



LEADER STEEL HOLDINGS BERHAD

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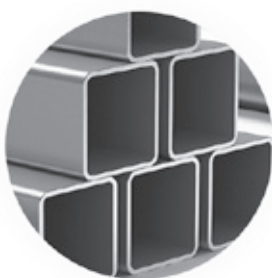
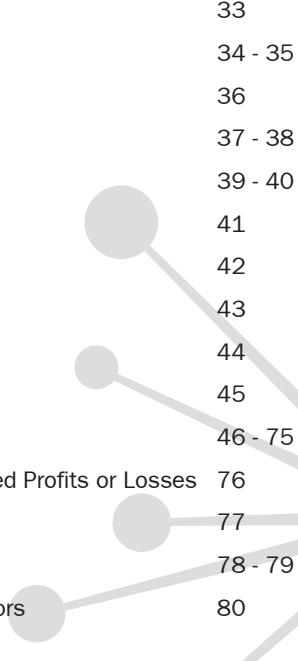


ANNUAL REPORT **2013**



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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the TWENTY-FIRST ANNUAL GENERAL MEETING of shareholders of LEADER STEEL HOLDINGS BERHAD will be held at 2nd Floor, Wisma Leader Steel, Plot 85, Lorong Perusahaan Utama, Kawasan Perusahaan Bukit Tengah, 14000 Bukit Tengah, Seberang Prai Tengah, Penang on Thursday, 29 May 2014, at 12.15p.m. for the following purposes:

As Ordinary Business:

1. To receive the Audited Financial Statements for the year ended 31 December 2013 and the Reports of the Directors and Auditors thereon.
2. To re-elect the following Directors who retire pursuant to Article 102 of the Company's Articles of Association:-
 - i) Dato' Goh Cheng Huat Resolution 1
 - ii) Mr Lim Leng Han Resolution 2
3. To re-elect the following Directors who retire pursuant to Section 129 of the Companies Act, 1965:-
 - i) Tan Sri Dato' Mohd Desa bin Pachi Resolution 3
 - ii) Tan Sri Dato' Soong Siew Hoong Resolution 4
 - iii) Datuk Abdullah bin Haji Kuntom Resolution 5
4. To approve the payment of Directors' fees amounting to RM175,000/- for the year ended 31 December 2013. Resolution 6
5. To appoint Messrs BDO as Auditors of the Company for the ensuing year in place of the retiring auditors, Messrs Crowe Horwath and to authorise the Directors to fix their remuneration. Resolution 7

As Special Business:

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

6. **SECTION 132D OF THE COMPANIES ACT, 1965** Resolution 8
 "THAT pursuant to Section 132D of the Companies Act, 1965 ("the Act") and subject always to the approval of all the relevant regulatory authorities, the Board of Directors of the Company be and is hereby authorised to issue and allot from time to time such number of ordinary shares of the Company upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, PROVIDED ALWAYS THAT the aggregate number of ordinary shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad ("Bursa Securities") AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier."
7. **PROPOSED RENEWAL AND ADDITIONAL SHAREHOLDERS' MANDATE FOR THE RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("Proposed Shareholders' Mandate")** Resolution 9
 "THAT pursuant to Paragraph 10.09 of the Bursa Securities Main Market Listing Requirements ("Listing Requirements"), a general mandate of the shareholders be and is hereby granted for the Company and its subsidiaries to enter into recurrent related party transactions with Eonmetall Group Berhad and its subsidiaries as stated in Section 2.4 of the Circular, which are necessary for the Group's day to day operations and are carried out in the ordinary course of business and are on normal commercial terms which are not more favourable to the related parties than those generally available to the public and not detrimental to the minority shareholders; and that the approval shall continue to be in force until the conclusion of the next AGM of the Company at which time it will lapse unless the authority is renewed by a resolution passed at the meeting; or the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or revoked or varied by resolution passed by the shareholders of the Company in a general meeting; whichever is the earlier."

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

8. PROPOSED RENEWAL OF AUTHORITY TO BUY-BACK ITS OWN SHARES BY THE COMPANY

Resolution 10

"THAT subject to the Act, rules, regulations and orders made pursuant to the Act, provisions of the Company's Memorandum and Articles of Association and the requirements of the Bursa Malaysia Securities Berhad ("Bursa Securities") and any other relevant authorities, the Directors of the Company be hereby unconditionally and generally authorised to make purchases of ordinary shares of RM0.50 each in the Company's issued and paid-up capital through the Bursa Securities at anytime and upon such terms and conditions and for such purposes as the Directors may, in their discretion deem fit, subject to the following:

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

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

9. RETENTION OF INDEPENDENT DIRECTORS

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

- (i) Mr Lim Leng Han
- (ii) En Mohd Arif bin Mastol"

Resolution 11
Resolution 12

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

By Order of the Board

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

Penang, 7 May 2014

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Notes :

Appointment of Proxy

1. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Where a member appoints more than (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
2. Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
3. Where a member of the Company is an exempt authorised nominee which hold ordinary shares in the Company for multiple beneficial owner in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account its holds.

An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

4. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
5. To be valid, the form of proxy must be deposited at the Company's Registered Office at Suite 16-1 (Penthouse Upper), Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty eight (48) hours before the time appointed for holding the meeting.
6. For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 61(3) of the Articles of Association of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("ROD") as at 22 May 2014 and only a Depositor whose name appears on such ROD shall be entitled to attend this meeting or appoint proxy to attend and/or vote in his/her behalf.

Explanatory Note on Ordinary Business:

1. The proposed Ordinary Resolutions 3, 4 and 5 under Agenda 3 is in accordance with Section 129(6) of the Companies Act, 1965 which requires that a separate resolution be passed to re-appoint Tan Sri Dato' Mohd Desa bin Pachi, Tan Sri Dato' Soong Siew Hoong and Datuk Abdullah bin Haji Kuntom who are over 70 years of age as Directors of the Company and to hold office until the conclusion of the next AGM of the Company. These resolutions shall take effect if it is passed by a majority of not less than three-fourth of such shareholders of the Company as being entitled to vote in person or where proxies are allowed, by proxy at the AGM of the Company.
2. The proposed Ordinary Resolution 7, is to appoint Messrs BDO in place of Messrs Crowe Horwath whose term expires at the conclusion of this forthcoming Twenty-First AGM and do not wish to seek re-appointment.

Explanatory Notes on Special Business:

1. The proposed Ordinary Resolution 8 is for the purpose of granting a renewed general mandate ("General Mandate") and if passed, will give authority to the Board of Directors to issued and allot ordinary shares from the unissued capital of the Company at any time in their absolute discretion and that such authority shall continue in force until the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 27 May 2013 and which will lapse at the conclusion of the Twenty-First AGM. The General Mandate will provide flexibility to the Company for any possible fund raising activities, including but not limited to further placing of shares, for purpose of funding future investment project(s), working capital and/or acquisitions.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Explanatory Notes on Special Business: (cont'd)

2. The proposed Resolution 9, if passed, will obtain the Shareholders' Mandate for the Company and its subsidiaries to enter into the specified recurrent related party transactions with Eonmetall Group Berhad and its subsidiaries as set out in Section 2.4 of the Circular which are necessary for the Group's day to day operations and are carried out in the ordinary course of business and are on normal commercial terms which are not more favourable to the related party than those generally available to the public and not detrimental to the minority shareholders. Further information on the Proposed Shareholders' Mandate is set out in the Circular to Shareholders dated 7 May 2014.
3. The proposed Ordinary Resolution 10, if passed, will allow the Company to purchase its own shares. The total number of shares purchased shall not exceed 10% of the issued and paid-up share capital of the Company. This authority will, unless revoked or varied by the Company in general meeting, expires at the next AGM of the Company.
4. The proposed Ordinary Resolutions 11 and 12, if passed, will retain the following Directors as Independent Directors of the Company:-

(a) Mr Lim Leng Han

Mr Lim Leng Han was appointed as an Independent Director on 25 July 1994. Mr Lim has served the Company for more than ten (10) years as at the date of the notice of AGM. He has remained objective and independent in expressing his views during deliberation and decision making of the Board and Board Committees. As Mr Lim has met the independence guidelines as set out in Chapter 1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board, therefore, considers Mr Lim to be independent and recommends Mr Lim to remain as an Independent Director.

(b) En Mohd Arif bin Mastol

En Mohd Arif bin Mastol was appointed as an Independent Director on 2 Oct 2003. En Mohd Arif has served the Company for more than nine (9) years as at the date of the notice of AGM. He has remained objective and independent in expressing his views during deliberation and decision making of the Board and Board Committees. As En Mohd Arif has met the independence guidelines as set out in Chapter 1 of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, the Board, therefore, considers En Mohd Arif to be independent and recommends En Mohd Arif to remain as an Independent Director.

Statement Accompanying Notice of Annual General Meeting

(Pursuant to Paragraph 8.27(2) of the Listing Requirements)

1. No individual is seeking election as a Director at the forthcoming Twenty-First AGM of the Company.
2. The Letter of Nomination dated 24 April 2014, which the Company had received from its shareholder in respect of the appointment of Messrs BDO in place of Messrs Crowe Horwath (whose term expires at the conclusion of this forthcoming Twenty-First AGM) and at remuneration to be determined by the Directors, is as reproduced on page 80 of the Annual Report.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Tan Sri Dato' Mohd Desa bin Pachi
Chairman/Non-Independent Non-Executive Director

Dato' Goh Cheng Huat
Deputy Chairman/Executive Director

Datin Tan Pak Say
Managing Director/Executive Director

Tan Sri Dato' Soong Siew Hoong
Non-Independent Non-Executive Director

Lim Leng Han
Senior Independent Non-Executive Director

Mohd Arif bin Mastol
Independent Non-Executive Director

Datuk Abdullah bin Haji Kuntom
Non-Independent Non-Executive Director

JOINT COMPANY SECRETARIES

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

AUDIT COMMITTEE

Lim Leng Han
Chairman

Mohd Arif bin Mastol
Member

Datuk Abdullah bin Haji Kuntom
Member

NOMINATING COMMITTEE

Tan Sri Dato' Mohd Desa bin Pachi
Chairman

Lim Leng Han
Member

Mohd Arif bin Mastol
Member

REMUNERATION COMMITTEE

Tan Sri Dato' Mohd Desa bin Pachi
Chairman

Dato' Goh Cheng Huat
Member

Lim Leng Han
Member

REGISTERED OFFICE

Suite 16-1, (Penthouse Upper),
Menara Penang Garden
42A Jalan Sultan Ahmad Shah
10050 Penang
Tel : 04-229 4390
Fax : 04-226 5860

HEAD OFFICE

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

REGISTRAR

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

AUDITORS

Crowe Horwath
Chartered Accountants
17.01 Menara Boustead Penang
39 Jalan Sultan Ahmad Shah
10050 Penang, Malaysia
Tel : 04-227 7061
Fax : 04-227 8011

MAJOR BANKERS

Hong Leong Bank Berhad
OCBC Bank (Malaysia) Berhad
Malayan Banking Berhad
RHB Bank Berhad
Hong Leong Islamic Bank Berhad
HSBC Bank Malaysia Berhad
Bank of Tokyo-Mitsubishi UFJ (Malaysia) Berhad
Ambank (M) Berhad

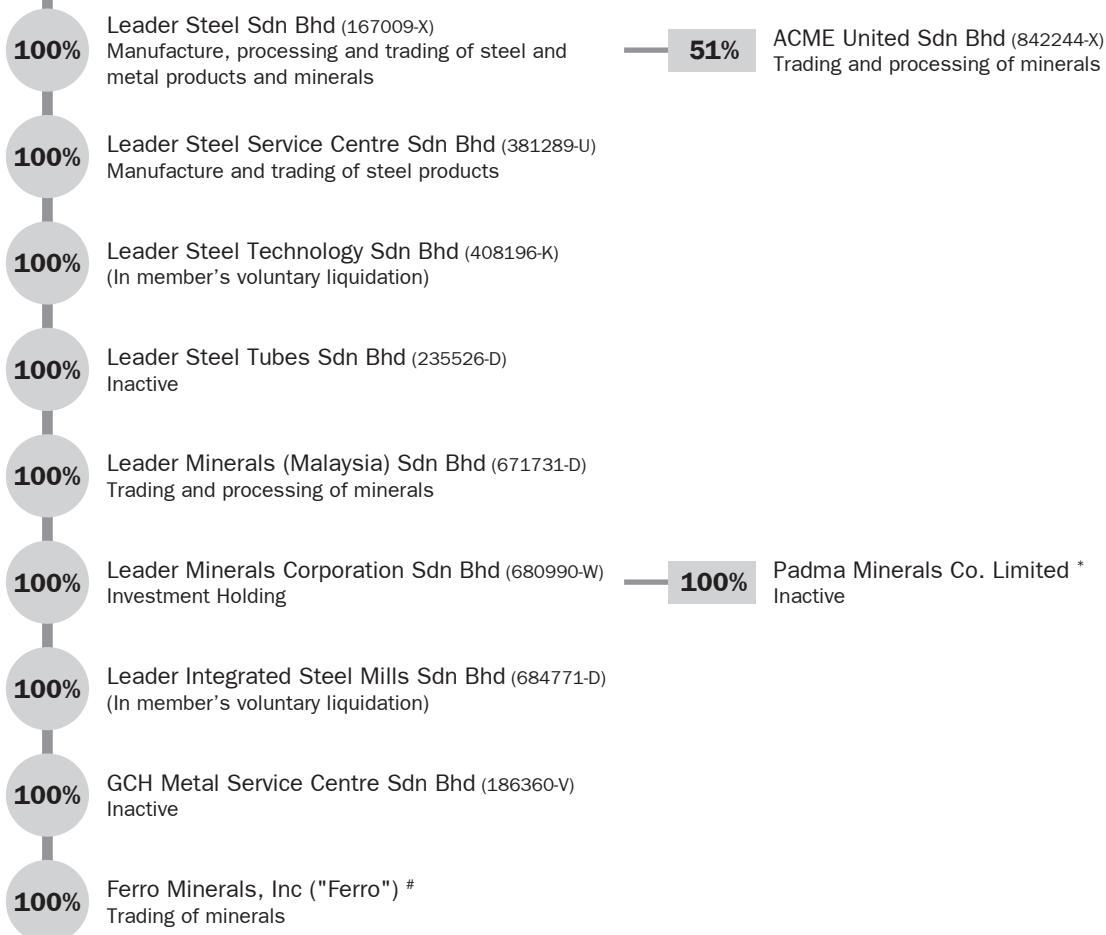
STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia Securities Berhad
Stock Code : 9881
Stock Name : LSTEEL

GROUP STRUCTURE AND PRINCIPAL ACTIVITIES/ FINANCIAL HIGHLIGHTS



LEADER STEEL HOLDINGS BERHAD 267209-K



* Incorporated in Hong Kong

Incorporated in the United States of America

FINANCIAL HIGHLIGHTS

	2008	2009	2010	2011	2012	2013
Turnover (RM million)	231.6	389.6	216.7	273.5	283.4	258.7
Profit/(Loss) before tax (RM million)	1.2	11.4	4.1	2.9	(11.2)	2.4

Overview

The Group set a positive growth in 2013 after bottoming out in the previous financial year. The steel industry remained soft because of significant excess production capacity and low pricing pressure. The manufacturing segment of the Group continued to augur well in its performance whilst its international trading sector promised vast potential to continue growing. The group performance in 2013 improved gradually compared to 2012. From the group perspective, we have managed to improve our performance despite having to face many challenges such as major raw materials and production cost increase, coupled with unstable currency fluctuation. As in previous year, Malaysian steel industry continued to be flooded by the import of cheap raw materials and at the same time, the steel finished products had tendency to push down the market price even further. The implementation of the Import of Iron and Steel Control Policy from SIRIM-QAS to issue COA (Certificate of Approval) based on testing and verification for standard compliances for international iron and steel suppliers towards end of the year has reduced the influx of the cheap materials and also managed to cushion the pressure on steel prices and profit margins.

We expect production levels to improve after two years of contracting output, while the country is forecasted to be a regional outperformer in terms of output of steel production, and in addition the new HRC local supplier in 2014 is expected to further reduce the local raw materials cost. Domestic metals demand is expected to also remain robust with consumption levels for steel forecast expected to grow. Government policy in controlling import of raw materials has gradually liberalized, especially on the import of HRC and CRC which indirectly lower down the cost of finished products.

World Steel Association (WSA) showed that China accounts for over 70% of Asia's consumption and production of steel. Based on this huge benchmark, iron ore demand from China, even if it increases at a slower rate in future, is still a big number. In 2013, the Group managed to maintain its iron ore sales export but increased its profit margins compared to 2012.

Outlook

Moving forward, the Group continues to see challenges in financial year 2014 due to the uncertainty of the global economic environment, unstable foreign exchange currency and the hike in local labor and energy cost. Manufacturers, distributors and customers will reduce their stocks level because of soft demand resulting in excess steel supply in the market, a move that will put further pressure on the overall profits of steelmakers. Besides, after 3 years of demand destruction in local market, a major risk for 2014 is that steelmakers may be too aggressive in restarting idled capacity in an effort to capitalise on current strength and take market share, in which case, volumes may pick up but prices will remain depressed.

We are still seeing unexpected unstable political situations in many emerging economies. Although the global steel demand recovery continues but growth is stabilising at a lower rate with continued volatility and uncertainty leading to a challenging environment for steel companies. Although China's economic growth is slowing down, ongoing urbanization will still strongly support the demand for iron ore and steel products for a long time. China's iron ore and related minerals import will continue to increase.

For the manufacturing segment, Malaysian iron and steel producers will be looking to the domestic market to drive demand instead of imports. We retain a positive outlook towards the Malaysian Economy in 2014. We expect growth in the National Key Economic Areas (NKEAs) to remain relatively robust, giving strong support to the domestic industry.

The Group expects to achieve promising performance for the iron ore and manganese trade and the processing division in the year 2014. We continue to receive high quality products and consistent strong support from suppliers. The Group expects that the iron ore and manganese trade and the processing division will contribute higher revenue and profit in year 2014. The Group is cautiously optimistic of achieving a better profit level in year 2014 bearing in mind the uncertainty in the domestic and international steel market.

CHAIRMAN'S STATEMENT (CONT'D)

Financial Performance

The Group achieved a revenue of RM258.7 million for the financial year ended 31 December 2013, a decrease of 8.7% as compared to RM283.4 million in the financial year 2012. This was mainly due to the decrease in sales volume of trading and processing of iron ore division. However, profit before tax for the year is RM2.4 million compared to loss before tax of RM11.2 million in financial year 2012. The substantial increase in profit before tax was mainly due to the increase in profit margin for both manufacturing and minerals trading and processing segment in financial year 2013.

Dividend

No dividend had been declared for the financial year ended 31 December 2013.

Appreciation

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

TAN SRI DATO' MOHD DESA BIN PACHI
Chairman



DIRECTORS' PROFILE

TAN SRI DATO' MOHD DESA BIN PACHI (Chairman/Non-Independent Non-Executive Director)

TAN SRI DATO' MOHD DESA BIN PACHI, PSM, DSPN, KMN, aged 80, Malaysian, was appointed to the Board of Directors of LSH on 10 August 1995. He is the Chairman of the Board of Directors, and also acts as Chairman of the Remuneration Committee and Nominating Committee.

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

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

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

Saujana Consolidated Berhad (Chairman), Amanah Saham Nasional Berhad, Amanah Mutual Berhad (Chairman), Eonmetall Group Berhad (Chairman) and Saujana Resort (M) Berhad.

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

He has attended all four (4) Board meetings held during the financial year ended 31 December 2013.

DATO' GOH CHENG HUAT (Deputy Chairman, Executive Director)

DATO' GOH CHENG HUAT, aged 53, Malaysian, was appointed to the Board of Directors of LSH on 10 August 1995. He is a member of the Remuneration Committee. He resigned as Managing Director and was appointed as Deputy Chairman on 29 April 2005. On 25 February 2014, Dato' Goh was re-designated as an Executive Director.

The founder of the Group, Dato' Goh has extensive experience and knowledge in the processing of iron and steel products. With more than 30 years in the industry, he has accumulated invaluable skills, which includes amongst other, the invention and enhancement of steel making machine and its related processes. In recognition of his entrepreneurial skills, Dato' Goh was conferred the 1990 Young Entrepreneur Award by the Ministry of Youth and Sports. His zeal and untiring efforts to improve steel products making processes did not go unnoticed, for in 1999, he was awarded a patent for "Process For The Manufacturing Of Steel Products And Apparatus". Dato' Goh's visionary approach and keen business acumen certainly augur well for the Group especially in its business direction.

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

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

He is the spouse of Datin Tan Pak Say.

He has attended three (3) out four (4) Board meetings held during the financial year ended 31 December 2013.

DIRECTORS' PROFILE (CONT'D)

DATIN TAN PAK SAY

(Managing Director, Executive Director)

DATIN TAN PAK SAY, aged 52, Malaysian, was first appointed to the Board of Directors of LSH on 10 August 1995. She ceased to be a director on 2 January 2004 but was subsequently re-appointed back to the Board on 25 May 2004. She was appointed as Executive Director on 21 February 2005 and subsequently she was appointed as Managing Director on 29 April 2005.

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

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

She is the spouse of Dato' Goh Cheng Huat.

She has attended all four (4) Board meetings held during the financial year ended 31 December 2013.

TAN SRI DATO' SOONG SIEW HOONG

(Non-Independent Non-Executive Director)

TAN SRI DATO' SOONG SIEW HOONG PSM, KMN, SMS, DPMS, JSM, aged 88, Malaysian, was appointed to the Board of Directors of LSH on 25 July 1994. He was conferred Panglima Setia Mahkota (PSM) which carries the title of "Tan Sri" by the Yang DiPertuan Agong on 6th June 1998 and the Darjah Kebesaran Datuk Mahkota Selangor (DPMS) which carries the title of Dato' in 1990.

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

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

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

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

He has attended all four (4) Board meetings held during the financial year ended 31 December 2013.



DIRECTORS' PROFILE (CONT'D)

MR. LIM LENG HAN

(Senior Independent Non-Executive Director)

MR. LIM LENG HAN, aged 53, Malaysian, was appointed to the Board of Directors of LSH on 25 July 1994. He is the Chairman of the Audit Committee in LSH and also acts as a member of the Remuneration Committee and Nominating Committee. Graduated in 1985 with a degree in Bachelor of Law (LL.B) (Hon) from University of Malaya, he was subsequently admitted as Advocate and Solicitor by the High Court of Malaya on 8 February 1986 and became a member of the Bar Council of Malaysia. He is also an appointed member of the Disciplinary Committee, Bar Council of Malaysia and also an appointed Notary Public of the Attorney-General's Chambers.

Mr. Lim has been active in the legal profession for 29 years and gained wide experience in the corporate, conveyancing and civil matters. Mr. Lim was serving with Johari, Goh & Associates, Kadir & Co. and Zaid Ibrahim & Co. for six (6) years before starting his own legal practice under the name of Messrs. Lim Leng Han & Co., in Butterworth, Penang on 8 February 1993 and thereafter Messrs. Lim Leng Han & SF Tho until todate. He is also the legal adviser of societies and organizations such as Penang Hardware and Machinery Merchants' Association, Lim Clan Association of Penang, Butterworth Buddhist Association, Thang Hsiang Temple, Bayan Lepas and various others.

His current directorship in public companies is only with LSH.

He has attended all four (4) Board meetings held during the financial year ended 31 December 2013.

EN. MOHD ARIF BIN MASTOL

(Independent Non-Executive Director)

EN. MOHD ARIF BIN MASTOL, aged 59, Malaysian, was appointed to the Board of Directors of LSH on 28 June 2002. He also sits in the Nominating Committee and Audit Committee of LSH as a member. En Mohd Arif is a member of the Malaysian Institute of Accountants.

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

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

He has attended all four (4) Board meetings held during the financial year ended 31 December 2013.

DIRECTORS' PROFILE (CONT'D)

DATUK ABDULLAH BIN HAJI KUNTOM

(Non-Independent Non-Executive Director)

DATUK ABDULLAH BIN HAJI KUNTOM, aged 70, Malaysian, was appointed to the Board on 2nd October 2003 and was appointed to be a member of the Audit Committee on 9 April 2014. Datuk holds a Bachelor of Arts Degree from the University of Malaya and a Masters in Public Policy and Administration from the University of Wisconsin, Madison, United States of America.

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

His current directorship in public companies is only with LSH.

He has attended all four (4) Board meeting held during the financial year ended 31 December 2013.

Notes:

1. All the Directors do not have any conflict of interest with the Group.
2. All the Directors have not been convicted for any offences within the past ten years other than for traffic offences, if any.
3. None of the Directors have any family relationship with any director and/or major shareholder of LSH other than Dato' Goh Cheng Huat who is the spouse of Datin Tan Pak Say.
4. The Directors' shareholdings are as disclosed under page 78 in this Annual Report.

STATEMENT ON CORPORATE GOVERNANCE

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

With the introduction of the Malaysian Code on Corporate Governance 2012 (“MCCG 2012”) in March 2012, the Board had endeavoured to adopt and apply, where practicable, the principles as set out in MCCG 2012 in its quest to enhance shareholder value.

The Board is pleased to provide the following statements, which outlines the corporate governance practices that were in place throughout the financial year 31 December 2013, unless otherwise stated.

BOARD OF DIRECTORS

Board duties and responsibilities

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

A new Board Charter for the Group has been developed and is being fine tuned. The new Board Charter includes the Code of Conduct of the Directors, Code of Ethics and Corporate Disclosure Policies and Procedures, to provide reference for directors in relation to the Board’s role, duties and functions, division of responsibilities between the Board, the different Board Committees, the Chairman and the Managing Director as well to formalize ethical standards for the Board in discharging its duties.

Board Composition and Balance

At the date of this statement, the Board consists of seven (7) members, comprising two (2) Independent Non-Executive Directors, three (3) Non-Independent Non-Executive Directors and two (2) Executive Directors. The Directors, with their different profiles, collectively bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, legal, marketing and operations and governmental affairs. A brief profile of each Director is presented on pages 10 to 13 of this Annual Report.

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

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

The roles of the Chairman and the Managing Director are segregated. The Chairman is primarily responsible for the proper conduct and running of the Board as well as ensures that all Directors receive sufficient and relevant information on financial and non-financial matters to enable them to participate actively in Board decisions. The Managing Director assumes the overall responsibility of the Group’s day-to-day operations units, organisational effectiveness and implementation of Board’s policies and decisions.

The Board has also identified Mr Lim Leng Han as the Senior Independent Non-Executive Director to whom concerns may be conveyed.

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

The Company does not have a gender diversity policy as the Company believes that any appointment of new Directors should be based on their experience and what they can bring to the Company rather than be based on gender.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

BOARD OF DIRECTORS (cont'd)

Board Meetings and supply of information

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

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

Name of Director	No. of meetings	
	Held	Attended
Tan Sri Dato' Mohd Desa bin Pachi	4	4
Dato' Goh Cheng Huat	4	3
Datin Tan Pak Say	4	4
Tan Sri Dato' Soong Siew Hoong	4	4
Lim Leng Han	4	4
Datuk Abdullah bin Haji Kuntom	4	4
Mohd Arif bin Mastol	4	4

The Chairman ensures that all Directors have full and timely access to information with all Directors are being provided with an agenda and a set of Board papers on matters requiring their consideration in advance of each Board meeting covering areas of strategic, financial, operational and regulatory compliance matters. The Chairman, with the assistance of the Company Secretary, undertakes the primary responsibility of preparing and organising information necessary for the Board to deal with the agenda and for providing this information to the Directors on a timely basis. The Company Secretary issues notices to the Directors at least seven days prior to the meeting listing down the agenda to be discussed at the meeting.

The Board also serve as a platform for the individual Directors to notify the Board of their acceptance of any new directorships in other public listed companies. All proceedings of Board meetings are duly recorded and the minutes thereof are confirmed as correct by the Chairman of the meeting.

Every Director has unhindered access to the advice and services of a qualified Company Secretary. The Board believes that the current Company Secretary is capable of carrying out her duties to ensure the effective functioning of the Board. The Articles of Association specify that the removal of the Company Secretary is a matter for the Board as a whole.

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

Board Committees

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

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

BOARD OF DIRECTORS (cont'd)**Appointments to the Board***Nominating Committee*

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

Members of the Nominating Committee who has served their term during the financial year under review comprised of the following:

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

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

During the financial year, the Committee met once, attended by all members, to deliberate on the retirement by rotation of Directors, their eligibility for re-election at the AGM, conducted annual assessment on the effectiveness of the Board as a whole, the various Board Committees, contributions of individual Directors as well as to assess the independence of the Independent Directors. The Board believes that the current Board's composition brings the required mix of skills and core competencies required for the Board to discharge its duties effectively. Furthermore, the Board reviews its size and composition with particular consideration on its impact on the effective functioning of the Board.

In assessing the independence of the Independent Directors, the Nominating Committee notes that the respective Independent Directors have met the definition of "Independent Directors" as set out in the Bursa Malaysia's Listing Requirements.

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

Directors' training

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

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

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

1. The Fall of the West and the Rise of Asia - What are the mechanisms at work and where is Malaysia's place?
2. Promise of Islamic Finance - What needs to be done to make it a reality
3. Malaysia's Higher Education : In need of Radical Transformation
4. Nurturing the Minds of Future Leaders Essay Competition 2012
5. Embracing risks for long term corporate success - Boosting your risk governance
6. Wealth creation & preservation
7. Current political trends and their impact on the economic and social direction of Malaysia
8. PNB Group Quality Initiatives 2013
9. MIA Conference 2013
10. Managing Stakeholders' Expectations in the Fast Changing Business Trends Towards Value Creation
11. Governance and Enterprise Risk Management - Managing the Challenges Ahead

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

BOARD OF DIRECTORS (cont'd)

Re-election of Directors

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

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

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

Currently the Company does not have a tenure limit for the Independent Director to serve on the Board as the Board is of the view that the years of experience and knowledge gained through the years is invaluable to the Company. However, in compliance with MCCG 2012, the Board hereby recommends that the independent directors who have served a consecutive or cumulative term of nine year or more shall seek the shareholders' approval to be retained as an Independent Director.

DIRECTORS' REMUNERATION

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

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

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

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

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

Director	Fees RM'000	Salaries RM'000	Bonuses RM'000	Allowance RM'000	EPF and Socso-Employer Contribution RM'000	Total RM'000
Executive Directors	50	901	150	7	126	1,234
Non-Executive Directors	125	-	-	64	-	189
Total	175	901	150	71	126	1,423

The remuneration of the Directors for the year ended 31 December 2013, analysed into remuneration bands of RM50,000 is as follows:

Range of remuneration	Executive RM'000	Non-executive RM'000
Below RM50,000	1	4
RM50,001 to RM100,000	-	1
RM1,200,001 to RM1,250,000	1	-

SHAREHOLDERS

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

Whilst the Annual Report provides shareholders with information on the financial and operational performance of the Group, the AGM and Extraordinary General Meeting provide platforms for shareholders to seek more information on the audited financial statements and other matters of interest. The Board had at all times encouraged attendance and participation of shareholders at all the Company's general meetings. During general meetings, the Chairman together with members of the Board provides ample opportunities for shareholders to put forth their questions and the Board are prepared to respond to all queries and clarify any concerns raised by shareholders. The Company sends out the notice of AGM and related papers to shareholders at least twenty-one (21) working days before the meeting.

Considering the number of shareholders of the Company, the availability of resources and cost involved in having poll voting at general meetings, the Board does not see the practicality for it to be implemented for the time being.

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

ACCOUNTABILITY AND AUDIT

Financial reporting

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

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

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

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

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

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

ACCOUNTABILITY AND AUDIT (cont'd)

Risk Management and Internal control

The Board acknowledges its overall responsibility for maintaining a sound system of internal control to safeguard shareholders' investments, the Company's assets, and the need to review the adequacy and integrity of those systems regularly. In establishing and reviewing the system of internal control, the Directors recognize that the system of internal control can only provide reasonable but not absolute assurance against the risk of material misstatement or loss.

The Statement on Risk Management and Internal Control, furnished on pages 26 to 27 of this Annual Report, provides an overview on the state of Risk Management and Internal Control within the Group.

As the Company does not have its own internal audit department, the Board has outsourced the establishment and management of an Enterprise Risk Management Systems to professional consultants. Management has been in several discussions with external consultants and aims to set up a proper ERM system within the Group soon.

Relationship with the Auditors

Through the Audit Committee of the Board, the Company has established a transparent and appropriate relationship with the internal and external auditors of the Company. The external auditors had attended 2 Audit Committee meetings during the year to discuss their scope of work and key issues arising from their audit work. Key features underlying the relationship of the Audit Committee with the external auditors are outlined in the Audit Committee Report on pages 22 to 25 of this Annual Report.

A summary of the activities of the Audit Committee during the year, including the evaluation of the independent audit process, are set out in the Audit Committee Report on pages 22 to 25 of this Annual Report.



1. Share Buybacks

During the financial year, the Company purchased 184,100 of its issued ordinary shares from the open market. Total of 184,200 shares are held as treasury shares as at 31 December 2013.

2. Options or Convertible Securities

During the financial year ended 31 December 2013, no options or convertible securities were issued.

3. Depository Receipt Programme

During the financial year, the Company did not sponsor any depository receipt programme.

4. Sanctions and Penalties

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

5. Non-audit fees

Non-audit fees amounting to RM2,000.00 were paid to the external auditors for the financial year ended 31 December 2013.

6. Variation in Results

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

7. Profit Guarantee

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

8. Material Contracts

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

ADDITIONAL INFORMATION (CONT'D)

9. Recurrent Related Party Transactions of a Revenue or Trading Nature for the Year Ended 31 December 2013

Details of recurrent related party transactions made during the financial year ended 31 December 2013 pursuant to the shareholders' mandate obtained by the Company at the Annual General Meeting held on 27 May 2013 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	250	Purchase of steel products	Interested Director and Major Shareholder Dato' Goh Cheng Huat Datin Tan Pak Say
	Eonmetall Technology Sdn Bhd	532	Purchase of machinery	
	Eonmetall System Sdn Bhd	14	Sale of steel products	
Leader Steel Service Centre Sdn Bhd ("LSSC")	Eonmetall Industries Sdn Bhd	466	Rent of factory building	Interested Major Shareholder Bischart Sdn Bhd
		67	Sale of steel products	
	Eonmetall Technology Sdn Bhd	3,197	Purchase and servicing of steel products	
		523	Sale of steel products	
		295	Purchase of machinery	

AUDIT COMMITTEE REPORT

Membership

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

Mr Lim Leng Han
En Mohd. Arif bin Mastol

- **Chairman, Senior Independent Non-Executive Director**

- **Member, Independent Non-Executive Director**

(Member of Malaysian Institute of Accountants)

Dato' Goh Cheng Huat

- **Member, Non-Independent Non-Executive Director**

Terms of reference

The Audit Committee was established on 14 August 1995 to act as a Committee of the Board, with the terms of reference as set out in pages 23 to 25 of this Annual Report.

Meetings

During the financial year ended 31 December 2013, the Committee met four (4) times, which was attended by all the members, to discuss matters relating to the accounting and reporting practices of the Company and its subsidiaries. In addition, the Committee had conducted 2 separate sessions with the external auditors without the presence of Executive Directors.

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

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

Details of Directors' attendance at the meetings of the Audit Committee during the financial year are as follows:-

Name of Director	No. of meetings	
	Held	Attended
Lim Leng Han	4	4
Mohd Arif bin Mastol	4	4
Dato' Goh Cheng Huat	4	3

Summary of activities during the financial year

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

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

AUDIT COMMITTEE REPORT (CONT'D)

Internal audit function

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

During the financial year ended 31 December 2013, the internal audit function carried out follow-up reviews on the implementation of recommendations of the previous internal audits and assisted the Management in updating the risk profile of the Group. The opportunities for improvement noted, together with the recommendations thereof and agreed management action plans, were presented to the Audit Committee for consideration.

Further details on the internal audit function and its activities are set out under the Statement on Risk Management and Internal Control on pages 26 to 27 of this Annual Report.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Objective

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

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

Composition

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


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

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

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

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



TERMS OF REFERENCE OF THE AUDIT COMMITTEE (cont'd)**Quorum and Committee's procedures**

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

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

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

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

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

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

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

Authority

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

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

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

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

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

AUDIT COMMITTEE REPORT (CONT'D)

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

Responsibilities and duties

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

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



STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

Paragraph 15.26(b) of the Listing Requirements of Bursa Securities stipulates that the Board of Directors of public listed companies should include in its annual report a statement about the state of the risk management and internal control of the listed issuer as a group. In this regard, the Board is pleased to provide the following statement, which outlines the nature and scope of the risk management and internal control of the Group during the financial year ended 31 December 2013.

(A) BOARD RESPONSIBILITY

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

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 Group, it provides reasonable but not absolute assurance against material misstatement of financial information or losses, contingencies, fraud or any irregularities.

(B) RISK MANAGEMENT FRAMEWORK

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

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

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

(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;
- Close involvement of the Managing Director in the running of the Group's operations. The Managing Director reports to the Board on significant changes in the business and external environmental factors that may impact the Group's operations; and
- An organizational structure with formally defined lines of responsibility and delegation of authority has been put in place.
- A process of hierarchical reporting has been established which provides for a documented and auditable trail of accountability.
- Policies and procedures in place and enforced in the Group include health and safety, training and development, equality of opportunity, staff performance and actions on serious misconduct. These policies and procedures provide for continuous assurance to be given at increasingly higher levels of Management and, ultimately, to the Board.

(D) INTERNAL AUDIT FUNCTION

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

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

(D) INTERNAL AUDIT FUNCTION (cont'd)

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

During the financial year ended 31 December 2013, the internal audit function carried out the following activities:

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

The total costs incurred in managing the internal audit function for the financial year ended 31 December 2013 were approximately RM24,000.00.

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

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

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

(F) CONCLUSION

The Board has received assurance from the Managing Director and the Head of Finance that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group.

Overall, the Board and Management are satisfied that the process of identifying, evaluating and managing significant risks that may affect achievement of the Group's business objectives are in place. There are continuing efforts to strengthen the internal control environment taking into consideration the recommendations from the internal auditors. There were no material losses incurred during the financial year ended 31 December 2013 as a result of weaknesses in internal controls.

This statement is issued in accordance with a resolution of the Directors dated 24 April 2014.



CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

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

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

Workplace

In support of lifelong learning, the Group provided training programs in the area of financial, IT, health and safety and job-related courses to all staff in 2013. At the same time, the Group also gave sponsorships to in-house sport activities as an effort to enhance work-life balance among the staff.

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

Environment

The Group is committed to undertake a holistic approach to incorporate sustainability practices into our everyday activities. Scrap metals from our steel production are collected and sent to licensed waste disposal company for recycling purposes. Water mixed with chemicals which serves as coolant in the production process is not disposed off irresponsibly but reused after being treated. These environment-friendly measures have significantly reduced wastage on materials and water consumption to a minimum level. The Group also ensures compliance with all environmental regulations and laws at all times.

Community

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

We further strive to seek meaningful contributions to the less privileged with the simple hope and belief for a better quality of life.

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2013.

Principal Activities

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 5 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group and the Company during the financial year.

Results

	The Group RM	The Company RM
Profit/(Loss) for the financial year attributable to:-		
- Owners of the Company	863,452	(1,019,679)
- Non-controlling interests	(354,659)	0
	<u>508,793</u>	<u>(1,019,679)</u>

Dividends

No dividends were proposed, declared or paid by the Company since the end of the previous financial year.

Reserves And Provisions

There were no material transfers to or from reserves or provisions during the financial year apart from those disclosed in the financial statements.

Issue Of Shares Or Debentures

There was no issue of shares or debentures by the Company during the financial year.

Options Granted Over Unissued Shares

No share options were granted by the Company during the financial year.

Purchase Of Own Shares

The shareholders of the Company, by a resolution passed at the Annual General Meeting held on 21 June 2012, approved the Company's plan to purchase its own shares.

Purchase Of Own Shares (cont'd)

The details of the shares purchased from the open market using internally generated funds and held as treasury shares during the financial year are as follows:-

	No. of Shares	Cost RM
Balance at 1 January 2013	100	77
Shares purchased	184,100	54,704
Balance at 31 December 2013	<u>184,200</u>	<u>54,781</u>
Average unit cost for the year		<u>0.30</u>

The mandate given by the shareholders at the Annual General Meeting held on 27 May 2013 will expire at the forthcoming Annual General Meeting at which a resolution will be tabled for shareholders to grant a fresh mandate for another year.

Bad And Doubtful Debts

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain that action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts.

At the date of this report, the directors are not aware of any circumstances which would render the amount written off for bad debts or the amount of the allowance made for doubtful debts inadequate to any substantial extent.

Current Assets

Before the financial statements of the Group and the Company were made out, the directors took reasonable steps to ascertain whether any current assets, other than debts, were unlikely to realise in the ordinary course of business their values as shown in the accounting records of the Group and the Company and to the extent so ascertained were written down to an amount that they might be expected to realise.

At the date of this report, the directors are not aware of any circumstances that would render the values attributed to the current assets in the financial statements of the Group and the Company misleading.

Valuation Methods

At the date of this report, the directors are not aware of any circumstances which have arisen which render adherence to the existing methods of valuation of assets or liabilities of the Group and the Company misleading or inappropriate.

Contingent And Other Liabilities

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

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

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

DIRECTORS' REPORT (CONT'D)

Change Of Circumstances

At the date of this report, the directors are not aware of any circumstances, not otherwise dealt with in this report or in the financial statements of the Group and the Company that would render any amount stated in the respective financial statements misleading.

Items Of An Unusual Nature

The results of the operations of the Group and the Company for the financial year were not, in the opinion of the directors, substantially affected by any item, transaction or event of a material and unusual nature.

There has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely, in the opinion of the directors, to affect substantially the results of the operations of the Group and the Company for the financial year in which this report is made.

Directors Of The Company




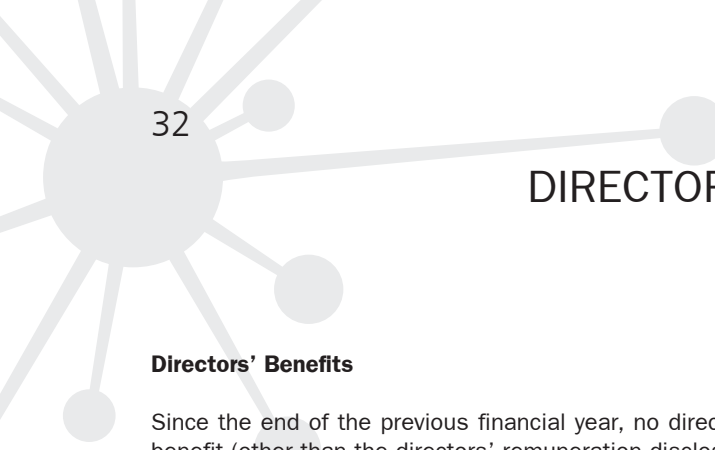
The directors who served since the date of the last report are:-

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

Particulars of the interests in shares in the Company of the directors in office at the end of the financial year, as shown in the Register of Directors' Shareholdings, are as follows:-

Name of Director	Number of Ordinary Shares of RM0.50 Each					
	Direct Interest			Deemed Interest		
	Balance at 1.1.2013	Bought	Sold	Balance at 31.12.2013	Balance at 1.1.2013	Balance at 31.12.2013
Dato' Goh Cheng Huat	10,530,594	0	0	10,530,594	55,185,874	55,990,974
Datin Tan Pak Say	1,150,006	5,000	0	1,155,006	64,566,462	65,366,562
Tan Sri Dato' Soong Siew Hoong	150,000	0	0	150,000	0	0
Lim Leng Han	18,000	0	0	18,000	0	0

By virtue of their interests in shares in the Company, Dato' Goh Cheng Huat and Datin Tan Pak Say are also deemed to have interests in shares in the subsidiaries to the extent of the Company's interests, pursuant to Section 6A of the Companies Act 1965.

Directors' Benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the directors' remuneration disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to have arisen by virtue of those related party transactions as disclosed in Note 21 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangement whose object is to enable the directors to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate.

**Signed In Accordance With A Resolution Of The Directors
Dated 24 April 2014**

Datin Tan Pak Say

Tan Sri Dato' Mohd Desa Bin Pachi

STATEMENT BY DIRECTORS

We, Datin Tan Pak Say and Tan Sri Dato' Mohd Desa Bin Pachi, being two of the directors of Leader Steel Holdings Berhad, do hereby state that in the opinion of the directors, the financial statements set out on pages 36 to 75 give a true and fair view of the financial position of the Group and the Company as at 31 December 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

In the opinion of the directors, the supplementary information set out on page 76 is prepared, in all material respects, in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

**Signed In Accordance With A Resolution Of The Directors
Dated 24 April 2014**

Datin Tan Pak Say

Tan Sri Dato' Mohd Desa Bin Pachi

STATUTORY DECLARATION

I, Datin Tan Pak Say, being the director primarily responsible for the financial management of Leader Steel Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 36 to 75 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 Datin Tan Pak Say at Georgetown in the State of Penang on this 24 April 2014

Datin Tan Pak Say

Before me

Nachatar Singh A/L Bhag Singh
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT

TO THE MEMBERS OF LEADER STEEL HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No: 267209-K

Report on the Financial Statements

We have audited the financial statements of Leader Steel Holdings Berhad, which comprise the statements of financial position as at 31 December 2013 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 36 to 75.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2013 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

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

Report on Other Legal and Regulatory Requirements

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

- (i) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the Act.
- (ii) We have considered the unaudited financial statements of Leader Steel Technology Sdn. Bhd., Leader Integrated Steel Mills Sdn. Bhd., Ferro Minerals, Inc and Padma Minerals Co. Limited.
- (iii) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (iv) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

The supplementary information set out on page 76 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("the MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

Crowe Horwath
Firm No: AF 1018
Chartered Accountants

Date: 24 April 2014

Penang

Eddy Chan Wai Hun
Approval No: 2182/10/15 (J)
Chartered Accountant

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	2013 RM	2012 RM
NON-CURRENT ASSETS			
Property, plant and equipment	4	136,134,464	139,838,572
Available-for-sale financial assets	6	46,000	160,000
		<u>136,180,464</u>	<u>139,998,572</u>
CURRENT ASSETS			
Inventories	7	83,461,227	44,982,217
Trade and other receivables	8	33,440,863	83,878,848
Prepayments		928,536	1,211,578
Current tax assets		75,157	921,522
Cash and bank balances	9	9,369,827	5,131,855
		<u>127,275,610</u>	<u>136,126,020</u>
CURRENT LIABILITIES			
Trade and other payables	10	10,077,334	21,952,252
Loans and borrowings	11	105,493,671	109,444,344
Current tax liabilities		1,562,439	0
		<u>117,133,444</u>	<u>131,396,596</u>
NET CURRENT ASSETS		<u>10,142,166</u>	<u>4,729,424</u>
NON-CURRENT LIABILITIES			
Loans and borrowings	11	16,230,892	13,817,207
Deferred tax liabilities	12	13,593,000	14,578,000
		<u>29,823,892</u>	<u>28,395,207</u>
NET ASSETS		<u>116,498,738</u>	<u>116,332,789</u>
EQUITY			
Share capital	13	64,016,000	64,016,000
Treasury shares	13	(54,781)	(77)
Share premium		3,600	3,600
Revaluation surplus		31,527,614	31,833,614
Currency translation reserve		2,545	(15,315)
Retained profits		21,533,822	20,670,370
Equity attributable to owners of the Company		<u>117,028,800</u>	<u>116,508,192</u>
Non-controlling interests	14	(530,062)	(175,403)
TOTAL EQUITY		<u>116,498,738</u>	<u>116,332,789</u>

The annexed notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013 RM	2012 RM
Revenue	15	258,658,697	283,362,156
Other income		3,402,197	415,324
Purchase of trading goods		(108,520,506)	(111,396,785)
Changes in inventories of work-in-progress and finished goods		34,517,482	3,916,272
Raw materials and consumables used		(94,960,008)	(88,177,919)
Depreciation		(10,502,710)	(9,714,875)
Employee benefits expense	16	(8,572,084)	(8,264,858)
Finance costs		(5,812,967)	(6,044,144)
Other expenses		(65,762,278)	(75,274,434)
Profit/(Loss) before tax	17	2,447,823	(11,179,263)
Tax (expense)/income	18	(1,939,030)	545,106
Profit/(Loss) for the financial year		508,793	(10,634,157)
Other comprehensive income:-			
<i>Items that will not be reclassified to profit or loss:-</i>			
- Gross revaluation increase of properties		0	40,404,908
- Deferred tax relating to revalued properties		(306,000)	(8,571,294)
<i>Items that may be reclassified subsequently to profit or loss:-</i>			
- Loss on available-for-sale financial assets		0	(156,000)
- Currency translation differences for foreign operations		17,860	(15,315)
- Reclassification adjustment on impairment of available-for-sale financial assets		0	240,000
Other comprehensive income for the financial year		(288,140)	31,902,299
Total comprehensive income for the financial year		220,653	21,268,142

The annexed notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013 RM	2012 RM
Profit/(Loss) for the financial year attributable to:-			
- Owners of the Company		863,452	(10,377,074)
- Non-controlling interests	14	<u>(354,659)</u>	<u>(257,083)</u>
		<u>508,793</u>	<u>(10,634,157)</u>
Total comprehensive income for the financial year attributable to:-			
- Owners of the Company		575,312	21,525,225
- Non-controlling interests		<u>(354,659)</u>	<u>(257,083)</u>
		<u>220,653</u>	<u>21,268,142</u>
Earnings/(Loss) per share:-			
	19		
- Basic (sen)		<u>0.67</u>	<u>(8.11)</u>
- Diluted (sen)		<u>0.67</u>	<u>(8.11)</u>

The annexed notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Non-distributable						Distributable				Total equity RM	
	Share capital RM	Treasury shares RM	Share premium RM	Share Revaluation surplus RM	Fair value reserve RM	Currency translation reserve RM	Share option reserve RM	Capital reserve RM	Retained profits RM	Equity attributable to owners of the Company RM		Non-controlling interests RM
Balance at 1 January 2012	64,016,000	0	3,600	0	(84,000)	0	2,185,000	283,606	28,578,838	94,983,044	81,680	95,064,724
Gross revaluation increase of properties	0	0	0	40,404,908	0	0	0	0	0	40,404,908	0	40,404,908
Deferred tax relating to revalued properties	0	0	0	(8,571,294)	0	0	0	0	0	(8,571,294)	0	(8,571,294)
Loss on available-for-sale financial assets	0	0	0	0	(156,000)	0	0	0	0	(156,000)	0	(156,000)
Currency translation differences for foreign operations	0	0	0	0	0	(15,315)	0	0	0	(15,315)	0	(15,315)
Reclassification adjustment on impairment of available-for-sale financial assets	0	0	0	0	0	0	0	0	0	0	0	0
Other comprehensive income for the financial year	0	0	0	31,833,614	84,000	(15,315)	0	0	0	31,902,299	0	31,902,299
Loss for the financial year	0	0	0	0	0	0	0	0	(10,377,074)	(10,377,074)	(257,083)	(10,634,157)
Total comprehensive income for the financial year	0	0	0	31,833,614	84,000	(15,315)	0	0	(10,377,074)	21,525,225	(257,083)	21,268,142
Purchase of own shares (representing total transactions with owners)	0	(77)	0	0	0	0	0	0	0	(77)	0	(77)
Transfer of share option reserve	0	0	0	0	0	0	(2,185,000)	0	2,185,000	0	0	0
Transfer of capital reserve	0	0	0	0	0	0	0	(283,606)	283,606	0	0	0
Balance at 31 December 2012	64,016,000	(77)	3,600	31,833,614	0	(15,315)	0	0	20,670,370	116,508,192	(175,403)	116,332,789

The annexed notes form an integral part of these financial statements.



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Non-distributable						Distributable			Total equity RM		
	Share capital RM	Treasury shares RM	Share premium RM	Revaluation surplus RM	Fair value reserve RM	Currency translation reserve RM	Share option reserve RM	Capital reserve RM	Retained profits RM		Equity attributable to owners of the Company RM	Non-controlling interests RM
Balance at 1 January 2013	64,016,000	(77)	3,600	31,833,614	0	(15,315)	0	0	20,670,370	116,508,192	(175,403)	116,332,789
Deferred tax relating to revalued properties	0	0	0	(306,000)	0	0	0	0	0	(306,000)	0	(306,000)
Currency translation differences for foreign operations	0	0	0	0	0	17,860	0	0	0	17,860	0	17,860
Other comprehensive income for the financial year	0	0	0	(306,000)	0	17,860	0	0	0	(288,140)	0	(288,140)
Profit/(Loss) for the financial year	0	0	0	0	0	0	0	0	863,452	863,452	(354,659)	508,793
Total comprehensive income for the financial year	0	0	0	(306,000)	0	17,860	0	0	863,452	575,312	(354,659)	220,653
Purchase of own shares (representing total transactions with owners)	0	(54,704)	0	0	0	0	0	0	0	(54,704)	0	(54,704)
Balance at 31 December 2013	64,016,000	(54,781)	3,600	31,527,614	0	2,545	0	0	21,533,822	117,028,800	(530,062)	116,498,738

The annexed notes form an integral part of these financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013 RM	2012 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
Profit/(Loss) before tax		2,447,823	(11,179,263)
Adjustments for:-			
Depreciation		10,502,710	9,714,875
Impairment loss on available-for-sale financial assets		114,000	240,000
Impairment loss on loans and receivables		597,439	3,305,158
Impairment loss on property, plant and equipment		0	489,092
Interest expense		5,812,967	6,044,144
Loss/(Gain) on disposal of property, plant and equipment		1,239,535	(4,555)
Property, plant and equipment written off		91,864	1,365,301
Unrealised loss/(gain) on foreign exchange		88,200	(47,480)
Operating profit before working capital changes		20,894,538	9,927,272
Changes in:-			
Inventories		(38,479,010)	8,941,384
Receivables and prepayments		50,035,388	(11,351,570)
Payables		(10,874,918)	(1,259,551)
Cash generated from operations		21,575,998	6,257,535
Interest paid		(5,812,967)	(6,044,144)
Tax paid		(1,074,028)	(3,673,025)
Tax refunded		252,802	0
Net cash from/(used in) operating activities		14,941,805	(3,459,634)
CASH FLOWS FROM INVESTING ACTIVITIES			
Proceeds from disposal of property, plant and equipment		6,017,851	4,556
Purchase of property, plant and equipment	20	(14,709,742)	(10,241,905)
Net cash used in investing activities		(8,691,891)	(10,237,349)
CASH FLOWS FROM FINANCING ACTIVITIES			
Commodity financing raised		0	1,180,397
Net (decrease)/increase in short-term loans and borrowings		(5,339,405)	22,260,242
Purchase of own shares		(54,704)	(77)
Repayment of commodity financing		(3,477,533)	(880,000)
Repayment of hire purchase obligations		(1,236,049)	(1,060,075)
Repayment of term loans		(1,475,824)	(1,247,850)
Term loan raised		9,000,000	0
Net cash (used in)/from financing activities		(2,583,515)	20,252,637
Currency translation differences		17,860	(15,315)
Net increase in cash and cash equivalents		3,684,259	6,540,339
Cash and cash equivalents brought forward		5,131,855	(1,408,484)
Cash and cash equivalents carried forward	20	8,816,114	5,131,855

The annexed notes form an integral part of these financial statements.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2013

	Note	2013 RM	2012 RM
NON-CURRENT ASSETS			
Investments in subsidiaries	5	35,468,677	35,956,807
Available-for-sale financial assets	6	46,000	160,000
		<u>35,514,677</u>	<u>36,116,807</u>
CURRENT ASSETS			
Other receivables	8	67,550,471	67,860,456
Prepayments		16,500	16,500
Current tax assets		9,762	9,269
Cash and bank balances	9	31,551	57,230
		<u>67,608,284</u>	<u>67,943,455</u>
CURRENT LIABILITIES			
Other payables	10	38,423,274	38,286,192
		<u>38,423,274</u>	<u>38,286,192</u>
NET CURRENT ASSETS		29,185,010	29,657,263
NET ASSETS		<u>64,699,687</u>	<u>65,774,070</u>
EQUITY			
Share capital	13	64,016,000	64,016,000
Treasury shares	13	(54,781)	(77)
Share premium		3,600	3,600
Share option reserve		1,684,535	1,684,535
(Accumulated losses)/Retained profits		(949,667)	70,012
TOTAL EQUITY		<u>64,699,687</u>	<u>65,774,070</u>

The annexed notes form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Note	2013 RM	2012 RM
Revenue		0	0
Employee benefits expense	16	(200,000)	(200,000)
Other expenses		(820,172)	(1,159,545)
Loss before tax	17	(1,020,172)	(1,359,545)
Tax income	18	493	0
Loss for the financial year		(1,019,679)	(1,359,545)
Other comprehensive income:-			
<i>Items that may be reclassified subsequently to profit or loss:-</i>			
- Loss on available-for-sale financial assets		0	(156,000)
- Reclassification adjustment on impairment of available-for-sale financial assets		0	240,000
Other comprehensive income for the financial year		0	84,000
Total comprehensive income for the financial year		(1,019,679)	(1,275,545)

The annexed notes form an integral part of these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	Non-distributable					Retained profits/ (Accumulated losses)	Total equity
	Share capital	Treasury shares	Share premium	Fair value reserve	Share option reserve		
	RM	RM	RM	RM	RM	RM	RM
Balance at 1 January 2012	64,016,000	0	3,600	(84,000)	2,185,000	929,092	67,049,692
Loss on available-for-sale financial assets	0	0	0	(156,000)	0	0	(156,000)
Reclassification adjustment on impairment of available-for-sale financial assets	0	0	0	240,000	0	0	240,000
Other comprehensive income for the financial year	0	0	0	84,000	0	0	84,000
Loss for the financial year	0	0	0	0	(500,465)	(1,359,545)	(1,359,545)
Total comprehensive income for the financial year	0	0	0	84,000	0	(1,359,545)	(1,275,545)
Purchase of own shares (representing total transactions with owners)	0	(77)	0	0	0	0	(77)
Transfer of share option reserve	0	0	0	0	(500,465)	500,465	0
Balance at 31 December 2012	64,016,000	(77)	3,600	0	1,684,535	70,012	65,774,070
Loss (representing total comprehensive income) for the financial year	0	0	0	0	0	(1,019,679)	(1,019,679)
Purchase of own shares (representing total transactions with owners)	0	(54,704)	0	0	0	0	(54,704)
Balance at 31 December 2013	64,016,000	(54,781)	3,600	0	1,684,535	(949,667)	64,699,687

The annexed notes form an integral part of these financial statements.

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

	2013	2012
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(1,020,172)	(1,359,545)
Adjustments for:-		
Impairment loss on available-for-sale financial assets	114,000	240,000
Impairment loss on investments in subsidiaries	488,130	316,605
Impairment loss on loans and receivables	0	361,528
Operating loss before working capital changes	<u>(418,042)</u>	<u>(441,412)</u>
Changes in:-		
Receivables and prepayments	309,985	459,070
Payables	<u>137,082</u>	<u>(15,238)</u>
Net cash from operating activities	29,025	2,420
CASH FLOWS FROM FINANCING ACTIVITY		
Purchase of own shares	<u>(54,704)</u>	<u>(77)</u>
Net cash used in financing activity	(54,704)	(77)
Net (decrease)/increase in cash and cash equivalents	(25,679)	2,343
Cash and cash equivalents brought forward	57,230	54,887
Cash and cash equivalents carried forward	<u>31,551</u>	<u>57,230</u>



NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

1. General Information

The Company is a public company limited by shares, incorporated and domiciled in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 5.

The registered office of the Company is located at 16-1 (Penthouse Upper), Menara Penang Garden, 42A, Jalan Sultan Ahmad Shah, 10050 Penang and its principal place of business is located at Plot 85, Lorong Perusahaan Utama, Kawasan Perusahaan Bukit Tengah, 14000 Bukit Tengah, Penang.

The consolidated financial statements set out on pages 36 to 41 together with the notes thereto cover the Company and its subsidiaries ("the Group"). The separate financial statements of the Company set out on pages 42 to 45 together with the notes thereto cover the Company solely.

The presentation currency of the financial statements is Ringgit Malaysia ("RM").

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 24 April 2014.

2. Significant Accounting Policies

2.1 Basis of Preparation of Financial Statements

The financial statements of the Group and the Company are prepared under the historical cost convention, modified to include other bases of measurement as disclosed in other sections of the significant accounting policies, and in accordance with Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

The following MFRSs became effective for the financial year under review:-

MFRS	Effective for annual periods beginning on or after
MFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
MFRS 11 <i>Joint Arrangements</i>	1 January 2013
MFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013
MFRS 13 <i>Fair Value Measurement</i>	1 January 2013
MFRS 119 <i>Employee Benefits</i> (amended in 2011)	1 January 2013
MFRS 127 <i>Separate Financial Statements</i> (amended in 2011)	1 January 2013
MFRS 128 <i>Investments in Associates and Joint Ventures</i> (amended in 2011)	1 January 2013
IC Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013
Amendments to MFRS 1 <i>Government Loans</i>	1 January 2013
Amendments to MFRS 7 <i>Disclosures - Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Amendments to MFRS 10, MFRS 11 and MFRS 12 <i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i>	1 January 2013
Amendments to MFRS 101 <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
Amendments to MFRSs contained in the document entitled " <i>Annual Improvements 2009 - 2011 Cycle</i> "	1 January 2013

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2. Significant Accounting Policies (cont'd)

2.1 Basis of Preparation of Financial Statements (cont'd)

The adoption of the above MFRSs did not result in any significant changes in the accounting policies of the Group and the Company except as follows:-

MFRS 10 Consolidated Financial Statements

MFRS 10 replaces the consolidation guidance in MFRS 127 *Consolidated and Separate Financial Statements* and IC Interpretation 112 *Consolidation - Special Purpose Entities* by introducing a single consolidation model for all entities based on control. Under MFRS 10, control is based on whether an investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. The adoption of these new control criteria did not result in any changes in the existing composition of the Group.

The Group and the Company have not applied the following MFRSs which have been issued as at the end of the reporting period but are not yet effective:-

MFRS (Issued as at the end of the reporting period)	Effective for annual periods beginning on or after
MFRS 9 <i>Financial Instruments</i>	To be announced
IC Interpretation 21 <i>Levies</i>	1 January 2014
Amendments to MFRS 10, MFRS 12 and MFRS 127 <i>Investment Entities</i>	1 January 2014
Amendments to MFRS 132 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to MFRS 136 <i>Recoverable Amount Disclosures for Non-Financial Assets</i>	1 January 2014
Amendments to MFRS 139 <i>Novation of Derivatives and Continuation of Hedge Accounting</i>	1 January 2014

Management foresees that the initial application of the above MFRSs will not have any significant impacts on the financial statements except as follows:-

MFRS 9 Financial Instruments

MFRS 9 replaces the guidance in MFRS 139 *Financial Instruments: Recognition and Measurement* on the classification and measurement of financial assets by dividing them into 3 classifications: (1) those measured at amortised cost; (2) those measured at fair value through profit or loss; and (3) those measured at fair value through other comprehensive income. Management foresees that the adoption of these new classifications will not result in any significant changes in the existing measurement bases of financial assets of the Group and the Company.

2.2 Basis of Consolidation

A subsidiary is an entity that is controlled by another entity. An investor controls an investee when it is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

The consolidated financial statements incorporate the financial statements of the Company and its subsidiaries made up to the end of the reporting period using the acquisition method, except for Leader Steel Sdn. Bhd., which is accounted for using the merger method.

Under the merger method, the results of the combining entities are presented as if the entities had been combined throughout the reporting period. The cost of merger is cancelled against the par value of shares acquired and any difference arising from the cancellation is taken to equity.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2. Significant Accounting Policies (cont'd)

2.2 Basis of Consolidation (cont'd)

Under the acquisition method, the consideration transferred, the identifiable assets acquired and the liabilities assumed are measured at their acquisition-date fair values. The components of non-controlling interests that are present ownership interests are measured at the present ownership instruments' proportionate share in the recognised amounts of the identifiable net assets acquired. All other components of non-controlling interests are measured at their acquisition-date fair values. In a business combination achieved in stages, the previously held equity interest in the acquiree is remeasured at its acquisition-date fair value and any resulting gain or loss is recognised in profit or loss. All acquisition-related costs, other than the costs to issue debt or equity securities, are recognised in profit or loss as incurred.

Goodwill at the acquisition date is measured as the excess of (a) over (b) below:-

(a) the aggregate of:-

- (i) the acquisition-date fair value of the consideration transferred;
- (ii) the amount of any non-controlling interests; and
- (iii) in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree.

(b) the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.5. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

A subsidiary is consolidated from the acquisition date, being the date on which control is obtained, and continues to be consolidated until the date when control is lost. Intragroup balances, transactions, income and expenses are eliminated in full on consolidation. Total comprehensive income is attributed to the owners of the parent and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance. All changes in the parent's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

Upon loss of control of a subsidiary, the assets (including any goodwill) and liabilities of, and any non-controlling interests in the subsidiary are derecognised. All amounts recognised in other comprehensive income in relation to the subsidiary are accounted for on the same basis as would be required if the related assets or liabilities had been directly disposed of. Any consideration received and any investment retained in the former subsidiary are recognised at their fair values. The resulting difference is then recognised as a gain or loss in profit or loss.

2.3 Property, Plant and Equipment

Property, plant and equipment are stated at cost or at valuation less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.5.

Revaluations of land and buildings are made with sufficient regularity at an interval of not more than five years such that the carrying amounts of the assets do not differ materially from their fair values at the end of the reporting period.

A revaluation increase is recognised in other comprehensive income and accumulated in equity as revaluation surplus or recognised in profit or loss to the extent that the increase reverses a revaluation decrease of the same asset previously recognised in profit or loss. A revaluation decrease is recognised in profit or loss or recognised in other comprehensive income to the extent of any credit balance existing in the revaluation surplus in respect of the same asset.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2. Significant Accounting Policies (cont'd)

2.3 Property, Plant and Equipment (cont'd)

Freehold land and capital work-in-progress are not depreciated. Leasehold land is depreciated on a straight-line basis over the lease terms of 43 to 54 years. Other property, plant and equipment are depreciated on a straight-line basis over the estimated useful lives of the assets using the following annual rates:-

Buildings	2% - 3%
Plant and machinery	7% - 10%
Furniture, fittings and office equipment	10% - 14%
Electrical and other installations	10% - 14%
Tools and equipment	7% - 10%
Motor vehicles	14%
Infrastructure and landscaping	10%

The residual value, useful life and depreciation method of an asset are reviewed at least at the end of each reporting period and any changes in expectations from previous estimates are accounted for prospectively as changes in accounting estimates.

2.4 Investments in Subsidiaries

As required by the Companies Act 1965, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.5.

2.5 Impairment of Non-financial Assets

At the end of each reporting period, the Group and the Company assess whether there is any indication that a non-financial asset, other than inventories, may be impaired. If any such indication exists, the recoverable amount of the asset, being the higher of its fair value less costs of disposal and its value in use, is estimated. Irrespective of whether there is any indication of impairment, goodwill is tested for impairment annually. Any excess of the carrying amount of the asset over its recoverable amount represents an impairment loss and is recognised in profit or loss or, in respect of a revalued asset, treated as a revaluation decrease.

An impairment loss on an asset, other than goodwill, is reversed if there has been a change in the estimates used to determine the recoverable amount and it is reversed only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, had no impairment loss been recognised. The reversal is recognised in profit or loss or, in respect of a revalued asset, treated as a revaluation increase. An impairment loss on goodwill is not reversed.

2.6 Inventories

Inventories of materials and goods are valued at the lower of cost (determined principally on the weighted average basis) and net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business less the estimated costs of completion and costs necessary to make the sale.

2.7 Financial Assets

Financial assets of the Group and the Company consist of investments in equity instruments, receivables and cash and cash equivalents.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2. Significant Accounting Policies (cont'd)

2.7 Financial Assets (cont'd)

Recognition and Measurement

A financial asset is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A regular way purchase or sale of financial assets is recognised or derecognised using trade date accounting. A financial asset is initially recognised at fair value plus, in the case of a financial asset not at fair value through profit or loss, directly attributable transaction costs. The subsequent measurement of a financial asset depends on its classification as follows:-

(i) Loans and receivables

All receivables and cash and cash equivalents are classified under this category. After initial recognition, such financial assets are measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial asset is derecognised or impaired as well as through the amortisation process.

(ii) Available-for-sale financial assets

All investments in equity instruments (other than interests in subsidiaries) are classified under this category. After initial recognition, such financial assets are measured at fair value. Any gain or loss arising from a change in the fair value, except for impairment loss, is recognised in other comprehensive income and accumulated in equity as fair value reserve until the financial asset is derecognised, at which time the cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment.

A financial asset is derecognised when, and only when, the contractual rights to the cash flows from the financial asset have expired or all the risks and rewards of ownership have been substantially transferred.

Impairment

At the end of each reporting period, the Group and the Company assess whether there is any objective evidence that a financial asset or group of financial assets is impaired. If any such evidence exists, the impairment loss is measured as follows:-

(i) Financial assets carried at amortised cost

An impairment loss on loans and receivables is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted using the asset's original effective interest rate. The asset's carrying amount is reduced through the use of an allowance account and the impairment loss is recognised in profit or loss. The gross carrying amount and the associated allowance are written off when there is no realistic prospect of future recovery.

If, in a subsequent period, the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the increased carrying amount does not exceed what the amortised cost would have been had no impairment loss been recognised at the reversal date. The reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2. Significant Accounting Policies (cont'd)

2.7 Financial Assets (cont'd)

Impairment (cont'd)

(ii) Available-for-sale financial assets

When there is a significant or prolonged decline in the fair value of an investment in equity instrument classified as available-for-sale, the cumulative loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment even though the financial asset has not been derecognised. Such cumulative loss reclassified from equity to profit or loss represents an impairment loss and is measured as the difference between the acquisition cost and current fair value, less any impairment loss previously recognised in profit or loss. The impairment loss is not reversed through profit or loss in any subsequent period.

2.8 Financial Liabilities

Financial liabilities of the Group and the Company consist of payables, loans and borrowings and financial guarantee contracts.

Recognition and Measurement

A financial liability is recognised in the statement of financial position when, and only when, the Group or the Company becomes a party to the contractual provisions of the financial instrument. A financial liability is initially recognised at fair value less directly attributable transaction costs. After initial recognition, all financial liabilities, except for financial guarantee contracts, are measured at amortised cost using the effective interest method. Any gain or loss is recognised in profit or loss when the financial liability is derecognised as well as through the amortisation process. After initial recognition at fair value, if any, financial guarantee contracts are measured at the higher of the amount initially recognised less appropriate amortisation and the estimate of any probable obligation.

A financial liability is derecognised when, and only when, the obligation specified in the contract is discharged or cancelled or expires.

2.9 Leases

Finance Lease

A finance lease is a lease that transfers substantially all the risks and rewards incidental to ownership of an asset to the lessee.

A finance lease, including hire purchase, is initially recognised as an asset and liability at the fair value of the leased asset or, if lower, the present value of the minimum lease payments. The minimum lease payments are subsequently apportioned between the finance charge and the reduction of the outstanding liability so as to produce a constant periodic rate of interest on the remaining balance of the liability. The depreciation policy for depreciable leased assets is consistent with that for equivalent owned assets.

Operating Lease

An operating lease is a lease other than a finance lease.

Lease payments under an operating lease are recognised in profit or loss on a straight-line basis over the lease term.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2. Significant Accounting Policies (cont'd)

2.10 Foreign Currency Transactions and Translation

The consolidated financial statements and separate financial statements of the Company are presented in Ringgit Malaysia, which is also the Company's functional currency, being the currency of the primary economic environment in which the entity operates. Items included in the financial statements of each individual entity within the Group are measured using the individual entity's own functional currency.

A foreign currency transaction is recorded in the functional currency using the exchange rate at transaction date. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the closing rate. Foreign currency non-monetary items measured at cost are translated using the exchange rate at transaction date whereas those measured at fair value are translated using the exchange rate at valuation date. Exchange differences arising from the settlement or translation of monetary items are recognised in profit or loss. Any exchange component of the gain or loss on a non-monetary item is recognised on the same basis as that of the gain or loss, i.e. in profit or loss or in other comprehensive income.

In translating the financial position and results of a foreign operation whose functional currency is not the presentation currency, i.e. Ringgit Malaysia, assets and liabilities are translated into the presentation currency using the closing rate whereas income and expenses are translated using the exchange rates at transaction dates. All resulting exchange differences are recognised in other comprehensive income and accumulated in equity as currency translation reserve until the foreign operation is disposed of, at which time the cumulative exchange differences previously recognised in other comprehensive income are reclassified from equity to profit or loss as a reclassification adjustment.

Any goodwill and fair value adjustments arising from the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation to be expressed in its functional currency and translated into the presentation currency using the closing rate.

2.11 Share Capital

Ordinary shares are classified as equity. Transaction costs that relate to the issue of new shares are accounted for as a deduction from equity.

Own shares purchased are held as treasury shares in accordance with the requirements of Section 67A of the Companies Act 1965. The total amount of consideration paid, including directly attributable costs, is recognised directly in equity. When treasury shares are distributed as share dividends, the cost of the shares distributed is applied in the reduction of share premium and/or distributable reserves. When treasury shares are cancelled, an amount equivalent to their nominal value is transferred from share capital to a capital redemption reserve and the total cost of the treasury shares cancelled is adjusted to share premium and/or other suitable reserves.

Dividends on shares declared and unpaid at the end of the reporting period are recognised as a liability whereas dividends proposed or declared after the reporting period are disclosed in the notes to the financial statements.

2.12 Fair Value Measurement

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2. Significant Accounting Policies (cont'd)

2.12 Fair Value Measurement (cont'd)

The Group and the Company use valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximising the use of relevant observable inputs and minimising the use of unobservable inputs. The valuation techniques used include the following:-

- (i) Market approach - which uses prices and other relevant information generated by market transactions involving identical or comparable (i.e. similar) assets, liabilities or a group of assets and liabilities.
- (ii) Cost approach - which reflects the amount that would be required currently to replace the service capacity of an asset.
- (iii) Income approach - which converts future amounts (e.g. cash flows or income and expenses) to a single current (i.e. discounted) amount.

The inputs to valuation techniques used to measure fair value are categorised into the following levels of fair value hierarchy:-

- (i) Level 1 - quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date.
- (ii) Level 2 - inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
- (iii) Level 3 - unobservable inputs for the asset or liability.

Any transfers between the levels of fair value hierarchy are deemed to have occurred at the end of the reporting period.

Non-financial Assets

The fair values of land and buildings are measured using the market comparison approach. Under this approach, the fair values are derived from observable market data such as prices per square metre for comparable properties in similar locations (i.e. Level 2).

Financial Assets and Financial Liabilities

The carrying amounts of receivables, cash and cash equivalents, payables and loans and borrowings which are short-term in nature or repayable on demand are reasonable approximations of fair values. The fair values of long-term loans and borrowings are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2).

The fair value of quoted investment is directly measured using its unadjusted closing price in an active market (i.e. Level 1).

2.13 Revenue Recognition

Income from the sale of goods is recognised when the significant risks and rewards of ownership have been transferred to the buyer.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

2. Significant Accounting Policies (cont'd)

2.14 Employee Benefits

Short-term Employee Benefits

Short-term employee benefits such as wages, salaries, bonuses and social security contributions are recognised in profit or loss in the period in which the associated services are rendered by the employee.

Defined Contribution Plans

As required by law, employers in Malaysia make contributions to the statutory pension scheme, Employees Provident Fund ("EPF"). Contributions to defined contribution plans are recognised in profit or loss in the period in which the associated services are rendered by the employee.

2.15 Borrowing Costs

Borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset, which is an asset that necessarily takes a substantial period of time to get ready for its intended use or sale, are capitalised as part of the cost of the asset, until such time as the asset is substantially ready for its intended use or sale. All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

2.16 Income Taxes

Income taxes for the year comprise current tax and deferred tax.

Current tax represents the expected amount of income taxes payable in respect of the taxable profit for the year and is measured using the tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is provided for under the liability method in respect of all temporary differences between the carrying amount of an asset or liability and its tax base except for those temporary differences associated with goodwill or the initial recognition of an asset or liability in a transaction which is not a business combination and affects neither accounting nor taxable results at the time of the transaction.

A deferred tax liability is recognised for all taxable temporary differences whereas a deferred tax asset is recognised for all deductible temporary differences, unused tax losses and unused tax credits to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised. Deferred tax assets and liabilities are measured at the tax rates that are expected to apply to the period when the asset is realised or the liability is settled, based on the tax rates that have been enacted or substantively enacted by the end of the reporting period.

2.17 Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand, bank balances, demand deposits, term deposits, short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. For the purpose of statement of cash flows, cash and cash equivalents are presented net of bank overdrafts and pledged deposits.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

3. Judgements And Estimation Uncertainty

Judgements Made in Applying Accounting Policies

In the process of applying the accounting policies of the Group and the Company, management makes the following judgements, apart from those involving estimations, that can significantly affect the amounts recognised in the financial statements:-

Impairment of available-for-sale financial assets

When there is a significant or prolonged decline in the fair value of an investment in equity instrument classified as available-for-sale, the cumulative decline represents an impairment loss. The determination of what constitutes "significant or prolonged" requires judgement. In making this judgement, management continuously evaluates the historical share price movements and the duration and extent of the decline in fair value below cost. For the financial year ended 31 December 2013, the Group and the Company have recognised impairment loss of RM114,000 on available-for-sale financial assets.

Sources of Estimation Uncertainty

The key assumptions about the future, and other major sources of estimation uncertainty at the end of the reporting period, that have a significant risk of resulting in a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below:-

Impairment of non-financial assets

When the recoverable amount of a non-financial asset is determined based on its value in use, estimates on future cash flows and appropriate discount rate are required to determine the present value of those cash flows. The carrying amounts of major non-financial assets subject to impairment assessment are disclosed in Note 4.

Allowance for inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews require the use of judgements and estimates. Possible changes in these estimates may result in revisions to the valuation of inventories. The carrying amounts of inventories are disclosed in Note 7.

Impairment of loans and receivables

The Group and the Company make allowance for impairment based on an assessment of the recoverability of loans and receivables. Allowance is applied to loans and receivables when there is objective evidence that the balances may not be recoverable. Management specifically analyses historical bad debts, debtor concentration, debtor creditworthiness, current economic trends and changes in debtor payment terms when making a judgement to evaluate the adequacy of the allowance for impairment. Where expectations are different from previous estimates, the difference will impact on the carrying amounts of loans and receivables as disclosed in Note 8.



NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

4. Property, Plant And Equipment

The Group

Cost/Valuation	Freehold land		Short-term leasehold land		Buildings		Plant and machinery		Furniture, fittings and office equipment		Electrical and other installations		Tools and equipment		Motor vehicles		Infrastructure and landscaping		Capital work-in-progress		Total		
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM			
Balance at 1 January 2012	7,736,669	5,323,306	29,275,271	97,717,865	4,236,002	3,370,196	1,997,398	5,370,140	0	32,370,183	187,397,030	0	32,370,183	187,397,030	0	32,370,183	187,397,030	0	32,370,183	187,397,030	0	32,370,183	
Additions	0	0	0	4,546,937	262,058	0	15,960	374,164	0	5,042,786	10,241,905	0	5,042,786	10,241,905	0	5,042,786	10,241,905	0	5,042,786	10,241,905	0	5,042,786	
Disposals /Write-offs	0	0	0	(216,690)	(8,962)	0	(2,263)	(23,679)	0	(2,989,726)	(3,241,320)	0	(2,989,726)	(3,241,320)	0	(2,989,726)	(3,241,320)	0	(2,989,726)	(3,241,320)	0	(2,989,726)	
Reclassifications /Adjustments	(106,400)	0	106,400	5,225,395	(1,058,403)	0	0	0	0	0	1,231,652	0	0	1,231,652	0	0	1,231,652	0	0	1,231,652	0	1,231,652	
Revaluation	6,119,731	8,476,694	16,828,329	0	0	0	0	0	0	0	31,424,754	0	0	31,424,754	0	0	31,424,754	0	0	31,424,754	0	31,424,754	
Balance at 31 December 2012	13,750,000	13,800,000	46,210,000	107,273,507	3,430,695	3,370,196	2,011,095	5,720,625	9,050,396	22,437,507	227,054,021	0	22,437,507	227,054,021	0	22,437,507	227,054,021	0	22,437,507	227,054,021	0	22,437,507	
Representing:-																							
- Cost	0	0	0	107,273,507	3,430,695	3,370,196	2,011,095	5,720,625	9,050,396	22,437,507	153,294,021	0	22,437,507	153,294,021	0	22,437,507	153,294,021	0	22,437,507	153,294,021	0	22,437,507	
- Valuation	13,750,000	13,800,000	46,210,000	0	0	0	0	0	0	0	73,760,000	0	0	73,760,000	0	0	73,760,000	0	0	73,760,000	0	73,760,000	
	13,750,000	13,800,000	46,210,000	107,273,507	3,430,695	3,370,196	2,011,095	5,720,625	9,050,396	22,437,507	227,054,021	0	22,437,507	227,054,021	0	22,437,507	227,054,021	0	22,437,507	227,054,021	0	22,437,507	
Balance at 1 January 2013	13,750,000	13,800,000	46,210,000	107,273,507	3,430,695	3,370,196	2,011,095	5,720,625	9,050,396	22,437,507	227,054,021	0	22,437,507	227,054,021	0	22,437,507	227,054,021	0	22,437,507	227,054,021	0	22,437,507	
Additions	7,879,216	0	5,392,415	1,467,968	138,899	0	21,282	235,903	0	12,169	15,147,852	0	12,169	15,147,852	0	12,169	15,147,852	0	12,169	15,147,852	0	12,169	
Disposals /Write-offs	0	0	0	(7,970)	(108,599)	0	0	(835,680)	(17,070)	(10,019,715)	(31,237)	0	(17,070)	(10,019,715)	0	(17,070)	(10,019,715)	0	(17,070)	(10,019,715)	0	(17,070)	
Reclassifications	0	0	0	0	0	0	31,237	0	0	(31,237)	0	0	(31,237)	0	0	(31,237)	0	0	(31,237)	0	0	(31,237)	0
Reversal	0	0	0	0	0	0	0	0	0	(1,000,000)	(1,000,000)	0	(1,000,000)	(1,000,000)	0	(1,000,000)	(1,000,000)	0	(1,000,000)	(1,000,000)	0	(1,000,000)	
Balance at 31 December 2013	21,629,216	13,800,000	51,602,415	108,733,505	3,460,995	3,370,196	2,063,614	5,120,848	9,050,396	21,401,369	231,182,158	0	21,401,369	231,182,158	0	21,401,369	231,182,158	0	21,401,369	231,182,158	0	21,401,369	
Representing:-																							
- Cost	7,879,216	0	5,392,415	108,733,505	3,460,995	3,370,196	2,063,614	5,120,848	9,050,396	21,401,369	157,422,158	0	21,401,369	157,422,158	0	21,401,369	157,422,158	0	21,401,369	157,422,158	0	21,401,369	
- Valuation	13,750,000	13,800,000	46,210,000	0	0	0	0	0	0	0	73,760,000	0	0	73,760,000	0	0	73,760,000	0	0	73,760,000	0	73,760,000	
	21,629,216	13,800,000	51,602,415	108,733,505	3,460,995	3,370,196	2,063,614	5,120,848	9,050,396	21,401,369	231,182,158	0	21,401,369	231,182,158	0	21,401,369	231,182,158	0	21,401,369	231,182,158	0	21,401,369	

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

4. Property, Plant And Equipment (cont'd)

	Freehold land		Short-term leasehold land		Buildings		Plant and machinery		Furniture, fittings and office equipment		Electrical and other installations		Tools and equipment		Motor vehicles		Infrastructure and landscaping		Capital work-in-progress		Total RM
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
<u>Depreciation and Impairment Losses</u>																					
Balance at 1 January 2012	0	1,589,742	0	0	6,639,020	66,433,325	2,690,097	2,646,665	1,976,374	3,066,401	0	0	0	0	0	0	0	0	0	0	85,041,624
Accumulated depreciation	0	1,589,742	0	0	6,639,020	66,433,325	2,690,097	2,646,665	1,976,374	3,066,401	0	0	0	0	0	0	0	0	0	0	86,636,002
Accumulated impairment loss	0	91,427	0	0	659,965	7,067,803	173,311	243,356	6,400	567,573	905,040	0	0	0	0	0	0	0	0	0	9,714,875
Depreciation	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	489,092
Impairment loss	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	489,092
Disposals /Write-offs	0	0	0	0	0	(216,709)	(2,337)	(92)	(1,826)	(60,676)	0	0	0	0	0	0	0	0	0	0	(1,876,018)
Reclassifications /Adjustments	0	0	0	0	0	1,732,850	(501,198)	0	0	0	0	0	0	0	0	0	0	0	0	0	1,231,652
Revaluation	0	(1,681,169)	0	0	(7,298,985)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(8,980,154)
Balance at 31 December 2012	0	0	0	0	0	75,017,269	2,359,873	2,889,929	1,980,948	3,573,298	905,040	0	0	0	0	0	0	0	0	0	86,726,357
Accumulated depreciation	0	0	0	0	0	75,017,269	2,359,873	2,889,929	1,980,948	3,573,298	905,040	0	0	0	0	0	0	0	0	0	87,215,449
Accumulated impairment losses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	10,502,710
Depreciation	0	350,417	0	0	1,253,684	7,126,840	178,089	243,357	8,015	437,268	905,040	0	0	0	0	0	0	0	0	0	2,670,465
Disposals /Write-offs	0	0	0	0	0	(2,524)	(102,417)	0	0	(755,444)	(1,810,080)	0	0	0	0	0	0	0	0	0	(2,670,465)
Balance at 31 December 2013	0	350,417	0	0	1,253,684	82,141,585	2,435,545	3,133,286	1,988,963	3,255,122	0	0	0	0	0	0	0	0	0	0	94,558,602
Accumulated depreciation	0	350,417	0	0	1,253,684	82,141,585	2,435,545	3,133,286	1,988,963	3,255,122	0	0	0	0	0	0	0	0	0	0	94,558,602
Accumulated impairment losses	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	489,092
	0	350,417	0	0	1,253,684	82,141,585	2,435,545	3,133,286	1,988,963	3,255,122	0	0	0	0	0	0	0	0	0	0	95,047,694

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

4. Property, Plant And Equipment (cont'd)

	Freehold land		Short-term leasehold land		Buildings		Plant and machinery		Furniture, fittings and office equipment		Electrical and other installations		Tools and equipment		Motor vehicles		Infrastructure and landscaping		Capital work-in-progress		Total	
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM		RM
<u>Carrying Amount</u>																						
Balance at																						
1 January 2012	7,736,669	3,733,564	22,636,251	31,284,540	1,545,905	723,531	21,024	2,303,739	0	30,775,805	100,761,028											
Balance at																						
31 December 2012	13,750,000	13,800,000	46,210,000	32,256,238	1,070,822	480,267	30,147	2,147,327	8,145,356	21,948,415	139,838,572											
Balance at																						
31 December 2013	21,629,216	13,449,583	50,348,731	26,591,920	1,025,450	236,910	74,651	1,865,726	0	20,912,277	136,134,464											

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

4. Property, Plant And Equipment (cont'd)

The freehold land, short-term leasehold land and buildings stated at valuation were revalued to fair values on 31 December 2012 based on appraisals performed by independent professional valuers using the market comparison approach. The appraised values were derived from observable prices per square metre for comparable properties in similar locations (i.e. Level 2). Had the land and buildings been carried under the cost model, the total carrying amounts of their entire classes that would have been recognised in the financial statements are as follows:-

	2013 RM	2012 RM
Freehold land	15,509,485	7,630,269
Short-term leasehold land	3,550,358	3,642,137
Buildings	25,752,687	20,998,450
	<u>44,812,530</u>	<u>32,270,856</u>

The carrying amounts of property, plant and equipment pledged as security for credit facilities granted to the Group are as follows:-

	2013 RM	2012 RM
Freehold land	21,629,216	13,750,000
Short-term leasehold land	5,216,250	5,350,000
Buildings	16,195,693	11,790,000
Capital work-in-progress	16,533,185	16,533,185
	<u>59,574,344</u>	<u>47,423,185</u>

The carrying amounts of property, plant and equipment acquired under hire purchase financing which remained outstanding as at the end of the reporting period are as follows:-

	2013 RM	2012 RM
Plant and machinery	950,110	2,133,250
Motor vehicles	790,865	1,588,690
	<u>1,740,975</u>	<u>3,721,940</u>

5. Investments In Subsidiaries

The Company

	2013 RM	2012 RM
Unquoted shares, at cost	34,736,876	34,736,876
Fair value of share options allocated to subsidiaries	1,684,535	1,684,535
Impairment losses	(952,734)	(464,604)
	<u>35,468,677</u>	<u>35,956,807</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

5. Investments In Subsidiaries (cont'd)

The details of the subsidiaries are as follows:-

Name of Subsidiary	Principal Place of Business/ Country of Incorporation	Effective Ownership Interest		Principal Activity
		2013	2012	
Leader Steel Sdn. Bhd.	Malaysia	100%	100%	Manufacture, processing and trading of steel and metal products and minerals
Leader Steel Service Centre Sdn. Bhd.	Malaysia	100%	100%	Manufacture and trading of steel products
Leader Steel Technology Sdn. Bhd. ^{(a)(b)}	Malaysia	100%	100%	Inactive
Leader Steel Asia Sdn. Bhd.	Malaysia	0%	100%	Dissolved
Leader Steel Tubes Sdn. Bhd.	Malaysia	100%	100%	Inactive
Leader Minerals (Malaysia) Sdn. Bhd.	Malaysia	100%	100%	Trading and processing of minerals
Leader Minerals Corporation Sdn. Bhd.	Malaysia	100%	100%	Investment holding
Leader Integrated Steel Mills Sdn. Bhd. ^{(a)(b)}	Malaysia	100%	100%	Inactive
ACME Steel Works Sdn. Bhd.	Malaysia	0%	100%	Dissolved
GCH Metal Service Centre Sdn. Bhd.	Malaysia	100%	100%	Inactive
Ferro Minerals, Inc ^(b)	United States of America	100%	100%	Trading of minerals
<u>Subsidiary of Leader Steel Sdn. Bhd.</u>				
ACME United Sdn. Bhd.	Malaysia	51%	51%	Trading and processing of minerals
<u>Subsidiary of Leader Minerals Corporation Sdn. Bhd.</u>				
Padma Minerals Co. Limited ^(b)	Hong Kong	100%	100%	Inactive

^(a) In the process of dissolution

^(b) Consolidated using unaudited financial statements

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

6. Available-For-Sale Financial Assets

The Group and the Company

	2013 RM	2012 RM
Shares quoted in Malaysia, at fair value	46,000	160,000

The fair values of quoted investments are directly measured using their unadjusted closing prices in active markets (i.e. Level 1).

7. Inventories

The Group

	2013 RM	2012 RM
Raw materials	19,988,793	16,027,265
Work-in-progress	321,745	550,073
Manufactured inventories	16,095,033	14,744,104
Trading inventories	47,055,656	13,660,775
	<u>83,461,227</u>	<u>44,982,217</u>

8. Trade And Other Receivables

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Trade receivables:-				
- Related parties ^(a)	2,862	1,629,396	0	0
- Unrelated parties	22,839,419	52,990,991	0	0
- Allowance for impairment	(2,584,768)	(1,987,329)	0	0
	<u>20,257,513</u>	<u>52,633,058</u>	<u>0</u>	<u>0</u>
Other receivables:-				
- Subsidiaries	0	0	67,549,469	67,851,225
- Unrelated parties	14,501,179	32,563,619	1,002	9,231
- Allowance for impairment	(1,317,829)	(1,317,829)	0	0
	<u>13,183,350</u>	<u>31,245,790</u>	<u>67,550,471</u>	<u>67,860,456</u>
	<u>33,440,863</u>	<u>83,878,848</u>	<u>67,550,471</u>	<u>67,860,456</u>

^(a) Being companies in which certain directors have substantial financial interests

The currency profile of trade and other receivables is as follows:-

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Ringgit Malaysia	24,714,729	49,529,296	67,550,471	67,860,456
US Dollar	8,726,134	34,349,552	0	0
	<u>33,440,863</u>	<u>83,878,848</u>	<u>67,550,471</u>	<u>67,860,456</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

8. Trade And Other Receivables (cont'd)

Trade Receivables

Trade receivables are unsecured, non-interest bearing and generally on 30 to 120 day terms.

The movements in allowance for impairment are as follows:-

	The Group	
	2013 RM	2012 RM
Balance at 1 January	1,987,329	0
Impairment loss recognised	597,439	1,987,329
Balance at 31 December	2,584,768	1,987,329

All the above impairment losses were individually determined after considering the adverse financial conditions of the debtors who have defaulted/delayed in payments.

The ageing analysis of trade receivables not impaired is as follows:-

	The Group	
	2013 RM	2012 RM
Not past due	14,706,407	30,519,350
Past due 1 to 30 days	1,212,010	5,524,697
Past due 31 to 120 days	942,274	7,597,438
Past due more than 120 days	3,396,822	8,991,573
	20,257,513	52,633,058

Trade receivables that are neither past due nor impaired mainly relate to creditworthy customers who have regular transactions and good payment records with the Group.

Management determines credit risk concentrations in terms of counterparties and geographical areas. The details of major debtors that accounted for 10% or more of the Group's trade receivables are as follows:-

	The Group	
	2013 RM	2012 RM
No. of debtors	2	4
Total outstanding balances	7,170,702	36,413,353
Allowance for impairment	(1,369,192)	(1,369,192)
	5,801,510	35,044,161

The credit risk concentration profile by geographical areas of trade receivables is as follows:-

	The Group	
	2013 RM	2012 RM
Malaysia	12,412,182	22,500,025
China	6,052,764	29,964,733
Others	1,792,567	168,300
	20,257,513	52,633,058

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

8. Trade And Other Receivables (cont'd)

Other Receivables

Other receivables are unsecured and non-interest bearing. The amounts owing by subsidiaries are repayable on demand. The amounts owing by unrelated parties mainly consist of advances and refundable deposits which have no fixed repayment terms.

The movements in allowance for impairment are as follows:-

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Balance at 1 January	1,317,829	0	0	0
Impairment loss recognised	0	1,317,829	0	361,528
Impairment loss written off	0	0	0	(361,528)
Balance at 31 December	<u>1,317,829</u>	<u>1,317,829</u>	<u>0</u>	<u>0</u>

All the above impairment losses were individually determined after considering the adverse financial conditions of the debtors who have defaulted/delayed in payments.

9. Cash And Bank Balances

The currency profile of cash and bank balances is as follows:-

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Ringgit Malaysia	1,926,495	4,343,180	31,551	57,230
US Dollar	7,442,808	787,473	0	0
Others	524	1,202	0	0
	<u>9,369,827</u>	<u>5,131,855</u>	<u>31,551</u>	<u>57,230</u>

10. Trade And Other Payables

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Trade payables:-				
- Related parties ^(a)	98,880	728,155	0	0
- Unrelated parties	4,122,115	10,575,302	0	0
	4,220,995	11,303,457	0	0
Other payables:-				
- Subsidiaries	0	0	38,208,134	38,064,690
- Other related parties ^(a)	304	2,407,549	0	0
- Unrelated parties	5,856,035	8,241,246	215,140	221,502
	5,856,339	10,648,795	38,423,274	38,286,192
	<u>10,077,334</u>	<u>21,952,252</u>	<u>38,423,274</u>	<u>38,286,192</u>

^(a) Being companies in which certain directors have substantial financial interests

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

10. Trade And Other Payables (cont'd)

The currency profile of trade and other payables is as follows:-

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Ringgit Malaysia	6,434,537	9,348,133	38,423,274	38,286,192
US Dollar	3,642,797	12,599,002	0	0
Others	0	5,117	0	0
	10,077,334	21,952,252	38,423,274	38,286,192

Trade and other payables are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

Trade Payables

Trade payables are unsecured, non-interest bearing and generally on 5 to 90 day terms.

Other Payables

Other payables are unsecured and non-interest bearing. The amounts owing to subsidiaries are repayable on demand. The amounts owing to other related parties and unrelated parties mainly consist of sundry payables and accruals for operating expenses which are generally due within 30 to 90 days.

11. Loans And Borrowings

The Group

	2013 RM	2012 RM
<u>Secured</u>		
Hire purchase payables (fixed rate)	631,910	1,429,849
Commodity financing (floating rate)	10,732,430	14,209,963
Term loans (floating rate)	11,744,448	4,220,272
<u>Unsecured</u>		
Bank overdraft (floating rate)	553,713	0
Banker acceptances (fixed rate)	93,147,002	81,303,213
Discounting bills (fixed rate)	0	17,098,254
Revolving loans (fixed rate)	4,915,060	5,000,000
	121,724,563	123,261,551
Disclosed as:-		
- Current liabilities	105,493,671	109,444,344
- Non-current liabilities	16,230,892	13,817,207
	121,724,563	123,261,551

Hire purchase payables are secured against the assets acquired thereunder (Note 4). Other secured loans and borrowings are secured against certain property, plant and equipment (Note 4).

The effective interest rates of loans and borrowings as at 31 December 2013 ranged from 3.20% to 8.35% (2012 : 2.81% to 7.85%) per annum.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

11. Loans And Borrowings (cont'd)

The currency profile of loans and borrowings is as follows:-

	2013 RM	2012 RM
Ringgit Malaysia	121,724,563	106,163,297
US Dollar	0	17,098,254
	<u>121,724,563</u>	<u>123,261,551</u>

Except for hire purchase payables, commodity financing and term loans, loans and borrowings are generally short-term in nature or repayable on demand and their carrying amounts will approximate to the remaining contractual undiscounted cash flows.

Hire Purchase Payables

Hire purchase payables are repayable over 1 to 5 years. The repayment analysis is as follows:-

	2013 RM	2012 RM
Minimum hire purchase payments:-		
- Within 1 year	381,659	1,225,122
- Later than 1 year and not later than 2 years	190,756	229,098
- Later than 2 years and not later than 5 years	96,623	31,984
Total contractual undiscounted cash flows	669,038	1,486,204
Future finance charges	(37,128)	(56,355)
Present value of hire purchase payables:-		
- Within 1 year	357,568	1,175,797
- Later than 1 year and not later than 2 years	180,248	222,441
- Later than 2 years and not later than 5 years	94,094	31,611
	<u>631,910</u>	<u>1,429,849</u>

The fair values of hire purchase payables are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2). The fair values measured are considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximate to the effective interest rates of hire purchase payables.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

11. Loans And Borrowings (cont'd)

Commodity Financing

Commodity financing is repayable over 6 years. The repayment analysis is as follows:-

	2013	2012
	RM	RM
Gross loan instalments:-		
- Within 1 year	4,018,859	4,183,833
- Later than 1 year and not later than 2 years	3,902,259	4,070,533
- Later than 2 years and not later than 5 years	3,897,267	7,733,882
Total contractual undiscounted cash flows	11,818,385	15,988,248
Future finance charges	(1,085,955)	(1,778,285)
Present value of commodity financing:-		
- Within 1 year	3,520,000	3,520,000
- Later than 1 year and not later than 2 years	3,520,000	3,520,000
- Later than 2 years and not later than 5 years	3,692,430	7,169,963
	<u>10,732,430</u>	<u>14,209,963</u>

The fair value of commodity financing is measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2). The fair value measured is considered to be reasonably close to the carrying amount reported as the observable current market interest rates also approximate to the effective interest rate of commodity financing.

Term Loans

Term loans are repayable over 5 years. The repayment analysis is as follows:-

	2013	2012
	RM	RM
Gross loan instalments:-		
- Within 1 year	3,794,661	1,629,364
- Later than 1 year and not later than 2 years	3,590,699	1,627,263
- Later than 2 years and not later than 5 years	6,440,166	1,595,813
Total contractual undiscounted cash flows	13,825,526	4,852,440
Future finance charges	(2,081,078)	(632,168)
Present value of term loans:-		
- Within 1 year	3,000,328	1,347,080
- Later than 1 year and not later than 2 years	2,980,385	1,402,643
- Later than 2 years and not later than 5 years	5,763,735	1,470,549
	<u>11,744,448</u>	<u>4,220,272</u>

The fair values of term loans are measured using present value technique by discounting the expected future cash flows using observable current market interest rates for similar liabilities (i.e. Level 2). The fair values measured are considered to be reasonably close to the carrying amounts reported as the observable current market interest rates also approximate to the effective interest rates of term loans.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

12. Deferred Tax Liabilities

The Group

	2013	2012
	RM	RM
Balance at 1 January	14,578,000	6,725,000
Deferred tax (income)/expense recognised in:-		
- Profit or loss	(1,011,000)	(1,414,294)
- Other comprehensive income	306,000	8,571,294
Deferred tax liabilities (over)/under provided in prior year	(280,000)	696,000
Balance at 31 December	<u>13,593,000</u>	<u>14,578,000</u>
In respect of:-		
- Taxable/(Deductible) temporary differences of:-		
- Property, plant and equipment	15,221,000	16,145,000
- Financial instruments	(518,000)	(502,000)
- Unused capital allowances	(1,085,000)	(1,060,000)
- Unused tax losses	(25,000)	(5,000)
	<u>13,593,000</u>	<u>14,578,000</u>

Save as disclosed above, as at 31 December 2013, deferred tax liabilities and deferred tax assets have also effectively been recognised and offset against each other by the Group to the extent of approximately RM270,000 (2012 : RM186,000). No further deferred tax assets have been recognised for the excess of the unused capital allowances and tax losses over the taxable temporary differences as follows:-

	2013	2012
	RM	RM
Unused capital allowances	1,301,000	915,000
Unused tax losses	615,000	434,000
Taxable temporary differences of property, plant and equipment	(1,080,000)	(742,000)
	<u>836,000</u>	<u>607,000</u>

13. Share Capital

	2013	2012
	RM	RM
Authorised:-		
1,000,000,000 ordinary shares of RM0.50 each	<u>500,000,000</u>	<u>500,000,000</u>
Issued and fully paid-up:-		
128,032,000 ordinary shares of RM0.50 each	<u>64,016,000</u>	<u>64,016,000</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

13. Share Capital (cont'd)

Purchase of Own Shares

The shareholders of the Company, by a resolution passed at the Annual General Meeting held on 21 June 2012, approved the Company's plan to purchase its own shares.

The details of the shares purchased from the open market using internally generated funds and held as treasury shares during the financial year are as follows:-

	2013		2012	
	No. of Shares	Cost RM	No. of Shares	Cost RM
Balance at 1 January	100	77	0	0
Shares purchased	184,100	54,704	100	77
Balance at 31 December	184,200	54,781	100	77
Average unit cost for the year		0.30		0.77

The number of outstanding shares in issue after excluding the treasury shares is as follows:-

	2013 No. of Shares	2012 No. of Shares
Balance at 1 January	128,031,900	128,032,000
Shares purchased	(184,100)	(100)
Balance at 31 December	127,847,800	128,031,900

14. Non-Controlling Interests ("NCI")

The Group

	Accumulated NCI		Loss Allocated to NCI	
	2013 RM	2012 RM	2013 RM	2012 RM
ACME United Sdn. Bhd.	(530,062)	(175,403)	(354,659)	(257,083)

The details of the subsidiary that has NCI are as follows:-

Name of Subsidiary	Principal Place of Business	Effective Ownership Interest Held by NCI		Principal Activity
		2013	2012	
ACME United Sdn. Bhd.	Malaysia	49%	49%	Trading and processing of minerals

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

14. Non-Controlling Interests (“NCI”) (cont'd)

The summarised financial information of the above subsidiary is as follows:-

	2013	2012
	RM	RM
Non-current assets	1,312,695	1,217,235
Current assets	840,759	1,480,373
Current liabilities	(3,353,667)	(3,174,028)
Net liabilities	(1,200,213)	(476,420)
Revenue	0	643,708
Loss (representing total comprehensive income)	(723,793)	(524,660)
Net cash from operating activities	276,327	21,660
Net cash used in investing activities	(272,233)	(23,901)
Net cash inflow/(outflow)	<u>4,094</u>	<u>(2,241)</u>

15. Revenue

The Group

Revenue represents income from the sale of goods.

16. Employee Benefits Expense

	The Group		The Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Short-term employee benefits	7,840,299	7,548,819	200,000	200,000
Defined contribution plan	731,785	716,039	0	0
	<u>8,572,084</u>	<u>8,264,858</u>	<u>200,000</u>	<u>200,000</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

17. Profit/(Loss) Before Tax

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Profit/(Loss) before tax is arrived at after charging:-				
Auditors' remuneration:-				
- Current year	109,000	117,200	30,000	38,000
- Prior year	(15,200)	15,000	(13,000)	7,000
Directors' remuneration:-				
- Fees	175,000	175,000	175,000	175,000
- Other emoluments	1,248,358	1,325,310	25,000	25,000
Fee expense for financial instruments not at fair value through profit or loss	661,981	718,950	1,164	738
Impairment loss on available-for-sale financial assets	114,000	240,000	114,000	240,000
Impairment loss on investments in subsidiaries ^(a)	0	0	488,130	488,130
Impairment loss on loans and receivables:-				
- Subsidiaries	0	0	0	361,528
- Unrelated parties	597,439	3,305,158	0	0
Impairment loss on property, plant and equipment ^(a)	0	489,092	0	0
Interest expense for financial liabilities not at fair value through profit or loss	5,812,967	6,044,144	0	0
Loss on disposal of property, plant and equipment	1,239,535	0	0	0
Loss on foreign exchange:-				
- Realised	0	135,294	0	0
- Unrealised	88,200	0	0	0
Property, plant and equipment written off	91,864	1,365,301	0	0
Rental of equipment	11,142	13,540	0	0
Rental of premises	606,205	947,400	0	0
and crediting:-				
Gain on disposal of property, plant and equipment	0	4,555	0	0
Gain on foreign exchange:-				
- Realised	710,262	0	0	0
- Unrealised	0	47,480	0	0
Rental of premises	120,000	0	0	0

^(a) Included in other expenses

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

18. Tax Expense/(Income)

	The Group		The Company	
	2013	2012	2013	2012
	RM	RM	RM	RM
Tax based on results for the year:-				
Malaysian income tax	3,065,000	22,000	0	0
Overseas income tax	0	255	0	0
Deferred tax	(1,011,000)	(1,414,294)	0	0
	<u>2,054,000</u>	<u>(1,392,039)</u>	<u>0</u>	<u>0</u>
Tax under/(over) provided in prior year:-				
Malaysian income tax	165,030	150,933	(493)	0
Deferred tax	(280,000)	696,000	0	0
	<u>1,939,030</u>	<u>(545,106)</u>	<u>(493)</u>	<u>0</u>

The numerical reconciliation between the applicable tax rate, which is the statutory income tax rate, and the average effective tax rate on results for the year is as follows:-

	The Group		The Company	
	2013	2012	2013	2012
	%	%	%	%
Applicable tax rate	25.00	(25.00)	(25.00)	(25.00)
Non-deductible expenses	56.58	12.21	25.00	25.00
Non-taxable income	0.00	(0.91)	0.00	0.00
Increase in unrecognised deferred tax assets	2.33	1.25	0.00	0.00
Average effective tax rate	<u>83.91</u>	<u>(12.45)</u>	<u>0.00</u>	<u>0.00</u>

19. Earnings/(Loss) Per Share

The Group

The basic earnings/(loss) per share is calculated by dividing the Group's profit/(loss) for the financial year attributable to owners of the Company by the weighted average number of ordinary shares in issue during the year as follows:-

	2013	2012
Profit/(Loss) for the financial year attributable to owners of the Company (RM)	<u>863,452</u>	<u>(10,377,074)</u>
Number of shares in issue at 1 January	128,031,900	128,032,000
Effect of shares purchased	(55,385)	(8)
Weighted average number of shares in issue	<u>127,976,515</u>	<u>128,031,992</u>
Basic earnings/(loss) per share (sen)	<u>0.67</u>	<u>(8.11)</u>

The diluted earnings/(loss) per share equals the basic earnings/(loss) per share as the Company did not have any dilutive potential ordinary shares during the financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

20. Notes To Consolidated Statement Of Cash Flows

The Group

Purchase of Property, Plant and Equipment

	2013 RM	2012 RM
Cost of property, plant and equipment purchased	15,147,852	10,241,905
Amount financed through hire purchase	(438,110)	0
Net cash disbursed	<u>14,709,742</u>	<u>10,241,905</u>

Cash and Cash Equivalents

	2013 RM	2012 RM
Cash and bank balances	9,369,827	5,131,855
Bank overdraft	(553,713)	0
	<u>8,816,114</u>	<u>5,131,855</u>

21. Related Party Disclosures

Significant transactions with related parties during the financial year are as follows:-

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Key management personnel compensation:-				
- Short-term employee benefits	1,297,670	1,365,595	200,000	200,000
- Defined contribution plan	125,688	134,715	0	0
	<u>1,423,358</u>	<u>1,500,310</u>	<u>200,000</u>	<u>200,000</u>
Purchase of goods from other related parties ^(a)	3,447,600	46,290,133	0	0
Purchase of property, plant and equipment from other related parties ^(a)	12,494,580	3,372,610	0	0
Receiving of services from other related party ^(a)	432,088	0	0	0
Rental of premises charged by other related party ^(a)	465,833	831,000	0	0
Sale of goods to other related parties ^(a)	<u>603,743</u>	<u>6,221,344</u>	<u>0</u>	<u>0</u>

^(a) Being companies in which certain directors have substantial financial interests

22. Segment Reporting

The Group

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 manufacture, processing and trading of steel and metal products and minerals.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

22. Segment Reporting (cont'd)

Geographical Information

In presenting information about geographical areas, segment revenue is based on the geographical location of customers whereas segment assets are based on the geographical location of assets:-

	External Revenue		Non-current Assets	
	2013 RM	2012 RM	2013 RM	2012 RM
Malaysia	121,649,832	121,587,840	136,134,464	139,838,572
China	137,008,865	161,774,316	0	0
	<u>258,658,697</u>	<u>283,362,156</u>	<u>136,134,464</u>	<u>139,838,572</u>

Major Customers

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

23. Commitment For Purchase Of Property, Plant And Equipment

The Group

	2013 RM	2012 RM
Contracted but not provided for	<u>194,000</u>	<u>10,890,000</u>

24. Contingent Liability - Unsecured

The Company

The Company has entered into financial guarantee contracts to provide financial guarantees to financial institutions for credit facilities granted to certain subsidiaries up to a total limit of approximately RM213,410,000 (2012 : RM237,508,000). The total utilisation of these credit facilities as at 31 December 2013 amounted to approximately RM126,755,000 (2012 : RM127,874,000).

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.8. After considering that the probability of the subsidiaries defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material.

25. Financial Risk Management

The activities of the Group expose it to certain financial risks, including credit risk, liquidity risk, currency risk and interest rate risk. The overall financial risk management objective of the Group is to ensure that adequate financial resources are available for business development whilst minimising the potential adverse impacts of financial risks on its financial position, performance and cash flows.

The aforementioned financial risk management objective and its related policies and processes explained below have remained unchanged from the previous financial year.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

25. Financial Risk Management (cont'd)

Credit Risk

The Group's exposure to credit risk arises mainly from receivables and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position. The Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to certain subsidiaries. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 24.

As the Group only deals with reputable financial institutions, the credit risk associated with deposits placed with them is minimal. The Group manages its credit risk exposure of receivables by assessing counterparties' financial standings on an ongoing basis, setting and monitoring counterparties' limits and credit terms.

Liquidity Risk

The Group's exposure to liquidity risk relates to its ability to meet obligations associated with financial liabilities as and when they fall due. The remaining contractual maturities of financial liabilities are disclosed in their respective notes.

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.

Currency Risk

The Group's exposure to currency risk arises mainly from transactions entered into by individual entities within the Group in currencies other than their functional currencies. The major functional currency within the Group is Ringgit Malaysia ("RM") whereas the major foreign currency transacted is US Dollar ("USD").

The Group observes the movements in exchange rates and acts accordingly to minimise its exposure to currency risk. Where necessary, the Group enters into derivative contracts to hedge the exposure. Such exposure is also partly mitigated in the following ways:-

- (i) The Group's foreign currency sales and purchases provide a natural hedge against fluctuations in foreign currencies.
- (ii) The Group maintains part of its cash and cash equivalents in foreign currency accounts to meet future obligations in foreign currencies.

Based on a symmetric basis which uses the foreign currency as a stable denominator, the following table demonstrates the sensitivity of profit or loss to changes in exchange rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	The Group	
	Increase /(Decrease) in Profit 2013 RM	(Increase) /Decrease in Loss 2012 RM
Appreciation of USD against RM by 10%	906,673	377,745
Depreciation of USD against RM by 10%	(906,673)	(377,745)

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2013

25. Financial Risk Management (cont'd)

Interest Rate Risk

The Group's exposure to interest rate risk arises mainly from interest-bearing financial instruments, namely loans and borrowings.

The Group observes the movements in interest rates and always strives to obtain the most favourable rates available for new financing or during repricing. It is also the Group's policy to maintain a mix of fixed and floating rate financial instruments.

As the Group does not account for its fixed rate financial instruments at fair value through profit or loss or as available-for-sale, any change in interest rates at the end of the reporting period would not affect its profit or loss or other comprehensive income. For floating rate financial instruments stated at amortised cost, the following table demonstrates the sensitivity of profit or loss to changes in interest rates that were reasonably possible at the end of the reporting period, with all other variables held constant:-

	The Group	
	Increase /(Decrease) in Profit 2013 RM	(Increase) /Decrease in Loss 2012 RM
Increase in interest rates by 100 basis points	(172,729)	(138,227)
Decrease in interest rates by 100 basis points	172,729	138,227

26. Capital Management

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

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

	The Group	
	2013 RM	2012 RM
Total loans and borrowings	121,724,563	123,261,551
Total equity	116,498,738	116,332,789
Total capital	238,223,301	239,594,340
Debt-to-equity ratio	1.04 : 1	1.06 : 1

The aforementioned capital management objective, policies and processes have remained unchanged from the previous financial year.

SUPPLEMENTARY INFORMATION

- REALISED AND UNREALISED PROFITS OR LOSSES

	The Group		The Company	
	2013 RM	2012 RM	2013 RM	2012 RM
Total retained profits/(accumulated losses) of the Company and its subsidiaries:-				
- Realised	22,786,030	24,646,253	(949,667)	70,012
- Unrealised	(4,803,906)	(5,959,226)	0	0
	<u>17,982,124</u>	<u>18,687,027</u>	<u>(949,667)</u>	<u>70,012</u>
Consolidation adjustments and eliminations	3,551,698	1,983,343	0	0
Total retained profits/ (accumulated losses) as per statement of financial position	<u>21,533,822</u>	<u>20,670,370</u>	<u>(949,667)</u>	<u>70,012</u>

The above supplementary information is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

PROPERTIES OF THE GROUP

Location	Date of *Revaluation/ Acquisition	Tenure	Approximate Age of Building	Area (Square Meters)	Description	Net Book Value as at 31 December 2013 RM'000
Leader Steel Sdn. Bhd.						
Plot 85 Lorong Perusahaan Utama Kawasan Perusahaan Bukit Tengah Pulau Pinang, Malaysia	*31.12.12	Leasehold 60 years, expiring 21.12.2052	20 years	34,000	Factory	23,579
6 Lorong Limau Manis 1 Taman Limau Manis 14000 Bukit Tengah Pulau Pinang, Malaysia	*31.12.12	Freehold Double Storey Terrace house	19 years	111	Residential premise for factory workers	262
8 Lorong Limau Manis 1 Taman Limau Manis 14000 Bukit Tengah Pulau Pinang, Malaysia	*31.12.12	Freehold Double Storey Terrace house	19 years	111	Residential premise for factory workers	262
Lot 841 Block 7 MTLD Sejingkat Industrial Park 93050 Kuching Sarawak, Malaysia	*31.12.12	Leasehold 60 years, expiring 10.11.2053	21 years	33,600	Factory	16,031
Lot No.1596 Title No. GRN 77765 Mukim 12, Daerah Seberang Perai Selatan, Pulau Pinang, Malaysia	25.11.13	Freehold Land & Building	1 year	39,250.05	Factory	12,537
Leader Steel Service Centre Sdn. Bhd.						
Geran 43145, Lot No. 6483 Kapar, Klang Selangor, Malaysia	*31.12.12	Freehold	10 years	52,483	-	13,750
Lot 6483, Jalan Sungai Puloh, KU5 42100 Klang, Selangor	*31.12.12	Freehold Building	5 years	17,000	Factory	15,768
42A, Lorong Bayu Mutiara 8 Taman Bayu Mutiara 14000 Bukit Mertajam Pulau Pinang, Malaysia	*31.12.12	Freehold Double Storey Terrace house	7 years	130	Residential premise for factory workers	361
48, Lorong Bayu Mutiara 8 Taman Bayu Mutiara 14000 Bukit Mertajam Pulau Pinang, Malaysia	*31.12.12	Freehold Double Storey Terrace house	7 years	130	Residential premise for factory workers	361
53, Jalan Setia Impian, U13/4D Sek U13, Setia Alam 40170 Shah Alam, Selangor	*31.12.12	Freehold Double Storey Terrace house	6 years	130	Residential premise for factory workers	455
32A, Jalan Setia Impian, U13/5F Sek U13 Setia Alam 40170 Shah Alam, Selangor	*31.12.12	Freehold Double Storey Terrace house	6 years	130	Residential premise for factory workers	455
32, Klang Central Industrial Park, Lorong 5 Di Lorong Sg. Puloh, Batu 5 ¾, Jln Kapar 41400 Klang, Selangor	*31.12.12	Shophouse	4 years	186	Residential premise for factory workers	387
No.8, Jln Setia Impian U13/8G, Setia Alam Seksyen U13, Setia Alam, 40170 Shah Alam	*31.12.12	Freehold Double Storey Terrace house	5 years	130	Residential premise for factory workers	543
No.30, Klang Central Industrial Park, Lorong 5, Di Lorong Sungai Puloh, Batu ¾, Jalan Kapar 41400 Klang, Selangor Darul Ehsan	17.10.13	Double Storey Shophouse	1 year	191	Residential premise for factory workers	677

ANALYSIS OF SHAREHOLDINGS

AS AT 9 APRIL 2014

Authorised Share Capital	:	RM500,000,000/=
Issued And Fully Paid-Up Capital	:	RM64,016,000/= (including 600,000 treasure shares)
Class Of Share	:	Ordinary Shares of RM0.50 each fully paid
No. Of Shareholder	:	2,213
Voting Right	:	On A Show Of Hands - One Vote For Every Shareholder
	:	On poll - one vote for every ordinary share held

Analysis by size of shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares held
LESS THAN 100	3	0.14	107	0.00
100 - 1,000	173	7.82	149,397	0.12
1,001 - 10,000	1,308	59.11	7,234,096	5.65
10,001 - 100,000	659	29.78	19,049,232	14.88
100,001 – 6,401,599	67	3.03	18,808,406	13.69
6,401,600 – 128,032,000	3	0.14	82,790,762	64.66
TOTAL:	2,213	100.00	128,032,000	100.00

Substantial Shareholders

No.	Name of Major Shareholders	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
1.	Dato' Goh Cheng Huat	10,530,594	8.26	[^] 56,402,974	44.26
2.	Datin Tan Pak Say	1,155,006	0.91	^{^^} 65,778,562	51.62
3.	Bischart Sdn Bhd	54,035,868	42.40	-	-
4.	Amanah Trustees Berhad - Skim Amanah Saham Bumiputera	18,224,300	14.30	-	-

[^] Deemed interested by virtue of his shareholding in Bischart Sdn Bhd pursuant to Section 6A of the Act and shares held by his spouse, Datin Tan Pak Say and son Goh Hong Kent.

^{^^} Deemed interested by virtue of her spouse, Dato's Goh Cheng Huat's direct shareholding and shareholding in Bischart Sdn Bhd pursuant to Section 6A of the Act and shares held by her son Goh Hong Kent.

DIRECTOR'S INTEREST IN THE SHARE CAPITAL

No.	Name of Directors	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
1.	Tan Sri Dato' Mohd Desa bin Pachi	-	-	-	-
2.	Tan Sri Dato' Soong Siew Hoong	150,000	0.12	-	-
3.	Dato' Goh Cheng Huat	10,530,594	8.26	[^] 56,402,974	44.26
4.	Datin Tan Pak Say	1,155,006	0.91	^{^^} 65,778,562	51.62
5.	Lim Leng Han	18,000	0.01	-	-
6.	Datuk Abdullah bin Kumtom	-	-	-	-
7.	Mohd Arif bin Mastol	-	-	-	-

[^] Deemed interested by virtue of his shareholding in Bischart Sdn Bhd pursuant to Section 6A of the Act and shares held by his spouse, Datin Tan Pak Say and son Goh Hong Kent.

^{^^} Deemed interested by virtue of her spouse, Dato's Goh Cheng Huat's direct shareholding and shareholding in Bischart Sdn Bhd pursuant to Section 6A of the Act and shares held by her son Goh Hong Kent.

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


ANALYSIS OF SHAREHOLDINGS (CONT'D)

AS AT 9 APRIL 2014

LIST OF TOP 30 HOLDERS AS AT 9 APRIL 2014

No.	Name	Holdings	%
1	AMANAHRAYA TRUSTEES BERHAD SKIM AMANAH SAHAM BUMIPUTERA	18,224,300	14.30
2	BISCHART SDN. BHD.	18,035,868	14.15
3	BISCHART SDN. BHD.	18,000,000	14.13
4	BISCHART SDN. BHD.	18,000,000	14.13
5	GOH CHENG HUAT	10,500,000	8.24
6	GOH HONG KENT	1,212,100	0.95
7	TAN PAK SAY	1,155,006	0.91
8	CHEANG BENG CHEE	847,000	0.66
9	TAN PHAIK HOON	824,800	0.65
10	GOH CHIN LIM	761,000	0.60
11	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEE CHENG TEOK (474305)	682,000	0.54
12	TAN KHENG HWA	500,000	0.39
13	LIM KIAN HUAT	435,900	0.34
14	KUEH SONG JOO	420,000	0.33
15	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN THYE THIAN (J DEDAP-CL)	383,200	0.30
16	BONG CHONG TAT	344,100	0.27
17	SIM CHOH SANG @ SIM CHOH SHAN	336,000	0.26
18	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BONG SIEW KIAW	320,000	0.25
19	LIM PENG KAH	309,400	0.24
20	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH KIM SIN	306,000	0.24
21	GOH KHANG LENG	300,000	0.24
22	LIM KHUAN ENG	300,000	0.24
23	ANG HOCK HENG	289,000	0.23
24	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHIT MIN (E-TWU)	282,000	0.22
25	CHAN MEI YEE	261,100	0.20
26	CHEAH SUAN LEE	250,000	0.20
27	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	248,000	0.19
28	TAN POH HWA	244,700	0.19
29	LOO CHEE LAIN	243,500	0.19
30	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TAN KING TAI @ TAN KHOON HAI (471821)	235,200	0.18
TOTAL		94,250,174	73.96

NOTICE OF NOMINATION FOR APPOINTMENT OF NEW AUDITORS



Dato' Goh Cheng Huat
168-20-2 Gurney Drive
10250 Georgetown
Penang

24 April 2014

The Board of Directors
Leader Steel Holdings Berhad
Suite 16-1 (Penthouse Upper)
Menara Penang Garden
42A Jalan Sultan Ahmad Shah
10050 Penang

Dear Sirs

NOTICE OF NOMINATION OF MESSRS BDO AS AUDITORS

Pursuant to Section 172(12) of the Companies Act, 1965, I, being a shareholder of the Company, hereby give notice of my intention to nominate Messrs BDO of 51-21-F, Menara BHL Jalan Sultan Ahmad Shah, 10050 Penang as Auditors of the Company for the year ending 31 December 2014 in place of Messrs Crowe Horwath who have indicated that they do not wish to seek for re-election as Auditors of the Company at the forthcoming Twenty-First Annual General Meeting.

Yours sincerely

Dato' Goh Cheng Huat

FORM OF PROXY



LEADER STEEL HOLDINGS BERHAD
267209-K

I/We, _____
(Full name in block letters)

of _____
(Address)

being a member of Leader Steel Holdings Berhad hereby appoint _____
(Full name in block letters)

of _____
(Address)

or failing him, _____
(Full name in block letters)

of _____
(Address)

as my/our proxy, to vote for me/us and on my/our behalf at the TWENTY-FIRST ANNUAL GENERAL MEETING of the Company to be held at 2nd Floor, Wisma Leader Steel, Plot 85, Lorong Perusahaan Utama, Kawasan Perusahaan Bukit Tengah, 14000 Bukit Tengah, Seberang Prai Tengah, Penang on Thursday, 29 May 2014 at 12.15 p.m. and at any adjournment thereof.

RESOLUTIONS	FOR	AGAINST
Ordinary Resolution 1		
Ordinary Resolution 2		
Ordinary Resolution 3		
Ordinary Resolution 4		
Ordinary Resolution 5		
Ordinary Resolution 6		
Ordinary Resolution 7		
Ordinary Resolution 8		
Ordinary Resolution 9		
Ordinary Resolution 10		
Ordinary Resolution 11		
Ordinary Resolution 12		

(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)

* Strike out whichever is not desired.

Signed this _____ day of _____ 2014.

For appointment of two (2) proxies, no. of shares and percentage of shareholdings to be represented by the each proxy:-		
	No. of shares	Percentage
Proxy 1		
Proxy 2		
Total		100%

Signature of Shareholder(s)/ Common Seal

Notes :

Appointment of Proxy

- A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) of the Companies Act, 1965 shall not apply to the Company. Where a member appoints more than (1) proxy, the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy.
- Where a member of the Company is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA"), it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
- Where a member of the Company is an exempt authorised nominee which hold ordinary shares in the Company for multiple beneficial owner in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account it holds.
An exempt authorised nominee refers to an authorised nominee defined under SICDA which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
- To be valid, the form of proxy must be deposited at the Company's Registered Office at Suite 16-1 (Penthouse Upper), Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty eight (48) hours before the time appointed for holding the meeting.
- For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 61(3) of the Articles of Association of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("ROD") as at 22 May 2014 and only a Depositor whose name appears on such ROD shall be entitled to attend this meeting or appoint proxy to attend and/or vote in his/her behalf.

Please fold across the line and close

Affix
stamp

Joint Company Secretaries
LEADER STEEL HOLDINGS BERHAD (267209-K)
Suite 16-1 (Penthouse Upper)
Menara Penang Garden
42A, Jalan Sultan Ahmad Shah
10050 Penang

Please fold across the line and close

Leader Steel Holdings Berhad (267209-K)

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

Tel : 604-507 1515 (Hunting Line)
Fax : 604-507 9527 & 507 9537

www.leadersteel.my

