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

A. GOVERNANCE STRUCTURE

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



B. SCOPE

To enable the Group to achieve sustainable growth and enhance long-term value for its shareholders, the Group applies a good corporate governance framework, environmentally responsible practices, and sound social policies. In 2021, the Group continues with this commitment as a good and responsible corporate citizen.

SUSTAINABILITY STATEMENT (CONT'D)



C. STAKEHOLDERS' ENGAGEMENT

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

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

Key Stakeholders	Stakeholders' Interest	Type of Engagement	Frequency	Engagement objectives
Shareholders and Investors	<ul style="list-style-type: none"> Financial and operation performance Key corporate developments Corporate Governance Sustainable growth 	<ul style="list-style-type: none"> Annual Report Quarter Reports Annual General Meeting Bursa Announcement Corporate Website 	<ul style="list-style-type: none"> Annually Quarterly As required 	<ul style="list-style-type: none"> To safeguard the shareholders' interest
Employees	<ul style="list-style-type: none"> Employee welfare Workplace safety and health Career development and training opportunities Operation in compliance with applicable laws and standards 	<ul style="list-style-type: none"> Training courses Employee performance appraisals Internal communication system via email and memo Employee engagement activities 	<ul style="list-style-type: none"> Annually On-going 	<ul style="list-style-type: none"> To provide a safe and conducive workplace with good welfare and employment opportunities To retain and attract talented employees
Customers	<ul style="list-style-type: none"> Quality, reliability, and pricing of products Timely delivery Customers' satisfaction Safety and security Sustaining long-term relationship 	<ul style="list-style-type: none"> Customer satisfaction survey Operational meetings Company website Other channel including email and customer service hotline 	<ul style="list-style-type: none"> Annually On-going As required 	<ul style="list-style-type: none"> To create stronger market integrity To build long-term sustainable relationships with customers
Suppliers	<ul style="list-style-type: none"> Quality, reliability, and pricing of products Sustaining long-term relationship 	<ul style="list-style-type: none"> Supplier performance assessment Meetings Transparent procurement process 	<ul style="list-style-type: none"> Annually On-going As required 	<ul style="list-style-type: none"> To drive sustainability across the supply chain To build long-term relationships with suppliers
Government and Regulators	<ul style="list-style-type: none"> Regulatory compliance Labour practices Compliance and adherence to security and safety standards 	<ul style="list-style-type: none"> Participate in government-organised training programme Annual and sustainability reports 	<ul style="list-style-type: none"> Annually On-going As required 	<ul style="list-style-type: none"> To ensure all our business operations comply with the statutory and regulatory requirement.
Local Communities	<ul style="list-style-type: none"> Environmental protection Job opportunity Corporate Social Responsibility 	<ul style="list-style-type: none"> Participation in community programmes 	<ul style="list-style-type: none"> As required 	<ul style="list-style-type: none"> To create positive impacts among communities where we operate our business

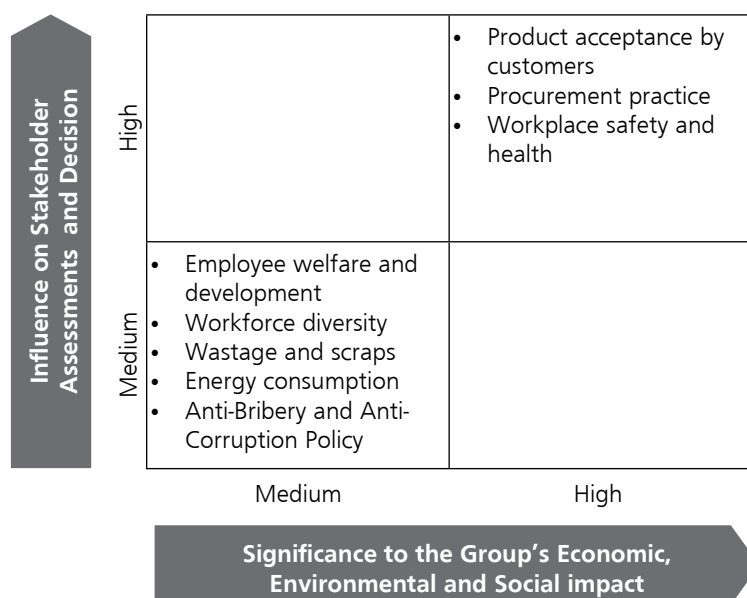
SUSTAINABILITY STATEMENT (CONT'D)

D. MATERIAL SUSTAINABILITY MATTERS

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

Materiality Matrix

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



Sustainability Management

The Sustainability efforts of the Group are set out below:

Economic

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

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

(1) Customer Satisfaction

LSH steel products are made to national and international standards. In fulfilling the Group's objective of ensuring that we consistently deliver high quality products to our customers, all three (3) steel products manufacturing facilities have retained ISO 9001:2015 in the FY2020. Consistency in delivering high and acceptable quality products ensure that our steel products are safe for their intended use, minimising wastages.

Customer survey is carried out on a yearly basis to assess customer satisfaction. In the FY2020, there was no major reject from customers reported. Product acceptance percentage is one of the key matrices the Management uses to measure the Group's performance in meeting customer's satisfaction.



D. MATERIAL SUSTAINABILITY MATTERS (Cont'd)

Economic (Cont'd)

(2) Procurement Practices

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

(3) Anti-Bribery and Anti-Corruption Policy

In line with the Malaysia Anti-Corruption Commission (Amendment) Act 2018, the Group is committed to conduct business dealings with the highest level of integrity and ethics. The Anti-Bribery and Anti-Corruption Policy was approved by the Board on 1 June 2020 and covers salient areas pertaining to corruption and bribery. The Anti-Bribery and Anti-Corruption Policy provides guidance to our Directors, employees and business partners on how to recognise and deal with any act of corruption and bribery that may arise in the course of daily business and operational activities within the Group.

Environmental

We are committed to undertake a holistic approach to incorporate sustainability practices into our everyday activities. Scrap metals from our steel production are collected and sent to licensed waste disposal company for recycling purposes. Water mixed with chemicals which serves as coolant in the production process is responsibly treated and reused. These environmental-friendly measures have significantly reduced wastage on materials and water consumption to a minimum level. We also ensure compliance with the Environmental Quality Act 1994 ("EQA") at all times. In FY2020, none of the Company's subsidiaries was subjected to penalties due to non-compliance with EQA.

(1) Waste Management

In our industry, production by-products in the form of steel scrap are normal. To achieve higher profitability, we manage production efficiently to lower production costs: minimising steel scrap is key. In addition to meet financial objective, a reduction of steel scraps will also reduce the energy consumption at the downstream level in scrap recycling. All industrial wastes are handled as per Environmental Quality (Scheduled Wastages) Regulation 2005.

(2) Energy Consumption

The primary energy consumption of the Group is electricity. The steel manufacturing operations involve the use of heavy machineries and equipments that are powered by electricity. In seeking to improve the efficiency of energy consumption and costs, the Management monitors the Group's electricity usage on a monthly basis.

The Group endeavours to manage energy conservation on an ongoing basis and some of the initiatives and measurement are listed below:

- Practicing daily energy conservation habit such as switching off lights and computers when away from workplace or when not in use;
- Use of energy saving products such as LED bulbs lights which are more energy efficient and eco-friendly; and
- Minimising energy consumption within our office buildings and during processes to conserve energy and to reduce carbon emission.

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

SUSTAINABILITY STATEMENT (CONT'D)

D. MATERIAL SUSTAINABILITY MATTERS (Cont'd)

Environmental (Cont'd)

(3) Going Green

In line with our mission to be environment responsible, we are committed to reduce the carbon footprints that helps to preserve the environment in which we operate in. It also reduces cost and enhances returns to our shareholders.

Our carbon footprints reduction initiatives are as follow:

- Promote paperless office culture through the use of electronic documents in place of hard copy documents; and
- Mode of communication and correspondences with business partners are directed to slowly shift to paperless form.

We aim to continuously improve our efforts in carbon footprints reductions year-on-year as part of our commitment in reducing environmental impact from our operations.

Social

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

(1) Employees

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

i. Safety at Workplace

The Group places high priority to ensure a safe and healthy working environment at all the factories. In doing so, the Board ensures that the requirements of Occupational Safety and Health Act 1994 ("OSHA") are complied with as well as observing good safety and health practices.

In FY2020, none of the Company's subsidiaries was subjected to penalties due to non-compliance with OSHA.

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

- (a) Appointing an approved safety officer at each factory. The responsibility of the safety officer is to manage matters relating to safety and health. In addition to safety officers, there is a safety committee set up at each factory with the purpose of providing a forum for Management and employees to identify and resolve safety and health related issues.
- (b) Ensuring that employees are well-aware of the safety and health procedures. The Group provides personal protective equipment to employees in the production areas, which are required to be worn during work.
- (c) Providing adequate training to employees. The safety and health related trainings attended by employees in FY2020 include:
 - Fire Safety
 - Forklift Operation
 - Crane and Hoist Safety Program
 - Safety and Health Conference
 - Hearing Conservation Program
 - Overview and Updates on Novel Coronavirus for Industrial Player
 - Certified Environmental Professional in Scheduled Waste Management



D. MATERIAL SUSTAINABILITY MATTERS (Cont'd)

Social (Cont'd)

(1) Employees (Cont'd)

ii. Workforce Diversity

A diverse and inclusive workforce is important for business growth and sustainability. The Group provides fair and equal employment opportunity to employees regardless of age, gender, religion and ethnicity. The existing employees are evaluated based on a set of matrices which include performance targets and job performance. While new candidates are hired based on suitability and competency.

The gender representation in the Group as at the end of the financial year 2020 is as follows:

	Female	Male	Total
Management and executive positions	54%	46%	100%
Other positions	12%	88%	100%

iii. Training and Learning

We recognise the importance of training and development in the workplace. Every year, heads of department are required to recommend the relevant training courses for their respective departments to develop and enhance their capability and competency.

During the financial year, our employees participated in trainings relating to:

- Safety & Health
- Accounting & Tax Rules and Regulations
- Human Resource Management
- Quality Management
- Market and Economic Outlook
- Waste Management

iv. Employee Welfare and Motivational Activities

Maintaining a healthy work-life balance is important for employees' well-being and it can contribute towards greater productivity and performance. In addition, compliance with employer obligations under the law, employees are provided with welfare benefits such as free lunch meals and Yoga classes, cosy rest area with reading corner, and various gatherings and celebration activities. However, such activities have lessened in FY2020 due to the Covid-19 outbreak.

v. COVID-19 Health and Safety Measures

The Group has implemented the Standard Operating Procedures ("SOP") and enhanced the SOP from time to time. Several measures have been taken to safeguard our employees and minimize the impact in the workplace.

The steps include:

- Daily screening of employees' and visitors body temperature before entry;
- Health and recent travel declaration;
- Mandatory requirement to wear a face mask in all areas;
- Ensure social distancing of minimum one meter is practised at all times;
- Daily disinfection; and
- Placement of hand sanitisers across the Group's office and business premises, etc.

Furthermore, the safety officer will provide regular updates and appropriate health education on COVID-19 to all the employees. We also organise COVID-19 swab test for all the employees. At the same time, we distributed personal protective equipment including facemask to protect the wellbeing of our employees during the pandemic.

SUSTAINABILITY STATEMENT (CONT'D)

D. MATERIAL SUSTAINABILITY MATTERS (Cont'd)

Social (Cont'd)

(2) Society

(i) Contribution to the Community

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

(ii) Donations

The Group remains dedicated to the local communities we are a part of. Our social responsibility is not only an internal endeavour but also increasing our participant with the local community through donations that would benefit the community. All these years, the Group made various donations to support education locally and in remote areas where we operate.

(iii) Drain clean-up programme

Our employees work collaboratively with the municipal council to clean up a local river near our Penang factory. Under their guidance, our employees have been keeping and collecting compostable trash such as fruit waste to make "garbage enzymes". The eco-friendly enzymes are poured or dripped into the local river to help clean up the river. Our employees contributed to making a better environment for nature, for us and our neighbours.

A Path to Sustainable Success

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

DIRECTORS' RESPONSIBILITY STATEMENT FOR THE AUDITED FINANCIAL STATEMENTS



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

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

In preparing the financial statements, the Directors have:

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

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

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

DIRECTORS' REPORT

DIRECTORS' REPORT

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and the details of the subsidiaries are set out in Note 7 to the financial statements.

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

RESULTS

	Group RM	Company RM
Profit for the financial year	6,212,748	5,010,857
Attributable to:		
Owners of the parent	6,239,435	5,010,857
Non-controlling interests	(26,687)	0
	6,212,748	5,010,857

DIVIDEND

No dividend has been paid or declared by the Company since the end of the previous financial year.

On 25 March 2021, the Directors declared a first single-tier interim dividend of RM0.015 per ordinary share amounting to RM2,017,988 in respect of the financial year ended 31 December 2020, which is payable on 11 May 2021. The financial statements for the current financial year do not reflect this dividend. This dividend will be accounted for as an appropriation of retained earnings for the financial year ending 31 December 2021.

The Directors do not recommend any payment of final dividend for the current financial year.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 128,032,000 ordinary shares to 140,334,960 ordinary shares by way of issuance of 12,302,960 new ordinary shares at exercise prices of RM0.26 per ordinary share.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

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 ordinary shares of the Company during the financial year.

DIRECTORS' REPORT (CONT'D)



DIRECTORS

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

Leader Steel Holdings Berhad

Tan Sri Dato' Mohd Desa bin Pachi
Dato' Goh Cheng Huat*
Datin Tan Pak Say*
Tan Sri Dato' Dr. Soong Siew Hoong (retired on 1 October 2020)
Lim Leng Han
Mohd. Arif bin Mastol
Datuk Abdullah bin Haji Kuntom
Goh Wan Jing*

* These Directors are also Directors of certain subsidiaries of the Company.

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

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

DIRECTORS' INTERESTS

The Directors holding office at the end of the financial year and their beneficial interests in ordinary shares of the Company and of its related corporations during the financial year ended 31 December 2020 as recorded in the Register of Directors' Shareholdings kept by the Company under Section 59 of the Companies Act 2016 in Malaysia were as follows:

	Number of ordinary shares		
	Balance as at 1.1.2020	Bought Sold	Balance as at 31.12.2020

Shares in the Company

Direct interests:

Dato' Goh Cheng Huat	11,727,894	150,000	0	11,877,894
Datin Tan Pak Say	1,155,006	220,000	0	1,375,006
Lim Leng Han	18,000	0	0	18,000

Indirect interests:

Dato' Goh Cheng Huat#	56,402,974	220,000	0	56,622,974
Datin Tan Pak Say^	66,975,862	150,000	0	67,125,862

Deemed interest through shares held in Bischart Sdn. Bhd. by virtue of Section 8 of the Companies Act 2016 and the shares held by his spouse and children pursuant to Section 8 of the Companies Act 2016.

^ Deemed interest through shares held by her spouse in Bischart Sdn. Bhd. by virtue of Section 8 of the Companies Act 2016 and the shares held by her spouse and children pursuant to Section 8 of the Companies Act 2016.

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

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

DIRECTORS' REPORT (CONT'D)

DIRECTORS' BENEFITS

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

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

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

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

TREASURY SHARES

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting ('AGM') held on 25 August 2020, renewed the approval for the Company to repurchase its own shares.

During the financial year, the Company repurchased 675,600 of its issued ordinary shares from the open market at an average price of RM0.284 per share. The total consideration paid for the repurchased shares was RM191,652. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia.

As at 31 December 2020, 5,002,400 out of the total 140,334,960 issued and fully paid ordinary shares are held as treasury shares by the Company. Such treasury shares are held at a carrying amount of RM1,758,406 and further relevant details are disclosed in Note 11(b) to the financial statements.

DIRECTORS' REMUNERATION

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

INDEMNITY AND INSURANCE FOR OFFICERS AND AUDITORS

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

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

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



OTHER STATUTORY INFORMATION REGARDING THE GROUP AND THE COMPANY

(I) AS AT THE END OF THE FINANCIAL YEAR

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

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

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

(III) AS AT THE DATE OF THIS REPORT

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

DIRECTORS'

REPORT (CONT'D)

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are disclosed in Note 27 to the financial statements.

SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant event subsequent to the end of the reporting period is disclosed in Note 28 to the financial statements.

AUDITORS

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

Auditors' remuneration of the Company and its subsidiaries for the financial year ended 31 December 2020 amounted to RM52,000 and RM113,700 respectively.

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

Datin Tan Pak Say
Director

Penang
23 April 2021

Tan Sri Dato' Mohd Desa bin Pachi
Director

STATEMENT BY DIRECTORS



In the opinion of the Directors, the financial statements set out on pages 58 to 109 have been drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the provisions of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Datin Tan Pak Say
Director

Tan Sri Dato' Mohd Desa bin Pachi
Director

Penang
23 April 2021

STATUTORY DECLARATION

I, Datin Tan Pak Say, being the Director primarily responsible for the financial management of Leader Steel Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 58 to 109 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the
abovenamed at Georgetown in the State
of Penang this 23 April 2021

Datin Tan Pak Say

Before me,

Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

To The Members Of Leader Steel Holdings Berhad
(Registration No. 199301012471 (267209-K)) (Incorporated in Malaysia)

Report on the Audit of the Financial Statements

Opinion

We have audited the financial statements of Leader Steel Holdings Berhad, which comprise the statements of financial position as at 31 December 2020 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 58 to 109.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2020 and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards ('MFRSs'), International Financial Reporting Standards ('IFRSs') and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

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

Independence and Other Ethical Responsibilities

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

Key Audit Matters

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

a) Recoverability of trade receivables

As at 31 December 2020, the Group had trade receivables amounted to RM22,226,686, which were net of impairment losses of RM3,009,387. The details of trade receivables and their credit risks have been disclosed in Note 9 and Note 26 to the financial statements respectively.

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

Audit response

Our audit procedures included the following:

- (i) recomputed the probability of default using historical data and forward-looking information adjustment, considering the effects of the COVID-19 pandemic, applied by the Group;
- (ii) recomputed the correlation coefficient between the macroeconomic indicators set by the Group and historical credit losses to determine the appropriateness of the forward-looking information used by the Group; and
- (iii) inquired of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses.

INDEPENDENT AUDITORS' REPORT (CONT'D)

To The Members Of Leader Steel Holdings Berhad
(Registration No. 199301012471 (267209-K)) (Incorporated in Malaysia)



Key Audit Matters (Cont'd)

b) Carrying amount of inventories at lower of cost and net realisable value

As at 31 December 2020, the Group had carrying amount of inventories amounted to RM46,198,477, which were generally consists of steel products and mineral products. Details of the inventories have been disclosed in Note 8 to the financial statements.

We have focused on the audit risk that the carrying amount of inventories may not be stated at the lower of cost and net realisable value. Writing down of inventories to net realisable value is mainly based on management estimates, which have been derived from estimates of selling prices that are based on the subsequent average selling prices of steel products and market value of minerals, and if not accounted for properly, may lead to the valuation of inventories being misstated.

Audit response

Our audit procedures included the following:

- (i) obtained an understanding of the process implemented by management over the determination of lower of cost and net realisable value used in the valuation of inventories; and
- (ii) compared the net realisable values determined by management, of sampled inventory items, against the subsequent selling price of steel products and global mineral prices.

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

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

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

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To The Members Of Leader Steel Holdings Berhad
(Registration No. 199301012471 (267209-K)) (Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

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

INDEPENDENT AUDITORS' REPORT (CONT'D)

To The Members Of Leader Steel Holdings Berhad
(Registration No. 199301012471 (267209-K)) (Incorporated in Malaysia)



Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, are disclosed in Note 7 to the financial statements.

Other Matters

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

BDO PLT

LLP0018825-LCA & AF 0206
Chartered Accountants

Penang
23 April 2021

Lee Beng Tuan

03271/07/2022 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2020

		Group		Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
ASSETS					
Non-current assets					
Property, plant and equipment	5	132,590,764	134,381,106	0	0
Right-of-use assets	6	23,720,511	26,719,339	0	0
Investments in subsidiaries	7	0	0	54,610,347	54,610,347
Goodwill		58,426	58,426	0	0
		156,369,701	161,158,871	54,610,347	54,610,347
Current assets					
Inventories	8	46,198,477	72,631,174	0	0
Trade and other receivables	9	49,772,791	38,155,234	7,440,785	21,296
Current tax assets		2,060,476	2,945,493	9,762	9,762
Cash and bank balances	10	2,789,017	3,058,006	41,799	25,104
		100,820,761	116,789,907	7,492,346	56,162
TOTAL ASSETS		257,190,462	277,948,778	62,102,693	54,666,509
EQUITY AND LIABILITIES					
Equity attributable to owners of the parent					
Share capital	11	67,218,370	64,019,600	67,218,370	64,019,600
Treasury shares, at cost	11	(1,758,406)	(1,566,754)	(1,758,406)	(1,566,754)
Reserves	12	96,499,685	90,260,250	(3,613,410)	(8,624,267)
		161,959,649	152,713,096	61,846,554	53,828,579
Non-controlling interests	7	91,105	117,792	0	0
TOTAL EQUITY		162,050,754	152,830,888	61,846,554	53,828,579

STATEMENTS OF FINANCIAL POSITION (CONT'D)

AS AT 31 DECEMBER 2020



		Group		Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
LIABILITIES					
Non-current liabilities					
Borrowings	13	1,240,000	1,720,000	0	0
Lease liabilities	6	75,189	275,407	0	0
Deferred tax liabilities	14	15,653,165	15,345,236	0	0
		16,968,354	17,340,643	0	0
Current liabilities					
Trade and other payables	15	14,495,100	19,796,060	256,139	837,930
Current tax liabilities		460,306	51,282	0	0
Borrowings	13	62,987,871	87,123,663	0	0
Lease liabilities	6	228,077	806,242	0	0
		78,171,354	107,777,247	256,139	837,930
TOTAL LIABILITIES		95,139,708	125,117,890	256,139	837,930
TOTAL EQUITY AND LIABILITIES		257,190,462	277,948,778	62,102,693	54,666,509

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

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Note	Group		Company	
		2020 RM	2019 RM	2020 RM	2019 RM
Revenue	18	217,859,774	297,270,428	5,500,000	0
Cost of sales		(194,290,625)	(288,549,969)	0	0
Gross profit		23,569,149	8,720,459	5,500,000	0
Other income		851,089	4,494,439	36,936	0
Distribution expenses		(3,607,351)	(4,660,659)	0	0
Administrative expenses		(8,819,829)	(7,811,443)	(499,180)	(450,117)
Finance costs	19	(3,319,143)	(3,836,840)	(26,899)	0
Profit/(Loss) before tax		8,673,915	(3,094,044)	5,010,857	(450,117)
Taxation	22	(2,461,167)	893,886	0	0
Profit/(Loss) for the financial year		6,212,748	(2,200,158)	5,010,857	(450,117)
Other comprehensive income:					
Items that will not be reclassified subsequently to profit or loss					
Gross revaluation increase of properties	5, 6	0	13,693,195	0	0
Deferred tax relating to revalued properties	14	0	(2,255,567)	0	0
Other comprehensive income, net of tax		0	11,437,628	0	0
Total comprehensive income/(loss)		6,212,748	9,237,470	5,010,857	(450,117)
Profit/(Loss) attributable to:		6,239,435	(2,107,666)	5,010,857	(450,117)
Owners of the parent		(26,687)	(92,492)	0	0
Non-controlling interests	7(d)	6,212,748	(2,200,158)	5,010,857	(450,117)
Total comprehensive income/(loss) attributable to:					
Owners of the parent		6,239,435	9,329,962	5,010,857	(450,117)
Non-controlling interests	7(d)	(26,687)	(92,492)	0	0
		6,212,748	9,237,470	5,010,857	(450,117)
Earnings/(Loss) per ordinary share attributable to equity holders of the Company (sen):					
- Basic and diluted	23	4.77	(1.66)		

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020



		Non-distributable			Distributable				
Group	Note	Share capital	Treasury shares	Revaluation reserve	Retained earnings	Total attributable to owners of the parent	Non-controlling interests	Total equity	
		RM	RM	RM	RM	RM	RM	RM	
Balance as at 1 January 2019		64,019,600	(1,450,702)	57,444,355	23,486,771	143,500,024	209,444	143,709,468	
Loss for the financial year		0	0	0	(2,107,666)	(2,107,666)	(92,492)	(2,200,158)	
Gross revaluation increase of properties	5, 6	0	0	13,693,195	0	13,693,195	0	13,693,195	
Deferred tax relating to revalued properties	14	0	0	(2,255,567)	0	(2,255,567)	0	(2,255,567)	
Total comprehensive income		0	0	11,437,628	(2,107,666)	9,329,962	(92,492)	9,237,470	
Transaction with owners									
Purchase of treasury shares	11(b)	0	(116,052)	0	0	(116,052)	0	(116,052)	
Total transaction with owners		0	(116,052)	0	0	(116,052)	0	(116,052)	
Dilution from changes in stake	7(c)	0	0	0	(838)	(838)	840	2	
Balance as at 31 December 2019		64,019,600	(1,566,754)	68,881,983	21,378,267	152,713,096	117,792	152,830,888	

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Non-distributable			Distributable				
Group	Note	Share capital RM	Treasury shares RM	Revaluation reserve RM	Retained earnings RM	Total attributable to owners of the parent RM	Non-controlling interests RM	Total equity RM	
Balance as at 1 January 2020		64,019,600	(1,566,754)	68,881,983	21,378,267	152,713,096	117,792	152,830,888	
Profit for the financial year		0	0	0	6,239,435	6,239,435	(26,687)	6,212,748	
Other comprehensive income, net of tax		0	0	0	0	0	0	0	
Total comprehensive income		0	0	0	6,239,435	6,239,435	(26,687)	6,212,748	
Transactions with owners									
Issuance of ordinary shares	11(a)	3,198,770	0	0	0	3,198,770	0	3,198,770	
Purchase of treasury shares	11(b)	0	(191,652)	0	0	(191,652)	0	(191,652)	
Total transactions with owners		3,198,770	(191,652)	0	0	3,007,118	0	3,007,118	
Balance as at 31 December 2020		67,218,370	(1,758,406)	68,881,983	27,617,702	161,959,649	91,105	162,050,754	

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020



		Non-distributable			
		Share capital	Treasury shares	Accumulated losses	Total equity
	Note	RM	RM	RM	RM
Balance as at 1 January 2019		64,019,600	(1,450,702)	(8,174,150)	54,394,748
Loss for the financial year		0	0	(450,117)	(450,117)
Other comprehensive income, net of tax		0	0	0	0
Total comprehensive income		0	0	(450,117)	(450,117)
Transaction with owners					
Purchase of treasury shares	11(b)	0	(116,052)	0	(116,052)
Total transaction with owners		0	(116,052)	0	(116,052)
Balance as at 31 December 2019		64,019,600	(1,566,754)	(8,624,267)	53,828,579
Balance as at 1 January 2020		64,019,600	(1,566,754)	(8,624,267)	53,828,579
Profit for the financial year		0	0	5,010,857	5,010,857
Other comprehensive income, net of tax		0	0	0	0
Total comprehensive income		0	0	5,010,857	5,010,857
Transactions with owners					
Issuance of ordinary shares	11(a)	3,198,770	0	0	3,198,770
Purchase of treasury shares	11(b)	0	(191,652)	0	(191,652)
Total transactions with owners		3,198,770	(191,652)	0	3,007,118
Balance as at 31 December 2020		67,218,370	(1,758,406)	(3,613,410)	61,846,554

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

		Group		Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES					
Profit/(Loss) before tax		8,673,915	(3,094,044)	5,010,857	(450,117)
Adjustments for:					
Depreciation of:					
- property, plant and equipment	5	4,623,229	5,309,217	0	0
- right-of-use assets	6	1,131,199	1,520,849	0	0
Dividend income from subsidiaries	18	0	0	(5,500,000)	0
Gain on disposal of property, plant and equipment		0	(2,748,152)	0	0
Gain on modification of lease payment	6(g)	(3,040)	0	0	0
Gain on modification of lease term	6(g)	(4,923)	0	0	0
Impairment losses on trade receivables	9(h)	66,470	316,970	0	0
Interest expense	19	3,319,143	3,836,840	26,899	0
Interest income		(21,707)	(6,931)	(36,936)	0
Inventories written down	8(c)	0	271,586	0	0
Lease concessions	6(g)	(3,100)	0	0	0
Reversal of impairment losses on:					
- trade receivables	9(h)	0	(1,818,339)	0	0
- other receivables	9(i)	0	(501,895)	0	0
Unrealised gain/(loss) on foreign exchange		102,483	(90,877)	0	0
Operating profit/(loss) before changes in working capital		17,883,669	2,995,224	(499,180)	(450,117)
Decrease in inventories		26,432,697	15,336,127	0	0
(Increase)/Decrease in trade and other receivables		(11,657,501)	2,701,624	(1,882,553)	(3,794)
(Decrease)/Increase in trade and other payables		(5,473,748)	(12,695,749)	(608,690)	570,207
Cash generated from/(used in) operations		27,185,117	8,337,226	(2,990,423)	116,296
Interest paid		(3,290,490)	(3,741,667)	0	0
Interest received		21,707	6,931	0	0
Tax paid		(859,197)	(919,610)	0	0
Tax refunded		0	45,152	0	0
Net cash from/(used in) operating activities		23,057,137	3,728,032	(2,990,423)	116,296

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020



		Group		Company	
		2020	2019	2020	2019
	Note	RM	RM	RM	RM
CASH FLOWS FROM INVESTING ACTIVITIES					
Purchase of property, plant and equipment	5	(1,106,425)	(2,480,742)	0	0
Purchase of right-of-use assets	6(d)	0	(428,550)	0	0
Proceeds from disposal of property, plant and equipment		0	3,406,017	0	0
Net cash (used in)/from investing activities		(1,106,425)	496,725	0	0
CASH FLOWS FROM FINANCING ACTIVITIES					
Payments of lease liabilities	6	(654,806)	(1,595,022)	0	0
Repayments of short term borrowings		(23,014,358)	(9,795,330)	0	0
(Repayments)/Drawdown of term loans		(480,000)	2,200,000	0	0
Proceed from issuance of ordinary shares	11(a)	3,198,770	0	3,198,770	0
Purchase of treasury shares	11(b)	(191,652)	(116,052)	(191,652)	(116,052)
Net cash (used in)/from financing activities		(21,142,046)	(9,306,404)	3,007,118	(116,052)
Net increase/(decrease) in cash and cash equivalents		808,666	(5,081,647)	16,695	244
Effect of exchange rate changes on cash and cash equivalents		43,779	(295)	0	0
Cash and cash equivalents at beginning of financial year		1,936,572	7,018,514	25,104	24,860
Cash and cash equivalents at end of financial year	10(b)	2,789,017	1,936,572	41,799	25,104

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

	Lease liabilities (Note 6) RM	Short term borrowings* (Note 13) RM	Term loans (Note 13) RM
Group			
Balance as at 1 January 2019, as previously reported	0	95,317,559	0
Effects of adoption of MFRS 16	2,417,420	0	0
Balance as at 1 January 2019, as restated	2,417,420	95,317,559	0
Cash flows	(1,595,022)	(9,795,330)	2,200,000
Non-cash flows:			
- unwinding of interest	95,173	0	0
- addition of right-of-use assets	164,078	0	0
Balance as at 31 December 2019	1,081,649	85,522,229	2,200,000
Balance as at 1 January 2020	1,081,649	85,522,229	2,200,000
Cash flows	(654,806)	(23,014,358)	(480,000)
Non-cash flows:			
- unwinding of interest	28,653	0	0
- addition of right-of-use assets	60,353	0	0
- lease concessions	(3,100)	0	0
- modification of lease term	(204,894)	0	0
- modification of lease payment	(4,589)	0	0
Balance as at 31 December 2020	303,266	62,507,871	1,720,000

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

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

NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2020



1. CORPORATE INFORMATION

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

The registered office of the Company is located at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Penang.

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

The consolidated financial statements for the financial year ended 31 December 2020 comprise the financial statements of the Company and its subsidiaries. These financial statements are presented in Ringgit Malaysia ('RM'), which is also the functional currency of the Company.

The financial statements were authorised for issue in accordance with a resolution by the Board of Directors on 23 April 2021.

2. PRINCIPAL ACTIVITIES

The principal activity of the Company is investment holding. The principal activities and the details of the subsidiaries are set out in Note 7 to the financial statements.

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

3. BASIS OF PREPARATION

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

The accounting policies adopted are consistent with those of the previous financial year except for the effects of adoption of new MFRSs during the financial year. The new MFRSs and amendments to MFRSs adopted during the financial year are set out in Note 29.1 to the financial statements.

The Group has also early adopted Amendment to MFRS 16 *Covid-19-Related Rent Concessions* in the current financial year and elected to apply the practical expedient to all rent concessions relating to leases with similar characteristics and similar circumstances.

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

4. OPERATING SEGMENTS

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

The Group evaluates performance on the basis of profit or loss from operations before tax not including non-recurring losses.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020

4. OPERATING SEGMENTS (Cont'd)

Geographical information

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

	Revenue		Non-current assets	
	2020	2019	2020	2019
	RM	RM	RM	RM
Malaysia	156,220,436	215,098,429	156,369,701	161,158,871
China	58,267,644	81,534,821	0	0
Others	3,371,694	637,178	0	0
	<u>217,859,774</u>	<u>297,270,428</u>	<u>156,369,701</u>	<u>161,158,871</u>

Major customers

A major customer with revenue more than ten (10) percent of the total revenue of the Group amounting to RM25,232,254 arose from manufacturing, processing and trading of steel and metal products and minerals. In the previous financial year, the Group does not have any major customer that contributed ten (10) percent or more of its total revenue.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020



5. PROPERTY, PLANT AND EQUIPMENT

Group	Balance as at 1.1.2020 RM	Additions RM	Transfer from right- of-use assets (Note 6) RM	Depreciation charge for the financial year RM	Balance as at 31.12.2020 RM
Carrying amount					
<u>At Valuation</u>					
Buildings	53,445,474	148,400	0	(1,424,192)	52,169,682
Freehold land	46,595,000	0	0	0	46,595,000
<u>At Cost</u>					
Plant and machinery	31,684,936	801,211	840,000	(2,750,059)	30,576,088
Furniture, fittings and office equipment	1,055,930	74,893	0	(180,514)	950,309
Electrical and other installations	4,504	0	0	0	4,504
Tools and equipment	33,761	56,511	0	(10,323)	79,949
Motor vehicles	315,584	6,950	886,462	(258,141)	950,855
Capital work-in-progress	1,245,917	18,460	0	0	1,264,377
	134,381,106	1,106,425	1,726,462	(4,623,229)	132,590,764

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020

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

	2020				
Group	Cost RM	Valuation RM	Accumulated depreciation RM	Accumulated impairment losses RM	Carrying amount RM
Buildings	0	54,031,383	(1,861,701)	0	52,169,682
Freehold land	0	46,595,000	0	0	46,595,000
Plant and machinery	135,660,886	0	(105,084,798)	0	30,576,088
Furniture, fittings and office equipment	4,691,519	0	(3,741,210)	0	950,309
Electrical and other installations	3,370,196	0	(3,365,692)	0	4,504
Tools and equipment	2,138,674	0	(2,058,725)	0	79,949
Motor vehicles	4,558,648	0	(3,607,793)	0	950,855
Capital work-in-progress	1,753,469	0	0	(489,092)	1,264,377
	152,173,392	100,626,383	(119,719,919)	(489,092)	132,590,764

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020



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

Group	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 RM	Additions RM	Disposals RM	Reclassification RM	Revaluation RM	Depreciation charge for the financial year RM	Balance as at 31.12.2019 RM
Carrying amount								
<u>At Valuation</u>								
Buildings	48,611,733	0	995,536	0	0	5,225,052	(1,386,847)	53,445,474
Freehold land	42,300,000	0	0	0	0	4,295,000	0	46,595,000
Leasehold land	19,611,176	(19,611,176)	0	0	0	0	0	0
<u>At Cost</u>								
Plant and machinery	35,704,723	(1,080,000)	1,427,734	(6,342,305)	5,477,604	0	(3,502,820)	31,684,936
Furniture, fittings and office equipment	1,187,809	0	55,702	0	0	0	(187,581)	1,055,930
Electrical and other installations	4,504	0	0	0	0	0	0	4,504
Tools and equipment	40,799	0	1,770	0	0	0	(8,808)	33,761
Motor vehicles	2,721,422	(2,103,804)	0	(78,873)	0	0	(223,161)	315,584
Capital work-in-progress	6,723,521	0	0	0	(5,477,604)	0	0	1,245,917
	<u>156,905,687</u>	<u>(22,794,980)</u>	<u>2,480,742</u>	<u>(6,421,178)</u>	<u>0</u>	<u>9,520,052</u>	<u>(5,309,217)</u>	<u>134,381,106</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020

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

	2019				
	Cost RM	Valuation RM	Accumulated depreciation RM	Accumulated impairment losses RM	Carrying amount RM
Group					
Buildings	0	53,882,983	(437,509)	0	53,445,474
Freehold land	0	46,595,000	0	0	46,595,000
Plant and machinery	133,059,675	0	(101,374,739)	0	31,684,936
Furniture, fittings and office equipment	4,616,626	0	(3,560,696)	0	1,055,930
Electrical and other installations	3,370,196	0	(3,365,692)	0	4,504
Tools and equipment	2,082,163	0	(2,048,402)	0	33,761
Motor vehicles	2,991,397	0	(2,675,813)	0	315,584
Capital work-in-progress	1,735,009	0	0	(489,092)	1,245,917
	<u>147,855,066</u>	<u>100,477,983</u>	<u>(113,462,851)</u>	<u>(489,092)</u>	<u>134,381,106</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020



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

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

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

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

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

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

Freehold land has unlimited useful life and is not depreciated.

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

- (b) The freehold land and buildings were revalued on 22 March 2019 and 31 December 2019 based on valuations carried out by an external independent valuer using the comparison approach.

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

	Group	
	2020	2019
	RM	RM
Buildings	22,777,343	23,438,969
Freehold land	15,509,485	15,509,485
	38,286,828	38,948,454

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020

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

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

	Group	
	2020	2019
	RM	RM
Level 3		
Buildings	52,169,682	53,445,474
Freehold land	46,595,000	46,595,000
	98,764,682	100,040,474

- (i) There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 31 December 2020 and 31 December 2019.
- (ii) Level 3 fair value of freehold land and buildings (at valuation) was determined by external and independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. It has been derived from observable recent transacted prices of similar land and buildings in the local market. The fair value of freehold land and leasehold buildings was derived using comparison method.

The freehold land and buildings are valued by reference to transactions of similar properties in close proximity with adjustments made for differences in location, size, accessibility, title and other relevant characteristics (if any) to arrive at market value.

The significant unobservable input into this valuation method is adjustment factors to prices of comparable assets. The estimated fair value would increase if the historical sales transaction prices were higher and vice versa.

- (d) As at 31 December 2020, freehold land and buildings of the Group with carrying amount of RM79,971,066 (2019: RM80,680,882) have been charged to banks for credit facilities granted to the Group as disclosed in Note 13(b) to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020



6. LEASES

The Group as lessee

Right-of-use assets

	Balance as at 1.1.2020 RM	Additions RM	Transfer to property, plant and equipments (Note 5) RM	Modification of lease payment RM	Modification of lease term RM	Depreciation RM	Balance as at 31.12.2020 RM
Carrying amount							
<u>At Valuation</u>							
Leasehold land	23,609,086	0	0	0	0	(703,389)	22,905,697
<u>At Cost</u>							
Land	114,627	0	0	(1,549)	0	(44,050)	69,028
Buildings	226,552	60,353	0	0	(199,971)	(40,888)	46,046
Plant and machinery	900,000	0	(840,000)	0	0	(60,000)	0
Motor vehicles	1,869,074	0	(886,462)	0	0	(282,872)	699,740
	<u>26,719,339</u>	<u>60,353</u>	<u>(1,726,462)</u>	<u>(1,549)</u>	<u>(199,971)</u>	<u>(1,131,199)</u>	<u>23,720,511</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020

6. LEASES (Cont'd)

The Group as lessee (Cont'd)

Right-of-use assets (Cont'd)

	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 RM	Additions RM	Revaluation RM	Depreciation RM	Balance as at 31.12.2019 RM
Carrying amount						
<u>At Valuation</u>						
Leasehold land	0	19,611,176	413,590	4,173,143	(588,823)	23,609,086
<u>At Cost</u>						
Land	0	158,999	0	0	(44,372)	114,627
Buildings	0	520,438	30,078	0	(323,964)	226,552
Plant and machinery	0	1,080,000	0	0	(180,000)	900,000
Motor vehicles	0	2,103,804	148,960	0	(383,690)	1,869,074
	0	23,474,417	592,628	4,173,143	(1,520,849)	26,719,339

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020



6. LEASES (Cont'd)

The Group as lessee (Cont'd)

Lease liabilities

	Balance as at 1.1.2020 RM	Additions RM	Modification of lease payment RM	Modification of lease term RM	Lease payments RM	Lease concessions RM	Interest expense RM	Balance as at 31.12.2020 RM
Carrying amount								
Land	117,086	0	(4,589)	0	(45,000)	(2,000)	4,151	69,648
Buildings	231,287	60,353	0	(204,894)	(41,700)	(1,100)	2,479	46,425
Plant and machinery	126,590	0	0	0	(128,250)	0	1,660	0
Motor vehicles	606,686	0	0	0	(439,856)	0	20,363	187,193
	<u>1,081,649</u>	<u>60,353</u>	<u>(4,589)</u>	<u>(204,894)</u>	<u>(654,806)</u>	<u>(3,100)</u>	<u>28,653</u>	<u>303,266</u>

	Balance as at 1.1.2019 RM	Effects of adoption of MFRS 16 RM	Additions RM	Lease payments RM	Interest expense RM	Balance as at 31.12.2019 RM
Carrying amount						
Land	0	158,999	0	(48,000)	6,087	117,086
Buildings	0	520,438	30,078	(336,400)	17,171	231,287
Plant and machinery	0	490,426	0	(384,750)	20,914	126,590
Motor vehicles	0	1,247,557	134,000	(825,872)	51,001	606,686
	<u>0</u>	<u>2,417,420</u>	<u>164,078</u>	<u>(1,595,022)</u>	<u>95,173</u>	<u>1,081,649</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020

6. LEASES (Cont'd)

The Group as lessee (Cont'd)

	2020 RM	2019 RM
Represented by:		
Current liabilities	228,077	806,242
Non-current liabilities	75,189	275,407
	303,266	1,081,649
Lease liabilities owing to financial institutions	187,193	733,276
Lease liabilities owing to non-financial institutions	116,073	348,373
	303,266	1,081,649

- (a) The right-of-use assets are initially measured at cost, which comprise the initial amount of the lease liabilities adjusted for any lease payments made at or before the commencement date of the leases.

After initial recognition, right-of-use assets except for leasehold land are stated at cost less accumulated depreciation and any accumulated impairment losses, and adjusted for any re-measurement of the lease liabilities.

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

The right-of-use assets are depreciated on the straight-line basis over the earlier of the estimated useful lives of the right-of-use assets or the end of the lease term. The lease terms of right-of-use assets are as follows:

Land	3 - 4 years
Buildings	1 - 3 years
Plant and machinery	10 years
Motor vehicles	7 years

Leasehold land is depreciated over the period of the lease of 60 to 64 years. The leasehold land has a remaining tenure of 33 years to 62 years (2019: 34 years to 63 years).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020



6. LEASES (Cont'd)

The Group as lessee (Cont'd)

- (b) The leasehold land was revalued on 31 December 2019 based on valuations carried out by an external independent valuer using the comparison approach.

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

	Group	
	2020	2019
	RM	RM
Leasehold land	<u>3,314,663</u>	<u>3,412,907</u>

- (c) The fair value of leasehold land (at valuation) of the Group are categorised as follows:

	Group	
	2020	2019
	RM	RM
Level 3		
Leasehold land	<u>22,905,697</u>	<u>23,609,086</u>

- (i) There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 31 December 2020 and 31 December 2019.
- (ii) Level 3 fair value of leasehold land (at valuation) was determined by external and independent property valuers, having appropriate recognised professional qualifications and recent experience in the location and category of property being valued. It has been derived from observable recent transacted prices of similar land in the local market. The fair value of leasehold land was derived using comparison method.

The leasehold land is valued by reference to transactions of similar properties in close proximity with adjustments made for differences in location, size, accessibility, title and other relevant characteristics (if any) to arrive at market value.

The significant unobservable input into this valuation method is adjustment factors to prices of comparable assets. The estimated fair value would increase if the historical sales transaction prices were higher and vice versa.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020

6. LEASES (Cont'd)

The Group as lessee (Cont'd)

- (d) During the financial year, the Group made the following cash payments to purchase right-of-use assets:

	Group	
	2020	2019
	RM	RM
Addition of right-of-use assets	60,353	592,628
Non-cash payments on addition of right-of-use assets	(60,353)	(30,078)
Financed by hire purchase arrangements	0	(134,000)
Cash payments on purchase of right-of-use assets	0	428,550

- (e) The leasehold land of the Group with carrying amount of RM6,498,569 (2019: RM6,695,496) have been charged to banks for credit facilities granted to the Group as disclosed in Note 13(b) to the financial statements.
- (f) The Group has certain leases of office equipment with lease term of twelve (12) months or less, and low value leases of office equipment of RM20,000 and below. The Group applies the "short-term lease" and "lease of low-value assets" exemptions for these leases.
- (g) The following are the amounts recognised in profit or loss:

	Group	
	2020	2019
	RM	RM
Depreciation charge of right-of-use assets (included in cost of sales)	1,000,171	1,331,799
Depreciation charge of right-of-use assets (included in administrative expenses)	131,028	189,050
Interest expense on lease liabilities (included in finance costs)	28,653	95,173
Expense relating to short-term leases (included in cost of sales)	0	2,400
Expense relating to leases of low-value assets (included in cost of sales)	2,842	4,156
Expense relating to leases of low-value assets (included in administrative expenses)	9,600	9,760
Variable lease payments (included in other income):		
- arising from COVID-19 related rent concessions	(3,100)	0
- arising from modification of lease agreement	(3,040)	0
Gain on modification of lease term (included in other income)	(4,923)	0
	1,161,231	1,632,338

- (h) At the end of the financial year, the Group had total cash outflow for leases of RM654,806 (2019: RM1,595,022).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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6. LEASES (Cont'd)

The Group as lessee (Cont'd)

- (i) Information on financial risks of lease liabilities is disclosed in Note 26 to the financial statements.

The Group as lessor

The Group has entered into non-cancellable lease agreements on certain properties for terms of one (1) year. The monthly rental consists of a fixed base rent.

The Group has aggregate future minimum lease receivable as at the end of each reporting period as follows:

	Group	
	2020	2019
	RM	RM
Less than one (1) year	<u>688,795</u>	<u>45,420</u>

7. INVESTMENTS IN SUBSIDIARIES

	Company	
	2020	2019
	RM	RM
At cost:		
Unquoted shares	59,249,493	59,249,493
Fair value of share options allocated to subsidiaries	1,684,535	1,684,535
Less: Impairment loss	<u>(6,323,681)</u>	<u>(6,323,681)</u>
	<u>54,610,347</u>	<u>54,610,347</u>

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

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

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

Name of company	Country of incorporation/ Principal place of business	Effective ownership interest		Principal activities
		2020	2019	
		%	%	
Leader Steel Sdn. Bhd. #	Malaysia	100	100	Manufacturing, processing and trading of steel and metal products and minerals
Leader Steel Service Centre Sdn. Bhd. #	Malaysia	100	100	Manufacturing, trading of steel products and providing transportation services
Leader Steel Tubes Sdn. Bhd. #	Malaysia	100	100	Inactive

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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7. INVESTMENTS IN SUBSIDIARIES (Cont'd)

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

Name of company	Country of incorporation/ Principal place of business	Effective ownership interest		Principal activities
		2020 %	2019 %	
Leader Minerals (Malaysia) Sdn. Bhd. #	Malaysia	100	100	Inactive
Leader Minerals Corporation Sdn. Bhd. #	Malaysia	100	100	Inactive
Leader Smelting (Sarawak) Sdn. Bhd. #	Malaysia	100	100	Inactive
Golden Infratech Sdn. Bhd. #	Malaysia	100	100	Inactive
Subsidiaries of Leader Steel Sdn. Bhd.				
ACME United Sdn. Bhd. #	Malaysia	50.5	50.5	Inactive
Padma Minerals Co., Limited *	Hong Kong	100	100	Inactive
Aurea Canyon Mining Sdn. Bhd. #	Malaysia	100	100	Inactive
Subsidiaries of Leader Steel Service Centre Sdn. Bhd.				
FerroNet Asia Sdn. Bhd. #	Malaysia	100	100	Inactive

Subsidiaries audited by BDO PLT in Malaysia.

* Subsidiary not audited by BDO PLT in Malaysia.

(c) In the previous financial year, the Company:

- (i) incorporated a wholly owned subsidiary known as Leader Smelting (Sarawak) Sdn. Bhd. comprising of one (1) ordinary share at RM1.
- (ii) incorporated a wholly owned subsidiary known as Golden Infratech Sdn. Bhd. comprising of one (1) ordinary share at RM1.
- (iii) made an internal restructuring whereby, the Company had transferred its entire 100% equity share in its subsidiary, FerroNet Asia Sdn. Bhd. to Leader Steel Service Centre Sdn. Bhd. for a total consideration of RM2.
- (iv) whereby its wholly owned subsidiary, Leader Steel Sdn. Bhd., had disposed of 500 ordinary shares for a total consideration of RM2 in ACME United Sdn. Bhd.. As a result of the disposal, the equity interest in ACME United Sdn. Bhd. had decreased from 51% to 50.5%. The transfer of shares has resulted in dilution of change in stake of RM838 to the owners of the parent.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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7. INVESTMENTS IN SUBSIDIARIES (Cont'd)

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

	ACME United Sdn. Bhd.	
	2020	2019
NCI percentage of ownership interest and voting interest	49.5%	49.5%
Carrying amount of NCI (RM)	91,105	117,792
Loss allocated to NCI (RM)	(26,687)	(92,492)
Total comprehensive loss allocated to NCI (RM)	(26,687)	(92,492)

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

	ACME United Sdn. Bhd.	
	2020	2019
	RM	RM
Assets and liabilities		
Non-current assets	91,330	131,094
Current assets	4,678	5,361
Current liabilities	(29,215)	(15,750)
Net assets	66,793	120,705
Result		
Revenue	0	0
Loss for the financial year	(53,912)	(188,278)
Total comprehensive loss	(53,912)	(188,278)
Cash flows from operating activities	560	522
Net increase in cash and cash equivalents	560	522

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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8. INVENTORIES

	2020 RM	Group 2019 RM
At cost		
Raw materials	16,202,413	27,259,654
Manufactured inventories	6,844,462	21,024,755
Trading inventories	13,816,572	12,507,817
Goods-in-transit	590,746	2,686,782
	<u>37,454,193</u>	<u>63,479,008</u>
At net realisable value		
Raw materials	919,348	1,036,996
Manufactured inventories	331,093	578,543
Trading inventories	7,493,843	7,536,627
	<u>8,744,284</u>	<u>9,152,166</u>
Total	<u>46,198,477</u>	<u>72,631,174</u>

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

Net realisable value is the estimated selling price in the ordinary course of business less estimated costs of completion and the estimated costs necessary to make the sale.

The Group writes down inventories based on assessment of their estimated net selling prices. Management exercise significant judgement in writing down of inventory to net realisable value which have been derived from estimates of selling prices that are based on the subsequent average selling prices of steel products and market value of minerals.

- (b) During the financial year, inventories of the Group recognised as cost of sales amounted to RM179,744,897 (2019: RM268,714,586).
- (c) In the previous financial year, the Group had written down its inventories under cost of sales. The details of written down are as follows:

	Group 2019 RM
Raw materials	130,677
Manufactured inventories	94,914
Trading inventories	45,995
	<u>271,586</u>

- (d) Included in the trading inventories are mineral products amounted to RM20,690,572 (2019: RM18,943,222).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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9. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Trade receivables				
Third parties	24,524,200	24,092,591	0	0
Related parties	711,873	258,412	0	0
	25,236,073	24,351,003	0	0
Less: Impairment loss				
- third parties	(3,009,387)	(2,967,470)	0	0
	22,226,686	21,383,533	0	0
Other receivables				
Third parties	10,025,099	15,035,999	0	0
Amounts due by subsidiaries	0	0	7,423,285	3,796
	10,025,099	15,035,999	7,423,285	3,796
Less: Impairment loss				
- third parties	(969,381)	(974,946)	0	0
	9,055,718	14,061,053	7,423,285	3,796
Deposits	15,452,445	230,108	0	0
Total receivables	46,734,849	35,674,694	7,423,285	3,796
Prepayments	3,037,942	2,480,540	17,500	17,500
	49,772,791	38,155,234	7,440,785	21,296

- (a) Total receivables are classified as financial assets measured at amortised cost.
- (b) Trade receivables are non-interest bearing and the normal trade credit terms granted by the Group range from 14 to 90 days (2019: 14 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.
- (c) Amounts due by subsidiaries are unsecured, bear interest rates ranging from 3.53% to 4.64% (2019: Nil%) per annum and payable within next twelve (12) months in cash and cash equivalents.
- (d) Included in other receivables are advance payment made to suppliers amounting to RM7,627,348 (2019: RM5,589,509) and amount receivable from disposal of property, plant and equipment amounting to RM436,392 (2019: RM5,763,313).
- (e) Included in deposits is a total sum of RM15,333,120 (2019: RMNil) paid to acquisition of land as set out in Note 27 to the financial statements.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020

9. TRADE AND OTHER RECEIVABLES (Cont'd)

- (f) The currency exposure profile of trade and other receivables, net of prepayments is as follows:

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Ringgit Malaysia	40,336,555	31,240,264	7,423,285	3,796
United States Dollar	212,623	4,434,430	0	0
Chinese Yuan	6,185,671	0	0	0
	<u>46,734,849</u>	<u>35,674,694</u>	<u>7,423,285</u>	<u>3,796</u>

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

The Group uses an allowance matrix to measure the expected credit loss of trade receivables from individual customers. Expected loss rates are calculated using the roll rate method based on the common credit risk characteristic - industry.

During this process, the probability of non-payment by the trade receivables is adjusted by forward-looking information (2020: producer price index, 2019: inflation rate and consumer price index) and multiplied by the amount of the expected loss arising from default to determine the lifetime expected credit loss for the trade receivables. For trade receivables, which are reported net, such impairments are recorded in a separate impairment account with the loss being recognised within administrative expenses in the consolidated statement of profit or loss and other comprehensive income. On confirmation that the trade receivable would not be collectable, the gross carrying value of the asset would be written off against the associated impairment.

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

Impairment for other receivables and amounts due by subsidiaries are recognised based on the general approach within MFRS 9 using the forward-looking expected credit loss model. The methodology used to determine the amount of the impairment is based on whether there has been a significant increase in credit risk since initial recognition of the financial asset. At the end of the reporting period, the Group and the Company assess whether there has been a significant increase in credit risk for financial assets by comparing the risk of default occurring over the expected life with the risk of default since initial recognition. For those in which the credit risk has not increased significantly since initial recognition of the financial asset, twelve month expected credit losses along with gross interest income are recognised. For those in which credit risk has increased significantly, lifetime expected credit losses along with the gross interest income are recognised. For those that are determined to be credit impaired, lifetime expected credit losses along with interest income on a net basis are recognised.

The Group defined significant increase in credit risk as amount past due more than three (3) months.

The probability of non-payment by other receivables and amounts due by subsidiaries is adjusted by forward-looking information and multiplied by the amount of the expected loss arising from default to determine the twelve month or lifetime expected credit loss for the other receivables and amounts due by subsidiaries. The Group has identified the producer price index (2019: inflation rate and consumer price index) as the key macroeconomic factors of the forward-looking information.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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9. TRADE AND OTHER RECEIVABLES (Cont'd)

- (g) The following table provides information about lifetime expected loss provision for trade receivables as at 31 December 2020 and 31 December 2019:

	Current	1 to 90 days past due	More than 90 days past due	Credit impaired- individually impaired	Total RM
31 December 2020					
Expected loss rate	0.826%	5.160%	41.977%	100.000%	
Gross carrying amount (RM)	19,134,370	3,350,679	125,077	2,625,947	25,236,073
Impairment (RM)	158,033	172,903	52,504	2,625,947	3,009,387

31 December 2019

Expected loss rate	0.976%	2.225%	27.133%	100.000%	
Gross carrying amount (RM)	15,060,943	6,550,383	89,177	2,650,500	24,351,003
Impairment (RM)	147,029	145,745	24,196	2,650,500	2,967,470

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

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

The Group considers trade receivables to be in default when the trade receivables are more than twelve (12) months past due.

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

	Group	
	2020 RM	2019 RM
Balance as at 1 January	2,967,470	4,483,046
Reversal of impairment losses	0	(1,818,339)
Charge for the financial year	66,470	316,970
Exchange differences	(24,553)	(14,207)
Balance as at 31 December	3,009,387	2,967,470

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020

9. TRADE AND OTHER RECEIVABLES (Cont'd)

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

	Group Lifetime ECL* - Credit impaired	
	2020	2019
	RM	RM
Balance as at 1 January	974,946	1,480,061
Reversal of impairment losses	0	(501,895)
Exchange differences	(5,565)	(3,220)
Balance as at 31 December	<u>969,381</u>	<u>974,946</u>

* Expected credit loss

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

The Group considers other receivables to be in default when the other receivables are more than twelve (12) months past due.

No further expected credit loss is recognised arising from the other receivables and amounts due by subsidiaries as it is negligible.

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

10. CASH AND BANK BALANCES

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Cash and bank balances	<u>2,789,017</u>	<u>3,058,006</u>	<u>41,799</u>	<u>25,104</u>

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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Ringgit Malaysia	2,391,796	767,686	41,799	25,104
United States Dollar	83,045	2,257,432	0	0
Singapore Dollar	880	1,195	0	0
Chinese Yuan	291,886	9,951	0	0
Hong Kong Dollar	21,410	21,742	0	0
	<u>2,789,017</u>	<u>3,058,006</u>	<u>41,799</u>	<u>25,104</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020



10. CASH AND BANK BALANCES (Cont'd)

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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Cash and bank balances	2,789,017	3,058,006	41,799	25,104
Bank overdrafts included in borrowings (Note 13)	0	(1,121,434)	0	0
	<u>2,789,017</u>	<u>1,936,572</u>	<u>41,799</u>	<u>25,104</u>

- (c) No expected credit losses were recognised arising from the bank balances because the probability of default by these financial institutions were negligible.
- (d) Information on financial risks of cash and bank balances is disclosed in Note 26 to the financial statements.

11. SHARE CAPITAL

- (a) Share capital

	Group and Company			
	2020		2019	
	Number of shares	RM	Number of shares	RM
Issued and fully paid				
Balance as at 1 January	128,032,000	64,019,600	128,032,000	64,019,600
Issuance of ordinary shares	12,302,960	3,198,770	0	0
Balance as at 31 December	<u>140,334,960</u>	<u>67,218,370</u>	<u>128,032,000</u>	<u>64,019,600</u>

During the financial year, the issued and fully paid-up ordinary share capital of the Company was increased from 128,032,000 ordinary shares to 140,334,960 ordinary shares by way of issuance of 12,302,960 new ordinary shares at exercise prices of RM0.26 per ordinary share.

The newly issued ordinary shares rank pari passu in all respects with the existing ordinary shares of the Company.

The owners of the parent (except treasury shares) are entitled to receive dividends as and when declared by the Company and are entitled to one (1) vote per ordinary share at meetings of the Company. All ordinary shares rank pari passu with regard to the residual assets of the Company.

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11. SHARE CAPITAL (Cont'd)

(b) Treasury shares

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting ('AGM') held on 25 August 2020, renewed the approval for the Company to repurchase its own shares.

	Group and Company			
	2020		2019	
	Number of shares	RM	Number of shares	RM
Balance as at 1 January	(4,326,800)	(1,566,754)	(3,923,900)	(1,450,702)
Purchase of treasury shares	(675,600)	(191,652)	(402,900)	(116,052)
Balance as at 31 December	(5,002,400)	(1,758,406)	(4,326,800)	(1,566,754)

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

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

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

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

- (ii) During the financial year, the Company repurchased a total of 675,600 (2019: 402,900) of its issued ordinary shares from the open market at an average price of RM0.284 (2019: RM0.288) per share. The total consideration paid for the repurchased shares was RM191,652 (2019: RM116,052). The repurchase transactions were financed by internally generated funds. The shares repurchased are being held as treasury shares in accordance with Section 127 of the Companies Act 2016 in Malaysia.

As at 31 December 2020, 5,002,400 (2019: 4,326,800) out of the total 140,334,960 (2019: 128,032,000) issued and fully paid ordinary shares are held as treasury shares by the Company. The number of ordinary shares in issue and fully paid as at 31 December 2020 after excluding the treasury shares is 135,332,560 (2019: 123,705,200).

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

12. RESERVES

	Group		Company	
	2020 RM	2019 RM	2020 RM	2019 RM
Non-distributable:				
Revaluation reserve	68,881,983	68,881,983	0	0
Distributable:				
Retained earnings/(Accumulated losses)	27,617,702	21,378,267	(3,613,410)	(8,624,267)
	96,499,685	90,260,250	(3,613,410)	(8,624,267)

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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13. BORROWINGS

	Group	
	2020	2019
	RM	RM
Current		
<i>Secured</i>		
Bankers' acceptances	57,591,433	80,619,996
Bank overdrafts (Note 10)	0	1,121,434
Revolving credit	4,916,438	4,902,233
Term loans	480,000	480,000
	62,987,871	87,123,663
Non-current		
<i>Secured</i>		
Term loans	1,240,000	1,720,000
Total borrowings		
Bankers' acceptances	57,591,433	80,619,996
Bank overdrafts (Note 10)	0	1,121,434
Revolving credit	4,916,438	4,902,233
Term loans	1,720,000	2,200,000
	64,227,871	88,843,663

- (a) All borrowings are denominated in Ringgit Malaysia.
- (b) The bank borrowings of the Group, other than hire purchase creditors are secured by the following:
- (i) fixed charges over the property, plant and equipment and right-of-use assets of the Group as disclosed in Note 5(d) and Note 6(e) to the financial statements.
 - (ii) corporate guarantee of RM173,591,000 (2019: RM178,660,000) by the Company.
- (c) Information on financial risks of borrowings is disclosed in Note 26 to the financial statements.

14. DEFERRED TAX LIABILITIES

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

	Group	
	2020	2019
	RM	RM
Balance as at 1 January	15,345,236	13,962,582
Recognised in profit or loss (Note 22)	307,929	(872,913)
Recognised in other comprehensive income	0	2,255,567
Balance as at 31 December	15,653,165	15,345,236

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14. DEFERRED TAX LIABILITIES (Cont'd)

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

[illegible]

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

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14. DEFERRED TAX LIABILITIES (Cont'd)

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

	Group	
	2020	2019
	RM	RM
Unabsorbed capital allowances	331,060	319,700
Unabsorbed tax losses		
- Expires by 31 December 2025	337,180	339,310
	668,240	659,010

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

15. TRADE AND OTHER PAYABLES

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Trade payables				
Third parties	4,900,721	10,477,732	0	0
Other payables				
Amounts due to Directors	11,510	11,510	0	0
Amounts due to subsidiaries	0	0	0	543,589
Amounts due to related parties	586,500	164,180	0	0
Accrued expenses	2,111,225	1,485,055	32,700	53,500
Other payables	6,885,144	7,657,583	223,439	240,841
	9,594,379	9,318,328	256,139	837,930
	14,495,100	19,796,060	256,139	837,930

- (a) Trade and other payables are classified as financial liabilities measured at amortised cost.
- (b) Trade payables are non-interest bearing and the normal trade credit terms granted to the Group range from 14 to 120 days (2019: 14 to 120 days).
- (c) Amounts due to Directors and related parties are unsecured, interest-free and payable upon demand in cash and cash equivalents.
- (d) Amounts due to subsidiaries are unsecured, bear interest rates ranging from 3.53% to 4.64% (2019: Nil%) per annum and payable upon demand in cash and cash equivalents.

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31 DECEMBER 2020

15. TRADE AND OTHER PAYABLES (Cont'd)

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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Ringgit Malaysia	10,046,224	10,126,167	256,139	837,930
United States Dollar	1,188,700	6,204,149	0	0
Chinese Yuan	3,260,176	3,465,744	0	0
	<u>14,495,100</u>	<u>19,796,060</u>	<u>256,139</u>	<u>837,930</u>

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

16. CONTINGENT LIABILITIES

- (a) The Group designates corporate guarantees given to financial institutions for credit facilities granted to subsidiaries and a third party as insurance contracts as defined in MFRS 4 *Insurance Contracts*. The Group recognises these corporate guarantees as insurance liabilities when there is a present obligation, legal or constructive, as a result of a past event, when it is probable that an outflow of resources embodying economic benefits would be required to settle the obligation and a reliable estimate can be made of the amount of the obligation.
- (b) (i) The Company has given corporate guarantees to financial institutions for credit facilities granted to its subsidiaries for a limit of up to RM158,691,000 (2019: RM178,660,000) of which RM64,227,871 (2019: RM88,843,663) was utilised at the end of reporting period.
- (ii) The Company has given corporate guarantees to financial institutions for credit facilities granted to a third party for a limit of up to RM14,900,000 (2019: RMNil) of which RM14,900,000 (2019: RMNil) was utilised at the end of reporting period.
- (iii) The Directors are of the view that the chances of the financial institutions calling upon the corporate guarantees are unlikely. Accordingly, the fair values of the above corporate guarantees are negligible.

17. CAPITAL COMMITMENTS

	Group	
	2020	2019
	RM	RM
Capital expenditure in respect of purchase of property, plant and equipment:		
Contracted but not provided for	<u>15,333,120</u>	<u>8,820,000</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020



18. REVENUE

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Revenue from contracts with customers:				
- Sales of goods	217,859,774	297,270,428	0	0
Other revenue:				
- Dividend income	0	0	5,500,000	0
	<u>217,859,774</u>	<u>297,270,428</u>	<u>5,500,000</u>	<u>0</u>

(a) Sale of goods

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

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

There is no significant financing component in the revenue arising from sale of goods as the sales are made on the normal credit terms not exceeding twelve (12) months.

(b) Dividend income

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

19. FINANCE COSTS

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Interest expenses on:				
Bank overdrafts	9,222	33,803	0	0
Term loans	88,253	53,925	0	0
Bankers' acceptances	2,717,322	3,359,911	0	0
Revolving credit	281,212	292,500	0	0
Lease liabilities	28,653	95,173	0	0
Amounts due to subsidiaries	0	0	26,899	0
Others	194,481	1,528	0	0
	<u>3,319,143</u>	<u>3,836,840</u>	<u>26,899</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020

20. EMPLOYEE BENEFITS

	Group	
	2020	2019
	RM	RM
Wages, salaries, bonuses and incentive	8,223,351	7,814,864
Contributions to defined contribution plan	873,293	863,015
Social security contributions	99,954	111,151
	<u>9,196,598</u>	<u>8,789,030</u>

21. DIRECTORS' REMUNERATION

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Directors of the Company				
Executive:				
- fees	75,000	75,000	75,000	75,000
- remuneration	1,250,393	1,073,609	0	0
- other emoluments	5,500	7,500	5,500	7,500
	<u>1,330,893</u>	<u>1,156,109</u>	<u>80,500</u>	<u>82,500</u>
Non-executive:				
- fees	125,000	125,000	125,000	125,000
- other emoluments	64,000	67,000	18,000	21,000
	<u>189,000</u>	<u>192,000</u>	<u>143,000</u>	<u>146,000</u>
Total Directors' remuneration	<u>1,519,893</u>	<u>1,348,109</u>	<u>223,500</u>	<u>228,500</u>

Estimated monetary value of benefits-in-kind provided to the Executive Directors of the Company is RM26,300 (2019: RM62,644).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020



22. TAXATION

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Current tax expense based on profit/(loss) for the financial year	2,120,703	0	0	0
Under/(Over)-provision in prior years	32,535	(20,973)	0	0
	2,153,238	(20,973)	0	0
Deferred tax (Note 14):				
Relating to origination and reversal of temporary differences	807,988	(938,255)	0	0
Crystallisation of deferred tax liability on revaluation surplus	(379,420)	(393,919)	0	0
(Over)/Under-provision in prior years	(120,639)	459,261	0	0
	307,929	(872,913)	0	0
Tax expense for the financial year	2,461,167	(893,886)	0	0

The Malaysian income tax is calculated at the statutory tax rate of 24% (2019: 24%) of the estimated taxable profits for the fiscal year.

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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Profit/(Loss) before tax	8,673,915	(3,094,044)	5,010,857	(450,117)
Tax at Malaysian statutory tax rate of 24% (2019: 24%)	2,081,740	(742,571)	1,202,606	(108,028)
Tax effects in respect of:				
Non-allowable expenses	484,173	666,498	117,394	108,028
Non-taxable income	(25,872)	(1,194,751)	(1,320,000)	0
Utilisation of deferred tax assets previously not recognised	0	(101,640)	0	0
Deferred tax assets not recognised	9,230	40,290	0	0
	2,549,271	(1,332,174)	0	0
Under/(Over)-provision in prior years:				
- current tax	32,535	(20,973)	0	0
- deferred tax	(120,639)	459,261	0	0
	2,461,167	(893,886)	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020

22. TAXATION (Cont'd)

In the previous financial year, tax on each component of other comprehensive income is as follows:

	Before tax RM	Group Tax effect RM	After tax RM
2019			
Items that will not be reclassified subsequently to profit or loss			
Deferred tax relating to revalued properties	<u>13,693,195</u>	<u>(2,255,567)</u>	<u>11,437,628</u>

23. BASIC AND DILUTED EARNINGS/(LOSS) PER SHARE

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

	2020 RM	Group 2019 RM
Profit/(Loss) attributable to equity holders of the parent (RM)	<u>6,239,435</u>	<u>(2,107,666)</u>
Weighted average number of ordinary shares in issue (units)	<u>130,730,907</u>	<u>126,679,174</u>
Basic earnings/(loss) per ordinary share (sen)	<u>4.77</u>	<u>(1.66)</u>

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

24. RELATED PARTY DISCLOSURES

(a) Identities of related parties

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020



24. RELATED PARTY DISCLOSURES (Cont'd)

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

The Group has related parties relationship with the following:

Names of related parties	Relationship
Eonmetall Industries Sdn. Bhd.	A company in which certain Directors of the Company have substantial interest.
Eonmetall Technology Sdn. Bhd.	A company in which certain Directors of the Company have substantial interest.
Eonmetall Systems Sdn. Bhd.	A company in which certain Directors of the Company have substantial interest.
Eonsteel Sdn. Bhd.	A company in which certain Directors of the Company have substantial interest.

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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Related parties:				
Rental of premises	0	(300,000)	0	0
Purchase of property, plant and equipment	(586,500)	(664,180)	0	0
Sales	3,195,502	2,523,601	0	0
Purchases	(25,673)	(118,759)	0	0
Subsidiaries:				
Dividend income	0	0	5,500,000	0
Interest income	0	0	36,936	0
Interest expense	0	0	(26,899)	0

Balances with related parties at the end of the financial year are disclosed in Note 9 and Note 15 to the financial statements.

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

(c) Compensation of key management personnel

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020

25. FINANCIAL INSTRUMENTS

(a) Capital management

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

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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Borrowings	64,227,871	88,843,663	0	0
Lease liabilities	303,266	1,081,649	0	0
Trade and other payables	14,495,100	19,796,060	256,139	837,930
Total loans and borrowings	<u>79,026,237</u>	<u>109,721,372</u>	<u>256,139</u>	<u>837,930</u>
Total equity	162,050,754	152,830,888	61,846,554	53,828,579
Debt-to-equity ratio	<u>0.49 : 1</u>	<u>0.72 : 1</u>	<u>0.004 : 1</u>	<u>0.02 : 1</u>

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities, the Group is required to maintain a consolidated shareholders' equity of more than twenty-five percent (25%) of the issued and paid-up capital (excluding treasury shares) and such shareholders' equity is not less than RM40.0 million. The Company has complied with this requirement for the financial year ended 31 December 2020 and 31 December 2019.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020



25. FINANCIAL INSTRUMENTS (Cont'd)

(b) Categories of financial instruments

	Group RM	Company RM
31 December 2020		
Financial assets		
Amortised cost		
Trade and other receivables, net of prepayments	46,734,849	7,423,285
Cash and bank balances	2,789,017	41,799
	<u>49,523,866</u>	<u>7,465,084</u>
Financial liabilities		
Amortised cost		
Borrowings	64,227,871	0
Trade and other payables	14,495,100	256,139
	<u>78,722,971</u>	<u>256,139</u>
31 December 2019		
Financial assets		
Amortised cost		
Trade and other receivables, net of prepayments	35,674,694	3,796
Cash and bank balances	3,058,006	25,104
	<u>38,732,700</u>	<u>28,900</u>
Financial liabilities		
Amortised cost		
Borrowings	88,843,663	0
Trade and other payables	19,796,060	837,930
	<u>108,639,723</u>	<u>837,930</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020

25. FINANCIAL INSTRUMENTS (Cont'd)

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

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

Financial instruments that are not carried at fair values and whose carrying amounts are a reasonable approximation of fair values.

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

- (d) Fair value hierarchy

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

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

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

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

26. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

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

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

- (a) Credit risk

Exposure to credit risk arises mainly from sales made on credit terms and deposits with licensed banks. The Group controls the credit risk on sales by ensuring that its customers have sound financial position and credit history. The Group also seeks to invest cash assets safely and profitably with approved financial institutions in line with the policy of the Group.

Exposure to credit risk

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020



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

(a) Credit risk (Cont'd)

Credit risk concentration profile

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

	2020		2019	
	RM	% of total	RM	% of total
By countries				
Malaysia	15,828,392	71%	16,950,064	79%
China	6,398,294	29%	4,433,469	21%
	<u>22,226,686</u>	<u>100%</u>	<u>21,383,533</u>	<u>100%</u>
By industry sectors				
Minerals	6,398,294	29%	4,433,469	21%
Steel product and trading activity	15,828,392	71%	16,950,064	79%
	<u>22,226,686</u>	<u>100%</u>	<u>21,383,533</u>	<u>100%</u>

At the end of each reporting period, approximately one percent (1%) (2019: 1%) of the trade and other receivables of the Group were due from related parties whilst none of the receivables of the Company were balances with related parties. The Group do not anticipate the carrying amounts recorded at the end of each reporting period to be significantly different from the values that would eventually be received.

(b) Liquidity and cash flow risk

Liquidity and cash flow risk is the risk that the Group will encounter difficulty in meeting their financial obligations due to shortage of funds. The exposure of the Group to liquidity and cash flow risk arises primarily from mismatches of maturities of financial assets and financial liabilities. The objective of the Group is to maintain a balance between continuity of funding and flexibility through the use of available credit facilities.

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020

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

(b) Liquidity and cash flow risk (Cont'd)

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

	On demand or within one (1) year RM	One (1) to five (5) years RM	Total RM
--	--	---------------------------------------	-------------

As at 31 December 2020

Group

Financial liabilities

Lease liabilities	238,161	77,145	315,306
Trade and other payables	14,495,100	0	14,495,100
Borrowings	63,047,121	1,305,307	64,352,428
Total undiscounted financial liabilities	<u>77,780,382</u>	<u>1,382,452</u>	<u>79,162,834</u>

As at 31 December 2019

Group

Financial liabilities

Lease liabilities	839,006	285,807	1,124,813
Trade and other payables	19,796,060	0	19,796,060
Borrowings	87,225,380	1,881,766	89,107,146
Total undiscounted financial liabilities	<u>107,860,446</u>	<u>2,167,573</u>	<u>110,028,019</u>

As at 31 December 2020

Company

Financial liabilities

Other payables	256,139	0	256,139
Financial guarantee contracts	79,127,871	0	79,127,871
Total undiscounted financial liabilities	<u>79,384,010</u>	<u>0</u>	<u>79,384,010</u>

As at 31 December 2019

Company

Financial liabilities

Other payables	837,930	0	837,930
Financial guarantee contracts	88,843,663	0	88,843,663
Total undiscounted financial liabilities	<u>89,681,593</u>	<u>0</u>	<u>89,681,593</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020



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

(c) Foreign currency risk

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

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

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

	Group	
	2020	2019
	RM	RM
Profit/(Loss) after tax		
USD/RM - strengthen by 10% (2019: 10%)	(67,870)	37,066
- weaken by 10% (2019: 10%)	<u>67,870</u>	<u>(37,066)</u>
CNY/RM - strengthen by 10% (2019: 10%)	244,521	(262,640)
- weaken by 10% (2019: 10%)	<u>(244,521)</u>	<u>262,640</u>

Sensitivity analysis of other foreign currencies are not disclosed as they are not material to the Group.

(d) Interest rate risk

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

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

Sensitivity analysis for interest rate risk

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

	Group		Company	
	2020	2019	2020	2019
	RM	RM	RM	RM
Profit/(Loss) after tax				
- Increase by 0.1% (2019: 0.1%)	(16,786)	(21,709)	5,642	0
- Decrease by 0.1% (2019: 0.1%)	<u>16,786</u>	<u>21,709</u>	<u>(5,642)</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020

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

(d) Interest rate risk (Con'd)

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

Group	Note	Weighted average effective interest rate %	Within one (1) year RM	One (1) to two (2) years RM	Two (2) to three (3) years RM	Three (3) to four (4) years RM	Four (4) to five (5) years RM	Total RM
As at 31 December 2020								
Fixed rates								
Lease liabilities	6	4.03*	76,784	39,289	0	0	0	116,073
Lease liabilities	6	4.73	151,293	33,136	2,764	0	0	187,193
Floating rates								
Bankers' acceptances	13	2.55	57,591,433	0	0	0	0	57,591,433
Revolving credit	13	4.14	4,916,438	0	0	0	0	4,916,438
Term loans	13	3.95	480,000	480,000	480,000	280,000	0	1,720,000

As at 31 December 2019

Fixed rates								
Lease liabilities	6	4.35*	235,200	72,541	40,632	0	0	348,373
Lease liabilities	6	4.84	571,042	143,964	18,270	0	0	733,276
Floating rates								
Bankers' acceptances	13	3.88	80,619,996	0	0	0	0	80,619,996
Bank overdrafts	13	8.03	1,121,434	0	0	0	0	1,121,434
Revolving credit	13	5.59	4,902,233	0	0	0	0	4,902,233
Term loans	13	5.13	480,000	480,000	480,000	280,000	0	2,200,000

* Represents weighted average incremental borrowings rate per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020



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

(d) Interest rate risk (Cont'd)

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

Company	Note	Weighted average effective interest rate	Within one (1) year	One (1) to two (2) years	Two (2) to three (3) years	Three (3) to four (4) years	Four (4) to five (5) years	Total
		%	RM	RM	RM	RM	RM	RM
[2020 ONLY]								
As at 31 December 2020								
Floating rates								
Amounts due by subsidiaries	9	3.95	7,423,285	0	0	0	0	7,423,285

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020

27. SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (i) During the financial year, FerroNet Asia Sdn. Bhd., a subsidiary of the Leader Steel Service Centre Sdn. Bhd., has acquired a parcel of land from Kapar Holding Sdn. Bhd. measuring approximately 3,484,800 square feet in area held under Geran 95843, Lot 93, Mukim of Klang, District of Klang, in the State of Selangor from the Vendor at the purchase price of RM30,666,240.

During the financial year, FerroNet Asia Sdn. Bhd. had paid deposit of RM15,333,120 to Kapar Holding Sdn. Bhd..

The sales and purchase transaction has yet to be completed as at 31 December 2020 and as at the date the financial statements were authorised for issue.

- (ii) On 11 March 2020, the World Health Organization Director General declared the 2019 Novel Coronavirus infection ('COVID-19') as a pandemic. In Malaysia, Movement Control Order ('MCO') has been imposed to curd the spread of COVID-19 on 18 March 2020 and has subsequently entered into various phases of the MCO until 28 April 2021.

On the first half of the financial year 2020, it has been a tough and disruptive year for the Group. Being categorised as a non-essential industry by the Malaysian government, the Group's operation were shut down on 18 March 2020 and resumed operations on 4 May 2020 in compliance with the implementation of MCO by federal government. The Group's overall business and operation were negatively affected on the first half of the financial year 2020. However, following the resumption of business operation in early May 2020, the Group achieved positive growth in revenue on second half of the year.

Based on the assessment and information available at the date of authorisation of the financial statements, the Group and the Company have sufficient cash flows and undrawn facilities to meet its liquidity needs in the next twelve (12) months after the end of the reporting period. The Group and the Company do not anticipate significant supply disruptions and would continuing monitor its fund and operational needs.

28. SIGNIFICANT EVENT SUBSEQUENT TO THE END OF THE REPORTING PERIOD

On 25 March 2021, the Directors declared a first single-tier interim dividend of RM0.015 per ordinary share amounting to RM2,017,988 in respect of the financial year ended 31 December 2020, which is payable on 11 May 2021. The financial statements for the current financial year do not reflect this dividend. This dividend will be accounted for as an appropriation of retained earnings for the financial year ending 31 December 2021.

29. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

29.1 New MFRSs adopted during the financial year

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

Title	Effective Date
<i>Amendments to References to the Conceptual Framework in MFRS Standards</i>	1 January 2020
<i>Amendments to MFRS 3 Definition of a Business</i>	1 January 2020
<i>Amendments to MFRS 101 and MFRS 108 Definition of Material</i>	1 January 2020
<i>Amendments to MFRS 9, MFRS 139 and MFRS 7 Interest Rate Benchmark Reform</i>	1 January 2020
<i>Amendments to MFRS 16 COVID-19-Related Rent Concessions</i>	1 June 2020 (early adopt)
<i>Amendments to MFRS 4 Insurance Contract - Extension of the Temporary Exemption from Applying MFRS 9</i>	17 August 2020

Adoption of the above Standards did not have any material effect on the financial performance or position of the Group and of the Company except for the adoption of Amendment to MFRS 16 as described in the following section.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2020



29. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (cont'd)

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

Amendment to MFRS 16 Covid-19-Related Rent Concessions

MFRS 16 has been amended to:

- (a) Provide lessees with an exemption from the requirement to determine whether a COVID-19-related rent concession is a lease modification; and
- (b) Require lessees that apply the exemption to account for COVID-19-related rent concessions as if they were not lease modifications.

The practical expedient only applies to rent concessions occurring as a direct consequence of the COVID-19 pandemic and only if all of the following conditions are met:

- (i) Changes in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (ii) Any reduction in lease payments affects only payments originally due on or before 30 June 2021; and
- (iii) There is no substantive change to other terms and conditions of the lease.

The Group has early adopted Amendment to MFRS 16 during the financial year ended 31 December 2020 and elected to apply the practical expedient to all rent concessions relating to leases with similar characteristics and in similar circumstances. Consequently, the Group did not recognise changes in these lease payments as lease modifications and instead, recognised these as variable lease payments in profit or loss. The effects of early adoption are disclosed in Note 6(g) to the financial statements.

29.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2021

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

Title	Effective Date
<i>Interest Rate Benchmark Reform - Phase 2</i> (Amendments to MFRS 9, MFRS 139, MFRS 7, MFRS 4 and MFRS 16)	1 January 2021
<i>Covid-19-Related Rent Concessions beyond 30 June 2021</i> (Amendment to MFRS 16 Leases)	1 April 2021
Annual Improvements to MFRS Standards 2018 - 2020	1 January 2022
Amendments to MFRS 3 <i>Reference to the Conceptual Framework</i>	1 January 2022
Amendments to MFRS 116 <i>Property, Plant and Equipment - Proceeds before Intended Use</i>	1 January 2022
Amendments to MFRS 137 <i>Onerous Contract - Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to MFRS 101 <i>Classification of Liabilities as Current or Non-current</i>	1 January 2023
MFRS 17 <i>Insurance Contracts</i>	1 January 2023
Amendments to MFRS 17 <i>Insurance Contracts</i>	1 January 2023
<i>Disclosure of Accounting Policies</i> (Amendments to MFRS 101 <i>Presentation of Financial Statements</i>)	1 January 2023
<i>Definition of Accounting Estimates</i> (Amendments to MFRS 108 <i>Accounting Policies, Changes in Accounting Estimates and Errors</i>)	1 January 2023
Amendments to MFRS 10 and MFRS 128 <i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	Deferred

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

PROPERTIES OF THE GROUP

Location	Date of Revaluation/ Acquisition	Lot	Tenure	Approximate Age of Building	Area (Square Meters)	Description	Carrying Amount as at 31 December 2020 (RM'000)
Leader Steel Sdn. Bhd.							
Plot 85, Lorong Perusahaan Utama, Kawasan Perusahaan Bukit Tengah, 14000 Bukit Tengah, Seberang Perai Tengah, Pulau Pinang, Malaysia.	31.12.2019	Lot No. PT 2965, Mukim 11 District of Seberang Perai Tengah Pulau Pinang	Leasehold 60 years, expiring 21.12.2052	27 years	34,000	Factory	29,576
No. 6, Lorong Limau Manis 1, Taman Limau Manis, 14000 Bukit Mertajam, Seberang Perai Tengah, Pulau Pinang, Malaysia.	31.12.2019	Lot No.5582, Mukim 11 District of Seberang Perai Tengah Pulau Pinang	Freehold Double Storey Terrace house	26 years	111	Residential premise for factory workers	406
No. 8, Lorong Limau Manis 1, Taman Limau Manis, 14000 Bukit Mertajam, Seberang Perai Tengah, Pulau Pinang, Malaysia.	31.12.2019	Lot No. 5583, Mukim 11 District of Seberang Perai Tengah Pulau Pinang	Freehold Double Storey Terrace house	26 years	111	Residential premise for factory workers	406
Lot 841, Block 7 MTLD, Sejingkat Industrial Park, 93050 Kuching, Sarawak, Malaysia.	31.12.2019	Lot 841, Block 7 Muara Tebas Land District Sarawak	Leasehold 60 years, expiring 10.11.2053	28 years	33,600	Factory	18,442
Lot No. 1596, Title No. GRN 77765, Mukim 12, Daerah Seberang Perai Selatan, Pulau Pinang, Malaysia.	31.12.2019	Lot 1596, Mukim 12 District of Seberang Perai Selatan Pulau Pinang	Freehold Land & Building	8 years	39,250	Factory	24,292
Parcel No. 1572-2-11, First floor, Block I, Demak Laut Commercial Centre, off Jalan Bako, 93050, Kuching, Sarawak, Malaysia.	31.12.2019	Lot 1572, Block 7 Muara Tebas Land District Sarawak	Leasehold 60 years, expiring 07.12.2059	22 years	73	Residential premise for factory workers	88
Leader Steel Service Centre Sdn. Bhd.							
Geran 43145, Lot No. 6483, Kapar, Klang, Selangor, Malaysia.	22.03.2019	Lot 6483, Mukim of Kapar District of Klang Selangor	Freehold Land	17 years	52,483	Factory	27,595
Lot 6483, Jalan Sungai Puloh, KU5, 42100 Klang, Selangor, Malaysia.	22.03.2019	Lot 6483, Mukim of Kapar District of Klang Selangor	Freehold Building	12 years	17,000	Factory	16,140

PROPERTIES OF THE GROUP (CONT'D)



Location	Date of Revaluation/ Acquisition	Lot	Tenure	Approximate Age of Building	Area (Square Meters)	Description	Carrying Amount as at 31 December 2020 (RM'000)
Leader Steel Service Centre Sdn. Bhd. (Cont'd)							
No. 42A, Lorong Bayu Mutiara 8, Taman Bayu Mutiara, 14000 Bukit Mertajam, Pulau Pinang, Malaysia.	27.03.2019	Lot No.7764, Mukim 11 District of Seberang Perai Tengah Pulau Pinang	Freehold Double Storey Terrace house	14 years	130	Residential premise for rent	550
No. 48, Lorong Bayu Mutiara 8, Taman Bayu Mutiara, 14000 Bukit Mertajam, Pulau Pinang, Malaysia.	27.03.2019	Lot No. 7762, Mukim 11 District of Seberang Perai Tengah Pulau Pinang	Freehold Double Storey Terrace house	14 years	130	Residential premise for rent	548
No. 32A, Jalan Setia Impian, U13/5F Sek U13 Setia Alam, 40170 Shah Alam, Selangor, Malaysia.	26.03.2019	Lot No. 17575, Mukim of Bukit Raja District of Petaling Selangor	Freehold Double Storey Terrace house	13 years	130	Residential premise for factory workers	596
No. 32, Klang Central Industrial Park, Lorong 5, Di Lorong Sungai Puloh, Batu 5 ¾, Jalan Kapar, 41400 Klang, Selangor Darul Ehsan, Malaysia.	26.03.2019	Lot No.32948, Mukim of Kapar District of Klang Selangor	Freehold Double Storey Shophouse	11 years	186	Residential premise for factory workers	578
No.8, Jalan Setia Impian U13/8G, Setia Alam Seksyen U13, Setia Alam, 40170 Shah Alam, Selangor Darul Ehsan, Malaysia.	26.03.2019	Lot No. 28091 and 21547, all of Mukim of Bukit Raja District of Petaling Selangor	Freehold Double Storey Terrace house	12 years	130	Residential premise for factory workers	654
No.30, Klang Central Industrial Park, Lorong 5, Di Lorong Sungai Puloh, Batu ¾, Jalan Kapar, 41400 Klang, Selangor Darul Ehsan, Malaysia.	26.03.2019	Lot No. 32947, Mukim of Kapar District of Klang Selangor	Freehold Double Storey Shophouse	8 years	191	Residential premise for factory workers	598
Plot 9288, Kawasan Perindustrian Kelemak, 78000 Alor Gajah, Melaka.	07.01.2019	Mukim 273, Lot 2953, Tempat Kawasan Perindustrian Kelemak Mukim Kelemak Daerah Alor Gajah Melaka	Leasehold 99 years, expiring 27.09.2082	38 years	6,133	Factory	1,201

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2021

Issued Share Capital	: 140,334,960 ordinary shares (including 5,502,400 treasury shares)
Class of Share	: Ordinary Shares
No. of Shareholders	: 3,289
Voting Rights	: One vote per ordinary share

Analysis by size of shareholdings

Size of Holdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares Held
LESS THAN 100	6	0.1824	257	0.0001
100 - 1,000	344	10.4591	253,700	0.1808
1,001 - 10,000	1,905	57.9203	11,146,835	7.9430
10,001 - 100,000	951	28.9146	29,086,700	20.7266
100,001 – 7,016,747*	81	2.4628	33,933,706	24.1806
7,016,748 – 140,334,960**	2	0.0608	65,913,762	46.9689
TOTAL:	3,289	100.00	140,334,960	100.00

* - Less than 5% of issued shares

** - 5% and above of issued shares

Substantial Shareholders

No.	Name of Substantial Shareholders	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
1.	Dato' Goh Cheng Huat	11,877,894	8.81	^56,622,974	^42.00
2.	Datin Tan Pak Say	1,375,006	1.02	^67,125,862	^49.78
3.	Bischart Sdn. Bhd.	54,035,868	40.08	-	-

DIRECTORS' INTEREST IN THE SHARE CAPITAL

No.	Name of Directors	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
1.	Tan Sri Dato' Mohd Desa bin Pachi	-	-	-	-
2.	Dato' Goh Cheng Huat	11,877,894	8.81	^56,622,974	^42.00
3.	Datin Tan Pak Say	1,375,006	1.02	^67,125,862	^49.78
4.	Lim Leng Han	18,000	0.01	-	-
5.	Datuk Abdullah bin Haji Kuntom	-	-	-	-
6.	Mohd. Arif bin Mastol	-	-	-	-
7.	Goh Wan Jing	-	-	-	-

^ Deemed interested pursuant to spouse's and children's direct and indirect interest pursuant to Section 8(4) and Section 59(11)(c) of the Companies Act 2016

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

ANALYSIS OF SHAREHOLDINGS (CONT'D)

AS AT 31 MARCH 2021



LIST OF TOP 30 HOLDERS AS AT 31 MARCH 2021

No.	Name	Holdings	%
1.	BISCHART SDN. BHD.	18,035,868	12.8520
2.	BISCHART SDN. BHD.	18,000,000	12.8265
3.	BISCHART SDN. BHD.	18,000,000	12.8265
4.	GOH CHENG HUAT	11,847,300	8.4422
5.	LEADER STEEL HOLDINGS BERHAD SHARE BUY BACK ACCOUNT	5,502,400	3.9209
6.	MAYBANK NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KOK YOON LIM	2,637,800	1.8796
7.	WONG YONG HENG	1,430,000	1.0190
8.	GOH HONG KENT	1,212,100	0.8637
9.	TAN PHAIK HOON	1,160,000	0.8266
10.	TAN PAK SAY	1,155,006	0.8230
11.	TAN POW HONG	970,000	0.6912
12.	M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIA YUET YOONG (M&A)	850,000	0.6057
13.	CHEANG BENG CHEE	847,000	0.6036
14.	LEE YOKE HEAN	750,000	0.5344
15.	GOH CHIN LIM	720,000	0.5131
16.	TAN AIK CHOON	631,400	0.4499
17.	KENANGA NOMINEES (TEMPATAN) SDN BHD CHOO KWI LIAN	500,000	0.3563
18.	TAN KHENG HWA	500,000	0.3563
19.	CHUAH HONG GUAN	483,000	0.3442
20.	TAN TENG LOON & ANUAR TAN B.ABDULLAH	460,000	0.3278
21.	GOBINATH A/L VEERASINGAM	400,000	0.2850
22.	NG SOON BENG	400,000	0.2850
23.	RHB CAPITAL NOMINEED (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LEE NYEK (CEB)	399,300	0.2845
24.	KUEH CHIAW BOON	380,000	0.2708
25.	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ANG WING FAR (6000639)	350,000	0.2494
26.	TAN AH SIM @ TAN SIEW WAH	350,000	0.2494
27.	SIM CHOH SANG @ SIM CHOH SHAN	336,000	0.2394
28.	LIM KIAN HUAT	310,900	0.2215
29.	CHAN THENG SUNG	300,000	0.2138
30.	LIM PAY KAON	300,000	0.2138
Total:		89,218,074	63.5751

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LEADER STEEL HOLDINGS BERHAD
Registration No.: 199301012471 (267209-K)

FORM OF PROXY

**Twenty-Eighth (28th)
Annual General Meeting**

CDS Account No. _____

No. of Shares Held _____

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

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

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

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

* and/or (*delete if not applicable)

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

or failing *him/her, THE CHAIRMAN OF THE MEETING as my*/our* proxy, to vote for me*/us* and on my*/our* behalf at the 28th 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 Perai Tengah, Pulau Pinang, Malaysia on Thursday, 20 May 2021 at 12.15 pm and at any adjournment thereof.

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

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

Signed this _____ day of _____ 2021

Signature of Shareholder

Common Seal to be affixed here
if Shareholder is a Corporation

Notes:

- A member of the Company entitled to attend and vote at a meeting of the Company, or at a meeting of any class of members of the Company, shall be entitled to appoint not more than two (2) proxies to attend and vote in his stead at the meeting, and that a proxy may but need not be a member. There shall be no restriction as to the qualification of the proxy. Where a member appoints more than one (1) proxy, he shall specify the proportion of his holdings to be represented by each proxy, failing which the appointment shall be invalid. A proxy appointed to attend and vote at a meeting of the Company shall have the same rights as the member to speak at the meeting.
- Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint not more than two (2) proxies in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account. The appointment of two (2) proxies in respect of any particular securities account shall be invalid unless the authorised nominee specifies the proportion of its shareholding to be represented by each proxy.
- Where a member of the Company is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one (1) securities account ("Omnibus Account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each Omnibus Account it holds. Where an exempt authorised nominee appoints more than one (1) proxy in respect of each Omnibus Account, the appointment shall be invalid unless the exempt authorised nominee specifies the proportion of its shareholding to be represented by each proxy. An exempt authorised nominee refers to an authorised nominee defined under the SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- The instrument appointing a proxy shall be in writing under the hand of the appointer or of his attorney duly authorised in writing, or, if the appointer is a corporation, either under its Common Seal, or under the hand of an officer or attorney duly authorised. A proxy must be of full age. An instrument appointing a proxy to vote shall be deemed to include the power to demand or concur in demanding a poll on behalf of the appointer. Members not resident in Malaysia may appoint and revoke proxies by cable.
- For the proxy to be valid, the Form of Proxy duly completed must be deposited at the Company's Registered Office at 170-09-01, Livingston Tower, Jalan Argyll, 10050 George Town, Pulau Pinang, Malaysia at least forty-eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
- In respect of deposited securities, only a depositor whose name appears on the Record of Depositors on 12 May 2021 (General Meeting Record of Depositors) shall be eligible to attend the meeting or appoint proxies to attend and/or vote on his/her behalf.

Personal Data Privacy

By submitting the duly executed Form of Proxy, the member and his/her proxy consent to the Company and/or its agents/service providers to collect, use and disclose the personal data therein in accordance with the Personal Data Protection Act 2010, for the purpose of the 28th Annual General Meeting of the Company and any adjournment thereof.



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**Affix
Stamp**

The Company Secretaries
LEADER STEEL HOLDINGS BERHAD
Registration No.: 199301012471 (267209-K)
170-09-01, Livingston Tower
Jalan Argyll, 10050 George Town
Pulau Pinang, Malaysia

Then fold here

Fold this flap for sealing

Leader Steel Holdings Berhad

199301012471 (267209-K)

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

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

www.leadersteel.my

