



LEADER STEEL HOLDINGS BERHAD
199301012471 (267209-K)

ANNUAL REPORT 2021



BREATHE IN NEW LIFE

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. As the world emerges from the pandemic, we are bringing new life into the group to tackle new challenges posed by the next normal - with new voices, new ideas, and new opportunities.



CONTENTS



| | | | |
|-----------|--|------------|---|
| 2 | Notice of Annual General Meeting | 49 | Directors' Report |
| 7 | Corporate Information | 54 | Statement by Directors |
| 8 | Group Structure and Principal Activities | 54 | Statutory Declaration |
| 9 | Financial Highlights | 55 | Independent Auditors' Report |
| 10 | Chairman's Statement | 59 | Statements of Financial Position |
| 12 | Management Discussion and Analysis | 61 | Statements of Profit or Loss and Other Comprehensive Income |
| 15 | Directors' Profile | 62 | Consolidated Statement of Changes In Equity |
| 19 | Key Senior Management's Profile | 64 | Statement of Changes In Equity |
| 20 | Corporate Governance Overview Statement | 65 | Statements of Cash Flows |
| 35 | Additional Information | 69 | Notes to the Financial Statements |
| 36 | Audit Committee Report | 115 | Properties of the Group |
| 38 | Statement on Risk Management and Internal Control | 117 | Analysis of Shareholdings |
| 41 | Sustainability Statement | | Form of Proxy |
| 48 | Directors' Responsibility Statement for the Audited Financial Statements | | |



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Twenty-Ninth (29th) Annual General Meeting ("**AGM**") of the shareholders of LEADER STEEL HOLDINGS BERHAD ("**LSH**" or "**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 **Monday, 30 May 2022** at **12.15 pm** for the following purposes:

AGENDA

Ordinary Business

1. To receive the Audited Financial Statements for the financial year ended 31 December 2021 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 Tan Sri Dato' Mohd Desa Bin Pachi Ordinary Resolution 1
 - 2.2 Mr. Lim Leng Han Ordinary Resolution 2
3. To re-elect the Director, Encik Abdull Sukor Bin Ismail who retires pursuant to Clause 114 of the Company's Constitution and who, being eligible, offers himself for re-election. Ordinary Resolution 3
4. To approve the payment of Directors' fees and benefits payable up to RM450,000 for the period commencing this AGM through to the next AGM of the Company in 2023. Ordinary Resolution 4
5. To re-appoint Messrs. BDO PLT as Auditors of the Company and to authorise the Directors to fix their remuneration. Ordinary Resolution 5

As Special Business

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

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

6. "THAT, pursuant to Sections 75 and 76 of the Companies Act 2016 ("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 (excluding treasury shares) of the Company for the time being AND THAT the Directors are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad ("Bursa Securities") AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier AND FURTHER THAT such authority shall commence immediately upon the passing of this Resolution and continue to be in force until 31 December 2022 or such timing, as empowered by Bursa Securities and thereafter ten percent (10%) of the total number of issued shares (excluding treasury shares, if any) of the Company for the time being to be utilised before the conclusion of the next AGM of the Company after such approval was given or at the expiry of the period within which the next AGM is required to be held after the approval was given, whichever is the earlier ("20% General Mandate")." Ordinary Resolution 6

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

PROPOSED 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 7
- (a) the conclusion of the next Annual General Meeting ("AGM") of the Company at which time it will lapse, unless by a resolution passed at the next AGM, the authority is renewed;
 - (b) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 340(2) of the Companies Act 2016 ("the Act") (but shall not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
 - (c) revoked or varied by resolution passed by the shareholders of the Company in a general meeting, whichever is earlier.

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

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 number of 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 2021 be utilized by the Company for the Proposed Share Buy-Back.
- Ordinary Resolution 8

AND THAT, at the discretion of the Directors of the Company, the ordinary shares of the Company to be purchased may be cancelled; and/or retained as treasury shares and subsequently distributed as dividends or resold on Bursa Securities or transfer for the purpose of or under an 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 2023 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, 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."



NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

RETENTION AS INDEPENDENT DIRECTORS

- | | | |
|-----|--|------------------------|
| 9. | "THAT, contingent upon the passing of Ordinary Resolution 2, 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 9 |
| 10. | "THAT, 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 10 |
| 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, 29 April 2022

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 23 May 2022 (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 profiles of the Directors who are standing for re-election under item 2 and 3 of this Agenda are set out in the Board of Directors' profile of the Annual Report 2021. Based on the recommendation of the Nomination Committee, the Board is satisfied with the performance and contributions of the following Directors and supports the re-election based on the following justifications:-

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Explanatory Notes: (Cont'd)

1. (Re-election of Tan Sri Dato' Mohd Desa Bin Pachi & Mr. Lim Leng Han as Independent Non-Executive Directors)

Tan Sri Dato' Mohd Desa Bin Pachi and Mr. Lim Leng Han fulfill the requirement of independence set out in the Main Market Listing Requirements ("MMLR") of Bursa Securities as well as the prescribed criteria under the Malaysian Code on Corporate Governance ("MCCG 2021"). They have demonstrated their independence through their engagement in the meetings by proactively giving valuable insights to the Management in developing the Group's business strategies. They also exercised their due care and carried out their professional duties proficiently during their tenure as an Independent Non-Executive Directors and Chairman of the Company respectively.

(Re-election of Encik Abdull Sukor Bin Ismail as Independent Non-Executive Director)

Encik Abdull Sukor Bin Ismail's background is set out under Directors' Profile in this Annual Report 2021. He was appointed as Independent Non-Executive Director on 24 February 2022.

As Encik Abdull Sukor was appointed recently and with notice of the basis of his appointment, the Board concurred with the Nominating Committee that he should be given opportunity to contribute to the Company and therefore supports his re-election. Encik Abdull Sukor Bin Ismail has provided confirmation of independence.

2. The proposed Ordinary Resolution 4, if passed, will facilitate the payment of the Directors' fees and benefits payable to the Directors for the period commencing this AGM through to the next AGM in 2023. Details of the Directors' fees and benefits payable to the Directors for the financial year ended 31 December 2021 are enumerated under the Corporate Governance Overview Statement in the Annual Report 2021.

The Directors' fees and benefits payable proposed from this AGM up to the next AGM in year 2023 are calculated based on the number of days scheduled for Board and Board Committees' meetings. The amount of Directors' fees payable includes fees payable to Directors as members of Board and Board Committees. 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.

The Board had proposed for the increase of annual fee for Directors for the period commencing this AGM through to the next AGM of the Company in 2023. During a review for financial year ended 2021, the Nominating and Remuneration Committee recommended, and the Board has approved, subject to shareholders' approval at this AGM, an increase of for fees payable to Directors as members of Board and Board Committee.

3. The proposed Ordinary Resolution 6, if passed, will empower the Directors to issue shares up to an aggregate amount not exceeding twenty per centum (20%) of the total number of issued shares of the Company (excluding treasury shares) for the time being, for such purposes as the Directors consider would be in the best interest of the Company without having to convene separate general meetings. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM. This is a renewal of the mandate obtained from its shareholders at the last AGM held on 20 May 2021 and will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placement of shares for purpose of funding future investment, working capital and/or acquisitions as well as to avoid any delay and cost in convening general meeting to specifically approve such an issuance of shares.

In view of the challenging time due to the COVID-19 pandemic, Bursa Securities had on 16 April 2020 introduced this 20% General Mandate and on 23 December 2021 further extended the implementation and utilisation of this 20% General Mandate to 31 December 2022 to allow as an interim relief measure to allow a listed issuer to seek a higher general mandate under Rule 6.03 of the Listing Requirements of Bursa Securities of not more than twenty per centum (20%) of the total number of issued shares (excluding treasury shares) for issue of new securities. This 20% General Mandate may be utilised by the Company to issue and allot new ordinary shares until 31 December 2022 and thereafter, unless extended by Bursa Securities, the 10% limit under Paragraph 6.03(1) of the Listing Requirements of Bursa Securities will be reinstated. This authority, unless revoked or varied at a general meeting, will expire at the next AGM of the Company.

As at the date of this Notice, no new shares in the Company were issued pursuant to the General Mandate granted to the Directors at the last AGM held on 20 May 2021 and which will lapse at the conclusion of the 29th AGM.

4. The proposed Ordinary Resolution 7, if passed, will obtain the Shareholders' Mandate for the Company and its subsidiaries to enter into specified recurrent related party transactions with Eonmetall Group Berhad and its subsidiaries as set out under Section 2.4 of the Circular which are necessary for the Group's day to day operations and are carried out in the ordinary course of business and are on normal commercial terms which are not more favourable to the related party than those generally available to the public and not detrimental to the minority shareholders. Further information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 29 April 2022.

5. The proposed Ordinary Resolution 8, if passed, will allow the Company to purchase its own shares. The total number of ordinary shares purchased shall not exceed ten per centum (10%) of the total number of issued share (excluding treasury shares) of the Company. This authority will, unless revoked or varied by the Company in general meeting, expire at the next AGM in 2023.

6. The proposed Ordinary Resolutions 9 and 10, if passed, will retain Mr. Lim Leng Han and Encik Mohd. Arif bin Mastol as Independent Directors of the Company to fulfill the requirements of Paragraph 3.04 of the Bursa Securities' Main Market Listing Requirements and in line with the Practice 4.2 of the Malaysian Code on Corporate Governance issued by the Securities Commission on 26 April 2017.

The Board intends to retain the services of Mr. Lim Leng Han and Encik Mohd. Arif bin Mastol who have served the Board as Independent Non-Executive Directors ("INED") since their respective appointment as INED on 25 July 1994 and 28 June 2002.



NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Explanatory Notes: (Cont'd)

6. The Nominating Committee ("NC") had evaluated the performance of the directors concerned individually especially with regards to their ability to remain independent in line with the definition of independent director in MMLR. The NC is satisfied with their ability to continue to act as INED and to act in the best interest of the Company and the Group.

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 have always been able to bring elements 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 some time. Therefore, they are able to participate effectively during meetings.

Their continuation to serve as INED will ensure that the Group will not suffer from a sudden loss of skilled and experienced directors and enable the Group to have adequate time to identify new candidates to serve as future INED.

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 29th 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

MS. GOH WAN JING

Executive Director

MR. LIM LENG HAN

Senior Independent Non-Executive Director

ENCIK MOHD. ARIF BIN MASTOL

Independent Non-Executive Director

DATUK ABDULLAH BIN HAJI KUNTOM

Independent Non-Executive Director

ENCIK ABDULL SUKOR BIN ISMAIL

Independent Non-Executive Director

AUDIT COMMITTEE

Mr. Lim Leng Han

Chairman

Encik Mohd. Arif bin Mastol

Member

Datuk Abdullah bin Haji Kuntom

Member

NOMINATING COMMITTEE

Mr. Lim Leng Han

Chairman

Encik Mohd. Arif bin Mastol

Member

Datuk Abdullah bin Haji Kuntom

Member

REMUNERATION COMMITTEE

Mr. Lim Leng Han

Chairman

Encik Mohd. Arif bin Mastol

Member

Datuk Abdullah bin Haji Kuntom

Member

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

KEY SENIOR MANAGEMENT

Mr. Ooi Teik Huat

*Chief Financial Officer cum
Business Controller*

Mr. Tan Yew Teong

Senior Factory Manager

Ms. Goh Li Li

*Senior Treasury &
International Trade Manager*

Mr. Lee Eng Keat

Senior Manager in Business Development

Mr. Tan Hong Kiat

Deputy Branch Manager

JOINT COMPANY SECRETARIES

Tai Yit Chan (MAICSA 7009143)
(SSM PC No. 202008001023)

Ong Tze-En (MAICSA 7026537)
(SSM PC No. 202008003397)

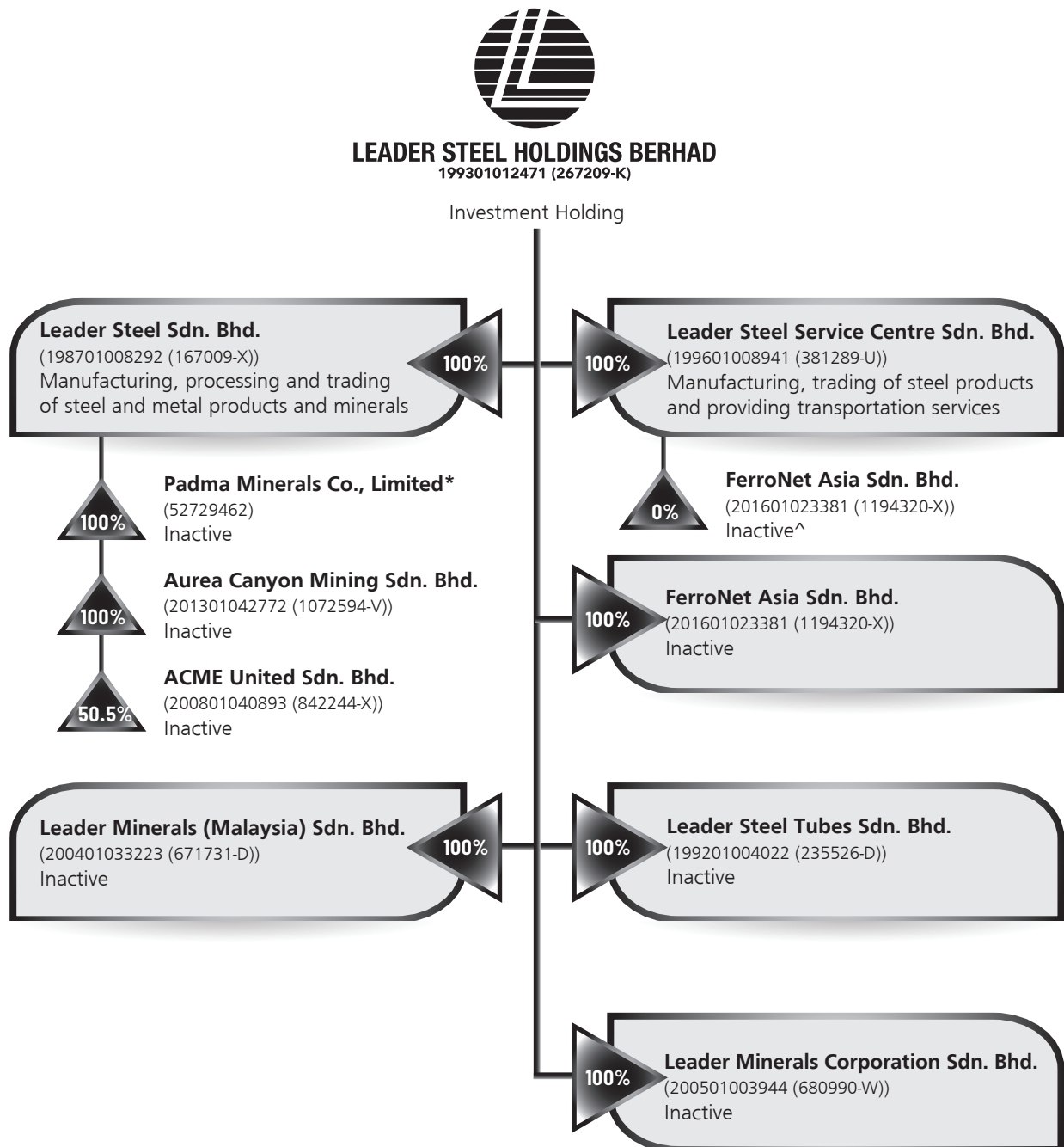
REGISTERED OFFICE

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



GROUP STRUCTURE AND PRINCIPAL ACTIVITIES

AS AT 31 DECEMBER 2021



* Incorporated in Hong Kong
^ less than 1% shareholding

FINANCIAL HIGHLIGHTS

| | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 |
|--|------|------|------|------|------|------|
|--|------|------|------|------|------|------|

1 Financial Highlights of Statements of Profit or Loss

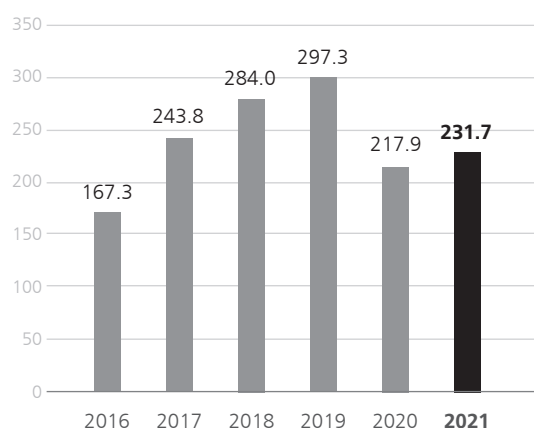
| | | | | | | |
|-----------------------------------|-------|-------|-------|-------|-------|--------------|
| Revenue (RM mil) | 167.3 | 243.8 | 284.0 | 297.3 | 217.9 | 231.7 |
| EBITDA (RM mil)^ | 18.8 | 21.5 | 15.7 | 7.6 | 17.7 | 42.9 |
| Profit/(Loss) before tax (RM mil) | 7.6 | 10.6 | 5.9 | (3.1) | 8.7 | 35.4 |
| Profit/(Loss) after tax (RM mil) | 6.5 | 7.7 | 5.2 | (2.2) | 6.2 | 26.4 |

2 Financial Highlights of Statements of Financial Position

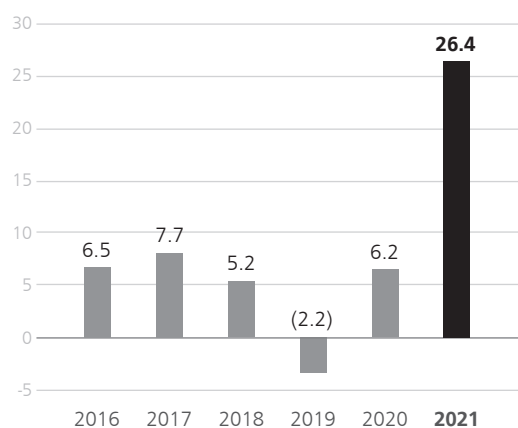
| | | | | | | |
|-----------------------------|-------|-------|-------|-------|-------|--------------|
| Total assets (RM mil) | 245.2 | 264.1 | 288.0 | 277.9 | 257.2 | 311.4 |
| Total borrowings (RM mil) | 70.1 | 88.7 | 97.8 | 88.8 | 64.2 | 87.7 |
| Shareholder equity (RM mil) | 131.9 | 140.6 | 143.7 | 152.8 | 162.1 | 185.9 |

^ Earnings before interest, taxes, depreciation and amortisation.

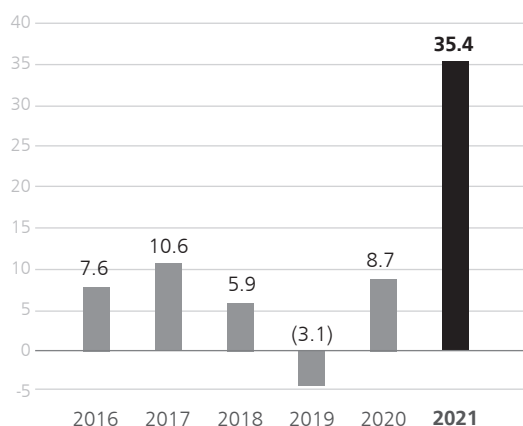
Revenue (RM mil)



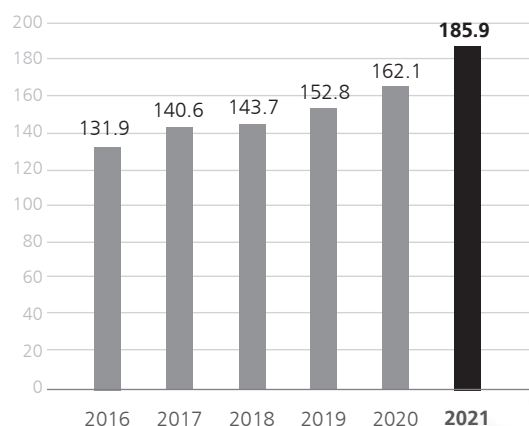
Profit/(Loss) after tax (RM mil)



Profit/(Loss) before tax (RM mil)

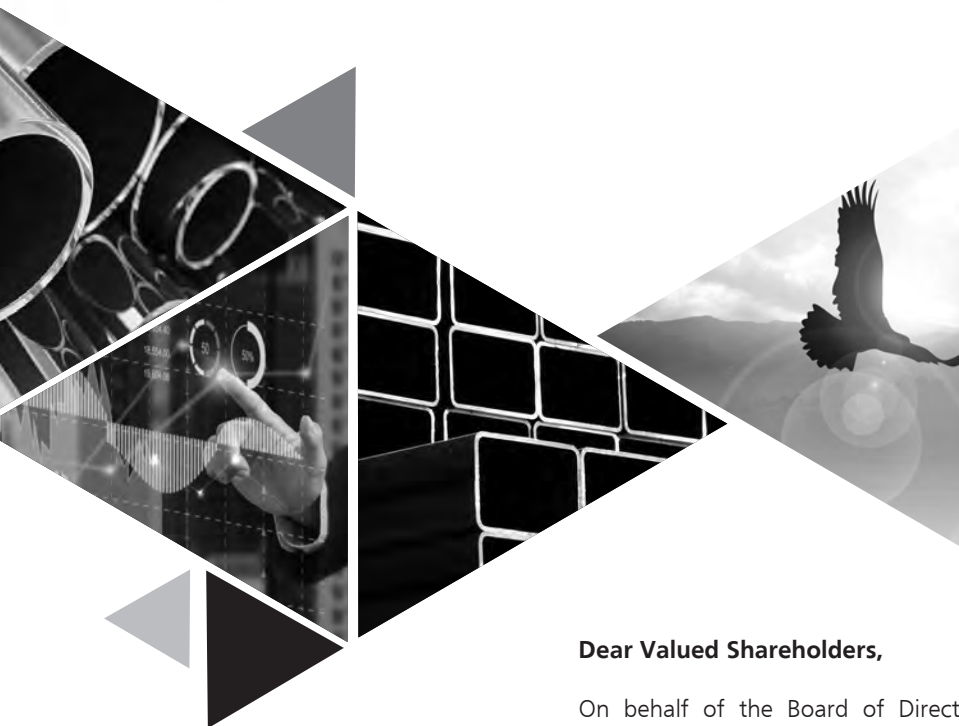


Shareholder equity (RM mil)





CHAIRMAN'S STATEMENT



Dear Valued Shareholders,

On behalf of the Board of Directors of Leader Steel Holdings Berhad ("the Company"), I am delighted to present the Annual Report and Audited Financial Statements of the Company and its subsidiaries ("the Group"), for the financial year ended 31 December 2021 ("FYE2021").

FYE2021 was another highly challenging year for the Group as it was punctuated by disruptions in the global supply chain, rising freight cost and steel price, and contraction in market demand caused by various movement control measures taken by the Malaysian Government in the effort to combat Covid-19 pandemic.

I am pleased to report that the Group has cautiously navigated those challenges and delivered positive results for FYE2021.

Performance Overview

The Group achieved a total revenue of RM231.7 million, a 6.33% increase compared to RM217.9 million for the preceding financial year ended 31 December 2020 ("FYE2020"). The Group also reported an increase in profit before tax of RM35.4 million, a 306.9% increase compared to FYE2020 profit before tax of RM8.7 million. The improvement in profit was mainly contributed by the increase in profit margin of the Group's steel products.

2022 Outlook

As the world grapples with the after effects of the Covid-19 pandemic, the global economy is gradually entering into a recovery phase. The emergence of the Omicron and other variants remain potential threats which may derail the recovery process.

The unfolding of Russia-Ukraine conflict poses another significant threat to the global economy. Russia which is one of the world's largest exporters of steel had been sanctioned by the United States of America and European countries. This may lead to disruptions in the supply of steel in the global market in the foreseeable future and consequently, higher steel prices. In addition, the conflict has also driven up global energy costs and freight costs.

CHAIRMAN'S STATEMENT (CONT'D)

2022 Outlook (Cont'd)

In Malaysia, a significant revision in minimum wage to RM1,500 per month effective from 1 May 2022 has been announced. The revision will result in higher operation cost for the Group.

Faced with the above challenges, the Group will remain vigilant to monitor and manage its key business risks. The Group is cautiously optimistic to deliver positive results for the coming financial year.

Dividend

On 11 May 2021, the Company paid an interim single tier dividend of 1.5 sen per ordinary shares in respect of FYE2020.

Words of appreciation

On behalf of the Board of Directors, I would like to extend my deepest appreciation to our management team, staffs, bankers, and business associates for their continuous support to the Group. I would also like to thank my fellow directors for their wise counsel. Last but not least, I would like to extend my gratitude to our shareholders for their loyal support.

TAN SRI DATO' MOHD DESA BIN PACHI
Chairman





MANAGEMENT DISCUSSION AND ANALYSIS

Introduction

This Management Discussion and Analysis ("MD&A") is prepared by the Management of Leader Steel Holdings Berhad ("the Company") and its subsidiaries ("the Group") to provide an analysis on the financial performance for the financial year ended 31 December 2021 ("FYE2021"). It contains the Management's review on the overall performance of the Group and of the Company, key business strategies, anticipated and known risks and future prospects of the Group.

Whilst comments on the past performance are based on historical data, this MD&A contains statements which are forward-looking. Whilst the Management has exercised diligence when expressing these forward-looking statements, they are inevitably subject to inherent uncertainties and should be treated with caution. These statements are made based on the Management's reasonable expectations and beliefs in light of the information available to them when this MD&A is drafted, and is subject to future uncertainty. Actual future performance may materially differ from the projections herein.

These statements reflect the expectation of the Management regarding the future growth, general industry and economic outlook, predicted financial and operating conditions, business risks and opportunities as well as plans and strategies of the Group. Expressions such as (but not limited to) "seek", "project", "anticipate", "expect", "believe", "estimate", "could", "intend", "may", "might", "plan", "will", "would" and other similar expressions or the negative of these expressions, are generally indicative of the forward-looking statements.

The MD&A should be read in conjunction with the audited financial statements of the Group and of the Company for FYE2021.

This MD&A is the responsibility of the Management. The Board of Directors of the Company has reviewed and approved this MD&A for inclusion in this Annual Report.

Overview

The Group is principally involved in the manufacturing and distribution of steel products ("Steel Segment") and trading and processing of minerals ("Mineral Segment"). Whilst the steel products were mainly sold domestically, the mineral products were mainly exported to China.

The Group's vision is to become a major player in steel industry in Malaysia. The Group will also explore opportunities in the neighbouring countries. Steel products are manufactured in the Group's manufacturing facilities in East and West Malaysia. We are committed to continuous quality and process improvements to provide our customers with high quality steel products at reasonable price.

The Group also strives to meet customer's quality requirements in the mineral products sold by the Group.

As in the previous financial year, the operations and performance of the Group in FYE2021 continues to be affected by the 2019 Novel Coronavirus ("Covid-19") pandemic and the uncertainties in the global supply chain and demand for steel and mineral products as the world continues to struggle to contain the pandemic. The operations of the Group, especially mineral trading activities were also intermittently disrupted by various lockdown measures imposed by the Malaysian Government to fight the pandemic.

The Management will continue to monitor the situation and exercise caution in managing its operations in the coming financial year to protect the business interest and value of assets of the Group.

Financial Performance of the Group

Summary of the Group's financial performance for FYE2021 as compared to the financial year ended 31 December 2020 ("FYE2020") were as follows:

| | FYE2021 | FYE2020 | Increase |
|--|---------|---------|----------|
| Revenue (RM'000) | 231,681 | 217,860 | 13,821 |
| Gross profit ("GP") (RM'000) | 50,722 | 23,569 | 27,153 |
| Profit before taxation ("PBT") (RM'000) | 35,406 | 8,674 | 26,732 |
| Profit after taxation ("PAT") (RM'000) | 26,367 | 6,213 | 20,154 |
| Earnings before interest, taxes, depreciation and amortisation ("EBITDA") (RM'000) | 42,880 | 17,747 | 25,133 |

MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Financial Performance of the Group (Cont'd)

| | FYE2021 | FYE2020 | Increase |
|--|---------|---------|----------|
| Gross assets (RM'000) | 311,352 | 257,190 | 54,162 |
| Shareholders' equity (RM'000) | 185,891 | 161,960 | 23,931 |
| Total borrowings and lease liabilities (RM'000) | 87,965 | 64,531 | 23,434 |
| No. of shares in issue at year end, including treasury shares ('000) | 140,335 | 140,335 | - |
| Net assets per share (RM) | 1.32 | 1.15 | 0.17 |
| Earnings per share (Sen) | 20.29 | 4.77 | 15.52 |
| Debt/Equity ratio (times) | 0.47 | 0.40 | 0.07 |

For FYE2021 the Group achieved revenue of RM231.7 million, a 6.3% increase as compared to RM217.9 million in FYE2020. The increase is mainly due to increase in the Steel Segment offset by the decrease in Mineral Segment.

In the Steel Segment, the Group manufactures and trades steel pipes and tubes, hollow section, angle bar, flat bar, square bar, steel plates, u-channel and trolley track. In the Mineral Segment, the main product is the processing and export of steel-related mineral products such as manganese ore.

Revenue

Revenue contribution from Mineral Segment declined from 28.3% in FYE2020 to 17.3% in FYE2021. Revenue contribution from Steel Segment increased from 71.7% in FYE2020 to 82.7% in FYE2021.

Improvement in revenue from the Steel Segment is mainly attributable to the increase in selling prices of the products.

Revenue from Mineral Segment was negatively impacted by operation and logistics disruption due to movement control measures imposed by the Government.

PBT

The Group recorded PBT of RM35.4 million in FYE2021 as compared to a PBT of RM8.7 million in FYE2020. The improvement in PBT is attributable mainly to better profit margin recorded in the Steel Segment as a result of improvement in revenue. Mineral Segment registered a loss before taxation of RM4.3 million as compared to a PBT of RM2.3 million in FYE2020.

PAT

The Group recorded a PAT of RM26.4 million in FYE2021 as compared to a PAT of RM6.2 million in FYE2020. The improvement in PAT is attributable to higher PBT recorded during the year under review.

Gross Assets and Shareholders' Equity

Gross assets and shareholders' equity has increased by RM54.2 million and RM23.9 million respectively with the improvement mainly contributed by profit made during the year under review.

Borrowings

Total borrowings increased from RM64.2 million in FYE2020 to RM87.7 million in FYE2021. The increase in borrowings, especially trade borrowings is mainly attributable to higher inventory holding and receivable balance at 31 December 2021. The increase in both is mainly due to increase in unit cost of inventories and products sold.

As a results of increased borrowings, the debt/equity ratio has increased from 0.40 times in FYE2020 to 0.47 times in FYE2021.

Key Business Risks

The Group is exposed to a wide range of business risks. The management is aware of the key business risks faced by the Group and is constantly monitoring these risks whilst implementing risk mitigating strategies to manage these risks.



MANAGEMENT DISCUSSION AND ANALYSIS (CONT'D)

Key Business Risks (Cont'd)

Customer concentration risks

The revenue stream of the Group is diversified. The Group does not have any single largest customer who contributes more than 15% of sales in FYE2021.

Credit risks

It is the industry norm to sell our products on credit term. Usually credit terms of between 14 days to 90 days are granted to customers, subject to a credit evaluation process.

The management reviews the credit terms and limits granted to each customers annually and ageing reports are reviewed on a monthly basis to identify potential slow paying customers so that appropriate action can be taken to recover those debts.

A summary of debtors ageing is presented to the Board of Directors for review on quarterly basis.

Evaluation on expected credit loss are made at each financial year end to ensure adequate allowance has been made to account for potential doubtful debts. Please refer to Note 9 (g) on debtors ageing analysis and allowance made on doubtful debts.

Pricing risks

The Group's business is exposed to the volatility in commodity prices, especially steel price. The steel price is a function of international supply and demand of the commodity and is sometimes affected by geopolitical factors. In recent years, Covid-19 pandemic has also disrupted the global supply chain including the supply of steel products.

The Group constantly monitor the international steel price and its inventory position so as to mitigate the impact of adverse steel price movements.

Foreign currency risks

The Group's exposure to foreign currency risks arises from transactions originated in currencies other than its functional currency.

Revenue from the Mineral Segment is denominated in foreign currencies such as US Dollars ("USD") and Renminbi ("RMB"). The Group also imports some steel materials in USD.

The Group constantly monitors the movements in USD and RMB to minimize exposure to foreign currencies. When appropriate, the Group enters into foreign currency contracts to lock in the exchange rate for these currencies.

Liquidity and capital management risk

The Group maintains a healthy level of cash and cash equivalents and committed credit facilities from financial institutions to fund the Group's short-term and long-term obligations.

Long term assets will be financed using long term loans. Excess funds, if any, are placed in interest bearing assets.

Interest rate risks

The Group's interest rate risks arises mainly from bank borrowings and finance leases. The Group borrowed at both fixed and floating rates to achieve desired interest rate profile and to manage the exposure to interest rate risks.

Investment risks

The Group has committed to purchase an industrial land in Kapar, Selangor for RM30,666,240. The Group had paid deposit of RM15,333,120 to the vendor. The sales and purchase transaction has yet to be completed as at 31 December 2021.

The Group intends to develop the land for its own use and may consider selling or leasing part of the industrial land in the future. However, there is no guarantee that the investment will be able to generate the desired returns.

Prospect

The demand and supply of commodities and commodities related products (including steel) remain heavily influenced by various measures taken by governments to contain the Covid-19 pandemic and the resultant global supply chain disruptions. The Group anticipates that the supply, demand and the prices of steel and steel related products to remain volatile.

Nevertheless, the Management is committed to monitor closely the market trends and will take prudent measures to mitigate those risks.

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 88, was appointed to the Board of Directors of LSH as Non-Independent Non-Executive Chairman on 10 August 1995. He was re-designated as Independent Non-Executive Chairman on 24 March 2017. On 24 February 2022, he stepped down as Chairman of both Nominating Committee and Remuneration 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.

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 2021.

DATO' GOH CHENG HUAT

(Deputy Chairman/Executive Director)

DATO' GOH CHENG HUAT, aged 61, 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 three (3) out of four (4) Board meetings held during the financial year ended 31 December 2021.



DIRECTORS' PROFILE (CONT'D)

DATIN TAN PAK SAY (Managing Director)

DATIN TAN PAK SAY, aged 60, 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 on 25 May 2004. She was appointed as Executive Director on 21 February 2005 and subsequently as Managing Director on 29 April 2005.

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

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

She attended all four (4) Board meetings held during the financial year ended 31 December 2021.

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

MR. LIM LENG HAN, aged 61, Malaysian, was appointed to the Board of Directors of LSH on 25 July 1994. He is the Chairman of the Audit Committee and was appointed as Chairman of both the Remuneration Committee and Nominating Committee on 24 February 2022. He graduated in 1985 with a degree in Bachelor of Law (LLB) (Hon) from University of Malaya and was 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 36 years with extensive experience in 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 and Thang Hsiang Temple, Bayan Lepas.

He attended all four (4) Board meetings held during the financial year ended 31 December 2021.

DIRECTORS' PROFILE (CONT'D)

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

ENCIK MOHD. ARIF BIN MASTOL, aged 67, 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 Accountancy 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.

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 2021.

**DATUK ABDULLAH
BIN HAJI KUNTOM**
(Independent Non-Executive Director)

DATUK ABDULLAH BIN HAJI KUNTOM, aged 78, Malaysian, was appointed to the Board on 2 October 2003. He also sits on the Audit Committee and was appointed as a member of the Nominating Committee and Remuneration Committee on 24 February 2022. 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 2021.



DIRECTORS' PROFILE (CONT'D)

MS. GOH WAN JING (Executive Director)

MS. GOH WAN JING, aged 33, 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 2021.

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 other Directors has any other directorship in public companies and listed issuers.

ENCIK ABDULL SUKOR BIN ISMAIL (Independent Non-Executive Director)

ENCIK ABDULL SUKOR BIN ISMAIL, aged 61, Malaysian, is Independent Non-Executive Director at LSH. He was appointed to the Board on 24 February 2022.

Encik Abdull Sukor had more than 40 years of extensive professional experiences in the engineering field. Throughout his long career as a civil engineer, he was involved extensively in water and sewerage industries as well as quarrying, road and building maintenance and construction.

He started his career in 1982 as Technical Assistant with Jabatan Kerja Raya (JKR). From year 1995 to 1999, he was the Project Manager of Kuad Sdn. Bhd. (a subsidiary of United Engineers (M) Sdn. Bhd.) and responsible for the management and monitoring of all the road constructions and maintenance works under JKR Pulau Pinang as well as all the special projects such as mill and pave for PLUS and Penang Bridge Sdn. Bhd..

In 2000, he joined Puncak Niaga Holdings Berhad as Regional Manager for the Northern Region accountable for management of activities and projects in the Northern states. During his tenure of service, he held senior positions with increasing responsibilities and scope of work in SYABAS (Syarikat Bekalan Air Selangor Sdn. Bhd.), a subsidiary of Puncak Niaga.

In 2009, he joined Suruhanjaya Perkhidmatan Air Negara (SPAN) as Regional Director overseeing the operations and regulate all the three states (Johor, Melaka and Negeri Sembilan) water supply operators in the Southern Region. He was promoted as Senior Director in 2018 in charge of the Industry Development Division in Cyberjaya (head office) and retired in April 2021.

He graduated from Universiti Teknologi Malaysia with a Bachelor of Engineering (Civil) qualification in 1994.

KEY SENIOR MANAGEMENT'S PROFILE

MR. OOI TEIK HUAT

Chief Financial Officer cum Business Controller
52, Male
Malaysian

Date of Appointment
25 Nov 2021

Academic / Professional Qualification(s)
Member of MICPA and MIA

Working Experience

He worked in an international accounting firm for more than 8 years before joining a subsidiary of Can-One Berhad as Finance Manager in 1995. He was appointed as Executive Director of Can-One Berhad Group in 2005 and left the position to assume the role of Group Chief Financial Officer of Kian Joo Can Factory Berhad Group in July 2012 and left in June 2021.

MR. LEE ENG KEAT

Senior Manager in Business Development
54, Male
Malaysian

Date of Appointment
12 Oct 2015

Academic / Professional Qualification(s)
MBA, University of Portsmouth

Working Experience

Has more than (30) years' experience in production and marketing activities.

MR. TAN YEW TEONG

Senior Factory Manager
58, Male
Malaysian

Date of Appointment
01 Feb 1990

Academic / Professional Qualification(s)
Primary School

Working Experience

Has more than forty (40) years' experience in steel pipe manufacturing industry. He was promoted to his current position on 26 December 2009.

MR. TAN HONG KIAT

Deputy Branch Manager
39, Male
Malaysian

Date of Appointment
01 Dec 2008

Academic / Professional Qualification(s)
Executive Master in Industrial Engineering Technology
Bachelor (Hons) of Engineering (Mechanical - Manufacturing)
Member of IEM

Working Experience

Has more than (10) years' experience in steel pipes manufacturing industry. He was promoted to his current position on 16th November 2020.

MS. GOH LI LI

Senior Treasury & International Trade Manager
51, Female
Malaysian

Date of Appointment
01 July 1992

Academic / Professional Qualification(s)
LCCI

Working Experience

Has more than twenty (20) years' experience in finance and trade activities. She was promoted to her current position on 26 April 2011.

Notes:

- None of the Key Senior Management holds any other directorship in public companies.
- None of the Key Senior Management has been convicted of any offences, other than traffic offences, within the past 5 years.
- None of the Key Senior Management has family relationship with any director and/or major shareholder, other than Ms. Goh Li Li being a niece of Dato' Goh Cheng Huat.
- None of the Key Senior Management has public sanction or penalty imposed by the relevant regulatory bodies during the financial year.



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 fully committed to uphold good governance practices in line with the recommendations set out in the Malaysian Code on Corporate Governance ("Code") which was last revised in April 2021. Best practices of corporate governance are adhered to within the Group throughout financial year ended 31 December 2021 ("FYE2021") with the objectives of enabling the Group to achieve its long term financial objectives as the Board is mindful of its accountability to the shareholders and various stakeholders of the Group.

Detailed disclosure on how the Group has implemented each Practice as set out in the Code is reported in the Corporate Governance Report ("CG Report") in the format prescribed under paragraph 15.25 of Main Market Listing Requirements by Bursa Malaysia Securities Berhad ("Bursa Securities") ("MMLR"). The report can be assessed on the corporate website at www.leadersteel.my and website of Bursa Securities.

The Board is pleased to report on the Group's application of the 3 key principles of good governance under the Code during the financial year under review:

- A Board leadership and effectiveness
- B Effective audit and risk management
- C Integrity in corporate governance and meaningful relationship with stakeholders

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

1 Board of Directors

The Board of the Company comprises eight (8) members currently as follows:

| Directorate | Director |
|--|--|
| Chairman/Independent Non-Executive Director ("INED") | Tan Sri Dato' Mohd Desa bin Pachi |
| Deputy Chairman/ Executive Director ("ED") | Dato' Goh Cheng Huat |
| Managing Director ("MD") | Datin Tan Pak Say |
| ED | Ms. Goh Wan Jing |
| Senior INED | Mr. Lim Leng Han |
| INED | Encik Mohd Arif bin Mastol |
| INED | Datuk Abdullah bin Haji Kuntom |
| INED | Encik Abdull Sukor Bin Ismail (Appointed on 24.02.2022) |

Please refer to Directors' Profile in this Annual Report for brief background of each Director.

During FYE2021, four (4) Board meetings were held during which a wide variety of matters were deliberated by the Board. This included the Group's quarterly operations and financial results, major investments, risk management and other strategic issues. The attendance of Board members at these meetings are as follows:

| Director | Attendance |
|-----------------------------------|------------|
| Tan Sri Dato' Mohd Desa bin Pachi | 4/4 |
| Dato' Goh Cheng Huat | 3/4 |
| Datin Tan Pak Say | 4/4 |
| Ms. Goh Wan Jing | 4/4 |
| Mr. Lim Leng Han | 4/4 |
| Encik Mohd Arif bin Mastol | 4/4 |
| Datuk Abdullah bin Haji Kuntom | 4/4 |

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1 Board of Directors (Cont'd)

In the intervals between Board meetings, Board approvals were obtained via circular resolutions for matters which require Directors' urgent attention and approval.

The Directors acknowledged that professional development will equip them with the necessary knowledge to discharge their duties more effectively and to keep abreast of changes to the financial and regulatory landscapes on timely basis.

In compliance with Paragraph 15.08 of the MMLR, the Directors had attended the following seminar/webinar/conference/trainings in FYE2021:

| Director | Subject |
|-----------------------------------|---|
| Tan Sri Dato' Mohd Desa bin Pachi | <ol style="list-style-type: none"> 1. BDO Budget 2022 Highlights 2. Briefing on amendments to the MMLR in relation to public security holding spread requirements 3. Briefing on the Malaysian Code on Corporate Governance 2021 |
| Dato' Goh Cheng Huat | <ol style="list-style-type: none"> 1. Briefing on amendments to the MMLR in relation to public security holding spread requirements 2. Briefing on the Malaysian Code on Corporate Governance 2021 |
| Datin Tan Pak Say | <ol style="list-style-type: none"> 1. BDO Tax Budget Webinar 2021 – Competing in the New Normal 2. Briefing on amendments to the MMLR in relation to public security holding spread requirements 3. Briefing on the Malaysian Code on Corporate Governance 2021 |
| Ms. Goh Wan Jing | <ol style="list-style-type: none"> 1. Data Analytics in Business 2. Introduction to Analytics Modeling 3. Introduction to Computing for Data Analysis 4. Briefing on amendments to the MMLR in relation to public security holding spread requirements 5. Briefing on the Malaysian Code on Corporate Governance 2021 |
| Mr. Lim Leng Han | <ol style="list-style-type: none"> 1. BDO Tax Budget Webinar 2021 – Competing in the New Normal 2. Briefing on amendments to the MMLR in relation to public security holding spread requirements 3. Briefing on the Malaysian Code on Corporate Governance 2021 |
| Encik Mohd Arif bin Mastol | <ol style="list-style-type: none"> 1. Payment to Directors – what's allowed and what's disallowed 2. Pre & Post IPO Rules and Key Updates to Listing Requirements 3. Briefing on amendments to the MMLR in relation to public security holding spread requirements 4. Briefing on the Malaysian Code on Corporate Governance 2021 |
| Datuk Abdullah bin Haji Kuntom | <ol style="list-style-type: none"> 1. Briefing on amendments to the MMLR in relation to public security holding spread requirements 2. Briefing on the Malaysian Code on Corporate Governance 2021 |

1.1 Board responsibilities

The present Board comprises members with wide ranging skill sets and experience in different fields such as general management, public policy, production, sales and marketing, accounting and finance, legal, engineering and information technology.

The Board leads and controls the Group by providing strategic guidance to the management, effective oversight on governance and overseeing the Group's business affairs. Its principal responsibilities included the following:

- (i) Review and adopt strategic plan for the Group and to institute a regular and formal Board strategy review to ensure that the strategic plan support long term value creation and includes strategies on economic, environmental and social considerations underpinning sustainability of its business and Group operations;



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1 Board of Directors (Cont'd)

1.1 Board Responsibilities (Cont'd)

- (ii) Oversee the conduct of the Group's business, supervise and assess management's performance to evaluate whether the business is being properly managed and that the Group's performance is skewed towards achieving its strategy notwithstanding that some of the subsidiaries have separate Board of Directors;
- (iii) Review, challenge and decide on management's proposals for the Company and monitor its implementation by management;
- (iv) Anticipate changes in the market and ensuring that the Groups capabilities and resources are sufficient to manage uncertainties;
- (v) Identify principal risks and ensuring the implementation of appropriate internal controls and mitigation measures;
- (vi) Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing Board members and senior management;
- (vii) Develop and implement an investor relations programme or shareholder communications policy of the Group;
- (viii) Review the adequacy and the integrity of the Group's risk management, internal control systems and management information systems, including systems/reporting framework for compliance with applicable laws, regulations, rules, directives and guidelines;
- (ix) Determine the remuneration of Non-Executive Directors, with the individual concerned abstaining from discussions of their own remuneration;
- (x) Ensure that the Company's and the Group's financial statements are true and fair and conform with the laws; and
- (xi) Ensure that the Group adheres to high standards of ethics and corporate behaviour

There is a formalised schedule of matters that is reserved for the Board decision to ensure that the direction and control of the Group is firmly in its hands. This includes strategic issues and planning, material acquisition and disposal of assets, capital expenditure, authority levels, treasury policies, risk management policies, appointment of auditors and review of the financial statements, financing and borrowing activities, ensuring statutory compliance and reviewing the adequacy and integrity of internal controls.

In discharging the Boards responsibilities, the Board is assisted by the following Board committees:

I. Audit Committee ("AC")

The AC was established on 14 August 1995. Please refer to the Audit Committee Report in this Annual Report for details on the composition, terms of reference and activities of AC during FYE2021.

II. Nominating Committee ("NC")

The NC was formed on 26 August 2002. Please refer to Section 5 for details on the composition and activities of NC in FYE2021.

III. Remuneration Committee ("RC")

The RC was formed on 26 August 2002. Please refer to Section 7 for details on the composition and activities of RC in FYE2021.

Each of the board committee operate within its respective terms of reference which have been approved by the Board. These terms of reference are reviewed periodically by the Board to ensure that they remain relevant and adequate in governing the functions and responsibilities of the committee concerned and reflect the latest development in MMLR and the Code.

All decisions and deliberations at board committee level are properly minuted. The Chairman of the board committees reports to the Board on the outcome and recommendations made during the board committee meetings for further deliberation and approval.

1.2 Chairman of the Board

The Chairman of the Board is responsible for leading the Board and ensuring that all Directors receive on a timely manner, sufficient and relevant financial and non-financial information to enable them to participate actively in Board discussions.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1 Board of Directors (Cont'd)

1.2 Chairman of the Board (Cont'd)

The Chairman leads governance activities on the Board 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 take 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 MD/EDs 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

There is a clear and separate division of responsibility in the roles and duties of the Chairman and MD. The Board has always maintained that the position of the Chairman and MD shall not reside with the same person.

The current Board Chairman, Tan Sri Dato' Mohd Desa bin Pachi is an INED and is tasked with the responsibility on matters pertaining to the Board and overall conduct of the Board.

The current MD, Datin Tan Pak Say leads the management team together with two (2) Executive Directors. She is responsible for daily conduct of the Group's business affairs, implementation of corporate strategies and report operational performance of the Group to the Board on regular intervals.

1.4 Chairman shall not be a member of AC, NC and RC

During FYE2021, the Chairman of the Board was also the Chairman of the NC and RC. This represents a departure from Practice 1.4 of the Code. On 24 February 2022, Chairman of the Board stepped down as Chairman of both the NC and RC following a restructuring in the composition of the Board.

1.5 Qualified and Competent Company Secretaries

The Board is supported by Joint Company Secretaries who are competent, adequately qualified and experienced. The Joint Company Secretaries are responsible for ensuring that the conduct of affairs of Board is in accordance with the applicable rules and regulations. The Joint Company Secretaries advise the Board on any changes to regulatory requirements, listing rules and corporate governance matters as and when it arises.

All members of the Board have direct access to the advice and services of the Joint Company Secretaries for the purposes of the Boards affairs.

1.6 Access to Information and Advice

Prior to every Board meeting, each member of the Board is supplied on a timely basis, the agenda of the meeting and a comprehensive set of board papers consisting of supporting documents relating to matters to be discussed in the meeting. This includes, amongst others, quarterly and annual financial results of the Group, performance analysis, status of major project or material litigation (if any), corporate dealings and proposals, future projects to be undertaken by the Group, minutes of the previous Board meeting and minutes of the Board committee meetings.

The board papers are usually distributed to the members of the Board seven (7) days in advance before each meeting to allow them sufficient time to review, consider and deliberate knowledgeably on the matters to be tabled.

Members of the management team and external professional advisors appointed by the Company will also be invited to furnish their views to the Board should the need arise.

In between scheduled Board meetings, decisions on matters requiring Board approval are sought by way of circular resolution in writing, supported with all relevant information for the Board's to make informed decision. All circular resolutions approved by the Board are tabled for notation at the subsequent Board meeting.



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

1 Board of Directors (Cont'd)

1.6 Access to Information and Advice (Cont'd)

Where necessary, the Board may engage independent professional advice, where necessary and in appropriate circumstances, in furtherance of its duties at the Group's expense.

2 Demarcation of Responsibilities

2.1 Board Charter

The Board Charter sets out the roles, duties and responsibilities of the Chairman, MD, ED, Board and Board committees. The Board Charter also includes a schedule of matters to be reserved for collective decision of the Board. The Board Charter serves as a primary source of reference and primary induction literature, providing insight to prospective Board members and the senior management.

The Board Charter, a copy of which is available on the Company's website, is subject to periodic reviews and will be updated when deemed necessary.

3 Good Business Conduct and Corporate Culture

3.1 Code of Ethics and Conduct and Anti-Bribery and Anti-Corruption Policy

The Board had established the Code of Conduct and Code of Ethics for the Group. The Code of Conduct and Code of Ethics is subject to periodic review and is available on the Company's website. These codes provide guidance to directors and employees to ensure that they uphold high ethical standard in discharging their duties.

The Board has also adopted an Anti-Bribery and Anti-Corruption Policy in line with the provisions of the Malaysian Anti-Corruption Commission Act 2009 including its statutory modification, amendment or re-enactment thereof for the time being in force. The policy provides guidance to the Directors, employees and business associates of the Group as to specific act of bribery and corruptions including matters relating to proper reporting of such act. A copy of this policy is available on the Company's website.

3.2 Whistleblowing Policy

On 24 February 2022, the company adopted a Whistleblowing Policy, with the objective of providing an avenue for all employees of the Group, suppliers, customers or members of public to disclose any improper conduct, malpractices, irregularities or wrongdoings in the Group and to provide protection to the persons who reported such matters of concern. All malpractices or wrongdoings reported by the whistleblower are to be directed to the MD of the Company. A copy of the policy is available on the Company's website at www.leadersteel.my.

Prior to the adoption of the policy, the Group relied on the provisions of the Whistleblowers Protection Act which came into effect in 2010.

4 Sustainable Practice

4.1 Material Sustainability Matters

The Board recognises that sustainable development is an important and integral part of the Group's pursuit of its long-term business success. The Board is responsible for the development of the Group's sustainability strategies. The risk management committee comprises mainly of the senior management have been entrusted to drive strategic management of material sustainability matters.

On 24 February 2022, the Board appointed the Chief Financial Officer to drive strategic management of material sustainability matters.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

4 Sustainable Practice (Cont'd)

4.2 Sustainability Strategies

The management has set sustainability targets and communicated with the key stakeholders. Implementation strategies are developed and measured continuously.

The Board is cognisant of the material sustainability matters and would schedule an agenda item to discuss key sustainability matters at least once a year going forward.

4.3 Periodic Updates

The Boards are appraised, and they provide their views and opinions on any of the Group's sustainability issues during the Board meetings.

4.4 Performance Evaluation

The Board recognises the importance of sustainability in all its business operation and would include sustainability as one of the criteria in the performance evaluations of all employees including its board members.

Please refer to the Sustainability Statement which outlined sustainability activities undertaken by the Group.

4.5 Sustainability strategically

On 24 February 2022, the CFO was appointed as the designated person on sustainability.

5 Board Composition

The Board is assisted by the NC whose primary roles are to assist the Board to ensure that the Board has the right composition and only individuals with sufficient calibre, knowledge and experience, integrity and reputation, competence and with the capacity to serve are appointed as Director and/or senior management of the Group. The NC also performs annual assessment on the performance of the Board, board committees and senior management of the Group.

The terms of reference of NC, formed on 26 August 2002 is available on the Company's website.

The current composition NC, comprises solely of INEDs is as follows:

| | |
|----------|--------------------------------|
| Chairman | Mr. Lim Leng Han |
| Members | Encik Mohd Arif bin Mastol |
| | Datuk Abdullah Bin Haji Kuntom |

In FYE2021, the NC convened two (2) meetings and full attendance of the then members was recorded in all the meetings. Summary of the key activities undertaken by the NC during FYE2021 is as follows:

- Reviewed the composition, size and structure of the Board
- Reviewed the required mix of skills and diversity of experience and other qualities, including core competency of members of the Board
- Assessed the effectiveness of the Board as a whole, the various board committees and contribution of each director
- Assessed the character, experience, integrity and competency of each director
- Assessed the training needs of Directors
- Reviewed the level of independence of INEDs
- Reviewed the terms of office and performance of AC and its members
- Assessed Directors due for retirement by rotation and put forward their recommendation for re-election



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

5 Board Composition (Cont'd)

- (i) Reviewed and recommend the INED who exceeded a consecutive or cumulative term of 12 years to be retained as INED for the ensuing year
- (j) Reviewed the content of annual report pertaining to NC activities
- (k) Deliberated on candidacy of Chief Financial Officer cum Business Controller
- (l) Deliberated on the skillset and expertise required for suitable candidates for directorship

5.1 Review of Board Composition

The NC reviews the composition of the Board annually to ensure that the Board is of the right size, with the right mix of skills and diversity of experience.

The NC also evaluates the performance of each director on an annual basis. Recommendation for annual re-election of director is made upon satisfactory evaluation of the director's performance and contribution to the Board.

5.2 Independent Directors

The Board comprises a majority of Independent Non-Executive Directors, which represents approximately 57% of the Board in 2021.

The Board is also in compliance with chapter 15.02 of the MMLR, which requires at least two (2) directors or one-third (1/3) of the Board of the Company, whichever is the higher, to be independent directors.

5.3 Tenure of Independent Director

The Code recommends that the tenure of an INED does not exceed a cumulative or term of nine (9) years. Upon completion of the nine (9) years, an independent director may continue to serve on the Board as a Non-Independent Director.

The Code further states that if the Board intends to retain an independent director beyond nine years, it should provide justification and seek annual shareholders' approval through a two-tier voting process.

As at 31 December 2021, 2 out of 4 INEDs of the Group has exceeded the prescribed nine (9) years cumulative term.

The Board intends to retain the services of Mr. Lim Leng Han and Encik Mohd. Arif bin Mastol who have served the Board as INEDs since their respective appointment as INED on 25 July 1994 and 28 June 2002 and will seek shareholders' approval at the coming annual general meeting.

The NC had evaluated the performance of the directors concerned individually especially with regards to their ability to remain independent in line with the definition of independent director in MMLR. The NC is satisfied with their ability to continue to act as INED and to act in the best interest of the Company and the Group.

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 have always been able to bring elements 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.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

5 Board Composition (Cont'd)

5.3 Tenure of Independent Director (Cont'd)

- (e) They understand the business and operations of the Group as they have been with the Company for some time. Therefore, they are able to participate effectively during meetings.

Their continuation to serve as INED will ensure that the Group will not suffer from a sudden loss of skilled and experienced directors and enable the Group to have adequate time to identify new candidates to serve as future INED.

5.4 Limit of Tenure for INED

The Group has not adopted a policy which limit the tenure of independent directors to nine years without further extension.

5.5 Diversity of Board and Senior Management

The Board is supportive of diversity on the Board and in senior management team. Apart from their capacity to serve the Board effectively, appointment of Board and senior management personnel are based on objective criteria, merit and with due regard for diversity in skills, experience, age and cultural background and gender.

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, legal, commercial, engineering, finance and accounting, corporate affairs, manufacturing, information technology as well as sales and marketing.

The terms of reference of NC was updated on 24 February 2022 to ensure that any recommendation to appoint person linked to executive power or active politicians would be avoided.

The diversity of the Board and senior management is reviewed annually by NC.

5.6 Sources to Identify Candidate for Directorship

The Board relies on a few sources to identify candidate for directorship, including recommendation from Directors. The terms of reference of the NC were updated on 24 February 2022 to allow NC to utilise independent sources to identify suitably qualified candidates, if such needs arise.

Before recommending candidate for directorship, NC will perform independent background check on the candidate using information from independent sources.

There was no appointment of Director during the year under review.

5.7 Directors' Information

The Directors' profiles are published in the Annual Report. Information contained therein included age, gender, tenure of service, directorship in other companies, working experience and any conflict of interest as well as shareholding in LSH.

To ensure shareholders have the information they require to make an informed decision on the appointment and reappointment of a director, a brief Directors' profiles concerned together with statement from the Board (on whether it support the appointment or reappointment) will be included in the agenda of meeting when such appointment or reappointment is considered.

5.8 Chairman of NC

In FYE2021, Tan Sri Dato' Mohd Desa bin Pachi who is the Chairman of the Board and INED, is the Chairman of NC. He relinquished his position as the Chairman of NC subsequent to FYE2021.

Mr. Lim Leng Han, the Senior INED assumed the chairmanship of NC on 24 February 2022.



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

5 Board Composition (Cont'd)

5.9 Female Board Representation

The presence of two (2) female executive Board members on the Board in FYE2021 reflected a 29% female representation and testified to the Group's commitment on gender diversity in the Board.

5.10 Gender Diversity

The Board is supportive of gender diversity in the Board and in its senior management team. Within its rank of senior management, the Group has 51.8% female representation. Presently, the Board is of the view that there is no necessity for a gender diversity policy.

6 Board Effectiveness

6.1 Effectiveness of the Board and Individual Directors

NC carries out annual evaluation on the Board, board committees and directors to assess the effectiveness of the Board.

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. In the event any gap is noted, the NC will recommend remedial action 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 contribution and performance, calibre and personality, skills set and independence.

The results on the assessment in respect of FY2021 was deemed satisfactory by the NC and Board.

7 Level and Composition of Remuneration

7.1 Remuneration Policy

Directors' Remuneration Policy for Directors and Key Senior Management is available on the Company's website. The policy is subject to regular review.

The objective of the policy is to determine the level of remuneration package of Executive Directors and Group Chief Financial Officer. The component of their remuneration package is linked to the scope of duties and responsibilities, taking into accounts their skills and experience, and the performance of the Group. The Executive Directors played no parts in deciding their own remuneration and would abstain from all discussions relating to their remuneration.

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.

7.2 RC

The term of reference of RC, formed on 26 August 2002 together with the Directors' Remuneration Policy is available on the Company's website.

The RC is empowered by the Board and its terms of reference to review and recommend matters pertaining to the remuneration of the Board and senior management.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

7 Level and Composition of Remuneration (Cont'd)

7.2 RC (Cont'd)

The current composition RC, comprises solely of INEDs is as follows:

| | |
|----------|--------------------------------|
| Chairman | Mr. Lim Leng Han |
| Members | Encik Mohd Arif bin Mastol |
| | Datuk Abdullah Bin Haji Kuntom |

In FYE2021, the RC convened one (1) meeting and full attendance of the members was recorded in the meetings. At its sole meeting, RC approved bonus payment, annual increment and reinstatement of salaries to the executive team as well as service fees for the Chairman and members of the AC.

8 Remuneration of Directors and Senior Management

8.1 Details of Directors' Remuneration

Remuneration package of EDs and senior management comprises salary, bonus, statutory contributions, directors' fee and benefits-in-kind. For INEDs they are entitled to annual directors' fee, allowances and meeting allowances.

The remuneration paid and/or payable to the Directors in respect of FY2021 are categorised as follows:

| Directors | Received or receivable from the Company | | Received or receivable from the Subsidiaries | | | Total RM |
|--------------------------------------|--|-------------------------------|---|------------------|---|------------------|
| | Fees ¹ RM | Allowances ² RM | Salaries ³ RM | Allowances RM | Benefits- in-kind ⁴ RM | |
| Tan Sri Dato' Mohd Desa bin Pachi | 30,000 | 4,000 | - | 46,000 | - | 80,000 |
| Mr. Lim Leng Han | 36,000 | 6,000 | - | - | - | 42,000 |
| Encik Mohd Arif bin Mastol | 33,000 | 6,000 | - | - | - | 39,000 |
| Datuk Abdullah bin Haji Kuntom | 33,000 | 4,500 | - | - | - | 37,500 |
| Datin Tan Pak Say | 30,000 | 2,500 | 1,573,744 | - | 13,325 | 1,619,569 |
| Dato' Goh Cheng Huat | 30,000 | 1,500 | - | - | - | 31,500 |
| Ms. Goh Wan Jing | 30,000 | 2,500 | 395,721 | - | - | 428,221 |
| Grand total | 222,000 | 27,000 | 1,969,465 | 46,000 | 13,325 | 2,277,790 |

Notes:

- ¹ Director fees included AC service fees
- ² Allowances included meeting allowances
- ³ Bonus, EPF, SOCSO and EIS are included herein
- ⁴ Benefits-in-kind comprises provision of company owned motor vehicles

8.2 Top Five (5) Senior Management's Remuneration

Remuneration package of senior management comprises salary, bonus, statutory contributions and benefits-in-kind which commensurate with the scope of work, their performance, and level of skills and experience.

The Board has chosen not to disclose the remuneration of the top 5 senior management personnel (who are not director of the Company) on a named basis as the Board considered the information of the remuneration of these personnel to be sensitive and proprietary.



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS (CONT'D)

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

8.2 Top Five (5) Senior Management's Remuneration (Cont'd)

However, the Board has chosen to disclose the remuneration of the top 5 senior management personnel in bands instead of named basis. The Board is of the view that this will fulfil the transparency and accountability aspects of corporate governance applicable to senior management:

| Remuneration range | No. of senior management staff |
|--------------------------------|--------------------------------|
| Below RM200,000 | - |
| Between RM200,001 to RM250,000 | 3 |
| Between RM250,001 to RM300,000 | - |
| Between RM300,001 to RM350,000 | - |
| Between RM350,001 to RM400,000 | 1 |
| Between RM400,001 to RM450,000 | - |
| Between RM450,001 to RM500,000 | 1 |

8.3 Detailed Remuneration of Top Five (5) Senior Management

The Board takes the view that there is no necessity for the Group to disclose the detailed remuneration package of senior management on a named basis, given the competitive human resource environment, as such disclosure may give rise to talent retention issues.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

9 AC

9.1 Chairman of the AC

Chairman of the AC is not the Chairman of the Board.

The AC of the Company is chaired by Mr. Lim Leng Han, Senior INED. The Chairman of the Board was never a member 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.

9.2 Appointment of Former Key Audit Partner to AC

There is no former audit partner in the AC of the Group.

The updated terms of reference of the Group's AC requires that in the event the Board wishes to appoint former key audit partners to the AC, the candidate shall observe a cooling-off period of at least 3 years.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

9.3 External Auditor

BDO PLT is the external auditors of the Group. They were invited to present to AC their audit plans before they commence the audit of the Group and upon completion, their audit results and matters requiring AC's attention, if any.

The AC evaluates annually the suitability, objectivity and independence of external auditors in order to safeguard the quality and reliability of the Group's audited financial statements.

The evaluation process covers the assessment of inter-alia the external auditors' independence, performance, competency, quality of work, level of service, audit fees and the adequacy of resources.

The AC met with the external auditors at least twice (2) a year without the presence of EDs or senior management to allow the AC and the external auditors to exchange independent views on matters which require the AC's attention.

9.4 Composition of the AC

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

9.5 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.

The Board, via the NC has reviewed the effectiveness and the composition of the AC and is satisfied with the members competency and the AC's effectiveness.

10 Risk Management and Internal Control Framework

10.1 Establishment of Effective Risk Management and Internal Control Framework

The Board of Directors recognises the importance of a sound risk management framework and internal controls system in order to safeguard the Group's assets and therefore, shareholders' investment in the Group.

There is an ongoing process for identifying, evaluating and managing significant risks faced by the Group. The Board confirms its overall responsibility for the Group's system of internal controls to manage these risks. The Board constantly reviews the adequacy and integrity of financial, operational and compliance controls.

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.

10.2 Features of Risk Management and Internal Control Framework

The Board has established a Risk Management Committee ("RMC"), within its management team. The function of the RMC is to identify key business risks, formulate risk management strategy and put in place a sound internal control system to manage each key risks.

When required, external professionals are engaged to assist the RMC to identify key business risks and to formulate risk management strategy.

Internal auditors are engaged to review the effectiveness of internal control framework and process. They will report their findings to the AC regularly.



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT (CONT'D)

10 Risk Management and Internal Control Framework (Cont'd)

10.3 Establishment of a RMC Comprises a Majority of Independent Director

The Group has not complied with this step-up practice as the current RMC comprises wholly of management personnel. The Group will review the composition of RMC in the future.

11 Effective Governance, Risk Management and Internal Control

11.1 Internal Audit Function

The Group outsourced the internal audit functions to an external professional firm.

The internal auditors report directly to AC who will evaluate the competency, independence and quality of the internal auditors annually.

The internal auditors present the annual audit plan to the AC and reports the findings of their internal audit activities to the AC upon completion of their assignment.

11.2 Disclosure on the Internal Audit Function

The internal auditors are required to declare their independence to the AC. The AC has also received assurance from the internal auditors that they have adopted internal audit standards and best practices based on the International Professional Practices Framework (IPPF), endorsed by the Institute of Internal Auditors Malaysia.

The external service provider is Finfield Corporate Services Sdn Bhd and RM16,000 was incurred for internal audit services for FYE2021.

PRINCIPLE C: INTEGRITY IN CORPORATE GOVERNANCE AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS

12 Stakeholders Engagement

12.1 Communication with Stakeholders

The Group recognises the importance of effective and timely communication with the shareholders and investors, and to keep them of the Group's latest financial performance and material corporate development in the Group. Such information is available to the shareholders and investors via the Company's website at www.leadersteel.my, Annual Reports, circular to shareholders, general announcements and quarterly reports of the Group which are announced on Bursa Securities' website.

The Group also used Annual General Meetings ("AGM") and Extraordinary General Meetings, if any, as a platform to have effective dialogs with the shareholders. Question and answer sessions will be held at these meetings wherein the Directors, senior management, Joint Company Secretaries and External Auditors will be available to answer any concerns or queries raised by the shareholders.

Annual Reports, announcements, Circular to Shareholders, Notice of AGM or other AGM related documents will be available on the Company's website.

12.2 Integrated Reporting

Integrated reporting is not applicable to the Group presently.

CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

PRINCIPLE C: INTEGRITY IN CORPORATE GOVERNANCE AND MEANINGFUL RELATIONSHIP WITH STAKEHOLDERS (CONT'D)

13 Shareholders' Participation at General Meetings

13.1 Notice for AGM

Notice for the previous AGM was sent on 28 April 2021 was sent in compliance with the provision of the Companies Act 2016 to facilitate the convening of the AGM at the earliest possible time.

Notice for AGM will be announced and given to shareholders at least 28 days prior to the AGM. The Notice is also published in at least a major local newspaper. The Notice will be accompanied by the relevant supporting information and explanation of resolutions to be proposed in the AGM.

13.2 Directors' Attendance

All Directors attended the previous AGM held on 20 May 2021 with the exception of Dato' Goh Cheng Huat who was absent due to illness.

The chair of AC, NC and RC attended the AGM to provide meaningful response to any questions posted to them.

13.3 Leveraging on Technology

The previous AGM dated 20 May 2021 was held virtually using remote participation and voting facilities. This allowed shareholders to participate and vote during the AGM without having to physically present at the meeting venue.

The Company will consider to hold AGM on a virtual basis in the future and allow shareholders to actively participate and vote in absentia in the future AGMs.

13.4 Shareholders Engagement

All Directors and senior management, Joint Company Secretaries and external auditors were present during AGM to engage with shareholders (physically and virtually) to address any areas of interest or concerned brought up by the shareholders.

Shareholders are provided with avenue to post their queries to the Company whether virtually or physically.

13.5 Infrastructure for Virtual AGM

The system used to handle virtual AGM was tested prior to the AGM and it could support interactions between the Board and senior management team with the shareholders. Questions raised by shareholders could be posted on the meeting platform or read out by the host of the meeting before the Board is invited to respond to the questions. No questions were posed at the AGM held in May 2021.

13.6 Minutes of General Meeting

Minutes and/or recordings of the AGM proceedings are posted on the Company's website within 30 days from the AGM.



CORPORATE GOVERNANCE OVERVIEW STATEMENT (CONT'D)

COMPLIANCE WITH THE CODE

The Board considers that the Group has complied in all material aspects with the provisions set out in the Code throughout FYE2021 except as disclosed herein.

Saved for the exceptions disclosed above, the Board is satisfied that this Corporate Governance Overview Statement provides the information necessary to enable shareholders to evaluate how the Code has been applied by the Group throughout FYE2021.

This Corporate Governance Overview Statement was approved on 18 April 2022.

ADDITIONAL INFORMATION

1. Non-audit Fees

Non-audit fees amounting to RM46,500 were paid to the external auditors for the financial year ended 31 December 2021.

2. Material Contracts

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

3. Recurrent Related Party Transactions of a Revenue or Trading Nature for the Year Ended 31 December 2021

Details of recurrent related party transactions made during the financial year ended 31 December 2021 pursuant to the shareholders' mandate obtained by the Company at the Annual General Meeting held on 20 May 2021 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. | 1 | Purchase of steel products | |
| | Eonmetall Technology Sdn. Bhd. | 131 | Sale of steel products | Interested Director and Major Shareholder Dato' Goh Cheng Huat |
| Leader Steel Service Centre Sdn. Bhd. ("LSSC") | Eonmetall Industries Sdn. Bhd. | 1,602 | Sale, purchase and servicing of steel products | Datin Tan Pak Say |
| | Eonmetall Technology Sdn. Bhd. | 319 | Sale of property, plant and equipment | Interested Major Shareholder Bischart Sdn. Bhd. |
| | | 390 | Purchase of purchase of property, plant and equipment | |
| | | 353 | Sale of steel products | |
| | Eonmetall Systems Sdn. Bhd. | 10 | Sale of steel products | |



AUDIT COMMITTEE REPORT

Composition & Meeting

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

The composition AC, comprises solely of INEDs is as follows:

| | |
|----------|--------------------------------|
| Chairman | Mr. Lim Leng Han |
| Members | Encik Mohd Arif bin Mastol |
| | Datuk Abdullah bin Haji Kuntom |

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.

Summary of Activities

The members of the AC and their attendance at the four (4) meetings held during the financial year under review are as tabulated :

| Director(s) | Attendance |
|--------------------------------|------------|
| Mr. Lim Leng Han | 4/4 |
| Encik Mohd Arif bin Mastol | 4/4 |
| Datuk Abdullah bin Haji Kuntom | 4/4 |

Summary of the key activities undertaken by the AC during FYE2021 is as follows:

- (a) Reviewed and recommended the unaudited quarterly financial statement for the Group for FYE2021 to the Board for its deliberation and approval;
- (b) Reviewed and recommended the audited financial statements of the Group and of the Company for FYE2021 to the Board for its deliberation and approval;
- (c) Ensured the unaudited quarterly financial statements and annual financial statements were drawn up in compliance with the relevant International Financial Reporting Standards, Malaysian Financial Reporting Standards, provisions of the Companies Act, 2016 and Main Market Listing Requirements;
- (d) Reviewed and recommended the Management Discussions and Analysis, Corporate Governance Overview Statement, Internal Audit Report, Statement on Risk Management and Internal Control to the Board for its deliberation and approval;
- (e) Reviewed with the external auditors the results of external audit for FYE2021, the audit report and management letters;
- (f) Reviewed with the external auditors the scope of work and their audit plan in respect of their audit for FYE2021;
- (g) Held two (2) private sessions with the external auditors without the presence of management;
- (h) Assessed the independence, evaluate the competency and quality of service of external auditors and recommended the Board their reappointment;
- (i) Reviewed and report to the Board recurrent related party transactions of a revenue or trading nature entered into by the Company and the Group, and the draft circular to seek shareholders' mandate in respect thereof;
- (j) Reviewed with the internal auditors their scope of work and audit plan for FYE2021;
- (k) Reviewed internal audit report (including follow-up audits) presented by the internal auditors, deliberated on issues raised and reviewed the response by the management. Thereafter reported the same to the Board;
- (l) Assessed the independence and evaluated competency of internal auditors; and
- (m) Reviewed risk management report, deliberated on key risks affecting the Group and reported the same to the Board.

AUDIT COMMITTEE REPORT (CONT'D)

Internal Audit Function

The Group outsourced its internal audit functions to an external professional firm to carry out internal audit services for the Group. The principal responsibilities of the internal auditors are to undertake regular and systematic review of the systems of internal controls to provide reasonable assurance that such systems continue to operate effectively and efficiently.

The internal auditors have adopted internal audit standards and best practices based on the International Professional Practices Framework (IPPF), endorsed by the Institute of Internal Auditors Malaysia in their approach.

During FYE2021, the internal auditors carried out the following activities:

- (a) Follow-up audit for matters raised in the previous financial year including inventories and debtors;
- (b) Presented risk-based audit plan for FYE2021;
- (c) Review the system of internal controls on payroll management and mineral trading; and
- (d) Review recurrent related party transactions.

Total costs incurred for the internal audit function for FYE2021 were RM16,000.

The Board has reviewed, deliberated and approved this Audit Committee Report for inclusion in the Annual Report for 2021 on 18 April 2022.



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors ("Board") of Leader Steel Holdings Berhad ("LSH" or "the Company") is responsible for maintaining a sound system of internal control in the Company and its subsidiaries (collectively "the Group"). The Board is pleased to present the following Statement on Risk Management and Internal Control pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). This statement outlines the nature and scope of risk management and internal control systems of the Group during the year ended 31 December 2021.

(A) BOARD RESPONSIBILITY

The Board acknowledges its responsibility for the adequacy and effectiveness of the Group's risk management and internal control system in order to achieve its business objectives.

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 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.

(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;

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

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

- 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 an independent professional firm, which reports to the Audit Committee on matters pertaining to 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 FYE2021, the internal audit function carried out the following activities:

- Presented the internal audit plan to the Audit Committee;
- Carried out the following internal audit reviews:
 - Review the system of internal controls on
 - * Payroll management
 - * Mineral trading
 - Review recurrent related party transactions
- Performed follow up review on the implementation of recommendations of previous internal audits; and
- Presented the internal audit reports to the Audit Committee.

The total costs incurred in FYE2021 to maintain the internal audit function were approximately RM16,000.

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

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

- Matters concerning strategies and operations of the Group were presented by the senior management and deliberated them during Board meetings and where relevant, before approving them;
- Quarterly and annual financial reports were deliberated before being announced;
- The Board, through the Audit Committee, reviewed the internal audit reports presented by the internal auditors;
- The Board, through the Audit Committee reviewed with the external auditors the results for the audit for FYE2021; and



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

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

- Management has implemented the Anti-Bribery and Anti-Corruption Policy with the objective of compliance with the Section 17A under the Malaysian Anti-Corruption Commission ("MACC") Act 2009 (Amendment 2018) effective from 1 June 2020 onwards. The Group will continue to adopt the Guideline on Adequate Procedures (GAP) and comply with the listing requirements in relation to Anti-Corruption measures.

(F) CONCLUSION

The Board has received assurance from the Chief Financial Officer cum Business Controller 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 2021 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.

The Board has reviewed, deliberated and approved this Statement on Risk Management and Internal Control for inclusion in the Annual Report for 2021 on 18 April 2022.

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 Company and its subsidiaries ("the Group") in respect of financial year ended 31 December 2021 ("FYE2021"), 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 2022, 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"> Participate 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 |

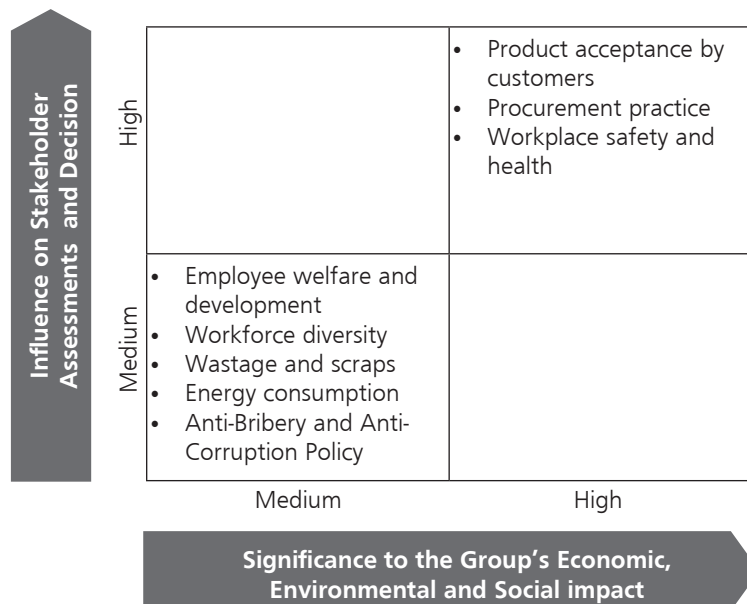
SUSTAINABILITY STATEMENT (CONT'D)

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 one 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) Product Acceptance and Customer Satisfaction

LSH steel products are made to national and international standards and safe to be used in its intended applications. 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 FY2021. Consistency in delivering high and acceptable quality products ensure that our steel products are safe for their intended use, minimising wastages.



SUSTAINABILITY STATEMENT (CONT'D)

D. MATERIAL SUSTAINABILITY MATTERS (CONT'D)

Economic (Cont'd)

(1) Product Acceptance and Customer Satisfaction (Cont'd)

Customer survey is carried out on a yearly basis to assess customer satisfaction. In the FY2021, 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.

(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 recognizes 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 adopted by the Group continues to provide 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.

The Whistleblowing Policy provides the avenue to report any unethical business practice.

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 FY2021, 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. The machineries are periodically serviced and replaced with newer and more efficient models to avoid energy wastage and increase energy efficiency.

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

- Employees are encouraged to switch off office 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

SUSTAINABILITY STATEMENT (CONT'D)

D. MATERIAL SUSTAINABILITY MATTERS (CONT'D)

Environmental (Cont'd)

(2) Energy Consumption (Cont'd)

- 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.

(3) Going Green

At our corporate offices, 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 FY2021, 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:

- Appointing a qualified 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.
- 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.



SUSTAINABILITY STATEMENT (CONT'D)

D. MATERIAL SUSTAINABILITY MATTERS (CONT'D)

Social (Cont'd)

(1) Employees (Cont'd)

i. Safety at Workplace (Cont'd)

(c) Providing adequate training to employees. The safety and health related trainings attended by employees in FY2021 include:

- Updates on Occupational Safety & Health (Noise Regulation) 2019 & ICOP 2019 and Environmental Noise
- Bengkel Kawalan Hazard Kesihatan di Sektor Pembuatan Besi Anjuran Bahagian Higien Industri & Ergonomik (BHIE)
- Akta 446 - Akta Standard Minimum Perumahan dan Kemudahan Pekerja 1990
- Basic First Aid & CPR Training

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 2021 is as follows:

| | Female | Male | Total |
|------------------------------------|--------|------|-------|
| Management and executive positions | 52% | 48% | 100% |
| Other positions | 7% | 93% | 100% |

iii. Training and Learning

We believe in the training of our employees and we equip them with the relevant skills to develop their potential. 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
- Market and Economic Outlook
- Waste Management

We continue to assess specific training needs for all employees and improve the training programme for FY2022.

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 FY2021 due to the Covid-19 outbreak.

SUSTAINABILITY STATEMENT (CONT'D)

D. MATERIAL SUSTAINABILITY MATTERS (CONT'D)

Social (Cont'd)

(1) Employees (Cont'd)

v. COVID-19 Health and Safety Measures

During the year, the Ministry of Health of Malaysia ("MOH") in its continuing effort to contain the spread of the Covid-19 pandemic had enforced various Standard Operating Procedures ("SOPs"). The Group adopted Covid-19 preventive measures in order to a safeguard employees' health.

The SOPs are as below:

- Temperature monitoring system with facial recognition at work premises (removal of thermal scanning from mandatory SOPs, starting 11th February 2022);
- Contact tracing for employees and visitors;
- Mandatory requirement to wear a face mask in all areas;
- Equipped and replenished appropriate Personal Protective Equipment ("PPE") for workers;
- Safe distancing measures;
- Regular disinfection of common places and equipment;
- Placement of hand sanitisers across the Group's office and business premises;
- Mandatory routine rostered testing of Covid-19 self-test performed; and
- Adopt work-from-home working arrangement, etc.

In July 2021, we participated in the Public-Private Partnership COVID-19 Industry Immunisation Programme ("PIKAS") to provide vaccination to all employees. Leader Steel was one of the earliest Company successfully launch a full vaccinated programme. This was our accomplishment towards the country to achieve herd immunity. We will closely follow the recommended safety measures from the authorities to promptly update its procedures as necessary.

(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 has always believed that the way to build a great and enduring company is to strike a balance between profitability and fulfilling its social responsibilities. Over the years, we have been actively supporting education locally and in remote areas where we operate through cash and in-kind donations. During the pandemic, the Group donated to numerous community organisations including Kuching Life Care Society, The Salvation Army Malaysia, Tabung Kebajikan dan Pendidikan Yayasan Taiwan Buddhist Tzu-Chi Malaysia, bomba station, police station, orphan centre, hospitals, and various charitable organisations.

(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 2021.

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 | <u>26,366,799</u> | <u>12,572,022</u> |
| Attributable to: | | |
| Owners of the parent | 26,400,734 | 12,572,022 |
| Non-controlling interests | <u>(33,935)</u> | <u>0</u> |
| | <u>26,366,799</u> | <u>12,572,022</u> |

DIVIDEND

Dividends paid, declared or proposed by the Company since the end of the previous financial year were as follows:

| | RM |
|---|------------------|
| In respect of the financial year ended 31 December 2020: | |
| First single-tier interim dividend of RM0.015 per ordinary share, paid on 11 May 2021 | <u>2,017,988</u> |

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

RESERVES AND PROVISIONS

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

ISSUE OF SHARES AND DEBENTURES

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

OPTIONS GRANTED OVER UNISSUED SHARES

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



DIRECTORS' 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*
 Lim Leng Han
 Mohd. Arif bin Mastol
 Datuk Abdullah bin Haji Kuntom
 Goh Wan Jing*
 Abdull Sukor bin Ismail (Appointed on 24 February 2022)

* 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 2021 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 | | | Balance as at |
| | 1.1.2021 | Bought | Sold | 31.12.2021 |

Shares in the Company

Direct interests:

| | | | | |
|----------------------|------------|---|---|------------|
| Dato' Goh Cheng Huat | 11,877,894 | 0 | 0 | 11,877,894 |
| Datin Tan Pak Say | 1,375,006 | 0 | 0 | 1,375,006 |
| Lim Leng Han | 18,000 | 0 | 0 | 18,000 |

Indirect interests:

| | | | | |
|-----------------------|------------|---|---|------------|
| Dato' Goh Cheng Huat# | 56,622,974 | 0 | 0 | 56,622,974 |
| Datin Tan Pak Say^ | 67,125,862 | 0 | 0 | 67,125,862 |

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

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

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.

DIRECTORS' REPORT (CONT'D)

DIRECTORS' INTERESTS (CONT'D)

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

DIRECTORS' BENEFITS

Since the end of the previous financial year, none of the Directors have received or become entitled to receive any benefit (other than those benefits included in the aggregate amount of remuneration received or due and receivable by the Directors) 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.

The details of the above transactions are disclosed in Note 25 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 20 May 2021, renewed the approval for the Company to repurchase its own shares.

During the financial year, the Company repurchased 800,000 of its issued ordinary shares from the open market at an average price of RM0.564 per share. The total consideration paid for the repurchased shares was RM451,409. 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 2021, 5,802,400 out of the total 140,334,960 issued and fully paid ordinary shares are held as treasury shares by the Company. These treasury shares are held at a carrying amount of RM2,209,815. Further 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 DIRECTORS, 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 RM18,000 respectively.

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



DIRECTORS' REPORT (CONT'D)

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 except for the effect arising from:
 - (i) impairment losses on trade receivables of RM2,029,819 as disclosed in Note 9 to the financial statements; and
 - (ii) impairment losses on other receivables of RM431,154 as disclosed in Note 9 to the financial statements.

(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 EVENT DURING THE FINANCIAL YEAR

Significant event during the financial year is disclosed in Note 28 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

Significant events subsequent to the end of the reporting period is disclosed in Note 29 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 2021 amounted to RM52,000 and RM111,300 respectively.

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

Datin Tan Pak Say

Director

Penang

18 April 2022

Tan Sri Dato' Mohd Desa bin Pachi

Director



STATEMENT BY DIRECTORS

In the opinion of the Directors, the financial statements set out on pages 59 to 114 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 2021 and of the financial performance and cash flows of the Group and of the Company for the financial year then ended.

On behalf of the Board,

Datin Tan Pak Say

Director

Penang

18 April 2022

Tan Sri Dato' Mohd Desa bin Pachi

Director

STATUTORY DECLARATION

I, Datin Tan Pak Say (I/C No.: 610717-07-5308), being the Director primarily responsible for the financial management of Leader Steel Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 59 to 114 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 18 April 2022

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 2021 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 59 to 114.

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 2021 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 2021, the Group had trade receivables amounted to RM32,138,825, which were net of impairment losses of RM2,814,333. The details of trade receivables and their credit risks have been disclosed in Note 9 and Note 27 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 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;
- (iii) inquired of management to assess the rationale underlying the relationship between the forward-looking information and expected credit losses; and
- (iv) assessed cash receipts subsequent to the end of the reporting period for its effect in reducing amounts outstanding as at the end of the reporting period.



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 2021, the Group had carrying amount of inventories amounted to RM83,261,094, 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 sales subsequent to the year end on 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, actions taken to eliminate the threats or safeguards applied.

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
18 April 2022

Goh Chee Beng

03535/11/2022 J
Chartered Accountant

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

| | Note | Group | | Company | |
|---|------|-------------|-------------|-------------|-------------|
| | | 2021 | 2020 | 2021 | 2020 |
| | | RM | RM | RM | RM |
| ASSETS | | | | | |
| Non-current assets | | | | | |
| Property, plant and equipment | 5 | 131,789,327 | 132,590,764 | 0 | 0 |
| Right-of-use assets | 6 | 22,561,935 | 23,720,511 | 0 | 0 |
| Investments in subsidiaries | 7 | 0 | 0 | 71,310,345 | 54,610,347 |
| Goodwill | | 58,426 | 58,426 | 0 | 0 |
| | | 154,409,688 | 156,369,701 | 71,310,345 | 54,610,347 |
| Current assets | | | | | |
| Inventories | 8 | 83,261,094 | 46,198,477 | 0 | 0 |
| Trade and other receivables | 9 | 65,187,674 | 49,772,791 | 877,435 | 7,440,785 |
| Current tax assets | | 9,762 | 2,060,476 | 9,762 | 9,762 |
| Cash and bank balances | 10 | 8,483,419 | 2,789,017 | 57,245 | 41,799 |
| | | 156,941,949 | 100,820,761 | 944,442 | 7,492,346 |
| TOTAL ASSETS | | 311,351,637 | 257,190,462 | 72,254,787 | 62,102,693 |
| EQUITY AND LIABILITIES | | | | | |
| Equity attributable to owners of the parent | | | | | |
| Share capital | 11 | 67,218,370 | 67,218,370 | 67,218,370 | 67,218,370 |
| Treasury shares, at cost | 11 | (2,209,815) | (1,758,406) | (2,209,815) | (1,758,406) |
| Reserves | 12 | 120,882,431 | 96,499,685 | 6,940,624 | (3,613,410) |
| | | 185,890,986 | 161,959,649 | 71,949,179 | 61,846,554 |
| Non-controlling interests | 7 | 57,170 | 91,105 | 0 | 0 |
| TOTAL EQUITY | | 185,948,156 | 162,050,754 | 71,949,179 | 61,846,554 |



STATEMENTS OF FINANCIAL POSITION (CONT'D)

AS AT 31 DECEMBER 2021

| | Note | Group | | Company | |
|--------------------------|------|-------------|-------------|------------|------------|
| | | 2021 | 2020 | 2021 | 2020 |
| | | RM | RM | RM | RM |
| LIABILITIES | | | | | |
| Non-current liabilities | | | | | |
| Borrowings | 13 | 760,000 | 1,240,000 | 0 | 0 |
| Lease liabilities | 6 | 71,214 | 75,189 | 0 | 0 |
| Deferred tax liabilities | 14 | 15,086,580 | 15,653,165 | 0 | 0 |
| | | 15,917,794 | 16,968,354 | 0 | 0 |
| Current liabilities | | | | | |
| Trade and other payables | 15 | 20,032,200 | 14,495,100 | 305,608 | 256,139 |
| Current tax liabilities | | 2,320,056 | 460,306 | 0 | 0 |
| Borrowings | 13 | 86,974,828 | 62,987,871 | 0 | 0 |
| Lease liabilities | 6 | 158,603 | 228,077 | 0 | 0 |
| | | 109,485,687 | 78,171,354 | 305,608 | 256,139 |
| TOTAL LIABILITIES | | 125,403,481 | 95,139,708 | 305,608 | 256,139 |
| TOTAL EQUITY AND | | | | | |
| LIABILITIES | | 311,351,637 | 257,190,462 | 72,254,787 | 62,102,693 |

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 2021

| | Note | Group | | Company | |
|--|------|----------------------|---------------|-------------------|------------|
| | | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Revenue | 18 | 231,681,393 | 217,859,774 | 13,000,000 | 5,500,000 |
| Cost of sales | | (180,959,859) | (194,290,625) | 0 | 0 |
| Gross profit | | 50,721,534 | 23,569,149 | 13,000,000 | 5,500,000 |
| Other income | | 2,944,944 | 851,089 | 146,860 | 36,936 |
| Distribution expenses | | (2,147,932) | (3,607,351) | 0 | 0 |
| Administrative expenses | | (11,723,921) | (8,753,359) | (555,783) | (499,180) |
| Impairment losses on | | | | | |
| - trade receivables | 9(h) | (2,029,819) | (66,470) | 0 | 0 |
| - other receivables | 9(i) | (431,154) | 0 | 0 | 0 |
| Reversal of impairment losses on | | | | | |
| - trade receivables | 9(h) | 28,065 | 0 | 0 | 0 |
| - other receivables | 9(i) | 1,100 | 0 | 0 | 0 |
| Finance costs | 19 | (1,956,345) | (3,319,143) | (10,703) | (26,899) |
| Profit before tax | | 35,406,472 | 8,673,915 | 12,580,374 | 5,010,857 |
| Tax expense | 22 | (9,039,673) | (2,461,167) | (8,352) | 0 |
| Profit for the financial year | | 26,366,799 | 6,212,748 | 12,572,022 | 5,010,857 |
| Other comprehensive income, net of tax | | 0 | 0 | 0 | 0 |
| Total comprehensive income | | 26,366,799 | 6,212,748 | 12,572,022 | 5,010,857 |
| Profit attributable to: | | | | | |
| Owners of the parent | | 26,400,734 | 6,239,435 | 12,572,022 | 5,010,857 |
| Non-controlling interests | 7(f) | (33,935) | (26,687) | 0 | 0 |
| | | 26,366,799 | 6,212,748 | 12,572,022 | 5,010,857 |
| Total comprehensive income attributable to: | | | | | |
| Owners of the parent | | 26,400,734 | 6,239,435 | 12,572,022 | 5,010,857 |
| Non-controlling interests | 7(f) | (33,935) | (26,687) | 0 | 0 |
| | | 26,366,799 | 6,212,748 | 12,572,022 | 5,010,857 |
| Earnings per ordinary share attributable to equity holders of the Company (sen): | | | | | |
| - Basic and diluted | 24 | 20.29 | 4.77 | | |

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



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

| 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 |
| Transaction 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 transaction 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 |

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

| 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 2021 | | 67,218,370 | (1,758,406) | 68,881,983 | 27,617,702 | 161,959,649 | 91,105 | 162,050,754 |
| Profit for the financial year | | 0 | 0 | 0 | 26,400,734 | 26,400,734 | (33,935) | 26,366,799 |
| Other comprehensive income, net of tax | | 0 | 0 | 0 | 0 | 0 | 0 | 0 |
| Total comprehensive income | | 0 | 0 | 0 | 26,400,734 | 26,400,734 | (33,935) | 26,366,799 |
| Transactions with owners | | | | | | | | |
| Purchase of treasury shares | 11(b) | 0 | (451,409) | 0 | 0 | (451,409) | 0 | (451,409) |
| Dividend paid | 23 | 0 | 0 | 0 | (2,017,988) | (2,017,988) | 0 | (2,017,988) |
| Total transactions with owners | | 0 | (451,409) | 0 | (2,017,988) | (2,469,397) | 0 | (2,469,397) |
| Balance as at 31 December 2021 | | 67,218,370 | (2,209,815) | 68,881,983 | 52,000,448 | 185,890,986 | 57,170 | 185,948,156 |

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



STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

| | Note | Share capital RM | Treasury shares RM | Accumulated losses RM | Total equity RM |
|--|-------|---------------------|-----------------------|--------------------------|--------------------|
| 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 |
| Transaction 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 transaction 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 |

| | Note | Share capital RM | Treasury shares RM | Retained earning/ (Accumulated losses) RM | Total equity RM |
|--|-------|---------------------|-----------------------|---|--------------------|
| Balance as at 1 January 2021 | | 67,218,370 | (1,758,406) | (3,613,410) | 61,846,554 |
| Profit for the financial year | | 0 | 0 | 12,572,022 | 12,572,022 |
| Other comprehensive income, net of tax | | 0 | 0 | 0 | 0 |
| Total comprehensive income | | 0 | 0 | 12,572,022 | 12,572,022 |
| Transactions with owners | | | | | |
| Purchase of treasury shares | 11(b) | 0 | (451,409) | 0 | (451,409) |
| Dividend paid | 23 | 0 | 0 | (2,017,988) | (2,017,988) |
| Total transactions with owners | | 0 | (451,409) | (2,017,988) | (2,469,397) |
| Balance as at 31 December 2021 | | 67,218,370 | (2,209,815) | 6,940,624 | 71,949,179 |

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

| | | Group | | Company | |
|---|------|------------|------------|--------------|-------------|
| | | 2021 | 2020 | 2021 | 2020 |
| | Note | RM | RM | RM | RM |
| CASH FLOWS FROM OPERATING ACTIVITIES | | | | | |
| Profit before tax | | 35,406,472 | 8,673,915 | 12,580,374 | 5,010,857 |
| Adjustments for: | | | | | |
| Depreciation of: | | | | | |
| - property, plant and equipment | 5 | 4,601,690 | 4,623,229 | 0 | 0 |
| - right-of-use assets | 6 | 915,512 | 1,131,199 | 0 | 0 |
| Dividend income from subsidiaries | 18 | 0 | 0 | (13,000,000) | (5,500,000) |
| Gain on disposal of property, plant and equipment | | (319,720) | 0 | 0 | 0 |
| Gain on modification of lease payment | 6(g) | 0 | (3,040) | 0 | 0 |
| Gain on modification of lease term | 6(g) | (432) | (4,923) | 0 | 0 |
| Impairment losses on | | | | | |
| - trade receivables | 9(h) | 2,029,819 | 66,470 | 0 | 0 |
| - other receivables | 9(i) | 431,154 | 0 | 0 | 0 |
| Interest expense | 19 | 1,956,345 | 3,319,143 | 10,703 | 26,899 |
| Interest income | | (7,426) | (21,707) | (146,860) | (36,936) |
| Lease concessions | 6(g) | 0 | (3,100) | 0 | 0 |
| Property, plant and equipment written off | 5 | 61,086 | 0 | 0 | 0 |
| Reversal of impairment losses on: | | | | | |
| - trade receivables | 9(h) | (28,065) | 0 | 0 | 0 |
| - other receivables | 9(i) | (1,100) | 0 | 0 | 0 |
| Unrealised loss on foreign exchange | | 227,571 | 102,483 | 0 | 0 |
| Operating profit/(loss) before changes in working capital carried forward | | 45,272,906 | 17,883,669 | (555,783) | (499,180) |



STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

| | Note | Group | | Company | |
|---|------|---------------------|--------------|------------------|-------------|
| | | 2021 | 2020 | 2021 | 2020 |
| | | RM | RM | RM | RM |
| CASH FLOWS FROM OPERATING ACTIVITIES (continued) | | | | | |
| Operating profit/(loss) before changes in working capital brought forward | | 45,272,906 | 17,883,669 | (555,783) | (499,180) |
| (Increase)/Decrease in inventories | | (37,062,617) | 26,432,697 | 0 | 0 |
| (Increase)/Decrease in trade and other receivables | | (17,797,832) | (11,657,501) | 3,010,212 | (1,882,553) |
| Increase/(Decrease) in trade and other payables | | 5,276,039 | (5,473,748) | 38,766 | (608,690) |
| Cash (used in)/generated from operations | | (4,311,504) | 27,185,117 | 2,493,195 | (2,990,423) |
| Interest paid | | (1,941,728) | (3,290,490) | 0 | 0 |
| Interest received | | 7,426 | 21,707 | 0 | 0 |
| Tax paid | | (5,695,794) | (859,197) | (8,352) | 0 |
| Net cash (used in)/from operating activities | | (11,941,600) | 23,057,137 | 2,484,843 | (2,990,423) |
| CASH FLOWS FROM INVESTING ACTIVITIES | | | | | |
| Proceeds from disposal of property, plant and equipment | | 319,720 | 0 | 0 | 0 |
| Purchase of property, plant and equipment | 5 | (3,376,901) | (1,106,425) | 0 | 0 |
| Purchase of right-of-use assets | 6(d) | (31,347) | 0 | 0 | 0 |
| Net cash used in investing activities | | (3,088,528) | (1,106,425) | 0 | 0 |

STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

| | Note | Group | | Company | |
|--|-------|---------------------|--------------|--------------------|-----------|
| | | 2021 | 2020 | 2021 | 2020 |
| | | RM | RM | RM | RM |
| CASH FLOWS FROM FINANCING ACTIVITIES | | | | | |
| Dividend paid | 23 | (2,017,988) | 0 | (2,017,988) | 0 |
| Payments of lease liabilities | 6 | (297,661) | (654,806) | 0 | 0 |
| Proceeds from short term borrowings | | 81,284,943 | 57,605,638 | 0 | 0 |
| Repayments of short term borrowings | | (57,591,433) | (80,619,996) | 0 | 0 |
| Repayments of term loans | | (480,000) | (480,000) | 0 | 0 |
| Proceed from issuance of ordinary shares | 11(a) | 0 | 3,198,770 | 0 | 3,198,770 |
| Purchase of treasury shares | 11(b) | (451,409) | (191,652) | (451,409) | (191,652) |
| Net cash from/(used in) financing activities | | 20,446,452 | (21,142,046) | (2,469,397) | 3,007,118 |
| Net increase in cash and cash equivalents | | 5,416,324 | 808,666 | 15,446 | 16,695 |
| Effect of exchange rate changes on cash and cash equivalents | | (15,369) | 43,779 | 0 | 0 |
| Cash and cash equivalents at beginning of financial year | | 2,789,017 | 1,936,572 | 41,799 | 25,104 |
| Cash and cash equivalents at end of financial year | 10(b) | 8,189,972 | 2,789,017 | 57,245 | 41,799 |

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



STATEMENTS OF CASH FLOWS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

| | Lease liabilities (Note 6) | Short term borrowings* (Note 13) | Term loans (Note 13) |
|---------------------------------|-------------------------------|-------------------------------------|-------------------------|
| | RM | RM | RM |
| Group | | | |
| 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 |
| - additions | 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 | <u>303,266</u> | <u>62,507,871</u> | <u>1,720,000</u> |
| Balance as at 1 January 2021 | 303,266 | 62,507,871 | 1,720,000 |
| Cash flows | (297,661) | 23,693,510 | (480,000) |
| Non-cash flows: | | | |
| - unwinding of interest | 14,617 | 0 | 0 |
| - additions | 235,515 | 0 | 0 |
| - modification of lease term | (25,920) | 0 | 0 |
| Balance as at 31 December 2021 | <u>229,817</u> | <u>86,201,381</u> | <u>1,240,000</u> |

* 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 2021

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 2021 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 18 April 2022.

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 30.1 to the financial statements.

The Group has also early adopted Amendment to MFRS 16 *Covid-19-Related Rent Concessions beyond 30 June 2021* (Amendment to MFRS 16 Leases) 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 2021

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 | |
|----------|---------------------------|--------------------|---------------------------|--------------------|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Malaysia | 191,567,692 | 156,220,436 | 154,409,688 | 156,369,701 |
| China | 40,113,701 | 58,267,644 | 0 | 0 |
| Others | 0 | 3,371,694 | 0 | 0 |
| | <u>231,681,393</u> | <u>217,859,774</u> | <u>154,409,688</u> | <u>156,369,701</u> |

Major customers

In the current financial year, the Group does not have any major customer that contributed ten (10) percent or more of its total revenue. In the previous financial year, 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

5. PROPERTY, PLANT AND EQUIPMENT

| Group | Balance as at 1.1.2021 RM | Additions RM | Written off RM | Transfer from right- of-use assets (Note 6) RM | Depreciation charge for the financial year RM | Balance as at 31.12.2021 RM |
|--|------------------------------------|------------------|-------------------|---|---|--------------------------------------|
| Carrying amount | | | | | | |
| <u>At Valuation</u> | | | | | | |
| Buildings | 52,022,396 | 0 | 0 | 0 | (1,424,547) | 50,597,849 |
| Freehold land | 46,595,000 | 0 | 0 | 0 | 0 | 46,595,000 |
| <u>At Cost</u> | | | | | | |
| Buildings | 147,286 | 76,000 | 0 | 0 | (4,705) | 218,581 |
| Plant and machinery | 30,576,088 | 626,110 | (58,837) | 0 | (2,606,972) | 28,536,389 |
| Furniture, fittings and office equipment | 950,309 | 178,011 | (2,249) | 0 | (171,555) | 954,516 |
| Electrical and other installations | 4,504 | 0 | 0 | 0 | 0 | 4,504 |
| Tools and equipment | 79,949 | 0 | 0 | 0 | (14,504) | 65,445 |
| Motor vehicles | 950,855 | 0 | 0 | 484,438 | (379,407) | 1,055,886 |
| Capital work-in-progress | 1,264,377 | 2,496,780 | 0 | 0 | 0 | 3,761,157 |
| | 132,590,764 | 3,376,901 | (61,086) | 484,438 | (4,601,690) | 131,789,327 |



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

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

| | [----- 2021 -----] | | | | |
|--|--------------------|--------------------|-----------------------------------|---|--------------------------|
| | Cost RM | Valuation RM | Accumulated depreciation RM | Accumulated impairment losses RM | Carrying amount RM |
| Group | | | | | |
| Buildings | 224,400 | 53,882,983 | (3,290,953) | 0 | 50,816,430 |
| Freehold land | 0 | 46,595,000 | 0 | 0 | 46,595,000 |
| Plant and machinery | 135,436,640 | 0 | (106,900,251) | 0 | 28,536,389 |
| Furniture, fittings and office equipment | 4,786,335 | 0 | (3,831,819) | 0 | 954,516 |
| Electrical and other installations | 3,370,196 | 0 | (3,365,692) | 0 | 4,504 |
| Tools and equipment | 2,138,674 | 0 | (2,073,229) | 0 | 65,445 |
| Motor vehicles | 5,689,343 | 0 | (4,633,457) | 0 | 1,055,886 |
| Capital work-in-progress | 4,250,249 | 0 | 0 | (489,092) | 3,761,157 |
| | <u>155,895,837</u> | <u>100,477,983</u> | <u>(124,095,401)</u> | <u>(489,092)</u> | <u>131,789,327</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

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

| 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 | 0 | 0 | (1,423,078) | 52,022,396 |
| Freehold land | 46,595,000 | 0 | 0 | 0 | 46,595,000 |
| <u>At Cost</u> | | | | | |
| Buildings | 0 | 148,400 | 0 | (1,114) | 147,286 |
| 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 |
| | <u>134,381,106</u> | <u>1,106,425</u> | <u>1,726,462</u> | <u>(4,623,229)</u> | <u>132,590,764</u> |



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

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

| | [----- 2020 -----] | | | | |
|--|--------------------|--------------------|-----------------------------------|---|--------------------------|
| | Cost RM | Valuation RM | Accumulated depreciation RM | Accumulated impairment losses RM | Carrying amount RM |
| Buildings | 148,400 | 53,882,983 | (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 |
| | <u>152,321,792</u> | <u>100,477,983</u> | <u>(119,719,919)</u> | <u>(489,092)</u> | <u>132,590,764</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

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 buildings and 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 | |
|---------------|-------------------|-------------------|
| | 2021 | 2020 |
| | RM | RM |
| Buildings | 21,962,864 | 22,777,343 |
| Freehold land | 15,509,485 | 15,509,485 |
| | <u>37,472,349</u> | <u>38,286,828</u> |



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

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 | |
|----------------|-------------------|------------|
| | 2021 | 2020 |
| | RM | RM |
| Level 3 | | |
| Buildings | 50,597,849 | 52,022,396 |
| Freehold land | 46,595,000 | 46,595,000 |
| | 97,192,849 | 98,617,396 |

- (i) There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 31 December 2021 and 31 December 2020.
- (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 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 2021, freehold land and buildings of the Group with carrying amount of RM79,172,461 (2020: RM79,971,066) 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 2021

6. LEASES

The Group as lessee

Right-of-use assets

| | Balance as at 1.1.2021 | Additions | Transfer to property, plant and equipment (Note 5) | Modification of lease term | Depreciation | Balance as at 31.12.2021 |
|------------------------|------------------------------|----------------|--|----------------------------------|------------------|--------------------------------|
| | RM | RM | RM | RM | RM | RM |
| Carrying amount | | | | | | |
| <u>At Valuation</u> | | | | | | |
| Leasehold land | 22,905,697 | 0 | 0 | 0 | (703,389) | 22,202,308 |
| <u>At Cost</u> | | | | | | |
| Land | 69,028 | 0 | 0 | 0 | (43,597) | 25,431 |
| Buildings | 46,046 | 39,515 | 0 | (25,488) | (29,652) | 30,421 |
| Motor vehicles | 699,740 | 227,347 | (484,438) | 0 | (138,874) | 303,775 |
| | <u>23,720,511</u> | <u>266,862</u> | <u>(484,438)</u> | <u>(25,488)</u> | <u>(915,512)</u> | <u>22,561,935</u> |



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

6. LEASES (Cont'd)

The Group as lessee (Cont'd)

Right-of-use assets (Cont'd)

| | Balance as at 1.1.2020 | Additions | Transfer to property, plant and equipment (Note 5) | Modification of lease payment | Modification of lease term | Depreciation | Balance as at 31.12.2020 |
|------------------------|------------------------------|---------------|--|-------------------------------------|----------------------------------|--------------------|--------------------------------|
| | RM | RM | RM | RM | RM | RM | 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 2021

6. LEASES (Cont'd)

The Group as lessee (Cont'd)

Lease liabilities

| | Balance as at 1.1.2021 RM | Additions RM | Modification of lease term RM | Lease payments RM | Interest expense RM | Balance as at 31.12.2021 RM |
|-----------------|------------------------------------|-----------------|--|-------------------------|---------------------------|--------------------------------------|
| Carrying amount | | | | | | |
| Land | 69,648 | 0 | 0 | (45,600) | 2,171 | 26,219 |
| Buildings | 46,425 | 39,515 | (25,920) | (30,600) | 1,242 | 30,662 |
| Motor vehicles | 187,193 | 196,000 | 0 | (221,461) | 11,204 | 172,936 |
| | <u>303,266</u> | <u>235,515</u> | <u>(25,920)</u> | <u>(297,661)</u> | <u>14,617</u> | <u>229,817</u> |

| | 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> |



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

6. LEASES (Cont'd)

The Group as lessee (Cont'd)

| | 2021 RM | 2020 RM |
|---|----------------|------------|
| Represented by: | | |
| Current liabilities | 158,603 | 228,077 |
| Non-current liabilities | 71,214 | 75,189 |
| | 229,817 | 303,266 |
| Lease liabilities owing to financial institutions | 172,936 | 187,193 |
| Lease liabilities owing to non-financial institutions | 56,881 | 116,073 |
| | 229,817 | 303,266 |

- (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 |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

6. LEASES (Cont'd)

The Group as lessee (Cont'd)

(a) (continued)

Leasehold land is depreciated over the period of the lease of 34 to 64 years. The leasehold land has a remaining tenure of 32 years to 61 years (2020: 33 years to 62 years).

(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 | |
|----------------|------------------|------------------|
| | 2021 | 2020 |
| | RM | RM |
| Leasehold land | <u>3,216,420</u> | <u>3,314,663</u> |

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

| | Group | |
|--|-------|------|
| | 2021 | 2020 |
| | RM | RM |

Level 3

| | | |
|----------------|-------------------|-------------------|
| Leasehold land | <u>22,202,308</u> | <u>22,905,697</u> |
|----------------|-------------------|-------------------|

- (i) There were no transfers between Level 1, Level 2 and Level 3 fair value measurements during the financial years ended 31 December 2021 and 31 December 2020.
- (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 2021

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 | |
|--|-----------|----------|
| | 2021 | 2020 |
| | RM | RM |
| Addition of right-of-use assets | 266,862 | 60,353 |
| Non-cash payments on addition of right-of-use assets | (39,515) | (60,353) |
| Financed by lease liability | (196,000) | 0 |
| Cash payments on purchase of right-of-use assets | 31,347 | 0 |

- (e) The leasehold land of the Group with carrying amount of RM6,301,643 (2020: RM6,498,569) 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 | |
|---|---------|-----------|
| | 2021 | 2020 |
| | RM | RM |
| Depreciation charge of right-of-use assets (included in cost of sales) | 848,475 | 1,000,171 |
| Depreciation charge of right-of-use assets (included in administrative expenses) | 67,037 | 131,028 |
| Interest expense on lease liabilities (included in finance costs) | 14,617 | 28,653 |
| Expense relating to leases of low-value assets (included in cost of sales) | 3,108 | 2,842 |
| Expense relating to leases of low-value assets (included in administrative expenses) | 4,800 | 9,600 |
| Variable lease payments (included in other income): | | |
| - arising from COVID-19 related rent concessions | 0 | (3,100) |
| - arising from modification of lease agreement | 0 | (3,040) |
| Gain on modification of lease term (included in other income) | (432) | (4,923) |
| | 937,605 | 1,161,231 |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

6. LEASES (Cont'd)

The Group as lessee (Cont'd)

(h) The following are total cash outflows for leases as a lessee:

| | Group | |
|---|---------|---------|
| | 2021 | 2020 |
| | RM | RM |
| Included in net cash from operating activities: | | |
| Payment relating to low value assets | 7,908 | 12,442 |
| Included in net cash from investing activities: | | |
| Purchase of right-of-use assets | 31,347 | 0 |
| Included in net cash from financing activities: | | |
| Payments of lease liabilities | 297,661 | 654,806 |
| Total cash outflows for leases | 336,916 | 667,248 |

(i) Information on financial risks of lease liabilities is disclosed in Note 27 to the financial statements.

The Group as lessor

The Group has entered into non-cancellable lease agreements on certain properties for terms of between one (1) to two (2) years. 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 | |
|--------------------------|-----------|---------|
| | 2021 | 2020 |
| | RM | RM |
| Less than one (1) year | 3,277,971 | 688,795 |
| One (1) to two (2) years | 1,896,457 | 0 |
| | 5,174,428 | 688,795 |



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

7. INVESTMENTS IN SUBSIDIARIES

| | Company | |
|---|--------------------|-------------|
| | 2021 | 2020 |
| | RM | RM |
| At cost: | | |
| Unquoted shares, at cost | | |
| - ordinary shares | 34,538,491 | 34,538,493 |
| - redeemable convertible preference shares | 41,411,000 | 25,711,000 |
| Fair value of share options allocated to subsidiaries | 1,684,535 | 1,684,535 |
| Less: Impairment loss | (6,323,681) | (6,323,681) |
| | 71,310,345 | 54,610,347 |

- (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 |
|---|--|------------------------------|-----------|--|
| | | 2021 % | 2020 % | |
| Leader Steel Sdn. Bhd. # | Malaysia | 100 | 100 | Manufacturing, processing and trading of steel and metal products and minerals |
| Leader Steel Service Centre Sdn. Bhd. # | Malaysia | 100 | 100 | Manufacturing, trading of steel products and providing transportation services |
| Leader Steel Tubes Sdn. Bhd. # | Malaysia | 100 | 100 | Inactive |
| Leader Minerals (Malaysia) Sdn. Bhd. # | Malaysia | 100 | 100 | Inactive |
| Leader Minerals Corporation Sdn. Bhd. # | Malaysia | 100 | 100 | Inactive |
| Leader Smelting (Sarawak) Sdn. Bhd. # | Malaysia | 0 | 100 | Dissolved |
| Golden Infratech Sdn. Bhd. # | Malaysia | 0 | 100 | Dissolved |
| FerroNet Asia Sdn. Bhd. # | Malaysia | 100 | 0 | Inactive |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

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 |
|---|--|------------------------------|------|----------------------|
| | | 2021 | 2020 | |
| | | % | % | |
| 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 | 0 | 100 | Inactive |

Subsidiaries audited by BDO PLT in Malaysia.

* Subsidiary not audited by BDO PLT in Malaysia.

- (c) On 30 November 2021, the Company further invested in the capital of its wholly-owned subsidiary, FerroNet Asia Sdn. Bhd. by way of subscribing for 999,998 ordinary shares at RM1 for a total consideration of RM999,998, which was satisfied by way of capitalisation of the amount due from FerroNet Asia Sdn. Bhd..
- (d) On 30 December 2021, the Company further invested in the capital of its wholly-owned subsidiary, FerroNet Asia Sdn. Bhd. by way of subscribing for 157 redeemable convertible preference shares at RM100,000 for a total consideration of RM15,700,000, which was satisfied by way of capitalisation of the amount due from FerroNet Asia Sdn. Bhd..
- (e) On 26 April 2021, Leader Smelting (Sarawak) Sdn. Bhd. ("LSS") and Golden Infratech Sdn. Bhd. ("GISB"), wholly-owned subsidiaries of Leader Steel Holdings Berhad had been struck off and ceased to be wholly-owned subsidiaries of the Group. The financial results of these subsidiaries are insignificant to the Group.
- (f) The subsidiary of the Group that has non-controlling interests ('NCI') is as follows:

| | ACME United Sdn. Bhd. | |
|--|-----------------------|----------|
| | 2021 | 2020 |
| NCI percentage of ownership interest and voting interest | 49.5% | 49.5% |
| Carrying amount of NCI (RM) | 57,170 | 91,105 |
| Loss allocated to NCI (RM) | (33,935) | (26,687) |
| Total comprehensive loss allocated to NCI (RM) | (33,935) | (26,687) |



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

7. INVESTMENTS IN SUBSIDIARIES (Cont'd)

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

| | ACME United Sdn. Bhd. | |
|--|-----------------------|----------|
| | 2021 | 2020 |
| | RM | RM |
| Assets and liabilities | | |
| Non-current assets | 383 | 91,330 |
| Current assets | 4,472 | 4,678 |
| Current liabilities | (6,617) | (29,215) |
| Net (liabilities)/ assets | (1,762) | 66,793 |
| Results | | |
| Revenue | 0 | 0 |
| Loss for the financial year | (68,555) | (53,912) |
| Total comprehensive loss | (68,555) | (53,912) |
| Cash flows (used in)/from operating activities | (206) | 560 |
| Net (decrease)/increase in cash and cash equivalents | (206) | 560 |

8. INVENTORIES

| | Group | |
|--------------------------------|-------------------|-------------------|
| | 2021 | 2020 |
| | RM | RM |
| At cost | | |
| Raw materials | 42,298,519 | 16,202,413 |
| Manufactured inventories | 25,847,680 | 6,844,462 |
| Trading inventories | 13,504,170 | 13,816,572 |
| Goods-in-transit | 0 | 590,746 |
| | 81,650,369 | 37,454,193 |
| At net realisable value | | |
| Raw materials | 98,013 | 919,348 |
| Manufactured inventories | 121,924 | 331,093 |
| Trading inventories | 1,390,788 | 7,493,843 |
| | 1,610,725 | 8,744,284 |
| Total | 83,261,094 | 46,198,477 |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

8. INVENTORIES (Cont'd)

- (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 RM 180,959,859 (2020: RM 194,290,625).

9. TRADE AND OTHER RECEIVABLES

| | Group | | Company | |
|-----------------------------|--------------------|-------------|----------------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Trade receivables | | | | |
| Third parties | 33,330,269 | 24,524,200 | 0 | 0 |
| Related parties | 1,622,889 | 711,873 | 0 | 0 |
| | 34,953,158 | 25,236,073 | 0 | 0 |
| Less: Impairment losses | | | | |
| - third parties | (2,811,985) | (2,978,974) | 0 | 0 |
| - related parties | (2,348) | (30,413) | 0 | 0 |
| | (2,814,333) | (3,009,387) | 0 | 0 |
| | 32,138,825 | 22,226,686 | 0 | 0 |
| Other receivables | | | | |
| Third parties | 11,653,802 | 10,025,099 | 0 | 0 |
| Amounts due by subsidiaries | 0 | 0 | 862,125 | 7,423,285 |
| | 11,653,802 | 10,025,099 | 862,125 | 7,423,285 |
| Less: Impairment losses | | | | |
| - third parties | (1,410,845) | (969,381) | 0 | 0 |
| | 10,242,957 | 9,055,718 | 862,125 | 7,423,285 |
| Total receivables | 42,381,782 | 31,282,404 | 862,125 | 7,423,285 |
| Deposits | 15,584,956 | 15,452,445 | 0 | 0 |
| Prepayments | 7,220,936 | 3,037,942 | 15,310 | 17,500 |
| | 65,187,674 | 49,772,791 | 877,435 | 7,440,785 |



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

9. TRADE AND OTHER RECEIVABLES (Cont'd)

- (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 (2020: 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 3.40% to 3.49% (2020: 3.53% to 4.64%) per annum and payable within next twelve (12) months.
- (d) Included in other receivables are advance payment made to suppliers amounting to RM5,854,873 (2020: RM7,627,348) and amount receivable from disposal of property, plant and equipment amounting to RM Nil (2020: RM436,392).
- (e) Included in deposits is an amount of RM15,333,120 (2020: RM15,333,120) representing deposit paid in relation to the acquisition of land.
- (f) The currency exposure profile of trade and other receivables, net of prepayments is as follows:

| | Group | | Company | |
|----------------------|-------------------|------------|----------------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Ringgit Malaysia | 37,201,292 | 40,336,555 | 862,125 | 7,423,285 |
| United States Dollar | 7,810,145 | 212,623 | 0 | 0 |
| Chinese Yuan | 12,955,301 | 6,185,671 | 0 | 0 |
| | 57,966,738 | 46,734,849 | 862,125 | 7,423,285 |

- (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 (producer 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 statements 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.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

9. TRADE AND OTHER RECEIVABLES (Cont'd)

(g) (Cont'd)

The probability of non-payment by other receivables and amounts due by subsidiaries is adjusted by forward-looking information (producer price index) 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 following table provides information about lifetime expected loss provision for trade receivables as at 31 December 2021 and 31 December 2020:

| | Current | 1 to 90 days past due | More than 90 days past due | Credit impaired-individually impaired | Total RM |
|----------------------------|------------|-----------------------|----------------------------|---------------------------------------|------------|
| 31 December 2021 | | | | | |
| Expected loss rate | 1.335% | 10.212% | 81.774% | 100.000% | |
| Gross carrying amount (RM) | 27,400,851 | 5,317,635 | 1,805,533 | 429,139 | 34,953,158 |
| Impairment (RM) | 365,683 | 543,056 | 1,476,455 | 429,139 | 2,814,333 |
| 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 |

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 | |
|-------------------------------|-------------|-----------|
| | 2021 | 2020 |
| | RM | RM |
| Balance as at 1 January | 3,009,387 | 2,967,470 |
| Charge for the financial year | 2,029,819 | 66,470 |
| Reversal of impairment losses | (28,065) | 0 |
| Written off | (2,196,808) | 0 |
| Exchange differences | 0 | (24,553) |
| Balance as at 31 December | 2,814,333 | 3,009,387 |



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

9. TRADE AND OTHER RECEIVABLES (Cont'd)

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

| | Lifetime ECL* - not credit impaired RM | Lifetime ECL* - credit impaired RM | Total allowance RM |
|--------------------------------|---|---|--------------------------|
| Group | | | |
| Balance as at 1 January 2021 | 0 | 969,381 | 969,381 |
| Charge for the financial year | 431,154 | 0 | 431,154 |
| Reversal of impairment losses | 0 | (1,100) | (1,100) |
| Exchange differences | 0 | 11,410 | 11,410 |
| Balance as at 31 December 2021 | <u>431,154</u> | <u>979,691</u> | <u>1,410,845</u> |
| Balance as at 1 January 2020 | 0 | 974,946 | 974,946 |
| Exchange differences | 0 | (5,565) | (5,565) |
| Balance as at 31 December 2020 | <u>0</u> | <u>969,381</u> | <u>969,381</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.

- (j) Information on financial risks of trade and other receivables is disclosed in Note 27 to the financial statements.

10. CASH AND BANK BALANCES

| | Group | | Company | |
|------------------------|------------------|------------------|---------------|---------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Cash and bank balances | <u>8,483,419</u> | <u>2,789,017</u> | <u>57,245</u> | <u>41,799</u> |

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

| | Group | | Company | |
|----------------------|------------------|------------------|---------------|---------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Ringgit Malaysia | 585,314 | 2,391,796 | 57,245 | 41,799 |
| United States Dollar | 1,128,529 | 83,045 | 0 | 0 |
| Singapore Dollar | 896 | 880 | 0 | 0 |
| Chinese Yuan | 6,746,531 | 291,886 | 0 | 0 |
| Hong Kong Dollar | 22,149 | 21,410 | 0 | 0 |
| | <u>8,483,419</u> | <u>2,789,017</u> | <u>57,245</u> | <u>41,799</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

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 | |
|--|------------------|------------|---------------|------------|
| | 2021 RM | 2020 RM | 2021 RM | 2020 RM |
| Cash and bank balances | 8,483,419 | 2,789,017 | 57,245 | 41,799 |
| Bank overdrafts included in borrowings (Note 13) | (293,447) | 0 | 0 | 0 |
| | 8,189,972 | 2,789,017 | 57,245 | 41,799 |

- (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 27 to the financial statements.

11. SHARE CAPITAL

- (a) Share capital

| | Group and Company | | | |
|---|--------------------|-------------------|------------------|------------|
| | 2021 | | 2020 | |
| | Number of shares | RM | Number of shares | RM |
| Issued and fully paid with no par value: | | | | |
| Balance as at 1 January | 140,334,960 | 67,218,370 | 128,032,000 | 64,019,600 |
| Issuance of ordinary shares | 0 | 0 | 12,302,960 | 3,198,770 |
| Balance as at 31 December | 140,334,960 | 67,218,370 | 140,334,960 | 67,218,370 |

In the previous 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.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

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 20 May 2021, renewed the approval for the Company to repurchase its own shares.

| | Group and Company | | | |
|-----------------------------|-------------------|-------------|------------------|-------------|
| | 2021 | | 2020 | |
| | Number of shares | RM | Number of shares | RM |
| Balance as at 1 January | (5,002,400) | (1,758,406) | (4,326,800) | (1,566,754) |
| Purchase of treasury shares | (800,000) | (451,409) | (675,600) | (191,652) |
| Balance as at 31 December | (5,802,400) | (2,209,815) | (5,002,400) | (1,758,406) |

- (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.

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 800,000 (2020: 675,600) of its issued ordinary shares from the open market at an average price of RM0.564 (2020: RM0.284) per share. The total consideration paid for the repurchased shares was RM451,409 (2020: RM191,652). 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 2021, 5,802,400 (2020: 5,002,400) out of the total 140,334,960 (2020: 140,334,960) 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 2021 after excluding the treasury shares is 134,532,560 (2020: 135,332,560).

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

12. RESERVES

| | Group | | Company | |
|---|--------------------|------------|------------------|-------------|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Non-distributable: | | | | |
| Revaluation reserve | 68,881,983 | 68,881,983 | 0 | 0 |
| Distributable: | | | | |
| Retained earnings/ (Accumulated losses) | 52,000,448 | 27,617,702 | 6,940,624 | (3,613,410) |
| | 120,882,431 | 96,499,685 | 6,940,624 | (3,613,410) |

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

13. BORROWINGS

| | Group | |
|---------------------------|-------------------|------------|
| | 2021 | 2020 |
| | RM | RM |
| Current | | |
| <i>Secured</i> | | |
| Bankers' acceptances | 81,201,381 | 57,591,433 |
| Bank overdrafts (Note 10) | 293,447 | 0 |
| Revolving credit | 5,000,000 | 4,916,438 |
| Term loans | 480,000 | 480,000 |
| | 86,974,828 | 62,987,871 |
| Non-current | | |
| <i>Secured</i> | | |
| Term loans | 760,000 | 1,240,000 |
| Total borrowings | | |
| Bankers' acceptances | 81,201,381 | 57,591,433 |
| Bank overdrafts (Note 10) | 293,447 | 0 |
| Revolving credit | 5,000,000 | 4,916,438 |
| Term loans | 1,240,000 | 1,720,000 |
| | 87,734,828 | 64,227,871 |



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

13. BORROWINGS (Cont'd)

- (a) All borrowings are denominated in Ringgit Malaysia.
- (b) The bank borrowings of the Group 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 RM153,486,000 (2020: RM173,591,000) by the Company.
- (c) Information on financial risks of borrowings is disclosed in Note 27 to the financial statements.

14. DEFERRED TAX LIABILITIES

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

| | Group | |
|--|-------------------|-------------------|
| | 2021 | 2020 |
| | RM | RM |
| Balance as at 1 January | 15,653,165 | 15,345,236 |
| Recognised in profit or loss (Note 22) | (566,585) | 307,929 |
| Balance as at 31 December | <u>15,086,580</u> | <u>15,653,165</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

14. DEFERRED TAX LIABILITIES (Cont'd)

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

| Group | Assets | | Liabilities | | Net | |
|--|-------------|-----------|-------------|------------|------------|------------|
| | 2021 | 2020 | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM | RM | RM |
| Property, plant and equipment | 0 | 0 | 5,356,322 | 4,904,511 | 5,356,322 | 4,904,511 |
| Provisions | (875,870) | (228,555) | 0 | 0 | (875,870) | (228,555) |
| Other deductible temporary differences | (481,849) | (500,271) | 0 | 0 | (481,849) | (500,271) |
| Revaluation of freehold and leasehold land and buildings | 0 | 0 | 11,087,977 | 11,477,480 | 11,087,977 | 11,477,480 |
| Deferred tax (assets)/liabilities | (1,357,719) | (728,826) | 16,444,299 | 16,381,991 | 15,086,580 | 15,653,165 |
| Set off | 1,357,719 | 728,826 | (1,357,719) | (728,826) | 0 | 0 |
| Net deferred tax liabilities | 0 | 0 | 15,086,580 | 15,653,165 | 15,086,580 | 15,653,165 |

| Group | Provisions | | Other deductible temporary differences | | Revaluation of freehold and leasehold land and buildings | | Property, plant and equipment | | Total | |
|--------------------------------|------------|-----------|--|-----------|--|----|-------------------------------|----|-------|----|
| | RM | RM | RM | RM | RM | RM | RM | RM | RM | RM |
| Balance as at 1 January 2021 | (228,555) | (500,271) | 11,477,480 | 4,904,511 | 15,653,165 | | | | | |
| Recognised in profit or loss | (647,315) | 18,422 | (389,503) | 451,811 | (566,585) | | | | | |
| Balance as at 31 December 2021 | (875,870) | (481,849) | 11,087,977 | 5,356,322 | 15,086,580 | | | | | |
| Balance as at 1 January 2020 | (212,602) | (779,626) | 11,856,900 | 4,480,564 | 15,345,236 | | | | | |
| Recognised in profit or loss | (15,953) | 279,355 | (379,420) | 423,947 | 307,929 | | | | | |
| Balance as at 31 December 2020 | (228,555) | (500,271) | 11,477,480 | 4,904,511 | 15,653,165 | | | | | |



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

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 | |
|-------------------------------------|----------------|----------------|
| | 2021 | 2020 |
| | RM | RM |
| Unabsorbed capital allowances | 353,070 | 329,040 |
| Unabsorbed tax losses | | |
| - Expires by 31 December 2028/ 2025 | 355,250 | 355,250 |
| | 708,320 | 684,290 |

In Malaysia, with effective from 1 January 2022, any unused tax losses shall be deductible for a maximum period of ten consecutive years of assessment immediately following that year of assessment. Any amount which is not deducted at the end of period of ten years of assessment shall be disregarded.

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 | |
|--|-------|------|---------|------|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |

Trade payables

| | | | | |
|---------------|-----------|-----------|---|---|
| Third parties | 4,267,004 | 4,900,721 | 0 | 0 |
|---------------|-----------|-----------|---|---|

Other payables

| | | | | |
|--------------------------------|-------------------|-------------------|----------------|----------------|
| Third parties | 12,086,735 | 6,885,144 | 268,908 | 223,439 |
| Amounts due to Directors | 0 | 11,510 | 0 | 0 |
| Amounts due to related parties | 70,000 | 586,500 | 0 | 0 |
| Accrued expenses | 3,608,461 | 2,111,225 | 36,700 | 32,700 |
| | 15,765,196 | 9,594,379 | 305,608 | 256,139 |
| | 20,032,200 | 14,495,100 | 305,608 | 256,139 |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

15. TRADE AND OTHER PAYABLES (Cont'd)

- (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 (2020: 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) The currency exposure profile of trade and other payables is as follows:

| | Group | | Company | |
|----------------------|-------------------|-------------------|----------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Ringgit Malaysia | 15,470,808 | 10,046,224 | 305,608 | 256,139 |
| United States Dollar | 608,603 | 1,188,700 | 0 | 0 |
| Chinese Yuan | 3,952,789 | 3,260,176 | 0 | 0 |
| | <u>20,032,200</u> | <u>14,495,100</u> | <u>305,608</u> | <u>256,139</u> |

- (e) Information on financial risks of trade and other payables is disclosed in Note 27 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 RM138,586,000 (2020: RM158,691,000) of which RM87,734,828 (2020: RM64,227,871) 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 (2020: RM14,900,000) of which RM14,900,000 (2020: RM14,900,000) 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.

17. CAPITAL COMMITMENTS

| | Group | |
|--|-------|------|
| | 2021 | 2020 |
| | RM | RM |

Capital expenditure in respect of purchase of property, plant and equipment:

Contracted but not provided for

15,333,120 15,333,120



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

18. REVENUE

| | Group | | Company | |
|--|-------|------|---------|------|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |

Revenue from contracts with customers

Recognised at point in time:

| | | | | |
|------------------|-------------|-------------|---|---|
| - Sales of goods | 231,681,393 | 217,859,774 | 0 | 0 |
|------------------|-------------|-------------|---|---|

Other revenue:

| | | | | |
|-------------------|--------------------|--------------------|-------------------|------------------|
| - Dividend income | 0 | 0 | 13,000,000 | 5,500,000 |
| | <u>231,681,393</u> | <u>217,859,774</u> | <u>13,000,000</u> | <u>5,500,000</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.

(c) Revenue from contract with customers is disaggregated in Note 4 to the financial statements.

19. FINANCE COSTS

| | Group | | Company | |
|--|-------|------|---------|------|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |

Interest expenses on:

| | | | | |
|-----------------------------|------------------|------------------|---------------|---------------|
| Bank overdrafts | 953 | 9,222 | 0 | 0 |
| Term loans | 56,060 | 88,253 | 0 | 0 |
| Bankers' acceptances | 1,662,798 | 2,717,322 | 0 | 0 |
| Revolving credit | 221,870 | 281,212 | 0 | 0 |
| Lease liabilities | 14,617 | 28,653 | 0 | 0 |
| Amounts due to subsidiaries | 0 | 0 | 10,703 | 26,899 |
| Others | 47 | 194,481 | 0 | 0 |
| | <u>1,956,345</u> | <u>3,319,143</u> | <u>10,703</u> | <u>26,899</u> |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

20. EMPLOYEE BENEFITS

| | Group | |
|--|--------------------------|------------------|
| | 2021 | 2020 |
| | RM | RM |
| Wages, salaries, bonuses and incentive | 9,895,005 | 8,223,351 |
| Contributions to defined contribution plan | 1,075,804 | 873,293 |
| Social security contributions | 91,776 | 99,954 |
| | <u>11,062,585</u> | <u>9,196,598</u> |

21. DIRECTORS' REMUNERATION

| | Group | | Company | |
|---------------------------------|-------------------------|------------------|-----------------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Directors of the Company | | | | |
| Executive: | | | | |
| - fees | 90,000 | 75,000 | 90,000 | 75,000 |
| - remuneration | 1,969,465 | 1,250,393 | 0 | 0 |
| - other emoluments | 6,500 | 5,500 | 6,500 | 5,500 |
| | <u>2,065,965</u> | <u>1,330,893</u> | <u>96,500</u> | <u>80,500</u> |
| Non-executive: | | | | |
| - fees | 132,000 | 125,000 | 132,000 | 125,000 |
| - other emoluments | 66,500 | 64,000 | 20,500 | 18,000 |
| | <u>198,500</u> | <u>189,000</u> | <u>152,500</u> | <u>143,000</u> |
| Total Directors' remuneration | <u>2,264,465</u> | <u>1,519,893</u> | <u>249,000</u> | <u>223,500</u> |

Estimated monetary value of benefits-in-kind provided to the Executive Directors of the Company is RM13,325 (2020: RM26,300).



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

22. TAX EXPENSE

| | Group | | Company | |
|--|------------------|-----------|--------------|------|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Current tax expense based on profit for the financial year | 9,704,590 | 2,120,703 | 0 | 0 |
| (Over)/Underprovision in prior years | (98,332) | 32,535 | 8,352 | 0 |
| | 9,606,258 | 2,153,238 | 8,352 | 0 |
| Deferred tax (Note 14): | | | | |
| Relating to origination and reversal of temporary differences | 419,798 | 807,988 | 0 | 0 |
| Crystallisation of deferred tax liability on revaluation surplus | (389,503) | (379,420) | 0 | 0 |
| Overprovision in prior years | (596,880) | (120,639) | 0 | 0 |
| | (566,585) | 307,929 | 0 | 0 |
| Tax expense for the financial year | 9,039,673 | 2,461,167 | 8,352 | 0 |

The Malaysian income tax is calculated at the statutory tax rate of 24% (2020: 24%) of the taxable profits for the fiscal year.

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

| | Group | | Company | |
|--|-------------------|-----------|--------------------|-------------|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Profit before tax | 35,406,472 | 8,673,915 | 12,580,374 | 5,010,857 |
| Tax at Malaysian statutory tax rate of 24% (2020: 24%) | 8,497,553 | 2,081,740 | 3,019,290 | 1,202,606 |
| Tax effects in respect of: | | | | |
| Non-allowable expenses | 1,266,073 | 484,173 | 100,710 | 117,394 |
| Non-taxable income | (52,771) | (25,872) | (3,120,000) | (1,320,000) |
| Deferred tax assets not recognised | 24,030 | 9,230 | 0 | 0 |
| | 9,734,885 | 2,549,271 | 0 | 0 |
| (Over)/Underprovision in prior years: | | | | |
| - current tax | (98,332) | 32,535 | 8,352 | 0 |
| - deferred tax | (596,880) | (120,639) | 0 | 0 |
| | 9,039,673 | 2,461,167 | 8,352 | 0 |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

23. DIVIDEND

| | Group and Company 2021 | |
|--|------------------------|--------------------|
| | Dividend per share | Amount of dividend |
| | RM | RM |

In respect of the financial year ended 31 December 2020:

| | | |
|------------------------------------|-------|-----------|
| First single-tier interim dividend | 0.015 | 2,017,988 |
|------------------------------------|-------|-----------|

24. BASIC AND DILUTED EARNINGS PER SHARE

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

| | Group | |
|---|-------------|-------------|
| | 2021 | 2020 |
| Profit attributable to equity holders of the parent (RM) | 26,400,734 | 6,239,435 |
| Weighted average number of ordinary shares in issue (units) | 130,118,304 | 130,730,907 |
| Basic earnings per ordinary share (sen) | 20.29 | 4.77 |

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

25. 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 2021

25. 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 | |
|---|-----------|-----------|------------|-----------|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Related parties: | | | | |
| Purchase of property, plant and equipment | (390,000) | (586,500) | 0 | 0 |
| Sales of property, plant and equipment | 319,720 | 0 | 0 | 0 |
| Sales | 2,095,813 | 3,195,502 | 0 | 0 |
| Purchases | (875) | (25,673) | 0 | 0 |
| Subsidiaries: | | | | |
| Dividend income | 0 | 0 | 13,000,000 | 5,500,000 |
| Interest income | 0 | 0 | 146,860 | 36,936 |
| Interest expense | 0 | 0 | (10,703) | (26,899) |

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

25. RELATED PARTY DISCLOSURES (Cont'd)

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

The remuneration of Executive Directors, Non-Executive Directors and other members of key management personnel during the financial year are as follows:

| | Group | | Company | |
|--|------------------|------------------|----------------|----------------|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| <u>Directors</u> | | | | |
| Fees | 222,000 | 200,000 | 222,000 | 200,000 |
| Remuneration | 1,969,465 | 1,250,393 | 0 | 0 |
| Other emoluments | 73,000 | 69,500 | 27,000 | 23,500 |
| | <u>2,264,465</u> | <u>1,519,893</u> | <u>249,000</u> | <u>223,500</u> |
| <u>Other Key Management Personnel</u> | | | | |
| Remuneration | 1,052,700 | 0 | 0 | 0 |
| Other emoluments | 414,112 | 0 | 0 | 0 |
| | <u>1,466,812</u> | <u>0</u> | <u>0</u> | <u>0</u> |
| | <u>3,731,277</u> | <u>1,519,893</u> | <u>249,000</u> | <u>223,500</u> |

Estimated monetary value of benefits-in-kind provided to the Executive Directors and key management personnel of the Group is RM35,200 (2020:RM26,300).

26. 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.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

26. FINANCIAL INSTRUMENTS (Cont'd)

(a) Capital management (Cont'd)

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 | |
|----------------------------|--------------------|-------------|-------------------|------------|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Borrowings | 87,734,828 | 64,227,871 | 0 | 0 |
| Lease liabilities | 229,817 | 303,266 | 0 | 0 |
| Trade and other payables | 20,032,200 | 14,495,100 | 305,608 | 256,139 |
| Total loans and borrowings | 107,996,845 | 79,026,237 | 305,608 | 256,139 |
| Total equity | 185,948,156 | 162,050,754 | 71,949,179 | 61,846,554 |
| Debt-to-equity ratio | 0.58 : 1 | 0.49 : 1 | 0.004 : 1 | 0.004 : 1 |

Pursuant to the requirements of Practice Note No. 17/2005 of the Bursa Malaysia Securities, the Group is required to maintain a consolidated shareholders' equity 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 years ended 31 December 2021 and 31 December 2020.

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 2021

26. FINANCIAL INSTRUMENTS (Cont'd)

(b) Categories of financial instruments

| | Group RM | Company RM |
|---|--------------------|------------------|
| 31 December 2021 | | |
| Financial assets | | |
| Amortised cost | | |
| Trade and other receivables, net of prepayments | 57,966,738 | 862,125 |
| Cash and bank balances | 8,483,419 | 57,245 |
| | <u>66,450,157</u> | <u>919,370</u> |
| Financial liabilities | | |
| Amortised cost | | |
| Borrowings | 87,734,828 | 0 |
| Trade and other payables | 20,032,200 | 305,608 |
| | <u>107,767,028</u> | <u>305,608</u> |
| 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> |



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

26. FINANCIAL INSTRUMENTS (Cont'd)

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

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

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

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

- (ii) Long term borrowing

The fair values of these financial instruments are estimated by discounting expected future cash flows at market incremental lending rate for similar types of lending, borrowing or leasing arrangements at the end of the reporting period. At the end of the reporting period, these amounts are carried at amortised cost and the carrying amounts approximate fair value.

- (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).

27. 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 2021

27. 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:

| | 2021 | | 2020 | |
|------------------------------------|-------------------|-------------|-------------------|-------------|
| | RM | % of total | RM | % of total |
| By countries | | | | |
| Malaysia | 11,665,217 | 36% | 15,828,392 | 71% |
| China | 20,473,608 | 64% | 6,398,294 | 29% |
| | 32,138,825 | 100% | 22,226,686 | 100% |
| By industry sectors | | | | |
| Minerals | 20,473,608 | 64% | 6,398,294 | 29% |
| Steel product and trading activity | 11,665,217 | 36% | 15,828,392 | 71% |
| | 32,138,825 | 100% | 22,226,686 | 100% |

At the end of each reporting period, approximately five percent (5%) (2020: 3%) of the trade receivables of the Group were due from related parties. The Company's receivables consist 100% (2020: 100%) of amount due by subsidiaries.

(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 2021

27. 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 2021

Group

Financial liabilities

| | | | |
|--|--------------------|----------------|--------------------|
| Lease liabilities | 165,944 | 146,334 | 312,278 |
| Trade and other payables | 20,032,200 | 0 | 20,032,200 |
| Borrowings | 87,015,118 | 785,017 | 87,800,135 |
| Financial guarantee contract | 14,900,000 | 0 | 14,900,000 |
| Total undiscounted financial liabilities | <u>122,113,262</u> | <u>931,351</u> | <u>123,044,613</u> |

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 |
| Financial guarantee contract | 14,900,000 | 0 | 14,900,000 |
| Total undiscounted financial liabilities | <u>92,680,382</u> | <u>1,382,452</u> | <u>94,062,834</u> |

As at 31 December 2021

Company

Financial liabilities

| | | | |
|--|--------------------|----------|--------------------|
| Other payables | 305,608 | 0 | 305,608 |
| Financial guarantee contracts | 102,634,828 | 0 | 102,634,828 |
| Total undiscounted financial liabilities | <u>102,940,436</u> | <u>0</u> | <u>102,940,436</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> |

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

27. 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 | |
|--|--------------------|-----------|
| | 2021 | 2020 |
| | RM | RM |
| Profit after tax | | |
| USD/RM - strengthen by 10% (2020: 10%) | 633,085 | (67,870) |
| - weaken by 10% (2020: 10%) | (633,085) | 67,870 |
| CNY/RM - strengthen by 10% (2020: 10%) | 1,196,928 | 244,521 |
| - weaken by 10% (2020: 10%) | (1,196,928) | (244,521) |

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 | |
|---------------------------------|-----------------|----------|----------------|-------|
| | 2021 | 2020 | 2021 | 2020 |
| | RM | RM | RM | RM |
| Profit after tax | | | | |
| - Increase by 0.1% (2020: 0.1%) | (21,569) | (16,786) | 3,241 | 711 |
| - Decrease by 0.1% (2020: 0.1%) | 21,569 | 16,786 | (3,241) | (711) |



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

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

(d) Interest rate risk (Cont'd)

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

| Group | Note | Weighted average effective interest rate % | Within one (1) year RM | One (1) to two (2) years RM | Two (2) to three (3) years RM | Three (3) to four (4) years RM | Four (4) to five (5) years RM | Total RM |
|-------------------------------|------|--|------------------------|-----------------------------|-------------------------------|--------------------------------|-------------------------------|------------|
| As at 31 December 2021 | | | | | | | | |
| Fixed rates | | | | | | | | |
| Lease liabilities | 6 | 3.78* | 49,137 | 7,744 | 0 | 0 | 0 | 56,881 |
| Lease liabilities | 6 | 4.00 | 109,433 | 51,554 | 11,939 | 0 | 0 | 172,936 |
| Floating rates | | | | | | | | |
| Bankers' acceptances | 13 | 2.40 | 81,201,381 | 0 | 0 | 0 | 0 | 81,201,381 |
| Revolving credit | 13 | 4.14 | 5,000,000 | 0 | 0 | 0 | 0 | 5,000,000 |
| Term loans | 13 | 3.95 | 480,000 | 480,000 | 280,000 | 0 | 0 | 1,240,000 |
| Bank overdrafts | 13 | 6.79* | 293,447 | 0 | 0 | 0 | 0 | 293,447 |

* Represents weighted average incremental borrowings rate per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

27. 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)

| 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 |

* Represents weighted average incremental borrowings rate per annum.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

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

(d) Interest rate risk (Cont'd)

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

| | Note | Weighted average effective interest rate % | Within one (1) year RM | 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 |
|-------------------------------|------|--|---------------------------------|--------------------------------------|--|---|--|-------------|
| Company | | | | | | | | |
| As at 31 December 2021 | | | | | | | | |
| Floating rates | | | | | | | | |
| Amounts due by subsidiaries | 9 | 3.44 | 862,125 | 0 | 0 | 0 | 0 | 862,125 |
| As at 31 December 2020 | | | | | | | | |
| Floating rates | | | | | | | | |
| Amounts due by subsidiaries | 9 | 3.95 | 7,423,285 | 0 | 0 | 0 | 0 | 7,423,285 |

The Group and the Company do not account for any fixed rate financial instruments at fair value through profit or loss, and the carrying amount of fixed rate financial instruments of the Group and of the Company are measured at amortised cost. Therefore, no sensitivity analysis for fixed rate instruments was prepared as the change in market interest rate at the end of the reporting period would not affect profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

28. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

The World Health Organisation declared the novel coronavirus ('COVID-19') a global pandemic on 11 March 2020. The Government of Malaysia imposed the Movement Control Order ('MCO') on 18 March 2020 and has entered into the various phases of the MCO, followed by the announcement of the National Recovery Plan ('NRP') in June 2021, which details a roadmap to control the COVID-19 pandemic while progressively reopening society and the economic sectors towards the new normal under four progressive phases. Subsequently, in March 2022, the Government of Malaysia announced that Malaysia will enter the "Transition to Endemic" phase of COVID-19 and reopen its borders from 1 April 2022.

The implementation of the MCO/NRP and the COVID-19 pandemic have not resulted in any material impact to the Group's business and operations. It had also not negatively impacted the liquidity position of the Group. In addition, the Group had not observed any material impairments of the assets or a significant change in the fair value of assets due to the COVID-19 pandemic.

Based on the assessment and information available at the date of authorisation of the financial statements, the Group has 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 do not anticipate significant supply disruptions and would continuing monitor its fund and operational needs.

29. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE REPORTING PERIOD

- (a) The rise of Russia – Ukraine conflicts in February 2022 and consequently various sanctions introduced by the United States of America and European countries on Russia had introduced an element of uncertainty to the global economy. Prices of commodity, energy and freight had risen and disruption in the global supply chain had been reported.

The Group and the Company does not have counterparty in these two countries and hence, are not directly impacted by the event. The Group and the Company are actively monitoring the development of the conflict and its potential knock-on effect. As at the date of authorisation of the financial statements, the Russia-Ukraine conflict remains unpredictable. Consequently, the Group and the Company are unable to estimate the financial effects of the situation at this juncture.

- (b) On 15 April 2022, the Company had proposed to undertake the following:
- (i) Proposed private placement of up to 40,359,700 new ordinary shares, representing up to 30% of the total number of issued shares of the Company (excluding treasury shares) ('Proposed Private Placement'); and
 - (ii) Proposed establishment and implementation of an employees' share option scheme ('ESOS') involving up to 15% of the total number of issued shares (excluding treasury shares) for eligible Directors and employees of the Group and the Company (excluding dormant subsidiaries) ('Proposed ESOS').

30. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs

30.1 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>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 (early adopt) |

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



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

31 DECEMBER 2021

30. ADOPTION OF NEW MFRSs AND AMENDMENTS TO MFRSs (Cont'd)

30.2 New MFRSs that have been issued, but only effective for annual periods beginning on or after 1 January 2022

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 |
|--|----------------|
| 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 |
| Amendments to MFRS 17 <i>Insurance Contracts - Initial Application of MFRS 17 and MFRS 9 - Comparative Information</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 112 <i>Deferred tax related to Assets and Liabilities arising from a Single Transaction</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 2021 (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 | 28 years | 34,000 | Factory | 28,650 |
| 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 | 27 years | 111 | Residential premise for factory workers | 390 |
| 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 | 27 years | 111 | Residential premise for factory workers | 390 |
| 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 | 29 years | 33,600 | Factory | 17,960 |
| 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 | 9 years | 39,250 | Factory | 24,184 |
| 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 | 23 years | 73 | Residential premise for factory workers | 86 |
| 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 | 18 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 | 13 years | 17,000 | Factory | 15,735 |



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 2021 (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 | 15 years | 130 | Residential premise for rent | 539 |
| 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 | 15 years | 130 | Residential premise for rent | 535 |
| 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 | 14 years | 130 | Residential premise for factory workers | 582 |
| 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 | 12 years | 186 | Residential premise for rent | 565 |
| 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 | 13 years | 130 | Residential premise for factory workers | 639 |
| 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 | 9 years | 191 | Residential premise for rent | 586 |
| 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 | 39 years | 6,133 | Factory | 1,178 |

ANALYSIS OF SHAREHOLDINGS

AS AT 31 MARCH 2022

| | |
|----------------------|---|
| Issued Share Capital | : 140,334,960 ordinary shares (including 5,802,400 treasury shares) |
| Class of Share | : Ordinary Shares |
| No. of Shareholders | : 2,524 |
| 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 | 0.2377 | 215 | 0.0002 |
| 100 - 1,000 | 320 | 12.6783 | 223,408 | 0.1592 |
| 1,001 - 10,000 | 1,522 | 60.3011 | 8,651,569 | 6.1649 |
| 10,001 - 100,000 | 613 | 24.2869 | 18,492,500 | 13.1774 |
| 100,001 – 7,016,747* | 61 | 2.4168 | 47,053,506 | 33.5294 |
| 7,016,748 – 140,334,960** | 2 | 0.0792 | 65,913,762 | 46.9689 |
| TOTAL: | 2,524 | 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 | 8.83 | ^56,622,974 | ^42.09 |
| 2. | Datin Tan Pak Say | 1,375,006 | 1.02 | ^67,125,862 | ^49.90 |
| 3. | Bischart Sdn. Bhd. | 54,035,868 | 40.17 | - | - |

DIRECTOR'S INTEREST IN THE SHARE CAPITAL

| No. | Name of Directors | Direct | | Indirect | |
|-----|-----------------------------------|---------------|------|---------------|--------|
| | | No. of Shares | % | No. of Shares | % |
| 1. | Tan Sri Dato' Mohd Desa bin Pachi | - | - | - | - |
| 2. | Dato' Goh Cheng Huat | 11,877,894 | 8.83 | ^56,622,974 | ^42.09 |
| 3. | Datin Tan Pak Say | 1,375,006 | 1.02 | ^67,125,862 | ^49.90 |
| 4. | Lim Leng Han | 18,000 | 0.01 | - | - |
| 5. | Datuk Abdullah bin Haji Kuntom | - | - | - | - |
| 6. | Mohd. Arif bin Mastol | - | - | - | - |
| 7. | Goh Wan Jing | - | - | - | - |
| 8. | Abdull Sukor bin Ismail | - | - | - | - |

^ Deemed interest pursuant to Section 8 of the Companies Act, 2016 and direct and indirect shares via spouse and children pursuant to Section 59(11)(c) of the Act

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 2022

LIST OF TOP 30 HOLDERS AS AT 31 MARCH 2022

| No. | Name | Holdings | % |
|---------------|--|--------------------|----------------|
| 1. | BISCHART SDN. BHD. | 18,035,868 | 12.8520 |
| 2. | BISCHART SDN. BHD. | 18,000,000 | 12.8264 |
| 3. | BISCHART SDN. BHD. | 18,000,000 | 12.8264 |
| 4. | GOH CHENG HUAT | 11,847,300 | 8.4421 |
| 5. | TAN HAN CHUAN | 6,547,600 | 4.6657 |
| 6. | MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN CHING CHING | 6,544,900 | 4.6638 |
| 7. | LEADER STEEL HOLDINGS BERHAD SHARE BUY BACK ACCOUNT | 5,802,400 | 4.1347 |
| 8. | MAYBANK SECURITIES NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR ONG HUEY PENG | 5,061,300 | 3.6066 |
| 9. | POO CHOO @ ONG POO CHOI | 3,000,000 | 2.1377 |
| 10. | IFAST NOMINEES (TEMPATAN) SDN BHD CHONG CHEE MING | 1,255,400 | 0.8946 |
| 11. | GOH HONG KENT | 1,212,100 | 0.8637 |
| 12. | TAN PHAIK HOON | 1,160,000 | 0.8266 |
| 13. | TAN PAK SAY | 1,155,006 | 0.8230 |
| 14. | M & A NOMINEE (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHIA YUET YOONG (M&A) | 850,000 | 0.6057 |
| 15. | CHEANG BENG CHEE | 847,000 | 0.6035 |
| 16. | ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG KOK CHOY (8092812) | 720,000 | 0.5131 |
| 17. | GOH CHIN LIM | 720,000 | 0.5131 |
| 18. | TAN AIK CHOON | 639,300 | 0.4555 |
| 19. | KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YEO BEE KIM | 618,400 | 0.4407 |
| 20. | LIM BEE YEN @ NG BEE YEN | 580,000 | 0.4133 |
| 21. | TAN KHENG HWA | 500,000 | 0.3563 |
| 22. | TAN AIK CHOON | 491,300 | 0.3501 |
| 23. | E METALL SYSTEMS SDN. BHD. | 477,400 | 0.3402 |
| 24. | PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR KONG KOK CHOY (SRB/PMS) | 450,000 | 0.3207 |
| 25. | KUEH CHIAW BOON | 380,000 | 0.2708 |
| 26. | SIM CHOH SANG @ SIM CHOH SHAN | 336,000 | 0.2394 |
| 27. | LIM KIAN HUAT | 310,900 | 0.2215 |
| 28. | CITIGROUP NOMINEES (TEMPATAN) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-R ES) | 300,000 | 0.2138 |
| 29. | LIM PAY KAON | 300,000 | 0.2138 |
| 30. | LIM SOON HUAT | 300,000 | 0.2138 |
| Total: | | 106,442,174 | 75.8486 |



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

FORM OF PROXY

**Twenty-Ninth (29th)
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 29th 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 Monday, 30 May 2022 at 12.15 pm and at any adjournment thereof.

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

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

Signed this _____ day of _____ 2022

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 23 May 2022 (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.

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 29th Annual General Meeting of the Company and any adjournment thereof.



1st fold here

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

