LEON FUAT BERHAD
(756407-D)

SHAPING OUR FUTURE GROWTH

ANNUAL REPORT 2016

MOVING FORWARD
CONFIDENTLY

SHAPING OUR FUTURE GROWTH

LEON FUAT BERHAD
(756407-D)

As we progress, we proactively shape our future to deliver a dynamic momentum of growth and success. Having embarked on an unprecedented transformation journey, we are poised to take flight – soaring towards brighter prospects and scaling new heights towards delivering greater achievements and to better reward and enrich stakeholders.

INJECTING FRESH
IMPETUS & NEW
GROWTH

A STRONGER
BUSINESS MODEL

AR 2016

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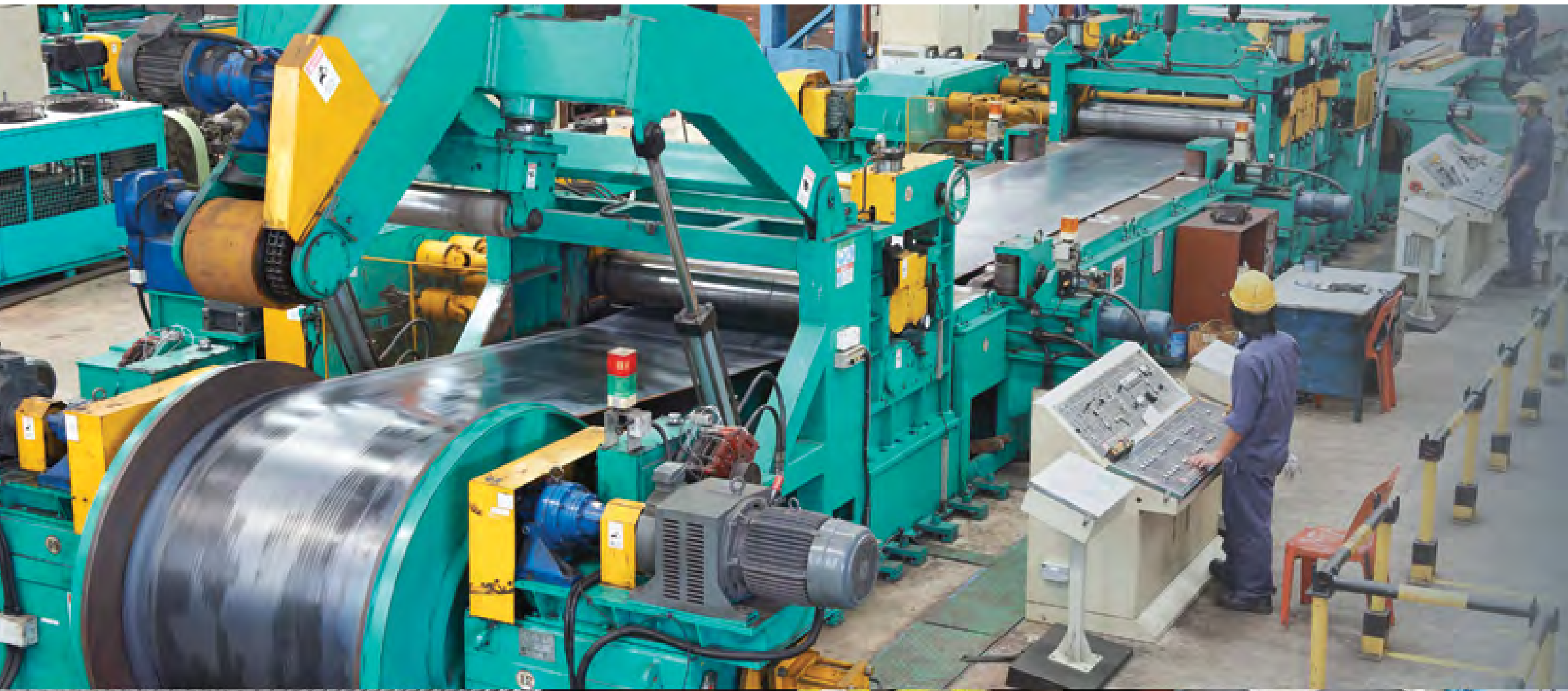
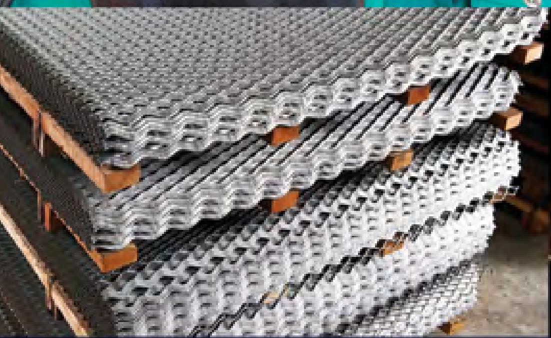
LEON FUAT GROUP'S

BUSINESS AT A GLANCE





Our Group is currently in the business of trading and processing a wide range of steel products of different shapes, dimensions and grades to meet the requirements of customers. Our processing business is synergistic to our trading operations, whereby we provide various value added services in the form of cutting, levelling, shearing, profiling, bending and finishing as well as production of expanded metal to meet the requirements of our customers.

Our core business activities comprise:

Trading of steel products; and
Processing of steel products.

OUR PRODUCTS

- STAINLESS STEEL FLAT
- STAINLESS STEEL LONG
- CARBON AND ALLOY STEEL FLAT
- CARBON AND ALLOY STEEL LONG

OUR SERVICES

CUTTING SERVICES

CNC Laser Cutting • CNC Waterjet Cutting • CNC Plasma Cutting • Portable Plasma Cutting • CNC Oxy-gas and Plasma Cutting • CNC Oxy-gas Cutting • Oxy-gas Cutting with Optical Tracer • Portable Oxy-gas Cutting • Bandsaw Cutting

OTHER SERVICES

Levelling • Guillotine Shear • CNC Press Brake (Bending) • CNC Turret Punching • Profiling • Surface Polishing

INJECTING FRESH IMPETUS

& NEW GROWTH

CREATING A SUSTAINABLE FUTURE IN THE STEEL INDUSTRY

We have taken bold but deliberate action to deliver a better company for both today and tomorrow. The vision put forth and the strategies put in place secure the company's immediate and long-term future – ensuring that together with revenue and profit growth, we continue to ensure sustainability for many years to come.

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Ng Ah Hock @ Ng Soon Por
Independent Non-Executive Chairman

Dato' Sri Ooi Bin Keong
Group Managing Director

Ooi Kong Tiong
Executive Director

Ooi Seng Khong
Executive Director

Ng Kok Teong
Executive Director

Ooi Shang How
Executive Director

Chan Kee Loin
Independent Non-Executive Director

Tan Did Heng
Independent Non-Executive Director

Tan Sack Sen
Independent Non-Executive Director

AUDIT COMMITTEE

Tan Did Heng *(Chairman)*
Chan Kee Loin
Tan Sack Sen

NOMINATION COMMITTEE

Chan Kee Loin *(Chairman)*
Tan Sack Sen
Tan Did Heng

REMUNERATION COMMITTEE

Tan Sack Sen *(Chairman)*
Chan Kee Loin
Dato' Sri Ooi Bin Keong

COMPANY SECRETARIES

Yeoh Chong Keat *(MIA 2736)*
Lim Fei Chia *(MAICSA 7036158)*

REGISTERED OFFICE

Suite 11.1A, Level 11
Menara Weld
76 Jalan Raja Chulan
50200 Kuala Lumpur
Tel : (603) 2031 1988
Fax : (603) 2031 9788

PRINCIPAL PLACE OF BUSINESS

Wisma Leon Fuat
No.11, Lorong Keluli 1B
Kawasan Perindustrian
Bukit Raja Selatan
Seksyen 7, 40000 Shah Alam
Selangor Darul Ehsan
Tel : (603) 3375 3333
Fax : (603) 3344 7777

AUDITORS

Baker Tilly AC *(AF001826)*
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel : (603) 2297 1000
Fax : (603) 2282 9980

SHARE REGISTRAR

Symphony Share Registrars
Sdn Bhd *(378993-D)*
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : (603) 7841 8000
Fax : (603) 7841 8150

PRINCIPAL BANKERS

AmBank (M) Berhad *(8515-D)*
Level 18, Menara Dion
Jalan Sultan Ismail
50250 Kuala Lumpur
Tel : (603) 2026 3939
Fax : (603) 2026 6855

Hong Leong Bank Berhad
(97141-X)
Level 5, Wisma Hong Leong
18 Jalan Perak
50450 Kuala Lumpur
Tel : (603) 2164 2828
Fax : (603) 2167 4457

Al Rajhi Banking & Investment
Corporation (Malaysia) Berhad
(719057-X)
Ground Floor, East Block Wisma
Selangor Dredging
142-B Jalan Ampang
50450 Kuala Lumpur
Tel : (603) 2301 7000
Fax : (603) 2170 7100

STOCK EXCHANGE LISTING

Main Market of Bursa Malaysia
Securities Berhad
Sector : Industrial Products
Stock Name : LEONFB
Stock Code : 5232

CORPORATE STRUCTURE

LEON FUAT BERHAD
(756407-D)

100%
LF Hardware
LEON FUAT HARDWARE SDN BHD

100%
LF Metal
LEON FUAT METAL SDN BHD
[Formerly known as Leon Fuat Hardware (Klang) Sdn Bhd]

100%
LFIP
LEON FUAT INDUSTRIAL PRODUCTS SDN BHD

100%
Supreme Steelmakers
SUPREME STEELMAKERS SDN BHD

100%
ASA Steel
ASA STEEL (M) SDN BHD

100%
Overum
OVERUM WEAR PARTS (FAR EAST) PTE LTD

BOARD OF DIRECTORS

Chan Kee Loin
Independent Non-Executive Director

Tan Did Heng
Independent Non-Executive Director

Ooi Shang How
Executive Director

Ooi Kong Tiong
Executive Director

Dato' Sri Ooi Bin Keong
Group Managing Director

Dato' Ng Ah Hock @ Ng Soon Por
Independent Non-Executive Chairman

Ooi Seng Khong
Executive Director

Ng Kok Teong
Executive Director

Tan Sack Sen
Independent Non-Executive Director

PROFILE OF DIRECTORS

DATO' NG AH HOCK @ NG SOON POR
Malaysian , aged 67
Independent Non-Executive Chairman

Dato' Ng Ah Hock @ Ng Soon Por was appointed to the Board on 6 November 2012. He graduated from Tunku Abdul Rahman College in 1974 with the accountancy qualification ACCA awarded by the Association of Chartered and Certified Accountants of United Kingdom. He is a member of Malaysia Institute of Accountants, a Fellow Member of the Association of Chartered and Certified Accountants of United Kingdom, and also a member of the Malaysia Institute of Chartered Secretaries & Administrators.

He began his career in 1974 when he joined the audit firm Turquand, Youngs & Co./Azman, Wong, Salleh & Co. as an Auditor. In 1977, he left the audit firm and joined Spicers International Ltd, as a Finance Manager.

In 1982, he left Spicers International Ltd when he was elected as Selangor State Legislative Assemblyman for Sungei Pelek constituency, and held the position until 1995. During his tenure as an assemblyman, he was also a Selangor Executive Councillor from 1990 to 1995. Subsequently in 1995, he joined Paper Converting Industries Sdn Bhd as a Finance Director until 2005. He was also a member of the Selangor Public Service Commission from 2002 to 2007. From 2008 to date, he is involved in managing his own personal investment in commercial properties.

He was appointed as an Independent Non-Executive Director of XingQuan International Sports Holdings Limited on 1 June 2009 and retired on 2 December 2011. He was an Independent Non-Executive Director of Turbo-Mech Berhad, also a company listed on the Main Market of Bursa Securities, for the period from 15 October 2009 to 1 June 2016.

He has no family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company.

DATO' SRI OOI BIN KEONG
Malaysian , aged 67
Group Managing Director

Dato' Sri Ooi Bin Keong was appointed to the Board on 21 June 2012. He is a member of the Remuneration Committee of the Board. After completing his primary education in 1963, he worked at a coffee shop before he established Leong Huat Trading & Co in 1972 as a partnership, which was then mainly involved in the trading of steel products and undertook minor processing work. He currently oversees the overall management of the Group.

In 1982, he co-founded the Group together with Ooi Kong Tiong and the late Ng Chee Tiang, by establishing LF Hardware to take over the business of Leong Huat Trading & Co. They then established LF Metal, Supreme Steelmakers and ASA Steel in 1983, 1991 and 1995 respectively. As the co-founder and Group Managing Director, he has been instrumental in the growth and development. With approximately 44 years of experience in the steel industry, he has contributed significantly to the success particularly in driving the Group's overall vision.

He is the 2nd Vice President of the Malaysia Steel and Metal Distributors' Association (MSMDA) for the period 2015-2017.

He is the father of Ooi Shang How, brother of Ooi Seng Khong and Ooi Kong Tiong, and uncle of Ng Kok Teong. He has no conflict of interest with the Company.

OOI KONG TIONG
Malaysian, aged 63
Executive Director

Ooi Kong Tiong was appointed to the Board on 21 June 2012. He currently oversees the Group's sales operations and is responsible for the Group's business planning and implementation.

After completing his primary education in 1967, he opted to join the working community and worked at a coffee shop before he joined Leong Huat Trading & Co in 1972 as a machine operator and sales executive. In 1982, he co-founded the Group together with Dato' Sri Ooi Bin Keong and the late Ng Chee Tiang, by establishing LF Hardware to take over the business of Leong Huat Trading & Co. Together with Dato' Sri Ooi Bin Keong and the late Ng Chee Tiang, he established LF Metal, Supreme Steelmakers and ASA Steel in 1983, 1991 and 1995 respectively. As the Group's co-founder and Executive Director, he has been instrumental in the growth and development of the Group. With approximately 44 years of experience in the steel industry, he has contributed significantly to the Group's success particularly in driving the sales operations for the Group. As such, he oversees the Group's sales and business development requirements and is responsible for responding to the customers' needs.

He is the brother of Dato' Sri Ooi Bin Keong and Ooi Seng Khong, and uncle of Ng Kok Teong and Ooi Shang How. He has no conflict of interest with the Company.

OOI SENG KHONG
Malaysian, aged 55
Executive Director

Ooi Seng Khong was appointed to the Board on 21 June 2012. He is currently responsible for the Group's business development and procurement.

After completing his primary school education in 1975, he was involved in his family's paper packaging business before joining Leong Huat Trading & Co as a machine operator in 1979. In 1982, he joined LF Hardware as a sales personnel and subsequently in 1983, he was appointed as Head of Operations of LF Metal. In 1999, he was appointed as Managing Director of LF Metal. As the Group's Executive Director, he has been instrumental in the growth and development of the Group. With approximately 37 years of experience in the steel industry, he has contributed significantly to the Group's success particularly in overseeing the business development and procurement activities of the Group.

He is the brother of Dato' Sri Ooi Bin Keong and Ooi Kong Tiong, and uncle of Ng Kok Teong and Ooi Shang How. He has no conflict of interest with the Company.

PROFILE OF DIRECTORS

NG KOK TEONG
Malaysian, aged 48
Executive Director

Ng Kok Teong was appointed to the Board on 21 June 2012. He obtained his Diploma in Business Studies from Stamford College, Malaysia in 1989. He began his career in 1990 when he joined LF Hardware as a sales personnel. In 1999, he was appointed as Executive Director of LF Hardware. He currently oversees the procurement section of the Group.

He is the nephew of Dato' Sri Ooi Bin Keong, Ooi Seng Khong and Ooi Kong Tiong and cousin of Ooi Shang How. He has no conflict of interest with the Company.

OOI SHANG HOW
Malaysian, aged 38
Executive Director

Ooi Shang How was appointed to the Board on 21 June 2012. He is in charge of the Group's administration and information technology needs. In 1997, he obtained his Cambridge A-Level certificate from Taylor's College, Malaysia. Between 1998 and 2001, he undertook studies in Monash University and RMIT in Australia, but, returned to Malaysia to assist the Group's business.

He began his career in 2002 when he joined LF Metal as a sales and marketing personnel. Later, he was tasked to develop information technology capability for the company. In 2005, he was appointed as Executive Director of LF Metal where he was mainly involved in business development and procurement planning as well as information technology areas of the company. He currently oversees new business development area of the company.

He is the son of Dato' Sri Ooi Bin Keong, nephew of Ooi Seng Khong and Ooi Kong Tiong and cousin of Ng Kok Teong. He has no conflict of interest with the Company.

CHAN KEE LOIN
Malaysian, aged 53
Independent Non-Executive Director

Chan Kee Loin was appointed to the Board on 21 June 2012. He is the Chairman of the Nomination Committee, a member of Audit Committee and Remuneration Committee of the Board. He was educated at Tunku Abdul Rahman College ("TAR College"), Malaysia, where he completed the three (3) year extra-mural course in Financial Accounting in 1987 and is currently a finalist in professional examination of the Association of Chartered Certified Accountants, United Kingdom.

He started his career in 1988 as an audit assistant with Messrs. Soh & Co., a firm of Public Accountants in Johor Bahru, and left in 1989 to join Messrs. Tet O. Chong & Co., a firm of Public Accountants in Kuala Lumpur. Messrs. Tet O. Chong & Co. had since evolved into the current Messrs. Baker Tilly AC, where he held the position of Director from 2000 until he left in 2009. His experience in these firms includes statutory audits, due diligence audits, share and business valuation and rendering professional services as adviser, co-ordinator and reporting accountants for corporate exercises. He had since ceased working fulltime. He currently sits on the Board of CAM Resources Berhad, a company listed on the Main Market of Bursa Securities as an Independent Non-Executive Director.

He has no family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company.

TAN DID HENG
Malaysian, aged 46
Independent Non-Executive Director

Tan Did Heng was appointed to the Board on 21 June 2012. He is the Chairman of the Audit Committee and a member of Nomination Committee of the Board. From 1992 to 1994, he attended TAR College to undertake the course and examinations leading to membership with the Malaysian Institute of Certified Public Accountants (MICPA) and the Malaysian Institute of Accountants (MIA) in 1999.

In 1994 he joined Tai, Yapp & Co as an associate. He left the firm in 2000 and joined United Straits Amalgamated Berhad as an Accountant. Thereafter, he started D.H. Tan & Associates in 2001 as the managing proprietor to-date.

He is an Approved Company Auditor and Licensed Tax Agent since 2001 and 2005 respectively. He is also currently the managing proprietor of Y.W. Woon & Co.

He has no family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company.

PROFILE OF DIRECTORS

TAN SACK SEN
Malaysian, aged 41
Independent Non-Executive Director

Tan Sack Sen was appointed to the Board on 21 June 2012. He is the Chairman of the Remuneration Committee, a member of Audit Committee and Nomination Committee of the Board. In 2007, he obtained his Bachelor of Law (Honours) Degree from the University of Wales, Cardiff, United Kingdom and has obtained the Certificate of Legal Practice from the Board of Legal Practice in 1998.

He began his career with Messrs. K.B.Chua & Co. and was admitted to the Bar in 1999. He then joined Messrs. T. G. Lim & Partners in 1999 and further his practice in banking litigation. Thereafter, he joined Messrs. Jal & Lim in 2001 to conduct in various defence work and general litigation matters. In 2002, he was invited by Messrs. Chong & Tiong to handle and manage the Litigation Department. In 2003, he started the firm Messrs. Yee How & Tan where he manages the main office at Kuala Lumpur.

He has no family relationship with any director and/or major shareholder of the Company and has no conflict of interest with the Company.

Note:
None of the above Directors have committed any offences which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

PROFILE OF

KEY MANAGEMENT PERSONNEL

Ng Lam Keong

Malaysian, aged 59

EXECUTIVE DIRECTOR OF LF HARDWARE

Ng Lam Keong is the Executive Director of LF Hardware. After completing his primary education in 1971, he joined the workforce in his family's paper packaging business from 1972 to 1981.

In 1982, he joined LF Hardware as a machine operator before he was promoted to overseeing the management of the steel processing operations for the company and also management of human resources in 1992. In 1999, he was appointed as Executive Director of LF Hardware. He is mainly responsible for sales and procurement functions of LF Hardware.

He is the brother of Dato' Sri Ooi Bin Keong, Ooi Kong Tiong and Ooi Seng Khong, and uncle of Ng Kok Teong and Ooi Shang How. He has no conflict of interest with the Company.

Ooi Pek Kuan

Malaysian, aged 52

EXECUTIVE DIRECTOR OF LF METAL

Ooi Pek Kuan is the Executive Director of LF Metal. After completing his Form 4 education, he started his career in 1983 when he joined LF Metal as a machine operator.

In 1999, he was appointed as Executive Director of LF Metal. He has since accumulated approximately 33 years of experience in the steel industry. He is currently responsible for the business development and procurement functions of LF Metal.

He is the brother of Dato' Sri Ooi Bin Keong, Ooi Kong Tiong and Ooi Seng Khong, and uncle of Ng Kok Teong and Ooi Shang How. He has no conflict of interest with the Company.

Ng Kok Wee,

Malaysian, aged 46

EXECUTIVE DIRECTOR OF LF METAL

Ng Kok Wee is an Executive Director of LF Metal. He obtained his Bachelor of Commerce Degree in Accounting from Nelson Polytechnic, New Zealand in 1999.

His career started in 2000, when he joined Ling Kam Hong & Co, an audit firm in Kuala Lumpur as a semi-senior. In 2002, he left the said firm and joined LF Holdings as Accounts Executive. Subsequently in 2007, he left and took up the position as Assistant Accountant in LF Hardware. In 2009, he was transferred to LF Metal and took up the position of Finance Manager. In 2010, he was appointed as Executive Director of LF Metal.

He is the brother of Ng Kok Teong, nephew of Dato' Sri Ooi Bin Keong, Ooi Kong Tiong and Ooi Seng Khong, and cousin of Ooi Shang How. He has no conflict of interest with the Company.

Ooi Shang Yao

Malaysian, aged 35

EXECUTIVE DIRECTOR OF SUPREME STEELMAKERS

Ooi Shang Yao is the Executive Director of Supreme Steelmakers. In 2006, he obtained his Degree of Bachelor of Business, from Swinburne University of Technology, Australia.

He began his career in 2007 when he joined Supreme Steelmakers as a sales and marketing personnel. Later, he was tasked to involve in procurement planning and overseeing the factory operations of Supreme Steelmakers. In 2013, he was promoted as General Manager of Supreme Steelmakers assisting the Managing Director in overseeing the factory operations, human resource and administrative functions of Supreme Steelmakers.

He was appointed as Executive Director of Supreme Steelmakers on 15 March 2017.

He is the son of Dato' Sri Ooi Bin Keong, brother of Ooi Shang How, nephew of Ooi Kong Tiong and Ooi Seng Khong, and cousin of Ng Kok Teong. He has no conflict of interest with the Company.

PROFILE OF KEY MANAGEMENT PERSONNEL

Tan Kien Yap

Malaysian, aged 45

CHIEF FINANCIAL OFFICER

Tan Kien Yap is our Chief Financial Officer. In 1997, he obtained his Bachelor of Accountancy degree from Universiti Putra Malaysia. He is a Chartered Accountant and a member of the Malaysian Institute of Accountants (MIA) since 2000.

His career started in 1997, when he joined Price Waterhouse (predecessor firm of PricewaterhouseCoopers) as Audit Assistant. In 1999, he was promoted to the position of Senior Associate. Subsequently in 2000, he left the said firm and joined Leon Fuat Holdings Sdn Bhd as Group Accountant. In 2013, he was transferred to the Company and responsible for overseeing the management reporting and financial activities of Leon Fuat Group.

He has no family relationship with any director and/ or major shareholder of the Company and has no conflict of interest with the Company.

Wong Choong Heng

Malaysian, aged 49

ASSISTANT GENERAL MANAGER OF LF METAL

Wong Choong Heng is the Assistant General Manager of LF Metal. In 2005, he obtained his Masters in Business Administration Degree, from the University of Hull, United Kingdom.

His career started in 1988, when he joined Asahi Techno Vision (S) Pte Ltd in Singapore as a fitter and was promoted to technician group leader in year 1991. Later, he returned to Malaysia and in 1996, he joined Hanwa AJ (M) Sdn Bhd as Production Executive and was promoted to Production Manager in year 1999. He left Hanwa AJ and joined LF Metal in 2002. He took up the position as Factory Operations Manager. In 2006, he was promoted as Assistant General Manager of LF Metal , assisting Executive Directors in overseeing the factory operations, human resource and administrative functions of the company.

In 2015, he attended a Professional Certification in Human Resources program and subsequently become a Professional Member (CAHRI) of Australian Human Resources Institute (AHRI). He is also a Chartered Member (Chartered MCIPD) of Chartered Institute of Personnel Development (CIPD), UK since 2016.

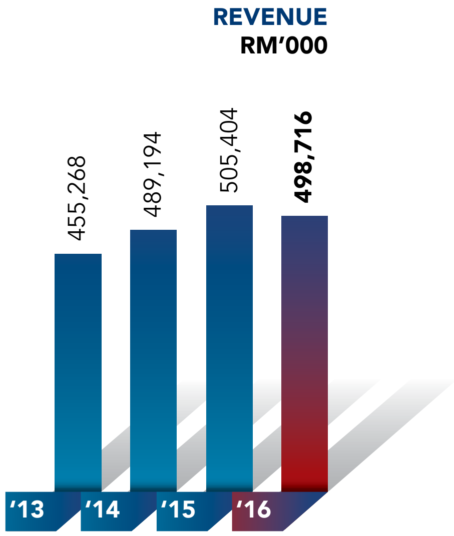
He continued to pursue his study in year 2016 and was awarded Graduate Certificate of Business by University of Southern Queensland, Australia before he re-joined LF Metal in the same year.

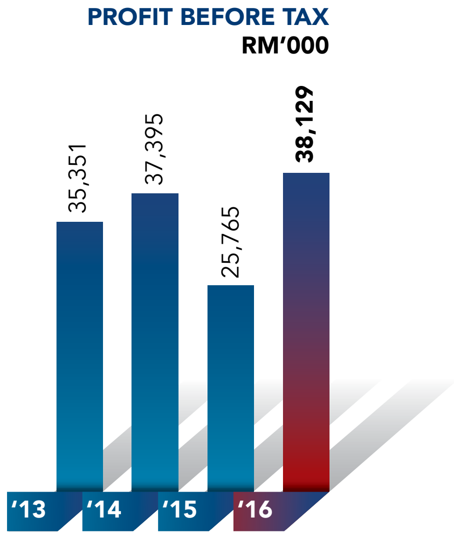
He has no family relationship with any director and/ or major shareholder of the Company and has no conflict of interest with the Company.

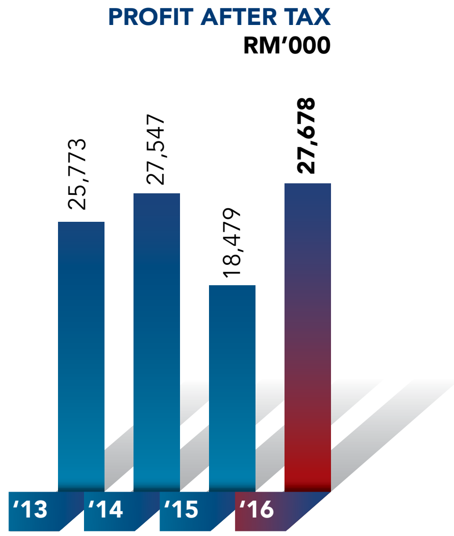
Note:
None of the above Key Management Personnel have committed any offences which require disclosure pursuant to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

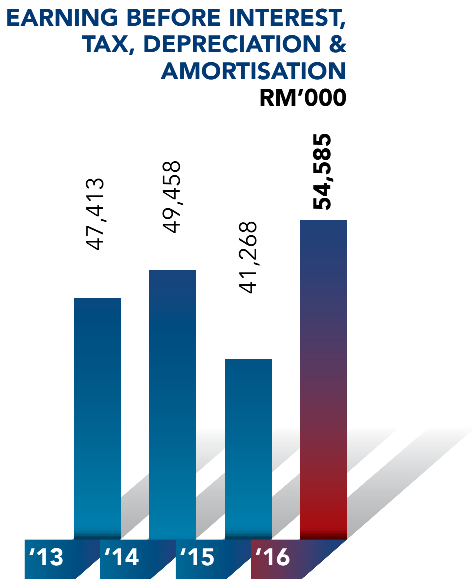
FINANCIAL HIGHLIGHTS

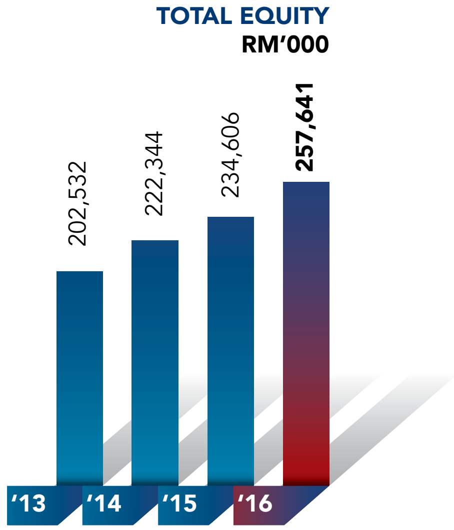
Financial Year Ended	2013 RM'000	2014 RM'000	2015 RM'000	2016 RM'000
Revenue	455,268	489,194	505,404	**498,716**
Profit Before Tax	35,351	37,395	25,765	**38,129**
Profit After Tax	25,773	27,547	18,479	**27,678**
Earning Before Interest, Tax, Depreciation & Amortisation	47,413	49,458	41,268	**54,585**
Total Equity	202,532	222,344	234,606	**257,641**
Total Assets	379,669	423,765	441,122	**487,728**

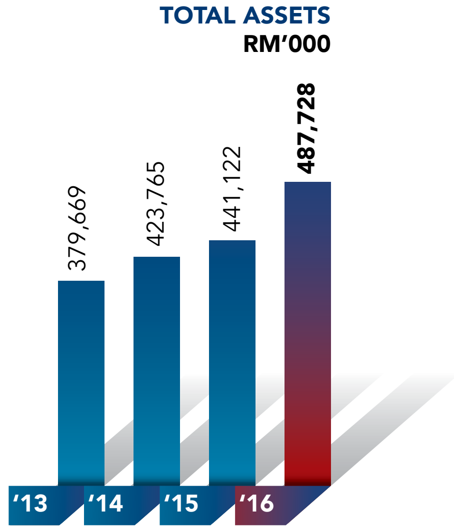












A STRONGER BUSINESS MODEL

GROWING IN RESILIENCE AND STRENGTH

We continue to innovate and improve – enhancing our business towards strengthening our competitive ability amidst a challenging operating environment. Today, we have transformed the Group into a robust, dynamic entity capable to facing challenges and to aggressively drive forward in the pursuit of its aspirations.

CHAIRMAN'S
STATEMENT

DEAR SHAREHOLDERS,

ON BEHALF OF THE BOARD OF DIRECTORS ("**THE BOARD**"), I AM PLEASED TO PRESENT THE ANNUAL REPORT AND THE AUDITED FINANCIAL STATEMENTS OF LEON FUAT BERHAD AND ITS SUBSIDIARIES FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 ("**FY16**"). WE ARE PLEASED TO REPORT THAT THE GROUP HAS ONCE AGAIN RETAINED STEADY PERFORMANCE, THANKS TO OUR UNIQUE POSITION AS A STEEL TRADER AND PROCESSING PROVIDER AS WELL AS OUR GREAT TEAM OF STAFF THAT BUOYED US THROUGH WEAKER MARKET SENTIMENTS.

Dato' Ng Ah Hock @ Ng Soon Por
Chairman

YEAR IN REVIEW

2016 remained challenging for the steel industry, particularly due to the influx of cheap steel imports from China, the increase in mild steel prices, as well as depreciation of Ringgit. As per the fourth quarter of 2016, domestic steel prices increased by over 10% Year-on-Year with steel bars trading at RM1,800-RM1,900 per tonne, while wire rods were trading at about RM1,900 per tonne respectively. Gratefully, there was the local government's decision to introduce safeguard measures in the form of duties of 13.9% for imported steel coils and 13.4% for imported reinforced steel bars, as well as deterring cheaper China steel imports from entering Malaysia markets.

Nevertheless, with the Group's distinctive position from industry steelmakers, the continued downturn in the steel sector did not heavily impact our business strategy aimed towards sustainable diversification. We continued to leverage on our extensive experience in trading and processing of steel products to safeguard our steadfast position as we make our further venture into the manufacturing of products for industrial end-users.

2017 OUTLOOK

The prospects for the steel industry looks positive for 2017 after experiencing a 5-year slump in global steel prices. Looking ahead, we believe that the global steel industry is gradually recovering from the issues of over capacity and lower steel prices, attributed to China's decision to slash its output as well as Malaysia's safeguard measures with the introduction of safeguard duties in September 2016.

While the issue of steel overcapacity will take some years to resolve, we are unlikely to see increases in the global steel price for 2017 as China's focus is expected to be targeted on the control of operational capacity. Meanwhile, in the local steel scene, the Malaysian government is exercising efforts to promote industrialised building systems. The local government is also renewing its push on its "Buy Malaysian Products First" policy, especially in the construction sector, whereby high impact construction projects would ultimately help bolster the domestic steel industry.

The Group remains focused on the core business of steel trading and processing, while expanding its portfolio to offer more products in future to ensure profitability even during a period of market uncertainty.

APPRECIATION

I would like to extend my heartiest appreciation to the Board for their years of support in contribution to the Group's success. Thank you to the management team and our invaluable team of staff for their loyalty and unceasing support.

Last but not least, I would like to express my humble gratitude to all our customers, suppliers, business associates, and shareholders for their vote of confidence in Leon Fuat each year. With these encouragements, we are further motivated to grow our business and bring another year of satisfactory results for all our stakeholders.

Dato' Ng Ah Hock @ Ng Soon Por
Chairman

MANAGEMENT
REVIEW

Dato' Sri Ooi Bin Keong
Group Managing Director

GROUP BUSINESS REVIEW

LEON FUAT'S MAIN BUSINESS SEGMENTS CONTINUE TO BE THE TRADING AND PROCESSING OF STEEL PRODUCTS, SPECIALISING IN LONG AND FLAT ROLLED PRODUCTS. THE TRADING AND PROCESSING OF CARBON STEEL PRODUCTS CONTINUES TO BE THE LARGEST INCOME CONTRIBUTOR, WHICH COLLECTIVELY CONTRIBUTED TO APPROXIMATELY 80.1% OF THE GROUP'S TOTAL REVENUE FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016 ("**FY16**").

Within our trading activities, Leon Fuat's portfolio encompasses a range of products of various steel materials, including carbon steel, stainless steel and alloy steel. Those steel products can be further classified in two categories, namely flat products, which comprise coils, plates, sheets as well as welded tubing and piping, and long products, which include items such as bars, rods, shafts, sections, angles as well as seamless tubing and piping.

Meanwhile, the Group's processing division offers value-adding services, which includes cutting, levelling, shearing, profiling, bending, finishing as well as the production of expanded metal that works in synergy with our trading division. With the advantage of having our own in-house processing facilities, Leon Fuat is able to meet specific product requirements of our customers, as well as serve customers in multiple industries, each used for differing applications.

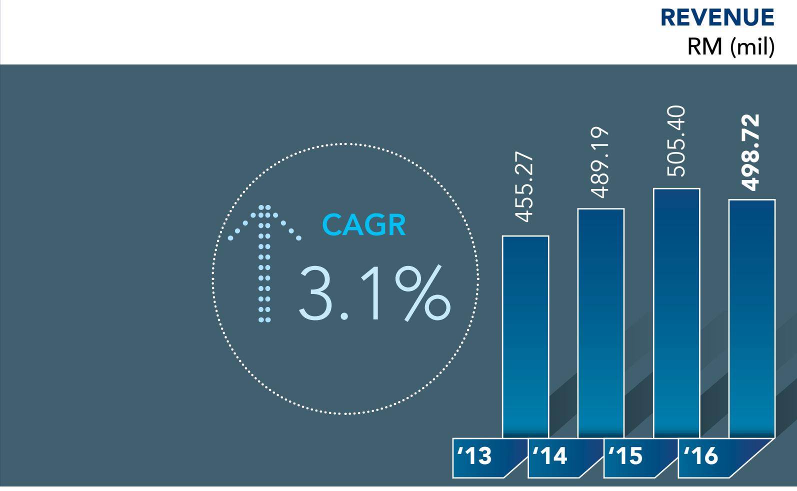
The Group has a large customer base comprising manufacturers of metal products and components, fabricators of machinery, equipment and metal structures, companies within the building, construction and infrastructure industries, and hardware wholesalers and retailers, from local as well as overseas markets namely Thailand, Singapore and Vietnam. For FY16, Leon Fuat has more than 3,000 active customers, including customers who have good working relationships with the Group for over a decade.

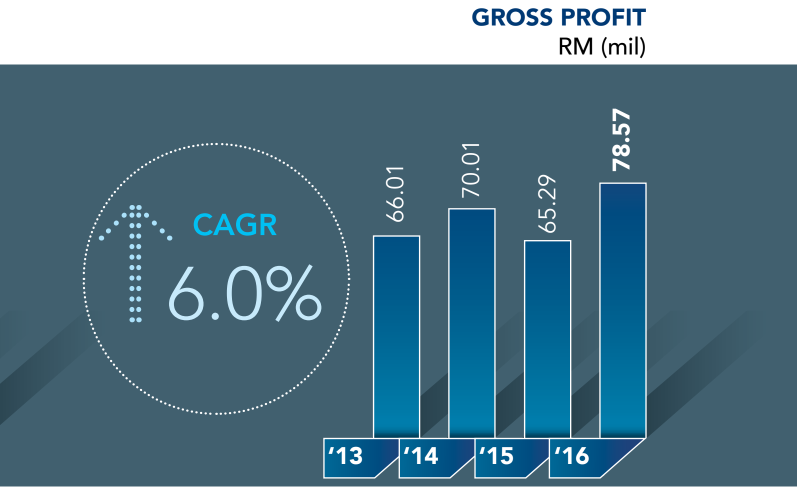
GROUP FINANCIAL PERFORMANCE

FY16 was a stable one for the Group despite depressing market sentiments surrounding the steel sector. I am pleased to share that the Group has successfully delivered commendable results and this encouraging performance is reflected in the Group's financial statements for the financial year under review.

The Group registered total revenue of RM498.72 million in FY16, a 1.3% decline from revenue recorded in the preceding corresponding financial year ("**FY15**") of RM505.40 million. The dip in revenue was mainly due to the decreased revenue generated from our processing of steel products segment by approximately 15.7%, from RM300.01 million in FY15 to RM252.88 million in FY16, mainly due to lower tonnage sales by approximately 19.1%.

Nevertheless, the lower revenue for processing of steel products was largely offset by the increase in revenue for our trading of carbon steel products by approximately 24.6% from RM173.38 million in FY15 to RM216.09 million in FY16, mainly due to the increase in tonnage sales by approximately 23.3%.



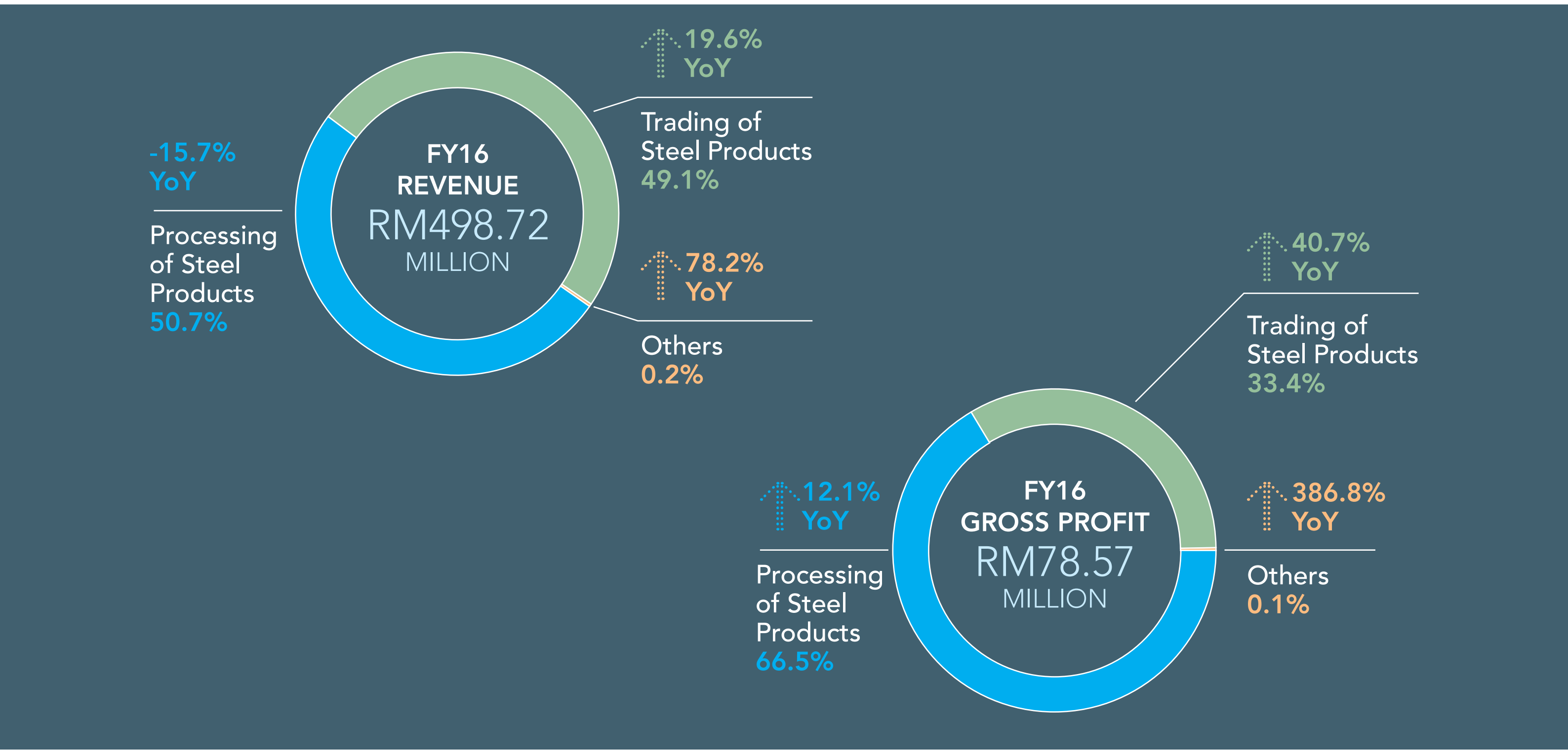


Revenue & Gross Profit comparison for FY 2013 – FY 2016

MANAGEMENT REVIEW

In spite of the slightly lower revenue recorded for FY16, the Group attained higher Gross Profit of RM78.57 million, higher by 20.3% as compared to RM65.29 million recorded for FY15. This was contributed by the improvement in overall gross profit margin, mainly due to better gross profit margin for the processing of steel products, attributable to the increase in average selling price by 4.2%, coupled with the decrease in average cost for input materials by 1.9%.

Accordingly, Leon Fuat Group closed FY16 with total Profit Before Tax and Profit After Tax of RM38.13 million and RM27.68 million respectively as compared to RM25.77 million and RM18.48 million posted for FY15 correspondingly. For FY16, the Group's Earnings Per Share stood at 8.93 sen, a 49.8% increase as compared to the 5.96 sen marked in FY15.



Segmental contribution to FY16 Revenue and Gross Profit

Within our operations, the Group is exposed to several day-to-day risks, which failure to manage may to a certain extent, impact our profitability. One of the key issues that the Group is exposed to is the fluctuation in price of steel materials, often driven by factors such as global economic conditions, production volume of steel mills and the industry's supply and demand, just to name a few. To avoid any significant impact on our operating costs and profit, we consistently monitor the prices of steel materials and our inventory levels closely throughout the year, and achieve better margins over the years.

The fluctuation in foreign currency exchange may impose a risk of increased cost of materials for the Group as we source for some materials such as flat and long stainless steel, alloy steel and carbon steel from overseas, namely Japan, Europe, China and Korea, among others. Even so, the Group has in place several hedging facilities with our bankers such as forward contracts and foreign currency accounts, which can be utilised should the need arises. For FY16, we have successfully avoided our foreign currency losses as compared to FY15 which had recorded realised foreign exchange loss of approximately RM2.33 million. Our purchases that are denominated in foreign currencies accounted for approximately 39.6% of our total purchase costs for FY16, of which approximately 38.8%, 0.3%, and 0.5% were transacted in USD, EUR and SGD respectively.

With our position as an intermediary between the steel millers and industrial end-users, the Group may be exposed to the risk of high inventory holding cost. As our customers usually expects product delivery under short notice, we ensure to keep sufficient level of inventory to provide timely deliveries to our customers at all times. For FY16, our inventory turnover period was approximately 173 days, as compared to approximately 163 days recorded for FY15. Nevertheless, we do not experience any material impact from high inventory holding cost as our steel products do not have a definite shelf life and do not become obsolete.

Last but not least, our business is exposed to credit risks arising from trade receivables as we generally grant out customers credit periods of between 30 days to 120 days. In the event of significant delay in debt collection, we will have to provide for impairment loss on trade receivables or write off trade receivables as bad debts, which may adversely affect our financial performance. For the FY16, we made additional impairment loss on trade receivables of approximately RM0.50 million and wrote off bad debts of a few thousand Ringgit Malaysia only, which both had no significant impact on our financial performance. As at the end of FY16, our balance provision for impairment loss on trade receivables stood at approximately RM1.16 million, representing approximately 0.9% of our total trade receivables.

REVIEW OF OPERATING ACTIVITIES

Following my previous statement, Leon Fuat introduced our three-pronged strategy, developed to effectively help expand our business by increasing our production capacity and improving our efficiency with aim to widen our income stream. We are happy to share that our first initiative, which is the construction of our new warehouse in the Port Klang Free Zone, had been completed and commenced operations during the year. The warehouse currently has a net usable factory storage space of approximately 95,000 sq.ft.

The second initiative had also been completed, which involves major renovation and refurbishment of our existing building located directly opposite Wisma Leon Fuat. The new processing plant has approximately 60,000 sq.ft. of usable factory space, housing both of our new CNC cutting machines as well as the relocation of our existing CNC cutting machine that we believe will enhance efficiency as well as production capacity. With the completion of this plant, it will become one of our key assets to enhance Leon Fuat's profitability going forward.

Our third initiative is the proposed venture into the steel pipe manufacturing sector, which will be implemented at our new plant located at Persiaran Sultan Alauddin KU 17 (also known as Persiaran Sultan Abdul Samad) within Kawasan Perusahaan Bandar Suleiman, Pelabuhan Klang. As we are procurers of steel coils and other steel products, we wish to diversify into providing end products that are produced by these raw materials. In time, this proposed diversification will help reduce our exposure to market volatility in a particular sector.

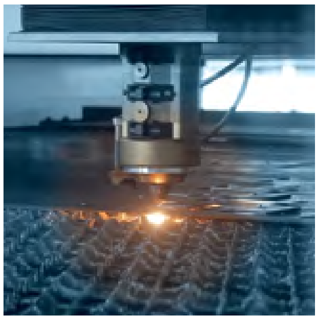
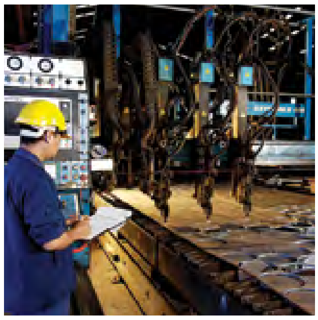
MANAGEMENT REVIEW

As many of our regular customers are purchasers of steel pipes, it is an added advantage that we are able to leverage on our existing clientele network to draw in business for this new segment. Besides the land cost, an estimated initial outlay (for phase 1) of at least RM70.00 million will be required for the purpose of this venture as capital expenditure and working capital over the financial year ending 31 December 2017 and financial year ending 31 December 2018. We target to commence operations by the middle of 2018, and we foresee this venture to become our third core business segment and one of the significant income-generating sources for the Group in future.

Leon Fuat's existing plants house an extensive range of processing machinery, such as cutting, levelling, shearing, profiling, bending and expanded metal processing machines. With the variation in its technologies, the Group is well-equipped to remain competitive in order to maintain its foothold at the forefront of the steel processing industry going forward. As at 31 December 2016, the Group possesses a total of 84 major machines with total Net Book Value ("**NBV**") of RM20.88 million, installed across its three (3) facilities, as listed below:

Machinery and Equipment	No. of Units
Coil levelling machine	3
CNC oxy-gas and plasma cutting machine	1
CNC oxy-gas cutting machine	5
CNC plasma cutting machine	6
CNC laser cutting machine	8
CNC waterjet cutting machine	4
Shearing machine	10
Portable plasma cutting machine	3
Portable oxy-gas cutting machine	8
Expanded metal machine	3
Bandsaw machine	28
High precision CNC press brake machine	3
Surface grinding machine	1
Punching machine	1
Total	**84**









DIVIDEND

The final single-tier dividend of 1.5 sen per share in respect of the financial year ended 31 December 2015, amounting to RM4.65 million, which had been approved by the shareholders at the last Annual General Meeting held on 2 June 2016 was paid on 22 July 2016.

In respect of the financial year ended 31 December 2016, the Board is proposing a final single-tier dividend of 1.5 sen per share amounting to RM4.65 million, which is subject to shareholders' approval at the Annual General Meeting to be held on 6 June 2017. This will bring the total dividend pay-out ratio for FY16 at approximately 16.8% of our net profit, lower than usual practice of up to 30% of our net profit, in order to reduce our reliance on bank borrowings for the materialisation of our upcoming business growth strategies. The Group also wishes to maintain a healthier financial and gearing ratio for the coming financial year.

BUSINESS OUTLOOK

Malaysia's economy saw slower but steady gross domestic product ("**GDP**") growth of 4.2% for the year of 2016 as compared to 5.0% recorded in 2015, due to factors such as volatility in commodity prices, policy uncertainties as well as the weakening of Ringgit. Looking ahead, it is also likely for the local economy to be influenced by the health of the global economy, which is clouded by several known factors such as the effects of the Brexit vote, China's economic position as well as tensions from the United States political scene on international trade.

However, Malaysia's GDP for 2017 is expected to grow by about 4.0% to 5.0%, fuelled by domestic private consumption and investment as the major engine of sustainable growth. Steel prices are also expected to remain volatile while making a modest recovery, thanks to current efforts in place to moderate overproduction and steel prices. The steel industry is also expected to grow thereafter fuelled by demand from the automotive and construction industries.

As for Leon Fuat, we will be focused on prepping our new assets for operations as we expect these additions to benefit the Group in the middle to long run, providing further growth opportunities for our business as well as expanding our market share in the industry. We remain cautiously positive that the Group will be able to maintain its competitiveness to weather through the headwind and generate positive results given the continued stringent and prudent measures applied on the Group's operations.

CORPORATE SOCIAL RESPONSIBILITY

WHILE WE CONTINUOUSLY WORK TOWARDS STRENGTHENING OUR POSITION WITHIN THE INDUSTRY, WE ALWAYS KEEP IN MIND OF THE COMMUNITIES AROUND US BECAUSE IT IS IMPORTANT THAT WE GROW TOGETHER AS WELL AS BE REMINDED OF THE BALANCE BETWEEN GIVING AND TAKING.

COMMUNITY

On 28 April 2016, we participated in a Career Fair organised by the German-Malaysian Institute ("**GMI**"), held on its campus ground in Bangi, Selangor. The Group's involvement was mainly to engage with the students of GMI for both talent recruitment and showcase of employer branding. At the event, we had conducted several interview sessions for recruitment with keen and suitable candidates that are GMI graduates and students. We also opened up opportunities for students who are keen on pursuing an internship with the company. Our partaking in this event garnered positive response from the students.

On 18 December 2016, the Group visited Persatuan Kebajikan SVM Selangor & Kuala Lumpur to make a positive contribution for the less fortunate in hopes to at least put a smile on their faces. SVM Welfare Association is a non-governmental home centre that adopts and cares for mentally disabled and physically handicapped elderly as well as children. The visit was joined by about 15 of our staff as well as our Executive Director, Mr. Ooi Shang How.

Participation in a Career Fair organised by the German-Malaysian Institute

WORKPLACE

We recognise and appreciate greatly the diligence and commitment demonstrated by our employees. On top of that, we believe that our employees are key assets to the development of the Group. To maintain the momentum and continuously motivate of our staff, the Group continues to invest in necessary internal and external training as an investment to boost their skillset in tandem with the ever-developing industry.

In the past year, we have conducted multiple training programmes, which encompass aspects of logistics, sales and purchasing, human resources, finance, production and delivery. We have also organised year-long social activities to ensure the overall well-being of our staff, such as our annual lucky draw, yearly dinner as well as luncheon for our foreign staff to cultivate team building. It is within our pledge that we will continue implementing activities to ensure sustained employee development and retention.

APPRECIATION

I would like to take this opportunity to record my greatest appreciation towards the Board for their continued membership and contribution throughout this exciting year. In addition, I would like to extend my thanks to the management and the employees of Leon Fuat for their unremitting loyalty and perseverance throughout all these years.

To all our shareholders, customers, suppliers, business partners and financiers, I offer my sincere gratitude for their strong support, patience as well as confidence in the Group throughout our years in business. Looking ahead, with our business expansion plans on track and a clear focus on our goals, Leon Fuat is well-positioned to unlock the company's value as well as generate greater returns for all our shareholders.

Dato' Sri Ooi Bin Keong
Group Managing Director

The Group visited Persatuan Kebajikan SVM Selangor & Kuala Lumpur

MOVING FORWARD CONFIDENTLY

SPREADING OUR WINGS IN PURSUIT OF EXCELLENCE

We step forward with confidence – boldly embracing our bright future, assured that our journey of transformation has put in place all elements required to succeed and thrive in the marketplace. We look to advance further and explore new opportunities and possibilities while stamping our mark as the preferred choice in our industry synonymous with exemplary professionalism and quality.

CORPORATE GOVERNANCE
STATEMENT

The Board of Directors ("the Board") of Leon Fuat Berhad ("the Company") is committed to ensuring that the Company and its subsidiaries ("the Group") comply with the high standards of corporate governance practices that are in accordance with the Malaysian Code on Corporate Governance 2012 ("the Code") as part of the Board's fundamental duties to deliver value to the Company's shareholders. In order to uphold good corporate ethics, the Board is committed to continuously evaluate and where appropriate, implement relevant policies and procedures to ensure adherence to good corporate governance.

The following Statement outlines the manner and extend in which the Board has applied the Principles of the Code during the financial year ended 31 December 2016.

1. ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Functions of the Board and Management

The Board is responsible for the proper stewardship of the Group to ensure the maximisation of shareholders' value and safeguarding the stakeholders' interests including securing sustainable long-term financial results and increasing shareholders' value, with proper social and environmental considerations.

The Board is also responsible to promote and ensure effective execution of good corporate governance practice and a corporate culture of ethical conduct especially among its members and generally that would permeates throughout the Company vide effective communication including the establishment and adoption of the Board Charter by the Board which sets out the roles and responsibilities of the Board and that of the Management.

1.2 Board Roles and Responsibilities

The Company is led and managed by the Board that comprises a group of individuals who collectively possess a wide range of experience and qualifications. The Board has the following major responsibilities, which facilitate the discharge of the Board's fiduciary and leadership functions in the pursuit of the Group objective:

(a) Adopting and reviewing a strategic plan of the Group;

(b) Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed and sustained;

(c) Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;

(d) Succession planning, including appointing, training, fixing the remuneration of and where appropriate, replacing director and senior management personnel of the Group;

(e) Developing and implementing an investor relations programme for the Group and pro-active communication with shareholders at the general meetings of the Company; and

(f) Reviewing the adequacy and integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The matters reserved for collective decision of the Board include:

(a) Conduct of the Board

- Appointment of directors based on the recommendations by the Nomination Committee in accordance with the selection and recruitment process of the Company and review of the service contract of executive directors (if any) annually;
- Appointment and removal of company secretaries;
- Appointment and removal of board committees and members;
- Approval of terms of reference of board committees and amendments to such terms as appropriate;
- Providing governance on matters requiring corporate justice and integrity;
- Protecting the interests and providing the information needs of various stakeholders;
- Ensuring compliance with all relevant regulations and legislation.

(b) Remuneration

- Upon recommendation by the Remuneration Committee on the directors' fees/remuneration packages of the directors, the Board shall deliberate and make recommendation of the directors' fees to the shareholders for approval;
- Approval of the remuneration structure and policy of directors and key management personnel;
- Approval of remuneration packages of key management personnel; and
- Approval of bonus/incentives of the executive directors and key management personnel based on the performance of the Group or established criteria.

(c) Operational

- Approval of business strategy and group operational plan;
- Ongoing review of performance against business strategy and group operational plan, including monitoring of key risks and risk management policies and actions;
- Approval of capital expenditure as may be determined from time to time proposed by the Management;
- Approval of significant bad debts to be written-off in excess of the prescribed amount as may be determined from time to time proposed by the Management;
- Approval of investment or divestment decision of the Group;
- Approval of changes in the major activities of the Group; and
- Approval of the limits of authority for the Company's activities/ transactions.

(d) Financial

- Approval of interim and annual financial statements;
- Approval for the release of the Company's announcements;
- Approval of Annual Report and statutory accounts of the Group;
- Approval of interim dividends, the recommendation of final dividends and the making of any other distribution;
- Adoption of accounting policies; and
- Review the effectiveness of the Group's system of internal control. This function is delegated to the Audit Committee which will in turn report to the Board on its findings.

(e) Other matters

- The granting of powers of attorney by the Company; and
- The entering into any indemnities or guarantees.

Besides the Board, other Board Committees, namely the Audit Committee, Nomination Committee and Remuneration Committee have been established with written terms of references to bear some of the responsibilities of the Board in order to ensure the proper discharge of the Board's fiduciary duties and responsibilities.

1.3 Code of Ethics and Conduct

The Board has adopted a Code of Ethics and Conduct which dictates the ethics and standard of good conduct expected of every director and employee.

The Group has in place a Whistle-Blowing Policy which provides a platform where an individual can raise a concern about a risk, malpractice or wrongdoing that may affect others such as customers, suppliers, staff, the Group or public interest. Individuals are encouraged to raise genuine concerns at the earliest opportunity and in an appropriate way.

An Investors Relation Policy which will serve as the guide for the Group when communicating with shareholders and public including investors, analysts and other stakeholders has also been established and adopted by the Board. The Company aims to ensure all shareholders and stakeholders have equal and adequate access to the information of the Company, including the Company's business strategies and updates, stock and financial performance, in a timely manner.

The Whistle-Blowing Policy and the Investors Relation Policy are published at the Company website at www.leonfuat.com.my. The Board will regularly review the same and make any changes it deemed necessary or desirable to remain consistent with the Board's objectives and responsibilities.

1.4 Promoting Sustainability

The Board is mindful of the need for sustainability of the Group's business and regularly reviews the performance, business direction and operational requirements taking into consideration the economic, environmental and social aspects.

In line with the principles of sustainability, the Board promotes good ethics and honesty in all aspects of the business dealings to create long term customers and suppliers. Good corporate governance, environmental consciousness and employee development are also practiced by the Group as the Board beliefs these will translate into better transparency, efficiency and reduced operational risks. Two of our subsidiaries are accredited with ISO 9001:2008 relating to quality management system to ensure continual improvement in all aspects of the Group's business.

The Group's performance of corporate social responsibilities, for the financial year under review is disclosed on pages 28 to 29 of this Annual Report.

1.5 Access to information and advice

The Board members have ready and unrestricted access to the following parties in carrying out its roles and responsibilities to discharge their duties effectively:

- To all key management personnel for obtaining accurate and timely information pertaining to the Group;
- To the Company Secretary for procedural and regulatory advice, board policies and procedures; and
- To the External and Internal Auditors of the Group for advice on accounting and internal control issues.

The Board members are also able to seek independent professional advice in the course of their duties, for those matters that may have an impact on the Group, at the expense of the Company as may be mutually agreed by the Board with the Chairman and/or the Group Managing Director.

Board agenda together with relevant meeting papers are distributed to the Directors at least seven (7) days before Board meetings to ensure that they have sufficient time to review and be prepared for discussion. The information provided can be of a financial or non-financial in nature, quantitative or qualitative to facilitate the review by the Board prior to arriving at a sound and informed decision. Key management personnel and senior management may be invited to attend these meetings in order for the Board to seek instant explanation and clarification on matters being tabled directly from the respective process owner.

The Board and the principal officers of the Group is reminded quarterly of the closed periods for dealings in the securities of the Company based on the targeted date of announcement of the Group's interim financial results.

1.6 Company Secretary

The corporate secretarial function of the Company has been outsourced to Archer Corporate Services Sdn Bhd. The main responsibilities of the Company Secretaries, among others, are provision of secretarial services and keeping the Board abreast and appraised of regulatory legislations and corporate governance guidelines from time to time.

1.7 Board Charter

The Board had adopted a Board Charter which sets out amongst others, the roles, functions, responsibilities, structure and procedures of the Board of Directors depicted in the following section in the Charter:

- Board responsibilities;
- Board membership guidelines;
- Board structures and procedures;
- Relationship of the board with management;
- Directors' remuneration; and
- Relationship of the board with shareholders.

The formalised Board Charter will be reviewed from time to time to ensure that it remains current and relevant. The Board Charter is published on the Company's website, www.leonfuat.com.my.

2. STRENGTHEN COMPOSITION

2.1 Nomination Committee

The Board has established a Nomination Committee comprises three (3) members, all of whom are Independent Non-Executive Directors.

The Board has identified the Chairman of the Nomination Committee as Senior Independent Director to whom all concerns of shareholders and stakeholders can be effectively directed.

The functions of the Nomination Committee and its activities are laid down in the Nomination Committee Report on page 43.

2.2 Recruitment and Annual Assessment of Directors

The Nomination Committee's responsibilities as set out in its Terms of Reference include assessing and recommending to the Board the candidate of directors having regard to the established criteria for recruitment as well as for annual assessment of directors.

The Board has established a set of guidelines for recruitment of new director when the following conditions (not exhaustive) exist:

- The existing Director express intention to vacant the position before the expiry of his/her tenure or before the next re-appointment;
- The existing Director express intention not to seek re-election;
- Growth in the Group that requires the Board to expend its composition; and
- Change in the strategy of the Group that requires the Board to seek additional skills and attributes to complement the existing activities of the Group.

The director recruitment guidelines adopted by the Board include:

(i) Establish Parameter

- Review of the existing Board size and verification of the relevant provisions in the Memorandum and Articles of Association/Board Charter of the Company on any limit on the number of Board members and/or guideline for recruitment of director; and

(ii) Establish the criteria required to fulfil the directorship position

- Record the thought process of the Nomination Committee and Board in determining the skills needed and other attributes necessary to complement and enhance the capability of the current Board, including the candidates' required mix of skills, business acumen, expertise and experience, character and integrity and any conflict of interest that may interfere with the performance of the directors' fiduciary duties.

(iii) Induction Programme

- Upon successful interview and selection, the induction process for the new Board member(s) begins before they join any Board meeting. The preliminary discussions with potential Board members should already have provided them with an orientation into the organisation's work; and its philosophy, vision and mission. During the interview stage the candidate should have been provided with the corporate profile, the latest Annual Report and accounts, Board Charter and perhaps with material describing current and forthcoming activities of the Group. The new board member(s) should also be informed of the position, terms of their appointment, their duties and obligations.

Assessment of the Board, Board Committees and individual director will be carried out by the Nomination Committee on yearly basis, based on the following established criteria:

The Board:

- Board structure;
- Board operations; and
- Board roles and responsibilities.

Board Committees:

- Composition of each committee;
- Usefulness of recommendations from each committee in assisting the Board for better decision-making;
- Expertise of the members of each committee in fulfilling their roles;
- Discharge of the Chairman of each committee of their responsibilities, deploying of resources and expertise, and providing appropriate reporting and recommendations to the Board;
- Appropriateness of criteria for the appointments of the board and committee chairman including the ability, experience and expected performance of the candidate;
- Quality of the board committee's communications to the board;
- Assessment by the Board of the quality of the minutes of the board committee's meetings; and
- Timely reporting to the Board on the committee's deliberations.

Individual director:

- Contribution to interaction;
- Quality of input;
- Understanding of role; and
- Board Chairman's roles.

The Board has not establish a gender, ethnic and age diversity targets as it is of the view the board membership should be determined based on a candidate's skills, experience and other quality regardless of gender and ethnicity.

2.3 Remuneration Policies and Procedures

The Board has established a Remuneration Committee comprises three (3) members the majority of whom are Independent Non-Executive Directors.

The Remuneration Committee is responsible for reviewing and recommending to the Board the policy and framework of the remuneration packages of the Executive Directors and key management personnel. The Board believes that fair remuneration is important to attract, retain and motivate Directors and key management.

The following are the types and criteria for determination of the remuneration packages of Directors and/or key management personnel, among others, provided in the remuneration policy which was recommended by the Remuneration Committee and adopted by the Board:

- The remuneration shall be a balance between the fixed and the variable elements;
- The determination of the fee and salary must best fit the Group;
- The bonus elements for consideration are based on the performance of the Group or criteria mutually decided by the Board after deliberation;
- The timing for payout of bonuses must be after the performance evaluation and must ease the issue of payment during the Group downturn;
- The directors' other emolument; and
- The directors' benefit-in-kind provided to the individual director.

Other functions of the Remuneration Committee and its activities as well as the aggregate remunerations for services rendered by our Directors for the financial year under review are set out in the Remuneration Committee Report on pages 47 to 49.

CORPORATE GOVERNANCE STATEMENT

3. REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independent Directors

The Board has adopted the legal and regulatory definition of Independent Director set forth in the Listing Requirements of Bursa Securities ("Listing Requirements"), amongst other criteria to assess independent. The Nomination Committee has been tasked to carry out annual assessment of the independence of the Independent Directors annually, upon admission and when any new interest or relationship develops.

3.2 Tenure of Independent Directors

As none of the Company's Independent Directors have served the Company for nine (9) years or a cumulative period of nine (9) years with intervals, shareholders' approval will not be sought at the annual general meeting to retain them as Independent Directors as prescribed by the Code.

3.3 Separation of the Position of Chairman and Group Managing Director

The Chairman and the Group Managing Director of the Company are held by different individual, to ensure balance of power and authority.

The Chairman is a Non-Executive member of the Board, he is responsible for ensuring the integrity and effectiveness of the governance processes of the Board and will consult with the Board promptly over any matter of major concern.

The Chairman will act as facilitator at meetings of the Board and ensure that no Board member, whether executive or non-executive, dominates the discussion, and that appropriate discussion takes place and that relevant opinion among Board members are forthcoming.

On the other hand, the key roles and functions of the Group Managing Director are to ensure the day to day business affairs of the Group is effectively managed as well as ensuring the Group's strategies and corporate policies are effectively implemented and monitored.

3.4 Board Composition

The Board currently comprises five (5) Executive Directors including the Group Managing Director and four (4) Independent Non-Executive Directors. This composition ensures that at least one third of the Board comprise of independent directors in accordance to the requirement of paragraph 15.02 of the Listing Requirements.

The presence of the Independent Non-Executive Directors ensures that views, consideration, judgment and discretion exercised by the Board in decision-making remains objective, unbiased and independent whilst assuring the interest of other parties such as minority shareholders are addressed and adequately protected as well as being accorded with due consideration.

4. FOSTER COMMITMENT

4.1 Director's Time Commitment

The Directors of the Company are expected to devote sufficient time to carry out their duties and responsibilities and are required to notify the Chairman of the Board before accepting any new directorship. During the financial year under review, five (5) board meetings were held with full attendance by the Directors:

Name of Directors	Attendance
Dato' Ng Ah Hock @ Ng Soon Por	5/5
Dato' Sri Ooi Bin Keong	5/5
Ooi Kong Tiong	5/5
Ooi Seng Khong	5/5
Ng Kok Teong	5/5
Ooi Shang How	5/5
Chan Kee Loin	5/5
Tan Did Heng	5/5
Tan Sack Sen	5/5

All the members of the Board hold less than five (5) directorships in listed issuer, in compliance with paragraph 15.06 of the Listing Requirement thus expected to dedicate sufficient time and effort in discharging their duties and responsibilities effectively.

4.2 Directors' Continuing Education Programmes

The Directors are encouraged to attend appropriate training programmes to equip themselves with the knowledge and keep abreast of latest regulatory developments and other development to effectively discharge their duties as Directors.

The training programmes attended by the Directors during the financial year under review are summarised as follows:

Name	Date of Training	Subject
Dato' Ng Ah Hock @ Ng Soon Por Dato' Sri Ooi Bin Keong Ooi Kong Tiong Ooi Seng Khong Ng Kok Teong Chan Kee Loin Tan Sack Sen	3 December 2016	Highlights of The Companies Act 2016 – Changes and Implications
Ooi Shang How	3 & 4 March 2016	Understanding ISO 9001:2015
	23 & 24 May 2016	Accounting and Finance for Non-Financial Managers and Executives
	14 June 2016	Licensed Manufacturing Warehouse
	3 December 2016	Highlights of The Companies Act 2016 – Changes and Implications
Tan Did Heng	8 & 9 November 2016	Comparative Analysis of PERS, MPERS and MFRS Frameworks
	10 November 2016	2017 Budget Seminar
	8 December 2016	Bursa Securities CG Breakfast Series with Directors: "Anti-corruption & Integrity – Foundation of Corporate Sustainability"
	3 December 2016	Highlights of The Companies Act 2016 – Changes and Implications

5. UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance of Financial Statements with Applicable Financial Reporting Standards

The Audit Committee is tasked to assist the Board in fulfilling its fiduciary responsibilities and ensuring the financial statements comply with approved financial reporting standard, as laid down in the Audit Committee's Terms of Reference.

The Board is responsible to ensure that the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and approved accounting standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of financial year ended 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

The Directors are satisfied that in preparing the financial statements of the Group for the year ended 31 December 2016, the Group has adopted suitable accounting policies and applied them consistently, prudently and reasonably. The Directors also consider that all applicable approved accounting standards have been followed in the preparation of the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The financial statements have been prepared on the going concern basis.

The Directors are responsible for ensuring that the Group keeps sufficient accounting records to disclose with reasonable accuracy the financial position of the Group and which enable them to ensure that the financial statements comply with the Act.

5.2 Assessment of suitability and independence of External Auditors

The Audit Committee has established the relevant policies and procedures to assess the suitability and independence of External Auditors.

The assessment has been conducted on an annual basis by the Chairman of Audit Committee using a set of assessment checklist which had been adopted by the Board. The criteria for the assessment encompasses:

- Independence;
- Competency;
- Reliability; and
- Compliance

An independent party or the Company Secretary may assist the Audit Committee in the evaluation process and the assessment result will then be presented to the Board of Directors for deliberation and consideration.

During the financial year under review:

- The Board, having reviewed the recommendation of the Audit Committee who had assessed the suitability and independence of the External Auditors against the said evaluation criteria established, agreed and had recommended to the shareholders for approval the proposed re-appointment of the External Auditors for financial year 2016; and
- The Board had obtained written confirmation from the External Auditors on their independence in accordance with the independence requirements of the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants. Confirmations have also been obtained from the External Auditors that their firm and relevant partner in-charge had duly registered with the Audit Oversight Board of the Securities Commission.

6. RECOGNISE AND MANAGE RISKS

6.1 Internal Control and Risk Management

The Audit Committee has been entrusted by the Board to ensure effectiveness of the Group's risk management and internal control systems. The activities of the outsourced Internal Auditors are reported regularly to the Audit Committee which provides the Board with the required assurance in relation to the adequacy and integrity of the Group's system of internal controls. Information on the Group's risk management and internal control is presented in the Statement on Risk Management and Internal Control set out on pages 50 to 51 of this Annual Report.

6.2 Risk Management Framework

The Risk Management Committee and its framework have been established with the following scope of work, among others:

- To review and discuss with management the risk governance structure, risk assessment and risk management practices and the guidelines, policies and processes for risk assessment and risk management;
- To review and discuss with management the risk appetite and strategy relating to key risks, including credit risk, liquidity and funding risk, market risk, product risk and reputation risk, as well as the guidelines, policies and processes for monitoring and mitigate such risks;
- To discuss with the executive directors or key management the risk assessment and risk management guidelines, policies and processes, as the case may be. The Risk Management Committee shall meet at least twice a year to discharge its duties and responsibilities;
- To receive, as and when appropriate, reports from the internal auditors on the results of risk management reviews and assessments;
- To review disclosure regarding the risk management and internal control statement of the Group;
- To review reports on selected risk topics as the Risk Management Committee deems appropriate from time to time;
- To be given unrestricted access to the management and to the accurate and complete information pertaining to the Group including from auditors and/or consultants; and
- To discharge any other duties or responsibilities delegated to the Risk Management Committee by the Board.

6.3 Risk Assessment Approach

The risk assessment approach can be summarised as following:

- Identify relevant business objectives;
- Identify events that could affect the achievement of objectives;
- Determine risk tolerance;
- Assess inherent likelihood and impact of the risks;
- Evaluate the portfolio of risks and determine risk responses; and
- Assess residual likelihood and impact of risks.

7 ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policies and Procedures

The Board ensures that the Company complies with all applicable corporate disclosure laws and regulations. The release of the Group's financial and non-financial information in any form to the public shall be made in accordance with the Group's internal policies and procedures and complies with applicable laws and regulations. The draft announcement of the Company is prepared by the Company Secretary and reviewed by the Executive Director/Chief Financial Officer before it is circulated to the Board for review and approval.

7.2 Dissemination of Information

The Company has established a website at www.leonfuat.com.my where the public can access to the Company's information including its products and services, share prices, financial results, future plan and media releases as well as the Company's announcements made to Bursa Malaysia. All announcements by the Company are uploaded to its website as soon as practicable after the same are released on Bursa Malaysia's website.

8 STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND SHAREHOLDERS

8.1 Annual General Meetings

The notice convening the annual general meeting will be sent to the shareholders at least twenty-one days before the annual general meeting and the notice will also be advertised in the newspaper giving shareholders sufficient time to prepare and/or to appoint proxy to attend and vote for their behalf.

8.2 Poll Voting

Pursuant to the Listing Requirements, all resolutions proposed for shareholders' approval at the general meeting of the Company will be voted by poll, and the Company will appoint a scrutineer to validate the votes cast at the meeting. The Company will consider electronic voting when appropriate.

8.3 Dialogue between the Company and Shareholders

The Board believes that general meetings are the most effective communication platform between the Company and shareholders.

The Board will treat the annual general meetings and/or extraordinary general meetings as the most direct and effective way for the Company to reach our shareholders and stakeholders. It serves as a platform for the Company to convey business plans and strategies and for the shareholders to seek clarification or raise any queries on the resolutions to be tabled at the meeting, as well as to allow the shareholder to share their view and feedback on matters relating to the Group.

The above Statement is made in accordance with the resolution passed at the Board of Directors' meeting held on 5 April 2017.

REPORT OF THE NOMINATION COMMITTEE

COMPOSITION OF THE NOMINATION COMMITTEE

The Nomination Committee consists of three (3) members, all of whom are Independent Non-Executive Directors.

The Nomination Committee members are as follows:

Directors	Position
Chan Kee Loin	Chairman of Nomination Committee & Independent Non-Executive Director
Tan Did Heng	Independent Non-Executive Director
Tan Sack Sen	Independent Non-Executive Director

ACTIVITIES OF THE NOMINATION COMMITTEE

During the financial year ended 31 December 2016, the Nomination Committee met once on 25 February 2016 with the attendance of all members to review and assess the existing Board's structure, size and composition and the effectiveness of the Board particularly its operations, roles and responsibilities and Board Committees comprises Audit Committee, Remuneration Committee and Nomination Committee and upon review, the NC was satisfied that for the financial year under review, the Board and its Committees were effective as a whole, and coupled with the Directors' mix of skills, was adequate to enable the Board to discharge its duties and responsibilities effectively.

The Nomination Committee also reviewed and proposed to the Board the re-election of Directors retiring by rotation at the 2016 AGM in accordance with the Articles of Association of the Company.

In accordance with the Code, the Nomination Committee undertaken the assessment of the Independent Directors against the established criteria for the year under review and were satisfied that there were no issues of independence in the Board of the Company as the Independent Directors continues to demonstrate conduct and behaviour that are essential indicators of independence, and that each of them continues to fulfill the prescribed definition and established criteria of independence.

Upon review of the term of office and performance of the Audit Committee and each of its members against the assessment checklist now within its scope of responsibilities, the Nomination Committee was satisfied that the Audit Committee had carried out its duties in accordance with its terms of reference.

The Nomination Committee had also deliberated and agreed that a succession plan for the Group Managing Director should be established and reviewed yearly to ensure leadership continuity and Management should start identifying suitable candidates taking into consideration amongst others, the quality, character, capability, etc. and develop the potential successors as part of the succession planning process and this should be reviewed from time to time for effectiveness.

REPORT OF THE AUDIT COMMITTEE

COMPOSITION OF THE AUDIT COMMITTEE

The Audit Committee consists of three (3) members, all of whom are Independent Non-Executive Directors. The Chairman of the Audit Committee is a member of the Malaysian Institute of Accountants.

The Audit Committee members are as follows:

Directors	**Position**
Tan Did Heng	Chairman of Audit Committee & Independent Non-Executive Director
Chan Kee Loin	Independent Non-Executive Director
Tan Sack Sen	Independent Non-Executive Director

MEETINGS AND ATTENDANCE

The Audit Committee held a total of six (6) meetings during the financial year ended 31 December 2016. Details of attendance are as follows:

Directors	**Attendance**
Tan Did Heng	6/6
Chan Kee Loin	6/6
Tan Sack Sen	6/6

The Secretary was present at all Audit Committee Meetings held during the financial year ended 31 December 2016.

ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year ended 31 December 2016, the activities carried out by the Audit Committee in the discharge of its duties and functions included, among others, the following:

1. Reviewed the unaudited quarterly financial results and audited financial statements of the Group prior to the Board of Directors' approval for submission to Bursa Malaysia Securities Berhad, focusing on compliance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards, Companies Act, 1965 in Malaysia and the Main Market Listing Requirements of Bursa Malaysia Securities Berhad. The Audit Committee had also considered and enquired of and discussed with Management the fairness of the reports prepared by the Management to the Board of Directors.

2. Reviewed and discussed with the External Auditors the matters covered under the Audit Plan for the financial year ended 31 December 2016, including, amongst others:

   - Confirmation by the External Auditors of their compliance with the requirements for independence in accordance with International Standards on Auditing ("ISA") 260;

   - On fraud consideration, the Audit Committee, at the request of the External Auditors, confirmed that the Audit Committee has no knowledge of any actual, suspected or alleged fraud affecting the Group;

   - Audit approach and risk assessment, which covered management override of controls; revenue recognition, going concern, property, plant and equipment, investment property, capital work-in-progress, cost of investment in subsidiaries, inventories, receivables, derivative assets, cash and cash equivalents, payables, borrowings, tax liabilities, deferred tax, inter-company balances, related party disclosures, cost of sales and preparation of consolidated financial statements;

   - Accounting developments and the adoption of amendments/improvements to the Malaysian Financial Reporting Standards;

   - New Independent Auditors' Report in accordance with the new and revised auditors reporting standards issued by the International Auditing and Assurance Standards Board on 15 January 2015; and potential key audit matters identified by the External Auditors in respect of the audit for the financial year under review; and

   - Notification of the directors and management responsibilities as well as that of the External Auditors stipulated under the relevant applicable laws and regulations.

3. Reviewed the report from the External Auditors arising from the audit of the Group, with no significant issues within the Group that required Audit Committee's attention;

4. Reviewed the assistance provided by Management to the External Auditors during the course of their audit, with positive report from the External Auditors that the Management had extended full co-operation throughout the course of the audit;

5. In recognising the circumstances and addressing relevant associated risks impeding the achievement of the Company's objectives, the Audit Committee adopted an inventory reduction/rationalisation plan formulated by Management that seeks to monitor and eliminate excess inventory with ultimate objective of improving profitability and liquidity of the Group. The plan is overseen by the Risk Management Committee consists of Executive Director and senior management team who reports directly its review and progress of the plan to the Audit Committee.

6. Reviewed the guidelines and procedures for the Group's recurrent related party transactions (RRPT) including the determination of transaction price between the related parties to ensure that the RRPT are conducted at arm's length and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detriment to the minority shareholders, and made the relevant statement in the circular to shareholders in connection therewith;

7. Reviewed and discussed with the Internal Auditors risk assessment and management and internal control of the Group;

8. Reviewed the audit plan of the Internal Auditors to ensure the adequacy of the scope and frequency of reports on internal control during the year;

9. Reviewed the internal audit reports, audit recommendations made to remedy identified weaknesses and management responses to the recommendations;

10. Meeting the Internal Auditors in the absence of Management to discuss the internal control matters and weaknesses identified during the audit besides the assistance provided by Management to the Internal Auditors who had reported that no significant deficiencies were noted during the audit;

11. Reviewed the re-appointment of External Auditors against the adopted evaluation criteria in accordance with the Listing Requirements of Bursa Securities; and

12. Reviewed the draft Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report.

INTERNAL AUDIT FUNCTION

The Company has outsourced its internal audit function to an independent professional consultancy firm with the aim of providing independent and systematic reviews on the systems of internal control within the Group. The Internal Audit function provides an independent and objective feedback to the Audit Committee and the Board on the adequacy, effectiveness and efficiency of the internal control system within the Group.

For the year under review, audits were performed to evaluate and identify any weaknesses of the internal controls affecting the Group, the adequacy of the existing system of control and to recommend measures to management to improve and rectify any weaknesses noted.

On quarterly basis, the Internal Auditors report to the Audit Committee on their audit findings, their recommendations of the corrective actions to be taken by the management together with the management's responses in relation thereto.

The activities carried out by the Internal Auditors during the financial year under review were as follows:

- Conducted follow-up reviews and report on the previous internal audit report issued to Supreme Steelmakers, LF Hardware, LF Metal and Overum to monitor the implementation of the agreed audit recommendations. Follow-up review reports are issued until all the audit issues raised have been resolved.

- Conducted a review on LF Metal in respect of the delivery records under the delivery function to confirm the accuracy and reliability of the reporting. No significant issues were noted.

- On quarterly basis, the Internal Auditors conducted reviews of the recurrent related party transactions to ensure that transactions were not carried out in commercial terms more favourable to the related parties than those normally agreed upon with other customers or suppliers and were also not to the detriment of the minority shareholders. The observations were reported to the Audit Committee.

- Conducted two follow through reviews on LF Hardware on the company's purchase transaction of carbon steel round bars from China with shipping discrepancy. The report from the Internal Auditors revealed that no financial losses were recorded by LF Hardware.

- Conducted review on LF Hardware in respect of its purchasing and inventory functions. Audit issues were highlighted to Management and implementation of the corrective action is ongoing.

- Conducted review on LF Hardware in respect of its sales and credit control function. Audit issues were highlighted to Management and implementation of the corrective action is ongoing.

- Reviewed the progress of establishment of key performance indicators for LF Metal.

The costs incurred for the internal audit function in respect of the financial year ended 31 December 2016 amounting to RM71,700.

REPORT OF THE

REMUNERATION COMMITTEE

COMPOSITION OF THE REMUNERATION COMMITTEE

The Remuneration Committee consists of three (3) members, the majority of whom are Non-Executive Directors.

The Remuneration Committee members are as follows:

Directors	Position
Tan Sack Sen	Chairman of Remuneration Committee & Independent Non-Executive Director
Dato' Sri Ooi Bin Keong	Group Managing Director
Chan Kee Loin	Independent Non-Executive Director

TERMS OF REFERENCE OF THE REMUNERATION COMMITTEE

Constitution

The Board has established a Committee of the Board known as the Remuneration Committee (hereinafter referred to as "Committee").

Membership

1. The Committee shall be appointed by the Board from amongst the Directors of the Company and shall comprise wholly or mainly of non-executive directors of not less than three (3) members. If a member of the Committee resigns or for any other reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board of Directors shall, within three (3) months from the date of that event, appoint such number of new members as may be required to make up the minimum number of three (3) members.

2. The members of the Committee shall elect a Chairman from among their members.

3. The Company Secretary or his nominee or such other persons authorised by the Board shall act as the Secretary of the Committee.

Meetings and Minutes

4. The Chairman of the Committee may request for a meeting as and when deemed necessary. The quorum for the meeting of the Committee shall consist of not less than two (2) members.

5. The Committee shall report to the Board and its minutes tabled and noted by the Board of Directors. The books containing the minutes of proceedings of any meeting of the Committee shall be kept by the Company at the registered office or the principal office of the Company and shall be open for inspection of any member of the Committee and the Board of Directors.

6. The Chairman of the Committee shall be entitled, where deemed appropriate, to invite any other person to a meeting of the Committee at which that person's expertise may be required having regard to the subject matter to be discussed.

REPORT OF THE REMUNERATION COMMITTEE

Functions

7. Review and recommend to the board the framework of remuneration and its cost, and the remuneration package for executive directors and key management personnel, taking into account the performance of the individual, the inflation price index and information from independent sources on the rates of salary for similar jobs in a selected group of comparable companies, where necessary.

8. Review and recommend to the Board the remuneration structure and policy for executive directors and key management personnel, the terms of employment or service contract, where relevant, any benefit, pension or incentive scheme entitlement, performance related bonuses, fees and expenses, compensation arrangement, and to review for changes to the policy, where necessary.

9. To reimburse reasonable expenses incurred by the directors in the course of their duties as directors.

10. To review annually the executive directors' service contracts, if any.

11. To ensure the levels of remuneration be sufficiently attractive and be able to retain the Directors and key management personnel needed to run the Group successfully.

12. To ensure corporate accountability and governance in respect of the remuneration of the directors and key management personnel and other relevant functions.

Reporting Procedures

13. The remuneration of directors shall be the ultimate responsibility of the Board after considering the recommendations of the Committee.

14. Directors do not participate in deliberation and decisions on their respective remuneration packages.

ACTIVITIES OF THE REMUNERATION COMMITTEE

During the financial year ended 31 December 2016, the activities carried out by the Remuneration Committee in the discharge of its duties and functions included, among others, the following:

- Reviewed and recommended to the Board the Directors' fees and meeting allowance of Directors' attendance at the meetings of the Company.

- Reviewed and recommended to the Board the remuneration packages of the Executive Directors of the Company and its subsidiaries and key management personnel which comprise salary, bonus and other benefits-in-kind. The remuneration framework ensures the remuneration packages offered to the Directors and key management personnel is reasonable and appropriate in the light of the Company's performance in order to attract, motivate and retain the individual towards the achievement of performance in the best interest of the Group. The individual director concerned would abstain from discussion of his own remuneration.

DIRECTORS' REMUNERATION

The aggregate remuneration of the Directors for the financial year under review are as follows:

	Executive Directors RM'000	Non-Executive Directors RM'000
Salaries and other emoluments	3,590	23
Fees – Company	250	220
Fees – Subsidiary Companies	350	–
Total	**4,190**	**243**

The Directors' remunerations, which comprise salary, bonus, fee, allowance and other benefits-in-kind are required to be considered so as to remunerate appropriately given the responsibilities of the directors. The Directors' fees are subject to shareholders' approval at Annual General Meeting.

The number of Directors of the Company whose total remuneration falls into each band of RM50,000 distinguishing between Executive and Non-Executive Directors is as follows:

	Executive Directors	Non-Executive Directors
Up to RM50,000	–	–
RM50,001 to RM100,000	–	4
RM700,001 to RM750,000	2	–
RM750,001 to RM800,000	–	–
RM800,001 to RM850,000	1	–
RM850,001 to RM900,000	1	–
RM900,001 to RM950,000	–	–
RM950,001 to RM1,000,000	–	–
RM1,000,001 to RM1,050,000	–	–
RM1,050,001 to RM1,100,000	1	–

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors of Leon Fuat Berhad is pleased to present the following Statement on Risk Management and Internal Control for financial year ended 31 December 2016 prepared pursuant to Paragraph 15.26 (b) of the Bursa Malaysia Securities Berhad's Main Market Listing Requirements and in accordance with the Statement on Risk Management & Internal Control: Guidelines for Directors of Listed Issuers.

The Board acknowledges its overall responsibility for maintaining a sound internal control system for the Group to safeguard the shareholders' investment and the Group's assets, and to discharge their stewardship responsibilities in identifying and reviewing risks and ensuring the implementation of appropriate systems to manage these risks. The Board has delegated its oversight role in the review and monitor risks to the Audit Committee who oversees the Risk Management Committee consists of Executive Directors and senior management team.

The Board also recognises that in establishing such system of risk management and internal control, the systems designed can only manage but not eliminate the risk of failure to achieve business objectives of the Group and that it can only provide reasonable assurance against material misstatement or loss.

The Management is responsible for implementing the processes for identifying, evaluating, reporting and monitoring the risks relevant to the business of the Group, and effectiveness and integrity of the system of risk management and internal control, taking appropriate and timely corrective measures as needed.

The key elements of the Group's systems of risk management and internal control are as follows:

- The Group has in place a risk management framework as an on-going process for identifying, evaluating and managing the significant risks faced by the Group.

- The Risk Management Committee met three (3) times during the financial year under review on 23 February 2016, 5 April 2016 and 18 August 2016 to discuss and set up the inventory reduction/rationalisation plan for Leon Fuat Hardware Sdn Bhd, Leon Fuat Metal Sdn Bhd (formerly known as Leon Fuat Hardware (Klang) Sdn Bhd) and Supreme Steelmakers Sdn Bhd. The responsibility for managing and monitoring the identified risks associated with carrying inventory is communicated and clarified to the respective subsidiary companies for effective inventory management. All matters discussed and resolved at the meetings of Risk Management Committee was subsequently reported to the Audit Committee. The progress of the adopted plan is closely monitored and analysed amidst the fast changing and competitive business environment and updated by Management to the Audit Committee every quarter.

- The Audit Committee plays an advisory role and oversees the risk governance and management under the responsibility of Risk Management Committee who reports the outcome of the matters discussed at its meeting to the Audit Committee.

- The Board review quarterly financial results and annual financial statements including key financial data and significant matters noted as well as and the performance of the Group. Comparisons are tabled and variances are highlighted and explained by the Chief Financial Officer to the Board.

- The Board monitors the achievement of the Group and that of its subsidiaries in meeting the approved budget and revises the budget as appropriate with corrective actions to reduce variances.

- Management met on a quarterly basis and at their scheduled meeting to review and deliberate on the quarterly results, business performance and operational issues affecting the Group. Action plans are designed and implemented to address the issues and are monitored closely.

- The Audit Committee reviews internal and external audit findings and carried out discussions with the Management on corrective/ improvement actions to be taken on accounting and/or internal control issues identified by the Internal Auditors and the External Auditors. The outcome of the follow-up reviews conducted by the Internal Auditors on control deficiencies and areas for improvement is reported to the Audit Committee.

- The Audit Committee met with the External Auditors at the scheduled meetings on 25 February 2016, 7 April 2016 and 23 November 2016, and with the Internal Auditors on 25 February 2016, 25 May 2016, 23 August 2016 and 23 November 2016 in the absence of the Management for exchange of views and opinions and conduct frank discussion with the Auditors. The Chair of the Audit Committee ensures that any significant issues brought to their attention are communicated to and discussed with the Management for necessary corrective actions and improvements.

- The Group has established an organisation structure with clearly defined lines of responsibility, authority and reporting to ensure all transactions are properly authorised and recorded.

- Standard operating procedures which include internal policies and procedures within the Group are reviewed and updated periodically for effectiveness.

The internal audit function of the Group was outsourced to an independent professional service provider to facilitate the risk assessment and conduct of internal control reviews based on the approved internal audit plan. More reviews on the business processes by the Internal Auditors may be called by the Audit Committee as the need arises.

The Board is satisfied that the Group's risk management and internal control system is functioning adequately while recognising that these require continuous improvement. During the financial year under review, there were no material control deficiencies, losses, contingencies and uncertainties arising from weaknesses in the internal control system that would require disclosure in this Annual Report.

The Board has received assurance from the Group Managing Director and Chief Financial Officer on 5 April 2017 stating 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.

The External Auditors have reviewed this Statement and have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, nor is factually inaccurate.

This Statement is made in accordance with the resolution passed at the Board of Directors' meeting held on 5 April 2017.

ADDITIONAL COMPLIANCE
INFORMATION

1. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSAL

There were no proceeds raised from corporate proposal during the financial year under review.

2. AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid and payable to the External Auditors for services rendered for the financial year under review are as follows:

	Group RM	Company RM
Audit fees	180,979	36,000
Non-audit fees	11,000	11,000
Total	**191,979**	**47,000**

3. MATERIAL CONTRACT INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

There were no material contracts entered into by the Company and its subsidiaries which involved the interests of the Directors and major shareholders, either still subsisting at the end of the financial year under review, or which were entered into since the end of the previous financial year other than contracts entered into in the normal course of business.

4. RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("RRPT")

Details of the RRPT conducted pursuant to the shareholders' mandate obtained at the last AGM held on 2 June 2016 are disclosed in Section 2.5 of the Circular to Shareholders dated 28 April 2017 dispatched together with this Annual Report.

FINANCIAL STATEMENTS

DIRECTORS'
REPORT

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the financial year ended 31 December 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services to its subsidiaries.The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements. There have been no significant changes in the nature of these activities during the financial year.

RESULTS

	Group RM	Company RM
Profit for the financial year	27,677,730	4,905,030
Attributable to:		
Owners of the Company	27,677,730	4,905,030

DIVIDEND

Dividend declared and paid by the Company since the end of the previous financial year was the final single tier dividend of 1.5 sen per share amounting to RM4,650,000 in respect of the financial year ended 31 December 2015, as disclosed in the directors' report of that financial year, which was paid on 22 July 2016.

The directors recommended a final single tier dividend of 1.5 sen per share amounting to RM4,650,000 based on the number of outstanding ordinary shares in issue as at the date of this report, in respect of the current financial year, subject to the approval of the shareholders at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2017.

RESERVES AND PROVISIONS

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

BAD AND DOUBTFUL DEBTS

Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of 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 provision for doubtful debts and have satisfied themselves that all known bad debts had been written off and that adequate provision had been made for doubtful debts.

BAD AND DOUBTFUL DEBTS (CONT'D)

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 provision for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent.

CURRENT ASSETS

Before the statements of profit or loss and other comprehensive income and statements of financial position of the Group and of the Company were made out, the directors took reasonable steps to ensure that any current assets, other than debts, which were unlikely to realise in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

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

CONTINGENT AND OTHER LIABILITIES

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

(i) any charge on the assets of the Group or of the Company which 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 of the Company which has arisen since the end of the financial year.

In the opinion of the directors, no contingent or other liability of the Group and of 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 will or may affect the ability of the Group or of 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 the financial statements of the Group and of the Company which would render any amount stated in the financial statements misleading.

ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors:

(i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and

(ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares and debentures were made by the Company.

DIRECTORS OF THE COMPANY

The directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

DATO' NG AH HOCK @ NG SOON POR
DATO' SRI OOI BIN KEONG
OOI KONG TIONG
OOI SENG KHONG
NG KOK TEONG
OOI SHANG HOW
CHAN KEE LOIN
TAN DID HENG
TAN SACK SEN

DIRECTORS' INTEREST

The interests of the directors in office as at the end of the financial year in the ordinary shares of the Company and of the related corporations during the financial year ended 31 December 2016 are as follows:

	Number of ordinary share of RM1 each			
	At 1.1.2016	**Bought**	**Sold**	**At 31.12.2016**
Shareholdings in the ultimate holding company - Leon Fuat Holdings Sdn. Bhd.				
Direct interests				
Dato' Sri Ooi Bin Keong	2,500,000	–	–	2,500,000
Ooi Kong Tiong	1,800,000	–	–	1,800,000
Ooi Seng Khong	600,000	–	–	600,000
Ng Kok Teong	1,000,000	–	–	1,000,000
Ooi Shang How	600,000	–	–	600,000

DIRECTORS' INTEREST (cont'd)

The interests of the directors in office as at the end of the financial year in the ordinary shares of the Company and of the related corporations during the financial year ended 31 December 2016 are as follows: (cont'd)

	Number of ordinary share of RM1 each			
	At 1.1.2016	**Bought**	**Sold**	**At 31.12.2016**
Shareholdings in the ultimate holding company (cont'd)				
- Leon Fuat Holdings Sdn. Bhd.				
Deemed interests				
Ng Kok Teong [1]	2,300,000	–	–	2,300,000

	Number of ordinary share of RM0.50 each			
	At 1.1.2016	**Bought**	**Sold**	**At 31.12.2016**
Shareholdings in the Company				
Direct interests				
Dato' Ng Ah Hock @ Ng Soon Por	100,000	–	–	100,000
Dato' Sri Ooi Bin Keong	200,000	–	–	200,000
Ooi Kong Tiong	200,000	–	–	200,000
Ooi Seng Khong (4)	400,000	605,900	–	1,005,900
Ng Kok Teong	671,000	–	(450,000)	221,000
Ooi Shang How	200,000	–	–	200,000
Chan Kee Loin	100,000	–	–	100,000
Tan Did Heng	100,000	–	–	100,000
Tan Sack Sen (5)	545,000	–	–	545,000
Deemed interests				
Dato' Sri Ooi Bin Keong (2) (3)	219,715,000	–	–	219,715,000
Ooi Kong Tiong (2)	219,690,000	–	–	219,690,000
Ng Kok Teong (2)	219,690,000	–	–	219,690,000

(1) Shares held through a corporation in which the director has substantial interests.
(2) 219,690,000 shares held through the ultimate holding company, Leon Fuat Holdings Sdn. Bhd..
(3) 25,000 shares held by children of the director who himself is not director of the Company.
(4) 805,900 shares held through Malacca Equity Nominees (Tempatan) Sdn. Bhd..
(5) Shares held through Cimsec Nominees (Tempatan) Sdn. Bhd..

By virtue of their substantial interests in the shares of the Company and pursuant to Section 6A of the Companies Act 1965 in Malaysia, Dato' Sri Ooi Bin Keong, Ooi Kong Tiong and Ng Kok Teong are also deemed interest in the shares of the subsidiaries during the financial year to the extent that the Company has an interest.

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 benefits included in the aggregate amount of the emoluments received or due and receivable by the directors and benefits-in-kind as disclosed in the financial statements or the fixed salary of a full time employee of the Company) 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 the deemed benefit which may arise from transactions disclosed in Note 29 to the financial statements.

Neither during nor at the end of the financial year, was the Company a party to any arrangements 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.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Details of significant events during the financial year are disclosed in Note 32 to the financial statements.

SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of significant events subsequent to the end of the financial year are disclosed in Note 34 to the financial statements.

ULTIMATE HOLDING COMPANY

The directors regard Leon Fuat Holdings Sdn. Bhd., a private limited liability company incorporated in Malaysia, as the ultimate holding company of the Company.

AUDITORS

Messrs. Baker Tilly Monteiro Heng have indicated their willingness to accept appointment as auditors of the Company in place of the retiring auditors, Messrs. Baker Tilly AC.

This report was approved and signed on behalf of the Board of Directors in accordance with a resolution of the directors:

DATO' SRI OOI BIN KEONG **OOI KONG TIONG**

Date: 5 April 2017

STATEMENT
BY DIRECTORS
Pursuant to Section 169(15) of the Companies Act, 1965

We, **DATO' SRI OOI BIN KEONG** and **OOI KONG TIONG**, being two of the directors of LEON FUAT BERHAD, do hereby state that in the opinion of the directors, the accompanying financial statements as set out on pages 64 to 126 are drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016 and of their financial performance and cash flows for the financial year then ended.

The supplementary information set out on page 127 has been prepared in accordance with the Guidance on Special Matter No.1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants and presented based on the format as prescribed by Bursa Malaysia Securities Berhad.

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

DATO' SRI OOI BIN KEONG **OOI KONG TIONG**

Kuala Lumpur
Date: 5 April 2017

STATUTORY
DECLARATION
Pursuant to Section 169(16) of the Companies Act, 1965

I, **TAN KIEN YAP**, being the officer primarily responsible for the financial management of LEON FUAT BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the financial statements as set out on pages 64 to 126 and the supplementary information set out on page 127 are 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.

TAN KIEN YAP

Subscribed and solemnly declared by the abovenamed at Kuala Lumpur the Federal Territory on 5 April 2017.

Before me

G. NANDA GOBAN (W635)
Commissioner for Oaths

INDEPENDENT
AUDITORS' REPORT
TO THE MEMBERS OF LEON FUAT BERHAD (Incorporated in Malaysia)

REPORT ON THE FINANCIAL STATEMENTS

Opinion

We have audited the financial statements of Leon Fuat Berhad, which comprise the statements of financial position as at 31 December 2016 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 64 to 126.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2016, and of their financial performance and cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Inventories (Note 13 to the financial statements)

The Group's inventories are measure at the lower of cost or net realisable value. Judgement is required in estimating their net realisable values and identifying slow-moving inventories.

Our audit response:
Our audit procedures included, among others:

- evaluating the design and implementation of controls associated with monitoring, detection and write down of slow-moving inventories;
- attending year end physical inventory count to observe physical existence and condition of the inventories and reviews the design and implementation of controls during the count; and
- reviewing subsequent sales and evaluating Group's assessment on estimated net realisable value on selected samples of inventory items.

REPORT ON THE FINANCIAL STATEMENTS (CONT'D)

Key Audit Matters (Cont'd)

Trade receivables (Note 14 to the financial statements)

We focused on this area because the Group made subjective judgements over both the events or changes in circumstances indicating that trade receivables are impaired and the estimation of the size of any such impairment. The trade receivables are monitored individually by the Group and therefore the impairment is assessed based on knowledge of each individual receivable.

Our audit response:
Our audit procedures included, among others:

- evaluating the design and implementation of controls associated with monitoring and impairment assessment of receivables that were either in default or significantly overdue;
- understanding of significant credit exposures which were significantly overdue or deemed to be in default through analysis of ageing reports and other collection reports prepared by the Group;
- obtaining confirmation of balances from selected samples of receivables;
- reviewing subsequent receipts, customer correspondence, and explanation on recoverability of significantly past due balances; and
- assessing the reasonableness of impairment charges for the identified credit exposures.

Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the 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 of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

The directors of the Company are responsible for overseeing the Group's financial reporting process.

Auditors' Responsibilities for the Audit of the Financial Statements

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

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

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

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

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

Auditor's Responsibilities for the Audit of the Financial Statements (cont'd)

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

Report on Other Legal and Regulatory Requirements

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

(a) In our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia 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 Companies Act, 1965 in Malaysia.

(b) We have considered the financial statements and the auditors' report of the subsidiary of which we have not acted as auditors, which are indicated in Note 11 to the financial statements.

(c) 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.

(d) The auditors' reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Companies Act, 1965 in Malaysia.

Other Reporting Responsibilities

The supplementary information set out in page 127 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 the Guidance on Special Matter No.1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

Other Matters

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

Baker Tilly AC
AF 001826
Chartered Accountants

Dato' Lock Peng Kuan
No. 02819/10/2018 J
Chartered Accountant

Kuala Lumpur
Date: 5 April 2017

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Revenue	4	498,716,219	505,403,836	9,249,837	8,715,884
Cost of sales	5	(420,147,035)	(440,116,679)	–	–
Gross profit		78,569,184	65,287,157	9,249,837	8,715,884
Other income		1,816,240	2,323,872	22,099	548,372
Distribution costs		(5,592,988)	(5,597,679)	–	–
Administrative costs		(25,526,988)	(23,775,421)	(1,378,570)	(1,350,253)
Other costs		(2,870,341)	(3,919,552)	(2,614,635)	(984,314)
		(33,990,317)	(33,292,652)	(3,993,205)	(2,334,567)
Profit from operations		46,395,107	34,318,377	5,278,731	6,929,689
Finance costs		(8,265,674)	(8,552,946)	–	–
Profit before tax	6	38,129,433	25,765,431	5,278,731	6,929,689
Tax expense	7	(10,451,703)	(7,286,418)	(373,701)	(390,702)
Profit for the financial year		27,677,730	18,479,013	4,905,030	6,538,987
Other comprehensive income, net of tax:					
Item that may be reclassified subsequently to profit or loss:					
Exchange difference on translation of foreign subsidiary		7,278	(17,224)	–	–
Total comprehensive income for the financial year		27,685,008	18,461,789	4,905,030	6,538,987
Profit attributable to:					
Owners of the Company		27,677,730	18,479,013		
Total comprehensive income attributable to:					
Owners of the Company		27,685,008	18,461,789		
Earnings per ordinary share (sen)					
Basic	8	8.93	5.96		
Diluted	8	8.93	5.96		

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
ASSETS					
Non-current assets					
Property, plant and equipment	9	144,809,041	93,676,394	–	–
Capital work-in-progress	10	765,355	11,491,862	–	–
Investments in subsidiaries	11	–	–	159,932,401	162,506,578
Goodwill on consolidation	12	–	–	–	–
		145,574,396	105,168,256	159,932,401	162,506,578
Current assets					
Inventories	13	186,706,277	186,209,185	–	–
Trade and other receivables	14	136,745,057	144,584,104	4,740	4,500
Amount due from a subsidiary	15	–	–	159,661	–
Dividend receivables		–	–	7,200,000	5,000,000
Tax assets		334,407	936,953	–	–
Deposit with a licensed bank	16	431,070	417,263	–	–
Derivative financial assets	17	32,042	–	–	–
Cash and bank balances	18	17,905,054	3,806,003	1,959,765	1,640,041
		342,153,907	335,953,508	9,324,166	6,644,541
TOTAL ASSETS		487,728,303	441,121,764	169,256,567	169,151,119

STATEMENTS OF FINANCIAL POSITION (CONT'D)
AS AT 31 DECEMBER 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
EQUITY AND LIABILITIES					
Equity					
Share capital	19	155,000,000	155,000,000	155,000,000	155,000,000
Reserves	20	102,640,762	79,605,754	13,617,549	13,362,519
Total Equity		257,640,762	234,605,754	168,617,549	168,362,519
Non-current liabilities					
Borrowings	21	18,576,026	5,344,245	–	–
Deferred tax liabilities	22	3,646,280	3,685,890	–	–
		22,222,306	9,030,135	–	–
Current liabilities					
Trade and other payables	23	28,194,211	34,580,343	601,418	493,800
Amount due to ultimate holding company	24	10,000,000	–	–	–
Borrowings	21	166,612,020	161,845,032	–	–
Tax liabilities		3,059,004	1,060,500	37,600	294,800
		207,865,235	197,485,875	639,018	788,600
Total liabilities		230,087,541	206,516,010	639,018	788,600
TOTAL EQUITY AND LIABILITIES		487,728,303	441,121,764	169,256,567	169,151,119

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED STATEMENT OF
CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

Group	Share Capital RM	Share Premium RM	Merger Deficit RM	Capital Reserve RM	Translation Reserve RM	Retained Earnings RM	Total Equity RM
	◄ Attributable to Owners of the Company ►						
			◄ Non-distributable ►			Distributable	
At 1.1.2016	155,000,000	5,094,360	(109,544,997)	923	(14,863)	184,070,331	234,605,754
Comprehensive income							
Profit for the financial year	–	–	–	–	–	27,677,730	27,677,730
Other comprehensive income							
Exchange difference on translation of foreign subsidiary	–	–	–	–	7,278	–	7,278
Total other comprehensive income	–	–	–	–	7,278	–	7,278
Total comprehensive income	–	–	–	–	7,278	27,677,730	27,685,008
Transactions with owners							
Dividend (Note 25)	–	–	–	–	–	(4,650,000)	(4,650,000)
At 31.12.2016	155,000,000	5,094,360	(109,544,997)	923	(7,585)	207,098,061	257,640,762

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY (CONT'D)

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Attributable to Owners of the Company						
			Non-distributable			Distributable	
Group	Share Capital RM	Share Premium RM	Merger Deficit RM	Capital Reserve RM	Translation Reserve RM	Retained Earnings RM	Total Equity RM
At 1.1.2015	155,000,000	5,094,360	(109,544,997)	923	2,361	171,791,318	222,343,965
Comprehensive income							
Profit for the financial year	–	–	–	–	–	18,479,013	18,479,013
Other comprehensive income							
Exchange difference on translation of foreign subsidiary	–	–	–	–	(17,224)	–	(17,224)
Total other comprehensive income	–	–	–	–	(17,224)	–	(17,224)
Total comprehensive income	–	–	–	–	(17,224)	18,479,013	18,461,789
Transactions with owners							
Dividend (Note 25)	–	–	–	–	–	(6,200,000)	(6,200,000)
At 31.12.2015	155,000,000	5,094,360	(109,544,997)	923	(14,863)	184,070,331	234,605,754

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENT OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Share Capital RM	Share Premium RM	Distributable Retained Earnings RM	Total Equity RM
At 1.1.2015	155,000,000	5,094,360	7,929,172	168,023,532
Profit for the financial year, representing total comprehensive income for the financial year	–	–	6,538,987	6,538,987
Transactions with owners				
Dividend (Note 25)	–	–	(6,200,000)	(6,200,000)
At 31.12.2015	155,000,000	5,094,360	8,268,159	168,362,519
Profit for the financial year, representing total comprehensive income for the financial year	–	–	4,905,030	4,905,030
Transactions with owners				
Dividend (Note 25)	–	–	(4,650,000)	(4,650,000)
At 31.12.2016	155,000,000	5,094,360	8,523,189	168,617,549

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

STATEMENTS OF
CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Cash Flows from Operating Activities					
Profit before tax		38,129,433	25,765,431	5,278,731	6,929,689
Adjustments for:					
Bad debts written off		2,881	5,833	–	–
Depreciation of property, plant and equipment		8,905,492	7,411,763	–	–
Impairment loss on:					
- trade receivables		1,384,917	814,032	–	–
- goodwill		–	257,390	–	–
- investment in subsidiaries		–	–	2,574,177	950,419
Interest expense		7,550,414	8,091,039	–	–
Property, plant and equipment written off		79,942	15,887	–	–
Deposits and prepayments written off		382,709	–	–	–
Dividend income		–	–	(7,200,000)	(7,000,000)
Gain on disposal of property, plant and equipment		(356,215)	(543,599)	–	–
Net fair value gain on derivatives		(32,042)	–	–	–
Interest income		(121,953)	(410,020)	(22,099)	(366,762)
Reversal of impairment loss on trade receivables		(887,816)	(557,725)	–	–
Unrealised gain on foreign exchange		(74,382)	(42,887)	–	–
Inventories written off		64,449	–	–	–
Operating profit before working capital changes		55,027,829	40,807,144	630,809	513,346
Increase in inventories		(561,541)	(7,856,418)	–	–
Decrease/(Increase) in receivables		7,029,693	2,371,068	(159,901)	–
(Decrease)/Increase in payables		(6,402,840)	(10,840,972)	107,618	152
Cash generated from operations, balance carried down		55,093,141	24,480,822	578,526	513,498

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Cash Flows from Operating Activities (cont'd)					
Cash generated from operations, balance brought down		55,093,141	24,480,822	578,526	513,498
Interest paid		(7,550,414)	(8,091,039)	–	–
Interest received		121,953	410,020	22,099	366,762
Income tax paid		(7,890,263)	(9,862,019)	(630,901)	(106,202)
Net cash from/(used in) operating activities		39,774,417	6,937,784	(30,276)	774,058
Cash Flows from Investing Activities					
Addition to deposit pledged with a licensed bank		(13,807)	(12,547)	–	–
Advances to subsidiaries as capital contribution		–	–	–	(15,989,704)
Dividend received		–	–	5,000,000	8,500,000
Down payment for acquisition of land		–	(12,671,512)	–	–
Purchase of property, plant and equipment	9	(35,396,538)	(7,070,217)	–	–
Proceeds from disposal of property, plant and equipment		388,981	556,259	–	–
Capital work-in-progress paid		(11,351,439)	(12,068,864)	–	–
Net cash (used in)/from investing activities		(46,372,803)	(31,266,881)	5,000,000	(7,489,704)
Balance carried down		(6,598,386)	(24,329,097)	4,969,724	(6,715,646)

STATEMENTS OF CASH FLOWS (CONT'D)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Balance brought down		(6,598,386)	(24,329,097)	4,969,724	(6,715,646)
Cash Flows from Financing Activities					
Drawdown of term loan		18,000,000	–	–	–
Dividend paid		(4,650,000)	(6,200,000)	(4,650,000)	(6,200,000)
Advance from ultimate holding company		10,000,000	–	–	–
Drawdown of Islamic financing		22,000,000	–	–	–
Payments to finance lease payables		(3,517,262)	(2,871,842)	–	–
Repayments of term loans		(1,500,000)	(174,526)	–	–
Net (repayment)/drawdown of bankers' acceptances		(12,802,000)	8,519,918	–	–
Net cash from/(used in) financing activities		27,530,738	(726,450)	(4,650,000)	(6,200,000)
Net increase/(decrease) in cash and cash equivalents		20,932,352	(25,055,547)	319,724	(12,915,646)
Effect of exchange rate changes on cash and cash equivalents		24,813	(21,669)	–	–
Cash and cash equivalents at beginning of the financial year		(20,024,496)	5,052,720	1,640,041	14,555,687
Cash and cash equivalents at end of the financial year	26	932,669	(20,024,496)	1,959,765	1,640,041

The annexed notes form an integral part of, and should be read in conjunction with, these financial statements.

NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2016

1. CORPORATE INFORMATION

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

The registered office is located at Suite 11.1A, Level 11, Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur.

The principal place of business of the Company is located at No.11, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7 Shah Alam, 40000 Selangor Darul Ehsan.

The principal activities of the Company are investment holding and the provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 11. There have been no significant changes in the nature of these activities during the financial year.

The ultimate holding company of the Company during the financial year is Leon Fuat Holdings Sdn. Bhd., a private limited liability company incorporated in Malaysia.

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 5 April 2017.

2. BASIS OF PREPARATION

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

The preparation of financial statements in conformity with MFRSs requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reported period. It also requires directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the directors' best knowledge of current events and actions, actual results may differ.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 2(d).

2. BASIS OF PREPARATION (CON'TD)

(a) New MFRSs, amendments/improvements to MFRSs and new IC Interpretation

(i) Adoption of amendments/improvements to MFRSs

The Group and the Company have adopted the following amendments/improvements to MFRSs that are mandatory for the current financial year:

Amendments/Improvements to MFRSs	
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations
MFRS 7	Financial Instruments Disclosures
MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangement
MFRS 12	Disclosure of Interest in Other Entities
MFRS 101	Presentation of Financial Statements
MFRS 116	Property, Plant and Equipment
MFRS 119	Employee Benefits
MFRS 127	Separate Financial Statements
MFRS 128	Investments in Associates and Joint Ventures
MFRS 138	Intangible Assets
MFRS 141	Agriculture

The adoption of the above amendments/improvements to MFRSs did not have any significant effect on the financial statements of the Group and of the Company, and did not result in significant changes to the Group's and the Company's existing accounting policies.

(ii) New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective

The Group and the Company have not adopted the following new MFRSs, amendments/improvements to MFRSs and new IC Int that have been issued, but yet to be effective:

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 9	Financial Instruments	1 January 2018
MFRS 15	Revenue from Contracts with Customers	1 January 2018
MFRS 16	Leases	1 January 2019
Amendments/Improvements to MFRSs		
MFRS 1	First-time adoption of MFRSs	1 January 2018
MFRS 2	Share-based Payment	1 January 2018
MFRS 4	Insurance Contracts	1 January 2018
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 12	Disclosures of Interests in Other Entities	1 January 2017
MFRS 107	Statement of Cash Flows	1 January 2017
MFRS 112	Income Taxes	1 January 2017
MFRS 128	Investments in Associates and Joint Ventures	1 January 2018/ Deferred
MFRS 140	Investment Property	1 January 2018

2. BASIS OF PREPARATION (cont'd)

(a) New MFRSs, amendments/improvements to MFRSs and new IC Interpretation (cont'd)

(ii) New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (cont'd)

		Effective for financial periods beginning on or after
New IC Int		
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2018

A brief discussion on the above significant new MFRSs, amendments/improvements to MFRSs and new IC Int are summarised below. Due to the complexity of these new MFRSs, amendments/improvements to MFRSs and new IC Int, the financial effects of their adoption are currently still being assessed by the Group and the Company.

MFRS 9 Financial Instruments

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification of financial assets which is driven by cash flow characteristics and the business model in which an asset is held. The new model also results in a single impairment model being applied to all financial instruments.

  In essence, if a financial asset is a simple debt instrument and the objective of the entity's business model within which it is held is to collect its contractual cash flows, the financial asset is measured at amortised cost. In contrast, if that asset is held in a business model the objective of which is achieved by both collecting contractual cash flows and selling financial assets, then the financial asset is measured at fair value in the statements of financial position, and amortised cost information is provided through profit or loss. If the business model is neither of these, then fair value information is increasingly important, so it is provided both in the profit or loss and in the statements of financial position.

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised.

- MFRS 9 introduces a substantially-reformed model for hedge accounting, with enhanced disclosures about risk management activity. The new model represents a significant overhaul of hedge accounting that aligns the accounting treatment with risk management activities, enabling entities to better reflect these activities in their financial statements. In addition, as a result of these changes, users of the financial statements will be provided with better information about risk management and the effect of hedge accounting on the financial statements.

2. BASIS OF PREPARATION (cont'd)

(a) New MFRSs, amendments/improvements to MFRSs and new IC Interpretation (cont'd)

(ii) New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (cont'd)

MFRS 15 Revenue from Contracts with Customers

The core principle of MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. An entity recognises revenue in accordance with the core principle by applying the following steps:

(i) identify the contracts with a customer;
(ii) identify the performance obligation in the contract;
(iii) determine the transaction price;
(iv) allocate the transaction price to the performance obligations in the contract;
(v) recognise revenue when (or as) the entity satisfies a performance obligation.

MFRS 15 also includes new disclosures that would result in an entity providing users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows from contracts with customers.

The following MFRSs and IC Interpretations will be withdrawn on the application of MFRS 15:

MFRS 111	Construction Contracts
MFRS 118	Revenue
IC Interpretation 13	Customer Loyalty Programmes
IC Interpretation 15	Agreements for the Construction of Real Estate
IC Interpretation 18	Transfers of Assets from Customers
IC Interpretation 131	Revenue – Barter Transactions Involving Advertising Services

MFRS 16 Leases

Currently under MFRS 117 Leases, leases are classified either as finance leases or operating leases. A lessee recognises on its statement of financial position assets and liabilities arising from the finance leases.

MFRS 16 eliminates the distinction between finance and operating leases for lessees. All leases will be brought onto its statement of financial position except for short-term and low value asset leases.

Amendments to MFRS 12 Disclosure of Interests in Other Entities

Amendments to MFRS 12 clarify that entities classified as held for sale are required to apply all the disclosure requirements of MFRS 12 except for the disclosure requirements set out in paragraphs B10-B16.

2. BASIS OF PREPARATION (cont'd)

(a) New MFRSs, amendments/improvements to MFRSs and new IC Interpretation (cont'd)

(ii) New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (cont'd)

Amendments to MFRS 107 Statement of Cash Flows

Amendments to MFRS 107 require entities to provide disclosures that enable users of financial statements to evaluate changes in liabilities arising from financing activities, including changes from cash flows and non-cash changes. The disclosure requirement could be satisfied in various ways, and one method is by providing reconciliation between the opening and closing balances in the statement of financial position for liabilities arising from financing activities.

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that decreases in value of debt instrument measured at fair value for which the tax base remains at its original cost give rise to a deductible temporary difference. The estimate of probable future taxable profits may include recovery of some of an entity's assets for more than their carrying amounts if sufficient evidence exists that it is probable the entity will achieve this.

The amendments also clarify that deductible temporary differences should be compared with the entity's future taxable profits excluding tax deductions resulting from the reversal of those deductible temporary differences when an entity evaluates whether it has sufficient future taxable profits. In addition, when an entity assesses whether taxable profits will be available, it should consider tax law restrictions with regards to the utilisation of the deduction.

Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 128 clarify that an entity, which is a venture capital organisation, or a mutual fund, unit trust or similar entities, has an investment-by-investment choice to measure its investments in associates or joint ventures at fair value through profit or loss.

Amendments to MFRS 140 Investment Property

Amendments to MFRS 140 clarify that to transfer to, or from, investment properties there must be evidence of a change in use. To conclude if a property has changed use there should be an assessment of whether the property meets the definition of investment property. A change in intention, in isolation, does not provide evidence of a change in use.

The amendments also clarify that the list of circumstances that evidence a change in use is not exhaustive.

2. BASIS OF PREPARATION (cont'd)

(a) New MFRSs, amendments/improvements to MFRSs and new IC Interpretation (cont'd)

(ii) New MFRSs, amendments/improvements to MFRSs and new IC Interpretation ("IC Int") that have been issued, but yet to be effective (cont'd)

Amendments to MFRS 10 Consolidated Financial Statements and MFRS 128 Investments in Associates and Joint Ventures

These amendments address an acknowledged inconsistency between the requirements in MFRS 10 and those in MFRS 128, in dealing with the sale or contribution of assets between an investor and its associate or joint venture.

The main consequence of the amendments is that a full gain or loss is recognised when a transaction involves a business, as defined in MFRS 3. A partial gain or loss is recognised when a transaction involves assets that do not constitute a business.

IC Int 22 Foreign Currency Transactions and Advance Consideration

IC Int 22 clarifies that the date of the transaction for the purpose of determining the exchange rate to use on initial recognition of the related asset, expense or income (or part of it) is the date on which an entity initially recognises the non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration.

(b) Basis of Measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis except for those as disclosed in the significant accounting policies note.

(c) Functional and Presentation Currency

The individual financial statements of each entity in the Group are measured using the currency of the primary economic environment in which the entity operates ("the functional currency"). The financial statements of the Group and of the Company are presented in Ringgit Malaysia (RM) which is also the Company's functional currency. All financial information presented in RM has been rounded to the nearest RM, unless otherwise stated.

(d) Significant Accounting Estimates and Judgements

Significant areas of estimation uncertainty and critical judgements used in applying accounting principles that have significant effect on the amount recognised in the financial statements are as follows:

(i) Tax expense (Note 7) – Judgement is required in determining the capital allowances and deductibility of certain expenses when estimating the provision for taxation. The Group and the Company recognise liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax in the periods in which the outcome is known.

2. BASIS OF PREPARATION (cont'd)

(d) Significant Accounting Estimates and Judgements (cont'd)

Significant areas of estimation uncertainty and critical judgements used in applying accounting principles that have significant effect on the amount recognised in the financial statements are as follows: (cont'd)

(ii) Depreciation of property, plant and equipment (Note 9) – The cost of property, plant and equipment is depreciated on a straight line method over the assets' useful lives. Management estimates the useful lives of these property, plant and equipment to be 5 to 95 years based on common life expectancies of the industry. The management anticipates that the residual values of the assets will be insignificant and as such, residual values are not being taken into consideration for the computation of the depreciation amount. Changes in the expected level of usage and technological developments could impact the economic useful lives and residual values of these assets resulting in revision for future depreciation charges.

(iii) Impairment of investment in subsidiaries (Note 11) – The Company tests investments in subsidiaries for impairment at each reporting date in accordance with its accounting policy. More regular reviews are performed if events indicate that this is necessary. The assessment of the net tangible assets of the subsidiaries effects the results of the impairment test. Cost of investment in subsidiaries which has ceased operations and continuous loss-making were impaired based on the net assets of the subsidiaries.

(iv) Inventories (Note 13) – Inventories are stated at the lower of cost and net realisable value. Reviews are made periodically by the Group on damaged and slow-moving inventories. These reviews require judgement and estimates. In determining the net realisable value of the inventories, an estimation of the recoverable amount of inventories on hand is performed by the Group based on the most reliable evidence available at the time the estimates are made. These estimates take into consideration the fluctuations of selling price or cost, or any inventories on hand that may not be realised, as a result of events occurring after the end of the reporting period to the extent such events confirm conditions existing at the end of the reporting period. Possible changes in these estimates could result in revisions to the valuation of inventories.

(v) Impairment loss on receivables (Note 14) – The Group assesses at each reporting date whether there is any objective evidence that a receivable is impaired. Allowances are applied where events or changes in circumstances indicate that the balances may not be collectable. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables at the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of Consolidation

Subsidiaries

The consolidated financial statements incorporate the audited financial statements of the Company and all of its subsidiaries which are disclosed in Note 11 made up to the end of the financial year.

Subsidiaries are entities, including structured entities, controlled by the Company. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Investments in subsidiaries are measured in the Company's statement of financial position at cost less any impairment losses, unless the investment is classified as held for sale or distribution.

Control exists when the Group is exposed, or has rights, to variable returns from its involvement with the entity and has the ability to affect those returns through its power over the entity. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the elements of control as mentioned above.

When the Group has less than majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other holders;
- potential voting rights, if such rights are substantive, held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements;
- the nature of the Group's relationship with other parties and whether those other parties are acting on its behalf (i.e. they are 'de facto agents'); and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

(i) Merger accounting for common control business combinations

A business combination involving entities under common control is a business combination in which all the combining entities or subsidiaries are ultimately controlled by the same party and parties both before and after the business combination, and that control is not transitory. Subsidiaries acquired which have met the criteria for pooling of interest are accounted for using merger accounting principles. Under the merger method of accounting, the results of the subsidiaries are presented as if the merger had been effected throughout the current financial year.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of Consolidation (cont'd)

Subsidiaries (cont'd)

(i) Merger accounting for common control business combinations (cont'd)

The assets and liabilities combined are accounted for based on the carrying amounts from the perspective of the common control shareholder at the date of transfer. No amount is recognised in respect of goodwill and excess of the acquirer's interest in the net fair value of the acquiree's identifiable assets and liabilities and contingent liabilities over cost at the time of the common control business combination to the extent of the continuation of the controlling party and parties' interests.

When the merger method is used, the cost of investment in the Company's books is recorded at the nominal value of shares issued. The difference between the carrying value of the investment and the nominal value of the shares of the subsidiaries is treated as a merger deficit or merger reserve as applicable. The results of the subsidiaries being merged are included for the full financial year.

(ii) Business Combinations under acquisition method

Business combinations are accounted for using the acquisition method from the acquisition date, which is the date on which control is transferred to the Group.

For new acquisition, the Group measures the cost of goodwill at the acquisition date as:

- The fair value of the consideration transferred; plus
- The recognised amount of any non-controlling interests in the acquiree; plus
- If the business combination is achieved in stages, the fair value of the existing equity interest in the acquiree; less
- The net recognised amount (generally fair value) of the identifiable assets acquired and liabilities assumed.

When the excess is negative, a bargain purchase gain is recognised immediately in profit or loss.

For each business combination, the Group elects whether it measures the non-controlling interests in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets at the acquisition date.

Transaction costs, other than those associated with the issue of debt or equity securities, that the Group incurs in connection with a business combination are expensed as incurred.

(iii) Acquisitions of Non-controlling Interests

The Group treats all changes in its ownership interest in a subsidiary that do not result in a loss of control as equity transaction between the Group and its non-controlling interest holders. Any difference between the Group's share of net assets before and after the change, and any consideration received or paid, is adjusted to or against Group reserves.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(a) Basis of Consolidation (cont'd)

Subsidiaries (cont'd)

(iv) Loss of Control

Upon the loss of control of a subsidiary, the Group derecognises the assets and liabilities of the former subsidiary, any non-controlling interests and the other components of equity related to the former subsidiary from the consolidated statement of financial position. Any surplus or deficit arising on the loss of control is recognised in profit or loss. If the Group retains any interest in the former subsidiary, then such interest is measured at fair value at the date that control is lost. Subsequently, it is accounted for as an equity accounted investee or as an available-for-sale financial asset depending on the level of influence retained.

(v) Non-controlling Interests

Non-controlling interests at the reporting date, being the equity in a subsidiary not attributable directly or indirectly to the equity holders of the Company, are presented in the consolidated statement of financial position and statement of changes in equity within equity, separately from equity attributable to the owners of the Company. Non-controlling interests in the results of the Group is presented in the consolidated statement of profit or loss and other comprehensive income as an allocation of the profit or loss and the other comprehensive income for the financial year between non-controlling interests and owners of the Company.

(vi) *Transactions Eliminated on Consolidation*

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

(b) Foreign Currency

(i) Foreign Currency Transactions

In preparing the financial statements of the individual entities, transactions in currencies other than the entity's functional currency (foreign currencies) are recorded in Ringgit Malaysia using the exchange rates prevailing at the dates of the transactions. Monetary items denominated in foreign currencies at the reporting date are translated to the functional currencies at the exchange rates on the reporting date. Non-monetary items denominated in foreign currencies are not retranslated at the reporting date except for those that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined.

Exchange differences arising on the settlement of monetary items, and on the translation of monetary items, are included in profit or loss for the period except for exchange differences arising on monetary items that form part of the Group's net investment in foreign operation.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(b) Foreign Currency (cont'd)

(i) Foreign Currency Transactions (cont'd)

Exchange differences arising on monetary items that form part of the Group's net investment in foreign operation are initially taken directly to the foreign currency translation reserve within equity until the disposal of the foreign operations, at which time they are recognised in profit or loss. Exchange differences arising on monetary items that form part of the Group's net investment in foreign operations are recognised in profit or loss in the Company's separate financial statements or the individual financial statements of the foreign operation, as appropriate.

Exchange differences arising on the translation of non-monetary items carried at fair value are included in profit or loss for the period except for the differences arising on the translation of non-monetary items in respect of which gains and losses are recognised directly in equity. Exchange differences arising from such non-monetary items are also recognised directly in equity.

(ii) Operations denominated in functional currencies other than Ringgit Malaysia

The results and financial position of foreign operations that have a functional currency different from the presentation currency (RM) of the consolidated financial statements are translated into RM as follows:

(i) Assets and liabilities for each reporting date presented are translated at the closing rate prevailing at the reporting date;

(ii) Income and expenses are translated at average exchange rates for the year, which approximates the exchange rates at the dates of the transactions; and

(iii) All resulting exchange differences are taken to other comprehensive income.

Goodwill and fair value adjustments arising on the acquisition of foreign operations are treated as assets and liabilities of the foreign operations and are recorded in the functional currency of the foreign operations and translated at the closing rate at the reporting date.

Upon disposal of a foreign subsidiary, the cumulative amount of translation differences at the date of disposal of the subsidiaries is taken to profit or loss.

(c) Tax Expense

Tax expense in profit or loss represents the aggregate amount of current and deferred tax. Current tax is the expected amount payable in respect of taxable income for the financial year, using tax rates enacted or substantially enacted by the reporting date and any adjustments recognised for prior years' tax. When an item is recognised outside profit or loss, the related tax effect is recognised either in other comprehensive income or directly in equity.

Deferred tax is recognised using the liability method, on all temporary differences between the tax base of assets and liabilities and their carrying amounts in the financial statements. Deferred tax is not recognised if the temporary difference arises from goodwill or from the initial recognition of an asset or liability in a transaction, which is not a business combination and at the time of the transaction, affects neither accounting nor taxable profit or loss. Deferred tax is measured at the tax rates that are expected to apply in the period in which the assets are realised or the liabilities are settled, based on tax rates and tax laws that have been enacted or substantially enacted by the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(c) Tax Expense (cont'd)

Deferred tax assets are recognised only to the extent that there are sufficient taxable temporary differences relating to the same taxable entity and the same taxation authority to offset or when it is probable that future taxable profits will be available against which the assets can be utilised.

Deferred tax assets are reviewed at each reporting date and are reduced to the extent that it is no longer probable that the related tax benefits will be realised. Unrecognised deferred tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profit will be available for the assets to be utilised.

Deferred tax assets relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transactions either in other comprehensive income or directly in equity and deferred tax arising from business combination is adjusted against goodwill on acquisition or the amount of any excess of the acquirer's interest in the net fair value of the acquirer's identifiable assets, liabilities and contingent liabilities over the acquisition cost.

(d) Revenue Recognition

i. Sales of Goods

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

ii. Dividend Income

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

iii. Interest Income

Interest income is recognised on an accrual basis using the effective interest method.

iv. Rental Income

Rental income is recognised in profit or loss on time-proportion basis over the term of the lease.

v. Management and Corporate Guarantee Fees

Management and corporate guarantee fees are recognised when services are rendered.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(e) Employee Benefits

i. Short Term Employee Benefits

Wages, salaries, social security contributions and bonuses are recognised as an expense in the financial year in which the associated services are rendered by employees of the Group. Short term accumulating compensated absences such as paid annual leave are recognised when services are rendered by employees that increase their entitlement to future compensated absences, and short term non-accumulating compensated absences such as sick leave are recognised when the absences occur.

ii. Defined Contribution Plans

As required by law, companies in Malaysia make contributions to the state pension scheme, the Employees Provident Fund ("EPF"). Such contributions are recognised as an expense in the profit or loss as incurred.

(f) Property, Plant and Equipment and Depreciation

Property, plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes expenditure that are directly attributable to the acquisition of the asset. Subsequent costs are included in the assets' carrying amount or recognised as separate asset as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The costs of the day-to-day servicing of property, plant and equipment are recognised in the profit or loss as incurred.

Short term leasehold land is depreciated over the lease term ranges from 43 to 60 years. Long term leasehold land is depreciated over the lease term of 95 years. Freehold land is not depreciated and all other property, plant and equipment are depreciated to write off the cost of the property, plant and equipment over their estimated useful lives.

The principal annual rates used for this purpose are:

Buildings	2%
Furniture, fittings and electrical fittings	10%
Office equipment	10% - 20%
Forklifts, plant and machineries	10% - 20%
Motor vehicles	20%

The residual values, useful lives and depreciation method are reviewed at each financial year end to ensure that the amount, method and period of depreciation are consistent with previous estimates and the expected pattern of consumption of the future economic benefits embodied in the items of property, plant and equipment. These are adjusted prospectively, if appropriate.

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. The difference between the net disposal proceeds, if any, and the net carrying amount is recognised in the profit or loss.

Fully depreciated property, plant and equipment are retained in the financial statements until they are no longer in use and no further charge for depreciation is made in respect of these property, plant and equipment.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(g) Capital Work-in-progress

Capital work-in-progress is stated at cost less any accumulated impairment losses and includes borrowing costs incurred during the period of construction. Capital work-in-progress is not depreciated and upon completion of construction, the cost will be transferred to property, plant and equipment.

(h) Goodwill

Goodwill acquired in a business combination represents the difference between the purchase consideration and the Group's interest in the net fair value of the identifiable assets, liabilities and contingent liabilities in the subsidiaries at the date of acquisition.

Goodwill is allocated to cash generating units and is stated at cost less accumulated impairment losses, if any. Impairment test is performed annually. Goodwill is also tested for impairment when indication of impairment exists. Impairment losses recognised are not reversed in subsequent periods.

Upon the disposal of investment in the subsidiary, the related goodwill will be included in the computation of gain or loss on disposal of investment in the subsidiary in profit or loss.

(i) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Cost includes the actual cost of purchase materials and incidentals in bringing the inventories into store.

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

(j) Impairment of Non-Financial Assets

The carrying amounts of non-financial assets other than inventories and deferred tax assets are reviewed at each reporting date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. The recoverable amount is the higher of fair value less cost of disposal and the value in use, which is measured by reference to discounted future cash flows and is determined on an individual asset basis, unless the asset does not generate cash flows that are largely independent of those from other assets. If this is the case, recoverable amount is determined for the cash-generating unit to which the asset belongs to. An impairment loss is recognised whenever the carrying amount of an item of asset exceeds its recoverable amount. An impairment loss is recognised as expense in profit or loss. Impairment losses recognised in respect of cash-generating units are allocated first to reduce the carrying amount of any goodwill allocated to the units and then to reduce the carrying amount of the other assets in the unit (group of units) on a pro-rata basis.

Any subsequent increase in recoverable amount of an asset, other than goodwill, due to a reversal of impairment loss is restricted to the carrying amount that would have been determined (net of accumulated depreciation, where applicable) had no impairment loss been recognised in prior financial years. The reversal of impairment loss is recognised in profit or loss.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(k) Financial Assets

Financial assets are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument.

When financial assets are recognised initially, they are measured at fair value, plus, in the case of financial assets not at fair value through profit or loss, directly attributable transaction costs.

The Group and the Company determine the classification of their financial assets at initial recognition, and the categories include financial assets at loans and receivables and available-for- sale financial assets and fair value through profit or loss.

i. Loans and Receivables

Financial assets with fixed or determinable payments that are not quoted in an active market are classified as loans and receivables.

Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method. Gains and losses are recognised in profit or loss when the loans and receivables are derecognised or impaired, and through the amortisation process.

Loans and receivables are classified as current assets, except for those having maturity dates later than 12 months after the reporting date which are classified as non-current.

ii. Financial Assets at Fair Value through Profit or Loss

Financial assets are classified as financial assets at fair value through profit or loss when the financial assets are either held for trading, including derivatives (except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument) or are designated into this category upon initial recognition.

Subsequent to initial recognition, financial assets at fair value through profit or loss are measured at fair value with the gain or loss recognised in profit or loss.

Derivatives that are linked to an must be settled by delivery of unquoted equity instruments whose fair values cannot be reliably measured are measured at costs.

A financial asset is derecognised where the contractual right to receive cash flows from the asset has expired. On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received and any cumulative gain or loss that had been recognised in other comprehensive income is recognised in profit or loss.

Regular way purchases or sales are purchases and sales of financial assets that require delivery of assets within the period generally established by regulation or convention in the market place concerned. All regular way purchases and sales of financial assets are recognised or derecognised on the trade date i.e. the date that the Group and the Company commit to purchase or sell the asset.

The effective interest method is a method of calculating the amortised cost of a debt instrument and of allocating interest income over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts through the expected life of the debt instrument, or where appropriate, a shorter period to the net carrying amount on initial recognition.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(l) Impairment of Financial Assets

At each reporting date, all financial assets (except for financial assets categorised as fair value through profit or loss and investment in subsidiaries, associates and joint ventures) are assessed whether there is any objective evidence of impairment as a result of one or more events having an impact on the estimated future cash flows of the financial asset that can be reliably estimated. Losses expected as a result of future events, no matter how likely, are not recognised.

Evidence of impairment may include indications that the debtors or a group of debtors are experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicates that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

Loans and receivables

The Group and the Company first assess whether objective evidence of impairment exists individually for financial assets that are individually significant, and individually or collectively for financial assets that are not individually significant. If no objective evidence for impairment exists for an individually assessed financial asset, whether significant or not, the Group and the Company may include the financial asset in a group of financial assets with similar credit risk characteristics and collectively assess them for impairment. Financial assets that are individually assessed for impairment for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

The amount of impairment loss is measured as the difference between the financial asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the financial asset is reduced through the use of an allowance account and the loss is recognised in profit or loss.

If, in a subsequent period, the amount of the impairment loss decreases due to an event occurring after the impairment that was recognised, the previously recognised impairment loss is then reversed by adjusting an allowance account to the extent that the carrying amount of the financial asset does not exceed what the amortised cost would have been had the impairment not been recognised.

Loans together with the associated allowance are written off when there is no realistic prospect of future recovery and all collateral has been realised or has been transferred to the Group and the Company. If a write-off is later recovered, the recovery is credited to the profit or loss.

(m) Cash and Cash Equivalents

Cash and cash equivalents comprise cash at bank and on hand and demand deposits, which are subject to an insignificant risk of changes in value. For the purposes of the statements of cash flows, cash and cash equivalents are presented net of bank overdrafts and deposits pledged with licensed banks.

(n) Share Capital

An equity instrument is any contract that evidences a residual interest in the assets of the Group and the Company after deducting all of its liabilities. Ordinary shares are equity instruments. Ordinary shares are recorded at the proceeds received, net of directly attributable incremental transaction costs. Ordinary shares are classified as equity. Dividends on ordinary shares are recognised in equity in the period in which they are declared.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(o) Borrowing Costs

Borrowing costs are capitalised as part of a qualifying assets if they are directly attributable to the acquisition, construction or production of that asset. Capitalisation of borrowing costs commences when the activities to prepare the assets for its intended use or sales are in progress and the expenditures and borrowing costs are incurred. Borrowing costs are capitalised until the assets are substantially completed for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred. Borrowing costs consist of interest and other costs that the Group and the Company incurred in connection with the borrowing of funds.

(p) Leases

(i) Finance Lease – the Group as lessee

Assets acquired by way of hire purchase or finance lease where the Group and the Company assumes substantially all the benefits and risks of ownership are classified as property, plant and equipment.

Finance lease are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a periodic constant rate of interest on the remaining balance. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

(ii) Operating Lease – the Group as lessee

Operating lease payments are recognised as an expense on a straight-line basis over the term of the relevant lease. The aggregate benefit of incentives provided by the lessor is recognised as a reduction of rental expense over the lease term on the straight-line basis.

(q) Financial Liabilities

Financial liabilities are classified according to the substance of the contractual arrangements entered into and the definitions of a financial liability.

Financial liabilities, within the scope of MFRS 139, are recognised in the statements of financial position when, and only when, the Group and the Company become a party to the contractual provisions of the financial instrument. Financial liabilities are classified as either financial liabilities at fair value through profit or loss or other financial liabilities. The Group and the Company classified their financial liabilities as other financial liabilities.

Other Financial Liabilities

Trade and other payables are recognised initially at fair value plus directly attributable transaction costs and subsequently measured at amortised cost using the effective interest method.

Loans and borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(q) Financial Liabilities (cont'd)

Other Financial Liabilities (cont'd)

For other financial liabilities, gains and losses are recognised in profit or loss when the liabilities are derecognised, and through the amortisation process.

A financial liability is derecognised when the obligation under the liability is extinguished. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in profit or loss.

(r) Derivative Financial Instruments

The Group enters into foreign exchange forward contracts to manage its exposure to foreign exchange rate.

Derivatives are initially recognised at fair value at the date the derivative contract is entered into and are subsequently measured to their fair value at the end of each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

A derivative with a positive fair value is recognised as a financial asset; a derivative with a negative fair value is recognised as a financial liability. A derivative is presented as a non-current asset or a non-current liability if the remaining maturity of the instrument is more than 12 months and it is not expected to be realised or settled within 12 months. Other derivatives are presented as current assets or current liabilities.

(s) Financial Guarantee Contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs. Subsequent to initial recognition, financial guarantee contracts are recognised as income in profit or loss over the period of the guarantee. If the debtor fails to make payment relating to financial guarantee contract when it is due and the Group and the Company, as the issuer, is required to reimburse the holder for the associated loss, the liability is measured at the higher of the best estimate of the expenditure required to settle the present obligation at the reporting date and the amount initially recognised less cumulative amortisation.

(t) Segment Reporting

For management purposes, the Group is organised into operating segments based on their products and services which are independently managed by their respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the chief decision makers of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are disclosed in Note 27, including the factors used to identify the reportable segments and the measurement basis of segment information.

3. SIGNIFICANT ACCOUNTING POLICIES (cont'd)

(u) Earnings per Share

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

(v) Fair Value Measurements

Fair value of an asset or a liability, except for share-based payment and lease transactions, is determined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement assumes that the transaction to sell the asset or transfer the liability takes place either in the principal market or in the absence of a principal market, in the most advantageous market.

For a non-financial asset, the fair value measurement takes into account a market participant's ability to generate economic benefits by using the asset in its highest and best use or by selling it to another market participant that would use the asset in its highest and best use.

When measuring the fair value of an asset or a liability, the Group and the Company use observable market data as far as possible. Fair value is categorised into different levels in a fair value hierarchy based on the input used in the valuation technique as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities that the Group and the Company can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.
Level 3: Unobservable inputs for the asset or liability.

The Group and the Company recognise transfers between levels of the fair value hierarchy as of the date of the event or change in circumstances that caused the transfers.

4. REVENUE

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Sale of goods	498,716,219	505,403,836	–	–
Management fees	–	–	359,877	359,877
Dividend income from subsidiaries	–	–	7,200,000	7,000,000
Corporate guarantee fees charged to subsidiaries	–	–	1,689,960	1,356,007
	498,716,219	505,403,836	9,249,837	8,715,884

5. COST OF SALES

	Group 2016 RM	Group 2015 RM
Direct costs	400,348,339	421,368,817
Other operating costs	19,798,696	18,747,862
	420,147,035	440,116,679

6. PROFIT BEFORE TAX

Profit before tax is arrived at after charging/(crediting):

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Auditors' remuneration				
- statutory audit services	180,979	165,970	36,000	30,000
- other services	11,000	10,000	11,000	10,000
Bad debts recovered	–	(3,165)	–	–
Bad debts written off	2,881	5,833	–	–
Depreciation of property, plant and equipment	8,905,492	7,411,763	–	–
Gain on disposal of property, plant and equipment	(356,215)	(543,599)	–	–
Insurance claimed	(86,384)	(164,925)	–	–
(Gain)/Loss on foreign exchange:				
- realised	(95,714)	2,325,829	–	(181,610)
- unrealised	(74,382)	(42,887)	–	–
Impairment loss on:				
- goodwill	–	257,390	–	–
- trade receivables	1,384,917	814,032	–	–
- investments in subsidiaries	–	–	2,574,177	950,419
Interest expense in respect of:				
- bank overdrafts	1,090,534	1,566,012	–	–
- bankers' acceptances	5,598,326	6,113,002	–	–
- finance lease	392,691	407,602	–	–
- islamic financing	159,547	–	–	–
- term loans	309,316	4,423	–	–
Property, plant and equipment written off	79,942	15,887	–	–
Preliminary expenses	5,440	–	–	–
Deposits and prepayments written off	382,709	–	–	–
Personnel expenses (including key management personnel)				
- contributions to defined contribution plan	2,492,140	1,911,285	67,140	66,528
- salaries and others	20,344,594	20,229,681	1,070,504	1,059,759

6. PROFIT BEFORE TAX (cont'd)

Profit before tax is arrived at after charging/(crediting) (cont'd):

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Rental of crane and equipment	62,232	67,914	–	–
Rental of premises	1,843,401	1,846,220	–	–
Rental of land	520,719	433,933	–	–
Rental income from office and warehouse	(18,687)	(419,099)	–	–
Interest income from				
- cash at banks	(92,685)	(51,683)	(22,099)	(21,594)
- deposit with a licensed bank	(29,268)	(358,337)	–	(345,168)
Reversal of impairment loss on trade receivables	(887,816)	(557,725)	–	–
Fair value gain on derivative	(32,042)	–	–	–
Inventories written off	64,449	–	–	–

6.1 DIRECTORS' REMUNERATION

Included in staff costs is the aggregate amount of remuneration received and receivable by the directors of the Company and its subsidiaries during the financial year as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Directors of the Company				
Executive directors				
- Fees	600,000	600,000	250,000	250,000
- Other emoluments	3,418,312	3,767,240	–	–
	4,018,312	4,367,240	250,000	250,000
Non-executive directors				
- Fees	220,000	220,000	220,000	220,000
- Other emoluments	23,000	24,000	23,000	24,000
	243,000	244,000	243,000	244,000
Balance carried down	4,261,312	4,611,240	493,000	494,000

6. PROFIT BEFORE TAX (cont'd)

6.1 DIRECTORS' REMUNERATION (cont'd)

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Balance brought down	4,261,312	4,611,240	493,000	494,000
Directors of subsidiaries				
Executive Directors				
- Fees	150,000	150,000	–	–
- Other emoluments	1,723,874	1,893,868	–	–
	1,873,874	2,043,868	–	–
	6,135,186	6,655,108	493,000	494,000

The estimated monetary value of benefits-in-kind received by certain directors of the Company and its subsidiaries amounted to RM259,426 (2015: RM222,297).

7. TAX EXPENSE

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Current tax				
Malaysian income tax				
- Current financial year	10,398,800	6,780,601	373,600	390,800
- Under/(Over) provision in prior financial year	92,513	93,665	101	(98)
	10,491,313	6,874,266	373,701	390,702
Deferred tax (Note 22)				
Origination and reversal of temporary differences	155,287	464,052	–	–
Over provision in prior financial year	(194,897)	(51,900)	–	–
	(39,610)	412,152	–	–
Tax expense	10,451,703	7,286,418	373,701	390,702

7. TAX EXPENSE (cont'd)

The reconciliation from the tax amount at statutory income tax rate to the Group's and the Company's tax expense is as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Profit before tax	38,129,433	25,765,431	5,278,731	6,929,689
Tax at Malaysian statutory income tax rate of 24% (2015: 25%)	9,151,100	6,441,400	1,266,900	1,732,400
Effect of different tax rate in foreign jurisdiction	15,092	(10,626)	–	–
Tax effect of:				
- non-deductible expenses	1,478,182	828,239	834,700	453,800
- non-taxable income	(81,858)	(73,488)	(1,728,000)	(1,795,400)
Tax effect of double deduction of expenses	(100,000)	(41,600)	–	–
Deferred tax asset not recognised	91,572	111,875	–	–
Deferred tax at different tax rate	–	(11,147)	–	–
Under/(Over) provision in prior financial year:				
- current tax	92,512	93,665	101	(98)
- deferred tax	(194,897)	(51,900)	–	–
Tax expense	10,451,703	7,286,418	373,701	390,702

Domestic income tax is calculated at Malaysian statutory income tax of 24% (2015: 25%) of the estimated assessable profit for the financial year. Taxation for other jurisdiction is calculated at the rate prevailing in that jurisdiction.

The Group has unutilised tax losses and unabsorbed capital allowances amounting to approximately RM1,186,479 (2015: RM801,700) and RM33,872 (2015: RM37,100) as at the end of reporting period. These unutilised losses are available for carry forward to offset against future taxable income subject to agreement of the tax authority and compliance with certain provisions of the tax regulations in Singapore.

8. EARNINGS PER SHARE

(a) Earnings per share

The basic earnings per share of the Group is calculated by dividing the Group's profit for the financial year attributable to equity holders of the Company of RM27,677,730 (2015: RM18,479,013) by the weighted average number of ordinary shares in issue during the financial year of 310,000,000 (2015: 310,000,000) ordinary shares of RM0.50 each.

(b) Diluted Earnings per share

Diluted earnings per share is equivalent to the basic earnings per share as there were no potential dilutive ordinary shares.

9. PROPERTY, PLANT AND EQUIPMENT

Group	Freehold Industrial Land RM	Long Term Leasehold Land RM	Short Term Leasehold Land RM	Buildings RM	Furniture, Fittings and Electrical Fittings RM	Office Equipment and Renovation RM	Forklift, Plant and Machinery RM	Motor Vehicles RM	Total RM
Cost									
At 1.1.2016	25,107,881	–	2,683,377	36,093,825	2,823,109	5,715,296	54,929,827	11,742,552	139,095,867
Transfer from capital work-in-progress (Note 10)	–	–	–	19,037,690	–	–	3,040,256	–	22,077,946
Additions	–	30,969,669	–	424,857	119,424	262,492	2,931,016	3,365,225	38,072,683
Disposals	–	–	–	–	–	–	(59,000)	(2,260,878)	(2,319,878)
Written off	–	–	–	–	–	(14,353)	–	(96,293)	(110,646)
Exchange differences	–	–	–	–	71	1,157	–	–	1,228
At 31.12.2016	25,107,881	30,969,669	2,683,377	55,556,372	2,942,604	5,964,592	60,842,099	12,750,606	196,817,200
Accumulated Depreciation									
At 1.1.2016	–	–	576,820	5,908,150	1,335,585	2,264,863	28,671,451	6,662,604	45,419,473
Charge for the financial year	–	325,997	48,817	1,067,309	264,760	549,889	4,915,611	1,733,109	8,905,492
Disposals	–	–	–	–	–	–	(36,876)	(2,250,234)	(2,287,110)
Written off	–	–	–	–	–	(1,816)	–	(28,888)	(30,704)
Exchange differences	–	–	–	–	40	968	–	–	1,008
At 31.12.2016	–	325,997	625,637	6,975,459	1,600,385	2,813,904	33,550,186	6,116,591	52,008,159
Net Carrying Amount									
At 31.12.2016	25,107,881	30,643,672	2,057,740	48,580,913	1,342,219	3,150,688	27,291,913	6,634,015	144,809,041

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

Group	Freehold Industrial Land RM	Short Term Leasehold Land RM	Buildings RM	Furniture, Fittings and Electrical Fittings RM	Office Equipment and Renovation RM	Forklift, Plant and Machinery RM	Motor Vehicles RM	Total RM
Cost								
At 1.1.2015	25,107,881	2,683,377	36,093,825	2,304,686	3,679,915	46,601,583	11,682,871	128,154,138
Transfer from capital work-in-progress (Note 10)	–	–	–	46,000	1,666,679	–	–	1,712,679
Additions	–	–	–	485,403	609,715	8,493,035	2,668,233	12,256,386
Disposals	–	–	–	–	–	(160,100)	(2,536,496)	(2,696,596)
Written off	–	–	–	(13,224)	(242,770)	(4,691)	(72,056)	(332,741)
Exchange differences	–	–	–	244	1,757	–	–	2,001
At 31.12.2015	25,107,881	2,683,377	36,093,825	2,823,109	5,715,296	54,929,827	11,742,552	139,095,867
Accumulated Depreciation								
At 1.1.2015	–	528,004	5,185,614	1,093,601	2,052,398	24,273,821	7,874,652	41,008,090
Charge for the financial year	–	48,816	722,536	254,657	439,493	4,549,765	1,396,496	7,411,763
Disposals	–	–	–	–	–	(147,446)	(2,536,491)	(2,683,937)
Written off	–	–	–	(12,726)	(227,386)	(4,689)	(72,053)	(316,854)
Exchange differences	–	–	–	53	358	–	–	411
At 31.12.2015	–	576,820	5,908,150	1,335,585	2,264,863	28,671,451	6,662,604	45,419,473
Net Carrying Amount								
At 31.12.2015	25,107,881	2,106,557	30,185,675	1,487,524	3,450,433	26,258,376	5,079,948	93,676,394

Included in the above buildings are capitalised borrowing costs amounting to RM17,825 (2015: nil).

9. PROPERTY, PLANT AND EQUIPMENT (cont'd)

The short term leasehold land has unexpired lease period of less than 50 years whilst the long term leasehold land has remaining unexpired lease period of more than 50 years.

During the financial year, the Group made the following cash payments to purchase property, plant and equipment:

	Group 2016 RM	Group 2015 RM
Additions of property, plant and equipment	38,072,683	12,256,386
Less: Financed by finance lease arrangements	(2,676,145)	(5,186,169)
Cash payment on purchase of property, plant and equipment	35,396,538	7,070,217

The net carrying amount of property, plant and equipment pledged as security for banking facilities granted to the subsidiaries as mentioned in Note 21 is as follows:

	Group 2016 RM	Group 2015 RM
Freehold land	9,426,281	9,426,281
Leasehold land	32,701,412	2,106,557
Buildings	25,837,577	26,444,867
	67,965,270	37,977,705

The net carrying amount of property, plant and equipment held under finance lease arrangements is as follows:

	Group 2016 RM	Group 2015 RM
Motor vehicles	5,261,281	3,063,044
Plant and machinery	8,567,735	10,347,365
	13,829,016	13,410,409

10. CAPITAL WORK-IN-PROGRESS

	Group 2016 RM	Group 2015 RM
At 1 January	11,491,862	1,135,677
Additions	11,351,439	12,068,864
Transfer to property, plant and equipment (Note 9)	(22,077,946)	(1,712,679)
At 31 December	765,355	11,491,862

Capital work-in-progress is in respect of construction of warehouse, factory and office buildings.

Included in the above capital work-in-progress are capitalised borrowings costs amounting to RM729,112 (2015: nil).

11. INVESTMENTS IN SUBSIDIARIES

	Company 2016 RM	Company 2015 RM
Unquoted shares, at cost		
At 1 January	163,456,997	125,937,247
Additions	–	37,519,750
At 31 December	163,456,997	163,456,997
Less: Impairment loss	(3,524,596)	(950,419)
	159,932,401	162,506,578

During the financial year, the Company recognised an impairment loss of RM2,574,177 (2015: RM950,419) on cost of investments in subsidiaries due to the continuous loss-making and cessation of business operation. The recoverable amounts were determined based on the net tangible assets of the respective subsidiaries.

11. INVESTMENTS IN SUBSIDIARIES (cont'd)

The details of subsidiaries are as follows:

Name of Company	Principal Place of Business/ Country of Incorporation	Principal Activities	Effective Ownership Interest/Voting Rights 2016	2015
Direct subsidiaries				
Leon Fuat Hardware Sdn. Bhd.	Malaysia	Trading and processing of steel products	100%	100%
Leon Fuat Metal Sdn. Bhd. *(formerly known as Leon Fuat Hardware (Klang) Sdn. Bhd.)*	Malaysia	Trading and processing of steel products	100%	100%
Supreme Steelmakers Sdn. Bhd.	Malaysia	Trading and processing of stainless steel and other steel products	100%	100%
ASA Steel (M) Sdn. Bhd.	Malaysia	Ceased operation of trading and processing of alloy steel and other steel products	100%	100%
Overum Wear Parts (Far East) Pte. Ltd *	Republic of Singapore	Trading and processing of steel products	100%	100%
Indirect subsidiary through Leon Fuat Metal Sdn. Bhd. *(formerly known as Leon Fuat Hardware (Klang) Sdn. Bhd.)*				
Leon Fuat Industrial Products Sdn. Bhd.	Malaysia	Dormant	100%	–

** Audited by an independent member firm of Baker Tilly International.*

Incorporation of a subsidiary

On 16 August 2016, Leon Fuat Metal Sdn. Bhd. (formerly known as Leon Fuat Hardware (Klang) Sdn. Bhd.), a subsidiary of the Company has incorporated Leon Fuat Industrial Products Sdn. Bhd. in Malaysia under the Companies Act, 1965, with issued share capital of RM2 comprising 2 ordinary shares in the subsidiary.

12. GOODWILL ON CONSOLIDATION

	Group 2016 RM	Group 2015 RM
At cost		
At 1 January	–	257,390
Impairment loss during the financial year	–	(257,390)
At 31 December	–	–

In the previous financial year, the Group recognised an impairment loss of RM257,390 in respect of the goodwill on consolidation. The goodwill relates to a subsidiary which was loss-making, hence the related goodwill had been impaired accordingly.

13. INVENTORIES

	Group 2016 RM	Group 2015 RM
At cost,		
Trading inventories	180,055,827	182,593,650
Goods-in-transit	6,650,450	3,615,535
	186,706,277	186,209,185

During the financial year, the cost of inventories recognised as an expense in cost of sales of the Group is RM400,348,339 (2015: RM421,368,817).

14. TRADE AND OTHER RECEIVABLES

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Trade receivables				
External parties	132,119,607	126,876,402	–	–
Related parties	307,991	289,373	–	–
	132,427,598	127,165,775	–	–
Less: Allowance for impairment loss	(1,158,689)	(663,588)	–	–
Trade receivables, net	131,268,909	126,502,187	–	–

14. TRADE AND OTHER RECEIVABLES (cont'd)

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Other receivables				
Sundry receivables	215,852	298,339	–	–
Advances to suppliers	689,165	2,125,684	–	–
Goods and Services Tax ("GST") refundable	1,914,652	–	–	–
Deposits	1,011,427	13,930,534	4,500	4,500
Prepayments	1,645,052	1,727,360	240	–
	5,476,148	18,081,917	4,740	4,500
	136,745,057	144,584,104	4,740	4,500

(a) The Group's normal credit term range from 30 to 120 days (2015: 30 to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

(b) Included in trade receivables of the Group are amounts of RM307,991 (2015: RM289,373) due from related parties.

These amounts are subject to normal trade term.

Further information on related parties are disclosed in Note 29.

(c) Included in deposits of the Group are:

(i) an amount of RM50,000 (2015: RM50,000) represents rental and utilities deposits paid to a fellow subsidiary;

(ii) an amount of RM110,000 (2015: RM110,000) represents rental deposits paid to ultimate holding company;

(iii) an amount of RM164,750 (2015: RM676,798) being down payments for purchase of machinery, motor vehicles and furniture and fittings; and

(iv) an amount of RM12,671,512 being deposits paid for purchase of leasehold land in previous financial year.

14. TRADE AND OTHER RECEIVABLES (cont'd)

(d) Ageing analysis of trade receivables

The ageing analysis of the Group's trade receivables are as follows:

	Group 2016 RM	Group 2015 RM
Neither past due nor impaired	65,215,877	44,006,421
1 to 30 days past due not impaired	32,357,498	30,991,198
31 to 60 days past due not impaired	19,645,710	26,750,285
61 to 90 days past due not impaired	7,708,660	14,498,885
91 to 120 days past due not impaired	5,146,576	4,569,584
More than 121 days past due not impaired	1,194,588	5,685,814
	66,053,032	82,495,766
Impaired	1,158,689	663,588
	132,427,598	127,165,775

Receivables that are neither past due nor impaired
Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with the Group.

Receivables that are impaired
The movement of allowance accounts used to record the impairment are as follows:

	Group 2016 RM	Group 2015 RM
At 1 January	663,588	627,848
Charge for the financial year (Note 6)	1,384,917	814,032
Reversal of impairment (Note 6)	(887,816)	(557,725)
Written off	(2,000)	(220,567)
At 31 December	1,158,689	663,588

Trade receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments. These receivables are not secured by any collateral or credit enhancements.

15. AMOUNT DUE FROM A SUBSIDIARY

This amount is non-trade in nature, unsecured, interest free, repayable on demand by cash.

16. DEPOSIT WITH A LICENSED BANK

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Deposit with a licensed bank				
- pledged	431,070	417,263	–	–

Deposit with a licensed bank of the Group bear effective interest rates at 3.20% (2015: 3.30%) per annum.

The deposit is pledged with a licensed bank as security for banking facilities granted to a subsidiary.

17. DERIVATIVE FINANCIAL ASSETS

	Group	
	2016 RM	2015 RM
Contract notional amount		
Non-hedging derivative:		
Forward currency contracts	1,045,280	–
At fair value through profit or loss		
Non-hedging derivative:		
Current assets		
Forward currency contracts	32,042	–

The Group uses forward currency contracts to manage purchases transaction exposure. These contracts are not designated as cash flow or fair value hedges and are entered into for periods consistent with currency transaction exposure and fair value changes exposure. Such derivatives do not qualify for hedge accounting. Forward currency contracts are used to hedge the Group's trade payables and purchases denominated in United States Dollar, extending to December 2016.

During the financial year, the Group recognised a profit of RM32,042 (2015: nil) arising from fair value changes of derivative financial instruments. The method and assumption applied in determining the fair value of derivatives is disclosed in Note 30.

18. CASH AND BANK BALANCES

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

	Group 2016 RM	Group 2015 RM
United States Dollar ("USD")	128,091	320,021

19. SHARE CAPITAL

	Group/Company 2016 Number of shares	2016 RM	2015 Number of shares	2015 RM
Ordinary share of RM0.50 each				
Authorised:				
At 1 January/31 December	1,000,000,000	500,000,000	1,000,000,000	500,000,000
Issued and fully paid:				
At 1 January/31 December	310,000,000	155,000,000	310,000,000	155,000,000

The holders of ordinary shares are entitled to receive dividends as and when declared by the Company. All ordinary shares carry one vote per share without restrictions and rank equally with regard to the Company residual interests.

20. RESERVES

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Distributable				
Retained earnings	207,098,061	184,070,331	8,523,189	8,268,159
Non-distributable				
Merger deficit	(109,544,997)	(109,544,997)	–	–
Capital reserve	923	923	–	–
Translation reserve	(7,585)	(14,863)	–	–
	(104,551,659)	(109,558,937)	–	–
Share Premium	5,094,360	5,094,360	5,094,360	5,094,360
	102,640,762	79,605,754	13,617,549	13,362,519

20. RESERVES (cont'd)

(a) Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares.

(b) Merger deficit

The merger deficit was resulted from the difference between the carrying value of the investments in subsidiaries and the nominal value of the shares of the Company's subsidiaries upon consolidation under the merger accounting principle.

(c) Capital reserve

This is arising from the takeover of the unincorporated business of Leon Huat Trading & Co.

(d) Translation reserve

The translation reserve is used to record foreign currency exchange differences arising from the translation of the financial statements of foreign subsidiary whose functional currency is different from that of the Group's presentation currency.

21. BORROWINGS

	Secured					Unsecured				
	Term Loan (Note 21.1) RM	Bankers' Acceptances (Note 21.2) RM	Bank Overdrafts (Note 21.2) RM	Finance Lease Payables (Note 21.3) RM	Sub-total RM	Islamic Financing (Note 21.4) RM	Bankers' Acceptances (Note 21.2) RM	Bank Overdrafts (Note 21.2) RM	Sub-total RM	Total RM
Group										
2016										
Current liabilities										
Due in 1 year or less	1,800,000	61,568,000	16,333,698	3,788,635	83,490,333	22,000,000	60,483,000	638,687	83,121,687	166,612,020
Non-current liabilities										
Due in more than 1 year but not more than 2 years	1,800,000	–	–	3,239,759	5,039,759	–	–	–	–	5,039,759
Due in more than 2 years but not more than 3 years	1,800,000	–	–	630,339	2,430,339	–	–	–	–	2,430,339
Due in more than 3 years but not more than 4 years	1,800,000	–	–	5,928	1,805,928	–	–	–	–	1,805,928
Due in more than 4 years but not more than 5 years	1,800,000	–	–	–	1,800,000	–	–	–	–	1,800,000
Due in more than 5 years	7,500,000	–	–	–	7,500,000	–	–	–	–	7,500,000
	14,700,000	–	–	3,876,026	18,576,026	–	–	–	–	18,576,026
	16,500,000	61,568,000	16,333,698	7,664,661	102,066,359	22,000,000	60,483,000	638,687	83,121,687	185,188,046

21. BORROWINGS (cont'd)

	Secured				Unsecured			
	Bankers' Acceptances (Note 21.2) RM	Bank Overdrafts (Note 21.2) RM	Finance Lease Payables (Note 21.3) RM	Sub-total RM	Bankers' Acceptances (Note 21.2) RM	Bank Overdrafts (Note 21.2) RM	Sub-total RM	Total RM
Group								
2015								
Current liabilities								
Due in 1 year or less	77,069,000	17,624,603	3,161,533	97,855,136	57,784,000	6,205,896	63,989,896	161,845,032
Non-current liabilities								
Due in more than 1 year but not more than 2 years	–	–	2,978,789	2,978,789	–	–	–	2,978,789
Due in more than 2 years but not more than 3 years	–	–	2,299,168	2,299,168	–	–	–	2,299,168
Due in more than 3 years but not more than 4 years	–	–	66,288	66,288	–	–	–	66,288
	–	–	5,344,245	5,344,245	–	–	–	5,344,245
	77,069,000	17,624,603	8,505,778	103,199,381	57,784,000	6,205,896	63,989,896	167,189,277

21. BORROWINGS (cont'd)

21.1 Term loan – Secured

Details of the repayment terms are as follows:

	Group 2016 RM	Group 2015 RM
Repayable by 120 equal monthly instalments of RM150,000 and a final instalment of RM150,000 commenced January 2016 and bear interest at rate of 4.55% per annum (2.10% per annum below prevailing base lending rate).	16,500,000	–
	16,500,000	–
Less: Repayable within 1 year included in current liabilities	(1,800,000)	–
Repayable after 1 year	14,700,000	–

The term loan of a subsidiary bear interest at a rate of 4.55% (2015: nil) per annum and is secured and supported by:

(i) a corporate guarantee given by the Company; and
(ii) legal charges over the leasehold land of a subsidiary (Note 9).

21.2 Bankers' acceptances and bank overdrafts – Secured

The secured bankers' acceptances and bank overdrafts bear effective interest at rates ranging from 3.86% to 4.28% (2015: 4.12% to 4.53%) per annum and 7.65% to 7.85% (2015: 7.85% to 8.10%) per annum respectively. The secured bankers' acceptances and bank overdrafts are secured and supported by:

(i) legal charge over the properties of subsidiaries (Note 9) and ultimate holding company;
(ii) deposit with licensed bank of a subsidiary (Note 16); and
(iii) corporate guarantees given by the Company.

Bankers' acceptances and bank overdrafts - Unsecured

The unsecured bankers' acceptances and bank overdrafts bear effective interest at rates ranging from 3.86% to 4.33% (2015: 4.01% to 4.62%) per annum and 7.65% to 7.81% (2015: 7.85%) per annum respectively. The unsecured bankers' acceptances are supported by corporate guarantees given by the Company.

21. BORROWINGS (cont'd)

21.3 Finance lease payables

	Group 2016 RM	Group 2015 RM
Future minimum lease payments	8,067,457	9,115,684
Less: Future finance charges	(402,796)	(609,906)
Total present value of minimum lease payments	7,664,661	8,505,778
Current liabilities		
Payable within one year		
Future minimum lease payments	4,076,283	3,511,352
Less: Future finance charges	(287,648)	(349,819)
Present value of minimum lease payments	3,788,635	3,161,533
Non-current liabilities		
Payable after one year but not later than five years		
Future minimum lease payments	3,991,175	5,604,332
Less: Future finance charges	(115,149)	(260,087)
Present value of minimum lease payments	3,876,026	5,344,245
Total present value of minimum lease payments	7,664,661	8,505,778

The finance lease payables bear interest at rates range from 2.30% to 2.80% (2015: 2.30% to 2.80%) per annum.

21.4 Islamic financing

Islamic financing represents the Structured Commodity Financing-i facilities obtained during the financial year. This amount is unsecured, bears effective interest at rates ranging from 4.3% to 4.34% (2015: nil) per annum. The unsecured facility is supported by corporate guarantee provided by the Company.

22. DEFERRED TAX LIABILITIES

	Group 2016 RM	Group 2015 RM
At 1 January	3,685,890	3,273,738
Recognised in profit or loss (Note 7)	(39,610)	412,152
At 31 December	3,646,280	3,685,890

22. DEFERRED TAX LIABILITIES (cont'd)

Presented after appropriate offsetting as follows:

	Group 2016 RM	2015 RM
Deferred tax liabilities	3,928,351	3,771,082
Deferred tax assets	(282,071)	(85,192)
	3,646,280	3,685,890

This is in respect of estimated deferred tax liabilities/(assets) arising from temporary differences as follows:

	Group 2016 RM	2015 RM
Deferred tax liabilities		
Difference between the carrying amount of property, plant and equipment and its tax base	3,917,425	3,771,082
Unrealised foreign exchange gain	10,926	–
	3,928,351	3,771,082
Deferred tax assets		
Impairment loss on trade receivables	(252,713)	(64,928)
Unrealised foreign exchange loss	–	(842)
Unrealised profits on inventories	(29,358)	(19,422)
	(282,071)	(85,192)
	3,646,280	3,685,890

The estimated amount of temporary differences for which no deferred tax assets are recognised in the financial statements are as follows:

	Group 2016 RM	2015 RM
Unutilised tax losses	1,186,479	801,700
Unabsorbed capital allowances	33,872	37,100
	1,220,351	838,800

23. TRADE AND OTHER PAYABLES

	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Trade payables				
External parties	23,539,112	29,141,875	–	–
Related parties	52,003	355,555	–	–
	23,591,115	29,497,430	–	–
Other payables				
Sundry payables	2,818,041	3,727,316	–	–
Goods and Services Tax ("GST") payable	190,075	68,610	102,151	–
Deposits received	30,386	54,387	–	–
Accruals	1,564,594	1,232,600	499,267	493,800
	4,603,096	5,082,913	601,418	493,800
	28,194,211	34,580,343	601,418	493,800

(a) The Company's normal trade credit term range from 30 to 120 days (2015: 30 to 120 days).

Included in trade payables of the Group are:

(i) an amount of RM11,493 (2015: RM309,677) due to a fellow subsidiary; and
(ii) an amount of RM40,510 (2015: RM45,878) due to a related party.

Further information on fellow subsidiaries and related parties is disclosed in Note 29.

(b) Included in accruals of the Group and of the Company are directors' fees amounting to RM970,000 (2015: RM970,000) and RM470,000 (2015: RM470,000) respectively.

(c) The foreign currency exposure profile of trade payables of the Group is as follows:

	Group 2016 RM	Group 2015 RM
United States Dollar ("USD")	723,856	1,414,347
Singapore Dollar ("SGD")	357,182	74,826

24. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

This amount is non-trade in nature, unsecured, bears interest at rate 3.25% per annum, and repayable on demand by cash. The advances are mainly to support a subsidiary's capital expenditure.

25. DIVIDEND

	Group/ Company	
	2016 RM	2015 RM
Final single tier dividend of 2.0 sen per share in respect of financial year ended 31 December 2014	–	6,200,000
Final single tier dividend of 1.5 sen per share in respect of financial year ended 31 December 2015	4,650,000	–
	4,650,000	6,200,000

In addition, the directors have recommended a final single tier dividend of 1.5 sen per share amounting to RM4,650,000 in respect of financial year ended 31 December 2016 and payable upon approval by shareholders at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriate of retained earnings in the next financial year ending 31 December 2017.

26. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Cash and bank balances	17,905,054	3,806,003	1,959,765	1,640,041
Deposit a with licensed bank (Note 16)	431,070	417,263	–	–
	18,336,124	4,223,266	1,959,765	1,640,041
Less: Bank overdrafts (Note 21)	(16,972,385)	(23,830,499)	–	–
Less: Deposit with a licensed bank pledged (Note 16)	(431,070)	(417,263)	–	–
	932,669	(20,024,496)	1,959,765	1,640,041

27. SEGMENT INFORMATION

General Information

The Group are principally engaged in trading and processing of steel related products. The Group has arrived at three (3) reportable segments that are based on information reported internally to the Management and the Board of Directors. The reportable segments are summarised as follows:

(i) Trading of steel products;
(ii) Processing of steel products; and
(iii) Others

The accounting policies of the segments are the same as the Group's accounting policies described in Note 3.

Measurement of Reportable Segment

The Group evaluates performance based on segment operating revenue and gross profit.

Segment results, assets and liabilities information are neither included in the internal management reports nor provided regularly to the management. Hence, no disclosures are made on segment results, assets and liabilities. All results, assets and liabilities are managed on a group basis.

2016	**Trading of Steel Products RM**	**Processing of Steel Products RM**	**Others RM**	**Elimination RM**	**Total RM**
Revenue					
External revenue	245,007,731	252,881,037	827,451	–	498,716,219
Cost of Sales	(218,744,674)	(200,648,759)	(753,602)	–	(420,147,035)
Gross profit	26,263,057	52,232,278	73,849	–	78,569,184
2015					
Revenue					
External revenue	204,929,927	300,009,655	464,254	–	505,403,836
Cost of Sales	(186,262,252)	(253,405,342)	(449,085)	–	(440,116,679)
Gross profit	18,667,675	46,604,313	15,169	–	65,287,157

27. SEGMENT INFORMATION (cont'd)

Geographical Segment

Revenue from external customers based on the location of its customers has not been disclosed as revenue earned outside Malaysia is insignificant. Non-current assets information is presented based on the segment's country of domicile. Non-current assets do not include financial instruments and deferred tax assets.

	Non-current assets	
	2016 RM	2015 RM
Malaysia	145,561,431	105,153,053
Republic of Singapore	12,965	15,203
	145,574,396	105,168,256

Information about Major Customers

There is no single customer with revenue equal or more than 10% of the Group revenue.

28. CAPITAL COMMITMENTS

	Group	
	2016 RM	2015 RM
Approved but not provided for:		
- purchase of motor vehicles	304,960	1,663,767
- purchase of machinery	561,799	2,108,956
- purchase of furniture and fittings, and renovation	157,250	–
	1,024,009	3,772,723
Approved and contracted for:		
- construction of factory and warehouse buildings	1,308,031	9,552,778
- purchase of vacant leasehold industrial land	–	18,326,464
	1,308,031	27,879,242

29. RELATED PARTY DISCLOSURES

(a) Identity of Related Parties

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

The Group and the Company have a related party relationship with its subsidiaries, ultimate holding company, fellow subsidiaries, related parties, key management personnel and persons connected to key management personnel. Fellow subsidiaries refer to subsidiaries of the ultimate holding company. Related parties refer to companies in which the directors or persons connected to directors of the company or the subsidiaries have substantial interest.

(b) Related Party Transactions

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

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Transactions with ultimate holding company				
- Rental paid and payable	1,320,000	1,320,000	–	–
- Interest charged and paid	327,141	–	–	–
Transactions with subsidiaries				
- Management fees received and receivables	–	–	(359,877)	(359,877)
- Dividend income received and receivables	–	–	(7,200,000)	(7,000,000)
- Corporate guarantee fees received and receivables	–	–	(1,689,960)	(1,356,007)
- Settlement of quasi loan via issuance of shares by subsidiaries	–	–	–	37,519,750
Transactions with fellow subsidiaries				
- Sales	–	(69,435)	–	–
- Purchases	356,528	341,590	–	–
- Rental paid and payable	240,000	240,000	–	–
Transactions with related parties				
- Sales	(4,142,999)	(4,637,726)	–	–
- Purchases	192,800	339,800	–	–

(c) Related Party Balances

Information on outstanding balances with related parties of the Group is disclosed in Notes 14, 15, 23 and 24.

(d) Compensation of Key Management Personnel

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entities, directly or indirectly, including any director of the Group. The compensation of the key management personnel is as follows:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Non-executive directors				
Short-term employee benefits				
- fees	220,000	220,000	220,000	220,000
- other emoluments	23,000	24,000	23,000	24,000
	243,000	244,000	243,000	244,000
Executive directors				
Short-term employee benefits				
- fees	750,000	750,000	250,000	250,000
- other emoluments	4,596,420	5,059,363	–	–
- estimated monetary value of benefits-in-kind	259,426	222,297	–	–
Post employment benefits	545,766	601,745	–	–
	6,151,612	6,633,405	250,000	250,000
	6,394,612	6,877,405	493,000	494,000

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Categories of Financial Instruments

The following table analyses the financial instruments in the statements of financial position by the classes of financial instruments to which they are assigned:

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Financial assets				
Loans and receivables				
Trade and other receivables *	132,331,438	127,382,750	4,500	4,500
Amount due from a subsidiary	–	–	159,661	–
Dividend receivables	–	–	7,200,000	5,000,000
Deposit with a licensed bank	431,070	417,263	–	–
Cash and bank balances	17,905,054	3,806,003	1,959,765	1,640,041
	150,667,562	131,606,016	9,323,926	6,644,541
Financial assets at fair value through profit or loss				
Derivative financial assets	32,042	–	–	–
	150,699,604	131,606,016	9,323,926	6,644,541

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(a) Categories of Financial Instruments (cont'd)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Financial liabilities				
Financial liabilities at amortised cost				
Trade and other payables *	28,004,136	34,511,733	499,267	493,800
Amount due to ultimate holding company	10,000,000	–	–	–
Borrowings	185,188,046	167,189,277	–	–
	223,192,182	201,701,010	499,267	493,800

** Exclude advances to suppliers, GST, prepayments and down payments.*

(b) Financial risk management policies

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, interest rate risk, liquidity risk, foreign currency risk and market price risk.

It is, and has been throughout the current and previous financial year, the Group's policy that no derivatives shall be undertaken. The Group and the Company do not apply hedge accounting.

The Group's and the Company's exposure to the financial risks and the objectives, policies and processes put in place to manage these risks are discussed below.

(i) Credit Risk

Credit risk is the risk of loss that may arise on outstanding financial instruments should a counterparty default on its obligations.

The Group's exposure to credit risk arises primarily from trade and other receivables and the maximum risk associated with recognised financial assets is the carrying amount as presented in the statements of financial position.

The carrying amount of trade and other receivables are not secured by any collateral or supported by any other credit enhancements. The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. For other financial assets, the Group minimises credit risks by dealing with high rating counterparties.

The Group does not have any significant exposure to any individual customer.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Financial risk management policies (cont'd)

(i) Credit Risk (cont'd)

Financial guarantee
The Company provides unsecured financial guarantees to banks in respect of banking facilities granted to subsidiaries as mentioned in the Note 21.

The Company monitors on an ongoing basis the repayments made by the subsidiaries and its financial performance.

The maximum exposure to credit risk amounts to RM180,862,551 (2015: RM163,631,215) representing the outstanding banking facilities at the reporting date. At the reporting date, there was no indication that the subsidiaries would default on its repayment.

(ii) Interest Rate Risk

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

The Group's and the Company's exposure to interest rate risk arises primarily relates to deposits with licensed banks and interest bearing financial liabilities which include finance lease payables, term loan, bankers' acceptances and bank overdrafts.

Borrowings at floating rate amounting to RM177,523,385 (2015: RM158,683,499) expose the Group to cash flow interest rate risk whilst borrowings at fixed rate amounting to RM7,664,661 (2015: RM8,505,778) expose the Group's to fair value interest rate risk.

The Group manages its interest rate risk exposure by maintaining a prudent mix of fixed and floating rate borrowings. The Group also monitors the interest rate on borrowings closely to ensure that the borrowings are maintained at favourable rates.

Sensitivity analysis for interest rate risk
If the interest rate had been 50 basis point higher/lower and all other variables held constant, the Group's profit for the financial year ended 31 December 2016 would decrease /increase by RM674,589 (2015: RM595,063) as a result of exposure to floating rate borrowings.

(iii) Liquidity Risk

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

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Financial risk management policies (cont'd)

(iii) Liquidity Risk (cont'd)

The Group manages its operating cash flows by maintaining sufficient level of cash to meet its working capital requirements and availability of funding through an adequate amount of credit facilities.

Analysis of financial instruments by remaining contractual maturities
The table below summarises the maturity profile of the Group's financial liabilities at the reporting date based on contractual undiscounted repayment obligations:

	Carrying Amount RM	Contractual Cash Flows RM	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM	Over 5 years RM
2016						
Group						
Financial liabilities						
Trade and other payables	28,194,211	28,194,211	28,194,211	–	–	–
Amount due to ultimate holding company	10,000,000	10,325,000	10,325,000	–	–	–
Term loan	16,500,000	20,924,608	1,883,630	1,971,145	6,480,140	10,589,693
Bankers' acceptances	122,051,000	122,051,000	122,051,000	–	–	–
Bank overdrafts	16,972,385	16,972,385	16,972,385	–	–	–
Islamic financing	22,000,000	22,212,542	22,212,542	–	–	–
Finance lease payables	7,664,661	8,067,457	4,070,305	3,343,747	653,405	–
	223,382,257	228,747,203	205,709,073	5,314,892	7,133,545	10,589,693

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Financial risk management policies (cont'd)

(iii) Liquidity Risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)
The table below summarises the maturity profile of the Group's financial liabilities at the reporting date based on contractual undiscounted repayment obligations: (cont'd)

	Carrying Amount RM	Contractual Cash Flows RM	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM
2016					
Company					
Financial liabilities					
Other payables	601,418	601,418	601,418	–	–
Financial guarantee *	–	177,523,385	177,523,385	–	–
	601,418	178,124,803	178,124,803	–	–

* The Company has given corporate guarantee of RM374,273,587 to banks of certain subsidiaries for banking facilities. The potential exposure of the financial guarantee is equivalent to the amount of the banking facilities being utilised by the said subsidiaries. As at 31 December 2016, approximately RM177,523,385 of the banking facilities were utilised by the said subsidiaries.

	Carrying Amount RM	Contractual Cash Flows RM	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM
2015					
Group					
Financial liabilities					
Trade and other payables	34,580,343	34,580,343	34,580,343	–	–
Bankers' acceptances	134,853,000	134,853,000	134,853,000	–	–
Bank overdrafts	23,830,499	23,830,499	23,830,499	–	–
Finance lease payables	8,505,778	9,115,684	3,511,352	3,176,959	2,427,373
	201,769,620	202,379,526	196,775,194	3,176,959	2,427,373

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(b) Financial risk management policies (cont'd)

(iii) Liquidity Risk (cont'd)

Analysis of financial instruments by remaining contractual maturities (cont'd)
The table below summarises the maturity profile of the Group's financial liabilities at the reporting date based on contractual undiscounted repayment obligations: (cont'd)

	Carrying Amount RM	Contractual Cash Flows RM	On demand or within 1 year RM	1 to 2 years RM	2 to 5 years RM
2015					
Company					
Financial liabilities					
Other payables	493,800	493,800	493,800	–	–
Financial guarantee*	–	158,683,499	158,683,499	–	–
	493,800	159,177,299	159,177,299	–	–

* The Company has given corporate guarantee of RM291,279,544 to banks of certain subsidiaries for banking facilities. The potential exposure of the financial guarantee is equivalent to the amount of the banking facilities being utilised by the said subsidiaries. As at 31 December 2015, approximately RM158,683,499 of the banking facilities were utilised by the said subsidiaries.

(iv) Foreign Currency Risk

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

The Group has foreign currency exposure primarily arising from its cash at bank and trade payables which is denominated in USD and SGD as disclosed in Notes 18 and 23.

Forward foreign currency contracts are used by the Group to reduce exposure to fluctuations in foreign currency risk. In addition, the Group holds cash and cash equivalents denominated in USD to pay its foreign purchases as a natural hedge against fluctuations in foreign currency risk.

Sensitivity analysis for foreign currency risk
The changes in the foreign currency is not expected to have significant impact on the Group's financial statements.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(c) Fair value of financial instruments

The methods and assumptions used to estimate the fair values of the following classes of financial assets and liabilities are as follows:

(i) Cash and cash equivalents, trade and other receivables, trade and other payables

The carrying amounts are reasonable approximation of fair values due to short term nature of these financial instruments.

(ii) Derivative financial instruments

Forward currency contracts are valued using a valuation technique with market observation inputs. The fair value of the forward foreign currency contracts is determined by reference to discounting the difference between the contracted rate and the current forward price at the reporting date for the residual maturity of the contracts using risk-free interest rate (based on government bonds).

(iii) Borrowings

The carrying amounts of the current portion of borrowings are reasonable approximation of fair values due to the insignificant impact of discounting.

The carrying amounts of long term floating rate loans are reasonable approximation of fair values as the loans will be re-priced to market interest rate on or near reporting date.

The fair value of long term finance lease payables is estimated using discounted cash flow analysis, based on current lending rate for similar types of lease arrangements.

The carrying amounts of financial assets and liabilities recognised in the statements of financial position approximately their fair values except for the following:

	Carrying Amount RM	Fair Value RM
Group		
2016		
Financial liability		
Finance lease payables	7,664,661	7,840,383
2015		
Financial liability		
Finance lease payables	8,505,778	8,698,187

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (cont'd)

(d) Fair value measurements

Analysis of financial instruments that are measured subsequent to initial recognition at fair value, grouped into Levels 1 to 3 based on the degree to which the fair value is observable.

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

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

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

The following table provides the fair value measurement hierarchy of the Company's financial instruments:

	2016 RM	Level 1 RM	Level 2 RM	Level 3 RM
Group				
2016				
Financial asset				
Derivative financial instrument				
- Foreign currency forward contract	32,042	–	32,042	–
Financial liability				
Finance lease payables	7,664,661	–	–	7,664,661
2015				
Financial liability				
Finance lease payables	8,505,778	–	–	8,505,778

During the financial year ended 31 December 2016 and 31 December 2015, there have been no transfers between Level 1 and Level 2 fair value measurements.

31. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, or issue new shares. There were no changes in the Group approach to capital management since the financial year ended 31 December 2016. The Group is not subject to any externally imposed capital requirements.

31. CAPITAL MANAGEMENT (cont'd)

The Group monitors capital using a gearing ratio, which is net debts divided by total capital plus net debts. Net debts comprise amount due to ultimate holding company, bankers' acceptances, bank overdraft, term loans and finance lease payables less deposit with a licensed bank, cash and bank balances whilst total capital is total equity of the Group.

	Group	
	2016	2015
Total interest-bearing borrowings (RM)	195,188,046	167,189,277
Less: Deposit with a licensed bank, cash and bank balances (RM)	(18,336,124)	(4,223,266)
Total net debts (RM)	176,851,922	162,966,011
Total equity (RM)	257,640,762	234,605,754
Total net debts plus equity (RM)	434,492,684	397,571,765
Gearing ratio	41%	41%

32. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR

On 28 July 2016, the wholly-owned subsidiaries of the Company, Leon Fuat Hardware Sdn. Bhd. and Supreme Steelmakers Sdn. Bhd. ("the Companies") received letters pursuant to the Land Acquisition Act, 1960 on the Kuala Lumpur Land Administrator's intention to hold land inquiry pertaining to the Compulsory Acquisition of leasehold land held under PN37429, Lot No. 443 and PN35203, Lot No. 507, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur measuring approximately 430.5316 square meters and 2915.2627 square meters ("Compulsory Acquisition") respectively. Subsequently on 22 March 2017, Kuala Lumpur Land Administrator issued Form H to award the compensation of the Compulsory Acquisition totaling RM45,841,482 to the Companies. As at the date of these financial statements, the managements are in the midst of considering the amounts of compensations.

33. OPERATING LEASE COMMITMENT – AS LESSEE

The Group lease a piece of land under an operating lease for the purpose of building warehouse for a lease term of 30 years, with an option to renew the lease at the end of the lease term. The lease agreement is terminable with one year notice.

33. OPERATING LEASE COMMITMENT – AS LESSEE (cont'd)

Future minimum rental payable under the operating lease at the reporting date is as follows:

	Group	
	2016	**2015**
	RM	**RM**
- Not later than one year	520,718	520,718
- More than one year but not later than five years	2,082,873	2,082,873
- More than five years	11,802,945	12,323,663
	14,406,536	14,927,254

34. SIGNIFICANT EVENTS SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Companies Act 2016

The Minister of Domestic Trade, Co-operatives and Consumerism appointed 31 January 2017 as the date on which Companies Act 2016 comes into operation except for Section 241 and Division 8 of Part III.

Accordingly, the Group and the Company shall prepare the financial statements for the financial year ending 31 December 2017 in accordance with the requirements of Companies Act 2016 which will be applied prospectively.

Amongst the key changes introduced in the Companies Act 2016 which will affect the financial statements of the Group and of the Company are, where applicable:
- the removal of the authorised share capital;
- shares issued will have no par or nominal value; and
- share premium and capital redemption reserve will become part of share capital.

In addition, the financial statements disclosure requirements under the Companies Act 2016 are different from those requirements set out in the Companies Act 1965. Consequently, items to be disclosed in the Group's and the Company's financial statements for the financial year ending 31 December 2017 may be different from those disclosed in the financial statements for the current financial year.

SUPPLEMENTARY
INFORMATION ON THE DISCLOSURE OF REALISED AND UNREALISED PROFIT OR LOSS

The following analysis of realised and unrealised retained earnings of the Group and of the Company is presented in accordance with the directive issued by Bursa Malaysia Securities Berhad ("Bursa Securities") dated 25 March 2010 and prepared in accordance with Guidance on Special Matter No. 1, *Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements*, as issued by the Malaysian Institute of Accountants.

The retained earnings of the Group and of the Company as at reporting date are analysed as follows:

	Group	
	2016 RM	**2015 RM**
Total retained earnings of the Company and its subsidiaries		
- realised	210,721,943	191,318,909
- unrealised	(4,285,739)	(4,406,035)
	206,436,204	186,912,874
Less: Consolidation adjustments	661,857	(2,842,543)
Total retained earnings of the Group	207,098,061	184,070,331

	Company	
	2016 RM	**2015 RM**
Total retained earnings of the Company		
- realised	8,523,189	8,268,159
- unrealised	–	–
Total retained earnings	8,523,189	8,268,159

The disclosure of realised and unrealised profit or loss above is solely for complying with the disclosure requirements stipulated in the directive of Bursa Securities and should not be applied for any other purpose.

LIST OF PROPERTIES

HELD AS AT 31 DECEMBER 2016

Registered/ Beneficial Owner	Title/Address	Description/ Existing Use	Tenure	Land/Built –up Areas (sq. ft.*)	Approximate Age of Buildings (No. of Years)	NBV At Group Level as at 31 December 2016 (RM)	Year of Acquisition/ Revaluation
LF Metal	11 Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan held under GRN 290613, Lot 26102, (formerly H.S. (D) 30968, Lot No. PT 17395), Mukim Kapar, Daerah Klang, Negeri Selangor Darul Ehsan	A unit of single storey detached factory cum warehouse building with an annexed 4 storey office and a unit of single storey factory cum warehouse building with annexed single storey office and 2 storey store/ Used as a steel processing plant, warehouse and office	Freehold	179,736/19,754 (office built-up area) & 102,882 (factory built-up area)	9	Office and factory NBV: 19,211,486 & land NBV: 6,890,000	2004
LF Metal	6, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan held under GRN 290612, Lot 26104, (formerly H.S. (D) 30970, Lot No. PT 17397), Mukim Kapar, Daerah Klang, Negeri Selangor Darul Ehsan	A unit of 4½ storey office with an annexed 2 units of single storey warehouse cum factory/ Used as a steel processing plant, warehouse and office	Freehold	116,928/ 29,600 (office built-up area) & 51,200 (factory built-up area)	20	Office and factory NBV: 3,180,105 & land NBV: 2,536,281	1991
LF Metal	No. 16, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan held under H.S. (D) 30972, Lot No. PT 17399, Mukim Kapar, Daerah Klang, Negeri Selangor Darul Ehsan	A unit of single-storey detached factory building with annexed double-storey office building /Used as a steel processing plant, warehouse and office	Freehold	130,680/ 16,402 (office built-up area) & 60,838 (factory built-up area)	#	Office and factory NBV: 11,610,733 & land NBV: 15,681,600	2012
LF Metal	No. 17, Persiaran Sultan Alauddin, KU 17, Kawasan Prindustrian Bandar Sultan Suleiman Fasa 4, Perlabuhan Klang, 42000 Selangor Darul Ehsan held under H.S.(M) 42036, PT 65615, Mukim Kapar, Daerah Klang, Negeri Selangor Darul Ehsan	Vacant industrial land	Leasehold expiring on 7 December 2110	700,864	N/A	Land NBV: 30,643,672	2016

Registered/ Beneficial Owner	Title/Address	Description/ Existing Use	Tenure	Land/Built –up Areas (sq. ft.*)	Approximate Age of Buildings (No. of Years)	NBV At Group Level as at 31 December 2016 (RM)	Year of Acquisition/ Revaluation
LF Metal	P136 – P138 and part of P139, Jalan Persiaran Port Klang FZ6, Precinct 1, Port Klang Free Zone (PKFZ), K/S12, 42920 Pulau Indah, Selangor Darul Ehsan	A unit of single storey detached warehouse with double-storey office building/ Used as a steel processing plant, warehouse and office	Lease Agreement expiring on 31.8.2044	1,862 (office built -up area) & 95,562 (warehouse built -up area)	1	Office and warehouse NBV: 11,132,602	2016
LF Hardware	No. 6A, Jalan Tiga, Off Jalan Sungai Besi, Kawasan Perusahaan Sungai Besi, Kuala Lumpur held under PN 37429, Lot No. 443 (formerly H.S. (D) 66962, Lot No. P.T. 413), Seksyen 92, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur **	A unit of single storey detached factory/ Whole unit is rented to Supreme Steelmakers and it is used as a steel processing plant	Leasehold expiring on 09.07.2050	30,591/ 14,000 (factory built-up area)	19	Office and factory NBV: 410,512 & Land NBV: 476,831	1991
Supreme Steelmakers	No. 8, Jalan Tiga, Off Jalan Sungai Besi, Kawasan Perusahaan Sungai Besi, Kuala Lumpur held under PN 35203, Lot No. 507, (formerly H.S. (D) 101568, Lot No. P.T. 480), Seksyen 92, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur**	A unit of single storey detached factory cum warehouse with an annexed 4-storey office building/Used as a steel processing plant, office and warehouse	Leasehold expiring on 21.04.2062	40,106/10,920 (office built-up area) & 15,600 (factory built-up area)	9	Office and factory NBV: 3,035,475 & land NBV: 1,580,909	2003

Notes:

* *Conversion of original measurements for properties in square meters (sq. m.) to square feet (sq.ft.) at 1 sq.m. =10.7639 sq.ft.*

** *As disclosed in the Company's announcements to Bursa Malaysia Securities Berhad dated 28 July 2016 and 22 March 2017, these two plots of land are subject to compulsory acquisition pursuant to the Land Acquisition Act, 1960 for the purpose of "Projek Mass Rapid Transit (MRT) Lembah Klang – Jajaran Sungai Buloh-Serdang-Putrajaya (SSP)".*

\# *This land with existing double-story detached building with annexed double-storey office building was acquired on 2 July 2012. The strengthening of floor foundation as well as major renovation on its existing building was completed during the financial year ended 31 December 2016. The Certificate of Completion and Compliance for this property had been obtained on 4 November 2016.*

STATISTICS ON
SHAREHOLDINGS
AS AT 31 MARCH 2017

SHARE CAPITAL

Issued Share Capital	: RM155,000,000.00
Total number of Issued Shares	: 310,000,000 ordinary shares
Class of Shares	: Ordinary shares
Voting Rights	: One vote per share

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares held	% of Issued Share Capital
Less than 100	2	0.09	87	0.00
100 - 1,000	104	4.70	66,013	0.02
1,001 - 10,000	972	43.90	6,435,600	2.08
10,001 - 100,000	988	44.63	33,807,800	10.91
100,001 - 15,499,999	147	6.64	50,000,500	16.13
15,500,000 and above	1	0.05	219,690,000	70.87
Total	**2,214**	**100.00**	**310,000,000**	**100.00**

DIRECTORS' SHAREHOLDINGS
(As per Register of Directors' Shareholdings)

Name of Directors	Direct No. of Shares held	Direct %	Indirect No. of Shares held	Indirect %
Dato' Ng Ah Hock @ Ng Soon Por	100,000	0.03	–	–
Dato' Sri Ooi Bin Keong	200,000	0.06	219,690,000(1)	70.87
Ooi Kong Tiong	200,000	0.06	219,690,000(1)	70.87
Ooi Seng Khong	1,005,900(3)	0.32	–	–
Ng Kok Teong	221,000	0.07	219,690,000(2)	70.87
Ooi Shang How	200,000	0.06	–	–
Chan Kee Loin	100,000	0.03	–	–
Tan Did Heng	100,000	0.03	–	–
Tan Sack Sen	–	–	–	–
Others(4)				
Ooi Shang Yao	20,000	0.006	–	–
Ooi Shang Chieh	5,000	0.002	–	–

Notes:

1. *Deemed interest by virtue of his interest in Leon Fuat Holdings Sdn Bhd pursuant to Section 8(4)(c) of the Companies Act, 2016 ("Act").*
2. *Deemed interest by virtue of his interest in NCT & Sons Sdn Bhd, a substantial shareholder of Leon Fuat Holdings Sdn Bhd pursuant to Section 8(4)(c) of the Act.*
3. *Partly held through Malacca Equity Nominees (Tempatan) Sdn Bhd.*
4. *Disclosure of interests pursuant to Section 59(11)(c) of the Act. Ooi Shang Yao and Ooi Shang Chieh are the sons of Dato' Sri Ooi Bin Keong.*

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

(As per Register of Substantial Shareholders' Shareholdings)

	Direct		Indirect	
Name of Substantial Shareholders	**No. of Shares held**	**%**	**No. of Shares held**	**%**
Leon Fuat Holdings Sdn Bhd	219,690,000	70.87	–	–
Dato' Sri Ooi Bin Keong	200,000	0.06	219,690,000[1]	70.87
Ooi Kong Tiong	200,000	0.06	219,690,000[1]	70.87
NCT & Sons Sdn Bhd	–	–	219,690,000[1]	70.87
Ng Kok Teong	221,000	0.07	219,690,000[2]	70.87
Ng Kok Wee	200,000	0.06	219,690,000[2]	70.87
Ong Mung Hsia	–	–	219,690,000[2]	70.87
Ng Bee Fong	–	–	219,690,000[2]	70.87

Notes:

1 *Deemed interest by virtue of his interest in Leon Fuat Holdings Sdn Bhd pursuant to Section 8(4)(c) of the Act.*

2 *Deemed interest by virtue of his/her interest in NCT & Sons Sdn Bhd, a substantial shareholder of Leon Fuat Holdings Sdn Bhd pursuant to Section 8(4)(c) of the Act.*

30 LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1	LEON FUAT HOLDINGS SDN BHD	219,690,000	70.87
2	TAN TIAN SOON	2,477,800	0.80
3	TEE HENG SENG	2,363,000	0.76
4	NEOH KIM WAH	2,007,900	0.65
5	JEFFREY NG POW KONG	1,789,000	0.58
6	WONG WOON YOW	1,200,000	0.39
7	YONG LOY HUAT	1,000,000	0.32
8	MALACCA EQUITY NOMINEES (TEMPATAN) SDN BHD *EXEMPT AN FOR PHILLIP CAPITAL MANAGEMENT SDN BHD (EPF)*	920,900	0.30
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR KONG KOK CHOY (8092812)*	900,000	0.29
10	LIM CHOON	823,800	0.27
11	NG CHOR SEIW	700,000	0.23
12	WONG WOON YOW	700,000	0.23
13	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR YAP KAH CHIN (6000104)*	630,000	0.20
14	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEONG POH SEM (E-SPI)*	600,000	0.19
15	YAP CHIN HOONG	550,000	0.18
16	LOO CHEE LAIN	543,000	0.18
17	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR FO JIE SONG*	527,900	0.17
18	LIAU YUAN HIN	520,000	0.17
19	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM HONG CHOON (030)*	515,600	0.17
20	CIMSEC NOMINEES (TEMPATAN) SDN BHD *CIMB BANK FOR LIM BEE KUA (M57005)*	500,000	0.16
21	LOH ENG CHEANG	500,000	0.16
22	MAYBANK NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LAW TECK PENG*	500,000	0.16
23	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TEY HEONG TIONG (E-TCS)*	500,000	0.16
24	SIN HOCK	499,700	0.16
25	CHAN LEE SAM	470,000	0.15
26	LEE KOING @ LEE KIM SIN	460,000	0.15
27	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR TEY HONG GIAP (E-BPT)*	460,000	0.15
28	SIM MUI KHEE	458,000	0.15
29	LIM FOOK CHEE & SONS SDN.BHD.	456,700	0.15
30	SOH KIAN HUAT	417,000	0.13
	TOTAL	**243,680,300**	**78.61**

NOTICE OF TENTH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the Tenth Annual General Meeting ("AGM") of Leon Fuat Berhad ("LFB") will be held at Langkawi Room, Bukit Jalil Golf & Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur on Tuesday, 6 June 2017 at 2.30 p.m. for the following purposes:

ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 December 2016 together with the Directors' and Auditors' Reports thereon.

2. To approve a final single tier dividend of 1.5 sen per share for the financial year ended 31 December 2016. *Resolution 1*

3. To approve the payment of Directors' fees amounting to RM820,000.00 for the financial year ended 31 December 2016. *Resolution 2*

4. To approve the payment of Directors' fees and allowances up to RM1,050,000.00 from 1 January 2017 until the next AGM of the Company. *Resolution 3*

5. To re-elect the following Directors who retire in accordance with Article 85 of the Company's Articles of Association:

   (i) Dato' Sri Ooi Bin Keong *Resolution 4*
   (ii) Ooi Seng Khong *Resolution 5*
   (iii) Ooi Kong Tiong *Resolution 6*

6. To appoint Messrs Baker Tilly Monteiro Heng who have indicated their willingness to accept appointment as Auditors of the Company in place of the retiring Auditors, Messrs Baker Tilly AC, to hold office until the conclusion of the next Annual General Meeting and to authorise the Directors to fix their remuneration. *Resolution 7*

SPECIAL BUSINESS

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

7. ORDINARY RESOLUTION
AUTHORITY FOR THE DIRECTORS TO ISSUE SHARES

Resolution 8

"THAT pursuant to Sections 75 and 76 of the Companies Act, 2016, and subject to the approvals of the relevant governmental and/or regulatory authorities, the Directors be and are hereby empowered to issue new shares in the Company at any time, at such price, upon such terms and conditions and for such purposes and to such person or persons whomsoever as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution in any one financial year does not exceed 10% of the total issued share capital of the Company at the time of issue AND THAT the Directors be and are also empowered to obtain the approval from Bursa Malaysia Securities Berhad ("Bursa Securities") for the listing of and quotation for the additional shares so issued AND THAT such authority shall continue to be in force until the conclusion of the next AGM of the Company.

8. ORDINARY RESOLUTION
PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED SHAREHOLDERS' MANDATE") *Resolution 9*

"THAT subject always to the provisions of the Listing Requirements of Bursa Securities, approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature, details as set out in Section 2.5 of the Circular to Shareholders dated 28 April 2017 with the specified classes of related parties mentioned therein 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 are not detrimental to the minority shareholders of the Company.

THAT the approval shall continue to be in force until:

(i) the conclusion of the next AGM of the Company following the AGM at which such mandate was passed, at which time it will lapse, unless by a resolution passed at the AGM whereby the authority is renewed; or

(ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Companies Act, 2016 ("the Act") (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or

(iii) revoked or varied by a resolution passed by the shareholders in a general meeting;

whichever is the earlier;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things (including executing all such documents as may be required) as they may consider expedient or necessary or in the interests of the Company to give effect to the Proposed Shareholders' Mandate."

9. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 2016 and the Company's Articles of Association.

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT a final single tier dividend of 1.5 sen per share for the financial year ended 31 December 2016, if approved by the shareholders at the forthcoming Tenth AGM, will be paid on 25 July 2017 to depositors registered in the Record of Depositors at the close of business on 30 June 2017.

A depositor shall qualify for entitlement only in respect of:

a) Shares transferred into the depositor's securities account before 4.00 p.m. on 30 June 2017 in respect of transfer; and

b) Shares bought on Bursa Securities on a cum entitlement basis according to the Rules of Bursa Securities.

BY ORDER OF THE BOARD

YEOH CHONG KEAT (MIA 2736)
LIM FEI CHIA (MAICSA 7036158)
Secretaries

Kuala Lumpur

28 April 2017

Notes:

(i) In respect of deposited securities, only members whose names appear in the Record of Depositors on 31 May 2017 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at this meeting.
(ii) A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar.
(iii) To be valid, the original proxy form, duly completed must be deposited at the registered office of the Company situated at Suite 11.1A, Level 11, Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur not less than twenty-four (24) hours before the time for holding the meeting or any adjournment thereof.
(iv) A member shall be entitled to appoint not more than two (2) proxies to attend and vote at this meeting. Where a member appoints two (2) proxies, he/she shall specify the proportions of his/her shareholdings to be represented by each proxy failing which, the appointment shall be invalid.
(v) Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.
(vi) If the appointor is a corporation this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
(vii) The Personal Data Protection Act 2010, which regulates the processing of personal data in commercial transactions, applies to the Company. By providing to us or our agents your personal data which may include your name, contact details and mailing address, you hereby consent, agree and authorise the processing and/ or disclosure of any personal data of or relating to you for the purposes of issuing the notice of this meeting and convening the meeting, including but not limited to preparation and compilation of documents, proceedings of the meeting and other matters, whether or not supplied by you. You further confirm to have obtained the consent, agreement and/or authorisation of all persons whose personal data you have disclosed and/ or processed, in connection with the foregoing.

Audited Financial Statements for the financial year ended 31 December 2016

The Audited Financial Statements for the financial year ended 31 December 2016 are laid in accordance with Section 340(1)(a) of the Companies Act 2016 ("Act") for discussion only and do not require shareholders' approval. As such, this item will not be put for voting.

Final dividend

Pursuant to Section 131 of the Act, a company may only make a distribution to the shareholders out of profits of the company available if the company is solvent. On 5 April 2017, the Board had considered the amount of dividend and decided to recommend the same to the shareholders for approval.

The Directors of the Company are satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within 12 months immediately after the distribution is made on 25 July 2017 in accordance with the requirements under Section 132(2) and (3) of the Act.

Authority for the Directors to issue shares

This proposed resolution, if passed, will renew the authority given to the Directors of the Company to issue and allot new shares in the Company at any time, to such person or persons, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit ("General Mandate"), provided that the number of shares issued pursuant to this General Mandate, when aggregated with the nominal value of any such shares issued during the preceding twelve (12) months, does not exceed 10% of the total issued share capital of the Company at the time of issue. This renewed General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The General Mandate procured and approved in the preceding year 2016 which was not exercised by the Company during the year, will expire at the forthcoming Tenth Annual General Meeting of the Company.

With this renewed General Mandate, the Company will be able to raise funds expeditiously for the purpose of funding future investment, working capital and/or acquisition(s) without having to convene a general meeting to seek shareholders' approval when such opportunities or needs arise.

Proposed Shareholders' Mandate

This proposed resolution, if passed, will authorise the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature, particulars of which are as set out in Section 2.5 of the Circular to Shareholders dated 28 April 2017 despatched together with the Company's Annual Report 2016. This authority, unless revoked or varied by the Company in a general meeting, will expire at the next AGM of the Company.

STATEMENT ACCOMPANYING
NOTICE OF ANNUAL GENERAL MEETING

Directors who are standing for re-election at the Tenth Annual General Meeting of the Company are:

(i) Dato' Sri Ooi Bin Keong
(ii) Ooi Seng Khong
(iii) Ooi Kong Tiong

The details of the above Directors who are seeking re-election are set out in the Directors Profiles section on pages 10 to 14 whilst the details of their securities holdings in the Company are set out in the Statistics on Shareholdings section on page 130 of this Annual Report.

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LEON FUAT BERHAD (756407-D)
(Incorporated in Malaysia)

PROXY FORM

No. of Shares held	
CDS Account No.	
Contact No.	

I/We, ________________________________ NRIC/Passport/Company No. ________________
(Full name in block letters)

of ____
(Full address)

being a member/members of **LEON FUAT BERHAD** do hereby appoint ________________________
(Full name in block letters and NRIC/Passport No.)

of ____
(Full address)

or failing him/her, ________________________________ of ________________________________
(Full name in block letters and NRIC/Passport No.) *(Full address)*

____

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the Tenth Annual General Meeting of the Company to be held at Langkawi Room, Bukit Jalil Golf & Country Resort, Jalan Jalil Perkasa 3, Bukit Jalil, 57000 Kuala Lumpur on Tuesday, 6 June 2017 at 2.30 p.m. and at any adjournment thereof on the following resolutions referred to in the Notice of Annual General Meeting.

The proportion of *my/our holdings to be represented by *my/our proxy(ies) are as follows:

First Proxy	____________ %	Second Proxy	____________ %

My/Our proxy(ies) is/are to vote as indicated hereunder:

RESOLUTIONS	*FOR	*AGAINST
1. To approve a final single tier dividend of 1.5 sen per share for the financial year ended 31 December 2016		
2. To approve the payment of Directors' fees of RM820,000.00 for the financial year ended 31 December 2016		
3. To approve the payment of Directors' fees and allowances up to RM1,050,000.00 from 1 January 2017 until the next AGM of the Company		
4. To re-elect Dato' Sri Ooi Bin Keong who retires in accordance with Article 85 of the Company's Articles of Association		
5. To re-elect Ooi Seng Khong who retires in accordance with Article 85 of the Company's Articles of Association		
6. To re-elect Ooi Kong Tiong who retires in accordance with Article 85 of the Company's Articles of Association		
7. To appoint Messrs Baker Tilly Monteiro Heng as the Company's auditors in place of Messrs Baker Tilly AC and to authorise the Directors to fix their remuneration		
8. Authority for the Directors to issue shares		
9. Proposed Shareholders' Mandate		

**Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion.*

Dated this __________ day of ________________ 2017

____
Signature or Common Seal of Shareholder(s)

Notes:

(i) In respect of deposited securities, only members whose names appear in the Record of Depositors on 31 May 2017 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at this meeting.

(ii) A proxy may but need not be a member of the Company, an advocate, an approved company auditor or a person approved by the Registrar.

(iii) To be valid, the original proxy form, duly completed must be deposited at the registered office of the Company situated at Suite 11.1A, Level 11, Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur not less than twenty-four (24) hours before the time for holding the meeting or any adjournment thereof.

(iv) A member shall be entitled to appoint not more than two (2) proxies to attend and vote at this meeting. Where a member appoints two (2) proxies, he/she shall specify the proportions of his/her shareholdings to be represented by each proxy failing which, the appointment shall be invalid.

(v) Where a member is an exempt authorised nominee which holds ordinary shares in the Company for multiple beneficial owners in one securities account ("omnibus account"), there is no limit to the number of proxies which the exempt authorized nominee may appoint in respect of each omnibus account it holds.

(vi) If the appointor is a corporation this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.

(vii) The Personal Data Protection Act 2010, which regulates the processing of personal data in commercial transactions, applies to the Company. By providing to us or our agents your personal data which may include your name, contact details and mailing address, you hereby consent, agree and authorise the processing and/ or disclosure of any personal data of or relating to you for the purposes of issuing the notice of this meeting and convening the meeting, including but not limited to preparation and compilation of documents, proceedings of the meeting and other matters, whether or not supplied by you. You further confirm to have obtained the consent, agreement and/or authorisation of all persons whose personal data you have disclosed and/ or processed, in connection with the foregoing.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretaries

LEON FUAT BERHAD (756407-D)
C/o Archer Corporate Services Sdn Bhd
Suite 11.1A, Level 11
Menara Weld
76, Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

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LEON FUAT BERHAD
(Company No. 756407-D)

Wisma Leon Fuat
No. 11, Lorong Keluli 1B
Kawasan Perindustrian Bukit Raja Selatan
Seksyen 7
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