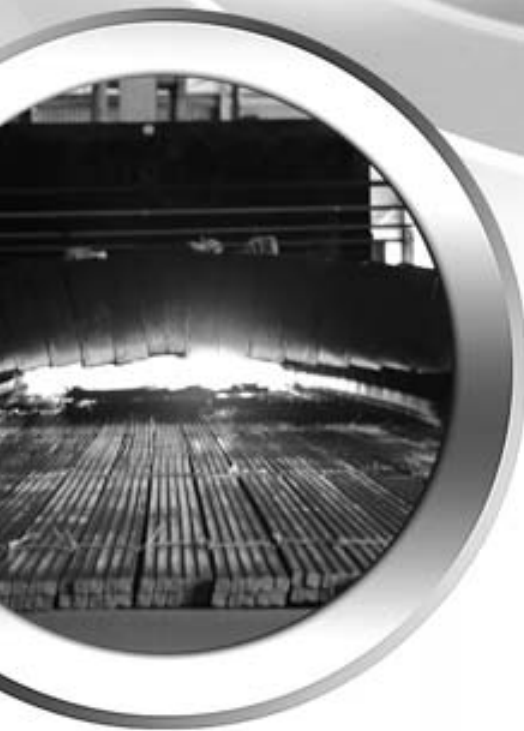


LEADER STEEL HOLDINGS BERHAD 267209-K



annual report 2009





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NOTICE IS HEREBY GIVEN that the SEVENTEENTH ANNUAL GENERAL MEETING of shareholders of the Company will be held at 2nd Floor, Wisma Leader Steel, Plot 85, Lorong Perusahaan Utama, Kawasan Perusahaan Bukit Tengah, 14000 Bukit Tengah, Seberang Prai Tengah, Penang on Thursday, 27 May 2010 at 10.45 a.m. for the following purposes: -

1. To receive the audited Financial Statements for the year ended 31 December 2009 and the Reports of the Directors and Auditors thereon.
- 2a. To re-elect the following Directors who retire pursuant to Article 102 of the Company's Articles of Association:-
 - i) Dato' Goh Cheng Huat Ordinary Resolution 1
 - ii) En Mohd Arif bin Mastol Ordinary Resolution 2
- 2b. To re-elect the following Directors who retire pursuant to Section 129 of the Companies Act, 1965:-
 - i) Tan Sri Dato' Mohd Desa bin Pachi Ordinary Resolution 3
 - ii) Tan Sri Dato' Soong Siew Hoong Ordinary Resolution 4
3. To approve Directors' fees for the year ended 31 December 2009. Ordinary Resolution 5
4. To re-appoint Messrs. KPMG as Auditors for the ensuing year and to authorise the Directors to fix their remuneration. Ordinary Resolution 6
5. As special Business

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

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

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

Ordinary Resolution 7
 - b) **PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR THE RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("Proposed Shareholders' Mandate")**

"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 resolutions passed by the shareholders of the Company in a general meeting; whichever is the earlier."

Ordinary Resolution 8

c) **PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY**

“THAT the amendments to the Articles of Association of the Company contained in Appendix I be and are hereby approved.” Special Resolution 1

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

BY ORDER OF THE BOARD

LAM VOON KEAN
(MIA 4793)
Company Secretary

Penang, 5 May 2010.

Notes :

1. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. Where a member appoints more than (1) proxy the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
3. To be valid, the proxy form must be deposited at the Company's Registered Office at Suite 2-1, 2nd Floor, Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty eight (48) hours before the time appointed for holding the meeting.

Explanatory Notes on Special Business:

1. The proposed Resolution 7, if passed, will give authority to the Board of Directors to issue and allot ordinary shares from the unissued capital of the Company at any time in their absolute discretion and that such authority, shall continue in force until the conclusion of the next AGM of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.

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 21 May 2009 and which will lapse at the conclusion of the Seventeenth 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.

2. The proposed Resolution 8, if passed, will obtain the Shareholders' Mandate for the Company and its subsidiaries to enter into the specified recurrent related party transactions with Eonmetall Group Berhad and its subsidiaries as set out in Section 2.4 of the Circular which are necessary for the Group's day to day operations and are carried out in the ordinary course of business and are on normal commercial terms which are not more favourable to the related party than those generally available to the public and not detrimental to the minority shareholders.
3. The Special Resolution 1, if passed, will amend the Articles of Association of the Company to comply with the provisions of the Listing Requirements which come into effect on 3 August 2009 and any subsequent amendments thereof.

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 Seventeenth AGM of the Company.

SPECIAL RESOLUTION 1
PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY

THAT the Articles of Association of the Company be amended in the following manner:-

Article No.	Existing Articles		Proposed Articles	
2	Definitions			
	Words	Meanings	Words	Meanings
2(e)	Central Depository	Bursa Malaysia Depository Sdn. Bhd.	Depository	Bursa Malaysia Depository Sdn. Bhd.
2(j)	Depositor	A holder of a Securities Account established by the Central Depository	Depositor	A holder of a securities account established by the Depository
2(l)	Market Day	Any day on which there is official trading on the Exchange	Market Days	A day on which the stock market of the Exchange is open for trading in securities
2(m)	member/members	Any person/persons whose name is entered in the Company's Register or members including depositors whose names appear on the Record of Depositors except the Bursa Malaysia Depository Nominees Sdn. Bhd.	member/members	includes a depositor who will be treated as if he were a member pursuant to section 35 of the Securities Industry (Central Depositories) Act 1991 but excludes the Depository in its capacity as a bare trustee
2(q)	Requirements	listing requirements of the Exchange	Requirements	-
2(r)	Rules	The Rules of the Central Depository and any appendices thereto	Rules of the Depository	The Rules of Bursa Malaysia Depository Sdn. Bhd., including any amendment that may be made from time to time
-	-	-	CMSA	Capital Markets and Services Act 2007

Accordingly the Article 2 be amended to read as follows:-

Words	Meanings
Act	means the Companies Act, 1965 as amended from time to time and any re-enactment thereof
Articles	means these Articles of Association as originally framed or as from time to time altered by special resolution
Board	means the Board of Directors for the time being of the Company
Central Depositories Act	means the Securities Industry (Central Depositories) Act 1991 and every statutory modification or re-enactment thereof for the time being in force.
CMSA	means the Capital Markets and Services Act 2007
Company	means LEADER STEEL HOLDINGS BERHAD
Deposited Security	means a security standing to the credit of a securities account and includes securities in a securities account that is in suspense

Article 2 (cont'd)

Words	Meanings
Depositor	means a holder of a securities account established by the Depository
Depository	means the Bursa Malaysia Depository Sdn. Bhd.
Director	means the Directors for the time being of the Company
Exchange	means the Bursa Malaysia Securities Berhad
Market Day	means a day on which the stock market of the Exchange is open for trading in securities
member/members	includes a depositor who will be treated as if he were a member pursuant to section 35 of the Securities Industry (Central Depositories) Act 1991 but excludes the Depository in its capacity as a bare trustee
Office	means the registered office for the time being of the Company
Record of Depositors	means the record provided by the Depository to the Company under chapter 24.0 of the Rules of the Depository
Register	means the Register of Members to be kept pursuant to the Act
Rules of the Depository	means the Rules of Bursa Malaysia Depository Sdn. Bhd., including any amendment that may be made from time to time
Seal	means the Common Seal of the Company
Secretary	means any person or persons appointed to perform the duties of the secretary of the Company and shall include a joint, temporary, assistant or deputy secretary
Securities Account	means an account established by the Depository for a depositor for the recording of deposit of securities and for dealing in such securities by the depositor
Securities	has the meaning given in section 2(1) of the CMSA
share seal	means the share seal of the Company
shares	means shares in the Company
<i>The all reference in the Company's Articles of Association to the existing definitions wherever the same may appear shall be substituted with these new definitions.</i>	

Article No.	Existing Articles	Proposed Articles
5(b)	<p>Rights of Preference Shareholders</p> <p>The holders of preference shares shall have the same rights as the holders of ordinary shares as regards receiving notices, reports and audited accounts and attending general meetings of the Company but shall only have right to vote at any general meeting convened for the following purposes:-</p> <p>(i) when the dividend or part of the dividend on the share is in arrears for more than 6 months;</p> <p>(ii) on a proposal to reduce the Company's share capital;</p> <p>(iii) on a proposal for the disposal of the whole of the Company's property, business and undertaking</p> <p>(iv) on a proposal that affects rights attached to the share;</p> <p>(v) on a proposal to wind up the Company; and</p> <p>(vi) during the winding up of the Company.</p> <p>; and</p>	<p>The holders of preference shares shall have the same rights as the holders of ordinary shares as regards receiving notices, reports and audited financial statements and attending general meetings of the Company but shall only have right to vote at any general meeting convened for the following purposes:-</p> <p>(i) when the dividend or part of the dividend on the share is in arrears for more than 6 months;</p> <p>(ii) on a proposal to reduce the Company's share capital;</p> <p>(iii) on a proposal for the disposal of the whole of the Company's property, business and undertaking</p> <p>(iv) on a proposal that affects rights attached to the share;</p> <p>(v) on a proposal to wind up the Company; and</p> <p>(vi) during the winding up of the Company.</p> <p>; and</p>
9	<p>Shares</p> <p>The Company shall duly observe and comply with the provisions of the Act and the Second Board Listing Requirements from time to time prescribed by the Exchange applicable to any allotment of its shares.</p>	<p>The Company must issue and allot securities and despatch notices of allotment to the allottees, within eight (8) Market Days after the final applications closing date for an issue of securities or such other period as may be prescribed or allowed by the Exchange.</p>
39	<p>Company's lien on shares and dividends</p> <p>The Company shall have a first and paramount lien on every share (not being fully paid share) for all money called or payable at a fixed time in respect of the particular share the Company shall also have a first and paramount lien on all shares (other than fully paid shares) registered in the name of a member for all moneys payable by him or his estate to the Company, but the Directors may at any time declare any share to be wholly or in part exempt from the provisions of this Article. The Company's lien, if any, on a share shall extend to all dividends payable thereon and to such amounts as the Company may call upon by law to pay in respect of the shares of the member or deceased member.</p>	<p>The Company's lien on shares and dividends from time to time declared in respect of such shares, shall be restricted to unpaid calls and instalments upon the specific shares in respect of which such moneys are due and unpaid, and to such amounts as the Company may be called upon by law to pay and has paid in respect of the shares of the member or deceased member.</p>
67	<p>Notices of meetings</p> <p>Any general meeting at which it is proposed to pass a special resolution or (save as provided by the Act) where it is an annual general meeting shall be called by twenty one (21) days notice in writing at the least, and any other general meeting by fourteen (14) days notice in writing at the least (exclusive in either case of the day on which it is served or deemed to be served and of the day for which it is given) shall be given by advertisement in the daily press and in writing to the Auditors, the Exchange and to all members other than such as under the provisions of these Articles are not entitled to receive such notices from the Company. Every notice calling a general meeting shall specify the place, the day and the hour of the meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposal resolution in respect of such special business.</p>	<p>The notices convening meetings shall specify the place, day and hour of the meeting, and shall be given to all members at least fourteen (14) days before the meeting or at least twenty-one (21) days before the meeting where any special resolution is to be proposed or where it is an annual general meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least fourteen (14) days' notice or twenty-one (21) days' notice in the case where any special resolution is proposed or where it is the annual general meeting, of every such meeting must be given by advertisement in at least 1 nationally circulated Bahasa Malaysia or English daily newspaper and in writing to each stock exchange upon which the Company is listed.</p>

Article No.	Existing Articles	Proposed Articles
123(A)	Tele-conferencing -	The Directors may participate in a meeting of the Directors by means of a conference telephone, video conference or similar electronic telecommunicating equipment by means of which all persons participating in the meeting can hear each other and participates throughout the duration of the communication between the Directors. A person so participating shall be deemed to be present in person at the meeting and shall be entitled to vote or be counted in a quorum accordingly. Such meeting shall be deemed to take place where the largest group of those participating is assembled, or, if there is no such group, where the Chairman of the meeting then is. For the purpose of recording attendance, the Chairman or Secretary shall mark on the attendance sheet that the Director was present and participating by telephone, video-conferencing or other electronic means.
159	Electronic Dividend Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant and sent through the post directed to the registered address of the holder or to such person and to such address as the holder may in writing direct or, if several persons are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons or to such person and to such address as such persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and the payment of any such cheque or warrant shall operate as a good discharge to the Company in respect of the dividend represented thereby. Every such cheque or warrant shall be sent at the risk of the person entitled to the money thereby represented.	Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant and sent through the post directed to the registered address of the holder or to such person and to such address as the holder may in writing direct or electronic transfer or remittance to such account as designated by such holder or the person entitled to such payment , if several persons are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons or to such person and to such address as such persons may by writing direct. Every such cheque or warrant or electronic transfer or remittance shall be made payable to the order of the person to whom it is sent or to such person as the holder or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and the payment of any such cheque or warrant shall operate as a good discharge to the Company in respect of the dividend represented thereby. Every such cheque or warrant or electronic transfer or remittance shall be sent at the risk of the person entitled to the money thereby represented.

Article No.	Existing Articles	Proposed Articles
164	<p>Accounts</p> <p>The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and report as are referred to in the section. The interval between the close of a financial year of the Company and the issue of the annual audited accounts, the Directors' and auditors' reports shall not exceed four (4) months. A copy of each such documents shall not less than twenty-one (21) days before the date of the meeting be sent to every member of, and to every holder debentures of the Company under the provisions of the Act or of these Articles. The requisite number of copies of each such documents as may be required by the Exchange shall at the same time be likewise sent to the Exchange: Provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware or to more than one of joint holders but any member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application to the Office.</p>	<p>The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in general meeting such income statement, balance sheets and report as are referred to in the section. The interval between the close of a financial year of the Company and the issue of the annual audited financial statements, the Directors' and auditors' reports shall not exceed four (4) months. A copy of each such documents together with a copy of the Auditors' report relating thereto and of the Directors report, either in printed form or in impact disc read-only memory ("CD-ROM") form or in such other form of electronic media, shall not less than twenty-one (21) days before the date of the meeting be sent to every member of, and to every holder debentures of the Company under the provisions of the Act or of these Articles. The requisite number of copies of each such documents as may be required by the Exchange shall at the same time be likewise sent to the Exchange. Provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware of but any member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application to the Office. In the event that these documents are sent in CD-ROM form or in such other form of electronic media and a member requires a printed form of such documents, the Company shall send documents to the member within four (4) market days (or such other period as may be prescribed by the Exchange) from the date of receipt of the member's request.</p>
185(7)	<p>Effect of the Listing Requirements</p> <p>For the purpose of this Article, unless the context otherwise requires, "Listing Requirements" means the Listing Requirements of Kuala Lumpur Stock Exchange including any amendment to the Listing Requirements that may be made from time to time.</p>	<p>For the purpose of this Article, unless the context otherwise requires, "Listing Requirements" means Bursa Malaysia Securities Berhad Main Market Listing Requirements including any amendment to the Listing Requirements that may be made from time to time.</p>

BOARD OF DIRECTORS

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

COMPANY SECRETARY

Lam Voon Kean (MIA 4793)

AUDITORS

KPMG, Penang

AUDIT COMMITTEE

Lim Leng Han CHAIRMAN
 Mohd Arif bin Mastol MEMBER
 Dato' Goh Cheng Huat MEMBER

NOMINATING COMMITTEE

Tan Sri Dato' Mohd Desa bin Pachi CHAIRMAN
 Lim Leng Han MEMBER
 Mohd Arif bin Mastol MEMBER

REMUNERATION COMMITTEE

Tan Sri Dato' Mohd Desa bin Pachi CHAIRMAN
 Dato' Goh Cheng Huat MEMBER
 Lim Leng Han MEMBER

REGISTERED OFFICE

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

REGISTRAR

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

MAJOR BANKERS

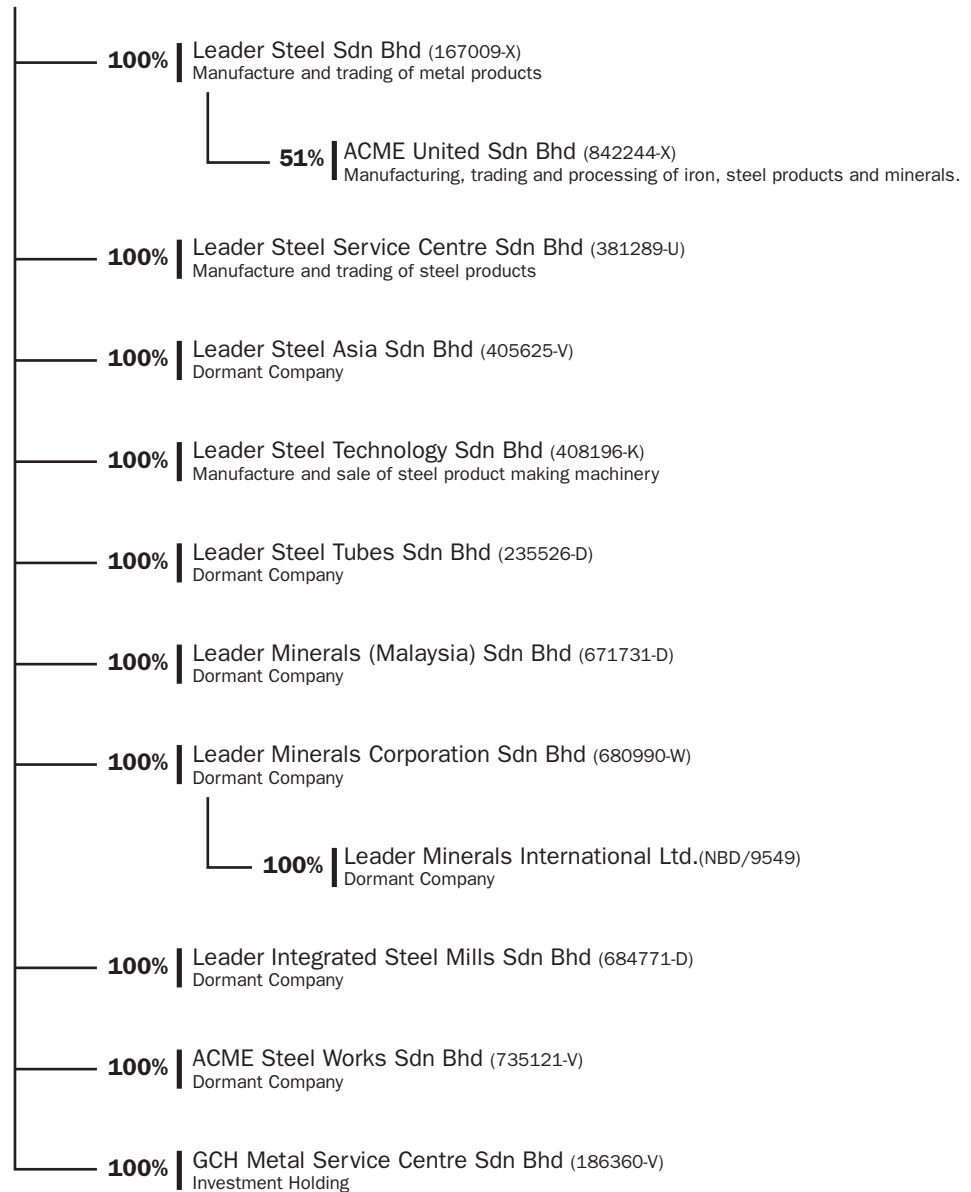
Hong Leong Bank Berhad
 OCBC Bank (Malaysia) Berhad
 Malayan Banking Berhad
 RHB Bank Berhad
 EON Bank Berhad
 Ambank Berhad
 United Overseas Bank (Malaysia) Bhd
 Alliance Bank Malaysia Berhad
 HSBC Bank Malaysia Berhad

STOCK EXCHANGE LISTING

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

**LEADER STEEL HOLDINGS BERHAD**

267209-K



Financial Highlights

	2004	2005	2006	2007	2008	2009
Turnover (RM million)	172.9	160.9	187.1	185.6	231.6	389.6
Profit/(Loss) before tax (RM million)	19.3	(1.1)	7.0	7.0	1.2	11.4

Dear Valued Shareholders,

On behalf of the Board of Directors of Leader Steel Holdings Berhad ("LSH"), I am pleased to present the Annual Report and Audited Financial Statements of the Group and Company for the year ended 31 December 2009

Overview

In the aftermath of the financial crisis affecting global economies in 2008, the first half of 2009 remained uneventful for the steel industries in Malaysia. Though not directly affected by the sub-primed crisis in United States that triggered liquidity shortfall, the Malaysian economy was also hit by the slowdown in global economies. During these periods, the Malaysian Government had launched series of economic stimulants to lift the country's economy from falling into recession resulting in the gradual recovery, in particular since the second half of 2009.

From the steel industry perspective, the outlook for the domestic steel sector also improved after the industry bottomed out in the last quarter of 2008. With a stable economy, demand for steel products for the domestic market grew. Prices of raw materials also gradually increased. In June 2009, the Malaysian Government announced a policy review of Iron and Steel industry aimed at greater liberalization of the Malaysian steel industry.

From the Group perspective, it has managed to perform excellently despite having to face many challenges in the aftermath of a major global economic meltdown in 2008. The manufacturing sector of the Group continued to augur well in its performance whilst its international trading sector promised vast potential to continue growing. Overall, the Group performance in 2009 improved significantly compared to 2008.

Financial Performance

The Group achieved turnover of RM389.58 million for the financial year ended 31 December 2009, an increase of 68.2% as compared to RM231.60million in the preceding year's corresponding period. It was mainly due to higher sales volume of trading activity. Hence, profit before tax for the same period of RM11.39 million was higher than profit before tax of RM1.24 million in the preceding year's corresponding period.

Outlook

The key question for 2010 steel industry challenge is how much will raw materials price continue to rise and whether there are real demands generated from the economy. Overly high cost of raw material costs may squeeze margins, resulting in some producers to cut output further instead of producing at a loss. Therefore, mills' ability to balance supply and demand to reach equilibrium where the current cost-driven price increases will be accepted.

Iron ore, which contributed to the revenue of the Group in 2009 also is expected to raise. The improved sentiments may provide an opportunity for increased demands worldwide, hence providing a platform for greater buying interest which may allow the Group to benefit from such sentiment.

Despite the bullish outlook, the Group acknowledges the need to be on alert for any changes or development in both the domestic and international steel market so as to achieve an even better performance for the financial year 2010.

Dividend

A first interim tax exempt dividend of 2.5 sen per ordinary share, amounting to RM3,200,800 in respect of the financial year ended 31 December 2009 was paid on 30 September 2009.

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 shareholders, bankers and business associates for their unwavering loyalty, patience and continuing support to the Group.

Tan Sri Dato' Mohd Desa bin Pachi
Chairman

TAN SRI DATO' MOHD DESA BIN PACHI

(Non-Independent Non-Executive Director)

TAN SRI DATO' MOHD DESA BIN PACHI, PSM, DSPN, KMN, aged 76, Malaysian, was appointed to the Board of Directors of LSH on 10 August 1995. He is the Chairman of the Board of Directors, and also acts as Chairman of the Remuneration Committee and Nominating Committee.

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

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

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

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

Tan Sri Dato' Mohd Desa Bin Pachi has attended all four (4) Board meetings held during the financial year ended 31 December 2009.

DATO' GOH CHENG HUAT

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

DATO' GOH CHENG HUAT, aged 49, Malaysian, was appointed to the Board of Directors of LSH on 10 August 1995. He is a member of the Remuneration Committee and Audit Committee of LSH. He resigned as Managing Director and appointed as Deputy Chairman on 29 April 2005.

Founder of the Group, Dato' Goh has extensive experience and knowledge in the processing of iron and steel products. With more than 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 presently holds directorship in Eonmetall Group Berhad.

He is the spouse of Datin Tan Pak Say.

Dato' Goh Cheng Huat has attended all four (4) Board meetings held during the financial year ended 31 December 2009.

DATIN TAN PAK SAY

(Managing Director, Non-Independent Executive Director)

DATIN TAN PAK SAY, aged 48, Malaysian, was first appointed to the Board of Directors of LSH on 10 August 1995. She ceased to be a director on 2 January 2004 but was subsequently re-appointed back to the Board on 25 May 2004. She was appointed an Executive Director on 21 February 2005 and subsequently she was appointed as Managing Director on 29 April 2005.

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

Datin Tan Pak Say has attended all four (4) Board meetings held during the financial year ended 31 December 2009.

TAN SRI DATO' SOONG SIEW HOONG

(Non-Independent Non-Executive Director)

TAN SRI DATO' SOONG SIEW HOONG PSM, KMN, SMS, DPMS, JSM, aged 84, Malaysian, was appointed to the Board of Directors of LSH on 25 July 1994. He was conferred Panglima Setia Mahkota (PSM) which carries the title of "Tan Sri" by the Yang DiPertuan Agong on 6th June 1998 and the Darjah Kebesaran Datuk Mahkota (DPMS) which carries the title of Dato' in 1990.

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

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

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

He presently holds directorship in Eonmetall Group Berhad.

Tan Sri Dato' Soong has attended all four (4) Board meetings held during the financial year ended 31 December 2009.

MR LIM LENG HAN

(Senior Independent Non-Executive Director)

MR LIM LENG HAN, aged 49, Malaysian, was appointed to the Board of Directors of LSH on 25 July 1994. He is the Chairman of the Audit Committee in LSH and also acts as a member of the Remuneration Committee and Nominating Committee. Graduated in 1985 with a degree in Bachelor of Law (LL.B) (Hon) from University of Malaya, he was subsequently admitted as Advocate and Solicitor by the High Court of Malaya on 8 February 1986 and became a member of the Bar Council of Malaysia. He is also an appointed member of the Disciplinary Committee, Bar Council of Malaysia.

Mr Lim has been active in the legal profession for 25 years and gained wide experience in the corporate, conveyancing and civil matters. Mr Lim was serving with Johari, Goh & Associates, Kadir & Co. and Zaid Ibrahim & Co. for six (6) years before starting his own legal practice under the name of Messrs. Lim Leng Han & Co., in Butterworth, Penang on 8 February 1993 and thereafter Messrs. Lim Leng Han & SF Tho until todate. He is also the legal adviser of societies and organizations such as Penang Hardware and Machinery Merchants' Association, Lim Clan Association of Penang, Butterworth Buddhist Association, Thang Hsiang Temple, Bayan Lepas and various others.

His current directorship in public companies is only with LSH.

Mr Lim Leng Han has attended all four (4) Board meetings held during the financial year ended 31 December 2009.

DATUK ABDULLAH BIN KUNTOM

(Non-Independent Non-Executive Director)

DATUK ABDULLAH BIN KUNTOM, aged 66, Malaysian, was appointed to the Board on 2 October 2003. He holds a Bachelor of Arts Degree from the University of Malaya and a Masters in Public Policy and Administration from the University of Wisconsin, Madison, United States of America.

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

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

Datuk Abdullah Bin Kuntom has attended all four (4) Board meetings held during the financial year ended 31 December 2009.

EN MOHD ARIF BIN MASTOL

(Independent Non-Executive Director)

EN MOHD ARIF BIN MASTOL, aged 55, Malaysian, was appointed to the Board of Directors of LSH on 28 June 2002. He also sits in the Nominating Committee and Audit Committee of LSH as a member. En Mohd Arif is a member of the Malaysian Institute of Accountants.

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

He presently holds directorship in SKB Shutters Corporation Bhd.

En Mohd Arif Bin Mastol has attended three (3) out of four (4) Board meetings held during the financial year ended 31 December 2009.

Notes:

1. All the Directors do not have any conflict of interest with the Group.
2. All the Directors have not been convicted for any offences within the past ten years other than for traffic offences, if any.
3. None of the Directors have any family relationship with any director and/or major shareholder of LSH other than Dato' Goh Cheng Huat who is the spouse of Datin Tan Pak Say.
4. The Directors' shareholdings are as disclosed in page 81 of this report.

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

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

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

Principles Statement

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

A. BOARD OF DIRECTORS

Board duties and responsibilities

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

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

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

Meetings

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

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

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

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

Board Committees

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

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

Board Balance

At the date of this statement, the Board consists of seven (7) members, comprising two (2) Independent Non-Executive Directors, four (4) Non-Executive Directors and one (1) Executive Director. 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 12 to 14 of this Annual Report.

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

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

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

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

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

Supply of information

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

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

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

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

Appointments to the Board

Nominating Committee

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

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

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

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

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

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

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

Directors' training

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

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

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

1. Corporate Governance Guide – Towards Boardroom Excellence
2. The role of The Executive, Legislative, Judiciary and Constitutional Monarchy In The Governing of Malaysia
3. Economic Downturn and Risk Oversight – Reaccessing Risk In The Wake of Market Turmoil
4. Exploring Opportunities, Inspiring Growth Towards Sustainability
5. An Evening With Sir John Reginald Hartnell Bond – Chairman of Vodafone Group
6. Corporate Governance Week 2009 Programme
7. PTE Alumni 2009 Economic Forum
8. 2010 Budget Updates and FRS 139 & FRS 7 (PNB)

Re-election

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

Re-election (cont'd)

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

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

B. DIRECTORS' REMUNERATION

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

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

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

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

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

Director	Fees RM'000	Salaries RM'000	Bonuses RM'000	Allowance RM'000	Benefits in	EPF-Employer	Total RM'000
					kind and Other RM'000	contribution RM'000	
Executive Director	25	642	104	2	-	90	863
Non-Executive Directors	150	-	-	12	46	-	208
Total	175	642	104	14	46	90	1,071

The remuneration of the Directors for the year ended 31 December 2009, analysed into remuneration bands of RM50,000 is as follows:

Range of remuneration	Executive	Non-executive
	RM'000	RM'000
Below RM50,000	-	5
RM50,001 to RM100,000	-	1
RM100,001 to RM150,000	-	-
RM150,001 to RM200,000	-	-
RM200,001 to RM250,000	-	-
RM250,001 to RM300,000	-	-
RM300,001 to RM350,000	-	-
RM350,001 to RM400,000	-	-
RM400,001 to RM450,000	-	-
RM450,001 to RM500,000	-	-
RM500,001 to RM550,000	-	-
RM550,001 to RM600,000	-	-
RM600,001 to RM650,000	-	-
RM650,001 to RM700,000	-	-
RM700,001 to RM750,000	-	-
RM750,001 to RM800,000	-	-
RM800,001 to RM850,000	-	-
RM850,001 to RM900,000	1	-

C. SHAREHOLDERS

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

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

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

D. ACCOUNTABILITY AND AUDIT

Financial reporting

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

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

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

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

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

State of internal controls

The Statement on Internal Control, furnished on pages 25 to 26 of this Annual Report, provides an overview on the state of internal controls within the Group.

Relationship with the Auditors

Key features underlying the relationship of the Audit Committee with the external auditors are included in the Audit Committee's terms of reference as detailed on pages 22 to 24 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 21 to 23 of this Annual Report.

Compliance Statement

The Group has complied, throughout the financial year ended 31 December 2009, with all the Best Practices of corporate governance set out in Part 2 of the Code.

This statement is issued in accordance with a resolution of the Directors dated 15 April 2010.

1. Share Buybacks

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

2. Options, Warrants or Convertible Securities

During the financial year, there were no Options, Warrants or Convertible Securities exercised by the Company.

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

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

4. Sanctions and Penalties

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

5. Non-audit fees

Non-audit fees amounting to RM133,000 were paid to the external auditors for the financial year ended 31 December 2009.

6. Variation in Results

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

7. Profit Guarantee

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

8. Material Contracts

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

9. Revaluation Policy

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

10. Recurrent Related Party Transactions of a Revenue or Trading Nature for the Year Ended 31 December 2009

Details of recurrent related party transactions made during the financial year ended 31 December 2009 pursuant to the shareholders' mandate obtained by the Company at the Annual General Meeting held on 21 May 2009 were as follows:

Company within the Group involved	Related Party	Amount (RM'000)	Nature of transactions	Interested Related Party
Leader Steel Sdn Bhd ("LSSB")	Eonmetall Industries Sdn Bhd	192	Sale and servicing of steel products	
		6,725	Purchase of steel products	Interested Director and Major Shareholder
	Eonmetall Technology Sdn Bhd	24	Purchase of machinery	Dato' Goh Cheng Huat
		154	Sale of steel products	Datin Tan Pak Say
Leader Steel Service Centre Sdn Bhd ("LSSC")	Eonmetall Systems Sdn Bhd	177	Sale of steel products	
	Eonmetall Industries Sdn Bhd	96	Sale of steel products	
		26,762	Purchase of steel products	Interested Major Shareholder
		420	Rent of factory building	
	Eonmetall Systems Sdn Bud	193	Sale of steel products	Bischart Sdn Bhd
	Eonmetall Technology Sdn Bhd	10	Sale of steel products	
		955	Purchase of machinery	

11. eDividend (Electronic Dividend)

The Company will be providing eDividend – a service which enables the Company to electronically pay the shareholders' dividend entitlements directly into their accounts instead of making payment via bank cheques. Shareholders are given a grace period of one (1) year from **19 April 2010 until 18 April 2011** to provide their bank account information to their Authorised Depository Agent (ADA) in order to benefit from the advantages of eDividend.

Membership

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

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

Terms of reference

The Audit Committee was established on 14 August 1995 to act as a Committee of the Board, with terms of reference set out on pages 22 to 24 of this Annual Report.

Meetings

During the financial year ended 31 December 2009, the Committee met four (4) times, attended by all the members, to discuss matters relating to the accounting and reporting practices of the Company and its subsidiaries.

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

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

During the financial year under review, the Committee met twice with the external auditors without presence of Executive Directors which complies to the requirement of the Best Practices in Corporate Governance in Part 2 of the Code.

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	4

Summary of activities during the financial year

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

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

Summary of activities during the financial year (cont'd)

- Reviewed the internal audit report, which highlighted the audit issues and findings, recommendations and Management's response thereto; and
- Reviewed pertinent issues, which had significant impact on the results of the Group, including bank borrowings, investments and divestments and strategic operations of subsidiaries.

Internal audit function

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

During the financial year ended 31 December 2009, the internal audit function carried out follow-up reviews on the implementation of recommendations of the previous internal audits and assisted the Management in updating the risk profile of the Group. The opportunities for improvement noted, together with the recommendations thereof and agreed management action plans, were presented to the Audit Committee for consideration.

Further details on the internal audit function and its activities are set out in the Statement on Internal Control on pages 25 to 26 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.

Composition (cont'd)

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

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

Quorum and Committee's procedures

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

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

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

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

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

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

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

Authority

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

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

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

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

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

Responsibilities and duties

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

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

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 internal control of the listed issuer as a group”. In this regard, the Board is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the financial year ended 31 December 2009.

Board responsibility

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

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

Enterprise risk management framework

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

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

Internal audit function

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

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

Internal audit function (cont'd)

During the financial year ended 31 December 2009, 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.

Other risk and control process

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

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

Weaknesses in internal controls that resulted in material losses

There were no material losses incurred during the financial year ended 31 December 2009 as a result of weaknesses in internal controls. The Board, together with Management, continues to take measures to strengthen the control environment, as appropriate.

Pursuant to paragraph 15.23 of the Listing Requirements, the external auditor has reviewed this statement for inclusion in the Annual Report for the financial year ended 31 December 2009 and reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process adopted by the Board in reviewing the adequacy and integrity of the system of internal controls.

The total costs incurred in managing the internal audit function for the financial year ended 31 December 2009 were approximately RM19,340.

This statement is issued in accordance with a resolution of the Directors dated 15 April 2010.

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

In support of lifelong learning, the Group provided training programs in the area of financial, IT, health and safety and job-related courses to all staff in 2009. At the same time, the Group also gave sponsorships to in-house sport activities as an effort to enhance work-life balance among the staff.

As a responsible corporate citizen, the Group also provided assistance to local charitable organizations and schools. In 2009, donation in term of money and in-kind amounted to RM56,088 was given out for their development programs and activities which brought benefits to local community.

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2009.

Principal activities

The Company is an investment holding company.

The principal activities of its subsidiaries are set out in Note 6 to the financial statements.

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

Results

	Group RM	Company RM
Profit attributable to :		
Equity holders of the Company	9,052,931	3,363,037
Minority interest	(10,773)	-
	9,042,158	3,363,037

Reserves and provisions

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

Dividends

Since the end of the previous financial year, the Company paid a first interim tax exempt dividend of 2.50 sen per ordinary share totalling RM3,200,800 in respect of the year ended 31 December 2009 on 30 September 2009.

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

Directors of the Company

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

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

Directors' interests

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

	← Number of ordinary shares of RM0.50 each →			
Name of Director	Balance at 1.1.2009	Bought	(Sold)	Balance at 31.12.2009
The Company				
Direct interest				
Dato' Goh Cheng Huat	10,530,594	-	-	10,530,594
Datin Tan Pak Say	1,150,006	-	-	1,150,006
Tan Sri Dato' Soong Siew Hoong	150,000	-	-	150,000
Lim Leng Han	18,000	-	-	18,000
Deemed interest				
Dato' Goh Cheng Huat	55,185,874	-	-	55,185,874
Datin Tan Pak Say	64,566,462	-	-	64,566,462

	Number of options over ordinary shares of RM0.50 each				
Name of Director	Exercise price RM	Balance at 1.1.2009	Granted	(Exercised)	Balance at 31.12.2009
The Company					
Tan Sri Dato' Mohd Desa bin Pachi	0.74	450,000	-	-	450,000
Dato' Goh Cheng Huat	0.74	450,000	-	-	450,000
Datin Tan Pak Say	0.74	800,000	-	-	800,000
Tan Sri Dato' Soong Siew Hoong	0.74	350,000	-	-	350,000
Lim Leng Han	0.74	350,000	-	-	350,000
Mohd Arif bin Mastol	0.74	350,000	-	-	350,000
Datuk Abdullah bin Kuntom	0.74	350,000	-	-	350,000

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

Directors' benefits

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related company with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than certain Directors who may be deemed to derive a benefit from transactions entered into in the ordinary course of business between certain companies in the Group and companies in which certain Directors have substantial financial interests as disclosed in Note 27 to the financial statements.

Directors' benefits (cont'd)

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

Issue of shares and debentures

There were no changes in the issued and paid-up capital of the Company and no debentures were in issue during the financial year.

Options granted over unissued shares

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

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

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

Date of offer	Exercise price RM	Number of options over ordinary shares of RM0.50 each				Balance at 31.12.2009
		Balance at 1.1.2009	Granted	(Exercised)	(Lapsed due to resignation)	
20 June 2002	0.50	650,000	-	-	(146,000)	504,000
18 May 2005	0.74	9,981,000	-	-	(628,000)	9,353,000

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

The salient features of ESOS are summarised as follows :

- a) The maximum number of shares of the Company which may be subscribed on the exercise of options granted under ESOS shall not, in aggregate, exceed fifteen per centum (15%) of the issued and paid-up share capital of the Company or such maximum percentage as allowable by the relevant authorities at any point of time during the existence of ESOS.
- b) The number of new shares that may be offered and allotted to any of the eligible Directors and employees of the Group shall be at the discretion of the option committee after taking into consideration the performance, seniority and length of service, contributions and commitment of the eligible Directors and employees in the Group under ESOS and such other factors that the option committee may deem relevant subject to the following :
 - i) not more than fifty per centum (50%) of the shares available under ESOS should be allocated, in aggregate, to Directors and senior management of the Group; and
 - ii) not more than ten per centum (10%) of the shares available under ESOS should be allocated to any individual Director or employees who, either singly or collectively through persons connected with the Director or employees, holds twenty per centum (20%) or more in the issued and paid-up share capital of the Company.
- c) ESOS shall continue to be in force for a period of ten (10) years from 12 August 2002.

Options granted over unissued shares (cont'd)

- d) The price of each of the option share granted shall be set based on the 5-day weighted average market price of the Company's shares as quoted on the Bursa Malaysia Securities Berhad ("Bursa Securities") immediately preceding the date of offer with a discount of not more than ten per centum (10%), if deemed appropriate, or such lower or higher limit in accordance with any prevailing guidelines issued by the Bursa Securities or any other relevant authorities as amended from time to time, or at the par value of each of the share of the Company, whichever is higher.
- e) The new shares to be allotted and issued upon exercise of any option shall upon allotment rank pari passu in all respects with the existing issued and paid-up share capital of the Company except the new shares so allotted shall not be entitled to any dividend, rights, allotment or other distribution unless the shares so allotted have been credited into the relevant securities accounts maintained by Malaysian Central Depository Sdn. Bhd. before the entitlement date of the dividend, rights, allotment or other distribution, and will be subject to all the provision of the Articles of Association of the Company relating to the transfer, transmission or otherwise of the shares of the Company.

Other statutory information

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

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

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

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

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

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

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2009 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

Auditors

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

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

Datin Tan Pak Say

Tan Sri Dato' Mohd Desa bin Pachi

Penang,

Date : 15 April 2010

	Note	2009 RM	2008 RM
Assets			
Property, plant and equipment	3	81,080,741	70,552,536
Prepaid lease payments	4	5,914,458	5,964,961
Investment property	5	634,167	644,087
Other investments	8	516,000	300,000
Total non-current assets		88,145,366	77,461,584
Receivables, deposits and prepayments	9	40,143,348	39,779,215
Inventories	10	51,858,755	38,589,484
Assets held for sale	11	300,236	-
Current tax assets		426,219	347,293
Cash and cash equivalents	12	8,300,792	2,869,002
Total current assets		101,029,350	81,584,994
Total assets		189,174,716	159,046,578
Capital and reserves			
Share capital	13	64,016,000	64,016,000
Reserves	14	29,721,564	23,819,433
Total equity attributable to the equity holders of the Company		93,737,564	87,835,433
Minority interest		38,227	-
Total equity		93,775,791	87,835,433
Liabilities			
Borrowings	15	3,786,868	4,030,067
Deferred tax liabilities	16	7,468,000	7,270,000
Total non-current liabilities		11,254,868	11,300,067
Payables and accruals	17	15,258,122	23,616,302
Borrowings	15	67,300,435	35,240,951
Current tax liabilities		1,585,500	1,053,825
Total current liabilities		84,144,057	59,911,078
Total liabilities		95,398,925	71,211,145
Total equity and liabilities		189,174,716	159,046,578

The notes on pages 43 to 77 are an integral part of these financial statements.

Consolidated Income Statement

for the year ended 31 December 2009

	Note	2009 RM	2008 RM
Continuing operations			
Revenue	19	389,578,097	231,596,889
Changes in manufactured inventories and work-in-progress		408,547	(607,662)
Raw materials and trading inventories used		(335,137,502)	(180,891,612)
Staff costs		(4,275,236)	(4,514,406)
Depreciation and amortisation expenses		(7,121,420)	(6,423,486)
Other operating expenses		(31,468,536)	(36,828,281)
Other operating income		1,401,394	1,602,861
Operating profit	20	<u>13,385,344</u>	<u>3,934,303</u>
Financing costs	22	(1,991,046)	(2,693,655)
Profit before tax		<u>11,394,298</u>	<u>1,240,648</u>
Tax expense	23	(2,352,140)	(637,420)
Profit for the year		<u><u>9,042,158</u></u>	<u><u>603,228</u></u>
Attributable to :			
Equity holders of the Company		9,052,931	603,228
Minority interest		(10,773)	-
Profit for the year		<u><u>9,042,158</u></u>	<u><u>603,228</u></u>
Basic earnings per ordinary share (sen)	24	<u><u>7.07</u></u>	<u><u>0.47</u></u>
Diluted earnings per ordinary share (sen)	24	<u><u>7.07</u></u>	<u><u>0.47</u></u>
Gross dividend per ordinary share (sen)	25	<u><u>2.50</u></u>	<u><u>-</u></u>

The notes on pages 43 to 77 are an integral part of these financial statements.

Consolidated Statement of Changes In Equity

for the year ended 31 December 2009

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Note	Attributable to equity holders of the Company						Total equity RM
	Share capital RM	Share premium RM	Share option reserve RM	Capital reserve RM	Retained earnings RM	Minority interest RM	
	Non-distributable			Distributable			
At 1 January 2008	63,575,000	-	1,932,000	283,606	23,162,591	-	88,953,197
Profit for the year	-	-	-	-	603,228	-	603,228
Share options exercised	441,000	3,600	-	-	-	-	444,600
Share-based payments	-	-	203,000	-	-	-	203,000
Dividend to equity holders	-	-	-	-	(2,368,592)	-	(2,368,592)
At 31 December 2008	64,016,000	3,600	2,135,000	283,606	21,397,227	-	87,835,433
Issue of shares to minority interest	-	-	-	-	-	49,000	49,000
Profit for the year	-	-	-	-	9,052,931	(10,773)	9,042,158
Share-based payments	-	-	50,000	-	-	-	50,000
Dividend to equity holders	-	-	-	-	(3,200,800)	-	(3,200,800)
At 31 December 2009	64,016,000	3,600	2,185,000	283,606	27,249,358	38,227	93,775,791

The notes on pages 43 to 77 are an integral part of these financial statements.

Consolidated Cash Flow Statement

for the year ended 31 December 2009

	Note	2009 RM	2008 RM
Cash flows from operating activities			
Profit before tax from continuing operations		11,394,298	1,240,648
Adjustments for :			
(Reversal) of/Allowance for diminution in value of other investments	20	(216,000)	848,000
Amortisation of prepaid lease payments	4	136,229	120,209
Depreciation			
- Property, plant and equipment	3	6,975,271	6,293,947
- Investment property	5	9,920	9,330
Dividend income	20	-	(37,000)
Impairment loss on goodwill	7	-	111,877
Interest expense	22	1,991,046	2,693,655
Interest income	20	(125,470)	(70,923)
Loss on disposal of other investments	8	-	13,650
Plant and equipment			
- Write-off	20	122,442	-
- Loss on disposal	20	439	472,233
Share-based payments	18	50,000	203,000
		<hr/>	<hr/>
Operating profit before changes in working capital		20,338,175	11,898,626
Changes in working capital:			
Inventories		(13,269,271)	(1,627,052)
Receivables, deposits and prepayments		(364,133)	(16,204,749)
Payables and accruals		(8,358,180)	16,060,640
		<hr/>	<hr/>
Cash (used in)/generated from operations		(1,653,409)	10,127,465
Dividend received		-	27,380
Interest paid		(1,991,046)	(2,693,655)
Interest received		125,470	70,923
Tax paid		(1,701,391)	(1,628,601)
		<hr/>	<hr/>
Net cash (used in)/from operating activities		(5,220,376)	5,903,512

Consolidated Cash Flow Statement

cont'd
for the year ended 31 December 2009

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	Note	2009 RM	2008 RM
Cash flows from investing activities			
Purchase of property, plant and equipment	A	(17,926,663)	(9,408,237)
Purchase of prepaid lease payments	4	(85,726)	(1,985,894)
Purchase of investment property	5	-	(8,380)
Purchase of other investments		-	(1,160,000)
Proceeds from disposal of plant and equipment		70	723,765
Proceeds from disposal of other investments	8	-	332,875
Acquisition of a subsidiary, net of cash acquired	B	-	(17,233)
Shares issued to minority interest		49,000	-
Net cash used in investing activities		(17,963,319)	(11,523,104)
Cash flows from financing activities			
Drawdown of term loans		1,393,000	-
Repayment of term loans		(962,751)	(770,077)
Re-financing of plant and equipment		1,200,000	1,920,000
Repayment of finance lease liabilities		(1,636,097)	(1,170,673)
Short term borrowings, net		31,822,133	4,238,414
Proceeds from issue of shares		-	444,600
Dividend paid to equity holders of the Company	25	(3,200,800)	(2,368,592)
Net cash from financing activities		28,615,485	2,293,672
Net increase/(decrease) in cash and cash equivalents		5,431,790	(3,325,920)
Cash and cash equivalents at 1 January		2,869,002	6,194,922
Cash and cash equivalents at 31 December	C	8,300,792	2,869,002

NOTES

A. Purchase of property, plant and equipment

During the year, the Group acquired property, plant and equipment with an aggregate cost of RM17,926,663 (2008 : RM10,459,237) of which RM Nil (2008 : RM1,051,000) was acquired by means of finance lease plan. The balance of RM17,926,663 (2008 : RM9,408,237) was made by cash payments.

The notes on pages 43 to 77 are an integral part of these financial statements.

Consolidated Cash Flow Statement

cont'd
for the year ended 31 December 2009

B. Acquisition of a subsidiary, net of cash acquired

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

	2008 RM
Equipment	1
Current assets	
Cash and cash equivalents	2,769
Current liabilities	
Payables and accruals	(94,645)
Net liabilities assumed	<u>(91,875)</u>
Goodwill on consolidation (Note 7)	111,877
Total purchase consideration	<u>20,002</u>
Less : Cash and cash equivalents acquired	(2,769)
Cash flow on acquisition, net of cash acquired	<u><u>17,233</u></u>

C. Cash and cash equivalents

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

	Note	2009 RM	2008 RM
Deposits with a licensed bank	12	6,062,579	-
Cash and bank balances	12	2,238,213	2,869,002
		<u>8,300,792</u>	<u>2,869,002</u>

The notes on pages 43 to 77 are an integral part of these financial statements.

	Note	2009 RM	2008 RM
Assets			
Investment in subsidiaries	6	26,273,409	26,157,531
Other investments	8	516,000	300,000
Total non-current assets		<u>26,789,409</u>	<u>26,457,531</u>
Receivables, deposits and prepayments	9	77,878,686	60,187,368
Current tax assets		135,435	118,008
Cash and cash equivalents	12	16,182	9,482
Total current assets		<u>78,030,303</u>	<u>60,314,858</u>
Total assets		<u>104,819,712</u>	<u>86,772,389</u>
Capital and reserves			
Share capital	13	64,016,000	64,016,000
Reserves	14	6,327,981	6,115,744
Total equity		<u>70,343,981</u>	<u>70,131,744</u>
Payables and accruals	17	34,475,731	16,640,645
Total current liabilities		<u>34,475,731</u>	<u>16,640,645</u>
Total equity and liabilities		<u>104,819,712</u>	<u>86,772,389</u>

The notes on pages 43 to 77 are an integral part of these financial statements.

Income Statement

for the year ended 31 December 2009

	Note	2009 RM	2008 RM
Continuing operations			
Revenue	19	3,500,000	5,037,000
Staff costs		(14,118)	(53,897)
Operating expenses		(356,272)	(1,304,154)
Other operating income		<u>216,000</u>	<u>16,996</u>
Profit before tax	20	3,345,610	3,695,945
Tax expense	23	<u>17,427</u>	<u>(677,012)</u>
Profit for the year		<u><u>3,363,037</u></u>	<u><u>3,018,933</u></u>

The notes on pages 43 to 77 are an integral part of these financial statements.

Statement of Changes In Equity
for the year ended 31 December 2009

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	Note	Share capital RM	<i>Non-distributable</i> Share premium RM Share option reserve RM		<i>Distributable</i> Retained earnings RM	Total equity RM
At 1 January 2008		63,575,000	-	1,932,000	3,326,803	68,833,803
Profit for the year		-	-	-	3,018,933	3,018,933
Share option exercised		441,000	3,600	-	-	444,600
Share-based payments	18	-	-	203,000	-	203,000
Dividend to equity holders	25	-	-	-	(2,368,592)	(2,368,592)
At 31 December 2008		64,016,000	3,600	2,135,000	3,977,144	70,131,744
Profit for the year		-	-	-	3,363,037	3,363,037
Share-based payments	18	-	-	50,000	-	50,000
Dividend to equity holders	25	-	-	-	(3,200,800)	(3,200,800)
At 31 December 2009		64,016,000	3,600	2,185,000	4,139,381	70,343,981

The notes on pages 43 to 77 are an integral part of these financial statements.

Cash Flow Statement

for the year ended 31 December 2009

	Note	2009 RM	2008 RM
Cash flows from operating activities			
Profit before tax		3,345,610	3,695,945
Adjustments for:			
(Reversal) of/Allowance for diminution in value of other investments	20	(216,000)	848,000
Dividend income	19	(3,500,000)	(5,037,000)
Loss on disposal of other investments	8	-	13,650
Share-based payments	18	14,118	53,897
Operating loss before changes in working capital		(356,272)	(425,508)
Changes in working capital :			
Receivables, deposits and prepayments		(17,691,318)	(901,663)
Payables and accruals		17,835,086	830,495
Cash used in operations		(212,504)	(496,676)
Dividend received		3,500,000	4,247,381
Net cash from operating activities		3,287,496	3,750,705
Cash flows from investing activities			
Increase in investments in subsidiaries		(79,996)	(1,000,000)
Purchase of other investments		-	(1,160,000)
Proceeds from disposal of other investments	8	-	332,875
Net cash used in investing activities		(79,996)	(1,827,125)
Cash flows from financing activities			
Proceeds from issue of shares		-	444,600
Dividend paid to equity holders of the Company	25	(3,200,800)	(2,368,592)
Net cash used in financing activities		(3,200,800)	(1,923,992)
Net increase/(decrease) in cash and cash equivalents		6,700	(412)
Cash and cash equivalents at 1 January		9,482	9,894
Cash and cash equivalents at 31 December	12	16,182	9,482

The notes on pages 43 to 77 are an integral part of these financial statements.

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

Registered office

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

Principal place of business

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

The consolidated financial statements as at and for the year ended 31 December 2009 comprise the Company and its subsidiaries (together referred to as the Group).

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

The financial statements were approved by the Board of Directors on 15 April 2010.

1. Basis of preparation**(a) Statement of compliance**

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

The Group and the Company have not applied the following accounting standards, amendments and interpretations that have been issued by the Malaysian Accounting Standards Board (MASB) but are not yet effective for the Group and the Company :

FRS effective for annual periods beginning on or after 1 July 2009

- FRS 8, Operating Segments

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2010

- FRS 4, Insurance Contracts
- FRS 7, Financial Instruments: Disclosures
- FRS 101, Presentation of Financial Statements
- FRS 123, Borrowing Costs (revised)
- FRS 139, Financial Instruments: Recognition and Measurement
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards
- Amendments to FRS 2, Share-based Payment: Vesting Conditions and Cancellations
- Amendments to FRS 7, Financial Instruments: Disclosures
- Amendments to FRS 101, Presentation of Financial Statements – Puttable Financial Instruments and Obligations Arising on Liquidation
- Amendments to FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Amendments to FRS 132, Financial Instruments: Presentation
 - Puttable Financial Instruments and Obligations Arising on Liquidation
 - Separation of Compound Instruments

1. Basis of preparation (cont'd)**(a) Statement of compliance (cont'd)**

- Amendments to FRS 139, Financial Instruments: Recognition and Measurement
 - Reclassification of Financial Assets
 - Collective Assessment of Impairment for Banking Institutions
- Improvements to FRSs (2009)
- IC Interpretation 9, Reassessment of Embedded Derivatives
- IC Interpretation 10, Interim Financial Reporting and Impairment
- IC Interpretation 11, FRS 2 – Group and Treasury Share Transactions
- IC Interpretation 13, Customer Loyalty Programmes
- IC Interpretation 14, FRS 119 – The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction

Amendments effective for annual periods beginning on or after 1 March 2010

- Amendments to FRS 132, Financial Instruments: Presentation – Classification of Rights Issues

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, First-time Adoption of Financial Reporting Standards (revised)
- FRS 3, Business Combinations (revised)
- FRS 127, Consolidated and Separate Financial Statements (revised)
- Amendments to FRS 2, Share-based Payment
- Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 138, Intangible Assets
- IC Interpretation 12, Service Concession Agreements
- IC Interpretation 15, Agreements for the Construction of Real Estate
- IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17, Distribution of Non-cash Assets to Owners
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives

Amendments effective for annual periods beginning on or after 1 January 2011

- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards - Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- Amendments to FRS 7, Financial Instruments : Disclosures - Improving Disclosures about Financial Instruments

The Group and the Company plan to apply the abovementioned standards, amendments and interpretations :

- from the annual period beginning 1 January 2010 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 July 2009 and 1 January 2010, except for FRS 4, IC Interpretation 11, IC Interpretation 13 and IC Interpretation 14 which are not applicable to the Group and the Company; and
- from the annual period beginning 1 January 2011 for those standards, amendments or interpretations that will be effective for annual periods beginning on or after 1 March 2010, 1 July 2010 and 1 January 2011, except for Amendments to FRS 138, IC Interpretation 12, IC Interpretation 15, IC Interpretation 16 and IC Interpretation 17 which are not applicable to the Group and the Company.

The initial application of a standard, an amendment or an interpretation, which will be applied prospectively, is not expected to have any financial impacts to the current and prior periods financial statements upon their first adoption.

The impacts and disclosures as required by FRS 108.30(b), Accounting Policies, Changes in Accounting Estimates and Errors, in respect of applying FRS 7 and FRS 139 are not disclosed by virtue of the exemptions given in these respective FRSs.

1. Basis of preparation (cont'd)**(a) Statement of compliance (cont'd)**

The impacts of initial application of a standard, an amendment or an interpretation, which will be applied retrospectively, are disclosed below:

(i) FRS 8, Operating Segments

FRS 8 replaces FRS 114₂₀₀₄, Segment Reporting and requires the identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity's chief operating decision maker in order to allocate resources to the segment and to assess its performance. Currently, the Group presents segment information in respect of its business and geographical segments (see note 29). The adoption of FRS 8 will not have any significant impact on the financial statements of the Group other than expanded disclosure requirements, if any.

(ii) Improvements to FRSs (2009)

Improvements to FRSs (2009) contain various amendments that result in accounting changes for presentation, recognition or measurement and disclosure purposes. Amendments that have impact are:

- **FRS 117, Leases**

The amendments clarify that the classification of lease of land and require entities with existing leases of land and buildings to reassess the classification of land as finance or operating lease. Leasehold land which in substance is a finance lease will be reclassified to property, plant and equipment. The adoption of these amendments will result in a change in accounting policy which will be applied retrospectively in accordance with the transitional provisions.

The adoption of the above amendments to improvements to FRSs (2009) does not have any significant impact on the Group's financial position or results.

(iii) IC Interpretation 10, Interim Financial Reporting and Impairment

IC Interpretation 10 prohibits the reversal of an impairment loss that has been recognised in an interim period during a financial year in respect of the following:

- (a) goodwill;
- (b) an investment in an equity instrument; or
- (c) a financial asset carried at cost.

In accordance with the transitional provisions, the Group will apply IC Interpretation 10 to goodwill, investments in equity instruments, and financial assets carried at cost prospectively from the date the Group first applied the measurement criteria of FRS 136, *Impairment of Assets* and FRS 139, *Financial Instruments: Recognition and Measurement* respectively. IC Interpretation 10 does not have any significant impact on the Group's financial position or results.

1. Basis of preparation (cont'd)**(b) Basis of measurement**

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

(c) Functional and presentation currency

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

(d) Use of estimates and judgements

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

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

There are no significant areas of estimation uncertainty and critical judgements in applying accounting policies that have significant effect on the amounts recognised in the financial statements.

2. Significant accounting policies

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

(a) Basis of consolidation***i) Subsidiaries***

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

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

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

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

2. Significant accounting policies (cont'd)**(a) Basis of consolidation (cont'd)****ii) Changes in Group composition**

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

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

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

iii) Minority interest

Minority interest at the balance sheet date, being the portion of the net identifiable assets of subsidiaries attributable to equity interests that are not owned by the Company, whether directly or indirectly through subsidiaries, are presented in the consolidated balance sheet and statement of changes in equity within equity, separately from equity attributable to the equity holders of the Company. Minority interest in the results of the Group are presented on the face of the consolidated income statement as an allocation of the total profit or loss for the year between minority interest and the equity holders of the Company.

Where losses applicable to the minority exceed the minority's interest in the equity of a subsidiary, the excess, and any further losses applicable to the minority, are charged against the Group's interest except to the extent that the minority has a binding obligation to, and is able to, make additional investment to cover the losses. If the subsidiary subsequently reports profits, the Group's interest is allocated with all such profits until the minority's share of losses previously absorbed by the Group has been recovered.

iv) Transactions eliminated on consolidation

Intra-group balances and transactions, and any unrealised income and expenses arising from intra-group transactions, are eliminated in preparing the consolidated financial statements.

(b) Foreign currency

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

(c) Property, plant and equipment**i) Recognition and measurement**

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

2. Significant accounting policies (cont'd)**(c) Property, plant and equipment (cont'd)****i) Recognition and measurement (cont'd)**

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

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

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

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

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

ii) Subsequent costs

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

iii) Depreciation

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

2. Significant accounting policies (cont'd)**(c) Property, plant and equipment (cont'd)****iii) Depreciation (cont'd)**

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

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

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

(d) Leased assets**(i) Finance lease**

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

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

(ii) Operating lease

Leases, where the Group does not assume substantially all the risks and rewards of the ownership are classified as operating leases and, except for property interest held under operating lease, the leased assets are not recognised on the Group's balance sheet.

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

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

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

2. Significant accounting policies (cont'd)

(e) Impairment of assets

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

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

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

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

(f) Investments in equity securities

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

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

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

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

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

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

2. Significant accounting policies (cont'd)**(g) Investment property****(i) Investment property carried at cost**

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

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

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

(ii) Determination of fair value

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

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

(h) Goodwill

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

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

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

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

(i) Inventories

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

(j) Receivables

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

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

Receivables are not held for the purpose of trading.

2. Significant accounting policies (cont'd)**(k) Non-current assets held for sale**

Assets that are expected to be recovered primarily through sale rather than through continuing use are classified as held for sale. Immediately before classification as held for sale, the assets are remeasured in accordance with the Group's accounting policies. Thereafter generally the assets are measured at the lower of their carrying amount and fair value less costs to sell.

(l) Cash and cash equivalents

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

(m) Provisions

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

(n) Contingent liabilities

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

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

(o) Payables

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

(p) Loans and borrowings

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

(q) Equity instruments

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

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

2. Significant accounting policies (cont'd)**(r) Revenue recognition****i) Goods sold**

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

ii) Services

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

iii) Dividend income

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

iv) Rental income

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

(s) Interest income and borrowing costs

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

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

(t) Tax expense

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

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

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

Deferred tax liability is recognised for all taxable temporary differences.

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

2. Significant accounting policies (cont'd)**(u) Employee benefits****i) Short term employee benefits**

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

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

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

ii) Share-based payment transactions

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

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

(v) Earnings per ordinary share

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

(w) Segment reporting

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

3. Property, plant and equipment - Group

Valuation/Cost	Land and buildings RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Electrical and other installations RM	Tools and equipment RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
At 1 January 2008	28,002,901	82,782,574	2,701,355	3,323,146	1,980,827	2,649,860	2,375,879	123,816,542
Acquisition of a subsidiary	-	-	-	-	-	60,679	-	60,679
Additions	810,432	7,457,514	179,517	35,050	12,749	264,672	1,699,303	10,459,237
Offset of accumulated depreciation on property transferred to investment property	(2,157)	-	-	-	-	-	-	(2,157)
Transfer to investment property (Note 5)	(645,037)	-	-	-	-	-	-	(645,037)
Disposals	-	(1,545,640)	(19,664)	-	-	-	-	(1,565,304)
Reclassification	-	565,123	-	-	-	-	(565,123)	-
At 31 December 2008/	28,166,139	89,259,571	2,861,208	3,358,196	1,993,576	2,975,211	3,510,059	132,123,960
At 1 January 2009	5,489,510	4,507,219	196,999	12,000	59	106,000	7,614,876	17,926,663
Transfer to assets held for sale (Note 11)	(300,236)	-	-	-	-	-	-	(300,236)
Written off	-	(122,442)	-	-	-	-	-	(122,442)
Disposals	-	-	(898)	-	-	-	-	(898)
Reclassification	368,723	-	-	-	-	-	(368,723)	-
At 31 December 2009	33,724,136	93,644,348	3,057,309	3,370,196	1,993,635	3,081,211	10,756,212	149,627,047

3. Property, plant and equipment - Group (cont'd)

	Land and buildings RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Electrical and other installations RM	Tools and equipment RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Depreciation and impairment losses								
At 1 January 2008								
- Accumulated depreciation	4,559,633	42,258,370	1,991,353	1,826,094	1,945,096	1,413,338	-	53,993,884
- Accumulated impairment losses	-	-	-	-	-	-	1,594,378	1,594,378
	4,559,633	42,258,370	1,991,353	1,826,094	1,945,096	1,413,338	1,594,378	55,588,262
Acquisition of a subsidiary								
Depreciation for the year	394,509	5,368,851	147,656	91,562	20,040	60,678	-	6,293,947
Offset of accumulated depreciation on property transferred to investment property	(2,157)	-	-	-	-	-	-	(2,157)
Disposals	-	(363,849)	(5,457)	-	-	-	-	(369,306)
At 31 December 2008/1 January 2009								
- Accumulated depreciation	4,951,985	47,263,372	2,133,552	1,917,656	1,965,136	1,745,345	-	59,977,046
- Accumulated impairment losses	-	-	-	-	-	-	1,594,378	1,594,378
	4,951,985	47,263,372	2,133,552	1,917,656	1,965,136	1,745,345	1,594,378	61,571,424
Depreciation for the year								
Disposals	414,746	5,869,204	141,555	242,295	4,016	303,455	-	6,975,271
	-	-	(389)	-	-	-	-	(389)
At 31 December 2009								
- Accumulated depreciation	5,366,731	53,132,576	2,274,718	2,159,951	1,969,152	2,048,800	-	66,951,928
- Accumulated impairment losses	-	-	-	-	-	-	1,594,378	1,594,378
	5,366,731	53,132,576	2,274,718	2,159,951	1,969,152	2,048,800	1,594,378	68,546,306
Carrying amounts								
At 1 January 2008								
	23,443,268	40,524,204	710,002	1,497,052	35,731	1,236,522	781,501	68,228,280
At 31 December 2008/1 January 2009								
	23,214,154	41,996,199	727,656	1,440,540	28,440	1,229,866	1,915,681	70,552,536
At 31 December 2009								
	28,357,405	40,511,772	782,591	1,210,245	24,483	1,032,411	9,161,834	81,080,741

3. Property, plant and equipment - Group (cont'd)

Land and buildings comprise :

	Valuation/Cost		Carrying amounts	
	2009 RM	2008 RM	2009 RM	2008 RM
At valuation				
Factory buildings	3,805,000	3,805,000	2,645,521	2,721,717
At cost				
Freehold land	7,630,269	7,630,269	7,630,269	7,630,269
Factory buildings	21,526,861	15,676,562	17,391,880	11,869,643
Staff quarters	762,006	1,054,308	689,735	992,525
	<u>33,724,136</u>	<u>28,166,139</u>	<u>28,357,405</u>	<u>23,214,154</u>

3.1 Security

Certain property, plant and equipment of the Group with the carrying amounts of RM8,255,334 (2008 : RM8,266,086) are charged to banks as securities for term loan facilities granted to a subsidiary of the Company (refer Note 15).

3.2 Assets under finance lease

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

	2009 RM	2008 RM
At carrying amounts		
Plant and machinery	6,955,298	6,389,394
Motor vehicles	<u>692,221</u>	<u>898,673</u>

3.3 Revaluation

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

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

	Cost RM	Accumulated depreciation RM	Carrying amounts RM
2009			
Factory buildings	<u>2,152,495</u>	<u>690,649</u>	<u>1,461,846</u>
2008			
Factory buildings	<u>2,152,495</u>	<u>647,599</u>	<u>1,504,896</u>

4. Prepaid lease payments - Group

Leasehold land - Unexpired period less than 50 years

	RM
Cost	
At 1 January 2008	5,323,306
Addition	1,985,894
At 31 December 2008/1 January 2009	<u>7,309,200</u>
Addition	85,726
At 31 December 2009	<u><u>7,394,926</u></u>
Amortisation	
At 1 January 2008	1,224,030
Amortisation for the year	120,209
At 31 December 2008/1 January 2009	<u>1,344,239</u>
Amortisation for the year	136,229
At 31 December 2009	<u><u>1,480,468</u></u>
Carrying amounts	
At 1 January 2008	<u>4,099,276</u>
At 31 December 2008/1 January 2009	<u>5,964,961</u>
At 31 December 2009	<u><u>5,914,458</u></u>

At 31 December 2009, certain leasehold land with carrying amounts of RM1,998,039 (2008 : RM Nil) was charged to a bank as security for term loan granted to a subsidiary (refer Note 15).

5. Investment property - Group

	Freehold land RM	Buildings RM	Total RM
Cost			
At 1 January 2008	-	-	-
Additions	-	8,380	8,380
Transfer from property, plant and equipment	159,600	485,437	645,037
At 31 December 2008/1 January 2009	<u>159,600</u>	<u>493,817</u>	<u>653,417</u>
At 31 December 2009	<u>159,600</u>	<u>493,817</u>	<u>653,417</u>
Accumulated depreciation			
At 1 January 2008	-	-	-
Depreciation for the year	-	9,330	9,330
At 31 December 2008/1 January 2009	<u>-</u>	<u>9,330</u>	<u>9,330</u>
Depreciation for the year	-	9,920	9,920
At 31 December 2009	<u>-</u>	<u>19,250</u>	<u>19,250</u>
Carrying amounts			
At 31 December 2008/1 January 2009	<u>159,600</u>	<u>484,487</u>	<u>644,087</u>
At 31 December 2009	<u>159,600</u>	<u>474,567</u>	<u>634,167</u>

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

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

	2009 RM	2008 RM
Rental income	7,850	10,150
Direct operating expenses		
- income generating investment property	<u>1,000</u>	<u>2,053</u>

6. Investment in subsidiaries - Company

	2009 RM	2008 RM
Unquoted shares, at cost	24,736,873	24,656,877
Add : Effect of adopting FRS 2 - share-based payments allocated to subsidiaries	1,684,535	1,648,653
Less : Impairment losses	(147,999)	(147,999)
	<u>26,273,409</u>	<u>26,157,531</u>

6. Investment in subsidiaries - Company (cont'd)

Details of the subsidiaries are as follows :

Name of subsidiaries	Principal activities	Effective interest held	
		2009	2008
Leader Steel Sdn. Bhd.	Manufacture and trading of metal products	100%	100%
Leader Steel Service Centre Sdn. Bhd.	Manufacture and trading of steel products	100%	100%
Leader Steel Technology Sdn. Bhd.	Manufacture and sale of steel product making machinery	100%	100%
Leader Steel Asia Sdn. Bhd.	Dormant	100%	100%
Leader Steel Tubes Sdn. Bhd.	Dormant	100%	100%
Leader Minerals (Malaysia) Sdn. Bhd.	Dormant	100%	100%
Leader Minerals Corporation Sdn. Bhd.	Dormant	100%	100%
Leader Integrated Steel Mills Sdn. Bhd.	Dormant	100%	100%
ACME Steel Works Sdn. Bhd.	Dormant	100%	100%
GCH Metal Service Centre Sdn. Bhd.	Investment holding	100%	100%
<i><u>Subsidiary of Leader Steel Sdn. Bhd.</u></i>			
ACME United Sdn. Bhd.	Manufacturing, trading and processing of iron and steel products and minerals	51%	-

All the above subsidiaries are incorporated in Malaysia and audited by KPMG

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

7. Goodwill on consolidation - Group

	2009 RM	2008 RM
At 1 January	-	-
Acquisition of a subsidiary	-	111,877
Impairment loss	-	(111,877)
At 31 December	-	-

8. Other investments - Group/Company

	2009	2008
	RM	RM
Quoted shares, at cost	1,160,000	1,160,000
Less : Allowance for diminution in value	(644,000)	(860,000)
	<u>516,000</u>	<u>300,000</u>
Market value	<u>516,000</u>	<u>300,000</u>

Details of disposed investments stated at cost are as follows :

	2009	2008
	RM	RM
Proceeds from disposal	-	332,875
Carrying amount of other investments disposed	-	(346,525)
Loss on disposal of investments	<u>-</u>	<u>(13,650)</u>

9. Receivables, deposits and prepayments

		Group		Company	
	Note	2009	2008	2009	2008
		RM	RM	RM	RM
Trade					
Amount due from a company in which certain Directors have substantial financial interest	9.1	37,340	403,892	-	-
Others	9.2	18,578,443	29,306,973	-	-
		<u>18,615,783</u>	<u>29,710,865</u>	<u>-</u>	<u>-</u>
Less : Allowance for doubtful debts		-	(2,724,368)	-	-
		<u>18,615,783</u>	<u>26,986,497</u>	<u>-</u>	<u>-</u>
Non-trade					
Amount due from subsidiaries	9.3	-	-	77,877,686	60,186,368
Other receivables		2,245,660	3,457,165	-	-
Deposits		15,236,659	8,552,394	-	-
Prepayments		4,045,246	783,159	1,000	1,000
		<u>21,527,565</u>	<u>12,792,718</u>	<u>77,878,686</u>	<u>60,187,368</u>
		<u>40,143,348</u>	<u>39,779,215</u>	<u>77,878,686</u>	<u>60,187,368</u>

9.1 Amount due from a company in which certain Directors have substantial financial interest

The trade receivable due from a company in which certain Directors have substantial financial interest is subject to the normal trade terms.

9. Receivables, deposits and prepayments (cont'd)**9.2 Analysis of foreign currency exposure for significant receivables**

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

Functional currency	Foreign currency	Group	
		2009 RM	2008 RM
RM	US Dollars	7,384,198	6,446,632

9.3 Amount due from subsidiaries

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

9.4 Recoverability of debts

Trade receivables which are outstanding for more than a year amounted to RM Nil (2008 : RM2,724,368). These debts have been fully provided for during the financial year as the Directors are of the opinion that recoverability of these debts are remote.

10. Inventories - Group

	2009 RM	2008 RM
Raw materials	18,317,117	22,756,993
Work-in-progress	862,670	545,353
Manufactured inventories	8,282,005	8,190,775
Trading inventories	24,396,963	7,096,363
	51,858,755	38,589,484

During the last financial year, the Group wrote down inventories to net realisable value amounting to RM5,146,642.

11. Assets held for sale - Group

	Staff quarters RM
Cost	
At 1 January 2008/31 December 2008/1 January 2009	-
Transfer from property, plant and equipment (Note 3)	300,236
At 31 December 2009	300,236
Carrying amount	
At 1 January 2008/31 December 2008/1 January 2009	-
At 31 December 2009	300,236

12. Cash and cash equivalents

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Deposits with a licensed bank	6,062,579	-	-	-
Cash and bank balances	2,238,213	2,869,002	16,182	9,482
	<u>8,300,792</u>	<u>2,869,002</u>	<u>16,182</u>	<u>9,482</u>

The entire deposits with a licensed bank of the Group are pledged to a bank for banking facilities granted to the Group and hence, are not available for general use.

13. Share capital - Group/Company

	Amount RM	Number of shares
Ordinary shares of RM0.50 each		
Authorised :		
At 1 January 2008/31 December 2008	<u>500,000,000</u>	<u>1,000,000,000</u>
At 1 January 2009/31 December 2009	<u>500,000,000</u>	<u>1,000,000,000</u>
Issued and fully paid :		
At 1 January 2008	63,575,000	127,150,000
Share options exercised under ESOS	441,000	882,000
At 31 December 2008	<u>64,016,000</u>	<u>128,032,000</u>
At 1 January 2009/31 December 2009	<u>64,016,000</u>	<u>128,032,000</u>

14. Reserves

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Non-distributable				
Share premium	3,600	3,600	3,600	3,600
Share option reserve	2,185,000	2,135,000	2,185,000	2,135,000
Distributable				
Capital reserve	283,606	283,606	-	-
Retained earnings	27,249,358	21,397,227	4,139,381	3,977,144
	<u>29,721,564</u>	<u>23,819,433</u>	<u>6,327,981</u>	<u>6,115,744</u>

14. Reserves (cont'd)**Share option reserve**

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

Capital reserve

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

15. Borrowings - Group

	2009	2008
	RM	RM
Non-current :		
Term loans - secured	1,693,414	1,495,126
Finance lease liabilities	2,093,454	2,534,941
	3,786,868	4,030,067
Current :		
Term loans - secured	1,061,333	829,372
Bankers' acceptances - unsecured	64,790,094	32,967,961
Finance lease liabilities	1,449,008	1,443,618
	67,300,435	35,240,951
	71,087,303	39,271,018

Bankers' acceptances are subject to interest rates ranging from 2.18% to 3.55% (2008 : 3.46% to 4.79%) per annum.

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

	Term loan 1	Term loan 2	Term loan 3
First year	4.00% per annum	3.50% per annum	0.75% per annum + lending bank's base lending rate for the entire loan duration
Second year	5.25% per annum	0% + lending bank's base lending rate	
Third year onwards	6.75% per annum	0.35% per annum + lending bank's base lending rate	

The term loans are secured against first fixed charge over certain property, plant and machinery (refer Note 3) and leasehold land (refer Note 4) of the Group and corporate guarantees executed by the Company.

15. Borrowings - Group (cont'd)*Term and debt repayment schedule*

Group	Year of maturity	Total RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
At 31 December 2009						
- secured term loans	2011 - 2017	2,754,747	1,061,333	451,724	774,149	467,541
- unsecured bankers' acceptances	2010	64,790,094	64,790,094	-	-	-
- finance lease liabilities	2010 - 2014	3,542,462	1,449,008	806,115	1,287,339	-
		<u>71,087,303</u>	<u>67,300,435</u>	<u>1,257,839</u>	<u>2,061,488</u>	<u>467,541</u>
At 31 December 2008						
- secured term loans	2010 - 2017	2,324,498	829,372	893,572	385,654	215,900
- unsecured bankers' acceptances	2009	32,967,961	32,967,961	-	-	-
- finance lease liabilities	2010 - 2013	3,978,559	1,443,618	956,532	1,578,409	-
		<u>39,271,018</u>	<u>35,240,951</u>	<u>1,850,104</u>	<u>1,964,063</u>	<u>215,900</u>

Finance lease liabilities

The finance lease liabilities are repayable as follows :

	2009			2008		
	Minimum lease payments RM	Interest RM	Principal RM	Minimum lease payments RM	Interest RM	Principal RM
Less than one year	1,673,283	224,275	1,449,008	1,677,600	233,982	1,443,618
Between one and five years	2,313,150	219,696	2,093,454	2,829,833	294,892	2,534,941
	<u>3,986,433</u>	<u>443,971</u>	<u>3,542,462</u>	<u>4,507,433</u>	<u>528,874</u>	<u>3,978,559</u>

The finance lease liabilities are subject to fixed interest rates ranging from 2.28% to 4.05% (2008 : 2.28% to 4.00%) per annum.

16. Deferred tax liabilities - Group**Recognised deferred tax liabilities**

Deferred tax liabilities	2009 RM	2008 RM
Property, plant and equipment		
- capital allowances	7,172,000	6,681,399
- revaluation	296,000	588,601
	<u>7,468,000</u>	<u>7,270,000</u>

16. Deferred tax liabilities - Group (cont'd)**Recognised deferred tax liabilities (cont'd)**

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

	At 1 January 2008 RM	Recognised in the income statement (Note 23) RM	At 31 December 2008 RM	Recognised in the income statement (Note 23) RM	At 31 December 2009 RM
Deferred tax liabilities					
Property, plant and equipment					
- Capital allowances	7,956,563	(1,275,164)	6,681,399	490,601	7,172,000
- Revaluation	809,960	(221,359)	588,601	(292,601)	296,000
Tax loss carry-forwards	(114,563)	114,563	-	-	-
	<u>8,651,960</u>	<u>(1,381,960)</u>	<u>7,270,000</u>	<u>198,000</u>	<u>7,468,000</u>

Unrecognised deferred tax assets

No deferred tax has been recognised for the following items :

	Group 2009 RM	2008 RM
Tax loss carry-forwards	<u>5,745,410</u>	<u>8,637,630</u>

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

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

17. Payables and accruals

		Group		Company	
	Note	2009 RM	2008 RM	2009 RM	2008 RM
Trade					
Amount due to a company in which a Director has substantial financial interest		335,312	-	-	-
Others		<u>9,067,117</u>	<u>19,965,151</u>	-	-
	17.1	9,402,429	19,965,151	-	-
Non-trade					
Amount due to companies in which certain Directors have substantial financial interest	17.2	1,015,656	60,875	-	-
Amount due to subsidiaries	17.2	-	-	34,281,144	16,449,010
Other payables		4,069,754	2,054,581	-	-
Accrued expenses		770,283	1,535,695	194,587	191,635
		<u>5,855,693</u>	<u>3,651,151</u>	<u>34,475,731</u>	<u>16,640,645</u>
		<u>15,258,122</u>	<u>23,616,302</u>	<u>34,475,731</u>	<u>16,640,645</u>

17. Payables and accruals (cont'd)**17.1 Analysis of foreign currency exposure for significant payables**

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

Functional currency	Foreign currency	Group	
		2009 RM	2008 RM
RM	US Dollars	8,343,587	9,220,420

17.2 Amounts due to companies in which certain Directors have substantial financial interest and subsidiaries

The trade amounts due to a company in which certain Directors have substantial financial interest are subject to the normal trade terms.

The non-trade amounts due to companies in which certain Directors have substantial financial interest and subsidiaries are unsecured, interest-free and repayable on demand.

18. Employee benefits - Group**Equity compensation benefits**

Share option plan

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

Date of offer	Exercise price RM	Balance as at 1.1.2008			Balance as at 31.12.2008			Balance as at 31.12.2009			Exercisable option 31.12.2008	
		1.1.2008	Exercised	Options lapsed	31.12.2008	Exercised	Options lapsed	31.12.2009	31.12.2009	31.12.2008	31.12.2008	
		'000	'000	'000	'000	'000	'000	'000	'000	'000	'000	
20 June 2002 *	0.50	1,517	(867)	-	650	-	(146)	504	504	650		
18 May 2005	0.74	10,201	(15)	(205)	9,981	-	(628)	9,353	9,353	8,017		
		11,718	(882)	(205)	10,631	-	(774)	9,857	9,857	8,667		

During the year, Nil (2008 : 882,000) shares options were exercised. The weighted average share price for the year was RM0.41 (2008 : RM0.51).

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

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

	Group		Company	
	2009 RM'000	2008 RM'000	2009 RM'000	2008 RM'000
Share options granted in 2005/Total expenses recognised as share-based payments	50	203	14	54

19. Revenue

Revenue comprises the following :

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Invoiced value of goods sold and services rendered less discounts and returns	389,578,097	231,559,889	-	-
Gross dividend received				
- subsidiary	-	-	3,500,000	5,000,000
- other investments	-	37,000	-	37,000
	<u>389,578,097</u>	<u>231,596,889</u>	<u>3,500,000</u>	<u>5,037,000</u>

20. Operating profit/Profit before tax

Operating profit/Profit before tax is arrived at :

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
after charging :				
Allowance for diminution in value of other investments	-	848,000	-	848,000
Allowance for doubtful debts	-	2,724,368	-	-
Auditors' remuneration				
- Statutory audit				
- KPMG				
- current year	71,000	74,500	17,000	17,000
- prior year	-	5,000	-	-
- Other services by				
- KPMG	6,000	6,000	6,000	6,000
- Affiliates of KPMG	127,000	52,650	3,000	19,100
Directors' emoluments				
- Directors of the Company				
- fees	175,000	175,000	175,000	175,000
- remuneration	849,260	869,705	13,500	14,000
- advisory fees	46,000	46,000	-	-
- share-based payments	16,515	63,050	12,253	46,799
Depreciation of property, plant and equipment (Note 3)	6,975,271	6,293,947	-	-
Amortisation of prepaid lease payments (Note 4)	136,229	120,209	-	-
Depreciation on investment property (Note 5)	9,920	9,330	-	-
Impairment loss				
- Goodwill (Note 7)	-	111,877	-	-
Inventories written down	-	5,146,642	-	-
Loss on disposal				
- Other investments	-	13,650	-	13,650
- Plant and equipment	439	472,233	-	-
Loss on foreign exchange (realised)	842,338	-	-	-
Plant and equipment written off	122,442	-	-	-
Rental of equipment	28,959	-	-	-
Rental of premises	420,000	245,000	-	-

20. Operating profit/Profit before tax (cont'd)

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Personnel expenses (including key management personnel)				
- Wages, salaries and others	3,793,735	4,048,106	-	-
- Contributions to Employees Provident Fund	403,478	435,129	-	-
- Share-based payments (Note 18)	50,000	203,000	14,118	53,897
and after crediting :				
Gross dividend received				
- subsidiary	-	-	3,500,000	5,000,000
- other investments	-	37,000	-	37,000
Gain on foreign exchange (realised)	-	28,017	-	-
Interest income	125,470	70,923	-	-
Rental of equipment	445,200	732,000	-	-
Reversal of allowance for diminution in value of other investments	216,000	-	216,000	-

21. Key management personnel compensations

The key management personnel compensations are as follows :

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Director of the Company				
- Fees	25,000	25,000	25,000	25,000
- Remuneration	837,760	857,705	2,000	2,000
- Share-based payments	4,262	16,271	-	-
Other Directors				
- Remuneration	520,128	454,484	-	-
- Share-based payments	7,139	27,254	-	-
	1,394,289	1,380,714	27,000	27,000

22. Financing costs - Group

	2009 RM	2008 RM
Interest paid/payable :		
Term loans	144,386	213,896
Bank overdrafts	57,947	54,557
Finance lease liabilities	300,903	279,729
Other borrowings	1,487,810	2,145,473
	1,991,046	2,693,655

23. Tax expense**Recognised in the income statements**

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Current tax expense				
- Current	2,153,550	1,340,199	-	732,372
- Prior years	590	679,181	(17,427)	(55,360)
	2,154,140	2,019,380	(17,427)	677,012
Deferred tax expense				
- Current	(62,000)	(722,601)	-	-
- Prior years	552,601	(438,000)	-	-
- Reversal of deferred tax on revaluation surplus	(292,601)	(221,359)	-	-
	198,000	(1,381,960)	-	-
Total tax expense on continuing operations	2,352,140	637,420	(17,427)	677,012

Reconciliation of effective tax expense

	Group		Company	
	2009 RM	2008 RM	2009 RM	2008 RM
Profit before tax	11,394,298	1,240,648	3,345,610	3,695,945
Tax at Malaysian tax rate at 25% (2008 : 26%)	2,848,575	322,568	836,403	960,945
Non-deductible expenses	266,355	620,479	38,597	286,433
Effect of lower tax rate for certain subsidiaries *	-	(61,724)	-	-
Effect of change in tax rate **	-	(267,244)	-	-
Tax exempt income	-	-	(875,000)	(520,000)
Tax incentives	(318,091)	(1,186,561)	-	-
Deferred tax assets (recognised)/not recognised	(723,055)	1,184,241	-	-
Other items	17,766	5,839	-	4,994
Reversal of deferred tax on revaluation surplus	(292,601)	(221,359)	-	-
Under/(Over) provided in prior years	553,191	241,181	(17,427)	(55,360)
Tax expense	2,352,140	637,420	(17,427)	677,012

* For the years of assessment from 2004 to 2008, companies with paid-up capital of RM2.5 million and below at the beginning of the basis period for a year of assessment are subject to corporate tax at 20% on chargeable income up to RM500,000. With effect from year of assessment 2009, subsidiaries controlled directly or indirectly by another company with paid-up capital exceeding RM2.5 million are no longer entitled to this preferential corporate tax rate.

** The corporate tax rates are at 26% for year of assessment 2008 and 25% for the subsequent years of assessment. Consequently, deferred tax assets and liabilities are measured using these tax rates.

23. Tax expense (cont'd)

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

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank approximately RM17,453,000 of its distributable reserves and to distribute its entire distributable reserves at 31 December 2009 if paid out as dividends.

The Finance Act, 2007 introduced a single tier company income tax system with effect from year of assessment 2008. As such, the Section 108 tax credit as at 31 December 2009 will be available to the Company until such time the credit is fully utilised or upon expiry of the six-year transitional period on 31 December 2013, whichever is earlier.

24. Earnings per ordinary share - Group***Basic earnings per ordinary share***

The calculation of basic earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM9,052,931 (2008 : RM603,228) and on the weighted average number of ordinary shares outstanding during the year of 128,032,000 (2008 : 127,682,000) calculated as follows :

	2009	2008
	'000	'000
Issued ordinary shares at beginning of year	128,032	127,150
Effect of shares issued	-	532
	<hr/>	<hr/>
Weighted average number of ordinary shares	<u>128,032</u>	<u>127,682</u>

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM9,052,931 (2008 : RM603,228) and the weighted average number of ordinary shares outstanding after adjustment for the effect of dilutive potential ordinary shares of 128,032,000 (2008 : 127,694,000) calculated as follows :

	2009	2008
	'000	'000
Weighted average number of ordinary shares	128,032	127,682
Effect of dilution of share options	-	12
	<hr/>	<hr/>
Weighted average number of ordinary shares (diluted)	<u>128,032</u>	<u>127,694</u>

25. Dividend - Group/Company

	2009	2008
	RM	RM
Paid :		
- First and final dividend of 2.50 sen per ordinary share less 26% tax paid on 30 June 2008	-	2,368,592
- First interim tax exempt dividend of 2.50 sen per ordinary share paid on 30 September 2009	3,200,800	-
	<u>3,200,800</u>	<u>2,368,592</u>

26. Contingent liabilities, unsecured - Company

i) Corporate guarantees

	2009	2008
	RM'000	RM'000
- Amount of corporate guarantees given to licensed banks for credit facilities granted to certain subsidiaries	225,523	250,825
- Amount of corporate guarantee given to a third party for credit facilities granted to a subsidiary	5,000	5,000
	<u>5,000</u>	<u>5,000</u>

The amount of credit facilities utilised as at balance sheet date was RM90.03 million (2008 : RM33.85 million).

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

27. Related parties - Group/Company

27.1 Controlling related party relationships are as follows :

i) Subsidiaries as disclosed in Note 6

ii) Companies in which certain Directors, Dato' Goh Cheng Huat and Datin Tan Pak Say are deemed to have substantial financial interests :

- Eonmetall Group Berhad and its subsidiaries

iii) Key management personnel of the Group :

- Datin Tan Pak Say
- Tan Yew Teong
- Goh Li Li
- Cheah Khoon Hong

27. Related parties - Group/Company (cont'd)

27.2 Significant transactions with related parties

- i) There were no transactions with the key management personnel and Directors other than the following :
- a) advisory fees of RM46,000 (2008 : RM46,000) paid by a subsidiary to a Director of the Company, Tan Sri Dato' Mohd Desa bin Pachi, in the ordinary course of business.
- b) the remuneration package paid in accordance with the terms and conditions of their appointment as disclosed in Note 21.

ii) Transactions with subsidiary

	Company	
	2009	2008
	RM	RM
Dividend income		
- Leader Steel Service Centre Sdn. Bhd.	3,500,000	5,000,000

- iii) Transactions with companies in which certain Directors, Dato' Goh Cheng Huat and Datin Tan Pak Say are deemed to have substantial financial interests.

	Group	
	2009	2008
	RM	RM
Sales	820,683	9,665,790
Purchases	30,989,396	8,218,802
Purchase of equipment	978,667	3,340,000
Rental payable	420,000	245,000
Services charge	2,496,896	3,177,122

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

Non-trade balances with subsidiaries are disclosed in Note 9 and 17. All outstanding balances are to be settled in cash.

28. Capital commitments - Group

	2009	2008
	RM'000	RM'000
Property, plant and equipment		
Contracted but not provided for and payable within 1 year	2,138	1,738

29. Segmental information - Group

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

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

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

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

Business segments

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

Geographical segments

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

	Revenue from external customers by location of customers RM	By location of assets	
		Segment assets RM	Capital expenditure RM
2009			
Malaysia	135,729,583	188,748,497	18,012,389
China	204,243,380	-	-
Hong Kong	25,529,198	-	-
Myanmar	23,715,281	-	-
Singapore	360,655	-	-
Total	<u>389,578,097</u>	<u>188,748,497</u>	<u>18,012,389</u>
2008			
Malaysia	175,153,636	158,699,285	12,453,511
China	38,392,597	-	-
Germany	13,075,851	-	-
Ghana	3,457,396	-	-
Singapore	1,009,510	-	-
Others	507,899	-	-
Total	<u>231,596,889</u>	<u>158,699,285</u>	<u>12,453,511</u>

30. Financial instruments**Financial risk management objectives and policies**

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

Credit risk

The Group has no significant concentrations of credit risk at the balance sheet date other than amount due from a Vietnamese customer of RM Nil (2008 : RM2,724,368).

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

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

Interest rate risk

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

Effective interest rates and repricing analysis

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

	Effective interest rate per annum %	Total RM	Within 1 year RM	1 - 5 years RM	Over 5 years RM
2009					
Group					
Financial asset					
<i>Fixed rate instrument</i>					
Deposits with a licensed bank	1.80	6,062,579	6,062,579	-	-
Financial liabilities					
<i>Fixed rate instruments</i>					
Finance lease liabilities	3.42	3,542,462	1,449,008	2,093,454	-
<i>Floating rate instruments</i>					
Unsecured bankers' acceptances	3.61	64,790,094	64,790,094	-	-
Secured term loans	5.73	1,698,899	1,698,899	-	-

30. Financial instruments (cont'd)**Effective interest rates and repricing analysis (cont'd)**

	Effective interest rate per annum %	Total RM	Within 1 year RM	1 - 5 years RM	Over 5 years RM
2008					
Group					
Financial liabilities					
<i>Fixed rate instruments</i>					
Finance lease liabilities	3.43	3,978,559	1,443,618	2,534,941	-
<i>Floating rate instruments</i>					
Unsecured bankers' acceptances	4.58	32,967,961	32,967,961	-	-
Secured term loans	6.75	494,900	494,900	-	-

Liquidity risk

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

Foreign currency risk

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

Fair values*Recognised financial instruments*

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

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

30. Financial instruments (cont'd)**Fair values (cont'd)***Recognised financial instruments (cont'd)*

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

Group	2009		2008	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial assets				
Quoted investments	516,000	516,000	300,000	300,000
Financial liabilities				
Finance lease liabilities	3,542,462	3,542,462	3,978,559	3,978,559
Secured term loans - housing loans	1,698,899	1,698,899	494,900	494,900

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

There were no unrecognised financial instruments at balance sheet date.

Statement by Directors

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

In the opinion of the Directors, the financial statements set out on pages 33 to 77 are drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company at 31 December 2009 and of their financial performance and cash flows for the year then ended.

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

Datin Tan Pak Say

Tan Sri Dato' Mohd Desa bin Pachi

Penang,

Date: 15 April 2010

Statutory Declaration

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

I, **Datin Tan Pak Say**, the Director primarily responsible for the financial management of Leader Steel Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 33 to 77 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by the abovenamed at Georgetown in the State of Penang on 15 April 2010.

Datin Tan Pak Say

Before me :

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

Report on the Financial Statements

We have audited the financial statements of Leader Steel Holdings Berhad, which comprise the balance sheets as at 31 December 2009 of the Group and of the Company, and the income statements, statements of changes in equity and cash flow statements of the Group and of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 33 to 77.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our 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 Company's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2009 and of their financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

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

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

Other Matters

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

KPMG
AF 0758
Chartered Accountants

Ng Swee Weng
1414/03/12 (J/PH)
Chartered Accountant

Date : 15 April 2010

Penang

Location	Date of *Revaluation /Acquisition Leader Steel Sdn. Bhd.	Tenure	Approximate Age of Building	Area (Square Meters)	Description	Net Book Value as at 31 December 2009 RM'000
Leader Steel Sdn. Bhd.						
Plot 85 Lorong Perusahaan Utama Kawasan Perusahaan Bukit Tengah Pulau Pinang, Malaysia	*8.7.94	Leasehold 60 years, expiring 21.12.2052	17 years	34,000	Factory	11,436
6 Lorong Limau Manis 1 Taman Limau Manis 14000 Bukit Tengah Pulau Pinang, Malaysia	17.2.95	Freehold Double Storey Terrace house	15 years	111	Residential premise for factory workers	87
8 Lorong Limau Manis 1 Taman Limau Manis 14000 Bukit Tengah Pulau Pinang, Malaysia	17.2.95	Freehold Double Storey Terrace house	15 years	111	Residential premise for factory workers	87
Lot 841 Block 7 MTLD Sejingkat Industrial Park 93050 Kuching Sarawak, Malaysia	11.11.93	Leasehold 60 years, expiring 10.11.2053	17 years	33,600	Factory	6,682
Leader Steel Service Centre Sdn. Bhd.						
Geran 43145, Lot No. 6483 Kapar, Klang Selangor, Malaysia	15.1.04	Freehold	-	52,483	-	7,631
Lot 6483, Jalan Sungai Puloh, KU5 42100 Klang, Selangor	23.12.09	Freehold Building	1 year	17,000	Factory	5,836
37, Lorong Bayu Mutiara 8 Taman Bayu Mutiara 14000 Bukit Mertajam Pulau Pinang, Malaysia	1.11.07	Freehold Double Storey Terrace house	3 years	130	Residential premise for rent	211
42A, Lorong Bayu Mutiara 8 Taman Bayu Mutiara 14000 Bukit Mertajam Pulau Pinang, Malaysia	1.11.07	Freehold Double Storey Terrace house	3 years	130	Residential premise for rent	211
48, Lorong Bayu Mutiara 8 Taman Bayu Mutiara 14000 Bukit Mertajam Pulau Pinang, Malaysia	1.11.07	Freehold Double Storey Terrace house	3 years	130	Residential premise for rent	211
53, Jalan Setia Impian, U13/4D Sek U13, Setia Alam 40170 Shah Alam, Selangor	24.4.08	Freehold Double Storey Terrace house	2 year	130	Residential premise for factory workers	254
33, Jalan Setia Impian, U13/5F Sek U13 Setia Alam 40170 Shah Alam, Selangor	18.4.08	Freehold Double Storey Terrace house	2 year	130	Residential premise for factory workers	300
32A, Jalan Setia Impian, U13/5F Sek U13 Setia Alam 40170 Shah Alam, Selangor	7.10.08	Freehold Double Storey Terrace house	2 year	130	Residential premise for factory workers	258
GCH Metal Service Centre Sdn. Bhd.						
PT 2984 Daerah Seberang Perai Tengah, Penang	16.5.08	Leasehold 60 years, expiring 10.6.2053	-	10,117	-	1,998

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

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares held	% of Shares held
Less than 100	3	0.11	107	0.00
100 - 1,000	202	7.57	178,800	0.14
1,001 - 10,000	1,656	62.02	9,153,093	7.15
10,001 - 100,000	750	28.09	20,913,426	16.33
100,001 - 6,401,599	56	2.10	15,026,406	11.74
6,401,600 - 128,032,000	3	0.11	82,760,168	64.64
TOTAL:	2,670	100.00	128,032,000	100.00

Substantial Shareholders as at 31 March 2010

No.	Name	Direct Interest		Deemed Interest	
		No. of Shares	%	No. of Shares	%
1	Dato' Goh Cheng Huat	10,530,594	8.22	55,185,874	43.10
2	Datin Tan Pak Say	1,150,006	0.90	64,566,462	50.43
3	Bischart Sdn. Bhd.	54,035,868	42.20	-	-
4	Permodalan National Berhad	18,224,300	14.23	-	-
5	Yayasan Pelaburan Bumiputra	-	-	18,224,300	14.23

Directors' Shareholdings as at 31 March 2010

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

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

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

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

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

Analysis of Shareholdings

cont'd
as at 31 March 2010

THIRTY LARGEST SHAREHOLDERS AS AT 31 March 2010

Name	Number of Shares	% of Issued Share Capital
1 Permodalan Nasional Berhad	18,224,300	14.23
2 Bischart Sdn. Bhd.	18,035,868	14.09
3 Bischart Sdn. Bhd.	18,000,000	14.06
4 Bischart Sdn. Bhd.	18,000,000	14.06
5 EB Nominees (Tempatan) Sendirian Berhad <i>Pledged Securities Account for Goh Cheng Huat (SBK)</i>	10,500,000	8.20
6 Chuah Choon Imm	1,212,100	0.95
7 Tan Pak Say	1,150,006	0.90
8 Cheang Beng Chee	847,000	0.66
9 Tan Phaik Hoon	620,000	0.48
10 Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Tee Cheng Teok (474305)</i>	546,400	0.43
11 Lim Peng Kah	514,200	0.40
12 Tan Kheng Hwa	500,000	0.39
13 Kueh Song Joo	420,000	0.33
14 Sim Choh Sang @ Sim Choh Shan	336,000	0.26
15 Cheah Suan Lee	330,000	0.26
16 Kenanga Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Bong Siew Kiaw</i>	320,000	0.25
17 Public Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Yap Chi Keong (E-TAI/TIN)</i>	317,600	0.25
18 Lim Khuan Eng	306,100	0.24
19 Kenanga Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Goh Kim Sin</i>	306,000	0.24
20 Goh Khang Leng	300,000	0.23
21 Mayban Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Tang Sing Ling</i>	289,400	0.23
22 Ang Hock Heng	289,000	0.23
23 Chan Mei Yee	261,100	0.20
24 Loo Chee Lain	243,500	0.19
25 Citigroup Nominees (Tempatan) Sdn. Bhd. <i>Pledged Securities Account for Tan King Tai @ Tan Khoon Hai (471821)</i>	235,200	0.18
26 Tee Ching Haa	233,000	0.18
27 Kong Kok Leong	220,000	0.17
28 Lim Choon Yeak	216,900	0.17
29 Ooi Kwi Wa	211,500	0.17
30 Tan Chuan Li	210,000	0.16

Proxy Form



LEADER STEEL HOLDINGS BERHAD (267209K)

I/We, _____ (FULL NAME IN BLOCK LETTERS)

of _____ (ADDRESS)

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

of _____ (ADDRESS)

or failing him, _____ (FULL NAME IN BLOCK LETTERS)

of _____ (ADDRESS)

as my/our proxy, to vote for me/us and on my/our behalf at the SEVENTEENTH 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, 27 May 2010 at 10.45a.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		
Special Resolution 1		

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

In the case of more than one proxy is appointed, the proportions of my/our percentage of shareholdings to be represented by my/our proxies are as follows:

First named Proxy _____ %
 Second named Proxy _____ %
 _____ 100%

No. of Ordinary Shares Held

Signed this _____ day of May, 2010.

 Signature of Shareholder

Notes :

1. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. Where a member appoints more than (1) proxy the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
3. To be valid, the proxy form must be deposited at the Company's Registered Office at Suite 2-1, 2nd Floor, Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty eight (48) hours before the time appointed for holding the meeting.

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stamp

The Secretary:

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

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LEADER STEEL HOLDINGS BERHAD (267209-K)

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