



LEADER STEEL HOLDINGS BERHAD

267209-K



ANNUAL REPORT

2012

Leading Through Innovation

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NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the TWENTIETH 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 Monday, 27 May 2013 at 12.15pm for the following purposes:

As Ordinary Business:

- | | | |
|-----|---|------------------------|
| 1. | To receive the Audited Financial Statements for the year ended 31 December 2012 and the Reports of the Directors and Auditors thereon. | Please refer to Note 1 |
| 2a. | To re-elect the following Directors who retire pursuant to Article 102 of the Company's Articles of Association:- | |
| | i) Datin Tan Pak Say | 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 the payment of Directors' fees amounting to RM175,000 for the year ended 31 December 2012. | Ordinary Resolution 5 |
| 4. | To re-appoint Messrs. Crowe Horwath as Auditors of the Company for the ensuing year until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. | Ordinary Resolution 6 |

As Special Business:

- | | | |
|----|---|-----------------------|
| 5. | To consider and if thought fit, to pass the following Ordinary 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 authorised to issue and allot from time to time such number of ordinary shares of the Company upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, PROVIDED ALWAYS THAT the aggregate number of ordinary shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad ("Bursa Securities") AND THAT such authority shall continue to be in force until the conclusion of the next Annual General Meeting ("AGM") of the Company or the expiration of the period within which the next AGM is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier." | Ordinary Resolution 7 |

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

b) **PROPOSED RENEWAL AND ADDITIONAL 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 resolution passed by the shareholders of the Company in a general meeting; whichever is the earlier."

Ordinary Resolution 8

c) **PROPOSED RENEWAL OF AUTHORITY TO BUY-BACK ITS OWN SHARES BY THE COMPANY**

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

Ordinary Resolution 9

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

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

c) **PROPOSED RENEWAL OF AUTHORITY TO BUY-BACK ITS OWN SHARES BY THE COMPANY (cont'd)**

- iv) upon completion of the purchase(s) of the LSTEEL Shares by the Company, the Directors of the Company be hereby authorised to deal with the LSTEEL Shares in the following manner:
- a. to cancel the LSTEEL Shares so purchased; or
 - b. to retain the LSTEEL Shares so purchased as treasury shares for distribution as dividend to the shareholders and/or resell on the market of Bursa Securities and/or for cancellation subsequently; or
 - c. to retain part of the LSTEEL Shares so purchased as treasury shares and cancel the remainder; or
 - d. in such other manner as the Bursa Securities and such other relevant authorities may allow from time to time.

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

d) **RETENTION OF INDEPENDENT DIRECTORS**

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

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

Ordinary Resolution 10
Ordinary Resolution 11

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

By Order of the Board

Tai Yit Chan (MAICSA 7009143)
Ong Tze-En (MAICSA 7026537)
Chin Lee Phing (MAICSA 7057836)
Joint Company Secretaries

Penang, 3 May 2013

Notes :

Appointment of Proxy

1. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) of the 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. Where a Member of the Company is an exempt authorised nominee which hold ordinary shares in the Company for multiple beneficial owner in one (1) securities account (“omnibus account”), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account its holds.

An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 (“SICDA”) which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Appointment of Proxy (cont'd)

3. 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.
4. 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.
5. For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 67B of the Articles of Association of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("ROD") as at 20 May 2013 and only a Depositor whose name appears on such ROD shall be entitled to attend this meeting or appoint proxy to attend and/or vote in his/her behalf.

Explanatory Note on Ordinary Business:

1. Agenda 1 is meant for discussion only as the provision of Section 169(1) of the Companies Act, 1965 does not require a formal approval of shareholders of the Company and hence, Agenda 1 is not put forward for voting.
2. The proposed Ordinary Resolutions 3 and 4 under Agenda 2b is in accordance with Section 129(6) of the Companies Act, 1965 which requires that a separate resolution be passed to re-appoint Tan Sri Dato' Mohd Desa bin Pachi and Tan Sri Dato' Soong Siew Hoong who are over 70 years of age as Directors of the Company and to hold office until the conclusion of the next AGM of the Company. These resolutions shall take effect if it is passed by a majority of not less than three-fourth of such shareholders of the Company as being entitled to vote in person or where proxies are allowed, by proxy at the AGM of the Company.

Explanatory Notes on Special Business:

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

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the last Annual General Meeting held on 21 June 2012 and which will lapse at the conclusion of the Twentieth 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 proposed Ordinary Resolution 9, if passed, will allow the Company to purchase its own shares. The total number of shares purchased shall not exceed 10% of the issued and paid-up share capital of the Company. This authority will, unless revoked or varied by the Company in general meeting, expires at the next AGM of the Company.

NOTICE OF ANNUAL GENERAL MEETING (CONT'D)

Explanatory Notes on Special Business: (cont'd)

4. The proposed Ordinary Resolutions 10 and 11, if passed, will retain the following Directors as Independent Directors of the Company to fulfill the requirements of Paragraph 3.04 of Bursa Malaysia Securities Berhad's Main Market Listing Requirements and in line with the recommendation No. 3.2 of the Malaysian Code of Corporate Governance 2012:-

(a) Mr Lim Leng Han

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

(b) En Mohd Arif bin Mastol

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

The details of the Board's justification and recommendation for the retention of the Independent Directors are set out in the Corporate Governance Statement in the 2012 Annual Report.

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 Twentieth AGM of the Company.

CORPORATE INFORMATION

BOARD OF DIRECTORS

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

Dato' Goh Cheng Huat
(Deputy Chairman/Non-Independent Non-Executive Director)

Datin Tan Pak Say
(Managing Director)

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

Lim Leng Han
(Senior Independent Non-Executive Director)

Mohd Arif bin Mastol
(Independent Non-Executive Director)

Datuk Abdullah bin Kuntom
(Non-Independent Non-Executive Director)

JOINT COMPANY SECRETARIES

Tai Yit Chan	(MAICSA 7009143)
Ong Tze-En	(MAICSA 7026537)
Chin Lee Phing	(MAICSA 7057836)

AUDIT COMMITTEE

Lim Leng Han	Chairman
Mohd Arif bin Mastol	Member
Dato' Goh Cheng Huat	Member

NOMINATING COMMITTEE

Tan Sri Dato' Mohd Desa bin Pachi	Chairman
Lim Leng Han	Member
Mohd Arif bin Mastol	Member

REMUNERATION COMMITTEE

Tan Sri Dato' Mohd Desa bin Pachi	Chairman
Dato' Goh Cheng Huat	Member
Lim Leng Han	Member

REGISTERED OFFICE

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

REGISTRAR

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

AUDITORS

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

MAJOR BANKERS

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

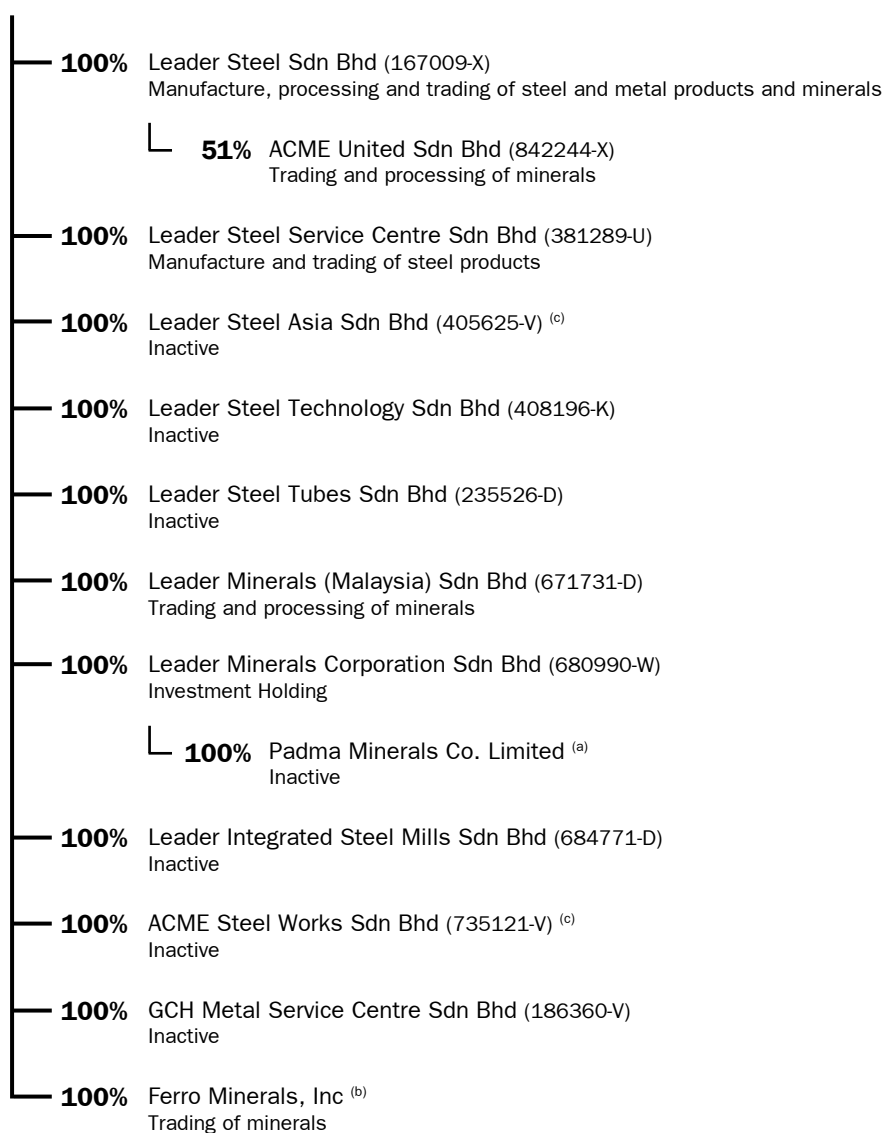
STOCK EXCHANGE LISTING

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

GROUP STRUCTURE AND PRINCIPAL ACTIVITIES / FINANCIAL HIGHLIGHTS



LEADER STEEL HOLDINGS BERHAD 267209-K



^(a) Incorporated in Hong Kong

^(b) Incorporated in United States of America

^(c) In the process of dissolution

FINANCIAL HIGHLIGHTS

	2007	2008	2009	2010	2011	2012
Turnover (RM million)	185.6	231.6	389.6	216.7	273.5	283.4
Profit/(Loss) before tax (RM million)	7.0	1.2	11.4	4.1	2.9	(11.2)

CHAIRMAN'S STATEMENT

Overview

The Group continued to face weak demand for steel products in the Malaysia market for financial year 2012. The price of domestic steel finished products continued to hover at a lower level. However, raw materials and production cost remained relatively high coupled with stagnant low selling prices, profit margins had been badly depressed. Local selling prices remained low compared with international market. Whilst most steel markets around the world are experiencing slow growth or even contracting in size, the Malaysia steel industry remains weak.

Due to the increasing adverse external environment, impact of China's economy and softening of global demand for steel materials, raw material prices are expected to remain volatile. Rigorous government policy in controlling import of raw materials, further added to the burden of the already weak steel industry in Malaysia. In addition, the Malaysia steel industry was flooded by the import of cheap steel finished products which tend to push down the market price even further. These unfavorable competitive conditions had caused the performances of steel companies to decline seriously in 2012, not to mention, the continued influx of imported steel products into Malaysia which in turn would inevitably exert pressure on steel prices and margins.

Iron ore, the commodity most leveraged to China's growth experienced the biggest bear market in 2012. Steel price plunged to its lowest in third quarter of year 2012. China, the world's biggest steel maker reached a twelve months low in steel production in the third quarter of year 2012 which lead to some dramatic changes in the iron ore market. Steel is the barometer of China's economy and fixed asset investment is the foundation of China's urbanization progress, which will take at least a further decade for iron ore prices to follow steel. In 2012, the Group managed to increase its iron ore sales export by approximately 90% compared to financial year 2011 but unfortunately the selling price had slumped more than 50% from 2011 to 2012, effectively eliminated the Group's profits margin tremendously.

Outlook

Moving forward, the Group expects to face another challenging year in financial year 2013 due to the uncertainty of the global economic environment, the long awaited Malaysia 13th General Election, and the hike in steel prices and energy cost. The key challenges to the steel manufacturing division, is the depressed margins due to weak selling prices and high production costs.

We expect international competition to increase which will result in a more dynamic trading environment. Local mills are expected to increase their efficiency, lower cost and improve quality for the industry. These developments will result in lesser import penetration. It is noted that the customers in Malaysia prefer to buy local steel products, instead of those imported as long as the difference in cost and quality is negligible. At the right price, local purchasers will turn to domestic supply to protect themselves from exchange rate fluctuations and shorter lead time to improve customer services. The optimistic outlook is further aided by various government efforts to restructure the steel industry.

The fall in iron ore prices in the third quarter of 2012 had resulted in a quick return of buyers to the market in year 2013. China's commodities import had accelerated in the first quarter of 2013 in spite of slow growth in the overall economy. Stock piling and building of strategic reserves were the key factors for commodities import which reflects greater confidence in the Chinese economy. China's economic outlook has improved remarkably after the announcement of a slew of approvals for railway, highway and infrastructure projects to be undertaken in China. Industry participants expect the new Chinese government to roll out its new master urbanization plan soon with hopes of reviving strong demand and stable upward pricing.

The Group expects to achieve promising performance for the iron ore trade and processing division in the year 2013 as this division is expected to receive high quality products and consistent support from suppliers. The Group expects that the iron ore trade and processing division will contribute higher revenue and profits in year 2013. The Group is cautiously optimistic of achieving a better profit level in year 2013 in spite of uncertainty in the domestic and international steel market.

CHAIRMAN'S STATEMENT (CONT'D)

Financial Performance

The Group achieved a revenue of RM283.4 million for the financial year ended 31 December 2012, an increase of 3.6% as compared to RM273.5 million in the financial year 2011. This was mainly due to the increase in sales volume of trading and processing of iron ore division. However, losses before tax for the year is RM11.2 million, compared to profit before tax of RM2.9 million in financial year 2011. The substantial decrease in profit before tax was mainly attributed to the drop in international iron ore price in year 2012 and impairment adjustment in trade receivables and on property, plant and equipment written off.

Dividend

No dividend had been paid for the financial year ended 31 December 2012.

Appreciation

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

Tan Sri Dato' Mohd Desa bin Pachi
Chairman

DIRECTORS' PROFILE

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

*(Non-Independent Non-Executive
Director)*

TAN SRI DATO' MOHD DESA BIN PACHI, PSM, DSPN, KMN, aged 79, 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 (now known as CIMB Group Holdings Berhad).

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

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

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

He has attended all four (4) Board meetings held during the financial year ended 31 December 2012.

DATO' GOH CHENG HUAT

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

DATO' GOH CHENG HUAT, aged 52, 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 is currently pursuing Asia-Pacific Executive MBA(CH) at National University of Singapore.

He presently holds directorship in Eonmetall Group Berhad.

He is the spouse of Datin Tan Pak Say.

He has attended all four (4) Board meetings held during the financial year ended 31 December 2012.

DIRECTORS' PROFILE (CONT'D)

DATIN TAN PAK SAY

*(Managing Director,
Non-Independent Executive
Director)*

DATIN TAN PAK SAY, aged 51, Malaysian, was first appointed to the Board of Directors of LSH on 10 August 1995. She ceased to be a director on 2 January 2004 but was subsequently re-appointed back to the Board on 25 May 2004. She was appointed as Executive Director on 21 February 2005 and subsequently she was appointed as Managing Director on 29 April 2005.

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

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

She is the spouse of Dato' Goh Cheng Huat.

She has attended three (3) Board meetings held during the financial year ended 31 December 2012.

TAN SRI DATO' SOONG SIEW HOONG

*(Non-Independent
Non-Executive Director)*

TAN SRI DATO' SOONG SIEW HOONG PSM, KMN, SMS, DPMS, JSM, aged 87, Malaysian, was appointed to the Board of Directors of LSH on 25 July 1994. He was conferred Panglima Setia Mahkota (PSM) which carries the title of "Tan Sri" by the Yang DiPertuan Agong on 6th June 1998 and the Darjah Kebesaran Datuk Mahkota Selangor (DPMS) which carries the title of Dato' in 1990.

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

Tan Sri Dato' Soong is currently the Executive Advisor of the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) and 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.

He has attended three (3) Board meetings held during the financial year ended 31 December 2012.

MR. LIM LENG HAN

*(Senior Independent
Non-Executive Director)*

MR. LIM LENG HAN, aged 52, Malaysian, was appointed to the Board of Directors of LSH on 25 July 1994. He is the Chairman of the Audit Committee in LSH and also acts as a member of the Remuneration Committee and Nominating Committee. Graduated in 1985 with a degree in Bachelor of Law (LL.B) (Hon) from University of Malaya, he was subsequently admitted as Advocate and Solicitor by the High Court of Malaya on 8 February 1986 and became a member of the Bar Council of Malaysia. He is also an appointed member of the Disciplinary Committee, Bar Council of Malaysia and also an appointed Notary Public of the Attorney-General's Chambers.

Mr. Lim has been active in the legal profession for 28 years and gained wide experience in the corporate, conveyancing and civil matters. Mr. Lim was serving with Johari, Goh & Associates, Kadir & Co. and Zaid Ibrahim & Co. for six (6) years before starting his own legal practice under the name of Messrs. Lim Leng Han & Co., in Butterworth, Penang on 8 February 1993 and thereafter Messrs. Lim Leng Han & SF Tho until todate. He is also the legal adviser of societies and organizations such as Penang Hardware and Machinery Merchants' Association, Lim Clan Association of Penang, Butterworth Buddhist Association, Thang Hsiang Temple, Bayan Lepas and various others.

His current directorship in public companies is only with LSH.

He has attended all four (4) Board meetings held during the financial year ended 31 December 2012.

DIRECTORS' PROFILE (CONT'D)

DATUK ABDULLAH BIN KUNTOM

*(Non-Independent
Non-Executive Director)*

DATUK ABDULLAH BIN KUNTOM, aged 69, Malaysian, was appointed to the Board on 2nd October 2003. He holds a Bachelor of Arts Degree from the University of Malaya and a Masters in Public Policy and Administration from the University of Wisconsin, Madison, United States of America.

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

His current directorship in public companies is only with LSH.

He has attended all four (4) Board meetings held during the financial year ended 31 December 2012.

EN. MOHD ARIF BIN MASTOL

*(Independent
Non-Executive Director)*

EN. MOHD ARIF BIN MASTOL, aged 58, 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, he was attached with several companies, including a Japanese based company in several capacities including Assistant Manager Finance & Accounts, Finance & Administration Manager, Financial Controller and Chief Operation Officer (COO) before assuming to his current position as Chief Executive Officer.

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

He has attended all four (4) Board meetings held during the financial year ended 31 December 2012.

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 79 of this report.

STATEMENT ON CORPORATE GOVERNANCE

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

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

The Board is pleased to provide the following statements, which outlines the corporate governance practices that were in place throughout the financial year 31 December 2012, unless otherwise stated.

BOARD OF DIRECTORS

Board duties and responsibilities

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

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

The Board is currently exploring avenues to revamp the Board Charter which includes Code of Conduct, Code of Ethics and Corporate Disclosure Policies and Procedures, to provide reference for directors in relation to the Board’s role, duties and functions, division of responsibilities between the Board, the different Board Committees, the Chairman and the Managing Director as well to formalize ethical standards for the Board in discharging its duties.

Board Composition and Balance

At the date of this statement, the Board consists of seven (7) members, comprising two (2) Independent Non-Executive Directors, four (4) Non-Independent 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 affair. A brief profile of each Director is presented under the Profiles of Directors in 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 to 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, a Non-Independent Non-Executive Chairman while the executive management of the Company is led by Datin Tan Pak Say, the Managing Director of the Group.

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

The Board is of the opinion that it is in the best interest of the Company for Tan Sri Dato’ Mohd Desa bin Pachi, Non-Independent Non-Executive Chairman to continue in office as the Chairman of the Company. The Board has also identified Mr Lim Leng Han as the Senior Independent Non-Executive Director to whom concerns may be conveyed. The Board believes that eventhough the current composition of its members does not comprise of a majority of Independent Directors, it is sufficient as it fairly reflects the investment of minority shareholders in the Company.

The Company does not have a gender diversity policy as the Company believes that any appointment of new Directors should be based on their experience and what they can bring to the Company rather than be based on gender. However, should there be a suitable female candidate, when the need arises, due consideration would be given.

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Board Meetings and Supply of Information

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

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

Name of Directors	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	3
Tan Sri Dato' Soong Siew Hoong	4	3
Lim Leng Han	4	4
Datuk Abdullah bin Kuntom	4	4
Mohd Arif bin Mastol	4	4

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

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

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

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

Board Committees

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

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

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Appointments to the Board

Nominating Committee

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

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

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

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

During the financial year, the Committee met once, attended by all members, to deliberate on the retirement by rotation of Directors, their eligibility for re-election at the AGM, to conduct annual assessment on the effectiveness of the Board as a whole, the various Board Committees, contributions of individual Directors as well as to assess the independence of the Independent Directors. The Board believes that the current Board 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 the impact on the effective functioning of the Board.

In assessing the independence of the Independent Directors, the Nominating Committee notes that the respective Independent Directors have met the definition of "Independent Directors" as set out in the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities").

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. An Overview of Clarified Auditing Standards - Institute of Chartered Accountants in Australia - Malaysia Member Group
2. 14th Perdana Discourse Series - Enhancing Accountability and Integrity in the Malaysian Public Sector - Are we doing enough? - Perdana Leadership Foundation and University Teknologi Mara (UITM)
3. Advocacy Sessions on Disclosure for CEOs & CFOs - Bursa Malaysia
4. Global Unrest - Faith in Action: How do we respond to Global Unrest - Pertubuhan Al-Khaadem
5. Launching of Malaysian Business 40th Anniversary - Malaysia Business
6. PNB Nominees Directors' Convention & Executive Luncheon Talk Corporate Governance - PNB
7. PNB Group Quality Initiatives 2012 - Balanced Leadership for 21st Century - PNB
8. Tun Ismail Mohamed Ali Memorial Lecture Series - Integrated policies for Environmental Resilience and Sustainability - Yayasan Tun Ismail Mohdamed Ali
9. MIA International Accountants Conference 2012 - Malaysian Institute of Accountants (MIA)
10. Corporate Governance & Risk Management - Boardroom Corporate Services (KL) Sdn Bhd and KPMG

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

Re-election of Directors

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

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

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

Currently the Company does not have a tenure limit for the Independent Director to serve on the Board as the Board is of the view that the years of experience and knowledge gained through the years is invaluable to the Company. However, in compliance with MCG 2012, the Board hereby recommends that the Independent Directors namely Mr Lim Leng Han and En. Mohd Arif bin Mastol who have served a consecutive or cumulative term of nine year or more shall seek the shareholders' approval to be retained as Independent Directors.

DIRECTORS' REMUNERATION

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

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

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

The Remuneration Committee's responsibilities is as stated in its terms of reference which includes developing and recommending a remuneration framework for Directors as well as the remuneration package for the Executive Directors of the Company. The adoption of remuneration packages for Directors, however, is a matter of 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, for the financial year, are as follows:

Director	Fees RM'000	Salaries RM'000	Bonuses RM'000	Allowance RM'000	EPF-Employer	Total RM'000
					Contribution RM'000	
Executive Director	25	901	218	3	135	1,282
Non-Executive Directors	150	-	-	68	-	218
Total	175	901	218	71	135	1,500

The remuneration of the Directors for the year ended 31 December 2012, 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
RM1,250,001 to RM1,300,000	1	-

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

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 provides shareholders with a current overview of the Group's performance.

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

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

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

ACCOUNTABILITY AND AUDIT

Financial reporting

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

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

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

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

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

STATEMENT ON CORPORATE GOVERNANCE (CONT'D)

ACCOUNTABILITY AND AUDIT (cont'd)

Risk Management and Internal control

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

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

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

Relationship with the Auditors

Through the Audit Committee of the Board, the Company has established a transparent and appropriate relationship with the internal and external auditors of the Company. The external auditors had attended 2 Audit Committee meeting during the year to discuss their scope of work and key issues arising from their audit work. Key features underlying the relationship of the Audit Committee with the external auditors are included in the Audit Committee's terms of reference as detailed on pages 23 to 25 of this Annual Report.

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

ADDITIONAL INFORMATION

1. Share Buybacks

During the financial year, the Company purchased 100 ordinary shares at RM0.36 from the open market. The shares purchased was retained as treasury shares and had not been resold or cancelled. As at 31 December 2012, the number of treasury shares held was 100 ordinary shares.

2. Options or Convertible Securities

During the financial year ended 31 December 2012, no options or convertible securities were exercised.

Employees' Share Option Scheme ("ESOS")

The Company's ESOS was implemented on 12 August 2002 based on the terms and conditions set out in the existing By-Laws for a duration of ten (10) years had expired on 11 August 2012. The details of the said ESOS for the period from 1 January 2012 till 11 August 2012 and since the commencement of the scheme are as follows:-

	For the period from 1 January 2012 till 11 August 2012	Since the commencement of ESOS
Total number of options granted	-	9,828,000
Total number of options exercised or vested	-	1,015,000
Total number of options outstanding	-	8,813,000

Options Granted to Executive Directors in Office	For the period from 1 January 2012 till 11 August 2012	Since the commencement of ESOS
Total number of options granted	-	800,000
Total number of options exercised or vested	-	-
Total number of options outstanding	-	800,000

Options Granted to Executive Directors and Senior Management in office	For the period from 1 January 2012 till 11 August 2012 (%)	Since the commencement of ESOS (%)
Aggregate maximum allocation in percentage	-	8.33
Actual percentage granted	-	8.33

3. Depository Receipt Programme

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

4. Sanctions and Penalties

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

5. Non-audit fees

Non-audit fees amounting to RM2,000 were paid to the external auditors for the financial year ended 31 December 2012.

6. Variation in Results

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

ADDITIONAL INFORMATION (CONT'D)

7. Profit Guarantee

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

8. Material Contracts

Save as disclosed below, there are no material contracts (not being contracts entered into in the ordinary course of business) which have been entered into by the Company and its subsidiary companies during the financial year:-

- (a) LSSB, a wholly owned subsidiary of the Company had on 6 September 2012 entered into a Sale and Purchase Agreement with Eonmetall Systems Sdn. Bhd., to acquire a parcel of industrial land together with an almost completed single-storey detached factory with an office erected thereon held under title no. GRN 77765, Lot No. 1596, Mukim 12, Daerah Seberang Perai Selatan, Pulau Pinang for a cash consideration of RM12,100,000.00.

9. Recurrent Related Party Transactions of a Revenue or Trading Nature for the Year Ended 31 December 2012

Details of recurrent related party transactions made during the financial year ended 31 December 2012 pursuant to the shareholders' mandate obtained by the Company at the Annual General Meeting held on 21 June 2012 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	131	Sale and servicing of steel products	Interested Director and Major Shareholder: Dato' Goh Cheng Huat Datin Tan Pak Say
		386	Purchase of steel products	
		14	Purchase of machinery	
	Eonmetall Technology Sdn Bhd	2,991	Purchase of machinery	
	Eonmetall System Sdn Bhd	164	Sale of steel products	
	Eonsteel Sdn Bhd	516	Rent of factory building	
Leader Steel Service Centre Sdn Bhd ("LSSC")	Eonmetall Industries Sdn Bhd	315	Rent of factory building	Interested Major Shareholder: Bischart Sdn Bhd
		4,068	Sale of steel products	
	45,904	Purchase and servicing of steel products		
	Eonmetall Technology Sdn Bhd	1,114	Sale of steel products	
	Eonsteel Sdn Bhd	368	Purchase of machinery	
	Eonsteel Sdn Bhd	744	Sale of steel products	

AUDIT COMMITTEE REPORT

Membership

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

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

Terms of reference

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

Meetings

During the financial year ended 31 December 2012, the Committee met four (4) times, which was attended by all the members, to discuss matters relating to the accounting and reporting practices of the Company and its subsidiaries. In addition, the Committee had conducted 2 separate sessions with the external auditors without the presence of Executive Directors.

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

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

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

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

Summary of activities during the financial year

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

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

AUDIT COMMITTEE REPORT (CONT'D)

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

During the financial year ended 31 December 2012, 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 26 to 27 of this Annual Report.

TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Objective

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

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

Composition

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

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

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

AUDIT COMMITTEE REPORT (CONT'D)

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

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

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

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

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

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

Authority

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

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

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

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

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

AUDIT COMMITTEE REPORT (CONT'D)

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

Responsibilities and duties

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

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

STATEMENT ON INTERNAL CONTROL

Paragraph 15.26(b) of the Listing Requirements of Bursa Securities stipulates that the Board of Directors of public listed companies should include in its annual report a statement about the state of the risk management and internal control of the listed issuer as a group. In this regard, the Board is pleased to provide the following statement, which outlines the nature and scope of the risk management and internal control of the Group during the financial year ended 31 December 2012.

(A) BOARD RESPONSIBILITY

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

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

(B) RISK MANAGEMENT FRAMEWORK

The Group has engaged an independent professional firm to assist the Board in establishing a risk management framework for the Group. Through the framework, risks relevant to the Group were identified and quantified. The quantified risks have been compiled into the risk profiles of the various operating units in the Group.

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

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

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

(D) INTERNAL AUDIT FUNCTION

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

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.

STATEMENT ON INTERNAL CONTROL (CONT'D)

(D) INTERNAL AUDIT FUNCTION (cont'd)

During the financial year ended 31 December 2012, the internal audit function carried out the following activities:

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

The total costs incurred in managing the internal audit function for the financial year ended 31 December 2012 were approximately RM16,000.00.

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

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

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

(F) CONCLUSION

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

Overall, the Board and Management are satisfied that the process of identifying, evaluating and managing significant risks that may affect achievement of the Group's business objectives are in place. There are continuing efforts to strengthen the internal control environment taking into consideration the recommendations from the internal auditors. There were no material losses incurred during the financial year ended 31 December 2012 as a result of weaknesses in internal controls.

This statement is issued in accordance with a resolution of the Directors dated 29 April 2013.

CORPORATE SOCIAL RESPONSIBILITY AND SUSTAINABILITY

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

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

Workplace

In support of lifelong learning, the Group provided training programs in the area of financial, IT, health and safety and job-related courses to all staff in 2012. At the same time, the Group also gave sponsorships to in-house sport activities as an effort to enhance work-life balance among the staff.

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

Environment

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

Community

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

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

DIRECTORS' REPORT

The directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 31 December 2012.

Principal Activities

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 7 to the financial statements. There have been no significant changes in the nature of the principal activities of the Group and the Company during the financial year.

Results

	The Group RM	The Company RM
Loss for the financial year attributable to:-		
- Owners of the Company	(10,377,074)	(1,359,545)
- Non-controlling interests	(257,083)	0
	<u>(10,634,157)</u>	<u>(1,359,545)</u>

Dividends

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

Reserves And Provisions

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

Issue Of Shares Or Debentures

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

Employees' Share Option Scheme

The Company's Employees' Share Option Scheme ("ESOS") was approved by the shareholders at an Extraordinary General Meeting held on 20 June 2002. The ESOS has been in force for 10 years from 12 August 2002 and has expired on 11 August 2012.

The movements in the number of options during the financial year are as follows:-

Date of Offer	Exercise Price RM	Number of Options Over Ordinary Shares of RM0.50 Each			Balance at 31.12.2012
		Balance at 1.1.2012	Granted	Lapsed/ Expired	
20 June 2002	0.50	464,000	0	(464,000)	0
18 May 2005	0.74	8,349,000	0	(8,349,000)	0
		<u>8,813,000</u>	<u>0</u>	<u>(8,813,000)</u>	<u>0</u>

DIRECTORS' REPORT (CONT'D)

Purchase Of Own Shares

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

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

	No. of Shares	Cost RM
Balance at 1 January 2012	0	0
Shares purchased	100	77
Balance at 31 December 2012	<u>100</u>	<u>77</u>
Average unit cost for the year		<u>0.77</u>

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

Bad And Doubtful Debts

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

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

Current Assets

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

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

Valuation Methods

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

DIRECTORS' REPORT (CONT'D)

Contingent And Other Liabilities

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

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

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

Change Of Circumstances

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

Items Of An Unusual Nature

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

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

Directors Of The Company

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

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

DIRECTORS' REPORT (CONT'D)

Directors Of The Company (cont'd)

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

Name of Director	Number of Ordinary Shares of RM0.50 Each					
	Direct Interest			Deemed Interest		
	Balance at 1.1.2012	Bought	Sold	Balance at 31.12.2012	Balance at 1.1.2012	Balance at 31.12.2012
Dato' Goh Cheng Huat	10,530,594	0	0	10,530,594	55,185,874	55,185,874
Datin Tan Pak Say	1,150,006	0	0	1,150,006	64,566,462	64,566,462
Tan Sri Dato' Soong Siew Hoong	150,000	0	0	150,000	0	0
Lim Leng Han	18,000	0	0	18,000	0	0

Name of Director	Number of Options Over Ordinary Shares of RM0.50 Each				
	Balance at 1.1.2012	Granted	Expired	Balance at 31.12.2012	
Tan Sri Dato' Mohd Desa Bin Pachi	450,000	0	(450,000)	0	
Dato' Goh Cheng Huat	450,000	0	(450,000)	0	
Datin Tan Pak Say	800,000	0	(800,000)	0	
Tan Sri Dato' Soong Siew Hoong	350,000	0	(350,000)	0	
Lim Leng Han	350,000	0	(350,000)	0	
Mohd Arif Bin Mastol	350,000	0	(350,000)	0	
Datuk Abdullah Bin Kuntom	350,000	0	(350,000)	0	

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

Directors' Benefits

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than the directors' remuneration disclosed in the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest except for any benefits which may be deemed to have arisen by virtue of those related party transactions as disclosed in Note 23 to the financial statements.

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

**Signed In Accordance With A Resolution Of The Directors
Dated 29 April 2013**

Datin Tan Pak Say

Tan Sri Dato' Mohd Desa Bin Pachi

STATEMENT BY DIRECTORS

We, Datin Tan Pak Say and Tan Sri Dato' Mohd Desa Bin Pachi, being two of the directors of Leader Steel Holdings Berhad, do hereby state that in the opinion of the directors, the financial statements set out on pages 36 to 76 give a true and fair view of the financial position of the Group and the Company as at 31 December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

In the opinion of the directors, the supplementary information set out on page 77 is prepared, in all material respects, in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and the directive of Bursa Malaysia Securities Berhad.

**Signed In Accordance With A Resolution Of The Directors
Dated 29 April 2013**

Datin Tan Pak Say

Tan Sri Dato' Mohd Desa Bin Pachi

STATUTORY DECLARATION

I, Datin Tan Pak Say, being the director primarily responsible for the financial management of Leader Steel Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 36 to 76 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act 1960.

Subscribed and solemnly declared by
Datin Tan Pak Say at Georgetown in the
State of Penang on this 29 April 2013

Datin Tan Pak Say

Before me

Nachatar Singh A/L Bhag Singh
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LEADER STEEL HOLDINGS BERHAD

(Incorporated in Malaysia)
Company No: 267209-K

Report on the Financial Statements

We have audited the financial statements of Leader Steel Holdings Berhad, which comprise the statements of financial position as at 31 December 2012 of the Group and the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 36 to 76.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and the Company as at 31 December 2012 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 1965 in Malaysia.

Report on Other Legal and Regulatory Requirements

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LEADER STEEL HOLDINGS BERHAD (CONT'D)

(Incorporated in Malaysia)
Company No: 267209-K

Report on Other Legal and Regulatory Requirements (cont'd)

The supplementary information set out on page 77 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1 *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosures Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants ("the MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

- (i) As stated in Note 2.1 to the financial statements, the Group and the Company adopted Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 December 2011 and related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Group and the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as at 31 December 2012 and financial performance and cash flows for the financial year then ended.
- (ii) This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

Crowe Horwath

Firm No: AF 1018
Chartered Accountants

Date: 29 April 2013

Penang

Eddy Chan Wai Hun

Approval No: 2182/10/13 (J)
Chartered Accountant

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
NON-CURRENT ASSETS				
Property, plant and equipment	4	139,838,572	100,761,028	89,177,485
Investment property	5	0	0	416,508
Goodwill	6	0	0	1,164,147
Available-for-sale financial assets	8	160,000	316,000	400,000
		<u>139,998,572</u>	<u>101,077,028</u>	<u>91,158,140</u>
CURRENT ASSETS				
Assets held for sale	9	0	0	207,793
Inventories	10	44,982,217	53,923,601	80,671,305
Trade and other receivables	11	83,878,848	74,776,775	46,355,389
Prepayments		1,211,578	2,219,759	2,131,265
Current tax assets		921,522	381,346	629,730
Cash and bank balances	12	5,131,855	2,614,092	3,494,847
		<u>136,126,020</u>	<u>133,915,573</u>	<u>133,490,329</u>
CURRENT LIABILITIES				
Trade and other payables	13	21,952,252	23,211,803	15,950,951
Loans and borrowings	14	109,444,344	87,735,589	94,710,916
Current tax liabilities		0	2,959,661	84,192
		<u>131,396,596</u>	<u>113,907,053</u>	<u>110,746,059</u>
NET CURRENT ASSETS		4,729,424	20,008,520	22,744,270
NON-CURRENT LIABILITIES				
Loans and borrowings	14	13,817,207	19,295,824	7,515,807
Deferred tax liabilities	15	14,578,000	6,725,000	7,305,000
		<u>28,395,207</u>	<u>26,020,824</u>	<u>14,820,807</u>
NET ASSETS		<u>116,332,789</u>	<u>95,064,724</u>	<u>99,081,603</u>
EQUITY				
Share capital	16	64,016,000	64,016,000	64,016,000
Treasury shares	16	(77)	0	0
Share premium		3,600	3,600	3,600
Revaluation surplus		31,833,614	0	0
Fair value reserve		0	(84,000)	0
Currency translation reserve		(15,315)	0	40,971
Share option reserve		0	2,185,000	2,185,000
Capital reserve		0	283,606	283,606
Retained profits		20,670,370	28,578,838	32,552,426
Equity attributable to owners of the Company		<u>116,508,192</u>	<u>94,983,044</u>	<u>99,081,603</u>
Non-controlling interests		(175,403)	81,680	0
TOTAL EQUITY		<u>116,332,789</u>	<u>95,064,724</u>	<u>99,081,603</u>

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM	2011 RM
Revenue	17	283,362,156	273,447,600
Other income		415,324	2,378,936
Purchase of trading goods		(111,396,785)	(125,908,555)
Changes in inventories of work-in-progress and finished goods		3,916,272	(5,719,729)
Raw materials and consumables used		(88,177,919)	(44,156,873)
Depreciation		(9,714,875)	(8,488,988)
Employee benefits expense	18	(8,264,858)	(8,452,326)
Finance costs		(6,044,144)	(4,740,812)
Other expenses		(75,274,434)	(75,482,809)
(Loss)/Profit before tax	19	<u>(11,179,263)</u>	<u>2,876,444</u>
Tax income/(expense)	20	545,106	(4,367,752)
Loss for the financial year		<u>(10,634,157)</u>	<u>(1,491,308)</u>
Other comprehensive income:-			
Revaluation increase of property, plant and equipment:-			
- Gross revaluation increase		40,404,908	0
- Deferred tax effects thereof		(8,571,294)	0
Loss on available-for-sale financial assets		(156,000)	(84,000)
Currency translation differences for foreign operations		(15,315)	0
Reclassification adjustments on:-			
- Impairment of available-for-sale financial assets		240,000	0
- Currency translation differences for foreign operations disposed of		0	(40,971)
Other comprehensive income for the financial year		<u>31,902,299</u>	<u>(124,971)</u>
Total comprehensive income for the financial year		<u>21,268,142</u>	<u>(1,616,279)</u>

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

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM	2011 RM
(Loss)/Profit for the financial year attributable to:-			
- Owners of the Company		(10,377,074)	(1,572,988)
- Non-controlling interests		<u>(257,083)</u>	<u>81,680</u>
		<u>(10,634,157)</u>	<u>(1,491,308)</u>
Total comprehensive income for the financial year attributable to:-			
- Owners of the Company		21,525,225	(1,697,959)
- Non-controlling interests		<u>(257,083)</u>	<u>81,680</u>
		<u>21,268,142</u>	<u>(1,616,279)</u>
Loss per share:-			
	21		
- Basic (sen)		<u>(8.11)</u>	<u>(1.23)</u>
- Diluted (sen)		<u>(8.11)</u>	<u>(1.23)</u>

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Non-distributable						Distributable				Total equity RM	
	Share capital RM	Treasury shares RM	Share premium RM	Revaluation surplus RM	Fair value reserve RM	Currency translation reserve RM	Share option reserve RM	Capital reserve RM	Retained profits RM	Equity attributable to owners of the Company RM		Non-controlling interests RM
Balance at 1 January 2011	64,016,000	0	3,600	0	0	40,971	2,185,000	283,606	32,552,426	99,081,603	0	99,081,603
Loss on available-for-sale financial assets	0	0	0	0	(84,000)	0	0	0	0	(84,000)	0	(84,000)
Reclassification adjustment on currency translation differences for foreign operations disposed of	0	0	0	0	0	(40,971)	0	0	0	(40,971)	0	(40,971)
Other comprehensive income for the financial year	0	0	0	0	(84,000)	(40,971)	0	0	0	(124,971)	0	(124,971)
(Loss)/Profit for the financial year	0	0	0	0	0	0	0	0	(1,572,988)	(1,572,988)	81,680	(1,491,308)
Total comprehensive income for the financial year	0	0	0	0	(84,000)	(40,971)	0	0	(1,572,988)	(1,697,959)	81,680	(1,616,279)
Dividend of 2.50 sen per share, less tax at 25% (representing total transactions with owners)	0	0	0	0	0	0	0	0	(2,400,600)	(2,400,600)	0	(2,400,600)
Balance at 31 December 2011	64,016,000	0	3,600	0	(84,000)	0	2,185,000	283,606	28,578,838	94,983,044	81,680	95,064,724

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

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Non-distributable						Distributable				Total equity RM	
	Share capital RM	Treasury shares RM	Share premium RM	Revaluation surplus RM	Fair value reserve RM	Currency translation reserve RM	Share option reserve RM	Capital reserve RM	Retained profits RM	Equity attributable to owners of the Company RM		Non-controlling interests RM
Balance at 1 January 2012	64,016,000	0	3,600	0	(84,000)	0	2,185,000	283,606	28,578,838	94,983,044	81,680	95,064,724
Revaluation increase of property, plant and equipment:-												
- Gross revaluation increase	0	0	0	40,404,908	0	0	0	0	0	40,404,908	0	40,404,908
- Deferred tax effects thereof	0	0	0	(8,571,294)	0	0	0	0	0	(8,571,294)	0	(8,571,294)
Loss on available-for-sale financial assets	0	0	0	0	(156,000)	0	0	0	0	(156,000)	0	(156,000)
Currency translation differences for foreign operations	0	0	0	0	0	(15,315)	0	0	0	(15,315)	0	(15,315)
Reclassification adjustment on impairment of available-for-sale financial assets	0	0	0	0	240,000	0	0	0	0	240,000	0	240,000
Other comprehensive income for the financial year	0	0	0	31,833,614	84,000	(15,315)	0	0	0	31,902,299	0	31,902,299
Loss for the financial year	0	0	0	0	0	0	0	0	(10,377,074)	(10,377,074)	(257,083)	(10,634,157)
Total comprehensive income for the financial year	0	0	0	31,833,614	84,000	(15,315)	0	0	(10,377,074)	21,525,225	(257,083)	21,268,142
Purchase of own shares (representing total transactions with owners)	0	(77)	0	0	0	0	0	0	0	(77)	0	(77)
Transfer of share option reserve (Note 16)	0	0	0	0	0	0	(2,185,000)	0	2,185,000	0	0	0
Transfer of capital reserve	0	0	0	0	0	0	0	(283,606)	283,606	0	0	0
Balance at 31 December 2012	64,016,000	(77)	3,600	31,833,614	0	(15,315)	0	0	20,670,370	116,508,192	(175,403)	116,332,789

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

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM	2011 RM
CASH FLOWS FROM OPERATING ACTIVITIES			
(Loss)/Profit before tax		(11,179,263)	2,876,444
Adjustments for:-			
Depreciation		9,714,875	8,488,988
Gain on disposal of assets held for sale		0	(77,207)
Gain on disposal of property, plant and equipment		(4,555)	(78,464)
Gain on disposal of subsidiary		0	(1,169,612)
Impairment loss on available-for-sale financial assets		240,000	0
Impairment loss on loans and receivables		3,305,158	0
Impairment loss on property, plant and equipment		489,092	0
Interest expense		6,044,144	4,740,812
Interest income		0	(416,930)
Property, plant and equipment written off		1,365,301	0
Unrealised gain on foreign exchange		(47,480)	0
Operating profit before working capital changes		<u>9,927,272</u>	<u>14,364,031</u>
Changes in:-			
Inventories		8,941,384	26,747,704
Receivables and prepayments		(11,351,570)	(40,912,805)
Payables		<u>(1,259,551)</u>	<u>22,368,565</u>
Cash generated from operations		6,257,535	22,567,495
Interest paid		(6,086,610)	(4,740,812)
Interest received		0	416,930
Tax paid		<u>(3,673,025)</u>	<u>(1,739,300)</u>
Net cash (used in)/from operating activities		<u>(3,502,100)</u>	<u>16,504,313</u>
CASH FLOWS FROM INVESTING ACTIVITIES			
Disposal of subsidiary, net of cash disposed of		0	151,678
Proceeds from disposal of assets held for sale		0	285,000
Proceeds from disposal of property, plant and equipment		4,556	199,056
Purchase of property, plant and equipment	22	<u>(10,241,905)</u>	<u>(19,572,392)</u>
Net cash used in investing activities		<u>(10,237,349)</u>	<u>(18,936,658)</u>
CASH FLOWS FROM FINANCING ACTIVITIES			
Commodity financing raised		1,222,863	3,722,497
Dividend paid		0	(2,400,600)
Net increase in short-term loans and borrowings		22,260,242	3,699,077
Purchase of own shares		(77)	0
Repayment of commodity financing		(880,000)	0
Repayment of hire purchase obligations		(1,060,075)	(1,549,454)
Repayment of term loans		<u>(1,247,850)</u>	<u>(1,464,833)</u>
Net cash from financing activities		<u>20,295,103</u>	<u>2,006,687</u>
Currency translation differences		(15,315)	0
Net increase/(decrease) in cash and cash equivalents		6,540,339	(425,658)
Cash and cash equivalents brought forward		(1,408,484)	(982,826)
Cash and cash equivalents carried forward	22	<u><u>5,131,855</u></u>	<u><u>(1,408,484)</u></u>

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

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2012

	Note	31.12.2012 RM	31.12.2011 RM	1.1.2011 RM
NON-CURRENT ASSETS				
Investments in subsidiaries	7	35,956,807	36,273,412	26,273,409
Available-for-sale financial assets	8	160,000	316,000	400,000
		<u>36,116,807</u>	<u>36,589,412</u>	<u>26,673,409</u>
CURRENT ASSETS				
Other receivables	11	67,860,456	68,681,054	74,268,488
Prepayments		16,500	16,500	16,500
Current tax assets		9,269	9,269	9,269
Cash and bank balances	12	57,230	54,887	13,545
		<u>67,943,455</u>	<u>68,761,710</u>	<u>74,307,802</u>
CURRENT LIABILITIES				
Other payables	13	38,286,192	38,301,430	31,083,939
		<u>38,286,192</u>	<u>38,301,430</u>	<u>31,083,939</u>
NET CURRENT ASSETS		<u>29,657,263</u>	<u>30,460,280</u>	<u>43,223,863</u>
NET ASSETS		<u>65,774,070</u>	<u>67,049,692</u>	<u>69,897,272</u>
EQUITY				
Share capital	16	64,016,000	64,016,000	64,016,000
Treasury shares	16	(77)	0	0
Share premium		3,600	3,600	3,600
Fair value reserve		0	(84,000)	0
Share option reserve		1,684,535	2,185,000	2,185,000
Retained profits		70,012	929,092	3,692,672
TOTAL EQUITY		<u>65,774,070</u>	<u>67,049,692</u>	<u>69,897,272</u>

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

STATEMENT OF COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Note	2012 RM	2011 RM
Revenue		0	0
Employee benefits expense	18	(200,000)	(193,500)
Other expenses		(1,159,545)	(169,480)
Loss before tax	19	<u>(1,359,545)</u>	<u>(362,980)</u>
Tax expense	20	0	0
Loss for the financial year		<u>(1,359,545)</u>	<u>(362,980)</u>
Other comprehensive income:-			
Loss on available-for-sale financial assets		(156,000)	(84,000)
Reclassification adjustment on impairment of available-for-sale financial assets		240,000	0
Other comprehensive income for the financial year		<u>84,000</u>	<u>(84,000)</u>
Total comprehensive income for the financial year		<u>(1,275,545)</u>	<u>(446,980)</u>

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

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	Non-distributable			Distributable		Total equity RM	
	Share capital RM	Treasury shares RM	Share premium RM	Fair value reserve RM	Share option reserve RM		Retained profits RM
Balance at 1 January 2011	64,016,000	0	3,600	0	2,185,000	3,692,672	69,897,272
Loss on available-for-sale financial assets (representing other comprehensive income for the financial year)	0	0	0	(84,000)	0	0	(84,000)
Loss for the financial year	0	0	0	0	0	(362,980)	(362,980)
Total comprehensive income for the financial year	0	0	0	(84,000)	0	(362,980)	(446,980)
Dividend of 2.50 sen per share, less tax at 25% (representing total transactions with owners)	0	0	0	0	0	(2,400,600)	(2,400,600)
Balance at 31 December 2011	64,016,000	0	3,600	(84,000)	2,185,000	929,092	67,049,692
Loss on available-for-sale financial assets	0	0	0	(156,000)	0	0	(156,000)
Reclassification adjustment on impairment of available-for-sale financial assets	0	0	0	240,000	0	0	240,000
Other comprehensive income for the financial year	0	0	0	84,000	0	0	84,000
Loss for the financial year	0	0	0	0	0	(1,359,545)	(1,359,545)
Total comprehensive income for the financial year	0	0	0	84,000	0	(1,359,545)	(1,275,545)
Purchase of own shares (representing total transactions with owners)	0	(77)	0	0	0	0	(77)
Transfer of share option reserve (Note 16)	0	0	0	0	(500,465)	500,465	0
Balance at 31 December 2012	64,016,000	(77)	3,600	0	1,684,535	70,012	65,774,070

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

STATEMENT OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

	2012	2011
	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Loss before tax	(1,359,545)	(362,980)
Adjustments for:-		
Impairment loss on available-for-sale financial assets	240,000	0
Impairment loss on investments in subsidiaries	316,605	0
Impairment loss on loans and receivables	361,528	0
Operating loss before working capital changes	(441,412)	(362,980)
Changes in:-		
Receivables and prepayments	459,070	5,587,434
Payables	(15,238)	7,217,491
Net cash from operating activities	2,420	12,441,945
CASH FLOWS FROM INVESTING ACTIVITIES		
Incorporation of subsidiary	0	(3)
Subscription for shares in subsidiary	0	(10,000,000)
Net cash used in investing activities	0	(10,000,003)
CASH FLOWS FROM FINANCING ACTIVITIES		
Dividend paid	0	(2,400,600)
Purchase of own shares	(77)	0
Net cash used in financing activities	(77)	(2,400,600)
Net increase in cash and cash equivalents	2,343	41,342
Cash and cash equivalents brought forward	54,887	13,545
Cash and cash equivalents carried forward	57,230	54,887

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

NOTES TO THE FINANCIAL STATEMENTS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

1. General Information

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

The principal activity of the Company is that of investment holding. The principal activities of the subsidiaries are disclosed in Note 7.

The registered office of the Company is located at Suite 2-1, 2nd Floor, Menara Penang Garden, 42A, Jalan Sultan Ahmad Shah, 10050 Penang and its principal place of business is located at Plot 85, Lorong Perusahaan Utama, Kawasan Perusahaan Bukit Tengah, 14000 Bukit Tengah, Penang.

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

The presentation currency is Ringgit Malaysia ("RM").

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors dated 29 April 2013.

2. Significant Accounting Policies

2.1 Basis of Preparation of Financial Statements

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

These are the first MFRS financial statements of the Group and the Company, and MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* has been applied. The Group and the Company adopted MFRSs on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by directors to the comparative information in these financial statements, including the statements of financial position as at 31 December 2011 and 1 January 2011, and the statements of comprehensive income, statements of changes in equity and statements of cash flows for the financial year ended 31 December 2011 and related disclosures. The Group and the Company prepared their previous financial statements in accordance with Financial Reporting Standards ("FRSs"). The effects of transition from FRSs to MFRSs are disclosed in Note 2.2.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. Significant Accounting Policies (cont'd)

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

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

MFRS (Issued as at the end of the reporting period)	Effective for annual periods beginning on or after
MFRS 9 <i>Financial Instruments</i>	1 January 2015
MFRS 10 <i>Consolidated Financial Statements</i>	1 January 2013
MFRS 11 <i>Joint Arrangements</i>	1 January 2013
MFRS 12 <i>Disclosure of Interests in Other Entities</i>	1 January 2013
MFRS 13 <i>Fair Value Measurement</i>	1 January 2013
MFRS 119 <i>Employee Benefits</i> (amended in 2011)	1 January 2013
MFRS 127 <i>Separate Financial Statements</i> (amended in 2011)	1 January 2013
MFRS 128 <i>Investments in Associates and Joint Ventures</i> (amended in 2011)	1 January 2013
IC Interpretation 20 <i>Stripping Costs in the Production Phase of a Surface Mine</i>	1 January 2013
Amendments to MFRS 1 <i>Government Loans</i>	1 January 2013
Amendments to MFRS 7 <i>Disclosures - Offsetting Financial Assets and Financial Liabilities</i>	1 January 2013
Amendments to MFRS 10, MFRS 11 & MFRS 12 <i>Consolidated Financial Statements, Joint Arrangements and Disclosure of Interests in Other Entities: Transition Guidance</i>	1 January 2013
Amendments to MFRS 101 <i>Presentation of Items of Other Comprehensive Income</i>	1 July 2012
Amendments to MFRS 132 <i>Offsetting Financial Assets and Financial Liabilities</i>	1 January 2014
Amendments to MFRSs contained in the document entitled " <i>Annual Improvements 2009 - 2011 Cycle</i> "	1 January 2013

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

MFRS 9 *Financial Instruments*

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

MFRS 10 *Consolidated Financial Statements*

MFRS 10 replaces the consolidation guidance in MFRS 127 *Consolidated and Separate Financial Statements* and IC Interpretation 112 *Consolidation - Special Purpose Entities* by introducing a single consolidation model for all entities based on control. Under MFRS 10, control is based on whether an investor has (1) power over the investee; (2) exposure, or rights, to variable returns from its involvement with the investee; and (3) the ability to use its power over the investee to affect the amount of the returns. Management foresees that the adoption of these new control criteria will not result in any significant changes to the existing composition of the Group.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. Significant Accounting Policies (cont'd)

2.2 Transition to MFRSs

Under FRSs, certain land and buildings of the Group were stated at valuation less accumulated depreciation and accumulated impairment losses, if any. The last revaluation of these assets was made in 1995 and had not been updated. The Group had followed the transitional provisions of IAS 16 (Revised) *Property, Plant and Equipment* issued by the Malaysian Accounting Standards Board to retain the carrying amounts of the assets on the basis of their previous revaluation subject to continuity in their depreciation and impairment policies. Upon transition to MFRSs, such transitional provisions are no longer available. Accordingly, property, plant and equipment accounted for using the revaluation model under MFRSs shall be subject to regular revaluations such that the carrying amounts of the assets do not differ materially from their fair values at the end of the reporting period. The Group has updated the revaluation of its entire class of land and buildings on 31 December 2012 as disclosed in Note 4.

2.3 Basis of Consolidation

A subsidiary is an entity that is controlled by the Group. Control is the power to govern the financial and operating policies of the entity so as to obtain benefits from its activities.

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

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

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

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

- (a) the aggregate of:-
 - (i) the acquisition-date fair value of the consideration transferred;
 - (ii) the amount of any non-controlling interests; and
 - (iii) in a business combination achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree.
- (b) the net of the acquisition-date fair values of the identifiable assets acquired and the liabilities assumed.

Goodwill is recognised as an asset at the aforementioned amount less accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.6. When the above (b) exceeds (a), the excess represents a bargain purchase gain and, after reassessment, is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. Significant Accounting Policies (cont'd)

2.3 Basis of Consolidation (cont'd)

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

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

2.4 Property, Plant and Equipment

Property, plant and equipment are stated at cost or at valuation less accumulated depreciation and accumulated impairment losses, if any. The impairment policy is disclosed in Note 2.6.

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

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

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

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

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

2.5 Investments in Subsidiaries

As required by the Companies Act 1965, the Company prepares separate financial statements in addition to the consolidated financial statements. In the separate financial statements of the Company, investments in subsidiaries are stated at cost less impairment losses, if any. The impairment policy is disclosed in Note 2.6.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. Significant Accounting Policies (cont'd)

2.6 Impairment of Non-financial Assets

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

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

2.7 Inventories

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

2.8 Financial Assets

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

Recognition and Measurement

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

(i) Financial assets at fair value through profit or loss

The Group and the Company do not have any financial assets classified under this category.

(ii) Held-to-maturity investments

The Group and the Company do not have any financial assets classified under this category.

(iii) Loans and receivables

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. Significant Accounting Policies (cont'd)

2.8 Financial Assets (cont'd)

Recognition and Measurement (cont'd)

(iv) Available-for-sale financial assets

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

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

Impairment

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

(i) Financial assets carried at amortised cost

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

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

(ii) Available-for-sale financial assets

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

Determination of Fair Values

The carrying amounts of receivables and cash and cash equivalents which are short-term in nature or repayable on demand are assumed to be reasonable approximations of fair values.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. Significant Accounting Policies (cont'd)

2.8 Financial Assets (cont'd)

Determination of Fair Values (cont'd)

Fair value measurements recognised in the statement of financial position are categorised into the following levels of fair value hierarchy:-

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of quoted investments are determined by reference to their quoted closing bid prices at the end of the reporting period (i.e. Level 1).

2.9 Financial Liabilities

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

Recognition and Measurement

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

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

Determination of Fair Values

The carrying amounts of payables and loans and borrowings which are short-term in nature or repayable on demand are assumed to be reasonable approximations of fair values.

The fair values of long-term loans and borrowings are estimated by discounting the expected future cash flows using the current market interest rates for similar liabilities.

Fair value measurements recognised in the statement of financial position are categorised into the following levels of fair value hierarchy:-

- Level 1 - Quoted prices (unadjusted) in active markets for identical assets or liabilities;
- Level 2 - Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 - Inputs for the asset or liability that are not based on observable market data (unobservable inputs).

The fair values of financial guarantee contracts are estimated based on probability-adjusted discounted cash flow analysis after considering the probability of default by the debtors (i.e. Level 3).

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. Significant Accounting Policies (cont'd)

2.10 Leases

Finance Lease

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

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

Operating Lease

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

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

2.11 Foreign Currency Transactions and Translation

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

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

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

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

2.12 Share Capital

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. Significant Accounting Policies (cont'd)

2.12 Share Capital (cont'd)

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

2.13 Income Recognition

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

Interest income is recognised using the effective interest method.

2.14 Employee Benefits

Short-term Employee Benefits

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

Defined Contribution Plans

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

Equity Compensation Benefits

The Employees' Share Option Scheme ("ESOS") of the Company grants the Group's eligible employees options to subscribe for shares in the Company at pre-determined subscription prices. These equity compensation benefits are recognised in profit or loss with a corresponding increase in equity over the vesting period as share option reserve. The total amount to be recognised is determined by reference to the fair value of the share options at grant date and the estimated number of share options expected to vest on vesting date.

2.15 Borrowing Costs

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

2.16 Income Taxes

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

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

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

2. Significant Accounting Policies (cont'd)

2.17 Cash and Cash Equivalents

Cash and cash equivalents comprise cash in hand, bank balances, demand deposits, term deposits (excluding those pledged as security), bank overdrafts and short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

3. Judgements And Estimation Uncertainty

Judgements Made in Applying Accounting Policies

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

Impairment of available-for-sale financial assets

When there is a significant or prolonged decline in the fair value of an investment in equity instrument classified as available-for-sale, the cumulative decline represents an impairment loss. The determination of what constitutes "significant or prolonged" requires judgement. In making this judgement, management continuously evaluates the historical share price movements and the duration and extent of the decline in fair value below cost. For the financial year ended 31 December 2012, the Group and the Company have recognised impairment loss of RM240,000 on available-for-sale financial assets.

Sources of Estimation Uncertainty

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

Impairment of non-financial assets

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

Allowance for inventories

Reviews are made periodically by management on inventories for excess inventories, obsolescence and decline in net realisable value below cost. These reviews require the use of judgements and estimates. Possible changes in these estimates may result in revisions to the valuation of inventories. The carrying amounts of inventories are disclosed in Note 10.

Impairment of loans and receivables

The Group and the Company make allowance for impairment based on an assessment of the recoverability of loans and receivables. Allowance is applied to loans and receivables when there is objective evidence that the balances may not be recoverable. Management specifically analyses historical bad debts, debtor concentration, debtor creditworthiness, current economic trends and changes in debtor payment terms when making a judgement to evaluate the adequacy of the allowance for impairment. Where expectations are different from previous estimates, the difference will impact on the carrying amounts of loans and receivables as disclosed in Note 11.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

4. Property, Plant And Equipment

The Group

Cost/Valuation	Freehold land		Short-term leasehold land		Buildings		Plant and machinery		Furniture, fittings and office equipment		Electrical and other installations		Tools and equipment		Motor vehicles		Infrastructure and landscaping		Capital work-in-progress		Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
Balance at 1 January 2011	7,630,269	5,323,306	28,799,331	96,523,107	4,120,268	3,370,196	1,994,074	4,601,706	0	15,052,255	167,414,512	0	17,317,928	20,424,892	0	0	0	0	0	0	0
Additions	0	0	147,514	1,959,462	142,460	0	3,324	854,204	0	0	0	0	0	0	0	0	0	0	0	0	0
Disposals/Write-offs	0	0	0	(159,023)	(13,797)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(172,820)
Disposal of subsidiary	0	0	0	(605,681)	(12,929)	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	(704,380)
Transfer from investment property	106,400	0	328,426	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	434,826
Balance at 31 December 2011	7,736,669	5,323,306	29,275,271	97,717,865	4,236,002	3,370,196	1,997,398	5,370,140	0	32,370,183	187,397,030	0	32,370,183	187,397,030	0	0	0	0	0	0	0
Representing:-																					
- Cost	7,736,669	5,323,306	25,470,271	97,717,865	4,236,002	3,370,196	1,997,398	5,370,140	0	32,370,183	183,592,030	0	32,370,183	183,592,030	0	0	0	0	0	0	0
- Valuation	0	0	3,805,000	0	0	0	0	0	0	0	3,805,000	0	0	0	0	0	0	0	0	0	3,805,000
Balance at 1 January 2012	7,736,669	5,323,306	29,275,271	97,717,865	4,236,002	3,370,196	1,997,398	5,370,140	0	32,370,183	187,397,030	0	32,370,183	187,397,030	0	0	0	0	0	0	0
Additions	0	0	0	4,546,937	262,058	0	15,960	374,164	0	5,042,786	10,241,905	0	5,042,786	10,241,905	0	0	0	0	0	0	0
Disposals/Write-offs	0	0	0	(216,690)	(8,962)	0	(2,263)	(23,679)	0	(2,989,726)	(3,241,320)	0	(2,989,726)	(3,241,320)	0	0	0	0	0	0	0
Reclassifications/Adjustments	(106,400)	0	106,400	5,225,395	(1,058,403)	0	0	0	0	9,050,396	1,231,652	0	9,050,396	1,231,652	0	0	0	0	0	0	0
Revaluation	6,119,731	8,476,694	16,828,329	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	31,424,754
Balance at 31 December 2012	13,750,000	13,800,000	46,210,000	107,273,507	3,430,695	3,370,196	2,011,095	5,720,625	9,050,396	22,437,507	227,054,021	9,050,396	22,437,507	227,054,021	9,050,396	0	0	0	0	0	0
Representing:-																					
- Cost	0	0	0	107,273,507	3,430,695	3,370,196	2,011,095	5,720,625	9,050,396	22,437,507	153,294,021	9,050,396	22,437,507	153,294,021	9,050,396	0	0	0	0	0	0
- Valuation	13,750,000	13,800,000	46,210,000	0	0	0	0	0	0	0	73,760,000	0	0	73,760,000	0	0	0	0	0	0	73,760,000
	13,750,000	13,800,000	46,210,000	107,273,507	3,430,695	3,370,196	2,011,095	5,720,625	9,050,396	22,437,507	227,054,021	9,050,396	22,437,507	227,054,021	9,050,396	0	0	0	0	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

	Freehold land RM	Short-term leasehold land RM	Buildings RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Electrical and other installations RM	Tools and equipment RM	Motor vehicles RM	Infrastructure and landscaping RM	Capital work-in-progress RM	Total RM
Depreciation and Impairment Losses											
Balance at 1 January 2011	0	1,498,314	5,959,038	59,863,203	2,464,185	2,403,308	1,972,758	2,481,843	0	0	76,642,649
Accumulated depreciation	0	1,498,314	5,959,038	59,863,203	2,464,185	2,403,308	1,972,758	2,481,843	0	1,594,378	1,594,378
Accumulated impairment losses	0	0	0	0	0	0	0	0	0	0	0
Depreciation	0	91,428	661,664	6,640,060	242,002	243,357	3,616	606,861	0	0	8,488,988
Disposals/Write-offs	0	0	0	(38,431)	(13,797)	0	0	0	0	0	(52,228)
Disposal of subsidiary	0	0	0	(31,507)	(2,293)	0	0	(22,303)	0	0	(56,103)
Transfer from investment property	0	0	18,318	0	0	0	0	0	0	0	18,318
Balance at 31 December 2011	0	1,589,742	6,639,020	66,433,325	2,690,097	2,646,665	1,976,374	3,066,401	0	0	85,041,624
Accumulated depreciation	0	1,589,742	6,639,020	66,433,325	2,690,097	2,646,665	1,976,374	3,066,401	0	1,594,378	1,594,378
Accumulated impairment losses	0	0	0	0	0	0	0	0	0	0	0
Depreciation	0	91,427	659,965	7,067,803	173,311	243,356	6,400	567,573	905,040	0	9,714,875
Impairment loss	0	0	0	0	0	0	0	0	0	489,092	489,092
Disposals/Write-offs	0	0	0	(216,709)	(2,337)	(92)	(1,826)	(60,676)	0	(1,594,378)	(1,876,018)
Reclassifications/Adjustments	0	0	0	1,732,850	(501,198)	0	0	0	0	0	1,231,652
Revaluation	0	(1,681,169)	(7,298,985)	0	0	0	0	0	0	0	(8,980,154)
Balance at 31 December 2012	0	0	0	75,017,269	2,359,873	2,889,929	1,980,948	3,573,298	905,040	0	86,726,357
Accumulated depreciation	0	0	0	75,017,269	2,359,873	2,889,929	1,980,948	3,573,298	905,040	0	86,726,357
Accumulated impairment losses	0	0	0	0	0	0	0	0	0	489,092	489,092
	0	0	0	75,017,269	2,359,873	2,889,929	1,980,948	3,573,298	905,040	489,092	87,215,449

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

Carrying Amount	Freehold land		Short-term leasehold land		Buildings		Plant and machinery		Furniture, fittings and office equipment		Electrical and other installations		Tools and equipment		Motor vehicles		Infrastructure and landscaping		Capital work-in-progress		Total
	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	RM	
Balance at 1 January 2011	7,630,269	3,824,992	22,840,293	36,659,904	1,656,083	966,888	21,316	2,119,863	0	13,457,877	89,177,485										
Balance at 31 December 2011	7,736,669	3,733,564	22,636,251	31,284,540	1,545,905	723,531	21,024	2,303,739	0	30,775,805	100,761,028										
Balance at 31 December 2012	13,750,000	13,800,000	46,210,000	32,256,238	1,070,822	480,267	30,147	2,147,327	8,145,356	21,948,415	139,838,572										

The land and buildings stated at valuation were revalued on 31 December 2012 based on the market values given by independent professional valuers using the comparison method. Had the land and buildings been carried at historical cost less accumulated depreciation, the total carrying amounts of the entire class of land and buildings that would have been recognised in the financial statements are as follows:-

	2012	2011
	RM	RM
Freehold land	7,630,269	7,736,669
Short-term leasehold land	3,642,137	3,733,564
Buildings	20,998,450	21,518,869
	<u>32,270,856</u>	<u>32,989,102</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

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

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

	2012	2011
	RM	RM
Freehold land	13,750,000	7,736,669
Short-term leasehold land	5,350,000	721,373
Buildings	11,790,000	6,337,346
Capital work-in-progress	16,533,185	16,533,185
	<u>47,423,185</u>	<u>31,328,573</u>

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

	2012	2011
	RM	RM
Plant and machinery	2,133,250	2,483,750
Motor vehicles	1,588,690	1,688,039
	<u>3,721,940</u>	<u>4,171,789</u>

5. Investment Property

The Group

	Freehold land RM	Buildings RM	Total RM
<u>Cost</u>			
Balance at 1 January 2011	106,400	328,426	434,826
Transfer to property, plant and equipment	(106,400)	(328,426)	(434,826)
Balance at 31 December 2011	0	0	0
Movement during the year	0	0	0
Balance at 31 December 2012	<u>0</u>	<u>0</u>	<u>0</u>
<u>Accumulated Depreciation</u>			
Balance at 1 January 2011	0	18,318	18,318
Transfer to property, plant and equipment	0	(18,318)	(18,318)
Balance at 31 December 2011	0	0	0
Movement during the year	0	0	0
Balance at 31 December 2012	<u>0</u>	<u>0</u>	<u>0</u>
<u>Carrying Amount</u>			
Balance at 1 January 2011	106,400	310,108	416,508
Balance at 31 December 2011	<u>0</u>	<u>0</u>	<u>0</u>
Balance at 31 December 2012	<u>0</u>	<u>0</u>	<u>0</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

6. Goodwill

The Group

	2012 RM	2011 RM
Balance at 1 January	0	1,164,147
Disposal of subsidiary	0	(1,164,147)
Balance at 31 December	0	0

7. Investments In Subsidiaries

The Company

	2012 RM	2011 RM
Unquoted shares, at cost	34,736,876	34,736,876
Fair value of share options allocated to subsidiaries	1,684,535	1,684,535
Impairment losses	(464,604)	(147,999)
	<u>35,956,807</u>	<u>36,273,412</u>

The details of the subsidiaries are as follows:-

Name of Subsidiary	Country of Incorporation	Effective Ownership Interest		Principal Activity
		2012	2011	
Leader Steel Sdn. Bhd.	Malaysia	100%	100%	Manufacture, processing and trading of steel and metal products and minerals
Leader Steel Service Centre Sdn. Bhd.	Malaysia	100%	100%	Manufacture and trading of steel products
Leader Steel Technology Sdn. Bhd.	Malaysia	100%	100%	Inactive
Leader Steel Asia Sdn. Bhd. ^{(a)(b)}	Malaysia	100%	100%	Inactive
Leader Steel Tubes Sdn. Bhd.	Malaysia	100%	100%	Inactive
Leader Minerals (Malaysia) Sdn. Bhd.	Malaysia	100%	100%	Trading and processing of minerals
Leader Minerals Corporation Sdn. Bhd.	Malaysia	100%	100%	Investment holding
Leader Integrated Steel Mills Sdn. Bhd.	Malaysia	100%	100%	Inactive
ACME Steel Works Sdn. Bhd. ^{(a)(b)}	Malaysia	100%	100%	Inactive
GCH Metal Service Centre Sdn. Bhd.	Malaysia	100%	100%	Inactive
Ferro Minerals, Inc ^(b)	United States of America	100%	100%	Trading of minerals

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

7. Investments In Subsidiaries (cont'd)

Name of Subsidiary	Country of Incorporation	Effective Ownership Interest		Principal Activity
		2012	2011	
<u>Subsidiary of Leader Steel Sdn. Bhd.</u>				
ACME United Sdn. Bhd.	Malaysia	51%	51%	Trading and processing of minerals
<u>Subsidiary of Leader Minerals Corporation Sdn. Bhd.</u>				
Padma Minerals Co. Limited ^(b)	Hong Kong	100%	100%	Inactive

^(a) In the process of dissolution

^(b) Consolidated using unaudited financial statements

8. Available-For-Sale Financial Assets

The Group

	2012 RM	2011 RM
Shares quoted in Malaysia, at fair value (Level 1)	160,000	316,000

9. Assets Held For Sale

The Group

	Freehold land RM	Buildings RM	Total RM
Balance at 1 January 2011	53,200	154,593	207,793
Disposals	(53,200)	(154,593)	(207,793)
Balance at 31 December 2011	0	0	0
Movement during the year	0	0	0
Balance at 31 December 2012	0	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

10. Inventories

The Group

	2012	2011
	RM	RM
Raw materials	16,027,265	28,884,921
Work-in-progress	1,479,843	2,539,450
Manufactured inventories	14,744,104	14,433,389
Trading inventories	12,731,005	8,065,841
	<u>44,982,217</u>	<u>53,923,601</u>

11. Trade And Other Receivables

	The Group		The Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Trade receivables:-				
- Related parties ^(a)	1,629,396	1,129,527	0	0
- Unrelated parties	52,990,991	35,444,103	0	0
- Allowance for impairment	(1,987,329)	0	0	0
	52,633,058	36,573,630	0	0
Other receivables:-				
- Subsidiaries	0	0	67,851,225	68,680,054
- Unrelated parties	32,563,619	38,203,145	9,231	1,000
- Allowance for impairment	(1,317,829)	0	0	0
	31,245,790	38,203,145	67,860,456	68,681,054
	<u>83,878,848</u>	<u>74,776,775</u>	<u>67,860,456</u>	<u>68,681,054</u>

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

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

	The Group		The Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Ringgit Malaysia	40,583,907	45,644,873	67,860,456	68,681,054
US Dollar	43,294,941	29,131,902	0	0
	<u>83,878,848</u>	<u>74,776,775</u>	<u>67,860,456</u>	<u>68,681,054</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

11. Trade And Other Receivables (cont'd)

Trade Receivables

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

The movements in allowance for impairment are as follows:-

	2012	The Group
	RM	2011
		RM
Balance at 1 January	0	0
Impairment loss recognised	1,987,329	0
Balance at 31 December	<u>1,987,329</u>	<u>0</u>

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

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

	2012	The Group
	RM	2011
		RM
Not past due	30,519,350	31,612,104
Past due 1 to 30 days	5,524,697	582,560
Past due 31 to 120 days	7,597,438	1,128,127
Past due more than 120 days	8,991,573	3,250,839
	<u>52,633,058</u>	<u>36,573,630</u>

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

Management determines credit risk concentrations in terms of counterparties and geographical areas. As at 31 December 2012, there were 4 (2011 : 3) major debtors that accounted for 10% or more of the Group's trade receivables and the total outstanding balances due from these major debtors amounted to RM36,413,353 (2011 : RM23,331,027). The credit risk concentration profile by geographical areas of trade receivables is as follows:-

	2012	The Group
	RM	2011
		RM
Malaysia	22,500,025	28,326,776
China	29,964,733	7,734,177
Others	168,300	512,677
	<u>52,633,058</u>	<u>36,573,630</u>

Other Receivables

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

11. Trade And Other Receivables (cont'd)

Other Receivables (cont'd)

The movements in allowance for impairment are as follows:-

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Balance at 1 January	0	0	0	0
Impairment loss recognised	1,317,829	0	361,528	0
Impairment loss written off	0	0	(361,528)	0
Balance at 31 December	<u>1,317,829</u>	<u>0</u>	<u>0</u>	<u>0</u>

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

12. Cash And Bank Balances

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

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Ringgit Malaysia	4,343,914	1,852,004	57,230	54,887
US Dollar	786,739	760,746	0	0
Others	1,202	1,342	0	0
	<u>5,131,855</u>	<u>2,614,092</u>	<u>57,230</u>	<u>54,887</u>

13. Trade And Other Payables

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Trade payables:-				
- Related parties ^(a)	728,155	1,562,262	0	0
- Unrelated parties	10,575,302	3,331,196	0	0
	<u>11,303,457</u>	<u>4,893,458</u>	<u>0</u>	<u>0</u>
Other payables:-				
- Subsidiaries	0	0	38,064,690	38,067,283
- Other related parties ^(a)	2,407,549	427,277	0	0
- Unrelated parties	8,241,246	17,891,068	221,502	234,147
	<u>10,648,795</u>	<u>18,318,345</u>	<u>38,286,192</u>	<u>38,301,430</u>
	<u>21,952,252</u>	<u>23,211,803</u>	<u>38,286,192</u>	<u>38,301,430</u>

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

13. Trade And Other Payables (cont'd)

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

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Ringgit Malaysia	9,348,133	13,427,407	38,286,192	38,301,430
US Dollar	12,599,002	9,784,396	0	0
Others	5,117	0	0	0
	<u>21,952,252</u>	<u>23,211,803</u>	<u>38,286,192</u>	<u>38,301,430</u>

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

Trade Payables

Trade payables are unsecured, non-interest bearing and generally on 30 to 90 day terms.

Other Payables

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

14. Loans And Borrowings

The Group

	2012 RM	2011 RM
<u>Secured</u>		
Hire purchase payables (fixed rate)	1,429,849	2,489,924
Bank overdrafts (floating rate)	0	2,377,027
Commodity financing (floating rate)	14,209,963	13,909,566
Term loans (floating rate)	4,220,272	5,468,122
<u>Unsecured</u>		
Bank overdrafts (floating rate)	0	1,645,549
Banker acceptances (fixed rate)	81,303,213	76,141,225
Discounting bills (fixed rate)	17,098,254	0
Revolving loans (fixed rate)	5,000,000	5,000,000
	<u>123,261,551</u>	<u>107,031,413</u>
Disclosed as:-		
- Current liabilities	109,444,344	87,735,589
- Non-current liabilities	13,817,207	19,295,824
	<u>123,261,551</u>	<u>107,031,413</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

14. Loans And Borrowings (cont'd)

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

The effective interest rates of loans and borrowings as at 31 December 2012 ranged from 2.81% to 7.85% (2011 : 2.58% to 8.35%) per annum.

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

	2012 RM	2011 RM
Ringgit Malaysia	106,163,297	107,031,413
US Dollar	17,098,254	0
	<u>123,261,551</u>	<u>107,031,413</u>

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

Hire Purchase Payables

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

	2012 RM	2011 RM
Minimum hire purchase payments:-		
- Within 1 year	1,225,122	1,385,234
- Later than 1 year and not later than 2 years	229,098	1,128,902
- Later than 2 years and not later than 5 years	31,984	133,146
Total contractual undiscounted cash flows	1,486,204	2,647,282
Future finance charges	(56,355)	(157,358)
Present value of hire purchase payables:-		
- Within 1 year	1,175,797	1,269,078
- Later than 1 year and not later than 2 years	222,441	1,089,654
- Later than 2 years and not later than 5 years	31,611	131,192
	<u>1,429,849</u>	<u>2,489,924</u>

The carrying amounts of hire purchase payables are reasonable approximations of fair values as their effective interest rates also approximate to the current market interest rates for similar liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

14. Loans And Borrowings (cont'd)

Commodity Financing

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

	2012 RM	2011 RM
Gross loan instalments:-		
- Within 1 year	4,183,833	0
- Later than 1 year and not later than 2 years	4,070,533	4,236,342
- Later than 2 years and not later than 5 years	7,733,882	11,450,915
Total contractual undiscounted cash flows	15,988,248	15,687,257
Future finance charges	(1,778,285)	(1,777,691)
Present value of commodity financing:-		
- Within 1 year	3,520,000	0
- Later than 1 year and not later than 2 years	3,520,000	3,520,000
- Later than 2 years and not later than 5 years	7,169,963	10,389,566
	<u>14,209,963</u>	<u>13,909,566</u>

The carrying amount of commodity financing is reasonable approximation of fair value as its effective interest rate also approximates to the current market interest rates for similar liabilities.

Term Loans

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

	2012 RM	2011 RM
Gross loan instalments:-		
- Within 1 year	1,629,364	1,633,177
- Later than 1 year and not later than 2 years	1,627,263	1,631,077
- Later than 2 years and not later than 5 years	1,595,813	3,273,807
Total contractual undiscounted cash flows	4,852,440	6,538,061
Future finance charges	(632,168)	(1,069,939)
Present value of term loans:-		
- Within 1 year	1,347,080	1,302,710
- Later than 1 year and not later than 2 years	1,402,643	1,301,372
- Later than 2 years and not later than 5 years	1,470,549	2,864,040
	<u>4,220,272</u>	<u>5,468,122</u>

The carrying amounts of term loans are reasonable approximations of fair values as their effective interest rates also approximate to the current market interest rates for similar liabilities.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

15. Deferred Tax Liabilities

The Group

	2012 RM	2011 RM
Balance at 1 January	6,725,000	7,305,000
Deferred tax (income)/expense relating to origination and reversal of temporary differences recognised in:-		
- Profit or loss	(1,414,294)	(643,000)
- Other comprehensive income	8,571,294	0
Deferred tax liabilities underprovided in prior year	696,000	63,000
Balance at 31 December	<u>14,578,000</u>	<u>6,725,000</u>
In respect of:-		
- Taxable/(Deductible) temporary differences of:-		
- Property, plant and equipment	16,145,000	7,319,000
- Financial instruments	(502,000)	(594,000)
- Unused capital allowances	(1,060,000)	0
- Unused tax losses	(5,000)	0
	<u>14,578,000</u>	<u>6,725,000</u>

Save as disclosed above, as at 31 December 2012, deferred tax liabilities and deferred tax assets have also effectively been recognised and offset against each other by the Group to the extent of approximately RM188,000 (2011 : RM169,000). No further deferred tax assets have been recognised for the excess of the unused capital allowances and tax losses over the taxable temporary differences as follows:-

	2012 RM	2011 RM
Unused capital allowances	1,026,000	783,000
Unused tax losses	450,000	56,000
Taxable temporary differences of property, plant and equipment	(752,000)	(675,000)
	<u>724,000</u>	<u>164,000</u>

16. Share Capital

	2012 RM	2011 RM
Authorised:-		
1,000,000,000 ordinary shares of RM0.50 each	<u>500,000,000</u>	<u>500,000,000</u>
Issued and fully paid-up:-		
128,032,000 ordinary shares of RM0.50 each	<u>64,016,000</u>	<u>64,016,000</u>

Purchase of Own Shares

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

16. Share Capital (cont'd)

Purchase of Own Shares (cont'd)

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

	2012		2011	
	No. of Shares	Cost RM	No. of Shares	Cost RM
Balance at 1 January	0	0	0	0
Shares purchased	100	77	0	0
Balance at 31 December	<u>100</u>	<u>77</u>	<u>0</u>	<u>0</u>
Average unit cost for the year		<u>0.77</u>		<u>0.00</u>

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

	2012	2011
	No. of Shares	No. of Shares
Balance at 1 January	128,032,000	128,032,000
Shares purchased	(100)	0
Balance at 31 December	<u>128,031,900</u>	<u>128,032,000</u>

Employees' Share Option Scheme

The Company's Employees' Share Option Scheme ("ESOS") was approved by the shareholders at an Extraordinary General Meeting held on 20 June 2002. The ESOS has been in force for 10 years from 12 August 2002 and has expired on 11 August 2012.

The movements in the number of options during the financial year are as follows:-

	Number of Options Over Ordinary Shares of RM0.50 Each	Weighted Average Exercise Price RM	Range of Exercise Prices RM	Weighted Average Remaining Contractual Life
Outstanding at 1 January 2011	9,523,000	0.73		
Lapsed	(710,000)	0.73		
Outstanding at 31 December 2011	<u>8,813,000</u>	0.73	0.50 - 0.74	7.5 months
Exercisable at 31 December 2011	<u>8,813,000</u>	0.73		
Outstanding at 1 January 2012	8,813,000	0.73		
Lapsed/Expired	(8,813,000)	0.73		
Outstanding at 31 December 2012	<u>0</u>	N/A	N/A	N/A

Upon expiry of the ESOS, the share option reserve has been transferred to retained profits.

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

17. Revenue

The Group

Revenue represents income from the sale of goods.

18. Employee Benefits Expense

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Short-term employee benefits	7,683,534	7,881,198	200,000	193,500
Defined contribution plan	581,324	571,128	0	0
	<u>8,264,858</u>	<u>8,452,326</u>	<u>200,000</u>	<u>193,500</u>

19. (Loss)/Profit Before Tax

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
(Loss)/Profit before tax is arrived at after charging:-				
Auditors' remuneration:-				
- Current year	117,200	97,000	38,000	25,000
- Prior year	15,000	11,000	7,000	8,000
Bad debts written off	0	115,000	0	0
Deposits written off	0	2,504,571	0	0
Directors' remuneration:-				
- Fees	175,000	175,000	175,000	175,000
- Other emoluments	1,325,310	1,251,760	25,000	18,500
Fee expense for financial instruments not at fair value through profit or loss	718,950	550,093	738	676
Impairment loss on available-for-sale financial assets	240,000	0	240,000	0
Impairment loss on investments in subsidiaries ^(a)	0	0	316,605	0
Impairment loss on loans and receivables:-				
- Subsidiaries	0	0	361,528	0
- Unrelated parties	3,305,158	0	0	0
Impairment loss on property, plant and equipment ^(a)	489,092	0	0	0
Interest expense for financial liabilities not at fair value through profit or loss	6,044,144	4,740,812	0	0
Property, plant and equipment written off	1,365,301	0	0	0
Realised loss on foreign exchange	135,294	0	0	0
Rental of equipment	13,540	44,428	0	0
Rental of premises	947,400	537,000	0	0

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

19. (Loss)/Profit Before Tax (cont'd)

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
and crediting:-				
Gain on disposal of assets held for sale	0	77,207	0	0
Gain on disposal of property, plant and equipment	4,555	78,464	0	0
Gain on disposal of subsidiary	0	1,169,612	0	0
Gain on foreign exchange:-				
- Realised	0	514,234	0	0
- Unrealised	47,480	0	0	0
Interest income for financial assets not at fair value through profit or loss	0	416,930	0	0

^(a) Included in other expenses

20. Tax (Income)/Expense

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Tax based on results for the year:-				
Malaysian income tax	22,000	1,373,000	0	0
Overseas income tax	255	116,780	0	0
Deferred tax	(1,414,294)	(643,000)	0	0
	<u>(1,392,039)</u>	<u>846,780</u>	<u>0</u>	<u>0</u>
Tax underprovided in prior year:-				
Malaysian income tax	150,933	3,457,972	0	0
Deferred tax	696,000	63,000	0	0
	<u>(545,106)</u>	<u>4,367,752</u>	<u>0</u>	<u>0</u>

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

	The Group		The Company	
	2012 %	2011 %	2012 %	2011 %
Applicable tax rate	(25.00)	25.00	(25.00)	(25.00)
Non-deductible expenses	12.21	31.67	25.00	25.00
Non-taxable income	(0.91)	(12.49)	0.00	0.00
Reinvestment allowances claimed	0.00	(15.52)	0.00	0.00
Increase/(Decrease) in unrecognised deferred tax assets	1.25	(0.44)	0.00	0.00
Effect of differential tax rates	0.00	1.22	0.00	0.00
Average effective tax rate	<u>(12.45)</u>	<u>29.44</u>	<u>0.00</u>	<u>0.00</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

20. Tax (Income)/Expense (cont'd)

As at 31 December 2012, the Company has sufficient tax credits and tax exempt income to frank/distribute its entire retained profits if paid out as dividends. It may also distribute its entire retained profits as at 31 December 2012 as tax exempt dividends under the single tier tax system.

21. Loss Per Share

The Group

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

	2012	2011
Loss for the financial year attributable to owners of the Company (RM)	<u>(10,377,074)</u>	<u>(1,572,988)</u>
Number of shares in issue at 1 January	128,032,000	128,032,000
Effect of shares purchased	<u>(8)</u>	<u>0</u>
Weighted average number of shares in issue	<u>128,031,992</u>	<u>128,032,000</u>
Basic loss per share (sen)	<u>(8.11)</u>	<u>(1.23)</u>

The diluted loss per share equals the basic loss per share due to the anti-dilutive effect of the share options which has been ignored in calculating the diluted loss per share.

22. Notes To Consolidated Statement Of Cash Flows

The Group

Purchase of Property, Plant and Equipment

	2012	2011
	RM	RM
Cost of property, plant and equipment purchased	10,241,905	20,424,892
Amount financed through hire purchase	<u>0</u>	<u>(852,500)</u>
Net cash disbursed	<u>10,241,905</u>	<u>19,572,392</u>

Cash and Cash Equivalents

	2012	2011
	RM	RM
Cash and bank balances	5,131,855	2,614,092
Bank overdrafts	<u>0</u>	<u>(4,022,576)</u>
	<u>5,131,855</u>	<u>(1,408,484)</u>

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

23. Related Party Disclosures

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

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Key management personnel compensation:-				
- Short-term employee benefits	1,365,595	1,299,620	200,000	193,500
- Defined contribution plan	134,715	127,140	0	0
	1,500,310	1,426,760	200,000	193,500
Subscription for shares in subsidiary	0	0	0	10,000,000
Purchase of goods from other related parties ^(a)	46,290,133	56,212,537	0	0
Purchase of property, plant and equipment from other related parties ^(a)	3,372,610	437,077	0	0
Rental of premises charged by other related party ^(a)	831,000	516,000	0	0
Sale of goods to other related parties ^(a)	6,221,344	3,143,052	0	0

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

24. Segment Reporting

The Group

Operating Segments

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

Geographical Information

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

	External Revenue		Non-current Assets	
	2012 RM	2011 RM	2012 RM	2011 RM
Malaysia	121,587,840	115,186,167	139,838,572	100,761,028
China	161,774,316	158,261,433	0	0
	283,362,156	273,447,600	139,838,572	100,761,028

Major Customers

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

25. Commitment For Purchase Of Property, Plant And Equipment

The Group

	2012	2011
	RM	RM
Contracted but not provided for	<u>10,890,000</u>	<u>0</u>

26. Contingent Liability - Unsecured

The Company

The Company has entered into financial guarantee contracts to provide financial guarantees to financial institutions for credit facilities granted to certain subsidiaries up to a total limit of approximately RM230,641,000 (2011 : RM253,670,000). The total utilisation of these credit facilities as at 31 December 2012 amounted to approximately RM128,754,000 (2011 : RM105,092,000).

The aforementioned financial guarantee contracts should have been recognised in the statement of financial position in accordance with the recognition and measurement policies as stated in Note 2.9. After considering that the probability of the subsidiaries defaulting on the credit lines is remote, the financial guarantee contracts have not been recognised as the fair values on initial recognition are not expected to be material.

27. Financial Risk Management

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

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

Credit Risk

The Group's exposure to credit risk arises mainly from receivables and deposits placed with financial institutions. The maximum credit risk exposure of these financial assets is best represented by their respective carrying amounts in the statement of financial position. The Company is also exposed to credit risk in respect of its financial guarantees provided for credit facilities granted to certain subsidiaries. The maximum credit risk exposure of these financial guarantees is the total utilisation of the credit facilities granted as disclosed in Note 26.

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

Liquidity Risk

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

27. Financial Risk Management (cont'd)

Liquidity Risk (cont'd)

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

Currency Risk

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

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

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

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

	(Increase)/ Decrease in Loss 2012 RM	The Group (Increase)/ Decrease in Loss 2011 RM
Appreciation of USD against RM by 10%	1,048,249	1,476,349
Depreciation of USD against RM by 10%	<u>(1,048,249)</u>	<u>(1,476,349)</u>

Interest Rate Risk

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

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

NOTES TO THE FINANCIAL STATEMENTS (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2012

27. Financial Risk Management (cont'd)

Interest Rate Risk (cont'd)

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

	(Increase)/ Decrease in Loss 2012 RM	The Group (Increase)/ Decrease in Loss 2011 RM
Increase in interest rates by 100 basis points	(138,227)	(175,502)
Decrease in interest rates by 100 basis points	<u>138,227</u>	<u>175,502</u>

28. Capital Management

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

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

	2012 RM	The Group 2011 RM
Total loans and borrowings	123,261,551	107,031,413
Total equity	<u>116,332,789</u>	<u>95,064,724</u>
Total capital	<u>239,594,340</u>	<u>202,096,137</u>
Debt-to-equity ratio	<u>1.06 : 1</u>	<u>1.13 : 1</u>

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

SUPPLEMENTARY INFORMATION

- REALISED AND UNREALISED PROFITS OR LOSSES

	The Group		The Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Total retained profits of the Company and its subsidiaries:-				
- Realised	24,646,253	34,512,978	70,012	929,092
- Unrealised	(5,959,226)	(6,725,000)	0	0
	<u>18,687,027</u>	<u>27,787,978</u>	<u>70,012</u>	<u>929,092</u>
Consolidation adjustments and eliminations	1,983,343	790,860	0	0
Total retained profits as per statement of financial position	<u>20,670,370</u>	<u>28,578,838</u>	<u>70,012</u>	<u>929,092</u>

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

PROPERTIES OF THE GROUP

Location	Date of *Revaluation/ Acquisition	Tenure	Approximate Age of Building	Area (Square Meters)	Description	Net Book Value as at 31 December 2012 RM'000
Leader Steel Sdn. Bhd.						
Plot 85 Lorong Perusahaan Utama Kawasan Perusahaan Bukit Tengah Pulau Pinang, Malaysia	31.12.12	Leasehold 60 years, expiring 21.12.2052	19 years	34,000	Factory	24,200
6 Lorong Limau Manis 1 Taman Limau Manis 14000 Bukit Tengah Pulau Pinang, Malaysia	31.12.12	Freehold Double Storey Terrace house	18 years	111	Residential premise for factory workers	270
8 Lorong Limau Manis 1 Taman Limau Manis 14000 Bukit Tengah Pulau Pinang, Malaysia	31.12.12	Freehold Double Storey Terrace house	18 years	111	Residential premise for factory workers	270
Lot 841 Block 7 MTLD Sejingkat Industrial Park 93050 Kuching Sarawak, Malaysia	31.12.12	Leasehold 60 years, expiring 10.11.2053	20 years	33,600	Factory	16,400
Leader Steel Service Centre Sdn. Bhd.						
Geran 43145, Lot No. 6483 Kapar, Klang Selangor, Malaysia	31.12.12	Freehold	9 years	52,483	-	13,750
Lot 6483, Jalan Sungai Puloh, KU5 42100 Klang, Selangor	31.12.12	Freehold Building	4 years	17,000	Factory	16,250
42A, Lorong Bayu Mutiara 8 Taman Bayu Mutiara 14000 Bukit Mertajam Pulau Pinang, Malaysia	31.12.12	Freehold Double Storey Terrace house	6 years	130	Residential premise for factory workers	370
48, Lorong Bayu Mutiara 8 Taman Bayu Mutiara 14000 Bukit Mertajam Pulau Pinang, Malaysia	31.12.12	Freehold Double Storey Terrace house	6 years	130	Residential premise for factory workers	370
53, Jalan Setia Impian, U13/4D Sek U13, Setia Alam 40170 Shah Alam Selangor	31.12.12	Freehold Double Storey Terrace house	5 years	130	Residential premise for factory workers	465
32A, Jalan Setia Impian, U13/5F Sek U13 Setia Alam 40170 Shah Alam Selangor	31.12.12	Freehold Double Storey Terrace house	5 years	130	Residential premise for factory workers	465
32, Klang Central Industrial Park, Lorong 5 Di Lorong Sg. Puloh, Batu 5 ¾, Jln Kapar 41400 Klang, Selangor	31.12.12	Shophouse	3 years	186	Residential premise for factory workers	395
No.8, Jln Setia Impian U13/8G, Setia Alam Seksyen U13, Setia Alam, 40170 Shah Alam	31.12.12	Freehold Double Storey Terrace house	4 years	130	Residential premise for factory workers	555

ANALYSIS OF SHAREHOLDINGS AS AT 16 APRIL 2013

Authorised Share Capital	: RM500,000,000/=
Issued And Fully Paid-Up Capital	: RM64,016,000/= (including 100 treasury shares)
Class Of Share	: Ordinary Shares of RM0.50 each fully paid
No. Of Shareholder	: 2,365
Voting Right	: On A Show Of Hands - One Vote For Every Shareholder : On poll - one vote for every ordinary share held

Analysis by size of shareholdings

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Shares held
LESS THAN 100	3	0.127	107	0.000
100 - 1,000	184	7.780	159,897	0.125
1,001 - 10,000	1,420	60.042	7,853,396	6.134
10,001 - 100,000	690	29.176	19,644,532	15.343
100,001 – 6,401,599	65	2.748	17,583,306	13.734
6,401,600 – 128,032,000	3	0.127	82,790,762	64.664
TOTAL:	2,365	100.00	128,032,000	100.00

Substantial Shareholders

No.	Name of Major Shareholders	Direct		Indirect	
		No. of Shares	%	No. of Shares	%
1.	Dato' Goh Cheng Huat	10,530,594	8.22	[^] 55,185,874	43.10
2.	Datin Tan Pak Say	1,150,006	0.90	^{^^} 64,566,462	50.43
3.	Bischart Sdn Bhd	54,035,868	42.20	-	-
4.	Amanah Trustees Berhad – Skim Amanah Saham Bumiputera	18,224,300	14.23	-	-

[^] Deemed interested by virtue of his shareholding in Bischart Sdn Bhd pursuant to Section 6A of the Companies Act, 1965 and shares held by his spouse, Datin Tan Pak Say.

^{^^} Deemed interested by virtue of her spouse's shareholding in Bischart Sdn Bhd pursuant to Section 6A of the Companies Act, 1965 and her spouse's direct shareholding in Leader Steel Holdings Berhad.

DIRECTOR'S INTEREST IN THE SHARE CAPITAL

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

[^] Deemed interested by virtue of his shareholding in Bischart Sdn Bhd pursuant to Section 6A of the Companies Act, 1965 and shares held by his spouse, Datin Tan Pak Say.

^{^^} Deemed interested by virtue of her spouse's shareholding in Bischart Sdn Bhd pursuant to Section 6A of the Companies Act, 1965 and her spouse's direct shareholding in Leader Steel Holdings Berhad.

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

ANALYSIS OF SHAREHOLDINGS (CONT'D)

AS AT 16 APRIL 2013

(TOP 30 LARGEST SHAREHOLDERS)

	Name	Number of Shares	% of Shares
1	AMANAHRAYA TRUSTEES BERHAD SKIM AMANAH SAHAM BUMIPUTERA	18,224,300	14.234
2	BISCHART SDN. BHD.	18,035,868	14.087
3	BISCHART SDN. BHD.	18,000,000	14.059
4	BISCHART SDN. BHD.	18,000,000	14.059
5	GOH CHENG HUAT	10,500,000	8.201
6	CHUAH CHOON IMM	1,212,100	0.947
7	TAN PAK SAY	1,150,006	0.898
8	CHEANG BENG CHEE	847,000	0.662
9	CITIGROUP NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR TEE CHENG TEOK (474305)	646,400	0.505
10	TAN PHAIK HOON	620,000	0.484
11	GOH CHIN LIM	529,000	0.413
12	LIM KIAN HUAT	502,900	0.393
13	TAN KHENG HWA	500,000	0.391
14	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR YAP CHI KEONG (E-TAI/TIN)	444,300	0.347
15	KUEH SONG JOO	420,000	0.328
16	BONG CHONG TAT	344,100	0.269
17	SIM CHOH SANG @ SIM CHOH SHAN	336,000	0.262
18	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR BONG SIEW KIAW	320,000	0.250
19	LIM PENG KAH	309,400	0.242
20	KENANGA NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR GOH KIM SIN	306,000	0.239
21	LIM KHUAN ENG	300,000	0.234
22	GOH KHANG LENG	300,000	0.234
23	ANG HOCK HENG	289,000	0.226
24	PUBLIC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR LIM CHIT MIN (E-TWU)	282,000	0.220
25	CIMSEC NOMINEES (TEMPATAN) SDN BHD PLEDGED SECURITIES ACCOUNT FOR CHAN THYE THIAN (J DEDAP-CL)	277,200	0.217
26	CHAN MEI YEE	261,100	0.204
27	CHEAH SUAN LEE	250,000	0.195
28	CITIGROUP NOMINEES (ASING) SDN BHD EXEMPT AN FOR OCBC SECURITIES PRIVATE LIMITED (CLIENT A/C-NR)	248,000	0.194
29	TAN POH HWA	244,700	0.191
30	LOO CHEE LAIN	243,500	0.190
	TOTAL:	93,942,874	73.375

PROXY FORM



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 TWENTIETH 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 Monday, 27 May 2013 at 12.15pm and at any adjournment thereof.

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

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

* Strike out whichever is not desired.

Signed this _____ day of _____ 2013.

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

Signature of Shareholder(s)/ Common Seal

Notes :

Appointment of Proxy

- A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) of the 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.
- Where a Member of the Company is an exempt authorised nominee which hold ordinary shares in the Company for multiple beneficial owner in one (1) securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorised nominee may appoint in respect of each omnibus account its holds.

An exempt authorised nominee refers to an authorised nominee defined under the Securities Industry (Central Depositories) Act 1991 ("SICDA") which is exempted from compliance with the provisions of subsection 25A(1) of SICDA.
- The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
- To be valid, the 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.
- For purpose of determining who shall be entitled to attend this meeting, the Company shall be requesting Bursa Malaysia Depository Sdn. Bhd. to make available to the Company pursuant to Article 67B of the Articles of Association of the Company and Paragraph 7.16(2) of the Main Market Listing Requirements of Bursa Malaysia Securities Berhad, a Record of Depositors ("ROD") as at 20 May 2013 and only a Depositor whose name appears on such ROD shall be entitled to attend this meeting or appoint proxy to attend and/or vote in his/her behalf.

Please fold across the line and close

Affix
stamp

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

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LEADER STEEL HOLDINGS BERHAD (267209-K)

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

Tel : 604-507 1515 (Hunting Line)

Fax : 604-507 9527 & 507 9537

Website : www.leadersteel.my