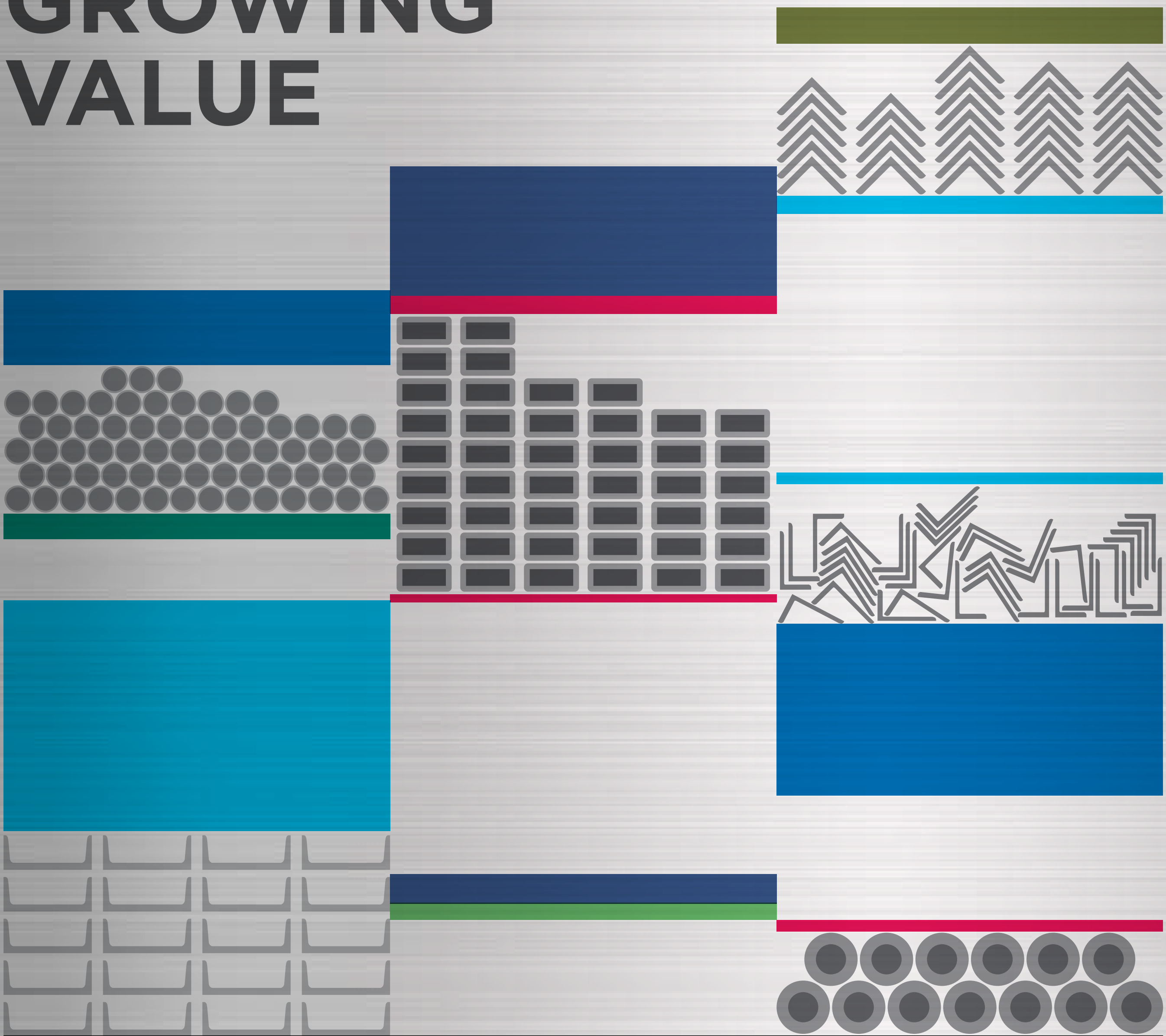
LEON FUAT BERHAD
Registration No. 200601036648 (756407-D)

GROWING VALUE



ANNUAL REPORT **2021**

INSIDE THIS REPORT

LEON FUAT GROUP'S BUSINESS **AT A GLANCE**

Our Products
- Stainless Steel Flat
- Stainless Steel Long
- Carbon and Alloy Steel Flat
- Carbon and Alloy Steel Long

Our Processing and/or Manufacturing
- CNC Oxy-gas Cutting
- CNC Laser Cutting
- CNC Waterjet Cutting
- CNC Plasma Cutting

Our Processing and/or Manufacturing

- Bandsaw Cutting
- Guillotine Shear
- CNC Press Brake (Bending)
- CNC Turret Punching

Our Processing and/or Manufacturing

- Coil Levelling/Slitting
- Polishing
- Pipe Forming
- Expanded Metal

CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Lim Cheng Poh
Independent Non-Executive Chairman

Dato' Sri Ooi Bin Keong
Executive Deputy Chairman

Ooi Seng Khong
Group Managing Director

Ooi Kong Tiong
Executive Director

Ng Kok Teong
Executive Director

Ooi Shang How
Executive Director

Chan Kee Loin
Senior 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
Tan Did Heng

Company Secretaries
Yeoh Chong Keat
SSM PC No.201908004096
MIA 2736

Lim Fei Chia
SSM PC No.202008000515
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 Monteiro Heng PLT
Baker Tilly Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel : (603) 2297 1000
Fax : (603) 2282 9980

Share Registrar
Boardroom Share Registrars Sdn. Bhd.
11th Floor, Menara Symphony
No. 5, Jalan Prof. Khoo Kay Kim
Seksyen 13
46200 Petaling Jaya
Selangor Darul Ehsan
Tel : (603) 7890 4700
Fax : (603) 7890 4670

Principal Bankers
AmBank (M) Berhad
Level 21, Bangunan AmBank Group
Jalan Raja Chulan
50200 Kuala Lumpur
Tel : (603) 2036 2633
Fax : (603) 2036 2458

Hong Leong Bank Berhad
Level 9, Menara Hong Leong
No. 6, Jalan Damanlela
Bukit Damansara
50490 Kuala Lumpur
Tel : (603) 2081 8888
Fax : (603) 2081 8935

Al Rajhi Banking & Investment Corporation (Malaysia) Berhad
Ground Floor, East Block
Wisma Golden Eagle Realty
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/Sub-sector:
Industrial Products & Services/Metals
Stock Name : LEONFB
Stock Code : 5232

Corporate Website
www.leonfuat.com.my

CORPORATE **STRUCTURE**

LEON FUAT BERHAD

100%
Leon Fuat Hardware Sdn. Bhd.
("LF Hardware")

100%
Overum Wear Parts (Far East) Pte. Ltd.
("Overum")

100%
Leon Fuat Metal Sdn. Bhd.
("LF Metal")

- **100%**
  Leon Fuat Industrial Products Sdn. Bhd.
  ("LFIP")
- **87%**
  PCM Steel Processing Sdn. Bhd.
  ("PSP")

100%
ASA Steel (M) Sdn. Bhd.
("ASA Steel")
(In Member's Voluntary Winding-up)

100%
Supreme Steelmakers Sdn. Bhd.
("Supreme Steelmakers")

BOARD OF **DIRECTORS**

from left to right:

OOI SHANG HOW
Executive Director

DATO' SRI OOI BIN KEONG
Executive Deputy Chairman

NG KOK TEONG
Executive Director

CHAN KEE LOIN
Senior Independent Non-Executive Director

TAN SACK SEN
Independent
Non-Executive Director

OOI KONG TIONG
Executive Director

OOI SENG KHONG
Group Managing Director

TAN DID HENG
Independent
Non-Executive Director

DATO' LIM CHENG POH
Independent
Non-Executive Chairman

DIRECTORS' PROFILE

Age	Gender	Nationality
74	**Male**	**Malaysian**

Dato' Lim Cheng Poh
Independent Non-Executive Chairman

Dato' Lim Cheng Poh, the Chairman of the Board, was appointed to the Board on 6 January 2022.

He graduated from Camborne School of Mines, Cornwall, England in 1970 with a First Class with Distinction in Mining Engineering and awarded the Richard Pearce Gold Medal for being the best graduating student. He obtained a Master Degree in Science (Applied Engineering) from Queen's University at Kingston, Ontario, Canada in 1972 and a Master Degree in Business Administration from Harvard University Graduate School of Business Administration, Massachusetts, USA in 1978.

In 1972, he started his career in Malaysia as a mining engineer in Osborne & Chappel International ("O&CI") and eventually became a shareholder and an Executive Director of O&CI. He joined Hong Leong Group Malaysia in 1983 as the Managing Director for Hong Leong Credit Berhad (now known as Hong Leong Financial Group). In January 1994, he was appointed as the Senior Group Managing Director of Hong Leong Bank. Dato' Lim retired from Hong Leong Bank and the Hong Leong Group in October 2003 after having served the group for 21 years. On 15 June 2004, he joined AmBank (M) Berhad as its Managing Director/ Chief Executive Officer. After the merger of the business operations of AmBank Berhad and AmFinance Berhad (renamed as AmBank (M) Berhad) on 1 June 2005, Dato' Lim was appointed as the Managing Director of Business Banking of the group. During 2005 to 2006, he was appointed as the Director of AmAssurance Berhad and AmIslamic Bank Berhad. Dato' Lim retired from AmBank Group in October 2015 after having served for over 10 years.

He was the Independent Non-Executive Chairman of LYC Healthcare Berhad ("LYC"), a public company listed on the ACE Market of Bursa Malaysia Securities Berhad until his resignation from the board of LYC on 4 August 2020. He was appointed as the advisor to Ho Wah Genting Berhad ("HWGB") on 5 February 2021 to provide investment management and advisory services to the Board of HWGB.

Age	Gender	Nationality
72	**Male**	**Malaysian**

Dato' Sri Ooi Bin Keong

Executive Deputy Chairman

Dato' Sri Ooi Bin Keong, was appointed to the Board on 21 June 2012. He was re-designated as the Executive Deputy Chairman of the Company on 1 October 2020, Prior to his re-designation, he was the Group Managing Director.

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.

In 1982, he co-founded Leon Fuat 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 with approximately 50 years of experience in the steel industry, he has been instrumental in the growth and development of the Leon Fuat Group and has also contributed significantly to the success of the Group particularly in driving the Group's overall vision and strategy.

As the Executive Deputy Chairman of the Company, he oversees the overall management of the operations, business directions and strategies of the Group.

He is currently the President of the 59th Executive Committee (2021 – 2023) of the Malaysia Steel and Metal Distributors' Association (MSMDA).

He is the father of Ooi Shang How, the Executive Director of the Company.

He is the major shareholder of the Company by virtue of his interest in Leon Fuat Holdings Sdn. Bhd., a major shareholder of the Company.

He attended all the six (6) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2021.

DIRECTORS' PROFILE

Age	Gender	Nationality
60	**Male**	**Malaysian**

Ooi Seng Khong
Group Managing Director

Ooi Seng Khong, was appointed to the Board on 21 June 2012. He was promoted and re-designated as Group Managing Director on 1 October 2020.

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 representative and subsequently in 1983, he was appointed as Head of Operations of LF Metal. In 1999, he was appointed as the Managing Director of LF Metal and holding this position until 30 September 2020. During this period, he has been instrumental in the growth and development of the Leon Fuat Group. With approximately 43 years of experience in the steel industry, he has contributed significantly to the Group's success.

As the Group Managing Director, he is responsible for formulating the strategic business direction of the Group and ensuring the day-to-day management and business affairs of the Group is effectively managed, amongst other executive responsibilities.

He is the brother of Dato' Sri Ooi Bin Keong and Ooi Kong Tiong, the Executive Directors of the Company.

He attended all the six (6) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2021.

Age	Gender	Nationality
68	**Male**	**Malaysian**

Ooi Kong Tiong
Executive Director

Ooi Kong Tiong, was appointed to the Board on 21 June 2012.

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 Leon Fuat 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, they 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 Leon Fuat Group. With approximately 50 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. He is currently responsible for overseeing the sales operations and is responsible for the Group's business planning and implementation.

He is the brother of Dato' Sri Ooi Bin Keong and Ooi Seng Khong, the Executive Directors of the Company.

He attended all the six (6) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2021.

DIRECTORS' PROFILE

Age	Gender	Nationality
53	**Male**	**Malaysian**

Ng Kok Teong
Executive Director

Ng Kok Teong, was appointed to the Board on 21 June 2012. He graduated with a Diploma in Business Studies from Stamford College, Malaysiai n 1989.

He started his career in 1990 when he joined LF Hardware as a sales representative before being appointed as the Executive Director of LF Hardware in 1999. He is currently the Managing Director of LF Hardware and is responsible for overseeing the business and operations of the company.

He is the son of the late Ng Chee Tiang, one of the co-founders of Leon Fuat Group.

He is the major shareholder of the Company by virtue of his interest in Leon Fuat Holdings Sdn. Bhd., a major shareholder of the Company.

He attended all the six (6) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2021.

Age	Gender	Nationality
43	**Male**	**Malaysian**

Ooi Shang How
Executive Director

Ooi Shang How, was appointed to the Board on 21 June 2012. He obtained his Cambridge A-Level certificate from Taylor's College, Malaysia in 1997. Between 1998 and 2001, he undertook studies in Monash University and RMIT in Australia before he started his career in 2002 when he joined LF Metal as a sales and marketing representative.

In 2005, he was appointed as the Executive Director of LF Metal where he was mainly involved in business development and procurement planning as well as information technology functions of the company. He is currently responsible for overseeing the daily operations, business expansion plans and business development functions of LF Metal, amongst other executive responsibilities.

He is the son of Dato' Sri Ooi Bin Keong, the Executive Deputy Chairman of the Company.

He attended all the six (6) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2021.

DIRECTORS' PROFILE

Age	Gender	Nationality
58	**Male**	**Malaysian**

Chan Kee Loin

Senior Independent Non-Executive Director

Chan Kee Loin, the Chairman of the Nomination Committee and a member of the Audit Committee and Remuneration Committee, was appointed to the Board on 21 June 2012.

He undertook his studies in Tunku Abdul Rahman College where he completed a three years extra-mural course in Financial Accounting in 1987 and was a finalist in professional examination of the Chartered Association of Certified Accountants, United Kingdom. He started his career in early 1988 as an audit assistant in a small firm of Public Accountants in Johor Bahru. In early 1989, he joined a medium size public accounting firm in Kuala Lumpur where he was promoted to Director in 2000. He brings with him vast experience in statutory audits, due diligence audits, share and business valuation and provision of professional services as adviser, coordinator and Reporting Accountants for corporate exercises.

He is an Independent Non-Executive Director of CAM Resources Berhad which is listed on the Main Market of Bursa Malaysia Securities Berhad .

He attended all the six (6) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2021.

Age	Gender	Nationality
51	**Male**	**Malaysian**

Tan Did Heng
Independent Non-Executive Director

Tan Did Heng, the Chairman of the Audit Committee and a member of the Nomination Committee, was appointed to the Board on 21 June 2012. He was appointed as a member of the Remuneration Committee on 29 November 2021.

He undertook his studies in Tunku Abdul Rahman College from 1992 to 1994. He joined Tai, Yapp & Co in 1994 as an associate and left the firm in 2000 to join United Straits Amalgamated Berhad as an Accountant. In 2001, he founded D.H. Tan & Associates, an accounting firm providing audit services to various industries such as manufacturing, trading, investment holdings, housing and properties development and etc. He is a member of the Malaysian Institute of Certified Public Accountants (MICPA) and a Chartered Accountant registered with the Malaysian Institute of Accountants (MIA).

He is an approved Company Auditor and licensed Tax Agent and the Managing Proprietor of Y.W. Woon & Co., a professional firm providing audit services.

He attended all the six (6) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2021.

DIRECTORS' PROFILE

Age	Gender	Nationality
46	**Male**	**Malaysian**

Tan Sack Sen
Independent Non-Executive Director

Tan Sack Sen, the Chairman of the Remuneration Committee and a member of the Audit Committee and Nomination Committee, was appointed to the Board on 21 June 2012.

He graduated with a Bachelor of Law (Honours) Degree from the University of Wales, Cardiff, United Kingdom in 1997 and obtained the Certificate of Legal Practice from the Board of Legal Practice in 1998.

He started his career with Messrs. K. B. Chua & Co. and was admitted to the Bar in 1999. He joined Messrs. T. G. Lim & Partners in 1999 and further his practice in banking litigation. Subsequently, he joined Messrs. Jal & Lim in 2001 to conduct 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 founded his legal firm, Messrs. Yee How & Tan where he manages the main office in Kuala Lumpur.

He attended all the six (6) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2021.

Additional Notes:
Save as disclosed, none of the Directors have any:
1. *Directorships in public companies and listed issuers;*
2. *Family relationship with other Directors and/or major shareholders of the Company;*
3. *Conflict of interests with the Company; and*
4. *Conviction for any offences within the past five (5) years (other than traffic offences, if any) nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2021.*

PROFILE OF KEY MANAGEMENT PERSONNEL

NG LAM KEONG

Executive Director of LF Hardware	Malaysian	Aged 64	Male

Ng Lam Keong is the Executive Director of LF Hardware. After completing his primary education in 1971, he joined 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 management of human resources in 1992. In 1999, he was appointed as the Executive Director of LF Hardware. He is mainly responsible for overseeing the sales and procurement functions of LF Hardware.

He is the brother of Dato' Sri Ooi Bin Keong, Ooi Kong Tiong and Ooi Seng Khong, the Executive Directors of the Company.

OOI PEK KUAN

Managing Director of LF Metal	Malaysian	Aged 57	Male

Ooi Pek Kuan is the Managing 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 the Executive Director of LF Metal. On 1 October 2020, he was re-designated as the Managing Director of LF Metal. He has accumulated approximately 39 years of experience in the steel industry. He is currently responsible for overseeing the overall management, 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, the Executive Directors of the Company.

NG KOK WEE

Executive Director of LF Metal	Malaysian	Aged 51	Male

Ng Kok Wee is the 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 joined Leon Fuat Holdings Sdn. Bhd. as the Accounts Executive. Subsequently in 2007, he joined LF Hardware as the Assistant Accountant before he was transferred to LF Metal in 2009 as the Finance Manager. He was appointed as the Executive Director of LF Metal since 2010.

He is the brother of Ng Kok Teong, the Executive Director of the Company.

He is the major shareholder of the Company by virtue of his interest in Leon Fuat Holdings Sdn. Bhd., a major shareholder of the Company.

PROFILE OF KEY MANAGEMENT PERSONNEL

OOI SHANG YAO

Executive Director of Supreme Steelmakers | Malaysian | Aged 40 | Male

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

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

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

He is the son of Dato' Sri Ooi Bin Keong, the Executive Deputy Chairman of the Company.

TAN KIEN YAP

Chief Financial Officer | Malaysian | Aged 50 | Male

Tan Kien Yap is the Chief Financial Officer of the Company. 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.

He started his career in 1997 with Price Waterhouse (predecessor firm of PricewaterhouseCoopers) as Audit Assistant before he was promoted to Senior Associate in 1999. Subsequently in 2000, he joined Leon Fuat Holdings Sdn. Bhd. as the Group Accountant. In 2013, he was transferred to Leon Fuat Berhad and assumed his current position as the Chief Financial Officer. He is primarily responsible for overseeing the financial management, reporting and financial activities of Leon Fuat Group.

WONG CHOONG HENG

Assistant General Manager of LF Metal | Malaysian | Aged 54 | Male

Wong Choong Heng is the Assistant General Manager of LF Metal. In 2005, he obtained his Master 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. He returned to Malaysia in 1996 to join 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 as Factory Operations Manager. In 2006, he was promoted as Assistant General Manager of LF Metal, assisting the Executive Directors in overseeing the factory operations, human resource and administrative functions of the company.

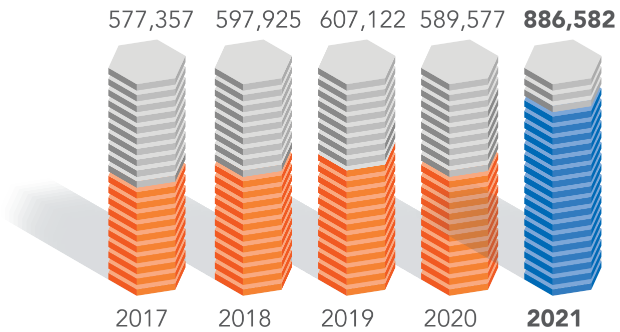
In 2015, he attended a Professional Certification in Human Resources program and subsequently become a Professional Member (CAHRI) of Australian Human Resources Institute (AHRI). He is also a Chartered Member (Chartered MCIPD) of Chartered Institute of Personnel Development (CIPD), UK since 2016.

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.

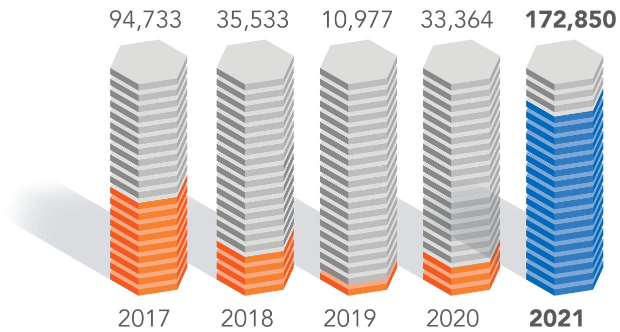
Additional Notes:
Save as disclosed, none of the Key Management Personnel have any:
1. *Directorships in public companies and listed issuers;*
2. *Family relationship with other directors and/or major shareholders of the Company;*
3. *Conflict of interests with the Company; and*
4. *Conviction for any offences within the past five (5) years (other than traffic offences, if any) nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2021.*

FINANCIAL HIGHLIGHTS

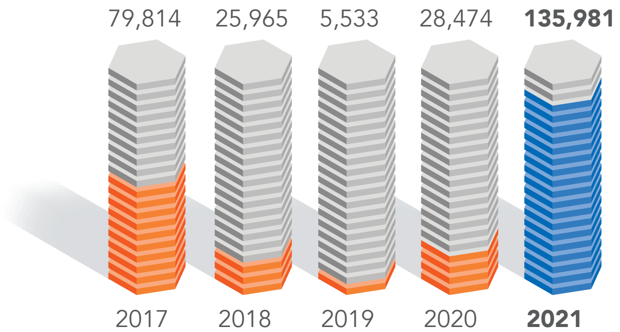
Revenue (RM'000)



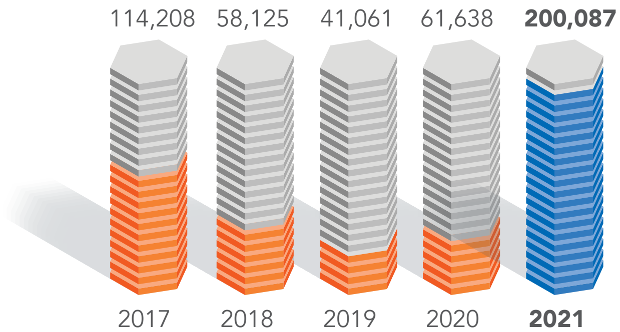
Profit Before Tax (RM'000)



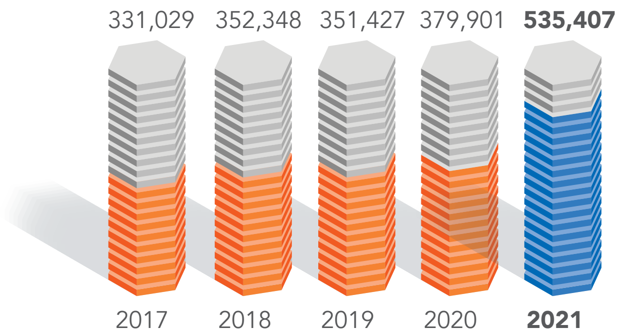
Profit After Tax (RM'000)



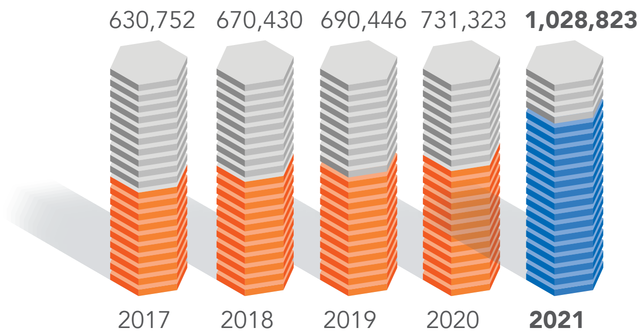
Earnings Before Interest, Tax, Depreciation & Amortisation (RM'000)



Total Equity (RM'000)



Total Assets (RM'000)



Financial Year Ended	**2017 (RM'000) Restated**	**2018 (RM'000)**	**2019 (RM'000)**	**2020 (RM'000)**	**2021 (RM'000)**
Revenue	577,357	597,925	607,122	589,577	**886,582**
Profit Before Tax	94,733	35,533	10,977	33,364	**172,850**
Profit After Tax	79,814	25,965	5,533	28,474	**135,981**
Earnings Before Interest, Tax, Depreciation & Amortisation	114,208	58,125	41,061	61,638	**200,087**
Total Equity	331,029	352,348	351,427	379,901	**535,407**
Total Assets	630,752	670,430	690,446	731,323	**1,028,823**

GROWING VALUE to Our People

CHAIRMAN'S **STATEMENT**

On Track of Sustainable Growth

Dato' Lim Cheng Poh
Independent Non-Executive Chairman

DEAR SHAREHOLDERS,

It gives me great pleasure to report yet another remarkable year for the Group, albeit not without challenges. The COVID-19 pandemic continued to impact people's health and economies and this rippled through businesses and communities despite improving market and consumer sentiments.

In Malaysia, a full lockdown known as the Full Movement Control Order ("FMCO") was implemented in June 2021 for the whole country following the rising numbers of infections[1]. Thereafter, various restriction measures were in force in different parts of the country[2], with the four-phase National Recovery Plan ("NRP") launched on 15 June 2021 used as a benchmark to decide when restrictions could be lifted[3].

On the health front, the availability of vaccines to combat the pandemic and the efficient rollout of the vaccination programme in Malaysia enabled the country to mitigate the risks of even higher infection rates despite the emergence of the deadlier Delta variant of the virus. This helped the country to avoid an even longer FMCO. By the end of the year, close to 97.6%[4] of the country's adult population had been fully vaccinated. Vaccination as well as policy support has been key to economic recovery, as the International Monetary Fund ("IMF") noted in the October update of its World Economic Outlook ("WEO")[5].

1 *https://www.reuters.com/business/healthcare-pharmaceuticals/malaysia-pm-orders-total-lockdown-amid-covid-19-surge-2021-05-28/*
2 *https://www.channelnewsasia.com/asia/timeline-how-covid-19-pandemic-has-unfolded-malaysia-january-2020-2082081*
3 *https://www.malaymail.com/news/malaysia/2021/06/15/putrajaya-announces-four-phase-covid-19-recovery-plan-for-malaysia-expects/1982402*
4 *https://www.channelnewsasia.com/asia/omicron-covid-19-malaysia-lifts-africa-travel-ban-vaccine-booster-jab-interval-2404311*
5 *https://www.imf.org/en/Publications/WEO/Issues/2021/10/12/world-economic-outlook-october-2021*

CHAIRMAN'S STATEMENT

2021 OVERVIEW

Leon Fuat's performance for the financial year ended 31 December 2021 ("FY2021") was supported by higher overall average selling price of products in both the trading and processing segments, which was up by 50.7% compared to the previous financial year despite overall tonnage sales remaining fairly consistent. This in turn translated to revenue surging by 50.4% or RM297.00 million to RM886.58 million from RM589.58 million registered in the previous financial year. The Group's processing segment contributed to 63.3% of revenue for the FY2021 while the trading segment contributed to 36.6% of revenue.

Gross profit increased by 185.5% or RM144.02 million to RM221.66 million from RM77.64 million in FY2020 as a result of the higher revenue and the better overall gross profit margin, which had increased by 11.8 percentage points to 25.0% from 13.2% in the previous financial year.

At the global macroeconomic level, the IMF maintained its forecast for the economy to grow by 5.9% in 2021 in the January update of the WEO[6], no change from the October 2021 WEO update, but 0.1 percentage point lower compared to the July 2021 update. The January 2022 update reflected a downgrade for advanced economies due in part to supply-chain disruptions and, the worsening pandemic situation among low-income developing countries[7]. According to Bank Negara Malaysia ("BNM"), the domestic economy grew 3.1% in 2021[8], following a revision of between 3% and 4% made in August 2021, significantly lower than the earlier forecast of between 6% and 7.5%[9].

The October 2021 WEO update also showed that there was a sharp and broad-based increase in commodity prices led by metals and energy commodities buoyed by strong recovery in commodity demand, loose financial conditions and supply-side as well as weather disruptions[10].

Steel prices have risen significantly since July 2020. The Organisation for Economic Cooperation and Development's ("OECD") fourth quarter 2021 Steel Market Developments report noted that flat and long steel prices stood at 134% and 58% higher as of July 2021 compared with a year earlier. Steel prices at these levels were last seen in July 2008[11], when crude oil prices were also at its highest[12]. A combination of government infrastructure spending and a switch in household spending to equipment and housing from leisure and entertainment have been cited by the OECD as reasons for steel prices remaining elevated despite higher steel production in China[13]. Notably, steel prices have risen rapidly in the US compared with other economies since July 2020 for both flat and long products on robust demand[14].

The prices of iron ore, coking coal and scrap, constituting the main raw material inputs for steel production, has also increased. Compared to July 2020, benchmark prices for iron ore, coking coal and scrap were up 99%, 127% and 89% as of July 2021, respectively. Continued demand from Chinese mills amid a decrease in supply due to supply-chain issues supported iron ore prices. Sustained demand from steel producers elevated coking coal prices globally and scrap prices have risen considerably with European scrap exports at their highest levels since April 2011 while new regulations in China enacted in January 2021 classifying scrap as recycled raw material has enabled Chinese scrap consumers to import scrap again[15].

According to the World Steel Association (Worldsteel) in the October 2021 update to its Short Range Outlook ("SRO"), steel demand was expected to grow by 4.5% in 2021 from strong manufacturing activity bolstered by pent-up demand, with the growth trajectory only weighed down by supply-chain constraints[16].

The October SRO update showed that while China saw 2.7% growth in demand from January to August, overall steel demand was expected to decline by 1.0% in 2021. On the other hand, India's steel demand was expected to recover strongly despite severe infection rates between April and June 2021. Steel demand from developed economies was expected to grow by 12.2% in 2021 led by strong economic growth in the US while in the European Union, the recovery in steel demand that started in the second half of 2020 had gathered pace, with all steel-using sectors exhibiting a positive recovery despite continuing waves of infection. In Japan, steel demand has recovered gradually with increasing exports, investment and consumption. Manufacturing, especially automotive and machinery, has led the recovery while civil construction continued to underpin steel demand[17].

6 *https://www.imf.org/en/Publications/WEO/Issues/2022/01/25/world-economic-outlook-update-january-2022*
7 *https://www.imf.org/en/Publications/WEO/Issues/2021/10/12/world-economic-outlook-october-2021*
8 *https://www.bnm.gov.my/-/4q-gdp-2021*
9 *https://www.theedgemarkets.com/article/bnm-revises-down-malaysia-gdp-forecast-range-between-3-and-4-2021*
10 *https://www.imf.org/en/Publications/WEO/Issues/2021/10/12/world-economic-outlook-october-2021*
11 *https://www.oecd.org/industry/ind/steel-market-developments-Q4-2021.pdf*
12 *https://www.reuters.com/article/us-markets-oil-idUST14048520080711*
13 *https://www.oecd.org/industry/ind/steel-market-developments-Q4-2021.pdf*
14 *https://www.oecd.org/industry/ind/steel-market-developments-Q4-2021.pdf*
15 *https://www.oecd.org/industry/ind/steel-market-developments-Q4-2021.pdf*
16 *https://worldsteel.org/media-centre/press-releases/2021/worldsteel-short-range-outlook-october-2021/#:~:text=The%20World%20Steel%20Association%20(worldsteel,after%200.1%25%20growth%20in%202020*
17 *https://worldsteel.org/media-centre/press-releases/2021/worldsteel-short-range-outlook-october-2021/#:~:text=The%20World%20Steel%20Association%20(worldsteel,after%200.1%25%20growth%20in%202020*

CLIMATE CHANGE

The Group has also introduced climate change as a new material sustainability matter in FY2021 critical to business success in the short, medium and long term following a materiality assessment carried out in FY2020 in the wake of the pandemic and its impact on operations as well as how it influences stakeholder decisions. Climate change was added as a "high priority" sustainability material matter given that recent weather-related disasters have had visible immediate impacts, such as the flooding in parts of the country in late December 2021 following continuous rain.

Leon Fuat's focus for climate change revolves around mitigating greenhouse gas emissions from three (3) main subsidiaries. In addition, the Group is also focusing on resource efficiency and its impact on the environment. As part of the initiatives on resource efficiency, solar panels have been installed at two factories to increase the use of renewable energy.

2022 OUTLOOK

BNM expects the domestic economy to grow between 5.5% and 6.5% in 2022 while the IMF, in its January 2022 update of the WEO has revised global growth to 4.4%, down half a percentage point compared to the October 2021 update[18]. The risks of growth slowing down is now higher given the surge in infection rates from the Omicron variant that was first detected in late 2021.

The Russian invasion of Ukraine that began in late February 2022[19] has compounded an already uncertain global economic landscape plagued by supply-chain problems. Crude oil prices have led commodity prices higher amid the uncertainties of how the conflict would pan out. Energy costs have risen in tandem, while inflationary pressure has been building up. Climate change could also increase commodity price volatility due to disruptions to operations.

Worldsteel has projected steel demand to grow 2.2% largely supported by strong recovery momentum among advanced economies from continued pent-up demand as well as rising business and consumer confidence. The October SRO has projected no growth in steel demand for China as the real estate sector remained depressed in line with the government stance on rebalancing and environmental protection although some restocking activities might be positive for steel use. India would be expected to hit the 100-million tonne mark again for steel demand in 2022[20].

On a sectoral basis, the global construction sector would be expected to show a robust recovery fuelled by low interest rates and governments focusing on infrastructure projects as part of their recovery plans while the automotive sector would be expected to see growth continue after staging a strong recovery in the second-half of 2020 on continued pent-up demand and increased household savings[21].

APPRECIATION

The Group ended the year on a high note and this would not have been achievable without the hard work and dedication of the Leon Fuat team, which, in the face of the challenges from the pandemic, has been nothing but admirable.

The Board would also like to thank Dato' Ng Ah Hock @ Ng Soon Por for his advice and guidance during his tenure as Chairman of Leon Fuat. We wish him all success in his future endeavours.

In closing, I would like to extend my gratitude to Leon Fuat's valued customers, suppliers, business associates and shareholders for their support and for having stood by the Group this past year. I would also like to thank the members of the Board for their guidance and advice that has helped me execute my responsibilities in the best possible manner.

Dato' Lim Cheng Poh
Independent Non-Executive Chairman

[18] *https://www.imf.org/en/Publications/WEO/Issues/2022/01/25/world-economic-outlook-update-january-2022*
[19] *https://www.bbc.com/news/world-europe-60503037*
[20] *https://worldsteel.org/media-centre/press-releases/2021/worldsteel-short-range-outlook-october-2021/#:~:text=The%20World%20Steel%20Association%20(worldsteel,after%200.1%25%20growth%20in%202020*
[21] *https://worldsteel.org/media-centre/press-releases/2021/worldsteel-short-range-outlook-october-2021/#:~:text=The%20World%20Steel%20Association%20(worldsteel,after%200.1%25%20growth%20in%202020*

MANAGEMENT DISCUSSION AND ANALYSIS

STEELED FOR SUCCESS

OVERVIEW OF THE GROUP'S BUSINESS

Leon Fuat Group ("Leon Fuat" or "the Group") is a leading specialist in the processing and trading of carbon steel as well as stainless and alloy steel with a focus on both flat and long products.

The Group's portfolio of steel products under the trading segment includes flat products such as coils, plates, sheets, welded tubes and pipes as well as welded rectangular and square sections, while under long products, there are bars, rods, shafts, sections, angles, channels, seamless tubes and pipes.

The Group caters to customers from different industries with specific requests under the processing segment in which value-added activities using in-house facilities are undertaken such as cutting, levelling, shearing, profiling, bending, finishing, production of expanded metal and welded steel pipes.

Leon Fuat's customer base of over 3,000 was built up over decades and some of these customers have been with the Group for well over a decade. Key customers include those from the manufacturing sector such as producers of metal products and components to fabricators of machinery, equipment and metal structures.

The Group's other customers include those from the construction industry's infrastructure and building segments as well as hardware wholesalers and retailers. Besides Malaysia, the Group also has some customers from Australia, Thailand, Singapore, Vietnam, Philippines and Indonesia that collectively contributed approximately 2.6% of the revenue for the financial year ended 31 December 2021 ("FY2021").

Ooi Seng Khong
Group Managing Director

MANAGEMENT DISCUSSION AND ANALYSIS

REVIEW OF FINANCIAL PERFORMANCE

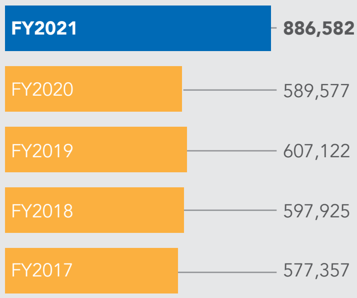
Leon Fuat posted a 50.4% or RM297.00 million increase in revenue to RM886.58 million for FY2021 from RM589.58 million in the preceding financial year ended 31 December 2020 ("FY2020").

The increase in revenue was mainly due to the higher overall average selling price, which rose by 50.7% as compared to FY2020, while overall tonnage sales remained fairly consistent. The increase in revenue together with an 11.8 percentage points rise in overall gross profit margin to 25.0% from 13.2% had translated to gross profit increasing by 185.5% or RM144.02 million to RM221.66 million as compared to RM77.64 million for FY2020.

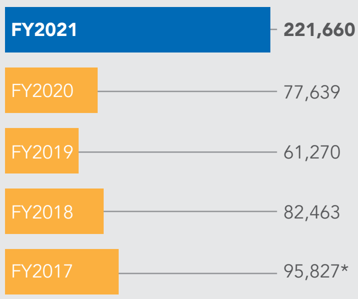
As a result of the significant improvement in gross profit, the Group registered a Profit Before Tax ("PBT") of RM172.85 million as compared to RM33.36 million for FY2020, a substantial increase of 418.1% while Profit After Tax ("PAT") for the financial year under review was RM135.98 million, remarkably better than the PAT for the FY2020 of RM28.47 million by 377.6%. The Group's Earnings Per Share stood at 41.17 sen, an increase of 348.5% as compared with 9.18 sen for FY2020.

Despite the significant increase in PBT for FY2021, the Group reported net cash used in operating activities of RM89.21 million. This was mainly due to the sharp rise in steel price that had generally caused the Group's inventories as well as trade and other receivables to increase substantially thereby necessitate additional working capital for these items by RM169.29 million and RM70.27 million respectively. The additional working capital required was funded through short-term bank borrowings such as bankers' acceptance and islamic financing. As at the end of the FY2021, 79.7% of total bank borrowings comprised the aforementioned two short-term bank borrowings, amounting to RM349.76 million.

Revenue (RM'000)



Gross Profit (RM'000)



* Restated

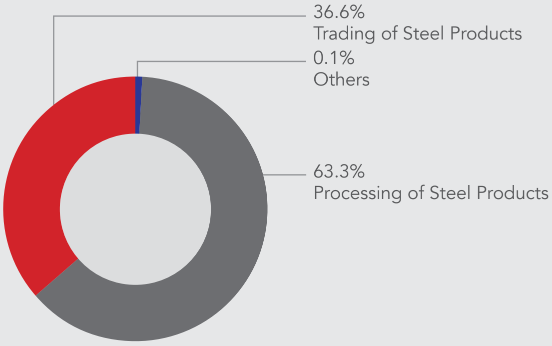
OPERATIONS REVIEW BY BUSINESS SEGMENT

The Group's business segments are as follows:

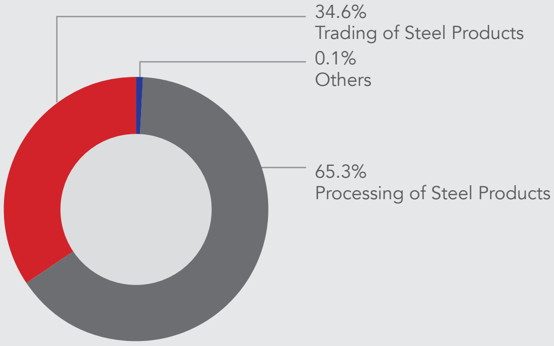
1. Processing of steel products
   i. Processing of flat carbon steel products
   ii. Processing of other flat steel products
   iii. Processing of long carbon steel products
   iv. Processing of other long steel products
2. Trading of steel products
   i. Trading of flat carbon steel products
   ii. Trading of other flat steel products
   iii. Trading of long carbon steel products
   iv. Trading of other long steel products

CHARTS ON SEGMENTAL CONTRIBUTION TO REVENUE AND GROSS PROFIT

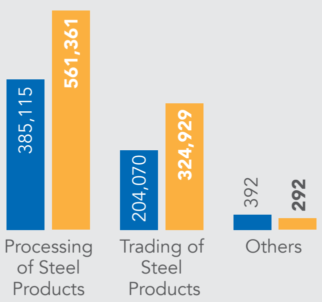
FY2021 Segmented Revenue (%)



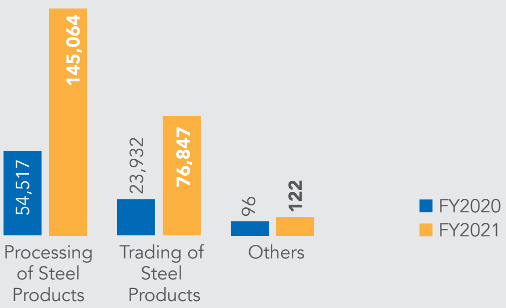
FY2021 Segmented Gross Profit (%)



FY2020 & FY2021
Segmented Revenue (RM'000)

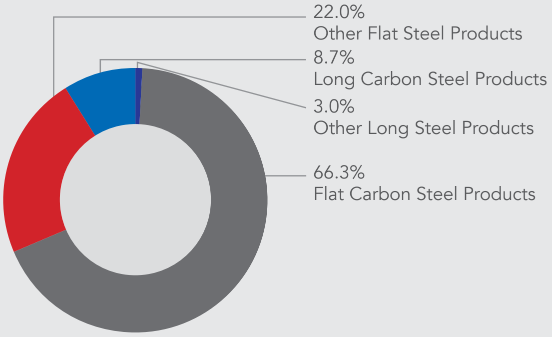


FY2020 & FY2021
Segmented Gross Profit* (RM'000)

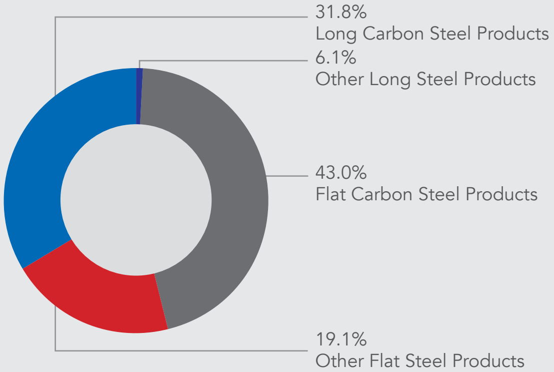


** Before inventories written down*

FY2021 Segmented Revenue:
Processing of Steel Products (%)

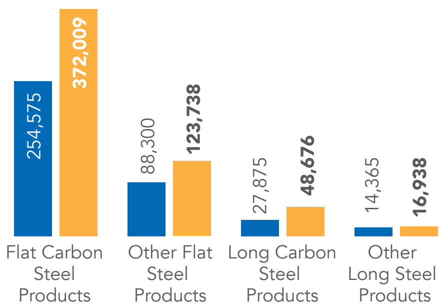


FY2021 Segmented Revenue:
Trading of Steel Products (%)

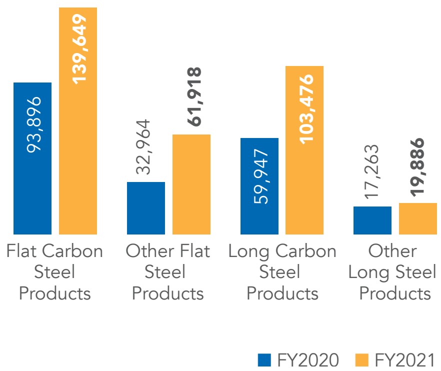


MANAGEMENT DISCUSSION AND ANALYSIS

FY2020 & FY2021
Revenue for Processing of Steel Products
(RM'000)



FY2020 & FY2021
Revenue for Trading of Steel Products
(RM'000)



DIVIDEND

The Group had announced the first interim dividend of 2.0 sen per share on 28 May 2021 in respect of FY2021 that was paid on 1 July 2021. The Board is proposing a final dividend of 2.0 sen per share amounting to RM6.82 million, which is subject to shareholders' approval at the 15th Annual General Meeting to be held on 28 June 2022. This will bring the total dividend pay-out ratio for FY2021 to 10.0%, lower than the policy of distributing up to 30% of net profit as dividend.

The Group continues to believe that there is a need to remain prudent given the uncertainties brought about by the volatile commodities market. As such, the Group needs to have careful management of an optimum capital structure while ensuring that there are sufficient funds to weather uncertainties although bank borrowings will remain as the main source of funds supporting growth and capital expenditure.

CORPORATE DEVELOPMENTS

For the financial year under review, the Company successfully completed a private placement comprising 31.00 million new shares to identified investors at an issue price of RM0.85 per placement share, raising gross proceeds of RM26.35 million. The placement shares, which represented 10% of Leon Fuat's total number of issued shares, was successfully listed on the Main Market of Bursa Securities on 7 May 2021.

Following the downstream venture into welded steel pipe manufacturing in 2018, the Group via its wholly-owned subsidiary, LF Metal, embarked on the construction of a three-phase welded steel pipe manufacturing plant located in Kawasan Perusahaan Bandar Sultan Suleiman in Port Klang. The first phase of the plant has been operational since the second-half of 2019. The Group is currently in the midst of undertaking the latter phases of the project. Up to 31 December 2021, the total investment incurred for this new venture amounted to approximately RM126.56 million, while as of 31 December 2021, further capital expenditure amounting to RM48.86 million has been committed for additional machinery and construction of factory and warehouse buildings under this project. The entire project is expected to be fully completed by the second-half of 2023.

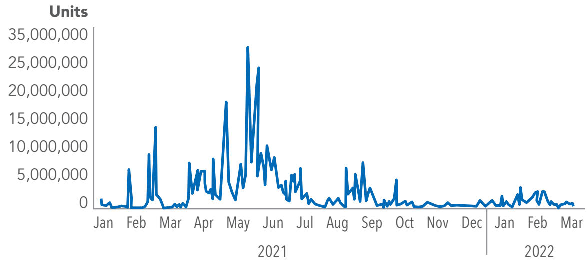
The net proceeds of RM26.20 million raised from the private placement will be utilised to partially fund the purchase of machineries for this welded steel pipe manufacturing project with initial estimated costs at RM53.00 million. The purchase includes pipe-forming machinery, welding machine and slitting machine for the production of welded steel pipes of larger-sized range that the Group expects will appeal to a wider group of customers from the manufacturing, construction and infrastructure sectors. This venture will also enhance earnings and facilitate Leon Fuat's growth strategy in strengthening its presence within the local steel manufacturing industry.

SHARE PRICE PERFORMANCE & TRADING VOLUME

As at 31 March 2022, the Group's share price closed at RM0.78 with a total market capitalisation of RM265.98 million. For the 15 months period ended 31 March 2022, the share's highest and lowest closing price stood at RM1.24 and RM0.455 respectively, with average daily trading volume of approximately 2,711,699 units.

Daily Share Price Performance (Closing)
1 January 2021 – 31 March 2022

Daily Trading Volume (Closing)
1 January 2021 – 31 March 2022



LF Metal completed the acquisition of a plot of vacant leasehold land measuring 27,108 sq. m. in Klang for RM20.43 million on 14 February 2022. The acquisition is in line with the strategic plans of the Group to expand the welded steel pipe manufacturing activities of LF Metal and/or other purposes beneficial to the Group. The land is located less than 500 meters from LF Metal's existing welded steel pipe manufacturing plant at Persiaran Sultan Alauddin KU 17 (also known as Persiaran Sultan Abdul Samad) within Kawasan Perusahaan Bandar Suleiman, Pelabuhan Klang and will be used as additional storage space for steel pipe finished products and/or additions to the existing pipe manufacturing capacity after taking into consideration the synergies and efficiencies to be gained from the enlarged manufacturing capabilities. These are also expected to reduce the operating costs in terms of transportation and staff costs to facilitate effective cost control measures in the manufacturing activities of the Group.

To mitigate the impact of such fluctuations to the Group's operating costs and profitability, steel prices as well as inventory levels are closely monitored throughout the year in order to counter potential risks.

ANTICIPATED OR KNOWN RISKS

As a processor and trader of steel products, the Group is exposed to the volatility of steel prices as well as the raw materials that go into producing steel, namely iron ore, coking coal and nickel. These fluctuations in prices, which can be caused by any number of global macroeconomic and industry-specific factors, can potentially impact costs and therefore, margins and profitability.

To mitigate the impact of such fluctuations to the Group's operating costs and profitability, steel prices as well as inventory levels are closely monitored throughout the year in order to counter potential risks.

Another key risk is foreign currency exchange volatility given the Group sources some of its material such as flat and long stainless steel, alloy steel and carbon steel from countries such as China, Europe, Japan and Korea among others. To safeguard the exchange-rate volatility that could increase the cost of material, the Group has several hedging facilities such as forward contracts and foreign currency accounts, which can be utilised should the need arises. For the financial year under review, the realised gain on foreign exchange was RM0.08 million, lower by RM0.13 million as compared to FY2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Careful management of inventory to ensure timely delivery to customers mitigates the Group's risk of incurring high inventory holding cost due to its position as an intermediary between the steel millers and industrial end-users. As for FY2021, the inventory turnover period was approximately 239 days, which was 52 days higher compared with approximately 187 days recorded for FY2020. The Group takes cognisance of this high inventory turnover period and believe it will gradually improve in the next financial year when steel prices stabilise and/or normalise. There was no significant material impact from high inventory holding as steel products do not have a definite shelf life and therefore do not become obsolete. The inventories written down for FY2021 was merely RM0.37 million.

Lastly, there is also credit risk exposure arising from trade receivables as the Group grants customers credit periods of between 14 to 90 days. Should there be any significant delay in debt collection, the Group will have to provide for impairment loss on trade receivables or write-off trade receivables as bad debts, which may adversely affect the financial performance.

FORWARD LOOKING STATEMENT

The start of the year has been most eventful as, amid another wave of infections stemming from the Omicron variant of the virus, the Russian invasion of Ukraine has had ripple effects across the commodity markets[1], with crude oil prices surging to near July 2008 levels[2] as this annual report was being compiled.

The upward price pressures on the commodity markets from the invasion have compounded price rises since mid-2020 due to supply-chain disruptions from ongoing COVID-19 infections and weather-related events, this in turn has caused inflation to surge on much higher energy and food costs. The IMF noted that besides the commodity price hikes, the invasion risks further disruptions to trade, supply-chains and a surge in refugee flows to neighbouring countries while asset prices will be weighed down by reduced business and investor confidence that could tighten financial conditions and spur capital outflows from emerging markets[3].

To mitigate the current wave of infections, vaccination is important, as the IMF has pointed out in the October WEO update[4]. The IMF has revised global growth for 2022 lower due to the Omicron wave[5], and this was before the invasion. As the IMF noted, policy support will continue to be important for economies still facing shortfalls in output but surging inflation may limit what can be done, especially for emerging and developing economies[6].

On the domestic front, the efficient rollout of the vaccination has continued and will remain the most important factor for the economy's recovery as the country enters the endemicity stage. As of mid-March 2022, 65.4% of the adult population has received the booster dose while 34.1% of children aged 5 to 11 have been vaccinated. Among adolescents aged 12 to 17, 91.3% have been vaccinated[7].

The reopening of borders to international visitors from 1 April 2022[8] will be a boost to the economy, particularly the services sector related to tourism and hospitality although there will be a lagged effect of between six months to a year before positive results are felt by businesses[9,10].

The construction sector plays an important role in steel demand and the announcement that the Mass Rapid Transit 3 (MRT3) Circle Line project has been revived will be a boost for the local steel industry. Pending confirmation of the project's details, construction cost is estimated to be RM31.0 billion[11]. There is also talk of reviving the High Speed Rail project connecting Malaysia and Singapore[12].

Finally, political uncertainties are still playing out in the country after a spate of state elections, with mounting pressure to hold a general election. The undercurrents of social discontent in Malaysia are also mirrored across the world following two years of the pandemic that has widened the gap of inequality, which may have an impact on the economy.

Leon Fuat is cognisant of the risks as well as the opportunities presented by the current operating landscape and market environment. The Group will continue to monitor steel prices and related foreign currencies while proactive measures including negotiating forward contracts and prudent inventory management will continue. Operating capabilities and efficiencies in meeting customers' requirements while ensuring timely satisfaction of their orders together with managing operating costs will also continue to be priorities.

The Group has and will continue to actively addressed COVID-19 infections in the workplace through the implementation of measures as announced by the Ministry of Health and the National Security Council. Emergency Response Teams have also been established in three major subsidiaries as part of business continuity measures and to mitigate risks such as health and workplace-related emergencies.

Leon Fuat's existing plants house an extensive range of machinery including cutting, levelling, shearing, profiling, bending, polishing, expanded metal processing and pipe forming machines. The Group has invested in the machinery and equipment needed with cutting-edge technology to remain competitive. As at 31 December 2021, there were 117 major machines with total Net Book Value ("NBV") of RM44.89 million, installed across the Group's facilities, as listed below:

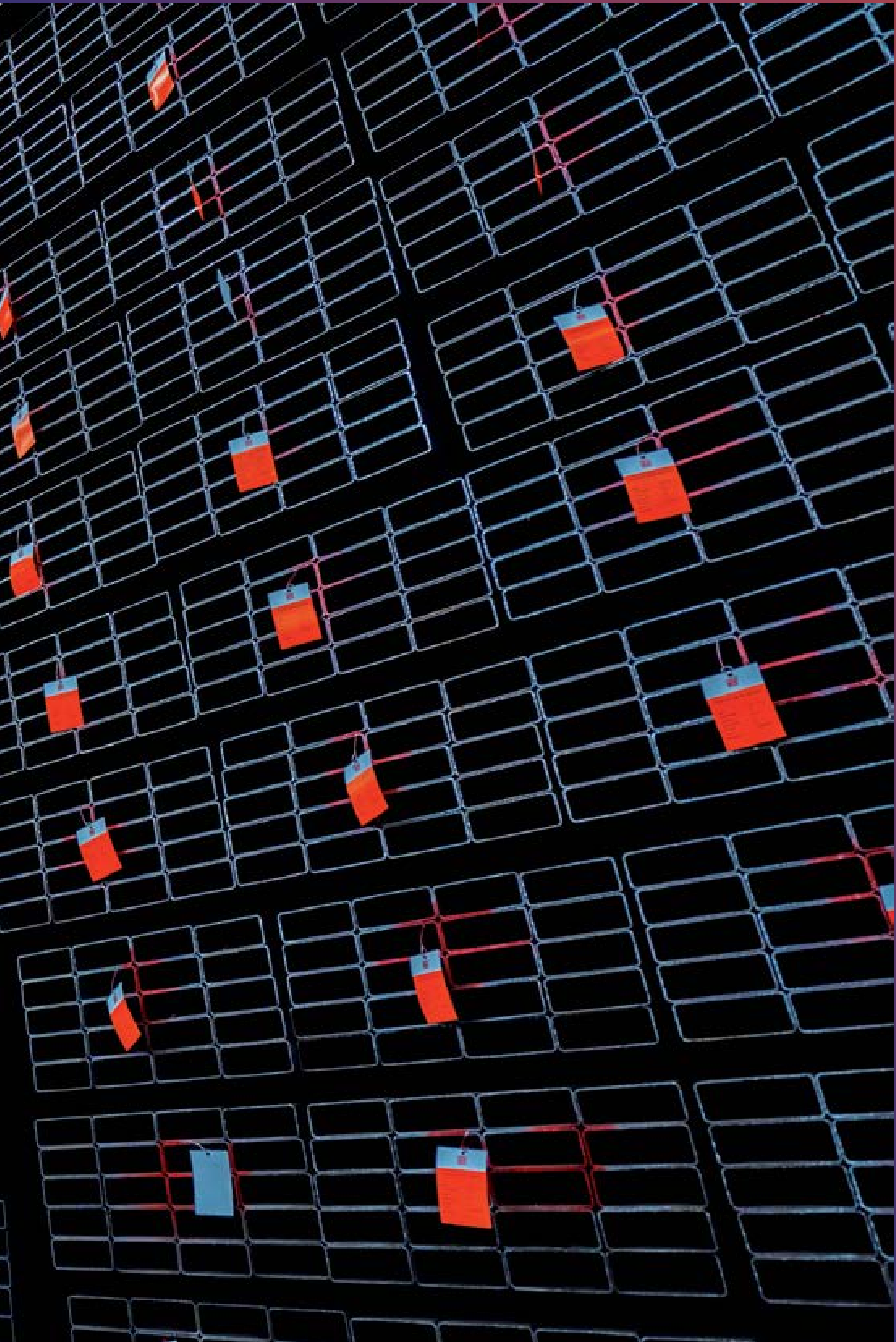
Machinery & Equipment	No. of Units
Coil levelling machine	7
Slitter line	2
Pipe forming line	2
CNC oxy-gas and plasma cutting machine	3
CNC oxy-gas cutting machine	3
CNC plasma cutting machine	6
CNC laser cutting machine	11
CNC waterjet cutting machine	4
Shearing machine	10
Portable plasma cutting machine	4
Portable oxy-gas cutting machine	10
Expanded metal machine	3
Bandsaw machine	35
High precision CNC press brake machine	7
Surface grinding machine	3
Punching machine	2
External pipe blasting machine	3
Polishing machine	1
Rolling machine	1
Total	**117**

Leon Fuat expects the welded steel pipe manufacturing business to grow further with the expansion of its facilities to offer larger-sized steel pipes. As the Group is still in the midst of constructing the additional welded steel pipe manufacturing plant, there is a need for further capital commitment, which entails a careful monitoring and management of the capital structure. The Group expects all phases for the project of welded steel pipe manufacturing plant to be completed by the second-half of 2023.

The Board is cautiously optimistic that the Group will achieve profitability for FY2022 despite the risks posed by high commodity prices, inflationary pressure and further supply-chain disruptions given the rebound in economic activities in Malaysia and across the world.

1 *https://blogs.imf.org/2022/03/15/how-war-in-ukraine-is-reverberating-across-worlds-regions/*
2 *https://www.cnbc.com/2022/03/06/us-crude-oil-jumps-to-125-a-barrel-a-13-year-high-on-possible-western-ban-of-russian-oil.html*
3 *https://blogs.imf.org/2022/03/15/how-war-in-ukraine-is-reverberating-across-worlds-regions/*
4 *https://www.imf.org/en/Publications/WEO/Issues/2021/10/12/world-economic-outlook-october-2021*
5 *https://www.imf.org/en/Publications/WEO/Issues/2022/01/25/world-economic-outlook-update-january-2022*
6 *https://www.imf.org/en/Publications/WEO/Issues/2021/10/12/world-economic-outlook-october-2021*
7 *https://www.thestar.com.my/news/nation/2022/03/17/covid-19-over-34-of-children-in-malaysia-vaccinated*
8 *https://www.theedgemarkets.com/article/ismail-sabri-govt-reopen-malaysias-borders-april-1*
9 *https://www.freemalaysiatoday.com/category/nation/2022/03/08/border-reopening-will-boost-tourism-industry-say-stakeholders/*
10 *https://www.theedgemarkets.com/article/mustapa-reopening-borders-will-revive-economy-enhance-malaysiathailand-ties*
11 *https://www.theedgemarkets.com/article/mrt-circle-line-mrt3-project-expected-cost-rm31b-final-costs-subject-open-tender-says-mrt*
12 *https://paultan.org/2022/03/18/malaysia-mulling-kl-bangkok-high-speed-rail-project/*

GROWING VALUE through Quality



SUSTAINABILITY REPORT

SUSTAINABILITY STATEMENT (2-1, 2-6)

As global initiatives in promoting responsible business gathers momentum, Leon Fuat Berhad ("Leon Fuat" or "the Group") one of Malaysia's leading companies in the steel industry, stands proud for its environmental, social and governance ("ESG") standards. Leon Fuat strides forward in this direction with renewed commitment to our material sustainability matters by introducing climate change initiatives as a new material matter for the financial year ended on 31 December 2021.

Leon Fuat's commitment to sustainable development and sustainable growth for the Group is amply reflected in this Fifth Annual Sustainability Statement. In keeping with the Group's vision, the following will be the scope of reporting and agenda that will be covered for this statement:

Leon Fuat's Vision

"Steel is our business. Excellence is our commitment"

Leon Fuat's Shared Values

- Drive a performance culture of integrity and accountability
- Commitment to products and service quality
- Strengthen business processes to best service customers
- Manage cash resources for operational effectiveness

Sustainability Commitments

Sustainability Pillars

- **Responsible Governance**
  Business Ethics and Compliance
- **Economic Prosperity**
  Operational Excellence
  Responsible Procurement
- **Environmental Stewardship**
  Effluent and Waste Management
  Noise Management
  Energy and Water Efficiency
  Climate Change
- **Social Responsibility**
  Occupational Health and Safety
  Knowledge and Skill Development
  Product Quality and Customer Satisfaction
  Data Security Employee Welfare
  Diversity and Inclusiveness
  Corporate Social Responsibility

Scope of Reporting (2-1, 2-3)

The reporting period for this sustainability statement follows our financial year from 1 January 2021 to 31 December 2021 ("FY2021"), unless specified otherwise. This statement is intended to be read in conjunction with Leon Fuat's Annual Report 2021.

This statement covers the Group's three (3) main subsidiaries located in Selangor and Kuala Lumpur, Malaysia:

1. Leon Fuat Hardware Sdn. Bhd. ("LF Hardware")
2. Leon Fuat Metal Sdn. Bhd. ("LF Metal")
3. Supreme Steelmakers Sdn. Bhd. ("Supreme Steelmakers")

Report Framework

This sustainability statement has been prepared in accordance with Bursa Malaysia Securities Berhad Main Market Listing requirements, and with reference to the following guidelines:

Principal Framework

Global Reporting Initiative ("GRI") Standards, 2021

Additional Guidelines

Bursa Malaysia Sustainability Reporting Guide 2nd Edition

United Nations Sustainable Development Goals ("SDGs")

Feedback (2-3)

We value our stakeholder's feedback. For any queries, comments, or suggestions on this statement, please do not hesitate to contact the person-in-charge listed below:

Tan Kien Yap
Chief Financial Officer

Wisma Leon Fuat
No. 11, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan
Email: tanky@lfb.com.my

OUR COMMITMENT TO SUSTAINABILITY

Leon Fuat's commitment to sustainability is embedded in the Group's Values by integrating its responsibility towards planet Earth with its operations and business strategies, ensuring the health and safety of people at workplaces while balancing economic prosperity and generating social benefits for the community. This approach balances the Group's aspiration to create value as a steel industry benchmark with its responsibility as a corporate citizen.

SUSTAINABILITY REPORT

Our Values

"Steel is our business. Excellence is our commitment"

Leon Fuat strives to be the steel industry benchmark for value creation, corporate citizenship and business ethics. Together, with our stakeholders, we are building a sustainable enterprise that's capable of standing the test of time. The basis of our shared values is as follows:

Leon Fuat's Shared Values

1. Drive a performance culture of integrity and accountability
2. Commitment to products and service quality
3. Strengthen business processes to best service customers
4. Manage cash resources for operational effectiveness

Leon Fuat's Sustainability Journey

Leon Fuat has strived to continuously improve its sustainability disclosures since we began reporting in FY2017. Further progress has been made with an increased focus on aligning quality business practices and initiatives with the Group's ESG ambitions.

The figure below outlines Leon Fuat's sustainability journey thus far:

2017

- Disclosure for **three (3)** main subsidiaries: LF Metal, LF Hardware and Supreme Steelmakers
- **Eleven (11)** material sustainability matters identified
- **Seven (7)** SDGs identified
- Materiality assessment of key material matters
- **Six (6)** stakeholder groups identified

2018

- Establishment of sustainability governance structure
- Ranking key material matters onto a Materiality Matrix
- **Thirteen (13)** material sustainability matters identified
- **Fourteen (14)** SDGs adopted in total
- Improved stakeholder engagement disclosure

2019

- Addition of Term of Reference (TOR) for sustainability governance structure
- Materiality matrix maintained
- **Thirteen (13)** material sustainability matters maintained
- **Seven (7)** SDGs adopted
- Inclusion of GRI indicator numbers
- Improved stakeholder engagement disclosure

2020

- **Fourteen (14)** material sustainability matters identified
- **Seven (7)** SDGs maintained
- Reassessment of material sustainability matters and matrix
- Expanded list of stakeholders to **seven (7)**

2021

- Introduced Climate Change as a new material sustainability matter
- Renamed **two (2)** material matters, and consolidated **two (2)** material matters into **one (1)**
- Maintained total **fourteen (14)** material matters,
- Materiality matrix adjusted to accommodate changes to the material matters
- **Seven (7)** SDGs maintained
- Utilised the updated GRI 2021 indicators

United Nations Sustainable Development Goals

In 2015, all member states of the United Nations ("UN"), including Malaysia, adopted the 2030 Agenda for Sustainable Development, and the corelating set of 17 SDGs. In a show of commitment to the Sustainability Agenda and the SDGs, Malaysia has developed the twelfth (12th) Malaysia Plan (2021 – 2025) in accordance with the UN SDGs, and places a further emphasis on sustainability at a national level. As a major player in the steel industry, Leon Fuat recognises the responsibility we have in contributing to Malaysia's progress to achieve the UN SDGs. As such, we have designed our sustainability strategy around seven (7) goals that we can have the most impact on.

Sustainability Governance Structure (2-9, 2-12, 2-13, 2-14)

At Leon Fuat, sustainability is an integral part of the business and is driven by the Group's leadership, with an organisation-wide governance structure around it. Leon Fuat's Corporate Values, Code of Conduct and Policies serve as the guiding philosophies of our work culture.

The performance related to all sustainability matters is governed using a three-tier system, with each tier having their own roles and responsibilities. The first tier is the Board of Directors ("Board"), who oversees the implementation of the Group's sustainability agenda throughout the three (3) subsidiaries. The next tier is the Sustainability Committee ("SC"), which supports the Board by overseeing the implementation of the Group's initiatives at a managerial level. Lastly, is the Sustainability Task Force Committee ("STFC"), who governs the day-to-day implementation of the Group's sustainability programmes and initiatives. The figure below further details the Group's sustainability governance structure.

Board of Directors

- Endorses Leon Fuat's sustainability strategy and commitment
- Approves the contents of the sustainability statement

Sustainability Committee

- Executive Director
- Chief Financial Officer
- Managerial level from subsidiaries

- Makes recommendations for the proposed sustainability statement
- Supervises Leon Fuat's progress on sustainability initiatives

Sustainability Task Force Committee

- Employee representatives from subsidiaries (LF Metal, LF Hardware, Supreme Steelmakers)

- Assists the SC in making recommendations for Leon Fuat's sustainability statement
- Guides the implementation of the Group's sustainability strategy and activities in its day-to-day business practices

LEON FUAT'S STAKEHOLDER ENGAGEMENT (2-29)

At Leon Fuat, we consider our stakeholders as partners in long-term value creation. We have developed a robust stakeholder engagement process to foster and nurture relationships, which helps improve strategy development and decision-making.

Delivering on stakeholder needs, interests and expectations are core to the way we operate. Our key stakeholders comprise of investors, customers, vendors, management, government and regulatory bodies, employees, communities as well as the media and industry bodies. We periodically engage with them either through focus group or individually. For effective communication, we use a wide range of tools and platforms such as our Company website, newsletters, e-mails, social media, online communication platforms, one-to-one meetings, physical/virtual conferences and meets, and press releases. The table below details the Group's stakeholder engagement approach:

Stakeholders	Area of Interest	Engagement Channel	Engagement Frequency
Employees	• Capacity building • Work-life balance • Attractive remuneration • Safe and healthy work environment	• Face-to-face discussions • Learning and development • Employee performance appraisal • Staff meetings • Annual dinner	• Ad-hoc • Ad-hoc • Annually • Ad-hoc • Annually
Management	• Company reputation • Risk management • Ensuring service requirements and profitability	• Coordination meetings • Business unit meetings • ISO management review	• Ad-hoc • Quarterly • Annually
Customers	• Confidence and trust on the Group • Quality of goods • Valuable business experience	• Face-to-face discussions • Satisfaction assessment • Feedback survey • Website and social media tools	• Ad-hoc • Annually • Ad-hoc • Ad-hoc
Vendor/ Suppliers	• Continuous collaboration • Fair procurement • Supporting local suppliers	• Face-to-face discussions • Vendor performance review • Product quality feedback	• Ad-hoc • Annually • Ad-hoc
Investors/ Shareholders	• Company reputation • Future competence • Investment growth of the Company • Risk management	• Annual general meetings • Bursa Malaysia announcements	• Annually • Ad-hoc
Communities	• Local community development • Philanthropy • Impact of the Group's operations on the surrounding community	• Corporate programs • Promotion and advertising on social media and websites	• Ad-hoc • Ad-hoc
Government/ Regulatory Bodies	• Corporate governance • Regulatory compliance • Transparency and accountability	• Meetings and consultations • Compliance with government legislative framework	• Ad-hoc • On-going

MATERIAL SUSTAINABILITY MATTERS (3-2)

At Leon Fuat, conducting a materiality assessment exercise enables us to identify, prioritise, track and report the most important ESG issues. It defines our corporate priorities. As such, a materiality assessment was conducted in FY2020 to account for the COVID-19 pandemic and its impact on the Group's business operations as well as its potential influence on stakeholder decisions.

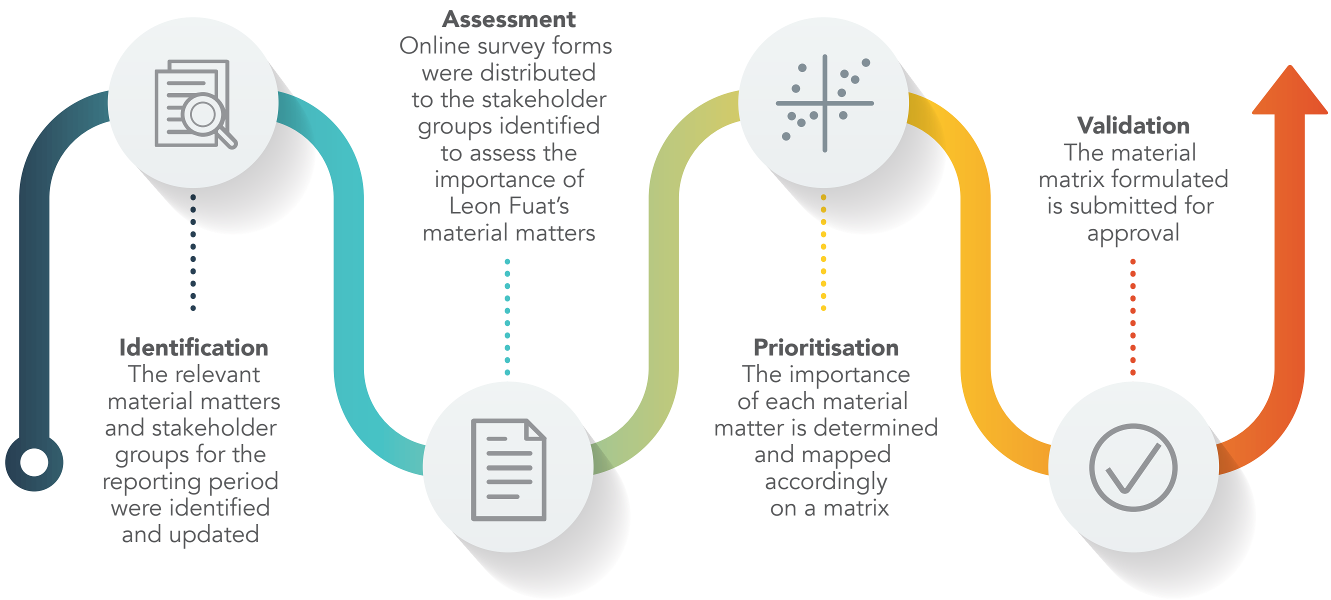
For FY2021, the matrix from FY2020 was maintained, with a few adjustments to reflect the new financial year. Climate change has been introduced as a 'high priority' sustainability material matter by stakeholders, in addition to being key influence on business success in the short, medium and long term. Climate change has been termed as one of the greatest challenges facing humanity today and has the potential to cause irreversible changes to global weather patterns thereby causing widespread hardships to all living beings on the planet.

Over the last three (3) decades, significant efforts have been put globally to the effects of climate change but there is a growing realisation that much more needs to be done and the window of opportunity is shrinking fast. While the government does its part to meet its commitments, a large part of this responsibility has fallen upon businesses. Leon Fuat is cognisant of the enormity of the challenges ahead posed by climate change and acknowledges the role we have to play in working proactively towards combating climate change.

The following are several other materiality matters that have been consolidated and renamed for FY2021 to better reflect our priorities.

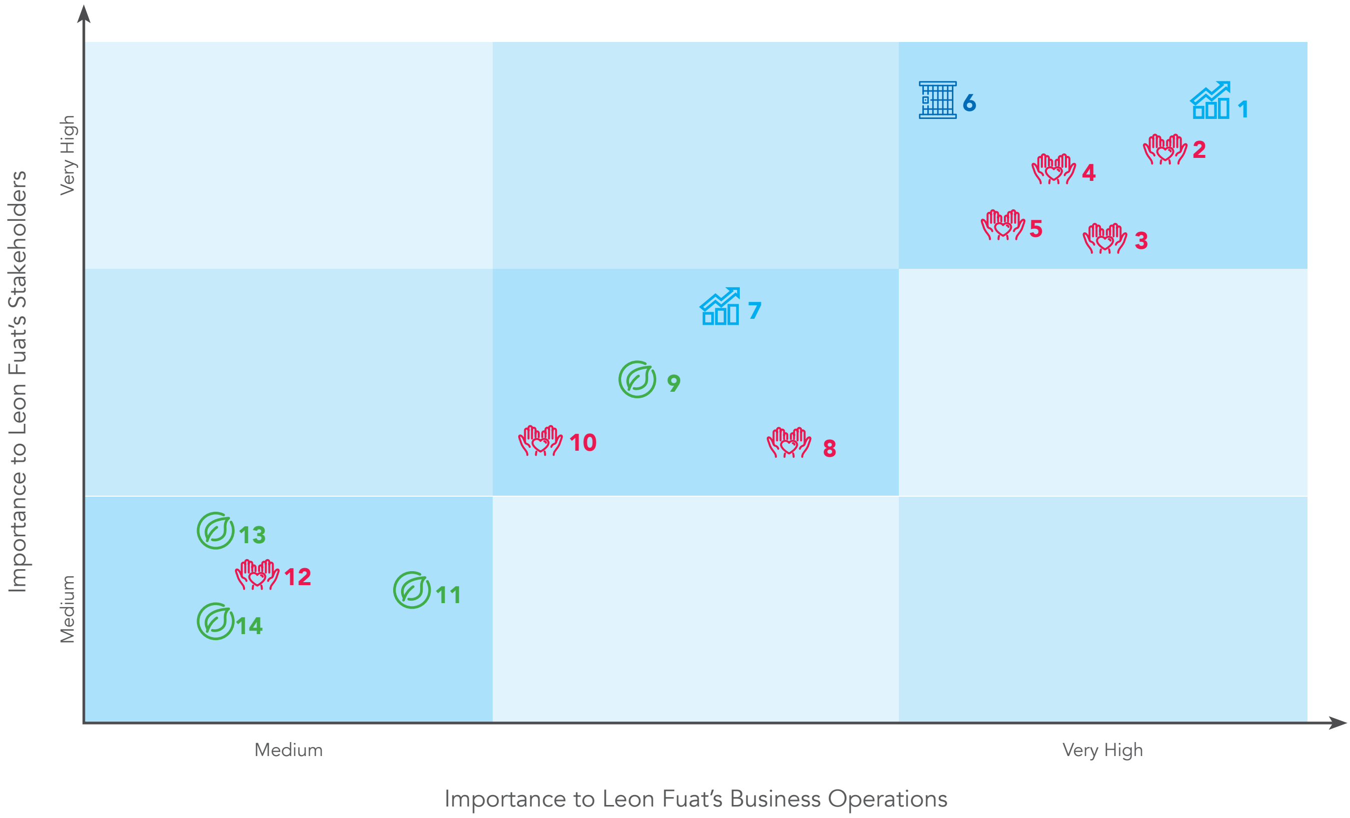
- Work-life Balance has been consolidated into Employee Welfare, to better encapsulate the connection between work-life balance and the overall welfare of our employees.
- Energy and Water Consumption has been renamed to Energy and Water Efficiency, to show our dedication towards lowering our consumption of resources through improving our energy and water use efficiencies.
- Customer Satisfaction has also been renamed to Product Quality and Customer Satisfaction as a means to emphasise the link between our high-quality products and satisfaction of our customers.

The methodology of the materiality assessment for FY2020 is as follows:



SUSTAINABILITY REPORT

FY2021 Material Matrix



PRACTISING RESPONSIBLE GOVERNANCE

6. Business Ethics and Compliance

ACHIEVING ECONOMIC PROSPERITY

1. Operational Excellence
7. Responsible Procurement

INVESTING IN ENVIRONMENTAL STEWARDSHIP

9. Climate Change
11. Effluent and Waste Management
13. Noise Management
14. Energy and Water Efficiency

STRENGTHENING SOCIAL RESPONSIBILITY

2. Occupational Health and Safety
3. Knowledge and Skill Development
4. Product Quality & Customer Satisfaction
5. Data Security
8. Employee Welfare
10. Diversity and Inclusiveness
12. Corporate Social Responsibility

Mapping Our Material Matters

Each of our identified material sustainability matter has been mapped to the related SDGs, GRI indicator, and the interested stakeholder group. This is to highlight the inter-connectedness between our sustainability commitments and the SDGs, GRI indicators, and our stakeholders.

Material Matter	Description	GRI Indicator	Stakeholder Group
Practising Responsible Governance			
Business Ethics and Compliance	The values and standards of the Group to ensure ethical conduct in its business operations.	**2-23:** Policy commitments **2-26:** Mechanisms for seeking advice and raising concerns **2-27:** Compliance with laws and regulations **3-3:** Management of material topics **205-2:** Communication and training about Anti-Corruption Policies and Procedures	• Employees • Management • Investors • Shareholders
Achieving Economic Prosperity			
Operational Excellence	Investments by the Group to improve efficiency of its performance.	**2-6:** Activities, value chain, and other business relationships **3-3:** Management of material topics **203-2:** Significant indirect economic impacts	• Employees • Management • Investors • Shareholders
Responsible Procurement	The purchasing of materials and services in a manner that upholds the Group's sustainability values.	**2-6:** Activities, value chain, and other business relationships **203-2:** Significant indirect economic impacts **204-1:** Proportion of spending on local suppliers	• Vendors/ Suppliers
Investing in Environmental Stewardship			
Effluent and Waste Management	Actions taken by the Group to ensure proper management and disposal of by-products.	**3-3:** Management of material topics **303-2:** Management of water discharge-related impacts **303-4:** Water discharge **306-1:** Waste generation and significant waste-related impacts **306-2:** Management of significant waste-related impacts **306-3:** Waste generated	• Employees • Management • Investors • Shareholders

SUSTAINABILITY REPORT

Material Matter	Description	GRI Indicator	Stakeholder Group
Noise Management	Initiatives by the Group to monitor and minimise noise pollution within the work area.	**3-3:** Management of material topics	• Management • Employees
Energy and Water Efficiency	Initiatives by the Group to track and manage its energy and water consumption through responsible saving measures.	**302-1:** Energy consumption within the organisation **302-3:** Energy intensity **302-4:** Reduction of energy consumption **303-5:** Water consumption	• Management • Employees
Climate Change	Initiatives and commitments by the Group to manage the risks and opportunities of Climate Change towards the Group's business.	**3-3:** Management of material topics **305-1**: Direct (Scope 1) GHG emissions **305-2:** Indirect (Scope 2) GHG emissions	• Management
Strengthening Social Responsibility			
Occupational Health and Safety	Policies and management systems the Group has put in place to protect the health and wellbeing of its employees within the workspace.	**403-2:** Hazard identification, risk assessment and incident investigation **403-4:** Worker participation, consultation and communication on occupational health and safety **403-5:** Worker training on occupational health and safety **403-9:** Work-related injuries	• Employees • Government/ Regulatory Bodies
Knowledge and Skill Development	Providing training and skill development programmes to strengthen the workforce.	**404-1:** Average hours of training per year per employee **404-2:** Programmes for upgrading employee skills and transition assistance programmes	• Employees
Product Quality & Customer Satisfaction	Quality assurance and surveys to gauge the level of customer satisfaction.	**2-29:** Approach to stakeholder engagement **3-3:** Management of material topics	• Customers • Management
Data Security	Measures taken by the Group to protect the privacy of its data.	**3-3:** Management of material topics **418-1:** Substantiated complaints of breaches of customer privacy and losses of customer data	• Employees • Customers • Management

Material Matter	Description	GRI Indicator	Stakeholder Group
Employee Welfare	Benefits and equitable remuneration that the Group provides its employees, and Group activities organised to ensure the mental health of employees and prevent work burnout.	**2-29:** Approach to stakeholder engagement **401-1:** New employee hires and employee turnover **401-2:** Benefits provided to full-time employees that are not provided to temporary or part-time employees **401-3:** Parental leave	• Employees
Diversity and Inclusiveness	How the Group ensures all its employees are treated and recruited without discrimination.	**405-1:** Diversity of governance bodies and employees **405-2:** Ratio of basic salary and remuneration of women to men **406-1:** Incidents of discrimination and corrective actions taken	• Management • Employees
Corporate Social Responsibility	Engagement programmes and financial assistance to support vulnerable communities.	**413-1:** Operations with local community engagement, impact assessments, and development programs	• Management • Employees • Communities

SUSTAINABILITY REPORT

Contribution to the SDGs

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

PRACTISING RESPONSIBLE GOVERNANCE

Leon Fuat has set high-level policies designed to ensure that we behave in an ethical manner in all our business dealings. We have put in place a governance framework, policies, management systems, code of conduct, all of which clearly set out our ethical principles and required behaviour. It demands that our employees act with professionalism, honesty and integrity and that we respect the human rights of every individual.

Business Ethics and Compliance (2-23, 2-26, 2-27, 3-3, 205-2)

To promote ethical business behaviour and conduct, as well as transparency and accountability in the workplace, Leon Fuat has established group-wide policies, such as the Whistleblowing Policy, Anti-Bribery Policy, and Code of Ethics and Conduct. These policies are further supported by our Anti-Bribery Management System which facilitates ethical business conduct and provides action plans to address any reported misconduct.

Anti-Bribery Management System ("ABMS")

The ABMS was established in 2020 and is designed to ensure the Group conducts business ethically and appropriately. Together with the Anti-Bribery Manual, which outlines the scope of the management system, the ABMS also establishes the Anti-Bribery Compliance Function ("ABCF") and lays out the roles and responsibilities of the ABCF, as elaborated below. There have been no changes to the ABMS or the ABCF for this reporting period.

Chief of ABCF
- Oversees implementation of ABMS
- Reports ABMS performance to the Board
- Plans and reviews the Bribery Risk Assessments
- Appoints investigation team for any concerns raised

Deputy Chief of ABCF
- Oversees implementation of ABMS
- Provides guidance on ABMS and bribery related issues
- Assists the Chief on ABMS related matters

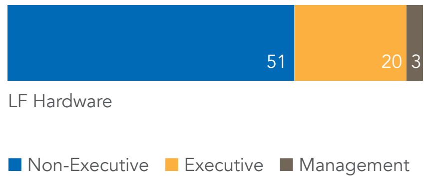
Document Controller
- Manages ABMS documentation
- Attends to bribery concerns raised and reports it to the Chief
- Provides guidance to personnel on ABMS and bribery related issues
- Investigates reports assigned by the Chief

Members of ABCF
- Provides advice to personnel on ABMS and bribery related issues
- Attends to bribery concerns raised and reports it to the Chief
- Investigates reports assigned by the Chief

Communication and Training

The policies, and any changes made to them, are effectively communicated to our employees either through the Employee Handbook for LF Metal employees, or during the induction course for new employees at all three (3) subsidiaries. The policies are also made publicly available on our corporate website. For this reporting period, Anti-Bribery training was provided to our employees at LF Hardware, where 74 employees had participated, while Supreme Steelmakers had conducted an Anti-Bribery Awareness Campaign.

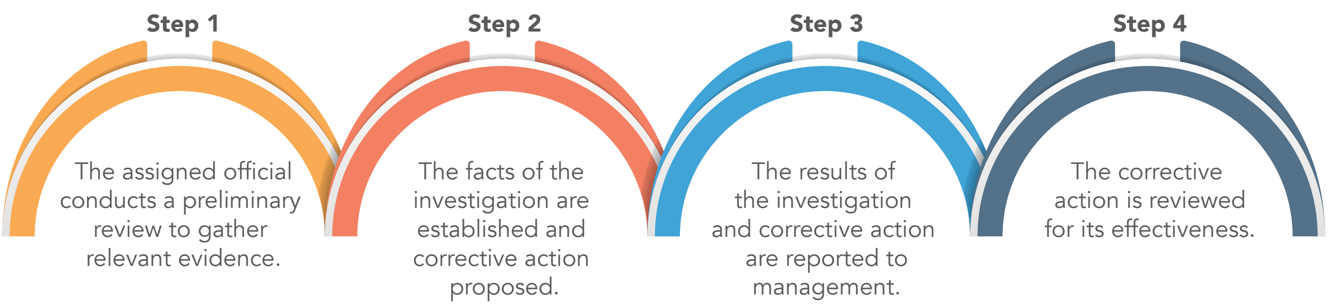
Number of Employees Participated in Anti-Bribery Training FY2021



Reporting and Investigation

Leon Fuat has a Grievance Procedure, as per our Whistleblowing Policy, for our employees and external stakeholders to use to report any suspected unlawful activities or inappropriate behaviour within the Group. Employees or external stakeholders who wish to make a report can do so by sending an email to appointed individuals within the Group. All reports made in good faith will be treated with confidence throughout the investigation process. The identity of whistleblowers is kept completely anonymous unless prior consent to disclose their name is received, and whistleblowers are protected from any potential retaliation.

To manage all potential issues and concerns raised, we have designated points of contact, which are the Audit Committee Chairman, Senior Independent Non-Executive Director, and respective Chief of ABCF. Leon Fuat also has a Reporting Investigation Procedure that lays out the investigation methods for any concerns raised, with the main course of action outlined below:



For this reporting period, we recorded zero incidents of whistleblowing cases or any potential breach of conduct.

Internal Assessment and Compliance

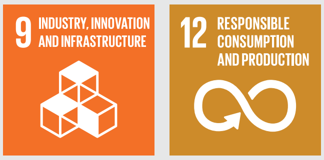
In 2020, we established a bribery risk assessment procedure, in accordance to the principles of the Anti-Bribery Management System (MS ISO 37001), as part of our ABMS. For this reporting period, Supreme Steelmakers has undergone a bribery and corruption risk assessment for its operations. Existing controls for all operations are found to be adequate and satisfactory.

The Group strictly adheres to all relevant rules and regulations through internal documentation and assessments. Some of the key regulations we adhere to are listed below.

- Employment Act 1955
- Factories and Machinery Act 1967
- Income Tax Act 1967
- Environmental Quality Act 1974
- Capital Markets and Services Act 2007
- Companies Act 2016
- Minimum Wages Order 2018
- Main Market Listing Requirements
- Malaysian Code on Corporate Governance

SUSTAINABILITY REPORT

Relevant SDGs

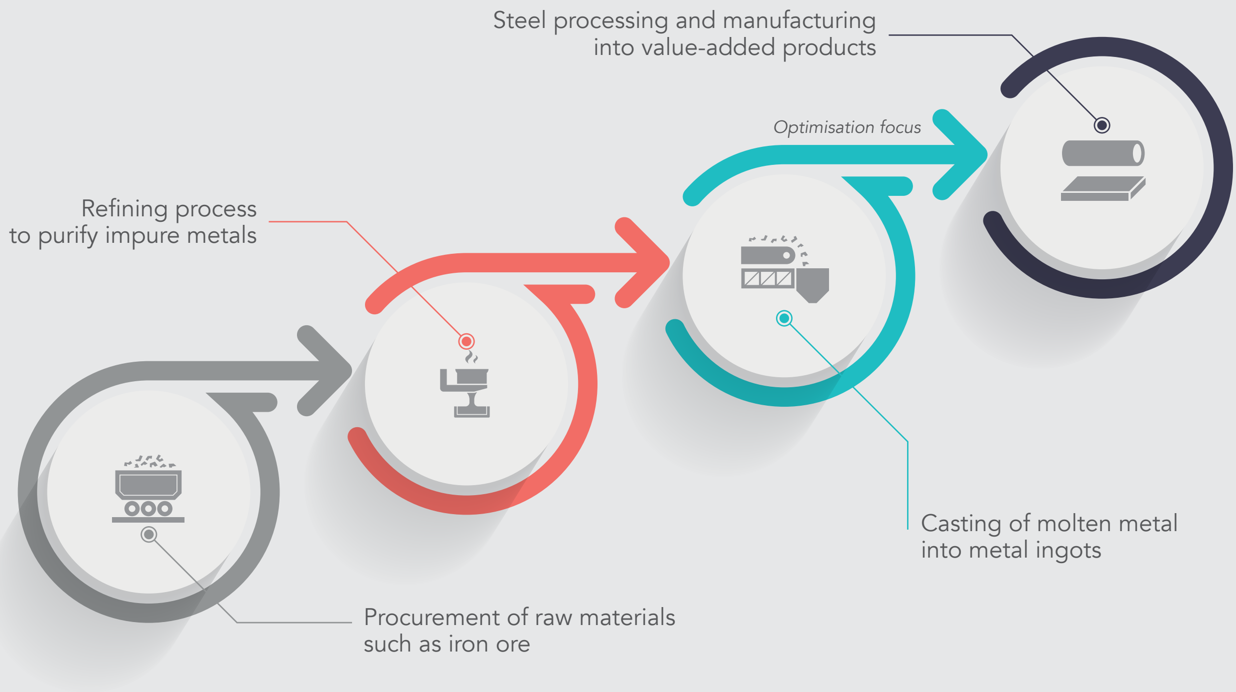


ACHIEVING ECONOMIC PROSPERITY

Leon Fuat creates value for clients, business partners and communities by building a resilient business infrastructure, promoting inclusive and sustainable industry practices and by fostering a culture of innovation and creativity. As part of its operational excellence, the Group also ensures inputs and outputs for consumption and production are balanced sustainably by optimising machinery usage and responsibly sourcing materials and services.

Operational Excellence (2-6, 3-3, 203-2)

Sustainability is a major driver of our business operations, where we look to maximise our business output while optimising our material input and minimising our adverse impacts. Our main value generating activity is steel processing and/or manufacturing (collectively referred to as "processing"), followed by our trading divisions. Our primary product is carbon steel, followed by stainless steel and alloy steel. The diagram below illustrates the value creation process within the steel industry, and the position of Leon Fuat's main activity, steel processing, that generates value for our various stakeholders.



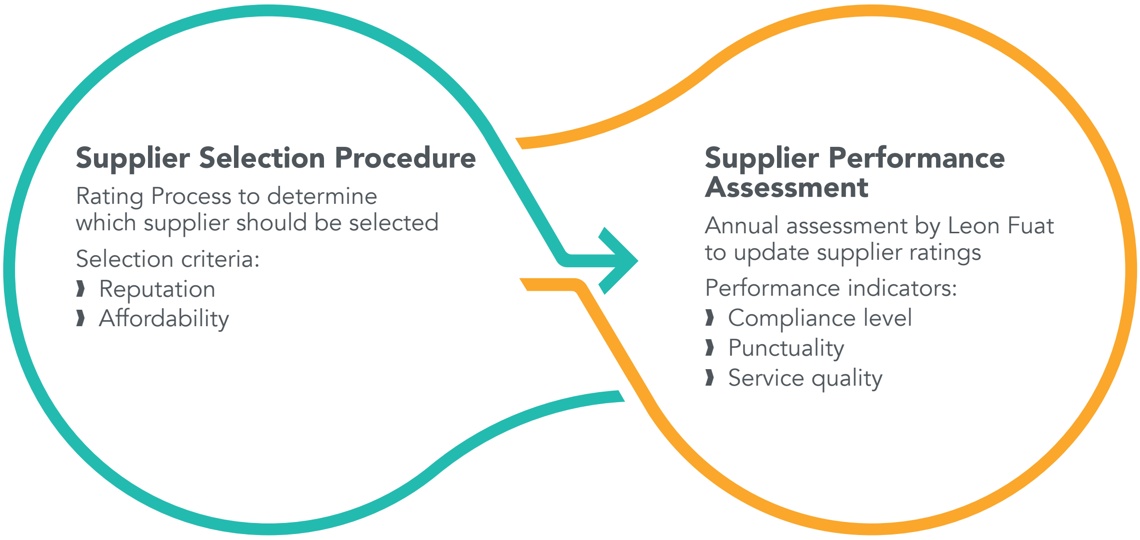
The Group also expanded into welded steel pipe manufacturing in FY2019, upon the completion of the first phase production plant in Port Klang, which involved the construction of a factory and installation of new machinery. The project is currently ongoing but has moved on to its next phase, with the installation of additional two (2) new pipe forming machines at the first phase factory, completion of a second factory warehouse, and plans in place to build a third factory equipped with a new multi-size pipe forming machine and a slitting machine. We anticipate all phases of the production plant to be completed by the second half of FY2023.

As of 31 December 2021, we have committed approximately RM50.66 million for investments in machinery and construction of factory and warehouse facilities to improve our future processing capacity.

Responsible Procurement (2-6, 203-2, 204-1)

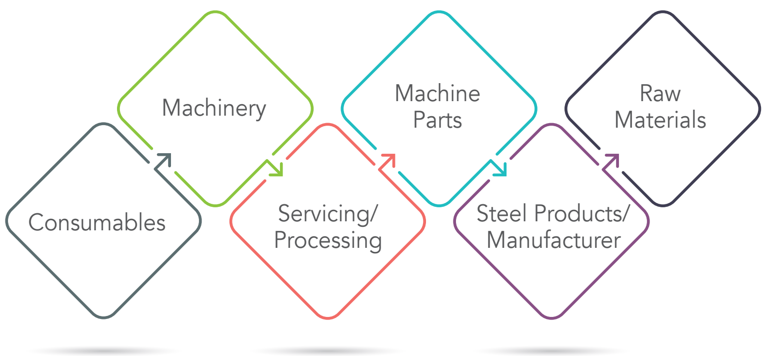
Procurement Policies outlines the fair business practices by which Leon Fuat conducts business and we expect our suppliers to adopt similar principles. We expect our suppliers, service providers, and other engaged third parties to conduct their business in a responsible manner that aligns with Leon Fuat's Corporate Values.

We have taken steps towards a more sustainable supply chain by implementing strict selection criteria and performance assessments for our suppliers, as illustrated below.

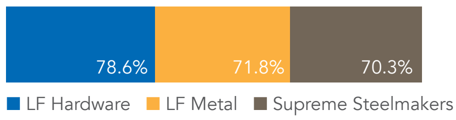


Directing our procurement spending towards local suppliers has benefits not only for the local economy, but also serves to reduce the carbon emissions resulting from the transport of materials over long distances. During this reporting period, the proportion of the procurement spending on local suppliers has decreased at LF Metal and LF Hardware, while at Supreme Steelmakers the proportion of spending on local suppliers has increased. For the third consecutive year, Supreme Steelmakers had the largest percentage of local spending among the three (3) subsidiaries. Despite having the highest expenditure on local suppliers, only 70.3% of the total suppliers used by Supreme Steelmakers during this reporting period were local, the lowest among the three (3) subsidiaries. The highest percentage of local suppliers used goes to LF Hardware at 78.6%. The total amount spent on local suppliers for FY2021 was approximately RM 155.57 million, or 19.7% of the total procurement expenditure. The main type of suppliers the Group engaged with during this reporting period are as follows:

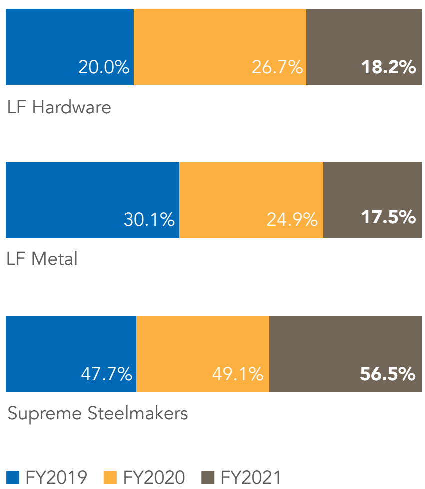
Suppliers Engaged for FY2021



Proportion of Local Suppliers Used for FY2021



Proportion of Spending on Local Suppliers



SUSTAINABILITY REPORT

Contribution to the SDGs

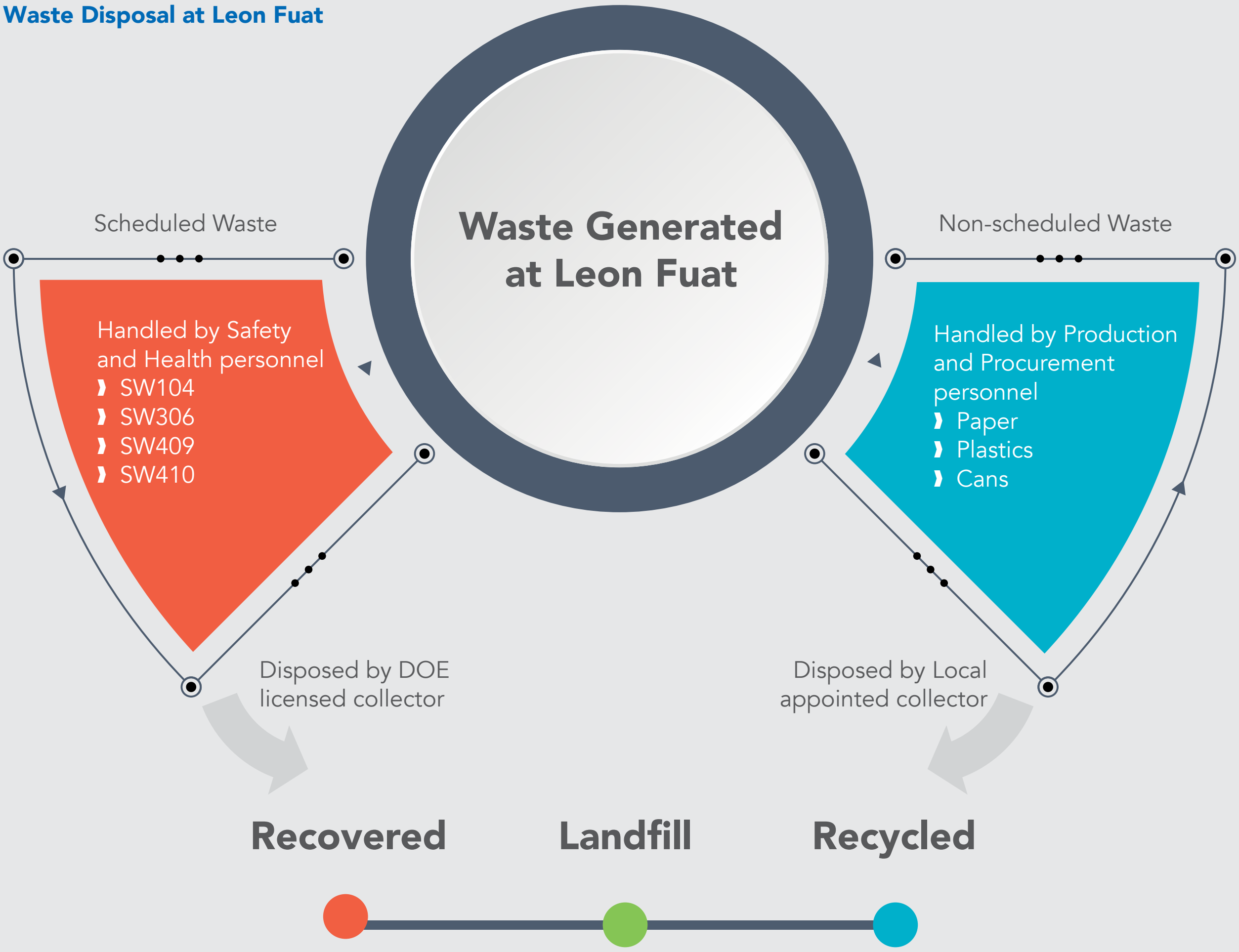
INVESTING IN ENVIRONMENTAL STEWARDSHIP

Steel is integral for infrastructure building and plays a key role in economic development and nation-building. However, steel processing and trading is a resource-intensive business and can create environmental impacts in the form of emissions and effluents. We are committed to using the most efficient production routes, minimising waste generation and investing in new technology to reduce our environmental footprint.

Effluent and Waste Management (3-3, 303-2, 303-4, 306-1, 306-2, 306-3)

Leon Fuat is committed to compliance with the laws and regulations set out in the Environmental Quality Act 1974 (EQA 1974) and the Local Government Act 1976 on the handling and disposal of scheduled and non-scheduled waste, as well as the discharge of effluents. In accordance with this, we have established a waste management system that efficiently manages the handling and disposal of all waste types. The dedicated safety and health officer oversees the waste management system with the assistance of the production and procurement personnel. The figure below illustrates the mechanism of our waste management system.

Waste Disposal at Leon Fuat



For FY2021, we have included scheduled waste generated from both LF Metal and Supreme Steelmakers. For non-scheduled waste generation, we have recorded the waste generated from the three (3) subsidiaries during this reporting period. Moving forward, we strive to continue to improve upon our recording and monitoring of waste generation.

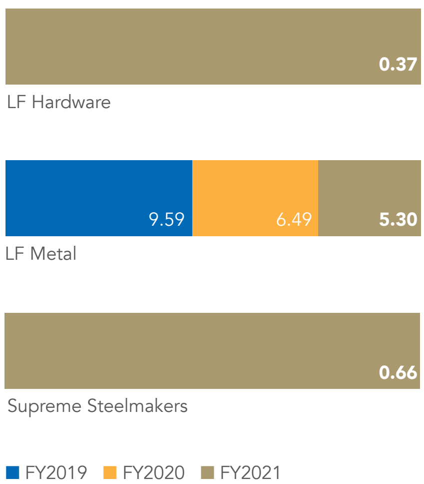
LF Metal has recorded a decrease in the amount of SW104 generated for second year in a row. This continued decrease in SW104 is attributed to the reduced production caused by the pandemic during this reporting period. SW104 and SW409 generated at LF Metal are disposed at a landfill/incinerator and a recovery centre respectively. As for Supreme Steelmakers, it has generated 2.28 tonnes of SW306, which is sent to be recycled. The overall scheduled waste generation from both LF Metal and Supreme Steelmakers is shown in the table below.

Amount of Scheduled Waste (tonnes) Generated

Code	Description	LF Metal			Supreme Steelmakers		
		FY2019	FY2020	FY2021	FY2019	FY2020	FY2021
SW104	Dust, slag, dross or ash containing aluminium, arsenic, mercury, lead, cadmium, chromium, nickel, copper, vanadium, beryllium, antimony, tellurium, thallium or selenium excluding slag from iron and steel factory	1.45	1.32	**1.10**	-	-	**-**
SW306	Spent lubricating oil	-	-	**-**	-	-	**2.28**
SW409	Disposed containers, bags or equipment contaminated with chemicals, pesticides, mineral oil or scheduled wastes	-	-	**0.41**	-	-	**-**
SW410	Rags, plastics, papers or filters contaminated with scheduled wastes	0.32	-	**-**	-	-	**-**

This reporting period we have calculated the amount of general waste generated from the three (3) subsidiaries, LF Metal, LF Hardware, and Supreme Steelmakers. LF Metal has continued the trend of decreasing amounts of non-scheduled waste year by year. This overall trend can be attributed to the success of our sustainability initiatives, which include placing recycling bins in offices, and reducing the distribution of hardcopy documents, such as ISO manuals and policies, by increasing sharing of softcopies instead.

Amount of Non-Scheduled Waste (tonnes) Generated



We monitor and record the quality of LF Metal's effluent discharge to ensure it is below the permissible limits set out in the Environmental Quality Act 1974 (EQA 1974). We assess five (5) water quality parameters: Chemical Oxygen Demand (COD), Biological Oxygen Demand (BOD), Total Suspended Solids (TSS), Oil and Grease, and Ammoniacal Nitrogen (NH3-N). The results for this reporting period show that our effluent discharge remains well below both Standards A and B of the EQA 1974, as seen in the table below.

Effluent Sampling Results (mg/L)

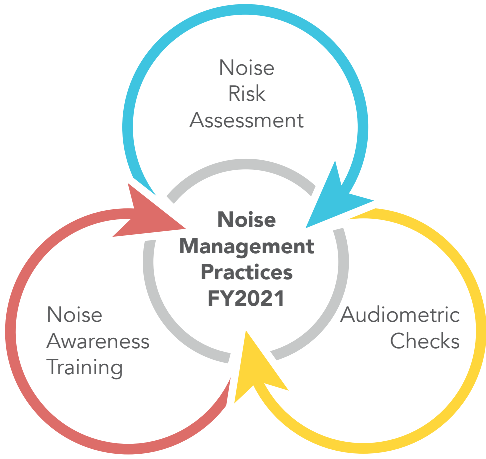
Water Quality Parameters	FY2021	Standard A*	Standard B**
COD	**31**	120	200
BOD	**9**	20	50
TSS	**10**	50	100
Oil & Grease	**-**	20	20
NH3-N	**10.75**	50	50

Note:
* *Standard A refers to discharge upstream of any raw water intake*
** *Standard B refers to discharge downstream of any raw water intake*

SUSTAINABILITY REPORT

Noise Management (3-3)

The Group recognises the importance of noise management in our day-to-day operations as prolonged exposure to excess noise can cause various health problems such as stress, poor concentration, productivity loss and hearing difficulties.To prevent this, we ensure we always comply with the latest regulations and legislative requirements on noise, such as the 2019 Noise Regulations. In complying with 2019 Noise Regulations, we have conducted in-house Safety, Health and Environmental training that included Noise Awareness Training for all 255 employees at LF Metal, and will be carrying out audiometric checks and noise risk assessments in the near future at LF Metal.



Energy and Water Efficiency (302-1, 302-3, 302-4, 303-5)

Energy Management

Leon Fuat understands that our business activities, such as the manufacturing and processing of steel products, is energy intensive and can greatly impact both the environment and our operating costs if we do not manage our energy usage efficiently. To this end, we monitor our electricity and fuel consumption, as well as our electricity intensity at the three (3) subsidiaries.

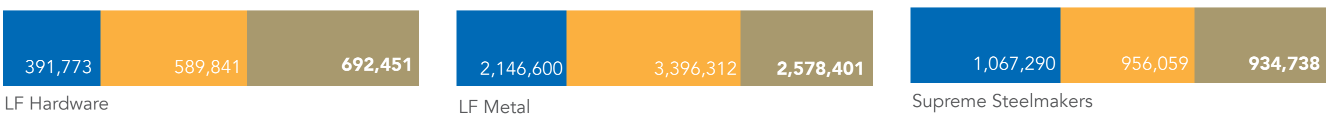
Electricity Consumption

Generally, the large amount of electricity is consumed at Leon Fuat to support our steel processing/manufacturing activities, as well as to power our warehouses and offices. The majority of this electricity is used by our machinery and operations involved in pipe manufacturing and steel processing. For this reporting period, the overall electricity consumption from the three (3) subsidiaries decreased by 14.9%, from a total of 4,942,212 kWh in FY2020 to 4,205,590 kWh in FY2021.

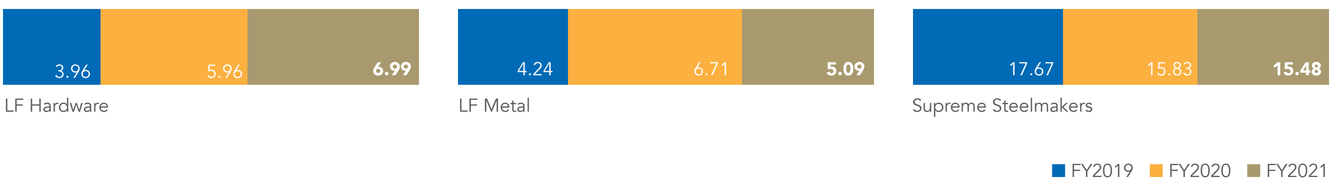
LF Metal has once again recorded the highest electricity consumption among the three (3) subsidiaries. This is an expected outcome as LF Metal is the largest, and possesses the most machinery installed on site. However, it should also be noted that LF Metal's electricity consumption has decreased significantly for this reporting period, by 24.1% since FY2020. This is mainly due to efforts to increase its use of renewable energy at its factories, through the installation of solar panels at 2 of its factories, each with a capacity of 554 kWp and 665 kWp respectively. The use of renewable energy has seen an overall energy consumption saving by 56.0% at LF Metal's factories since its installation in May 2021 until December 2021 as compared to the same length of period from September 2020 to April 2021.

Supreme Steelmakers has recorded the highest electricity intensity among the subsidiaries for the third year in a row. This is attributed to the usage of more machinery per square feet in comparison. However, it can also be seen that the electricity consumption at Supreme Steelmakers has been decreasing steadily for the past two (2) years, by 10.4% from FY2019 to FY2020, and by 2.2% from FY2020 to FY2021.

Electricity Consumption (kWh) by Subsidiary



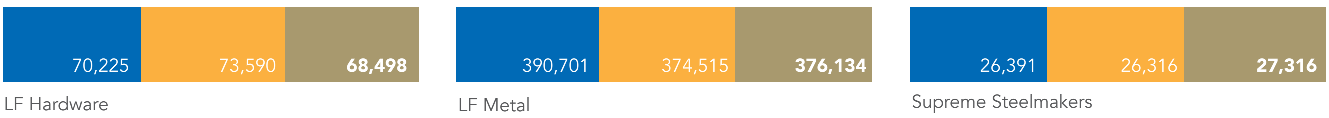
Electricity Intensity (kWh/sq. ft.) by Subsidiary



Fuel Consumption

A portion of our energy consumption is the fuel requirements for our fleet of delivery trucks. Generally, LF Metal has the highest fuel consumption out of the three (3) subsidiaries due to having the greatest number of delivery trucks of 22 units in total. We have observed a 6.9% decrease in fuel consumption for LF Hardware during this reporting period. Whereas for LF Metal, and Supreme Steelmakers, each subsidiary had consumed approximately the same amount of fuel as the previous financial year, with only a 0.4% and 3.8% difference respectively. This can be partially attributed to controlled movement and lockdowns that occurred during this reporting period due to the ongoing COVID-19 pandemic.

Fuel Consumption (litres) by Subsidiary



Regardless, to ensure efficient fuel consumption and minimise our greenhouse gas emissions within our delivery truck fleet, we continue to utilise more green-diesel based delivery trucks. Currently, 88.9% of our fleet are green diesel trucks, with the remaining 11.1% being regular diesel trucks. Green diesel trucks are delivery vehicles that are able to utilise Euro5 diesel. Euro5 diesel is a cleaner fuel than the conventional Euro2 diesel as it has a much lower emission standard (1.0g/km of CO for Euro2; 0.5g/km of CO for Euro5) and lower maximum sulphur content (500ppm for Euro2; 10ppm for Euro5).

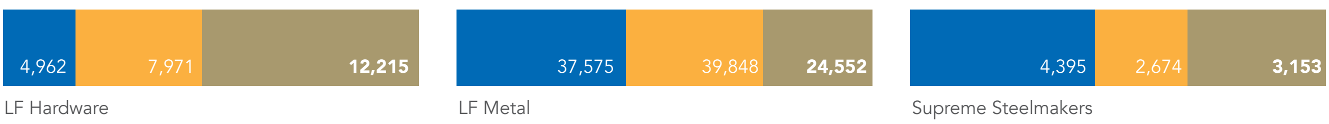
Water Consumption

Leon Fuat recognises the importance of efficient water management in our business operations, given that the steel manufacturing process utilises a significant amount of water, especially during the cooling and descaling process. To this end, we regularly monitor our water usage at each subsidiary, and analyse which processes and machinery are consuming a significant amount of water.

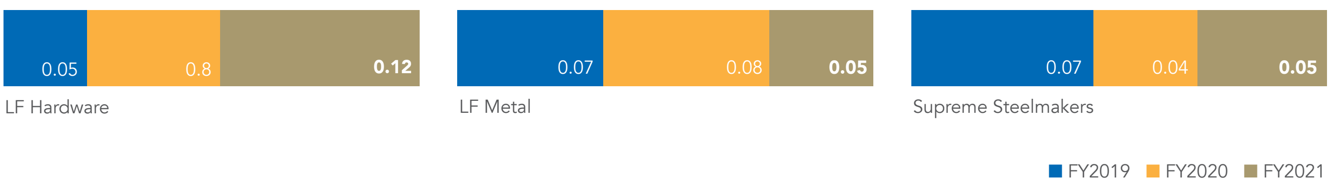
For FY2021, LF Metal continues to be the largest consumer of water among the three (3) subsidiaries due to being the largest and having the most machinery present. However, only LF Metal recorded a decrease in water consumption by 38.4% during this reporting period. The other two subsidiaries have seen an increase in water consumption, by 53.2% for LF Hardware, and 17.9% for Supreme Steelmakers.

This trend is mirrored by the water intensity, with LF Metal showing a decrease while the other two subsidiaries have seen an increase in water intensity.

Water Consumption (m^3) by Subsidiary



Water Intensity (m^3/sq. ft.) by Subsidiary



SUSTAINABILITY REPORT

Climate Change (3-3, 305-1, 305-2)

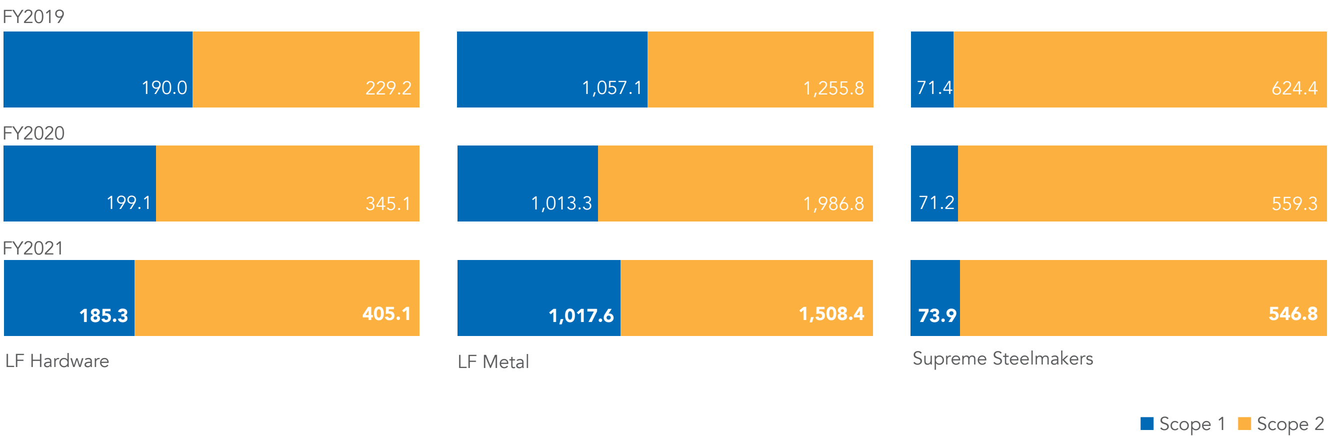
Leon Fuat aspires to set an industry benchmark for environment performance by focusing on climate change mitigation and resource efficiency. Environmental impact of our manufacturing operations includes generation of carbon dioxide ("CO_2"), dust emissions, discharge of water effluents and process waste generation. To address these impacts, we have carried out a range of initiatives such as the installation of solar panels at two of our factories with a capacity of 554 kWp and 665 kWp respectively, to increase our use of renewable energy. Also, 88.9% of our fleet currently comprises of diesel delivery trucks that are able to use green diesel fuel.

We have calculated our scope 1 and scope 2 greenhouse gas ("GHG") emissions from the three (3) subsidiaries sites for this reporting period. Scope 1 emissions are defined as direct emissions resulting from the burning of carbon fuel sources, calculated by converting our total fuel consumption to total CO_2 emitted, using a diesel fuel emission factor[1]. For our scope 2 emissions, defined as indirect emissions resulting from the consumption of grid electricity, we used the grid emission[2] factor for Peninsular Malaysia to convert total electricity consumption into total CO_2 emissions. Our total GHG emissions are summarised in the figure below, having recorded the highest GHG emissions in FY2020, with 4,174.8 tCO_2e.

Total GHG Emissions (tCO_2e)

Among the three (3) subsidiaries, LF Metal has consistently emitted the highest amount of GHG for the last three (3) financial years, with Supreme Steelmakers coming in as the second highest emitter, and LF Hardware remains the lowest emitter. This is illustrated in the figure below.

Total GHG Emissions (tCO_2e) by Subsidiary



[1] *UK Greenhouse Gas Reporting: Conversion Factors 2021; Published 2 June 2021; Updated 24 January 2022; Department for Business, Energy & Industries Strategies.*

[2] *2017 CDM Electricity Baseline for Malaysia: https://www.mgtc.gov.my/wp-content/uploads/2019/12/2017-CDM-Electricity-Baseline-Final-Report-Publication-Version.pdf*

Contribution to the SDGs

3 GOOD HEALTH AND WELL-BEING

8 DECENT WORK AND ECONOMIC GROWTH

16 PEACE, JUSTICE AND STRONG INSTITUTIONS

STRENGTHENING SOCIAL RESPONSIBILITY

At Leon Fuat, we firmly believe that the health and welfare of our people, the community and society, as a whole, is intrinsic to our approach to doing business. Balancing economic prosperity, environmental responsibility and social benefits for the community is the foundation on which Leon Fuat operates.

Occupational Health and Safety (403-2, 403-4, 403-5, 403-9)

Ensuring the health and safety of all the people who work in, with, and around Leon Fuat is the primary obligation of a responsible business. Guided by our Safety and Health Policy, our goal is to ensure zero harm for our employees, our contractors and the communities where we operate. We have a comprehensive health and safety policy and a culture of awareness, backed by regular training for everyone to improve and maintain safe behaviour in the workplace. Here are the health and safety training programmes that were conducted in FY2021.

Occupational Health and Safety Training Programmes

- Health and Safety Induction Training
- COVID-19 Management in Workplace Webinar
- COVID-19 Prevention in Workplace & Refresher Safety Briefing
- Hazard Identification, Risk Assessment & Risk Control + Accident Investigation

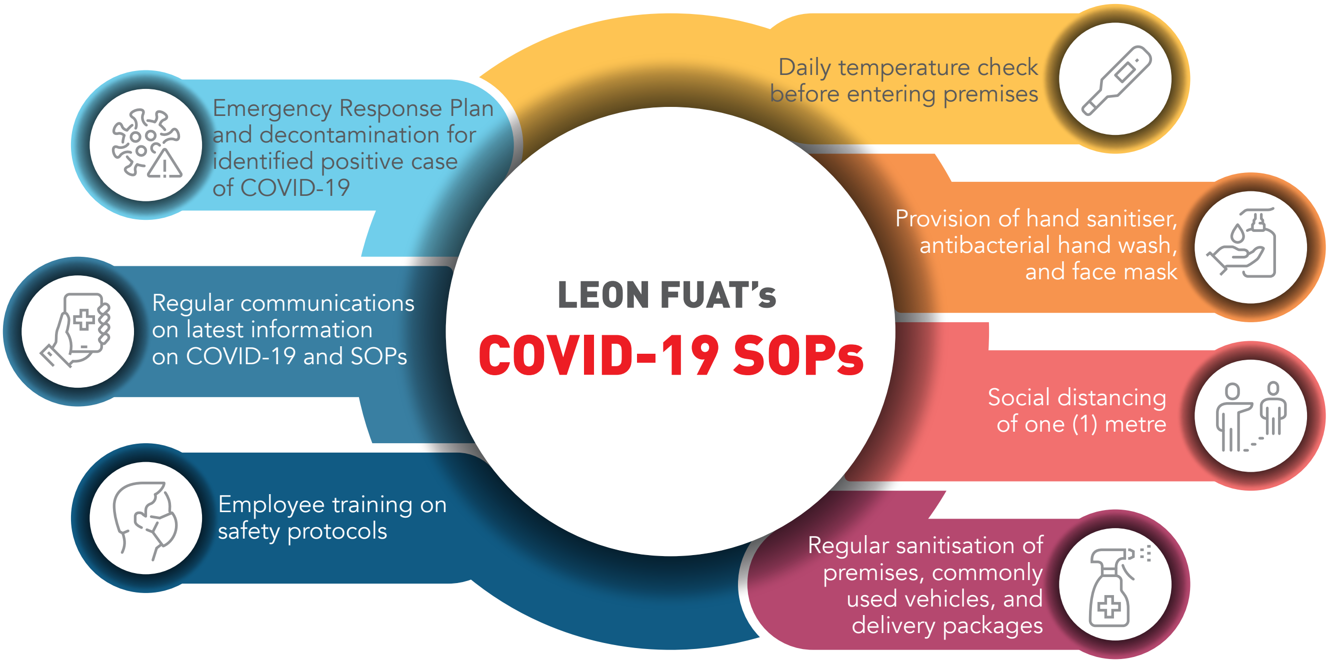
To ensure our operations are conducted in a safe manner, we have established a company-wide control system in the form of a Safety and Health Manual overseen by the Safety and Health Committee. The manual details the roles and responsibilities of the dedicated safety and health officer, as well as the relevant safety procedures for potential workplace incidents such as fires. We also conduct regular workplace inspections for health and safety issues, and during this reporting period we conducted four (4) inspections at LF Metal, and Supreme Steelmakers.

LF Metal also has two established risk assessment procedures, the Hazard Identification, Risk Assessment, and Risk Control ("HIRARC") Procedure, and the 2-Minute Hazard Report Card, designed to further ensure a safe working environment. The HIRARC Procedure was established in FY2017 as a mechanism to facilitate the identification of potential hazards and to establish appropriate control measures. The HIRARC Procedure calculates the level of risk associated with a particular activity from two interconnected factors: the severity of an injury or illness resulting from the hazard, and the likelihood of the injury/illness occurring. The 2-Minute Hazard Report Card is used to identify the severity of a hazard and consequently indicates whether to stop or continue an activity.

For this reporting period, we recorded a total of 749,569.37 working hours across the three (3) subsidiaries, with six (6) incidents of major injuries recorded from LF Metal, and a combined seven (7) cases of minor injuries from LF Hardware and LF Metal. Tragically, during this reporting period we recorded one (1) fatality at LF Hardware as one of our employees suffered a fatal heart attack at home.

In FY2021 we continue to implement preventive measures to mitigate disruptions caused by the COVID-19 pandemic, to safeguard the health of our employees and ensure business continuity as much as possible. We have revised the 'COVID-19 Infection Prevention and Control' (IPC) Standard Operating Procedures ("SOPs") introduced last year, to better assist our management and employees in practising the necessary measures to prevent the spread of the virus. The SOPs are illustrated in the figure below.

SUSTAINABILITY REPORT



Knowledge and Skill Development (404-1, 404-2)

Leon Fuat's work culture encourages high performance through continuous development and opportunities for growth, in addition to enhancing engagement and motivation through distinctive reward and recognition programmes. We have nurtured a culture of diverse thinking through internal and external training to nurture the best talents and develop new skillsets.

All new employees begin their careers at Leon Fuat with an induction training. The induction programme consists of two sessions, the first being an introduction to the Group and its operations, and the second on specific departmental SOPs and practices.

In addition to the induction sessions, some of the training provided during this reporting period includes:

Training Programmes

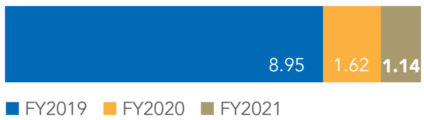
- Internal ISO 9001:2015 (QMS) Auditor training
- VCE-31 Chief Executive Development training
- Webinar – Managing Remote Employee Performance
- Webinar – Welding Stainless Steel and High Nickel Alloys
- Internal training (FW & HRDF)
- Microsoft Excel – Intermediate level training
- Safe Practise during Machine Maintenance training
- Webinar – Payroll Compliance: Do's and Don'ts
- Employer Obligation and Guidelines on Quarantine Facilities
- Commanding Safety in Post-Pandemic Era
- Building Better Workplace Communication
- ISO Awareness
- Failsafe Termination of Employment – Contract and Dismissal
- Anti-Bribery training
- How to Conduct Training Needs Analysis (TNA): What it is and How to do it right during the COVID-19 Pandemic
- Certified Environmental Professional in Schedule Waste Management training
- Root Cause Analysis (RCA) training
- Training Need Analysis (TNA) training
- Logistic Training 1.0: Excel Formula and Data Organisation
- Microsoft Excel – Power Query
- VISTAGE – Chief Executive Programme
- Sharpening Your Core Leadership Competencies
- Financial Risk Evaluation and Review Issues Relating to Specific Items of Financial Statements
- Budget 2022 & Recent Tax Development

* *This list excludes Occupational Health and Safety Training*

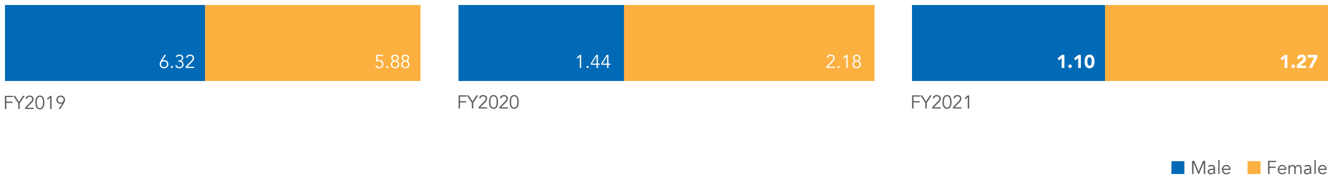
For FY2021, we recorded 439 training hours across our workforce, with an average of 1.14 hours per employee. This year, to maintain the social distancing and the safety of our employees several training sessions were conducted virtually. Our staff also attended several online webinars.

The figures below illustrate the average training hours per employee, by gender and employment category.

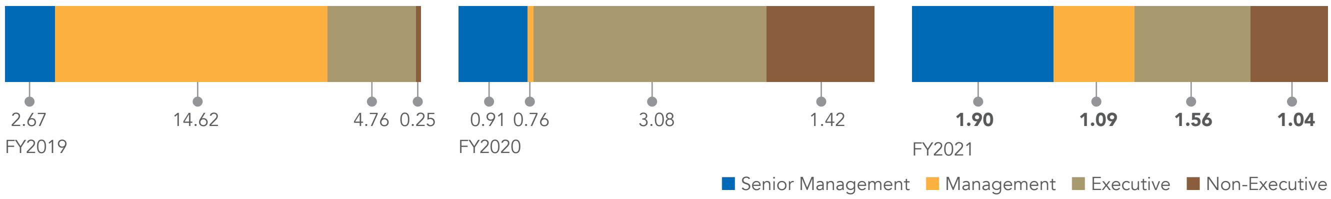
Average Training Hours per Employee



Average Training Hours by Gender



Average Training Hours by Employment Category



Aside from the above training programmes, LF Metal also encourages its employees to take part in educational programmes that are beneficial to them and the company. The Education Reimbursement Plan at LF Metal offers our employees the opportunity to take part in educational programmes by partially or fully reimbursing our employees the examination registration fees, tuition fees, examination fees, and cost of study materials. Our employees are also offered education counselling via our Department Heads, and paid examination leave of up to five (5) days.

Product Quality and Customer Satisfaction (2-29. 3-3)

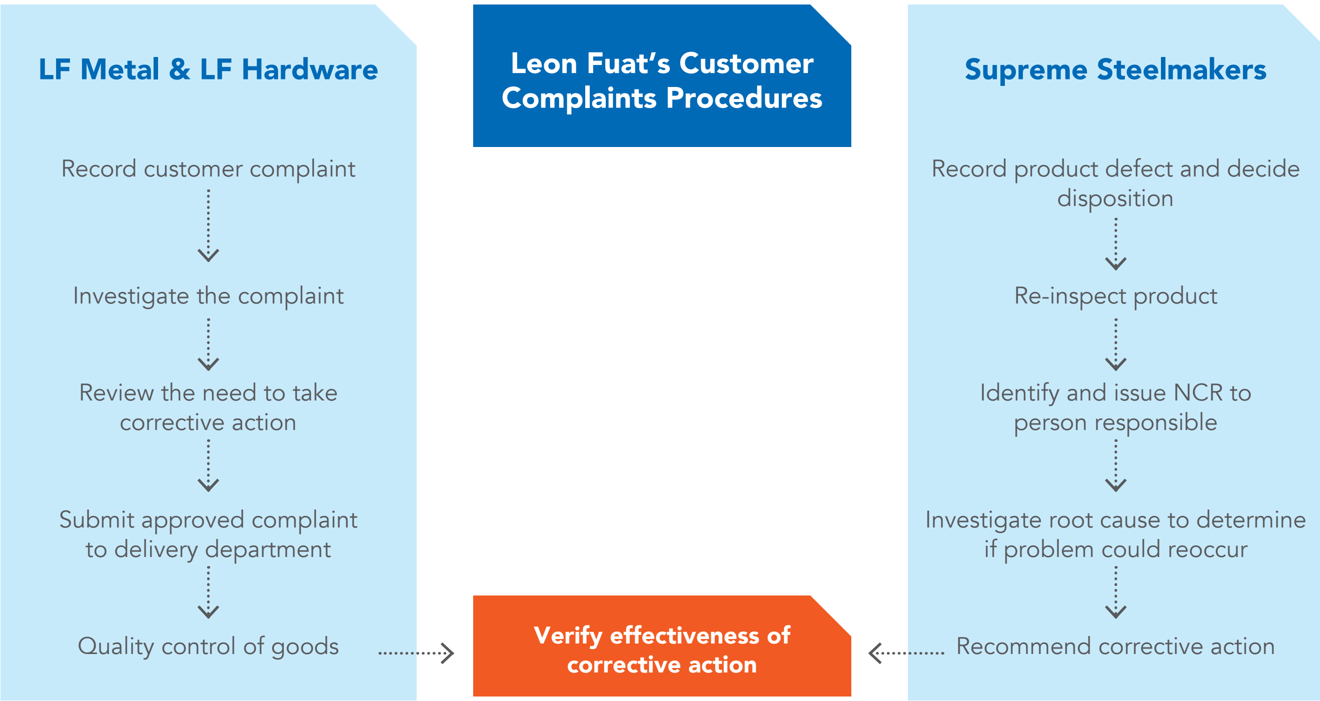
The Group always strives to deliver the best customer experience possible through the quality of our products and services, and our customer care. We regularly engage and communicate with our customers, to build and foster good relations. We also conduct yearly customer satisfaction surveys. For this reporting period, LF Hardware's overall customer satisfaction has remained the same as it was in FY2020, 84.8%. Whereas for LF Metal, the overall customer satisfaction has increased by 4.0% from the previous year. The table below summarises the overall customer satisfaction for each subsidiary.

Financial Year	LF Hardware	LF Metal	Supreme Steelmakers
2020	84.8%	80.0%	74.5%
2021	**84.8%**	**84.0%**	**82.5%**

Last year, we developed a new customer satisfaction survey for Supreme Steelmakers as a means to adapt to the changing business environment. This survey focused on three (3) categories which are Products, Services and Others (i.e. credit facilities, delivery services and responsiveness to complaint). Under the new system, Supreme Steelmakers previously recorded a performance score of 74.5%, and for this reporting period, has seen it increase to 82.5%.

SUSTAINABILITY REPORT

We have also established robust customer complaints procedures for the three (3) subsidiaries, which are designed in accordance to ISO 9001:2015 (Quality Management Systems). The procedures allow us to identify potential areas for improvement within our business practices, and to better meet customer expectations. The outline of the procedure is illustrated below.



For this reporting period, LF Metal and LF Hardware has received 116 and 20 customer complaints respectively. The most common type of complaint received by LF Metal was on the product quality, at 45 complaints. Supreme Steelmakers have not received any complaints from their customers during this reporting period.

Data Security (3-3, 418-1)

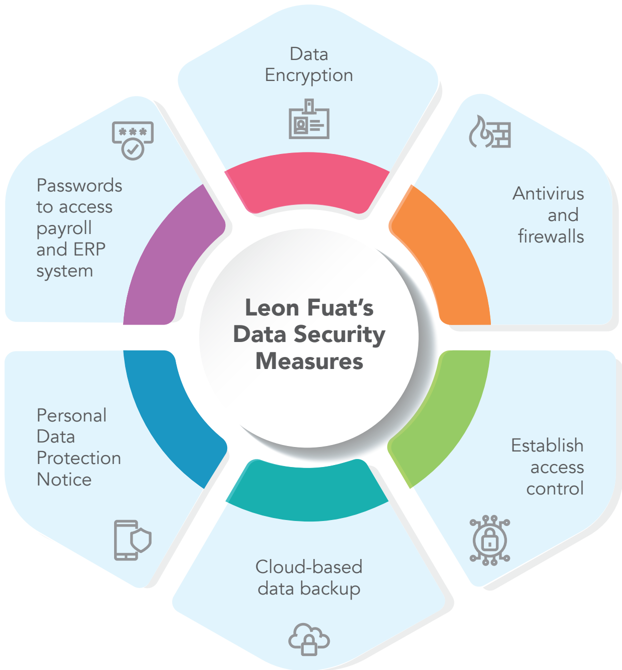
The COVID-19 pandemic has accelerated the adoption of the "new normal" in online engagement and operations. Transition to remote working models and accelerated adoption of digital technologies has increased vulnerability to cyber-attacks. Personal and financial data created, collected and stored by companies is becoming an increasingly valuable asset to businesses. Therefore, protection of that data from threats such as data breaches is critical.

At Leon Fuat, we conduct our business in accordance with the Personal Data Protection Act ("PDPA") 2010, the law which governs the collection, use, disclosure and care of personal data. In accordance to the PDPA 2010, we issue a Personal Data Protection Notice to our employees and customers, stating the purpose for processing personal data and any disclosure of said data.

We have also put in place several technical and organisational security measures to ensure data remains protected. These measures include:

i. installing antivirus and firewalls;
ii. encrypting data to prevent unauthorised third-party access;
iii. establishing access control for authentication and authorisation for company-sensitive data;
iv. using secure passwords to access payrolls and the Enterprise Resource Planning ("ERP") system;
v. using a cloud-based data backup for important data at LF Metal and LF Hardware; and
vi. daily or weekly server backups at Supreme Steelmakers.

A simplified diagram of our data security measures can also be seen below. During this reporting period, there have been no substantiated complaints of breaches in customer privacy or loss of customer data at any of the three (3) subsidiaries.



Employee Welfare (2-29, 401-1, 401-2, 401-3)

For FY2021, we have consolidated the Work-life Balance material matter with Employee Welfare. Our people practices are aimed at developing a culture of care, commitment, engagement and harmony across the workforce. In order to improve employee work-life balance, among others, we rolled out the following range of benefits, such as medical and group personal accident insurance, annual leave, maternity leave, marriage leave, compassionate leave, and study or examination leave. At LF Metal, we have also established a 'Perfect Attendance Record' which rewards eligible employees with cash rewards and certificates of appreciation.

To create a holistic for work environment that further motivates and maximises the productivity of our employees, we conduct annual appraisals for our employees to better understand their wants and needs. We then also provide our employees various training opportunities to enhance their competencies and personal career goals. Further information on training can be found under 'Knowledge and Skill Development'.

For this reporting period, we hired 53 new employees and saw 61 employees resign. There was a reduction this year in both hires and resignations from previous years due to the current economic instability resulting from the COVID-19 pandemic. During this reporting period, one (1) female employee has taken maternity leave and has since returned to work.

New Employee Hire

Employee Resignation

Due to the COVID-19 pandemic, the Movement Control Orders have prohibited many group activities and it has been difficult to conduct initiatives and activities that help to promote and maintain a healthy work-life balance to our employees. Regardless, we continue to encourage and promote that our employees look after their mental and physcial wellbeing.

SUSTAINABILITY REPORT

Diversity and Inclusiveness (405-1, 405-2, 406-1)

At Leon Fuat, we thrive in a culture of respect, inclusion and diversity. We have made a conscious effort to build an equitable environment and a diverse workforce. We recognise that our people give us a healthy business edge. Across our operations, our teams have a healthy mix of not just gender and age, but also culture, ethnicity and a myriad of other such aspects. We actively work against stereotypical biases to encourage a culture of meritocracy and free from discrimination.

As at the end of the FY2021, our workforce comprises of 391 employees, of which 76.2% is male. The table below displays the gender distribution in Leon Fuat for the last three (3) financial years. While the gender distribution is skewed towards a male majority workforce, this is representative of the physically demanding nature of work demanded by the steel industry. We do not discourage women from joining our workforce, and we provide fair and equal opportunities to all. We strive to ensure that our female employees are paid as equally and fairly as their male counterparts. To demonstrate this, we have calculated and tabulated the average salary ratio of women to men for each employee category across the three (3) subsidiaries below.

Gender Distribution

Financial Year	Male	Female
2019	303	96
2020	305	95
2021	**298**	**93**

Average Salary Ratio of Women to Men for each Employee Category by Subsidiary

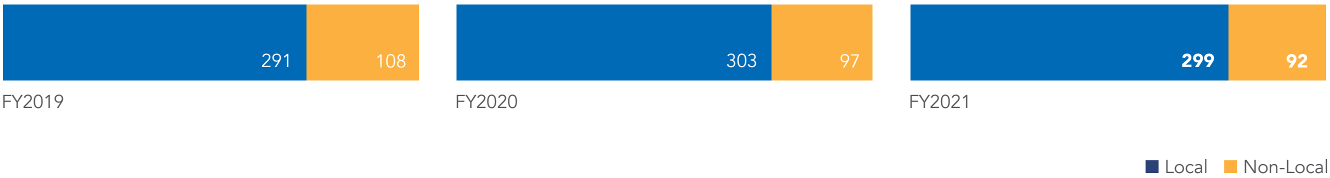
Employee Category	LF Hardware	LF Metal	Supreme Steelmakers
Senior Management	0:1	0:1	0:1
Management	0:1	1:1	1.5:1
Executive	1.1:1	1.2:1	0.9:1
Non-Executive	0.8:1	1.8:1	0.8:1

Note: 0:1 ratio signifies that there are no women currently within those employee category

We continue to support local communities and the local economy where we operate by prioritising employment of local workers. As at the end of the FY2021, 76.5% of our workforce comprised of locals, with the remaining 23.5% from non-locals. In terms of age distribution, 60.1% of our employees fall within the 30 to 50-year age group. This age category contains individuals with valuable industry experience as well as significant potential for further growth and development. The 26.1% of the workforce that is below 30 years represents the new generation of talents who can grow and develop with Leon Fuat into future leaders of the industry. Finally, the remaining 13.8% of the workforce aged above 50 years represents the pinnacle of experience and business knowledge within the Group.

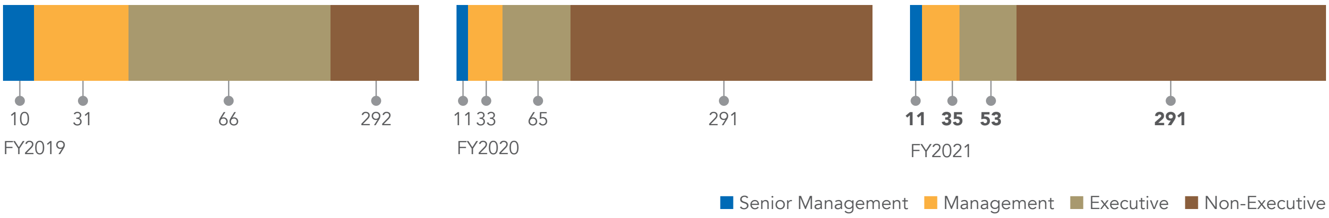
74.6% of our employees hold non-executive positions as steel processing and factory management is incredibly labour-intensive.

Local vs. Non-Local Distribution



Age Distribution

Employee Category Distribution



Corporate Social Responsibility (413-1)

Align with Leon Fuat's Corporate Values, we envisage a wider society in which every individual can realise his/her potential with dignity. This vision is enabled through the efforts of Leon Fuat's Corporate Social Responsibility team to co-create transformative, efficient, and lasting solutions for development challenges.

During the world's fight against the pandemic, we stood by the most underserved communities, by providing financial assistance through charitable donations. We provided emergency aid to the December 2021 flood victims, of which 45 were our own staff from LF Metal. They were granted a special paid-leave and a one-time financial assistance of RM300 per employee. Cumulatively, we donated RM20,500 to our employees who were affected by the flood.

Relief provided to Staff who were affected by the December 2021 floods

CONCLUSION

The ongoing COVID-19 pandemic has highlighted the importance of business resilience, community support, and teamwork. We are proud that in spite of the disruptions our sustainability efforts continue to grow and evolve. Despite these unprecedented economic times, the global and local steel industry have seen sustained growth. We continue to leverage on our leadership skills and capability and strong industry position to generate value for our stakeholders while continuous to strengthen our ESG performance.

SUSTAINABILITY REPORT

GRI Disclosure	Description	Section	Page Number
GRI 2: General Disclosures 2021	**Organisational Profile**		
	2-1: Organisational details	Sustainability Statement, Scope of Reporting	36-37
	2-6: Activities, value chain, and other business relationships	Sustainability Statement, Operational Excellence, Responsible Procurement	36, 48-49
	Ethics and Integrity		
	2-23: Policy commitments	Business Ethics and Compliance	46-47
	2-26: Mechanisms for seeking advice and raising concerns	Business Ethics and Compliance	46-47
	2-27: Compliance with laws and regulations	Business Ethics and Compliance	46-47
	Governance		
	2-9: Governance structure and composition	Sustainability Governance Structure	39
	2-12: Role of highest governance body in overseeing the management of impacts	Sustainability Governance Structure	39
	2-13: Delegation of responsibility for managing impacts	Sustainability Governance Structure	39
	2-14: Role of highest governance body in sustainability reporting	Sustainability Governance Structure	39
	Stakeholder Engagement		
	2-29: Approach to stakeholder engagement	Leon Fuat's Stakeholder Engagement, Product Quality and Customer Satisfaction, Employee Welfare	40, 57-59
	Reporting Practice		
	2-3: Reporting period, frequency and contact point	Scope of Reporting, Feedback	37
GRI 3: Material Topics 2021	**3-2:** List of material topics	Material Sustainability Matters	41-45
	3-3: Management of material topics	Business Ethics and Compliance, Operational Excellence, Noise Management, Effluent and Waste Management, Climate Change, Product Quality and Customer Satisfaction, Data Security	46, 48, 50-52, 54, 57-59

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GRI 200: Economic	**Indirect Economic Impacts**		
	203-2: Significant indirect economic impacts	Operational Excellence, Responsible Procurement	48-49
	Procurement Practices		
	204-1: Proportion of spending on local suppliers	Responsible Procurement	49
	Anti-Corruption		
	205-2: Communication and training about anti-corruption policies and procedures	Business Ethics and Compliance	46-47
GRI 300: Environment	**Energy**		
	302-1: Energy consumption within the organisation	Energy and Water Efficiency	52-53
	302-3: Energy intensity	Energy and Water Efficiency	52-53
	302-4: Reduction of energy consumption	Energy and Water Efficiency	52-53
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	303-2: Management of water discharge-related impacts	Effluent and Waste Management	50-51
	303-4: Water discharge	Effluent and Waste Management	50-51
	303-5: Water consumption	Energy and Water Efficiency	52-53
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	306-1: Waste generation and significant waste-related impacts	Effluent and Waste Management	50-51
	306-2: Management of significant waste-related impacts	Effluent and Waste Management	50-51
	306-3: Waste generated	Effluent and Waste Management	50-51
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GRI Disclosure	Description	Section	Page Number
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	401-2: Benefits provided to full-time employees that are not provided to temporary or part-time employees	Employee Welfare	59
	401-3: Parental leave	Employee Welfare	59
	Occupational Health and Safety		
	403-2: Hazard identification, risk assessment and incident investigation	Occupational Health and Safety	55-56
	403-4: Worker participation, consultation and communication on occupational health and safety	Occupational Health and Safety	55-56
	403-5: Worker training on occupational health and safety	Occupational Health and Safety	55-56
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	404-1: Average hours of training per year per employee	Knowledge and Skill Development	56-57
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	405-1: Diversity of governance bodies and employees	Diversity and Inclusiveness	60-61
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	418-1: Substantiated complaints of breaches of customer privacy and losses of customer data	Data Security	58-59

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board of Directors of Leon Fuat Berhad ("Board") continues to ensuring that the Company and its subsidiaries ("Group") support the recommendations of the updated Malaysian Code on Corporate Governance ("MCCG") and comply with the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") ("Bursa Securities") as part of the Board's fundamental duties and responsibilities to protect and enhance shareholders' value and achieve the corporate objectives.

This Statement provides an overview of the application of the principles of MCCG which should be read together with the Corporate Governance Report that sets out details of the application of the corporate governance practices by the Group in the financial year ended 31 December 2021 ("FY2021"). The Corporate Governance Report is available on the Company's website, www.leonfuat.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. BOARD RESPONSIBILITIES

The Company continues to be led and managed by the Board with a wide range of experience, broad range of skills and expertise. The Board continues to assume following key responsibilities in the discharge of the Board's fiduciary and leadership functions in pursuit of the Group's objectives:

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

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

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

(d) Succession planning, including promotion, re-designation, 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 proactive 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 Board delegates specific responsibilities and oversight functions to the Board Committees to assist the Board in the execution and ensure proper discharge of its fiduciary duties and responsibilities.

The Board has adopted a Board Charter that provides, amongst others, formal schedule of matters specifically reserved to it for determination, delegation and/or approval covering issues relating to strategy and management, financial reporting, board appointment and remuneration, corporate governance, regulatory and compliance, major transactions and internal controls.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The Board Charter sets out amongst others, the roles, functions, responsibilities, structure and procedures of the Board including but not limited to:

- 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 positions of the Chairman, Executive Deputy Chairman and Group Managing Director are held by different individuals, with clear and distinct divisions of responsibilities to ensure appropriate balance of roles, duties as well as responsibilities. Their respective roles and responsibilities are set out in the Board Charter.

The Board is supported by two (2) experienced Company Secretaries who are members of prescribed professional body and are the holders of practicing certificate issued by the Registrar of Companies pursuant to the requirements of the Companies Act 2016. The Company Secretaries are supported by a dedicated team of company secretarial personnel in the discharge of the secretarial functions and duties. The Company Secretary is responsible for guiding and supporting the effective functioning of the Board besides playing an advisory role and keep the Board abreast on statutory requirements under the Companies Act, changes to rules and legislation relevant to the Company, disclosure and corporate governance practices and any developments of corporate guidelines applicable to the Group. The Board have full and unrestricted access to the Company Secretaries.

The adopted Code of Ethics and Conduct outlines the ethical principles and standard of good conduct expected of the Directors, management and employees of the Group. The Group has in place a Whistle-Blowing Policy which provides an appropriate platform for raising of genuine concerns on malpractice, wrongdoing or risk that may have an impact to the Group. The Whistle-Blowing Policy is published at the Company's website and will be regularly review by the Board to remain consistent with the Board's objectives and responsibilities.

The Board has implemented the Anti-Bribery Policy and management system based on the principles of the Anti-Bribery Management System (MS ISO 37001) in its efforts and commitment to fighting against bribery in the organisation and working environment and all business dealings involving the Group. In line with the adoption of the Anti-Bribery Policy, the Group has identified at each subsidiary level the chief in the anti-bribery compliance functions as the contact point for reporting of bribery related issues or any grievances in the workplace. The Anti-Bribery Policy is published on the Company's website.

A Director who is in any way, whether directly or indirectly, interested in a transaction entered into or proposed to be entered into by the Company shall be counted only to make the quorum at the board meeting but shall not participate in any discussion while the transaction or proposed contract is being considered at the board meeting and shall abstain from voting on the proposed transaction.

The meetings' agendas and materials are compiled and distributed to the Directors at least seven (7) days before Board and Board Committees meetings. The timely receipt of the meetings papers allows the Directors to have sufficient time to review, form and opinion and be prepared for discussion prior to arriving at a sound and informed decision. The information provided for review and discussion can be of financial or non-financial in nature, quantitative or qualitative and whenever required, key management and/or senior management personnel will be invited to attend these meetings to explain and clarify on the matters being discussed to facilitate effective review and deliberation by the Board.

The meeting schedule for the Board and Board Committees would be prepared in advance before the end of the preceding financial year to enable the Directors to plan and organise their schedule for the year. The Board meets regularly and holds at least five (5) meetings a year. When there are urgent matters arise between the scheduled meetings, additional meetings would be convened by the Board and/or Board Committees accordingly. For decision by the Board which is administrative in nature or matters which the Board have discussed pending confirmation or follow ups by management prior to final decision with no significant changes to the proposal tabled to the Board previously, circular resolutions of the Board and/or Board Committee will be passed for expediency.

The Directors and Principal Officers of the Group would be advised and reminded every quarter of the closed periods for dealings in the securities of the Company based on the targeted date of announcements of the Group's interim financial results.

The Directors must give notice in writing to the Company of particulars of shares held in the Company or its related company; and are also required to give notice in writing of any changes in respect of shares held in the Company or its related company.

The Directors are expected to devote sufficient time to carry out their duties and responsibilities and are required to notify the the Board through the Company Secretary of changes in their other directorship as soon as practicable for notification to the Board. All the members of the Board hold less than five (5) directorships in listed issuers, in compliance with Paragraph 15.06 of the Listing Requirements.

The Board held six (6) meetings during the financial year. Details of the attendance records are as follows:

Directors	**Attendance**
Dato' Lim Cheng Poh[(1)]	Not Applicable
Dato' Ng Ah Hock @ Ng Soon Por[(2)]	6 out of 6
Dato' Sri Ooi Bin Keong	6 out of 6
Ooi Seng Khong	6 out of 6
Ooi Kong Tiong	6 out of 6
Ng Kok Teong	6 out of 6
Ooi Shang How	6 out of 6
Chan Kee Loin	6 out of 6
Tan Did Heng	6 out of 6
Tan Sack Sen	6 out of 6

Notes:
[(1)] *Appointed on 6 January 2022.*
[(2)] *Resigned on 31 December 2021.*

The Directors continue to attend training programmes to equip themselves and enhance their skills and knowledge and keep abreast of regulatory updates, emerging trend and developments in the industry relevant to the Group.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

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[1] Dato' Sri Ooi Bin Keong Ooi Seng Khong Ooi Kong Tiong Ng Kok Teong Ooi Shang How Chan Kee Loin Tan Sack Sen	18 December 2021	Budget 2022 and Recent Tax Development
Tan Did Heng	18 January 2021	MIA Webinar Series: Technical Update on IFRS (MFRS) 2021
	6 & 7 Apri1 2021	Malaysian Tax Conference 2021
	12 August 2021	MIA Webinar Series: Withholding Tax in Malaysia – Principles and Latest Developments
	16 August 2021	MIA Webinar Series: Tax Audits and Investigations – A Legal and Practical Approach
	25 August 2021	MIA Webinar Series: Strategic Tax Considerations for Business Restructuring
	9 November 2021	ISQM 1 & ISA 220 (Revised)
	1 December 2021	MIA Webinar Series: Tax Treatment on Interest Income, Interest Expenses and Rental Income – Latest Developments
	6 December 2021	2022 Budget Seminar
	10 December 2021	MIA Webinar Series: Transfer Pricing Audit – The Common Issues Challenged by the IRB

Note:
[1] *Resigned on 31 December 2021.*

II. BOARD COMPOSITION

The Board comprises nine (9) members of which five (5) are Executive Directors and four (4) are Independent Non-Executive Directors and this composition complied with the requirements of Paragraph 15.02 of the Listing Requirements.

The Board seeks to ensure that its membership reflects diversity covering a combination of skills, experience, race, age, gender, educational and professional background in providing a range of perspectives and insights to enable it to discharge its duties and responsibilities effectively. The Board is satisfied that the current composition of the Board is appropriate for its purpose.

In line with the recent amendments to the Listing Requirements mandating a listed issuer to have at least 1 woman director on its board, the Board will look into sourcing a women director having regard to amongst others, the requirements of the Board and Management and the selection criteria set out in the adopted Director Recruitment Policy and Procedure.

The Board via its Nomination Committee conducts annual review of its size and composition and assess the performance of the Board, Board Committees and individual Director facilitated by the Company Secretary. The Nomination Committee has also 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.

The Board was satisfied that for the financial year under review, the performance of the Board has been satisfactory and all the Directors were of the view that each of them had performed their respective roles and functions effectively and all the Board Committees were assessed to be effective as a whole in discharging their respective roles and responsibilities.

NOMINATION COMMITTEE

Composition of Nomination Committee

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

The Terms of Reference of the Nomination Committee is available on the Company's website.

The Nomination Committee held two (2) meetings during the financial year. Details of the attendance records are as follows:

Directors	Attendance
Chan Kee Loin	2 out of 2
Tan Did Heng	2 out of 2
Tan Sack Sen	2 out of 2

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Activities of the Nomination Committee

During the FY2021, the Nomination Committee carried out the following activities in the discharge of its duties:

1. Reviewed the existing Board's structure, size and composition, as well as the effectiveness of the Board and Board Committees. The evaluation of the Board and Board Committee was conducted through the adopted evaluation questionnaires including individual director self and peer evaluation supported by the Company Secretary.

   The Nomination Committee and the Board was satisfied with the Board size and composition and that all the Directors had performed their respective roles and functions effectively during the financial year and all the Board Committees were assessed to be effective as a whole in discharging their roles and responsibilities. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions were properly documented.

2. Reviewed and considered the proposed changes to the composition of Board Committee pursuant to the new Practice 1.4 of the updated MCCG which recommends that the chairman of the board of directors of a listed issuer should not be a member/chairman of audit committee, nomination committee or remuneration committee, and recommended to the Board necessary changes to the composition of the Remuneration Committee.

3. Reviewed the independence of the Independent Directors of the Board and noted that they have satisfied the independence test under the Listing Requirements and free from management. The Nomination Committee and Board of Directors were satisfied that there were no issues of independence in the Board of the Company and the Independent Directors continues to demonstrate objective, independent view and judgement in board deliberations.

4. Reviewed the tenure of the Independent Directors of the Company approaching the term limit of nine (9) years and considered the applicable practices recommended by MCCG governing the independent directors. The Nomination Committee noted that all the four (4) Independent Directors will reach the term limit of 9 years during the FY2021 and has recommended to the Board their retention as independent non-executive directors of the Company by seeking approval from the shareholders of the Company through a single-tier voting process at the 2021 Annual General Meeting.

5. Reviewed the term of office and performance of the Audit Committee in accordance with the Listing Requirements and was satisfied that the Audit Committee and its members have carried out and discharged their duties and responsibilities in accordance with its Terms of Reference.

6. In accordance with the Constitution of the Company, one-third (1/3) of the Directors shall retire from office and subject themselves to re-election at least once every three (3) years. For the financial year, the Board, via the Nomination Committee has reviewed and determined the Directors retiring by rotation and has recommended their re-election subject to shareholders' approval at the annual general meeting of the Company.

7. Reviewed the training needs of the Directors and together with the Board ensures that all Directors continue to possess the required skills and knowledge and keep abreast with emerging trends and latest developments relevant to the Group and other regulatory developments to effectively discharge their duties.

8. Reviewed the activities carried out by the Nomination Committee for inclusion in the Annual Report.

III. REMUNERATION

Composition of Remuneration Committee

Directors	Positions
Tan Sack Sen	Chairman of Remuneration Committee & Independent Non-Executive Director
Dato' Ng Ah Hock @ Ng Soon Por(1)	Independent Non-Executive Director
Chan Kee Loin	Senior Independent Non-Executive Director
Tan Did Heng(2)	Independent Non-Executive Director

Notes:

(1) *Resigned as member on 29 November 2021.*

(2) *Appointed as member on 29 November 2021.*

The Terms of Reference of the Remuneration Committee is available on the Company's website.

The Remuneration Committee is responsible for reviewing the remuneration framework including packages of the Executive Directors of the Company and its subsidiaries and Key Management Personnel. The Board agrees that fair remuneration is important to attract, retain and motivate Directors and Key Management Personnel needed to run and manage the Company successfully to achieve its business objectives.

The Remuneration Committee held three (3) meetings during the financial year. Details of the attendance records are as follows:

Directors	Attendance
Tan Sack Sen	3 out of 3
Dato' Ng Ah Hock @ Ng Soon Por[(1)]	3 out of 3
Chan Kee Loin	3 out of 3
Tan Did Heng[(2)]	Not Applicable

Notes:
[(1)] *Resigned as member on 29 November 2021.*
[(2)] *Appointed as member on 29 November 2021.*

In determining the remuneration packages of the Directors and/or Key Management Personnel, the Remuneration Committee is guided by the following criteria provided in the adopted Remuneration Policy of the Group:

- The remuneration to Board members and Key Management Personnel involves a balance between fixed and variable pay reflecting short and long-term performance objectives appropriate to the working of the Company and its goals;
- The level and composition of remuneration is reasonable and sufficient to reward, retain and motivate Directors and Key Management Personnel of the quality required to run the Company successfully;
- The relationship of remuneration to performance is clear and meets appropriate performance benchmarks, commensurate with the position and responsibilities of the Directors and Key Management Personnel;
- Payment of performance-related remuneration to Executive Directors and/or Key Management Personnel is linked to individual and corporate performance measured against the achievement of pre-determined performance targets which are closely aligned to the Company's objectives;
- There should be appropriate procedures and framework in place for setting key performance targets whether financial or non-financial and the Company applies pre-determined benchmarks which must be met in rewarding the Executive Directors and/or Key Management Personnel accordingly; and
- Remuneration of Non-Executive Directors is determined with regards to the Company's needs to maintain suitably and experienced Board members in accordance with competitive pressures in the market place.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

Activities of the Remuneration Committee

During the FY2021, the Remuneration Committee carried out the following activities to discharge its duties:

- Reviewed and determined the remuneration framework and packages of the Executive Directors of the Company, its subsidiaries and Key Management Personnel to ensure the remuneration packages offered to the Directors and Key Management Personnel is reasonable, appropriate and competitive in light of the Company's performance in order to attract, motivate and retain the individual towards the achievement of performance and business objective of the Group;
- Reviewed and determined the bonus entitlement of the Executive Directors of the Company and its subsidiaries measured against the achievement of pre-determined targets and performance of the Company and individual subsidiary companies for recommendation to the Board. In reviewing and determining the remuneration packages and compensation, the Remuneration Committee would be guided by the criteria stated in the adopted Remuneration Policy;
- Reviewed the Directors' fees and meeting allowances for Non-Executive Directors of the Company;
- Reviewed, deliberated and recommended the proposed revision of bonus scheme for Executive Directors of the Company and its subsidiaries to the Board for adoption;
- Reviewed the activities carried out by the Remuneration Committee for inclusion in the Annual Report;
- Reviewed its Terms of Reference at least once annually to ensure its adequacy for current circumstances, the Company's policies and/or compliance with applicable rules and regulations; and
- Reviewed the Remuneration Policy of Directors and Senior Management to ensure its adequacy and in line with the changes in regulations and/or best practices applicable to the Group. The Remuneration Policy will be reviewed periodically or when necessary and made available on the Company's website.

Remuneration

Details of the remuneration paid to and/or provided for the Directors for the FY2021, categorised into appropriate component is as follows:

	Fees RM	Meeting Allowance RM	Salaries RM	Bonus RM	Other Emoluments[(1)] RM	Total RM
Group						
Non-Executive Directors:						
Dato' Ng Ah Hock @ Ng Soon Por[(2)]	90,000	6,000	-	-	-	**96,000**
Chan Kee Loin	70,000	6,000	-	-	-	**76,000**
Tan Did Heng	70,000	6,000	-	-	-	**76,000**
Tan Sack Sen	70,000	6,000	-	-	-	**76,000**
Executive Directors:						
Dato' Sri Ooi Bin Keong	220,000	-	720,000	540,000	189,365	**1,669,365**
Ooi Seng Khong	120,000	-	720,000	540,000	173,252	**1,553,252**
Ooi Kong Tiong	220,000	-	576,000	432,000	152,383	**1,380,383**
Ng Kok Teong	170,000	-	504,000	378,000	131,886	**1,183,886**
Ooi Shang How	120,000	-	504,000	378,000	127,787	**1,129,787**
Total	**1,150,000**	**24,000**	**3,024,000**	**2,268,000**	**774,673**	**7,240,673**

	Fees RM	Meeting Allowance RM	Salaries RM	Bonus RM	Other Emoluments[(1)] RM	Total RM
Company						
Non-Executive Directors:						
Dato' Ng Ah Hock @ Ng Soon Por[(2)]	90,000	6,000	-	-	-	**96,000**
Chan Kee Loin	70,000	6,000	-	-	-	**76,000**
Tan Did Heng	70,000	6,000	-	-	-	**76,000**
Tan Sack Sen	70,000	6,000	-	-	-	**76,000**
Executive Directors:						
Dato' Sri Ooi Bin Keong	70,000	-	-	-	-	**70,000**
Ooi Seng Khong	70,000	-	-	-	-	**70,000**
Ooi Kong Tiong	70,000	-	-	-	-	**70,000**
Ng Kok Teong	70,000	-	-	-	-	**70,000**
Ooi Shang How	70,000	-	-	-	-	**70,000**
Total	**650,000**	**24,000**	**-**	**-**	**-**	**674,000**

Note:

[(1)] *Other emoluments comprise estimated monetary value of benefits-in-kind, employer's contribution to Employees Provident Fund, Social Security Organisation and Employment Insurance Scheme.*

[(2)] *Resigned on 31 December 2021.*

Total remuneration paid to and/or provided for the top five (5) Key Management Personnel including salary, bonus, directors' fees, benefits-in-kind and other emoluments for the FY2021, analysed into bands of RM50,000 is as follows:

Remuneration band	Number of Key Management Personnel
RM450,001 to RM500,000	1
RM650,001 to RM700,000	1
RM750,001 to RM800,000	1
RM900,001 to RM950,000	1
RM1,200,001 to RM1,250,000	1

The Board has opted not to disclose the names of Key Management Personnel and the remuneration components due to confidentiality and security concerns.

Note: Successive bands of RM50,000 are not shown entirely as they are not represented.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. AUDIT COMMITTEE

In compliance with the Listing Requirements and the MCCG, the Audit Committee comprises exclusively of Independent Non-Executive Directors.

The Audit Committee is entrusted by the Board to oversee the financial reporting and the Group's risk management and internal control systems. The Audit Committee is supported by the Risk Management Working Group ("RMWG") comprising senior management team headed by the Executive Directors from the operating subsidiaries for effective review and governance of risk management and processes.

II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

As an integral component of the Group's corporate governance, the Audit Committee and RMWG, in their ongoing risk assessment and management efforts, will assume, amongst others, the following duties and responsibilities:

- Reviewing and discussing with Management the risk governance structure, risk assessment and risk management practices and the guidelines, policies and processes for risk assessment and risk management;
- Reviewing and discussing 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 mitigation of such risks;
- Receiving the reports from the Internal Auditors on the outcome of risk management reviews and assessments;
- Reviewing the Statement on Risk Management and Internal Control prepared for the Group for inclusion in the Annual Report;
- Reviewing the reports on identified risk topics as the Audit Committee deems appropriate from time to time;
- Having unrestricted access to the Management and accurate and complete information pertaining to the Group; and
- Discharging any other duties or responsibilities delegated to the Audit Committee by the Board.

The risk assessment approach can be summarised as follows:

- 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.

The internal audit function of the Group is carried out by the outsourced Internal Auditors which performed the audit review based on the approved internal audit plan. The Internal Auditors report directly to the Audit Committee and provide the Board with the required assurance in relation to the adequacy and integrity of the Group's system of internal controls.

Further details of the Group's risk management and internal control are presented in the Statement on Risk Management and Internal Control set out on pages 80 to 82 of this Annual Report.

The Audit Committee has established policies and procedures to review and assess the performance, suitability and independence of the External and Internal Auditors. Evaluation of the performance of the External and Internal Auditors has been conducted by the Audit Committee annually based on the established guidelines and procedures having regard to the independence, competency, reliability and compliance, and relevant recommendations were made to the Board to re-appoint the External and Internal Auditors of the Company. The evaluation process and assessment result were properly documented and recorded.

The External Auditor Policy adopted by the Audit Committee provides amongst others, that the former partners of the External Auditors of the Company to observe a cooling-off period at least three (3) years before being considered for appointment as a member of the Audit Committee.

Written confirmation has been obtained 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 as an integral part of the evaluation of the External Auditors. 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 Malaysia.

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

I. COMMUNICATION WITH STAKEHOLDERS

- **Corporate Disclosure Policies and Procedures**

  The Board has formalised an Investors Relation Policy which serves as the guide for the Group when communicating with shareholders and public including investors, analysts and other stakeholders to facilitate effective communication with the Company. The Company aims to ensure that all shareholders and stakeholders have equal access to the information of the Company, including the Company's business strategies and updates, stock and financial performance in a timely manner.

  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 announcements of the Company is prepared by the Company Secretary in consultation with the Executive Director and/or the Chief Financial Officer for review before it is circulated to the Board for subsequent review and approval.

  The Investors Relation Policy is published on the Company's website and 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.

- **Dissemination of Information**

  The Company's website provides a platform 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 Securities. All announcements made by the Company are uploaded to its website as soon as practicable after the same are released to Bursa Securities.

II. CONDUCT OF GENERAL MEETING

The general meeting remains the principal forum for dialogue and interaction with the shareholders of the Company and continues to serve as a platform for shareholders to engage directly with members of the Board and senior management on the business performance and operations of the Group and provide opportunities for them to communicate their feedback to the Board and Management.

The notice convening the 14th Annual General Meeting (AGM) and Extraordinary General Meeting (EGM) of the Company which were duly convened and held on 18 June 2021 was issued to the shareholders on 30 April 2021 and 11 May 2021 respectively, more than 28 days before the said AGM in accordance with the MCCG and for the EGM, more than the requisite 21 days prescribed by the Companies Act 2016 and the Listing Requirements.

The notice convening the 14th AGM and EGM which sets out the business to be transacted at the AGM and EGM, was advertised in the newspaper giving shareholders sufficient time to prepare and/or to appoint proxy holder(s) to attend and vote for their behalf.

In light of the implementation of the full movement control order by the Government of Malaysia with total lockdown for a period of 14 days commencing on 1 June 2021 to curb the spread of the COVID-19 infection in Malaysia, the Securities Commission Malaysia had revised its Guidance Note and FAQs on the Conduct of General Meetings for Listed Issuers ("Revised Guidance Note") which came into effect on 1 June 2021, guiding all listed issuers to conduct fully virtual general meeting during the total lockdown period where all meeting participants including the Chairperson of the meeting, board members, senior management and shareholders to participate in the meeting online.

In accordance with the Revised Guidance Note, an online meeting platform can be recognised as the meeting venue or place under Section 327(2) of the Companies Act 2016 if the online platform is located in Malaysia.

CORPORATE GOVERNANCE OVERVIEW STATEMENT

The 14th AGM and EGM were held via online meeting platform on 18 June 2021 and the relevant Administrative Guide with full details on the conduct of the fully virtual 14th AGM and EGM including the registration process and remote participation and voting were furnished to the shareholders in advance and announced via Bursa Securities.

In line with paragraph 8.29A of the Listing Requirements, all the resolutions tabled for shareholders' approval at the 14th AGM and EGM were voted on by poll, and the Company has appointed a scrutineer to validate the poll results. As the meetings were conducted via online platform, shareholders were able to perform electronic voting remotely.

All the Directors of the Company and Key Management Personnel participated the fully virtual 14th AGM and EGM of the Company held on 18 June 2021.

The Board of Directors have reviewed and approved this Statement on 7 April 2022.

DIRECTORS' RESPONSIBILITY STATEMENT IN PREPARING THE AUDITED FINANCIAL STATEMENTS

The Board is responsible to ensure that the financial statements are properly drawn up in accordance with the provisions of the Companies Act 2016 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 at the financial year ended 31 December 2021 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 financial year ended 31 December 2021, 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 going concern basis.

The Directors are responsible for ensuring that the Group keeps sufficient accounting records which disclose with reasonable accuracy the financial position of the Group and of the Company and to enable them to ensure that the financial statements comply with the Companies Act 2016.

REPORT OF THE AUDIT COMMITTEE

COMPOSITION OF THE AUDIT COMMITTEE

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

TERMS OF REFERENCE

The Terms of Reference of the Audit Committee is available on the Company's website.

MEETINGS AND ATTENDANCE

The Audit Committee held five (5) meetings during the financial year. Details of the attendance records are as follows:

Directors	Attendance
Tan Did Heng	5 out of 5
Chan Kee Loin	5 out of 5
Tan Sack Sen	5 out of 5

ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year, the activities carried out by the Audit Committee in the discharge of its duties and functions include the following:

i. Reviewed the unaudited quarterly financial results and audited financial statements of the Group, focusing on compliance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards, Companies Act 2016 and the Main Market Listing Requirements of Bursa Securities. The Audit Committee considered and enquired of and discussed with Management the scope and adequacy of the reports prepared by the Management to facilitate the review of the financial results of the Group;

ii. Reviewed and discussed with the External Auditors the following pertinent matters during the audit planning process and after the conduct of audit of the financial statements of the Group:
   - Independence of the External Auditors;
   - Consideration of fraud;
   - Related party disclosures and procedures;
   - Audit approach and financial reporting consideration in the new normal arising from the COVID-19 pandemic;
   - Risk assessment and audit approach;
   - Communication of key audit matters and matters for control improvements;
   - Accounting developments including adoption of amendments/improvements to the MFRSs, new MFRSs and amendments/improvements to MFRSs that have been issued but yet to be effective; and
   - Proposed audit fees of the External Auditors.

REPORT OF THE AUDIT COMMITTEE

iii. Reviewed the nature and extent of non-audit services provided by the External Auditors to the Company;

iv. Conducted private sessions with the External Auditors without the presence of Management on 24 February 2021 and 7 April 2021 and noted positive response from the External Auditors on the audit matters observed during the course of audit and the assistance provided by Management to the External Auditors;

v. Conducted ongoing review and monitoring of the inventory reduction and rationalisation plan formulated by Management to optimise inventory levels and enhance liquidity of the Group;

vi. Reviewed the quarterly report from the Internal Auditors on the review of recurrent related party transactions (“RRPT”) entered by the Group to ensure that the RRPT are within the transaction limits and the control procedures are in accordance with the shareholders’ mandate. The declarations by the members of Audit Committee that they do not have any interests with respect to the RRPT with the Group would be recorded in the minutes accordingly. Based on the review procedures and further management evidence and representations, the Audit Committee has provided its opinion accordingly in the circular to shareholders for the proposed RRPT mandate;

vii. Reviewed and discussed with the Internal Auditors the preventive measures and contingency plan in key subsidiaries to manage and mitigate the risks in connection to the COVID-19 pandemic;

viii. Reviewed and overseen the risk management framework of the Group, with the assistance of Risk Management Working Group (“RMWG”) who reports the key risk issues of the Group and matters discussed at its meetings to the Audit Committee;

ix. Reviewed, discussed and approved the Internal Audit Plan for 2021 to 2023 formulated by the Internal Auditors to ensure the adequacy of the scope and frequency of reporting to the Audit Committee;

x. Reviewed the internal audit reports presented by the Internal Auditors on their findings and recommendations with respect to identified control weaknesses and Management responses to the recommendations, and sought clarifications from Management and/or the Internal Auditors on the issues and control weaknesses highlighted;

xi. Conducted regular private sessions with the Internal Auditors without the presence of Management on 24 February 2021, 28 May 2021, 9 September 2021 and 29 November 2021 to discuss the internal control matters identified during the audit and the assistance provided by Management to the Internal Auditors and noted no significant matters and deficiencies;

xii. Conducted annual evaluation of the performance of External Auditors considering the competency of the audit team, independence, audit scope and planning, amongst others. The External Auditors has provided annual confirmation of their independence in accordance with relevant auditing standards and requirements. The Audit Committee was satisfied with the service and performance and independence of the External Auditors and had recommended to the Board for approval the re-appointment of the External Auditors;

xiii. Conducted annual evaluation of the performance, resources and competency of the Internal Auditors and satisfied with their effectiveness and function;

xiv. Reviewed the assessment report on the effectiveness of the risk and internal control processes of the Company and Group, draft Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report of the Company;

xv. Reviewed the Terms of Reference of the Audit Committee and Policy on External and Internal Auditors to ensure its relevancy; and

xvi. Attended the conversation organised by the Securities Commission’s Audit Oversight Board on emerging issues with the aim to enhance the oversight role of Audit Committee.

REVIEW OF AUDIT COMMITTEE

The Nomination Committee is mandated to review the term of office and performance of the Audit Committee pursuant to the Listing Requirements of Bursa Securities. During the financial year, the Nomination Committee has undertaken an annual review on the Audit Committee against the established criteria and was satisfied that the Audit Committee and its members have discharged their functions, duties and responsibilities in accordance with its Terms of Reference.

INTERNAL AUDIT FUNCTION

The internal audit function of the Group is outsourced to IA Essential Sdn. Bhd. ("IAE"), a professional independent consulting firm providing governance, risk and control services. IAE has carried out its internal audit work with reference to the principles of the International Professional Practice Framework ("IPPF") of the Institute of Internal Auditors ("IIA"). These principles include the conduct of the audit planning, execution, documentations, communication of findings and consultation with key stakeholders.

Besides the provision of internal audit services, IAE is engaged to assist and guide the RMWG and facilitate the risk management functions of the Group. There is no other engagement between the Group and the Internal Auditors which may create conflict of interest or impair their objectivity and independence.

The following are the activities carried out by the Internal Auditors during the financial year in accordance with the approved internal audit plan:

- Developed an Internal Audit Plan taking into consideration the Audit Committee and Management's key concern areas, potential key audit matters highlighted by External Auditors, audit areas and issued identified in past two (2) years, corporate liability review as well as status of risk appetite;
- Conducted survey with the management of key subsidiaries to ascertain the present state of management's preventive measures taken and contingency plan in managing the risk arising from COVID-19 pandemic. Based on the survey, preventive actions have been identified and recommended to reduce the infection risks within the Group. Subsequent assessment had been conducted to evaluate the status of actions adopted by the key subsidiaries and the findings were reported to the Audit Committee;
- Updated and reported to the Audit Committee on the progress of risk assessment of identified risk appetite signals (in terms of quantitative and qualitative) of the key subsidiaries every quarter;
- Evaluated the adequacy and effectiveness of management controls in the Inventory and Logistic functions of LF Hardware and Supreme Steelmakers. The internal audit reports that set out the conclusion of control status, overview of management performances, audit findings, recommendations for improvement, management responses and targeted completion date were presented to the Audit Committee;
- Evaluated the adequacy and effectiveness of human resource and information technology general controls function of the key subsidiaries. The internal audit reports that set out the conclusion of control status, overview of management performances, audit findings, recommendations for improvement, management responses and targeted completion date were presented to the Audit Committee;
- Carried out risk assessment in LF Metal by identified, re-assessed and rated the existing, new and emerging risks, evaluated the adequacy of existing controls and recommended the need of further actions for improvement;
- Conducted follow-up reviews to ensure that agreed action plans in respect of the control weaknesses highlighted in the internal audit reports were adequately addressed and/or rectified and reported to the Audit Committee;
- Conducted quarterly reviews on the RRPT entered by the Group to ensure that the transactions were carried out within the estimated transaction limits as well as the control procedures were in accordance with the approved shareholder's mandate; and
- Highlighted the requirements under the Transfer Pricing Guidelines 2012 in relation to the preparation of complete transfer pricing documentation in respect of the RRPT entered by the Group.

The costs incurred for the internal audit function in respect of the FY2021 was RM194,761.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors of Leon Fuat Berhad is pleased to present the Statement on Risk Management and Internal Control ("this Statement") for the financial year ended 31 December 2021 pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Securities. This Statement is prepared in accordance with the disclosure requirements under the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers and the updated Malaysian Code on Corporate Governance.

BOARD RESPONSIBILITIES

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. While the Board has delegated its oversight role in risk management and the system of internal controls to the Audit Committee, the Board understands the principal risks of the business that the Group is engaged in and continues to be responsible for ensuring that there is a sound framework for risk management, governance and internal control within the Group.

The Audit Committee is entrusted by the Board to oversee the effectiveness of the Group's risk management and internal control systems and is supported by the Risk Management Working Group ("RMWG") comprising the senior management team from the operating subsidiaries of the Company. The RMWG is chaired by the Executive Director and its members comprising managerial and senior staffs from each of the operating subsidiaries.

RISK MANAGEMENT AND INTERNAL CONTROL

The risk management framework adopted by the Group is based on the general principles of the international risk management framework. The risk management framework consists of risk identification, impact assessment, profiling matric as well as the management action plans. The RMWG held four (4) online meetings during the financial year on 9 February 2021, 11 May 2021, 11 August 2021 and 11 November 2021 to review and discuss the identified key risks and related issues affecting the Group. Besides members of senior management, the members of the Audit Committee and Internal Auditors were invited to attend the periodic RMWG meetings to provide their feedback and comments on the issues discussed.

The overall increase of steel prices has had a positive impact to the financial performance of the Group during the financial year under review. Notwithstanding, due to the uncertainty of economic outlook and global supply and demand disruption amidst the resurgence of COVID-19 and the risk of reversal in the steel prices, the Group is cautious and constantly vigilant in monitoring the prices and managing the inventory levels in order to mitigate any negative impact arising from the market price movements.

The continuous close monitoring and optimisation of the Group's inventory holding levels by the Board and Management enables the Group to maintain adequate financial liquidity to sustain its operations.

During the financial year, with the assistance of the Internal Auditors, the Group continues to closely monitor the identified risks of the key subsidiaries and any potential impactarising from the COVID-19 pandemic. Under this exercise, the potential operational and financial impacts resulted from the COVID-19 pandemic were assessed, and the Group's risk appetite under the new normal environment was re-evaluated amidst the current business environment. Quarterly, the progress and status of risks identified for the key subsidiaries are benchmarked against the recpective company's risk appetite to ensure that the companies continues to address and manage the risks effectively within the acceptable risk levels.

Complementing the above risk management process, the Group continues to enforce its management organisation structure detailing the lines of responsibility, reporting and approval authority as well as the standard operating procedures which are reviewed and updated periodically in order to ensure its effectiveness.

BOARD REVIEW

Presently, the systems of risk management and internal control of the Group are overseen by the Board through the following processes and review mechanisms:

- The Board reviews on quarterly basis the unaudited financial results and management reports setting out key financial data, significant financial and operational matters as well as detailed analysis of the performance of the Group. Financial 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 annual budget and in line with the changing business environment, updates and/or revises the budget as appropriate for effective comparison and to reduce variances;
- The Board ensures that management reviews the quarterly and annual results, business performance and operational issues affecting the Group and action plans are designed and implemented to address the issues and are followed up closely;
- The Audit Committee reviews the audit findings reported by the External and Internal Auditors and seek clarifications from and discussed with the Management on the recommended corrective or improvement actions, including the deadline for management to implement the agreed corrective actions on the internal control lapses;
- The Audit Committee reviews the risk assessment report of the key subsidiaries, the new and emerging risks as well as the evaluation of the adequacy of the current controls to address the risks and the need for further actions;
- The Audit Committee also reviews the reports and updates on key risk indicators against the Group's risk appetite (in terms of quantitative and qualitative measures) and the emerging risks of the key subsidiaries on a quarterly basis; and
- The Audit Committee conducts private meetings with the Internal and External Auditors in the absence of Management to review and discuss significant issues observed by the Auditors and ensure that the issues brought to their attention are communicated to the Management for corrective actions and improvements. Four (4) private sessions were conducted with the Internal Auditors on 24 February 2021, 28 May 2021, 9 September 2021 and 29 November 2021 and two (2) private sessions with the External Auditors on 24 February 2021 and 7 April 2021 during the financial year.

MANAGEMENT RESPONSIBILITIES AND ASSURANCE

In accordance with the Listing Requirements, the Management is responsible for identifying the risks relevant to the Group's business, implementing strategies, maintaining sound systems of risk management and internal control, and monitoring and reporting to the Board on significant control deficiencies and changes in risks that could significantly affect the Group's achievement of its objective and performance.

When reviewing this Statement, the Board has received assurance from the Group Managing Director and Chief Financial Officer on 7 April 2022 that the Group's risk management and internal control systems are operating adequately and effectively, in all material aspects, based on the risk management and internal control systems of the Group for the financial year ended 31 December 2021 and up to 7 April 2022, being the date of this Statement.

BOARD ASSURANCE AND LIMITATION

The Board recognises that the system of risk management and internal control should be continuously improved, consistent with the evolving business and operating environment. Nonetheless, it should be noted that all risk management and internal control systems could only manage rather than eliminate risks of failure to achieve business objectives. Therefore, the systems of risk management and internal control in the Group can only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

For the financial year under review, the Board is satisfied that the existing level of risk management and internal control systems are adequate and effective under the present business and cash flow positions of the Group. 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 Audit Committee and Board of Directors have reviewed and approved this Statement on 7 April 2022.

STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

REVIEW BY EXTERNAL AUDITORS

Pursuant to Paragraph 15.23 of the Listing Requirements, the External Auditors have reviewed this Statement in accordance with the Audit and Assurance Practice Guide 3, ("AAPG 3"), Guidance for Auditors on Engagements to Report on the Statement on Risk Management and Internal Control included in the Annual Report issued by the Malaysian Institute of Accountants ("MIA") for inclusion in this Annual Report.

Based on their review, the External Auditors have reported to the Board that nothing had come to their attention that causes them to believe that this Statement, in all material respects has not been prepared 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, or is factually inaccurate.

AAPG 3 does not require the External Auditors to consider whether the Directors' Statement on Risk Management and Internal Control covers all risks and controls, or to form an opinion on the adequacy.

ADDITIONAL COMPLIANCE INFORMATION

1. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSAL

The Company undertook a private placement of up to 31,000,000 new ordinary shares ("Placement Shares") in the Company as announced by the Board on 13 April 2021 ("Private Placement").

On 5 May 2021, a total of 31,000,000 Placement Shares were issued at an issue price of RM0.85 per Placement Share for a total cash consideration of RM26,350,000. The Private Placement has been successfully completed following the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities on 7 May 2021.

The status of utilisation of proceeds raised from the Private Placement as at 31 December 2021 is as follows:

Purpose	Proposed Utilisation[1] (RM'000)	Actual Utilisation (RM'000)	Deviation	Balance unutilised (RM'000)	Estimated timeframe for utilisation (from the completion date of the Private Placement)
Purchase of machineries for the new welded steel pipe manufacturing line	26,195	7,846	-	18,349	Within 24 months
Expenses incurred for the Private Placement	155	155	-	-	Immediate
Total	**26,350**	**8,001**	**-**	**18,349**	

Note:
[1] *The proposed utilisation of proceeds as disclosed above should be read in conjunction with the announcement made by the Company dated 13 April 2021.*

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 ended 31 December 2021 are as follows:

	Group RM	Company RM
Audit fees	247,589	41,000
Non-audit fees	7,000	7,000
Total	**254,589**	**48,000**

3. MATERIAL CONTRACT INVOLVING DIRECTORS AND MAJOR SHAREHOLDERS

There were no material contracts of the Company and its subsidiaries involving the interests of the Directors or major shareholders, either still subsisting at the end of the financial year under review, or entered into since the end of the previous financial year.

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 18 June 2021 are set out in Section 2.5 of the Circular to Shareholders dated 29 April 2022.

FINANCIAL STATEMENTS

DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2021.

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, net of tax	135,980,944	12,729,473
Attributable to:		
Owners of the Company	136,010,685	12,729,473
Non-controlling interests	(29,741)	-
	135,980,944	12,729,473

DIVIDENDS

The amount declared and paid by the Company was as follow:

	RM
Single-tier interim dividend of 2.0 sen per ordinary share for the financial year ended 31 December 2021, paid on 1 July 2021	6,820,000

At the forthcoming Annual General Meeting, a single-tier final dividend of 2.0 sen per ordinary share amounting to RM6,820,000 in respect of the current financial year, based on the number of outstanding ordinary shares in issue as at 31 December 2021, will be proposed for the shareholders' approval. 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 2022.

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.

DIRECTORS' REPORT (CONTINUED)

BAD AND DOUBTFUL DEBTS

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

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

CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised 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; and

(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 or 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, the Company issued a total of 31,000,000 new ordinary shares pursuant to private placement at an issue price of RM0.85 each for the acquisition of plant and machinery.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

During the financial year, no debentures were issued by the Company.

DIRECTORS

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

Dato' Lim Cheng Poh	(Appointed on 6 January 2022)
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	
Dato' Ng Ah Hock @ Ng Soon Por	(Resigned on 31 December 2021)

* *Directors of the Company and certain subsidiaries*

Other than as stated above, the names of the directors of the subsidiaries of the Company in office during the financial year and during the period from the end of the financial year to the date of this report are:

Ng Kok Wee
Ng Lam Keong
Ooi Pek Kuan
Ooi Shang Yao
Otake Seiji
Teo Chee Hiong

DIRECTORS' REPORT (CONTINUED)

DIRECTORS' INTERESTS

According to the Register of Directors' Shareholdings required to be kept by the Company under Section 59 of the Companies Act 2016 in Malaysia, the interests of directors in office at the end of the financial year in shares in the Company and its related corporations during the financial year were as follows:

	Number of ordinary shares			
	At 1 January 2021	Bought	Sold	At 31 December 2021
Shareholdings in the ultimate holding company - Leon Fuat Holdings Sdn. Bhd.				
Direct interests				
Dato' Sri Ooi Bin Keong	1,900,000	-	-	1,900,000
Ooi Kong Tiong	1,000,000	-	-	1,000,000
Ooi Seng Khong	670,000	-	-	670,000
Ng Kok Teong	1,000,000	-	-	1,000,000
Ooi Shang How	600,000	-	-	600,000
Indirect interests				
Ng Kok Teong (1)	2,300,000	-	-	2,300,000
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	1,105,900	-	(1,105,900)	-
Ng Kok Teong	221,000	-	-	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	200	100,000	(100,000)	200
Indirect interests				
Dato' Sri Ooi Bin Keong (2) (3)	219,715,000	-	-	219,715,000
Ng Kok Teong (2)	219,690,000	-	-	219,690,000

(1) *Shares held through a corporation in which the director has substantial financial interests.*
(2) *219,690,000 shares held through the ultimate holding company, Leon Fuat Holdings Sdn. Bhd..*
(3) *Disclosure of 25,000 shares held by children of the director who themselves are not directors of the Company pursuant to Section 59(11)(c) of the Companies Act 2016.*

By virtue of their interests in the ordinary shares of the Company and pursuant to Section 8 of the Companies Act 2016 in Malaysia, Dato' Sri Ooi Bin Keong and Ng Kok Teong are deemed to have an interest in the ordinary shares of the subsidiaries to the extent that the Company has an interest.

Other than as stated above, none of the other directors in office at the end of the financial year had any interest in ordinary shares of the Company and its related corporations during the financial year.

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 emoluments received or due and receivable, by the directors as disclosed in Note 6(a) to the financial statements) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest other than any deemed benefit which may arise from transactions disclosed in Note 27 to the financial statements.

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

INDEMNITY TO DIRECTORS AND OFFICERS

During the financial year, no indemnity was given to or insurance effected for the directors and officers of the Company.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 11 to the financial statements.

The auditors' reports on the financial statements of the subsidiaries did not contain any qualification.

INTERESTS IN HOLDING COMPANY AND OTHER RELATED CORPORATIONS

The Company does not have any interests in shares in the holding company and its other related corporations during the financial year.

SIGNIFICANT EVENT DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Details of the significant event during the financial year and subsequent to the end of the financial year are disclosed in Note 31 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

The auditors, Messrs Baker Tilly Monteiro Heng PLT, have expressed their willingness to continue in office.

The details of the auditors' remuneration are disclosed in Note 6 to the financial statements.

The indemnity to auditors of the Company is provided pursuant to Section 289 of the Companies Act 2016 in Malaysia. No payment has been made to indemnify the auditors during the financial year.

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
Director

OOI SENG KHONG
Director

Date: 7 April 2022

STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Revenue	4	886,581,622	589,577,037	15,378,844	1,285,348
Cost of sales	5	(664,921,928)	(511,938,194)	-	-
Gross profit		221,659,694	77,638,843	15,378,844	1,285,348
Other income		5,113,811	5,612,627	354,483	28,140
Distribution costs		(11,596,591)	(10,283,106)	-	-
Administrative costs		(25,611,378)	(22,470,407)	(2,644,898)	(1,942,827)
Net addition of impairment losses on financial instruments		(2,095,968)	(1,365,642)	-	-
Other costs		(714,112)	(1,962,131)	(39,064)	(114,273)
Profit/(Loss) from operations		186,755,456	47,170,184	13,049,365	(743,612)
Finance costs		(13,905,475)	(13,805,745)	-	-
Profit/(Loss) before tax	6	172,849,981	33,364,439	13,049,365	(743,612)
Income tax expense	7	(36,869,037)	(4,890,355)	(319,892)	(5,068)
Profit/(Loss) for the financial year		135,980,944	28,474,084	12,729,473	(748,680)
Other comprehensive income/(loss), net of tax					
Item that may be reclassified subsequently to profit or loss					
Exchange differences on translation of a foreign operation		16,644	(410)	-	-
Total comprehensive income/(loss) for the financial year		135,997,588	28,473,674	12,729,473	(748,680)
Profit/(Loss) for the financial year attributable to:					
Owners of the Company		136,010,685	28,457,923	12,729,473	(748,680)
Non-controlling interests		(29,741)	16,161	-	-
		135,980,944	28,474,084	12,729,473	(748,680)
Total comprehensive income/(loss) attributable to:					
Owners of the Company		136,027,329	28,457,513	12,729,473	(748,680)
Non-controlling interests		(29,741)	16,161	-	-
		135,997,588	28,473,674	12,729,473	(748,680)
Earnings per share (sen):					
Basic/Diluted	8	41.17	9.18		

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

STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2021

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
ASSETS					
Non-current assets					
Property, plant and equipment	9	245,021,966	203,685,784	10,104	13,271
Capital work-in-progress	10	33,866,748	13,835,985	-	-
Investment in subsidiaries	11	-	-	185,653,849	159,112,008
Total non-current assets		278,888,714	217,521,769	185,663,953	159,125,279
Current assets					
Inventories	12	419,278,451	250,378,659	-	-
Trade and other receivables	13	284,856,184	207,373,762	7,500	4,500
Amount due from subsidiaries	14	-	-	1,294,617	950,115
Dividend receivables		-	-	8,000,000	-
Tax assets		147,005	4,813,238	136,104	320,000
Deposits with licensed banks	15	3,015,369	27,877,772	-	-
Cash and bank balances	16	42,636,808	23,358,230	1,918,843	4,320,183
Total current assets		749,933,817	513,801,661	11,357,064	5,594,798
TOTAL ASSETS		1,028,822,531	731,323,430	197,021,017	164,720,077
EQUITY AND LIABILITIES					
Equity attributable to owners of the Company					
Share capital	17	186,422,515	160,094,360	186,422,515	160,094,360
Reserves	18	348,397,883	219,190,554	9,653,351	3,743,878
		534,820,398	379,284,914	196,075,866	163,838,238
Non-controlling interests		586,285	616,026	-	-
TOTAL EQUITY		535,406,683	379,900,940	196,075,866	163,838,238
Non-current liabilities					
Loans and borrowings	19	69,257,743	61,557,979	-	-
Deferred tax liabilities	20	7,480,382	6,587,230	-	-
Total non-current liabilities		76,738,125	68,145,209	-	-
Current liabilities					
Trade and other payables	21	30,328,319	49,811,198	945,151	881,839
Tax liabilities		14,704,242	125,131	-	-
Loans and borrowings	19	369,608,510	230,311,430	-	-
Contract liabilities	22	2,036,652	3,029,522	-	-
Total current liabilities		416,677,723	283,277,281	945,151	881,839
TOTAL LIABILITIES		493,415,848	351,422,490	945,151	881,839
TOTAL EQUITY AND LIABILITIES		1,028,822,531	731,323,430	197,021,017	164,720,077

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

STATEMENTS OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

		<---- Attributable to owners of the Company					---->		
Group	**Note**	**Share capital RM**	**Merger deficit RM**	**Capital reserve RM**	**Translation reserve RM**	**Retained earnings RM**	**Sub-total RM**	**Non-controlling interests RM**	**Total equity RM**
At 1 January 2021		160,094,360	(109,544,997)	923	(14,841)	328,749,469	379,284,914	616,026	379,900,940
Total comprehensive income									
Profit/(Loss) for the financial year		-	-	-	-	136,010,685	136,010,685	(29,741)	135,980,944
Other comprehensive income for the financial year		-	-	-	16,644	-	16,644	-	16,644
Total comprehensive income		-	-	-	16,644	136,010,685	136,027,329	(29,741)	135,997,588
Transactions with owners									
Issuance of ordinary shares pursuant to private placement	17	26,350,000	-	-	-	-	26,350,000	-	26,350,000
Transaction costs of share issue	17	(21,845)	-	-	-	-	(21,845)	-	(21,845)
Dividends	23	-	-	-	-	(6,820,000)	(6,820,000)	-	(6,820,000)
Total transactions with owners		26,328,155	-	-	-	(6,820,000)	19,508,155	-	19,508,155
At 31 December 2021		186,422,515	(109,544,997)	923	1,803	457,940,154	534,820,398	586,285	535,406,683

Group	Share capital RM	Merger deficit RM	Capital reserve RM	Translation reserve RM	Retained earnings RM	Sub-total RM	Non-controlling interests RM	Total equity RM
	<------ Attributable to owners of the Company					------>		
At 1 January 2020	160,094,360	(109,544,997)	923	(14,431)	300,291,546	350,827,401	599,865	351,427,266
Total comprehensive income								
Profit for the financial year	-	-	-	-	28,457,923	28,457,923	16,161	28,474,084
Other comprehensive loss for the financial year	-	-	-	(410)	-	(410)	-	(410)
Total comprehensive income	-	-	-	(410)	28,457,923	28,457,513	16,161	28,473,674
At 31 December 2020	160,094,360	(109,544,997)	923	(14,841)	328,749,469	379,284,914	616,026	379,900,940

STATEMENTS OF CHANGES IN EQUITY (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

Company	Note	Share capital RM	Retained earnings RM	Total equity RM
At 1 January 2020		160,094,360	4,492,558	164,586,918
Loss for the financial year, representing total comprehensive loss for the financial year		-	(748,680)	(748,680)
At 31 December 2020/1 January 2021		160,094,360	3,743,878	163,838,238
Profit for the financial year, representing total comprehensive income for the financial year		-	12,729,473	12,729,473
Transactions with owners				
Issuance of ordinary shares pursuant to private placement	17	26,350,000	-	26,350,000
Transaction costs of share issue	17	(21,845)	-	(21,845)
Dividends	23	-	(6,820,000)	(6,820,000)
Total transactions with owners		26,328,155	(6,820,000)	19,508,155
At 31 December 2021		186,422,515	9,653,351	196,075,866

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

STATEMENTS OF CASH FLOWS

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Cash flows from operating activities					
Profit/(Loss) before tax		172,849,981	33,364,439	13,049,365	(743,612)
Adjustments for:					
Bad debts written off		70,824	3,619	-	-
Depreciation of property, plant and equipment		15,027,037	15,322,893	3,640	2,944
Derecognition of a right-of-use asset		-	11,129	-	-
Dividend income		-	-	(13,500,000)	-
Gain on disposal of plant and equipment		-	(36,000)	-	-
Impairment losses on:					
- trade receivables		2,160,169	1,366,642	-	-
- investment in subsidiaries		-	-	9,560	96,026
Interest income		(1,299,188)	(835,119)	(312,642)	(22,740)
Interest expense		12,210,068	12,950,504	-	-
Inventories written down		373,372	905,618	-	-
Net gain on a lease termination		(6,220)	-	-	-
Net unrealised foreign exchange loss		12,326	2,595	-	-
Plant and equipment written off		14,226	-	-	-
Rent concession income		(71,040)	(85,500)	-	-
Reversal of impairment losses on:					
- trade receivables		(64,201)	(1,000)	-	-
- investment in a subsidiary		-	-	(51,401)	-
Reversal of a lease liability		-	(11,341)	-	-
Operating profit/(loss) before changes in working capital		201,277,354	62,958,479	(801,478)	(667,382)
Inventories		(169,292,243)	9,779,244	-	-
Trade and other receivables		(70,269,247)	(39,256,377)	(347,502)	1,789,469
Trade and other payables		(20,893,811)	(973,276)	63,312	65,398
Contract liabilities		(992,870)	388,550	-	-
Net cash (used in)/generated from operation		(60,170,817)	32,896,620	(1,085,668)	1,187,485
Interest received		895,838	677,080	312,642	23,596
Interest paid		(13,165,081)	(12,750,193)	-	-
Income tax paid		(16,730,541)	(5,538,967)	(135,996)	(315,068)
Net cash (used in)/from operating activities		(89,170,601)	15,284,540	(909,022)	896,013

STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Cash flows from investing activities					
Additional investment in an existing subsidiary	11	-	-	(26,500,000)	-
Capital distribution from a subsidiary	11	-	-	-	200,000
Capital work-in-progress paid	(a)	(15,637,674)	(8,706,088)	-	-
Changes in deposits pledged with licensed banks		7,588,433	(193,303)	-	-
Deposits paid for acquisition of property, plant and equipment		(11,575,906)	(3,735,937)	-	-
Dividends received		-	-	5,500,000	1,500,000
Purchase of property, plant and equipment	(b)	(38,702,493)	(1,370,743)	(473)	(7,270)
Proceeds from disposal of plant and equipment		-	36,001	-	-
Net cash (used in)/from investing activities		(58,327,640)	(13,970,070)	(21,000,473)	1,692,730
Cash flows from financing activities	(d)				
Dividends paid	23	(6,820,000)	-	(6,820,000)	-
Drawdown of term loan		6,237,097	2,370,000	-	-
Net drawdown of bankers' acceptances		147,015,674	11,985,618	-	-
Net drawdown of islamic financing		9,115,908	10,661,648	-	-
Net proceeds from issuance of ordinary shares	17	26,328,155	-	26,328,155	-
Payment of lease liabilities		(4,814,269)	(4,609,189)	-	-
Repayment of term loans		(3,162,974)	(1,819,750)	-	-
Repayment to ultimate holding company		-	(137,000)	-	-
Net cash from financing activities		173,899,591	18,451,327	19,508,155	-
Net increase/(decrease) in cash and cash equivalents		26,401,350	19,765,797	(2,401,340)	2,588,743
Cash and cash equivalents at the beginning of the financial year		13,680,603	(6,079,097)	4,320,183	1,731,440
Effect of exchange rate changes on cash and cash equivalents		54,892	(6,097)	-	-
Cash and cash equivalents at the end of the financial year	24	40,136,845	13,680,603	1,918,843	4,320,183

(a) Additions in capital work-in-progress:

	2021 RM	2020 RM
Group		
Additions in capital work-in-progress	20,030,763	13,614,468
Less: Transferred from deposits paid in prior year	(3,007,287)	-
Less: Transferred from inventories	(9,710)	(478,995)
Less: Contra against trade receivables	-	(9,391)
Less: Owing to other payables	(1,376,092)	(4,419,994)
Cash payments on capital work-in-progress	15,637,674	8,706,088

(b) Purchase of property, plant and equipment:

	2021 RM	2020 RM
Group		
Purchase of property, plant and equipment	56,620,680	3,994,458
Less: Transferred from deposits paid and prepayment in prior year	(469,800)	(58,052)
Less: Transferred from inventories	(9,369)	-
Less: Financed by lease arrangement	(9,377,687)	(2,519,295)
Less: Financed by term loan	(8,000,000)	-
Less: Contra against trade receivables	-	(39,269)
Less: Owing to other payables	(61,331)	(7,099)
Cash payments on purchase of property, plant and equipment	38,702,493	1,370,743
Company		
Cash payments on purchase of office equipment	473	7,270

(c) Total cash outflows for leases

During the financial year, the Group had total cash outflows for leases amounting to RM5,854,369 (2020: RM5,665,664).

STATEMENTS OF CASH FLOWS (CONTINUED)
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2021

(d) Reconciliation of liabilities arising from financing activities:

Group	1 January 2021 RM	Cash flows RM	<------------ Non-cash ------------> Acquisition RM	Others RM	31 December 2021 RM
Bankers' acceptances	149,758,000	147,015,674	-	-	296,773,674
Lease liabilities	17,803,071	(4,814,269)	9,377,687	(320,645)	22,045,844
Islamic financing	43,873,965	9,115,908	-	-	52,989,873
Term loans	50,965,715	3,074,123	8,000,000	-	62,039,838
	262,400,751	154,391,436	17,377,687	(320,645)	433,849,229

	1 January 2020 RM	Cash flows RM	<------------ Non-cash ------------> Acquisition RM	Others RM	31 December 2020 RM
Bankers' acceptances	137,772,382	11,985,618	-	-	149,758,000
Lease liabilities	19,989,806	(4,609,189)	2,519,295	(96,841)	17,803,071
Islamic financing	33,212,317	10,661,648	-	-	43,873,965
Term loans	50,415,465	550,250	-	-	50,965,715
	241,389,970	18,588,327	2,519,295	(96,841)	262,400,751

Company

Changes in liabilities arising from financing activities are changes arising from cash flows.

NOTES TO THE FINANCIAL STATEMENTS

1. CORPORATE INFORMATION

Leon Fuat Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at 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, 40000 Shah Alam, 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 is Leon Fuat Holdings Sdn. Bhd., a private limited liability company incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 7 April 2022.

2. BASIS OF PREPARATION

2.1 Statement of Compliance

The financial statements of the Group and of the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), the International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

2.2 Adoption of amendments/improvements to MFRSs

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

Amendments/Improvements to MFRSs

MFRS 4	Insurance Contracts
MFRS 7	Financial Instruments: Disclosures
MFRS 9	Financial Instruments
MFRS 16	Leases*
MFRS 139	Financial Instruments: Recognition and Measurement

* *Early adopted the amendment to MFRS 16 Leases issued by the Malaysian Accounting Standards Board ("MASB") on 6 April 2021.*

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective

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

		Effective for financial periods beginning on or after
New MFRS		
MFRS 17	Insurance Contracts	1 January 2023
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2022^/ 1 January 2023#
MFRS 3	Business Combinations	1 January 2022/ 1 January 2023#
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2023#
MFRS 7	Financial Instruments: Disclosures	1 January 2023#
MFRS 9	Financial Instruments	1 January 2022^/ 1 January 2023#
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 15	Revenue from Contracts with Customers	1 January 2023#
MFRS 16	Leases	1 January 2022^
MFRS 17	Insurance Contracts	1 January 2023
MFRS 101	Presentation of Financial Statements	1 January 2023/ 1 January 2023#
MFRS 107	Statements of Cash Flows	1 January 2023#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2023
MFRS 112	Income taxes	1 January 2023
MFRS 116	Property, Plant and Equipment	1 January 2022/ 1 January 2023#
MFRS 119	Employee Benefits	1 January 2023#
MFRS 128	Investments in Associates and Joint Ventures	Deferred/ 1 January 2023#
MFRS 132	Financial instruments: Presentation	1 January 2023#
MFRS 136	Impairment of Assets	1 January 2023#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2022/ 1 January 2023#
MFRS 138	Intangible Assets	1 January 2023#
MFRS 140	Investment Property	1 January 2023#
MFRS 141	Agriculture	1 January 2022^

^ *The Annual Improvements to MFRS Standards 2018-2020*
# *Amendments as to the consequence of effective of MFRS 17 Insurance Contracts*

2. BASIS OF PREPARATION (CONTINUED)

2.3 New MFRS and amendments/improvements to MFRSs that have been issued, but yet to be effective (continued)

The Group and the Company plan to adopt the above applicable new MFRS and amendments/improvements to MFRSs when they become effective. A brief discussion on the above significant new MFRS and amendments/improvements to MFRSs that may be applicable to the Group and the Company are summarised below.

Amendments to MFRS 101 Presentation of Financial Statements

The amendments include specifying that an entity's right to defer settlement of a liability for at least twelve months after the reporting period must have substance and must exist at the end of the reporting period; clarifying that classification of liability is unaffected by the likelihood of the entity to exercise its right to defer settlement of the liability for at least twelve months after the reporting period; clarifying how lending conditions affect classification of a liability; and clarifying requirements for classifying liabilities an entity will or may settle by issuing its own equity instruments.

The amendments require an entity to disclose its material accounting policy information rather than significant accounting policies. The amendments, amongst others, also include examples of circumstances in which an entity is likely to consider an accounting policy information to be material to its financial statements. To support these amendments, MFRS Practice Statement 2 was also amended to provide guidance on how to apply the concept of materiality to accounting policy information disclosures. The guidance and examples provided in the MFRS Practice Statement 2 highlight the need to focus on entity-specific information and demonstrate how the four-step materiality process can address standardised (or boilerplate) information and duplication of requirements of MFRSs in the accounting policy information disclosures.

The initial application of the above applicable new MFRS and amendments/improvements to MFRSs is not expected to have material impact to the current and prior years financial statements of the Group and of the Company.

2.4 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 consolidated financial statements are presented in Ringgit Malaysia ("RM"), which is also the Company's functional currency, and has been rounded to the nearest RM, unless otherwise stated.

2.5 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 Note 3.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

2. BASIS OF PREPARATION (CONTINUED)

2.6 Significant accounting judgements, estimates and assumptions

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 at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting 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 area involving a higher degree of judgement or complexity that have the most significant effect on the Group's financial statements, or area where assumptions and estimates that have a significant risk of resulting in a material adjustment to the Group's financial statements within the next financial year is disclosed as follows:

Write-down of obsolete or slow-moving inventories

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. The economic uncertainties resulting from COVID-19 pandemic may continue to impact the saleability of inventories. Where expectations differ from the original estimates, the differences will impact the carrying amount of inventories.

The carrying amount of the Group's inventories is disclosed in Note 12.

3. SIGNIFICANT ACCOUNTING POLICIES

Unless otherwise stated, the following accounting policies have been applied consistently to all the financial years presented in the financial statements of the Group and of the Company.

3.1 Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries. The financial statements of the subsidiaries used in the preparation of the consolidated financial statements are prepared for the same reporting date as the Company. Consistent accounting policies are applied to like transactions and events in similar circumstances.

(a) 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

(a) Subsidiaries (continued)

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.

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 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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.1 Basis of consolidation (continued)

(a) Subsidiaries (continued)

(ii) Business combinations under acquisition method (continued)

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) Non-controlling interests

Non-controlling interests represent the equity in subsidiaries not attributable, directly or indirectly, to owners of the Company and are presented separately in the consolidated statement of financial position within equity.

Losses attributable to the non-controlling interests are allocated to the non-controlling interests even if the losses exceed the non-controlling interests.

(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 associate, a joint venture or a financial asset.

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.

(v) 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.

3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries are measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.13(b).

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.3 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 RM 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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.4 Income tax expense

Income tax expense comprises current and deferred tax. Current and deferred tax are recognised in profit or loss except to the extent that it relates to a business combination or items recognised directly in equity or other comprehensive income.

(a) Current tax

Current tax is the expected taxes payable or receivable on the taxable income or loss for the financial year, using the tax rates that have been enacted or substantively enacted by the end of the reporting period, and any adjustment to tax payable in respect of previous financial years.

(b) Deferred tax

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.

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.

(c) Sales and services tax

Revenue, expenses and assets are recognised net of the amount of sales and services tax except:

- where the sales and services tax incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the sales and services tax is recognised as part of the cost of acquisition of the asset or as part of the expense item as applicable; and
- receivables and payables that are stated with the amount of sales tax included.

The net amount of sales and services tax recoverable from, or payable to, the taxation authority is included as part of receivables or payables in the statements of financial position.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.5 Revenue and other income

The Group and the Company recognise revenue that depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the Group and the Company expect to be entitled in exchange for those goods or services.

The Group and the Company measure revenue from sale of goods or services at its transaction price, being the amount of consideration to which the Group and the Company expect to be entitled in exchange for transferring promised good or services to a customer, excluding amounts collected on behalf of third parties, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer.

Revenue from contracts with customers is recognised by reference to each distinct performance obligation in the contract with customer, i.e. when or as a performance obligation in the contract with customer is satisfied. A performance obligation is satisfied when or as the customer obtains control of the good or service underlying the particular performance obligation, which the performance obligation may be satisfied at a point in time or over time.

Financing components

The Group and the Company have applied the practical expedient for not to adjust the promised amount of consideration for the effects of a financing components if the Group and the Company expect that the period between the transfer of the promised goods or services to the customers and payment by the customers will be one year or less.

i. Sale of goods

Revenue from sale of goods is recognised when at a point in time when control of goods is transferred to the customer, 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.

Sales are made with a credit term ranging from 14 to 90 days, which is consistent with market practice, therefore, no element of financing is deemed present. A receivable is recognised when the customer accepts the delivery of the goods as the consideration is unconditional other than the passage of time before the payment is due.

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.

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.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.6 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 and the Company. 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, the Group and the Company contribute to the Employees Provident Fund ("EPF"), the national defined contribution plans. Such contributions are recognised as an expense in the profit or loss in the period in which the employees render their services.

3.7 Property, plant and equipment

(a) Recognition and measurement

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.

(b) Depreciation

Short-term leasehold land is depreciated over the lease terms of approximately 35 years and 43 years. Long-term leasehold land is depreciated over the lease term of 95 years. Freehold land has an unlimited useful life and therefore is not depreciated. Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives.

The principal annual rates used for this purpose are:

Buildings	2% - approximate 4%
Furniture, fittings and electrical fittings	10% - 20%
Office equipment and renovation	10% - 50%
Forklift, plant and machinery	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.

(c) Derecognition

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 (CONTINUED)

3.8 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.

3.9 Inventories

Inventories are measured at the lower of cost and net realisable value. Cost is determined on the weighted average basis. Cost includes materials purchase cost 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.

3.10 Financial instruments

Financial instruments 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 instruments.

Except for the trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient, the financial instruments are recognised initially at its fair value plus or minus, in the case of a financial asset or financial liability not at fair value through profit or loss, transaction costs that are directly attributable to the acquisition or issue of the financial asset and financial liability. Transaction costs of financial assets carried at fair value through profit or loss are expensed in profit or loss. Trade receivables that do not contain a significant financing component or for which the Group and the Company have applied the practical expedient are measured at the transaction price determined under MFRS 15 *Revenue from Contracts with Customers.*

(a) Subsequent measurement

The Group and the Company categorise the financial instruments as follows:

(i) Financial assets

For the purposes of subsequent measurement, financial assets are classified at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual cash flows characteristics of the financial assets.

The Group and the Company reclassify financial assets when and only when their business models for managing those assets change.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's and the Company's business model for managing the asset and the cash flow characteristics of the asset. The measurement category into which the Group and the Company classify their debt instruments as follows:

Amortised cost

Financial assets that are held for collection of contractual cash flows and those cash flows represent solely payments of principal and interest are measured at amortised cost. Financial assets at amortised cost are subsequently measured using the effective interest method and are subject to impairment. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial instruments (continued)

(a) Subsequent measurement (continued)

The Group and the Company categorise the financial instruments as follows: (continued)

(i) Financial assets (continued)

Equity instruments

The Group and the Company subsequently measure all equity investments at fair value. Upon initial recognition, the Group and the Company can make an irrevocable election to classify its equity investments that is not held for trading as equity instruments designated at fair value through other comprehensive income ("FVOCI"). The classification is determined on an instrument-by-instrument basis.

Gains and losses on these financial assets are not recycled to profit or loss. Dividends are recognised as other income in the profit or loss when the right of payment has been established, except when the Group and the Company benefit from such proceeds as a recovery of part of the cost of the financial asset, in which case, such gains are recorded in other comprehensive income. Equity instruments designated at FVOCI are not subject to impairment assessment.

(ii) Financial liabilities

The Group and the Company classified their financial liabilities at amortised cost.

Financial liabilities at amortised cost

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

(b) Derecognition

A financial asset or a part of it is derecognised when, and only when:

(i) the contractual rights to receive cash flows from the financial asset expire; or

(ii) the Group and the Company have transferred their rights to receive cash flows from the asset or have assumed an obligation to pay the received cash flows in full without material delay to a third party; and either

- the Group and the Company have transferred substantially all the risks and rewards of the asset; or
- the Group and the Company have neither transferred nor retained substantially all the risks and rewards of the asset, but have transferred control of the asset.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.10 Financial instruments (continued)

(b) Derecognition (continued)

The Group and the Company evaluate if, and to what extent, they have retained the risks and rewards of ownership. When they have neither transferred nor retained substantially all of the risks and rewards of the asset, nor transferred control of the asset, the Group and the Company continue to recognise the transferred asset to the extent of their continuing involvement. In that case, the Group and the Company also recognise an associated liability. The transferred asset and the associated liability are measured on a basis that reflects the rights and obligations that the Group and the Company have retained.

Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Group and the Company could be required to repay.

On derecognition of a financial asset, the difference between the carrying amount (measured at the date of derecognition) and the consideration received (including any new asset obtained less any new liability assumed) is recognised in profit or loss.

A financial liability or a part of it is derecognised when, and only when, the obligation specified in the contract is discharged, cancelled or expired. On derecognition of a financial liability, the difference between the carrying amount and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in profit or loss.

(c) Offsetting of financial instruments

Financial assets and financial liabilities are offset and the net amount is presented in the statements of financial position if there is a currently enforceable legal right to offset the recognised amounts and there is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity shall not offset the transferred asset and the associated liability.

3.11 Contract liabilities

Contract liability is the obligation to transfer to customers for which the Group had billed their customers for goods yet to be delivered and its consideration may or may not be received.

3.12 Leases

(a) Definition of leases

At inception of a contract, the Group assesses whether a contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset, the Group assesses whether:

- the contract involves the use of an identified asset;
- the Group has the right to obtain substantially all of the economic benefits from use of the asset throughout the period of use; and
- the Group has the right to direct the use of the asset.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Leases (continued)

(b) Lessee accounting

At the lease commencement date, the Group recognises a right-of-use asset and a lease liability with respect to all lease agreements in which it is the lessee, except for short-term leases (defined as leases with a lease term of 12 months or less) and leases of low value assets.

Right-of-use asset

The right-of-use asset is initially recognised at cost, which comprises the initial amount of the lease liability adjusted for any lease payments made at or before the commencement date, plus any initial direct costs incurred and an estimate of costs to dismantle and remove the underlying asset or to restore the underlying asset or the site on which it is located, less any lease incentives received.

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Group expects to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.13(b).

Lease liability

The lease liability is initially measured at the present value of the lease payments that are not paid at the commencement date, discounted by using the rate implicit in the lease. If this rate cannot be readily determined, the Group uses its incremental borrowing rate.

Lease payments included in the measurement of the lease liability comprise:

- fixed lease payments (including in-substance fixed payments), less any lease incentives;
- variable lease payments that depend on an index or rate, initially measured using the index or rate at the commencement date;
- the amount expected to be payable by the lessee under residual value guarantees;
- the exercise price of a purchase option, if the lessee is reasonably certain to exercise that option; and
- payments of penalties for terminating the lease, if the lease term reflects the lessee exercising an option to terminate the lease.

The lease liability is subsequently measured by increasing the carrying amount to reflect interest on the lease liability and by reducing the carrying amount to reflect the lease payments made.

The Group remeasures the lease liability (and make a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.
- the lease payments change due to changes in an index or rate or a change in expected payment under a guaranteed residual value, in which cases the lease liability is remeasured by discounting the revised lease payments using the initial discount rate (unless the lease payments change is due to a change in a floating interest rate, in which case a revised discount rate is used).
- a lease contract is modified and the lease modification is not accounted for as a separate lease, in which case the lease liability is remeasured by discounting the revised lease payments using a revised discount rate.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.12 Leases (continued)

(b) Lessee accounting (continued)

Lease liability (continued)

Variable lease payments that do not depend on an index or a rate are not included in the measurement of the lease liability and the right-of-use asset. The related payments are recognised as an expense in the period in which the event or condition that triggers those payments occurs and are included in the statements of profit or loss and other comprehensive income.

The Group has elected not to separate non-lease components and account for the lease and non-lease components as a single lease component.

Short-term leases and leases of low value assets

The Group has elected not to recognise right-of-use assets and lease liabilities for short-term leases and leases of low value assets. The Group recognises the lease payments as an operating expense on a straight-line basis over the term of the lease unless another systematic basis is more representative of the time pattern in which economic benefits from the leased asset are consumed.

(c) Lessor accounting

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. All other leases that do not meet this criterion are classified as operating leases.

When the Group is an intermediate lessor, it accounts for the head lease and the sublease as two separate contracts. The sublease is classified as a finance or operating lease by reference to the right-of-use asset arising from the head lease. If a head lease is a short-term lease to which the Group applies the exemption described in Note 3.12(b), then it classifies the sub-lease as an operating lease.

If an entity in the Group is a lessor in a finance lease, it derecognises the underlying asset and recognises a lease receivable at an amount equal to the net investment in the lease. Finance income is recognised in profit or loss based on a pattern reflecting a constant periodic rate of return on the lessor's net investment in the finance lease.

If an entity in the Group is a lessor in an operating lease, the underlying asset is not derecognised but is presented in the statements of financial position according to the nature of the asset. Lease income from operating leases is recognised in profit or loss on a straight-line basis over the lease term, unless another systematic basis is more representative of the time pattern in which use benefit derived from the leased asset is diminished.

When a contract includes lease and non-lease components, the Group applies MFRS 15 to allocate the consideration under the contract to each component.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Impairment of assets

(a) Impairment of financial assets

Financial assets measured at amortised cost and financial guarantee contracts will be subject to the impairment requirement in MFRS 9 which is related to the accounting for expected credit losses on the financial assets. Expected credit loss is the weighted average of credit losses with the respective risks of a default occurring as the weights.

The Group and the Company measure loss allowance at an amount equal to lifetime expected credit losses, except for the following, which are measured as 12-month expected credit losses:

- debt securities that are determined to have low credit risk at the reporting date; and
- other debt securities and bank balances for which credit risk (i.e. risk of default occurring over the expected life of the financial instrument) has not increased significantly since initial recognition.

For trade receivables, the Group and the Company apply the simplified approach permitted by MFRS 9 to measure the loss allowance at an amount equal to lifetime expected credit losses.

When determining whether the credit risk of a financial asset has increased significantly since initial recognition and when estimating expected credit losses, the Group and the Company consider reasonable and supportable information that is relevant and available without undue cost or effort. This includes both quantitative and qualitative information and analysis, based on the Group's and the Company's historical experience and informed credit assessment and including forward-looking information.

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 60 days past due.

The Group and the Company consider a financial asset to be in default when:

- the counterparty is unable to pay its credit obligations to the Group and the Company in full, without taking into account any credit enhancements held by the Group and the Company; or
- the contractual payment of the financial asset is more than 60 days past due unless the Group and the Company have reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

Lifetime expected credit losses are the expected credit losses that result from all possible default events over the expected life of a financial instrument.

12-month expected credit losses are the portion of lifetime expected credit losses that represent the expected credit losses that result from default events on a financial instrument that are possible within the 12 months after the reporting date.

The maximum period considered when estimating expected credit losses is the maximum contractual period over which the Group and the Company are exposed to credit risk.

Expected credit losses are a probability-weighted estimate of credit losses (i.e. the present value of all cash shortfalls) over the expected life of the financial instrument. A cash shortfall is the difference between the cash flows that are due to an entity in accordance with the contract and the cash flows that the entity expects to receive.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.13 Impairment of assets (continued)

(a) Impairment of financial assets (continued)

Expected credit losses are discounted at the effective interest rate of the financial assets.

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost are credit-impaired. A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- significant financial difficulty of the issuer or the counterparty;
- a breach of contract, such as a default of past due event;
- the lender(s) of the counterparty, for economic or contractual reasons relating to the counterparty's financial difficulty, having granted to the counterparty a concession(s) that the lender(s) would not otherwise consider; or
- it is becoming probable that the counterparty will enter bankruptcy or other financial reorganisation.

The amount of impairment losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss.

The gross carrying amount of a financial asset is written off (either partially or in full) to the extent that there is no realistic prospect of recovery. This is generally the case when the Group and the Company determine that the debtor does not have assets or source of income that could generate sufficient cash flows to repay the amounts subject to the write-off. However, financial assets that are written off could still be subject to enforcement activities in order to comply with the Group's and the Company's procedure for recovery of amounts due.

(b) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories, deferred tax assets, assets arising from employee benefits, investment properties measured at fair value) are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount.

For the purpose of impairment testing, assets are grouped together into the smallest group of assets that generates cash inflows from continuing use that are largely independent of the cash inflows of non-financial assets or cash-generating units ("CGUs").

The recoverable amount of an asset or a CGU is the higher of its fair value less costs of disposal and its value-in-use. In assessing value-in-use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset or CGU. In determining the fair value less costs of disposal, recent market transactions are taken into account. If no such transactions can be identified, an appropriate valuation model is used.

Where the carrying amount of an asset exceeds its recoverable amount, the carrying amount of asset is reduced to its recoverable amount.

Impairment losses are recognised in profit or loss.

An assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. An impairment loss is reversed only if there has been a change in the estimates used to determine the assets recoverable amount since the last impairment loss was recognised. Reversal of impairment loss is restricted by the asset's carrying amount that would have been determined had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.14 Cash and cash equivalents

Cash and cash equivalents comprise cash on hand, bank balances 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.

3.15 Share capital

Ordinary shares

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

3.16 Borrowing costs

Borrowing costs are capitalised as part of a qualifying asset 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 incurred in connection with the borrowing of funds.

3.17 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 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.

3.18 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 Executive Directors and Chief Financial Officer 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 25, including the factors used to identify the reportable segments and the measurement basis of segment information.

3.19 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.

3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

3.20 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	
	2021 RM	2020 RM	2021 RM	2020 RM
Revenue from contract customers				
Sale of goods	886,581,622	589,577,037	-	-
Revenue from other sources				
Management fees	-	-	549,402	444,100
Dividend income from subsidiaries	-	-	13,500,000	-
Corporate guarantee fees charged to subsidiaries	-	-	1,329,442	841,248
	886,581,622	589,577,037	15,378,844	1,285,348
Timing of revenue recognition				
At a point in time	886,581,622	589,577,037	15,378,844	1,285,348

Disaggregation of revenue

The Group reports the following major segments: trading, processing and/or manufacturing and others in accordance with MFRS 8 *Operating Segments*. For the purpose of disclosure for disaggregation of revenue, it disaggregates revenue into major goods or services.

The information on disaggregation of revenue and gross profit into the major segments are disclosed in Note 25.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

5. COST OF SALES

	Group	
	2021 RM	2020 RM
Direct costs	640,670,059	488,444,426
Other operating costs	24,251,869	23,493,768
	664,921,928	511,938,194

6. PROFIT/(LOSS) BEFORE TAX

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

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Auditors' remuneration:					
- statutory audit services					
- current year		247,589	237,330	41,000	39,000
- other services		7,000	7,000	7,000	7,000
Bad debts written off		70,824	3,619	-	-
Depreciation of property, plant and equipment	9	15,027,037	15,322,893	3,640	2,944
Derecognition of a right-of-use asset		-	11,129	-	-
Employee benefits expense	(a)	34,836,802	30,766,305	1,666,592	1,507,306
Expense relating to short-term leases:					
- premises		139,779	102,600	-	-
- motor vehicle		3,000	-	-	-
Impairment losses on:					
- trade receivables	28(b)(i)	2,160,169	1,366,642	-	-
- investment in subsidiaries	11	-	-	9,560	96,026
Interest expense in respect of:					
- bank overdrafts		1,074,990	2,402,540	-	-
- bankers' acceptances		6,665,164	6,020,492	-	-
- islamic financing		1,442,422	1,259,266	-	-
- lease liabilities		895,509	953,875	-	-
- term loans		2,131,983	2,314,331	-	-
Inventories written down		373,372	905,618	-	-
Net unrealised foreign exchange loss		12,326	2,595	-	-
Plant and equipment written off		14,226	-	-	-
Gain on disposal of plant and equipment		-	(36,000)	-	-
Interest income from:					
- cash at banks		(136,544)	(42,976)	(35,891)	(6,880)
- deposits with licensed banks		(722,459)	(792,143)	(276,751)	(15,860)
- trade receivables' overdue balance		(440,185)	(239,398)	-	-
Net gain on a lease termination		(6,220)	-	-	-
Net realised foreign exchange gain		(76,432)	(204,939)	-	-
Rent concession income		(71,040)	(85,500)	-	-
Rental income from premises		(2,524,598)	(2,524,961)	-	-
Reversal of a lease liability		-	(11,341)	-	-
Reversal of impairment losses on:					
- trade receivables	28(b)(i)	(64,201)	(1,000)	-	-
- investment in a subsidiary	11	-	-	(51,401)	-

6. PROFIT/(LOSS) BEFORE TAX (CONTINUED)

(a) Employee benefits expense

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Salaries and allowances	31,010,840	27,139,682	1,554,403	1,413,135
Defined contribution plan	3,154,447	2,748,724	105,112	88,698
Social security contributions	260,942	255,549	4,256	3,685
Staff welfare	410,573	622,350	2,821	1,788
	34,836,802	30,766,305	1,666,592	1,507,306
Recognised in:				
Cost of sales	11,063,679	10,479,827	-	-
Administrative and other expenses	23,773,123	20,286,478	1,666,592	1,507,306
	34,836,802	30,766,305	1,666,592	1,507,306

Directors' remuneration

Included in employee benefits expense is the aggregate amount of remuneration received and receivable by the directors of the Company and its subsidiaries during the financial years ended 31 December 2021 and 31 December 2020 as follows:

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Directors of the Company				
Executive directors				
- Fees	850,000	700,000	350,000	350,000
- Other emoluments:				
- current year	5,295,956	3,927,956	-	-
- prior year	-	(60,000)	-	-
- Defined contribution plan:				
- current year	635,040	470,880	-	-
- prior year	-	(7,200)	-	-
- Estimated monetary value of benefits-in-kind	135,677	166,177	-	-
	6,916,673	5,197,813	350,000	350,000
Non-executive directors				
- Fees	300,000	300,000	300,000	300,000
- Other emoluments	24,000	19,000	24,000	19,000
	324,000	319,000	324,000	319,000
Directors of subsidiaries				
Executive directors				
- Fees	200,000	150,000	-	-
- Other emoluments:				
- current year	3,041,197	2,342,377	-	-
- prior year	-	(24,000)	-	-
- Defined contribution plan:				
- current year	360,050	276,586	-	-
- prior year	-	(2,880)	-	-
- Estimated monetary value of benefits-in-kind	61,480	79,875	-	-
	3,662,727	2,821,958	-	-
Total directors' remuneration	10,903,400	8,338,771	674,000	669,000

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

7. INCOME TAX EXPENSE

The major components of income tax expense for the financial years ended 31 December 2021 and 31 December 2020 are as follows:

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Current income tax					
- current year		37,222,890	4,740,884	319,000	-
- prior years		(1,247,005)	(920,242)	892	5,068
		35,975,885	3,820,642	319,892	5,068
Deferred tax	20				
- current year		956,934	751,234	-	-
- prior year		(63,782)	318,479	-	-
		893,152	1,069,713	-	-
Income tax expense		36,869,037	4,890,355	319,892	5,068

Domestic income tax is calculated at Malaysian statutory income tax rate of 24% (2020: 24%) of the estimated assessable profit for the financial year.

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

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Profit/(Loss) before tax	172,849,981	33,364,439	13,049,365	(743,612)
Tax at Malaysian statutory income tax rate of 24% (2020: 24%)	41,484,000	8,007,500	3,131,800	(178,500)
Effect of different tax rate in foreign jurisdiction	(2,433)	6,162	-	-
Tax effects of:				
- non-deductible expenses	1,346,497	1,898,965	424,810	162,600
- non-taxable income	(220,866)	(196,532)	(3,250,000)	(1,300)
- double deduction expenses	(45,450)	(54,195)	-	-
Reinvestment allowance claimed during the year	(4,407,194)	(3,948,189)	-	-
Utilisation of deferred tax assets previously not recognised:				
- business losses	(1,617)	-	-	-
- other temporary differences	-	(253,757)	-	-
Deferred tax assets not recognised on business losses and temporary differences	26,887	32,164	12,390	17,200
(Over)/Under provision in prior years:				
- current income tax	(1,247,005)	(920,242)	892	5,068
- deferred tax	(63,782)	318,479	-	-
Income tax expense	36,869,037	4,890,355	319,892	5,068

8. EARNINGS PER SHARE

(a) Basic 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 owners of the Company of RM136,010,685 (2020: RM28,457,923) by the weighted average number of ordinary shares in issue during the financial year of 330,383,562 (2020: 310,000,000) ordinary shares.

(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 2021	Freehold industrial land RM	Buildings RM	Furniture, fittings and electrical fittings RM	Office equipment and renovation RM	Forklift, plant and machinery RM	Motor vehicles RM	Right-of-use assets RM	Total RM
Cost								
At 1 January 2021	25,107,881	89,342,770	3,826,710	7,864,330	112,461,419	13,754,568	63,233,175	315,590,853
Additions	25,975,429	12,057,371	3,955	256,686	7,521,493	769,385	10,036,361	56,620,680
Reclassifications	-	-	-	-	1,349,350	471,308	(1,820,658)	-
Derecognition	-	-	-	-	-	-	(2,808,634)	(2,808,634)
Written off	-	-	-	(717,684)	(3,353,496)	-	-	(4,071,180)
Exchange differences	-	-	53	996	-	-	-	1,049
At 31 December 2021	51,083,310	101,400,141	3,830,718	7,404,328	117,978,766	14,995,261	68,640,244	365,332,768
Accumulated depreciation								
At 1 January 2021	-	13,639,105	2,405,745	5,671,451	68,600,570	12,880,430	8,707,768	111,905,069
Depreciation charge for the financial year	-	2,183,594	246,519	574,881	7,216,352	844,257	3,961,434	15,027,037
Reclassifications	-	-	-	-	427,295	196,378	(623,673)	-
Derecognition	-	-	-	-	-	-	(2,565,249)	(2,565,249)
Written off	-	-	-	(717,400)	(3,339,554)	-	-	(4,056,954)
Exchange differences	-	-	48	851	-	-	-	899
At 31 December 2021	-	15,822,699	2,652,312	5,529,783	72,904,663	13,921,065	9,480,280	120,310,802
Carrying amount								
At 31 December 2021	51,083,310	85,577,442	1,178,406	1,874,545	45,074,103	1,074,196	59,159,964	245,021,966

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group 2020	Freehold industrial land RM	Buildings RM	Furniture, fittings and electrical fittings RM	Office equipment and renovation RM	Forklift, plant and machinery RM	Motor vehicles RM	Right-of-use assets RM	Total RM
Cost								
At 1 January 2020	25,107,881	83,406,584	3,685,212	7,747,313	111,694,755	12,544,519	70,365,931	314,552,195
Additions	-	185,948	141,500	117,027	874,548	155,194	2,520,241	3,994,458
Reclassification	-	-	-	-	-	1,108,295	(1,108,295)	-
Transfer from capital work-in-progress (Note 10)	-	5,750,238	-	-	-	-	-	5,750,238
Disposals	-	-	-	-	(107,884)	(53,440)	-	(161,324)
Derecognition	-	-	-	-	-	-	(8,544,702)	(8,544,702)
Exchange differences	-	-	(2)	(10)	-	-	-	(12)
At 31 December 2020	25,107,881	89,342,770	3,826,710	7,864,330	112,461,419	13,754,568	63,233,175	315,590,853
Accumulated depreciation								
At 1 January 2020	-	11,560,035	2,156,557	5,067,643	61,577,667	10,869,383	14,045,826	105,277,111
Depreciation charge for the financial year	-	2,079,070	249,191	603,844	7,130,787	1,381,038	3,878,963	15,322,893
Reclassification	-	-	-	-	-	683,448	(683,448)	-
Disposals	-	-	-	-	(107,884)	(53,439)	-	(161,323)
Derecognition	-	-	-	-	-	-	(8,533,573)	(8,533,573)
Exchange differences	-	-	(3)	(36)	-	-	-	(39)
At 31 December 2020	-	13,639,105	2,405,745	5,671,451	68,600,570	12,880,430	8,707,768	111,905,069
Carrying amount								
At 31 December 2020	25,107,881	75,703,665	1,420,965	2,192,879	43,860,849	874,138	54,525,407	203,685,784

Included in buildings of the Group are warehouse buildings of a subsidiary with carrying amount of RM14,497,435 (2020: RM15,136,096) which are erected on a land leased from a third party landlord which has a remaining lease term of approximately 23 years (2020: 24 years).

Further information about the lease of land is disclosed in Note 9(c)(iii).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

	Company	
	2021 RM	**2020 RM**
Office equipment		
Cost		
At 1 January	18,132	10,862
Additions	473	7,270
At 31 December	18,605	18,132
Accumulated depreciation		
At 1 January	4,861	1,917
Charge for the financial year	3,640	2,944
At 31 December	8,501	4,861
Carrying amount		
At 31 December	10,104	13,271

(a) Assets pledged as security

The carrying amount of assets pledged as security to secure loans and borrowings granted to certain subsidiaries as disclosed in Note 19 are as follows:

	Group	
	2021 RM	**2020 RM**
Freehold land	35,401,710	9,426,281
Buildings	58,856,251	48,058,511
Plant and machinery	20,644,995	23,468,788
	114,902,956	80,953,580

(b) Asset subject to operating leases

The Group leases its warehouse buildings to a third party. Each lease contains an initial non-cancellable period of 2 years with option to renew for subsequent 2 years. The third party has no intention to exercise its option to renew.

During the financial year, one of the leased warehouse building with carrying amount of RM9,192,305 (2020: RM9,597,216) was terminated on 30 June 2021 upon the expiry of its lease contract.

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(b) Asset subject to operating leases (continued)

Information about leases for which the Group is lessor is presented below:

	Note	Group 2021 RM	Group 2020 RM
Building (Operating lease)			
Cost			
At 1 January		17,298,306	11,548,068
Transfer from capital work-in-progress	10	-	5,750,238
Reclassification to own-use buildings		(11,548,068)	-
At 31 December		5,750,238	17,298,306
Accumulated depreciation			
At 1 January		2,162,210	1,545,940
Depreciation charge for the financial year		638,661	616,270
Reclassification to own-use buildings		(2,355,763)	-
At 31 December		445,108	2,162,210
Carrying amount			
At 31 December		5,305,130	15,136,096

(c) Right-of-use assets

The Group leases several assets and the information about leases of the Group as a lessee is presented below:

	Leasehold land RM	Buildings RM	Plant and machinery RM	Motor vehicles RM	Total RM
Group					
Carrying amount					
At 1 January 2021	44,145,827	1,233,822	8,005,125	1,140,633	54,525,407
Additions	-	3,341,348	6,695,013	-	10,036,361
Reclassifications	-	-	(922,055)	(274,930)	(1,196,985)
Derecognition *	-	(243,385)	-	-	(243,385)
Depreciation	(834,092)	(1,804,298)	(1,071,944)	(251,100)	(3,961,434)
At 31 December 2021	43,311,735	2,527,487	12,706,139	614,603	59,159,964
Carrying amount					
At 1 January 2020	44,979,921	1,375,007	9,020,732	944,445	56,320,105
Additions	-	1,734,861	-	785,380	2,520,241
Reclassification	-	-	-	(424,847)	(424,847)
Derecognition *	-	(11,129)	-	-	(11,129)
Depreciation	(834,094)	(1,864,917)	(1,015,607)	(164,345)	(3,878,963)
At 31 December 2020	44,145,827	1,233,822	8,005,125	1,140,633	54,525,407

* *Derecognition of right-of-use assets is a result of termination of certain leases of the Group and the net gain of lease termination is disclosed in Note 6.*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

(c) Right-of-use assets (continued)

(i) Lease term

The Group leases land and buildings for its office space, operation site and staff accommodation. The leases generally have lease term between 2 and 95 years (2020: 1 and 95 years).

Plant and machinery and motor vehicles have lease term between 2 and 5 years (2020: 2 and 5 years).

The remaining lease terms of the leasehold land are approximately between 29 and 89 years (2020: 30 and 90 years).

(ii) Asset pledged as security

The leasehold land with a carrying amount of RM35,073,269 (2020: RM35,543,893) has been pledged as security to secure loans and borrowings granted to certain subsidiaries as disclosed in Note 19.

(iii) Extension and termination options

Included in the lease contracts is a lease for an industrial land of a subsidiary which has a 30 years extension period upon the expiry of the current lease in 2044. As at the reporting date, the Group is still in the midst of assessing if the subsidiary will extend the said lease upon expiry of the current lease tenure. As the rental payments for the extension period are subject to discussion with the lessor upon the lease being renewed, the subsidiary is unable to reliably estimate the future cash outflow pertaining to the extension period.

10. CAPITAL WORK-IN-PROGRESS

		Group	
	Note	**2021 RM**	**2020 RM**
At 1 January		13,835,985	5,971,755
Additions		20,030,763	13,614,468
Transfer to property, plant and equipment	9	-	(5,750,238)
At 31 December		33,866,748	13,835,985

Capital work-in-progress ("CWIP") is in respect of construction of factory and warehouse buildings, plant and machinery.

Included in construction of factory and warehouse buildings is an amount of RM18,684,452 (2020: RM13,835,985) pledged as security to secure certain loans and borrowings of a subsidiary as disclosed in Note 19.

Borrowing costs capitalised in relation to capital work-in-progress during the financial year amounts to RM68,514 (2020: RM Nil).

11. INVESTMENT IN SUBSIDIARIES

	Note	Company 2021 RM	2020 RM
Unquoted shares, at cost			
At 1 January		162,256,997	162,456,997
Addition	(a)	26,500,000	-
Capital distribution from a subsidiary		-	(200,000)
At 31 December		188,756,997	162,256,997
Accumulated impairment losses			
At 1 January		3,144,989	3,048,963
Additions	6	9,560	96,026
Reversal	6	(51,401)	-
At 31 December		3,103,148	3,144,989
Carrying amount			
At 31 December		185,653,849	159,112,008

(a) Capital injection in a subsidiary

On 28 December 2021, the Company had subscribed for an additional 26,500,000 ordinary shares in the share capital of a subsidiary, Leon Fuat Metal Sdn. Bhd. for a total cash consideration of RM26,500,000. The additional subscription does not change the effective equity interest held by the Company.

(b) The details of subsidiaries are as follows:

Name of company	Principal place of business/ country of incorporation	Principal activities	Effective ownership interest/ voting rights 2021	2020
Direct subsidiaries				
Leon Fuat Hardware Sdn. Bhd.	Malaysia	Trading and processing of steel products	100%	100%
Leon Fuat Metal Sdn. Bhd.	Malaysia	Trading, processing and/or manufacturing of steel and other related 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%

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

11. INVESTMENT IN SUBSIDIARIES (CONTINUED)

(b) The details of subsidiaries are as follows: (continued)

Name of company	Principal place of business/ country of incorporation	Principal activities	Effective ownership interest/ voting rights 2021	Effective ownership interest/ voting rights 2020
Indirect subsidiaries through Leon Fuat Metal Sdn. Bhd.				
Leon Fuat Industrial Products Sdn. Bhd.	Malaysia	Manufacturing, trading and processing of steel products	100%	100%
PCM Steel Processing Sdn. Bhd.	Malaysia	Slitting and processing metal coil and sheets	87% (Approximately)	87% (Approximately)

\# *On 2 January 2019, ASA Steel (M) Sdn. Bhd. has filed for voluntary winding up process.*
* *Audited by an independent member firm of Baker Tilly International.*

The Group's subsidiary which has non-controlling interests is not material to the financial position, financial performance and cash flows of the Group and therefore its details are not presented in the financial statements.

There is no restriction in the ability of the Group to access or use the assets and settle the liabilities of the subsidiaries.

12. INVENTORIES

	Group 2021 RM	Group 2020 RM
At cost		
Trading inventories	410,862,352	233,580,351
Goods-in-transit	6,626,330	15,519,750
Spare parts	460,422	249,613
	417,949,104	249,349,714
At net realisable value		
Trading inventories	1,329,347	1,028,945
	419,278,451	250,378,659

(a) During the financial year, the cost of inventories recognised as an expense in cost of sales of the Group is RM640,670,059 (2020: RM488,444,426).

(b) The cost of inventories of the Group recognised as an expense in cost of sales during the financial year in respect of write-down of inventories to net realisable value is RM373,372 (2020: RM905,618).

13. TRADE AND OTHER RECEIVABLES

	Note	Group 2021 RM	Group 2020 RM	Company 2021 RM	Company 2020 RM
Trade receivables					
External parties	(a)	262,535,152	198,439,320	-	-
Related parties	(b)	405,023	184,183	-	-
Fellow subsidiary	(b)	271	7,263	-	-
		262,940,446	198,630,766	-	-
Less: Impairment losses on external parties	28(b)(i)	(3,319,798)	(2,206,711)	-	-
Total trade receivables		259,620,648	196,424,055	-	-
Other receivables					
Other receivables		26,866	130,490	-	-
Advances to suppliers	(c)	8,620,358	4,122,810	-	-
GST refundable		11,727	20,246	-	-
Deposits	(d)	12,494,807	4,633,775	4,500	4,500
Prepayments		4,081,778	2,042,386	3,000	-
Total other receivables		25,235,536	10,949,707	7,500	4,500
Total trade and other receivables		284,856,184	207,373,762	7,500	4,500

(a) Trade receivables

The Group's trade receivables normal credit term range from 14 to 90 days (2020: 14 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition. Other credit terms are assessed and approved on a case by case basis.

The information about the credit exposure is disclosed in Note 28(b)(i).

(b) The amounts due from related parties and a fellow subsidiary are subject to normal trade term.

Further information on related parties and a fellow subsidiary are disclosed in Note 27.

(c) The amount of advances to suppliers of the Group is denominated in United States Dollar, being advances to foreign suppliers for purchase of inventories.

(d) Included in deposits of the Group are:

(i) an amount of RM60,000 (2020: RM60,000) represents rental and utilities deposits paid to a fellow subsidiary;

(ii) an amount of RM125,100 (2020: RM142,000) represents rental deposits paid to ultimate holding company;

(iii) an amount of RM11,575,906 (2020: RM3,735,937) being down payments for acquisition of plant and equipment; and

(iv) included in down payments for acquisition of plant and equipment are amounts of RM800,454 (2020: RM1,320,116) and RM8,172,611 (2020: RM1,894,421) denominated in United States Dollar and Chinese Yuan Renminbi respectively.

(e) The foreign currency exposure profile of trade receivables of the Group is as follows:

	Group 2021 RM	Group 2020 RM
United States Dollar	1,490,808	1,688,531
Singapore Dollar	321,378	186,190

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

14. AMOUNT DUE FROM SUBSIDIARIES

This amount is non-trade in nature, unsecured, non-interest bearing, repayable on demand and is expected to be settled in cash.

15. DEPOSITS WITH LICENSED BANKS

	Group	
	2021 RM	2020 RM
Deposits with licensed banks		
- pledged	498,308	8,086,741
- not pledged	2,517,061	19,791,031
	3,015,369	27,877,772

The interest rates as at the reporting date and the maturities of the deposits placed with licensed banks are as follows:

	Group	
	2021	2020
Interest rate (%) (per annum)	1.60 - 1.92	1.60 - 3.10
Maturity (days)	11 - 365	30 - 366

Deposit amounting to RM498,308 (2020: RM8,086,741) is pledged with a licensed bank as security for banking facilities granted to a subsidiary as disclosed in Note 19(c).

16. CASH AND BANK BALANCES

	Group		Company	
	2021 RM	2020 RM	2021 RM	2020 RM
Cash at banks	42,608,462	23,327,246	1,918,840	4,320,180
Cash in hand	28,346	30,984	3	3
	42,636,808	23,358,230	1,918,843	4,320,183

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

	Group	
	2021 RM	2020 RM
United States Dollar	403,002	443,781
Singapore Dollar	292,446	1,002,256

17. SHARE CAPITAL

	Group/Company			
	<---- 2021 ----	---->	<---- 2020 ----	---->
	Number of ordinary shares Unit	Amount RM	Number of ordinary shares Unit	Amount RM
Issued and fully paid up (no par value):				
At 1 January	310,000,000	160,094,360	310,000,000	160,094,360
Issuance of shares pursuant to private placement	31,000,000	26,350,000	-	-
Transaction costs of share issue	-	(21,845)	-	-
At 31 December	341,000,000	186,422,515	310,000,000	160,094,360

The holders of ordinary shares are entitled to receive dividends as declared from time to time and are entitled to one vote per share at meetings of the Company. All ordinary shares rank equally with regard to the Company's residual interests.

During the financial year, the Company issued a total of 31,000,000 new ordinary shares pursuant to private placement at an issue price of RM0.85 each for the acquisition of plant and machinery.

The new ordinary shares issued during the financial year ranked pari passu in all respects with the existing ordinary shares of the Company.

18. RESERVES

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Capital reserve	(a)	923	923	-	-
Merger deficit	(b)	(109,544,997)	(109,544,997)	-	-
Retained earnings		457,940,154	328,749,469	9,653,351	3,743,878
Translation reserve	(c)	1,803	(14,841)	-	-
		348,397,883	219,190,554	9,653,351	3,743,878

(a) Capital reserve

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

(b) Merger deficit

The merger deficit 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) Translation reserve

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. LOANS AND BORROWINGS

	Note	Group 2021 RM	2020 RM
Non-current			
Secured			
Lease liabilities	(a)	4,934,287	2,934,715
Term loans	(b)	52,846,794	47,869,441
		57,781,081	50,804,156
Unsecured			
Lease liabilities	(a)	11,476,662	10,753,823
Total non-current		69,257,743	61,557,979
Current			
Secured			
Bankers' acceptances	(c)	161,502,000	98,833,000
Bank overdrafts	(c)	1,017,024	18,691,998
Lease liabilities	(a)	3,848,234	2,871,771
Term loans	(b)	9,193,044	3,096,274
		175,560,302	123,493,043
Unsecured			
Bankers' acceptances	(c)	135,271,674	50,925,000
Bank overdrafts	(c)	4,000,000	10,776,660
Islamic financing	(d)	52,989,873	43,873,965
Lease liabilities	(a)	1,786,661	1,242,762
		194,048,208	106,818,387
Total current		369,608,510	230,311,430
Total loans and borrowings			
Bankers' acceptances	(c)	296,773,674	149,758,000
Bank overdrafts	(c)	5,017,024	29,468,658
Lease liabilities	(a)	22,045,844	17,803,071
Term loans	(b)	62,039,838	50,965,715
Islamic financing	(d)	52,989,873	43,873,965
		438,866,253	291,869,409

(a) Lease liabilities

The secured lease liabilities are to secure certain plant and machinery and motor vehicles of the Group as disclosed in Note 9(c).

The lease liabilities bear interest at rates ranging from 2.30% to 5.70% (2020: 2.40% to 5.70%) per annum.

19. LOANS AND BORROWINGS (CONTINUED)

(a) Lease liabilities (continued)

Future minimum lease payments together with the present value of net minimum lease payments are as follows:

	Group	
	2021 RM	2020 RM
Minimum lease payments:		
Not later than 1 year	6,548,634	4,928,935
Later than 1 year and not later than 5 years	8,667,033	5,690,039
Later than 5 years	15,586,580	16,275,230
	30,802,247	26,894,204
Less: Future finance charges	(8,756,403)	(9,091,133)
Present value of net minimum lease payments	22,045,844	17,803,071
Present value of net minimum lease payments:		
Not later than 1 year	5,634,895	4,114,533
Later than 1 year and not later than 5 years	6,439,854	3,521,876
Later than 5 years	9,971,095	10,166,662
	22,045,844	17,803,071
Less: Amount due within 12 months	(5,634,895)	(4,114,533)
Amount due after 12 months	16,410,949	13,688,538

(b) Term loans – Secured

Details of the repayment terms are as follows:

Term Loan 1

Term loan 1 of a subsidiary of RM7,500,000 (2020: RM9,300,000) bears interest at a rate of 3.35% (2020: 3.35%) per annum and is repayable by monthly principal instalments of RM150,000 over 10 years commencing from the day of first drawdown and is secured and supported as follows:

(i) a corporate guarantee given by the Company; and

(ii) legal charge over the leasehold land of a subsidiary (Note 9).

Term Loan 2

Term loan 2 of a subsidiary of RM23,432,928 (2020: RM24,240,960) bears interest at a rate of 4.08% (2020: 4.08%) per annum and is repayable by monthly principal instalments of RM404,016 over 5 years commencing on the first day of the 25th month from the expiry of the availability period and is secured and supported as follows:

(i) a corporate guarantee given by the Company; and

(ii) legal charge over certain machinery of a subsidiary (Note 9).

Term Loan 3

Term loan 3 of a subsidiary of RM14,823,263 (2020: RM15,074,505) bears interest at a rate of 4.95% (2020: 4.95%) per annum and is repayable by monthly principal instalments of RM125,621 and a final instalment of RM125,606 over 10 years commencing on the first day of the 25th month from the expiry of the availability period and is secured and supported as follows:

(i) a corporate guarantee given by the Company; and

(ii) legal charge over the leasehold land and building of a subsidiary (Note 9).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

19. LOANS AND BORROWINGS (CONTINUED)

(b) Term loans – Secured (continued)

Details of the repayment terms are as follows: (continued)

Term Loan 4

Term loan 4 of a subsidiary of RM6,237,097 (2020: RM Nil) bears interest at a rate of 4.95% (2020: Nil) per annum and is repayable by monthly instalments over 9 years commencing on the first day of the 37th month from the date of first drawdown or repayable by monthly instalments over 10 years commencing on the first day of the 25th month from the date of completion of the proposed development, whichever is earlier and is secured and supported as follows:

(i) a corporate guarantee given by the Company; and

(ii) legal charge over the leasehold land, building and CWIP of a subsidiary (Notes 9 and 10).

Term Loan 5

Term loan 5 of a subsidiary of RM2,113,250 (2020: RM2,350,250) bears interest at a rate of 4.20% (2020: 4.27%) per annum and is repayable by monthly principal instalments of RM19,750 over 10 years commencing on the first day of the following month after full drawdown and is secured and supported as follows:

(i) a corporate guarantee given by the Company; and

(ii) legal charge over the leasehold land and building of a subsidiary (Note 9).

Term Loan 6

Term loan 6 of a subsidiary of RM7,933,300 (2020: RM Nil) bears interest at a rate of 3.99% (2020: Nil) per annum and is repayable by monthly principal instalments of RM66,700 and a final instalment of RM62,700 over 10 years commencing on the first day of the following month after full drawdown and is secured and supported as follows:

(i) a corporate guarantee given by the Company; and

(ii) legal charge over the freehold land of a subsidiary (Note 9) and ultimate holding company.

(c) Bankers' acceptances and bank overdrafts

Secured

The secured bankers' acceptances and bank overdrafts as at the end of the financial year bear interest at rates ranging from 2.56% to 2.96% (2020: 2.50% to 2.96%) per annum and 5.95% to 6.45% (2020: 6.39% to 6.45%) per annum respectively and are secured and supported by:

(i) legal charge over certain properties of subsidiaries (Note 9) and ultimate holding company;

(ii) deposit placed with a licensed bank of a subsidiary (Note 15); and

(iii) corporate guarantees given by the Company.

Unsecured

The unsecured bankers' acceptances and bank overdrafts as at the end of the financial year bear interest at rates ranging from 2.55% to 3.34% (2020: 2.78% to 4.21%) per annum and 6.42% to 6.57% (2020: 6.39% to 6.57%) per annum respectively and are supported by corporate guarantees given by the Company.

(d) Islamic financing

Islamic financing represents the Structured Commodity Financing-i facilities. This amount as at the end of the financial year is unsecured and bears interest at rates ranging from 2.87% to 3.57% (2020: 2.85% to 3.56%) per annum. The unsecured facility is supported by a corporate guarantee provided by the Company.

20. DEFERRED TAX LIABILITIES

	Note	Group 2021 RM	Group 2020 RM
At 1 January		6,587,230	5,517,517
Recognised in profit or loss	7	893,152	1,069,713
At 31 December		7,480,382	6,587,230

Presented after appropriate offsetting as follows:

	Group 2021 RM	Group 2020 RM
Deferred tax liabilities	12,937,799	11,008,588
Deferred tax assets	(5,457,417)	(4,421,358)
	7,480,382	6,587,230

The components and movements of deferred tax assets and liabilities during the financial year prior to offsetting are as follows:

	At 1 January 2020 RM	Recognised in profit or loss RM	At 31 December 2020 RM	Recognised in profit or loss RM	At 31 December 2021 RM
Group					
Deferred tax liabilities:					
Property, plant and equipment	10,468,009	478,458	10,946,467	1,839,628	12,786,095
Others	119,079	(56,958)	62,121	89,583	151,704
Total deferred tax liabilities	10,587,088	421,500	11,008,588	1,929,211	12,937,799
Deferred tax assets:					
Impairment losses on trade receivables	(384,040)	30,579	(353,461)	(369,194)	(722,655)
Accrual of bonus	(893,591)	(138,160)	(1,031,751)	(125,650)	(1,157,401)
Inventories written down	-	-	-	(193,116)	(193,116)
Lease liabilities	(2,945,368)	80,440	(2,864,928)	(303,313)	(3,168,241)
Unutilised business losses	(30,302)	(94,889)	(125,191)	125,191	-
Unabsorbed capital allowances	(785,494)	785,494	-	-	-
Unrealised profits on inventories	(30,539)	(15,488)	(46,027)	(169,944)	(215,971)
Others	(237)	237	-	(33)	(33)
Total deferred tax assets	(5,069,571)	648,213	(4,421,358)	(1,036,059)	(5,457,417)
	5,517,517	1,069,713	6,587,230	893,152	7,480,382

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

20. DEFERRED TAX LIABILITIES (CONTINUED)

Unrecognised deferred tax assets

Deferred tax assets have not been recognised in respect of the following items (stated at gross):

	Group	
	2021 RM	2020 RM
Deductible temporary differences	681,739	702,103
Unabsorbed capital allowances	3,207,130	3,074,060
Unutilised business losses	6,579,341	6,586,756
	10,468,210	10,362,919

The availability of unutilised business losses for offsetting against future taxable profits of the respective subsidiaries in Malaysia are subject to requirements under Income Tax Act, 1967 and guidelines issued by the tax authority.

Pursuant to Section 8 of the Finance Act 2021 (Act 833), the amendment to Section 44(5F) of Income Tax Act 1967, the time limit on the carried forward unutilised business losses has been extended to maximum 10 consecutive years. This amendment is deemed to have effect for the year of assessment 2019 and subsequent year of assessment.

Any unutilised business losses brought forward from year of assessment 2018 can be carried forward for another 10 consecutive years of assessment (i.e. from year of assessment 2019 to 2028).

The unutilised business losses are available indefinitely for offset against future taxable profits of the Group, except for certain unutilised business losses which will expire in the following financial years:

	Group	
	2021 RM	2020 RM
2028	5,837,261	5,837,937
2029	-	466,262

21. TRADE AND OTHER PAYABLES

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Trade payables					
External parties	(a)	14,216,726	32,143,551	-	-
Fellow subsidiary	(b)	-	9,610	-	-
Total trade payables		14,216,726	32,153,161	-	-
Other payables					
Other payables	(c)	4,046,314	7,346,559	-	-
SST payable		160,909	101,764	-	-
Withholding tax payable		734	-	-	-
Rental deposits received		353,170	430,766	-	-
Advances from customers		1,238,990	1,587,593	-	-
Accruals	(d)	10,311,476	8,191,355	945,151	881,839
Total other payables		16,111,593	17,658,037	945,151	881,839
Total trade and other payables		30,328,319	49,811,198	945,151	881,839

21. TRADE AND OTHER PAYABLES (CONTINUED)

(a) Trade payables

The Group's trade payables normal trade credit term range from 14 to 120 days (2020: 14 to 120 days).

(b) Amount due to a fellow subsidiary is subject to normal trade term.

Further information on fellow subsidiary is disclosed in Note 27.

(c) Included in other payables and accruals of the Group are RM1,410,429 (2020: RM4,071,755) and RM Nil (2020: RM255,500) due to external parties and a fellow subsidiary respectively in relation to the construction of factory and warehouse buildings.

(d) Included in accruals of the Group and of the Company are directors' fees amounting to RM1,350,000 (2020: RM1,150,000) and RM650,000 (2020: RM650,000) respectively.

(e) The foreign currency exposure profile of trade and other payables of the Group are as follows:

	Group	
	2021 RM	**2020 RM**
Trade payables		
Australian Dollar	201,572	302,205
United States Dollar	2,998,448	7,614,040
Other payables		
Euro	24,995	26,199
Singapore Dollar	617	111,284
United States Dollar	729	-

(f) For explanations on the Group's and the Company's liquidity risk management processes, refer to Note 28(b)(iii).

22. CONTRACT LIABILITIES

	Group	
	2021 RM	**2020 RM**
At 1 January	3,029,522	2,640,972
Recognised in profit or loss	(2,770,406)	(2,319,263)
Additions	1,777,536	2,707,813
At 31 December	2,036,652	3,029,522

Contract liabilities relates to advance billings for which consideration may or may not be received for goods yet to be delivered.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

23. DIVIDENDS

	Group/Company 2021 RM
Recognised during the financial year:	
Dividends on ordinary shares:	
- Single-tier interim dividend of 2.0 sen per ordinary share for the financial year ended 31 December 2021, paid on 1 July 2021	6,820,000

At the forthcoming Annual General Meeting, a single-tier final dividend of 2.0 sen per ordinary share amounting to RM6,820,000 in respect of the current financial year, based on the number of outstanding ordinary shares in issue as at 31 December 2021, will be proposed for the shareholders' approval. 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 2022.

24. CASH AND CASH EQUIVALENTS

For the purpose of the statements of cash flows, cash and cash equivalents comprise of the following:

		Group		Company	
	Note	2021 RM	2020 RM	2021 RM	2020 RM
Cash and bank balances	16	42,636,808	23,358,230	1,918,843	4,320,183
Deposits with licensed banks	15	3,015,369	27,877,772	-	-
		45,652,177	51,236,002	1,918,843	4,320,183
Less: Bank overdrafts	19	(5,017,024)	(29,468,658)	-	-
Less: Deposits pledged with licensed banks	15	(498,308)	(8,086,741)	-	-
		40,136,845	13,680,603	1,918,843	4,320,183

25. SEGMENT INFORMATION

General information

The Group is principally engaged in trading, processing and/or manufacturing 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 and/or manufacturing 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.

The Group evaluates performance based on segment operating revenue and gross profit. Inter-segment transactions are entered in the ordinary course of business based on terms mutually agreed upon by the parties concerned.

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.

25. SEGMENT INFORMATION (CONTINUED)

Measurement of reportable segment

2021	Trading of steel products RM	Processing/ Manufacturing of steel products RM	Others RM	Total RM
External revenue	324,928,460	561,361,281	291,881	886,581,622
Cost of sales	(248,081,055)	(416,297,310)	(170,191)	(664,548,556)
Gross profit before inventories written down	76,847,405	145,063,971	121,690	222,033,066
Inventories written down				(373,372)
Gross profit				221,659,694
Add/(Less):				
Other income				5,113,811
Operating expenses				(37,922,081)
Net addition of impairment losses on financial instruments				(2,095,968)
Finance costs				(13,905,475)
Profit before tax				172,849,981
Income tax expense				(36,869,037)
Profit for the financial year				135,980,944

2020	Trading of steel products RM	Processing/ Manufacturing of steel products RM	Others RM	Total RM
External revenue	204,070,496	385,114,629	391,912	589,577,037
Cost of sales	(180,138,744)	(330,597,846)	(295,986)	(511,032,576)
Gross profit before inventories written down	23,931,752	54,516,783	95,926	78,544,461
Inventories written down				(905,618)
Gross profit				77,638,843
Add/(Less):				
Other income				5,612,627
Operating expenses				(34,715,644)
Net addition of impairment losses on financial instruments				(1,365,642)
Finance costs				(13,805,745)
Profit before tax				33,364,439
Income tax expense				(4,890,355)
Profit for the financial year				28,474,084

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

25. SEGMENT INFORMATION (CONTINUED)

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.

	Non-current assets	
	2021 RM	**2020 RM**
Malaysia	278,875,669	217,510,984
Republic of Singapore	13,045	10,785
	278,888,714	217,521,769

Information about major customers

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

26. COMMITMENTS

(a) Commitments

The Group has made commitments for the following capital expenditures:

	Group	
	2021 RM	**2020 RM**
Approved and contracted for:		
Acquisition of motor vehicles	963,916	105,430
Acquisition of plant and equipment	35,207,180	10,001,889
Acquisition of properties	19,853,545	-
Construction of factory and warehouse buildings	15,454,235	19,355,249
	71,478,876	29,462,568
Approved but not contracted for:		
Acquisition of properties	-	3,301,556
	71,478,876	32,764,124

(b) Operating lease commitments – as lessor

The Group leases its warehouse buildings with non-cancellable period of 2 years to a third party. The third party has no intention to exercise its option to renew.

The maturity analysis of the undiscounted lease payments to be received after the reporting date is as follows:

	Group	
	2021 RM	**2020 RM**
Not later than 1 year	348,170	2,524,598
1 to 2 years	-	348,170
	348,170	2,872,768

27. RELATED PARTIES

(a) Identity of related parties

A party is 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 operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

(i) Ultimate holding company;

(ii) Subsidiaries;

(iii) Fellow subsidiaries;

(iv) Entities in which directors or a person connected to the directors have substantial financial interests; and

(v) Key management personnel of the Group, comprising persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

(b) Significant related party transactions

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows:

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Transactions with ultimate holding company				
- Rental paid and payable	1,449,360	1,664,400	-	-
- Acquisition of property, plant and equipment	28,000,000	-	-	-
Transactions with subsidiaries				
- Management fees received and receivables	-	-	(549,402)	(444,100)
- Dividend income received and receivables	-	-	(13,500,000)	-
- Corporate guarantee fees received and receivables	-	-	(1,329,442)	(841,248)
Transactions with fellow subsidiaries				
- Sales	(2,276)	(7,210)	-	-
- Purchases	177,805	325,524	-	-
- Rental paid and payable	300,000	300,000	-	-

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

27. RELATED PARTIES (CONTINUED)

(b) Significant related party transactions (continued)

Significant related party transactions other than disclosed elsewhere in the financial statements are as follows: (continued)

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Transactions with entities in which directors or a person connected to the directors have substantial financial interests				
- Sales	(5,307,699)	(3,816,954)	-	-
- Purchases	2,002	1,102	-	-

Significant outstanding balances with related parties at the end of the reporting period are as disclosed in Notes 13, 14, and 21.

(c) Compensation of key management personnel

	Group		Company	
	2021 RM	**2020 RM**	**2021 RM**	**2020 RM**
Short-term employee benefits				
- current year	9,097,100	6,984,280	456,923	427,923
- prior year	-	(84,000)	-	-
Fees	1,350,000	1,150,000	650,000	650,000
Benefits-in-kind	203,888	252,783	1,669	1,669
	10,650,988	8,303,063	1,108,592	1,079,592
Post-employment benefits				
- current year	1,083,182	830,638	51,840	48,960
- prior year	-	(10,080)	-	-
	11,734,170	9,123,621	1,160,432	1,128,552

28. FINANCIAL INSTRUMENTS

(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:

	Carrying amount RM	Amortised cost RM
At 31 December 2021		
Financial assets		
Group		
Trade and other receivables (i)	260,566,415	260,566,415
Deposits with licensed banks	3,015,369	3,015,369
Cash and bank balances	42,636,808	42,636,808
	306,218,592	306,218,592
Company		
Other receivable (i)	4,500	4,500
Amount due from subsidiaries	1,294,617	1,294,617
Dividend receivables	8,000,000	8,000,000
Cash and bank balances	1,918,843	1,918,843
	11,217,960	11,217,960
Financial liabilities		
Group		
Trade and other payables (ii)	28,927,686	28,927,686
Loans and borrowings (iii)	416,820,409	416,820,409
	445,748,095	445,748,095
Company		
Other payables	945,151	945,151

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

(a) Categories of financial instruments (continued)

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

	Carrying amount RM	Amortised cost RM
At 31 December 2020		
Financial assets		
Group		
Trade and other receivables (i)	197,452,383	197,452,383
Deposits with licensed banks	27,877,772	27,877,772
Cash and bank balances	23,358,230	23,358,230
	248,688,385	248,688,385
Company		
Other receivable (i)	4,500	4,500
Amount due from subsidiaries	950,115	950,115
Cash and bank balances	4,320,183	4,320,183
	5,274,798	5,274,798
Financial liabilities		
Group		
Trade and other payables (ii)	48,121,841	48,121,841
Loans and borrowings (iii)	274,066,338	274,066,338
	322,188,179	322,188,179
Company		
Other payables	881,839	881,839

(i) Excluding advances to suppliers, GST refundable, prepayments and down payments for acquisition of plant and equipment.

(ii) Excluding SST payable, withholding tax payable and advances from customers.

(iii) Excluding lease liabilities.

28. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management

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, and foreign currency risk. The Group's and the Company's overall financial risk management objective is to minimise potential effects on the financial performance of the Group and the Company.

Financial risk management is carried out through risk review, internal control systems and adherence to the Group's and the Company's financial risk management policies. The Board regularly reviews these risks and approves the policies covering the management of these risks.

(i) Credit risk

Credit risk is the risk of financial loss to the Group that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. 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.

Trade receivables

At the reporting date, the maximum exposure to credit risk arising from trade receivables is represented by the carrying amount in the statements of financial position.

The carrying amount of trade receivables are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group considers any change in the credit quality of the receivables from the date the credit was initially granted up to the reporting date. The Group has adopted a policy of dealing with creditworthy counterparties as a means of mitigating the risk of financial loss from defaults.

The Group applies the simplified approach to providing for expected credit losses ("ECL") prescribed by MFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the ECL, trade receivables have been grouped based on shared credit risk characteristics and the days past due.

The determination of ECL also incorporates economic conditions during the period of historical data, current conditions and forward-looking information on economic conditions over the expected settlement period of the receivables. The Group believes that changes in economic conditions over these periods would not materially impact the calculation of impairment of receivables.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables (continued)

The information about the credit risk exposure on the Group's trade receivables using provision matrix are as follows:

	Gross carrying amount RM	Individual impairment RM	ECL rate %	Collective impairment RM	Net carrying amount RM
Group					
2021					
Current	127,532,843	(20,931)	0.00 - 0.82	(205,988)	127,305,924
Past due					
1 - 30 days	62,822,215	(10,643)	0.00 - 1.85	(226,917)	62,584,655
31 - 60 days	50,986,508	(10,409)	0.00 - 2.30	(255,479)	50,720,620
> 60 days	21,598,880	(2,151,649)	0.05 - 5.00	(437,782)	19,009,449
Total	262,940,446	(2,193,632)		(1,126,166)	259,620,648
2020					
Current	109,941,144	-	0.01 - 0.85	(181,112)	109,760,032
Past due					
1 - 30 days	48,052,667	(488,284)	0.02 - 1.80	(163,554)	47,400,829
31 - 60 days	26,263,660	-	0.04 - 2.26	(134,028)	26,129,632
> 60 days	14,373,295	(791,841)	0.45 - 5.00	(447,892)	13,133,562
Total	198,630,766	(1,280,125)		(926,586)	196,424,055

The movement in the allowance for impairment losses on trade receivables during the financial years ended 31 December 2021 and 31 December 2020 were:

	Note	Individual impairment RM	Collective impairment RM	Total RM
Group				
2021				
At 1 January 2021		1,280,125	926,586	2,206,711
Additions	6	1,934,085	226,084	2,160,169
Reversal	6	(37,697)	(26,504)	(64,201)
Written off		(982,881)	-	(982,881)
At 31 December 2021		2,193,632	1,126,166	3,319,798
2020				
At 1 January 2020		1,129,759	793,314	1,923,073
Additions	6	1,233,370	133,272	1,366,642
Reversal	6	(1,000)	-	(1,000)
Written off		(1,082,004)	-	(1,082,004)
At 31 December 2020		1,280,125	926,586	2,206,711

28. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(i) Credit risk (continued)

Trade receivables (continued)

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

Other receivables and other financial assets

For other receivables and other financial assets (including cash and cash equivalents and refundable deposits), the Group and the Company minimise credit risk by dealing exclusively with counterparties with high credit rating.

At the reporting date, the Group's and the Company's maximum exposure to credit risk arising from other receivables and other financial assets is represented by the carrying amount of each class of financial assets recognised in the statements of financial position.

The Group and the Company consider the probability of default upon the initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Group and the Company compare the risk of a default occurring as at the reporting date with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information.

Some intercompany loans between entities within the Group are repayable on demand. For loans that are repayable on demand, impairment losses are assessed based on the assumption that repayment of the loan is demanded at the reporting date. If the borrower does not have sufficient highly liquid resources when the loan is demanded, the Group and the Company will consider the expected manner of recovery and recovery period of the intercompany loan.

As at the end of the reporting date, the Group and the Company consider these financial assets to be of low credit risk, for which no material loss allowance for impairment is required.

Financial guarantee contracts

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of loans granted to certain subsidiaries. The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks amounts to RM416,820,409 (2020: RM274,066,338) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 19. As at the reporting date, there was no indication that the subsidiaries would default on repayment and hence no loss allowance for impairment as determined by the Company for the financial guarantees.

The financial guarantees have not been recognised since the fair value on initial recognition was not material.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(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 lease liabilities, term loans, islamic financing, bankers' acceptances and bank overdrafts.

Borrowings at floating rate amounting to RM416,820,409 (2020: RM274,066,338) expose the Group to cash flow interest rate risk whilst borrowings at fixed rate amounting to RM22,045,844 (2020: RM17,803,071) expose the Group 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 2021 would decrease/increase by RM1,583,918 (2020: RM1,041,452) 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 the use of stand-by credit facilities.

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

28. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(iii) Liquidity risk (continued)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company'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
2021						
Group						
Financial liabilities						
Trade and other payables	28,927,686	28,927,686	28,927,686	-	-	-
Term loans	62,039,838	73,021,961	11,714,644	11,329,893	30,878,996	19,098,428
Bankers' acceptances	296,773,674	296,773,674	296,773,674	-	-	-
Bank overdrafts	5,017,024	5,017,024	5,017,024	-	-	-
Islamic financing	52,989,873	53,781,272	53,781,272	-	-	-
Lease liabilities	22,045,844	30,802,247	6,548,634	4,679,550	3,987,483	15,586,580
	467,793,939	488,323,864	402,762,934	16,009,443	34,866,479	34,685,008
Company						
Financial liabilities						
Other payables	945,151	945,151	945,151	-	-	-
Financial guarantee *	-	416,820,409	416,820,409	-	-	-
	945,151	417,765,560	417,765,560	-	-	-
2020						
Group						
Financial liabilities						
Trade and other payables	48,121,841	48,121,841	48,121,841	-	-	-
Term loans	50,965,715	60,178,758	5,215,724	10,295,052	28,827,313	15,840,669
Bankers' acceptances	149,758,000	149,758,000	149,758,000	-	-	-
Bank overdrafts	29,468,658	29,468,658	29,468,658	-	-	-
Islamic financing	43,873,965	44,538,851	44,538,851	-	-	-
Lease liabilities	17,803,071	26,894,204	4,928,935	2,801,880	2,888,159	16,275,230
	339,991,250	358,960,312	282,032,009	13,096,932	31,715,472	32,115,899
Company						
Financial liabilities						
Other payables	881,839	881,839	881,839	-	-	-
Financial guarantee *	-	274,066,338	274,066,338	-	-	-
	881,839	274,948,177	274,948,177	-	-	-

* The Company has given corporate guarantees of RM662,262,741 (2020: RM678,760,000) 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 2021, approximately RM416,820,409 (2020: RM274,066,338) of the banking facilities were utilised by the said subsidiaries.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

28. FINANCIAL INSTRUMENTS (CONTINUED)

(b) Financial risk management (continued)

(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 trade receivables, cash at banks and trade and other payables which is denominated in United States Dollar ("USD"), Singapore Dollar ("SGD"), Euro ("EURO") and Australian Dollar ("AUD") as disclosed in Notes 13, 16 and 21.

The Group ensures that the net exposure to this risk is kept to an acceptable level by buying or selling foreign currencies at spot rates where necessary to address short-term imbalances. Management does not enter into currency hedging transactions since it considers that the cost of such instruments outweighs the potential risk of exchange rate fluctuations.

Sensitivity analysis for foreign currency risk

The Group's principal foreign currency exposure relates mainly to USD, SGD, EURO and AUD.

The following table demonstrates the sensitivity to a reasonably possible change in the USD, SGD, EURO and AUD, with all other variables held constant on the Group's total equity and profit for the financial year.

		Group	
		2021 **RM**	**2020** **RM**
USD/RM	- Strengthened 5%	(42,004)	(208,306)
	- Weakened 5%	42,004	208,306
SGD/RM	- Strengthened 5%	23,302	40,932
	- Weakened 5%	(23,302)	(40,932)
EURO/RM	- Strengthened 5%	(950)	(996)
	- Weakened 5%	950	996
AUD/RM	- Strengthened 5%	(7,660)	(11,484)
	- Weakened 5%	7,660	11,484

(c) Fair value of financial instruments

The carrying amounts of cash and cash equivalents, short-term receivables and payables are reasonable approximation of fair values due to relatively short-term nature of these financial instruments.

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

28. FINANCIAL INSTRUMENTS (CONTINUED)

(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).

During the financial year ended 31 December 2021, there have been no transfers between Level 1 and Level 2 fair value measurements (2020: no transfer in either directions).

29. 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 2020. The Group is not subject to any externally imposed capital requirements.

The Group monitors capital using a gearing ratio, which is net debts divided by total capital plus net debts. Net debts comprise bankers' acceptances, bank overdrafts, term loans, islamic financing and lease liabilities less deposits with licensed banks, cash and bank balances whilst total capital is total equity of the Group.

	Group	
	2021 **RM**	**2020** **RM**
Total interest-bearing borrowings	438,866,253	291,869,409
Less: Deposits with licensed banks, cash and bank balances	(45,652,177)	(51,236,002)
Total net debts	393,214,076	240,633,407
Total equity	535,406,683	379,900,940
Total net debts plus equity	928,620,759	620,534,347
Gearing ratio	42%	39%

Certain subsidiaries of the Company are required to comply with gearing ratio in respect of their borrowings.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

30. IMPACT OF THE CORONAVIRUS OUTBREAK

On 11 March 2020, the World Health Organisation declared the Coronavirus ("COVID-19") outbreak as a pandemic in recognition of its rapid spread across the globe. On 18 March 2020, the Malaysian Government imposed a Movement Control Order ("MCO") followed by various other MCOs of varying degree of severity to curb the spread of COVID-19 infections in Malaysia.

The emergence of the COVID-19 outbreak in early 2020 and the resulting lockdowns and border closures imposed across the globe have brought about certain level of economic uncertainties in Malaysia.

The Group and the Company have assessed and concluded that the COVID-19 and the measures imposed by the government did not have material impact on the financial statements of the Group and the Company for the current financial year.

Given the fluidity of the situation, the Group and the Company will continue to monitor the impact of the COVID-19 and take appropriate and timely measures to minimise their impact on the Group's and the Company's operations.

31. SIGNIFICANT EVENT DURING THE FINANCIAL YEAR AND SUBSEQUENT TO THE END OF THE FINANCIAL YEAR

Proposed acquisition of leasehold land

On 30 July 2021, Leon Fuat Metal Sdn. Bhd., a wholly-owned subsidiary of the Company had entered into a sale and purchase agreement with Irama Utama Sdn. Bhd., for the acquisition of all that piece of leasehold land held under individual title No. H.S.(M) 47185, No. PT 65648, Mukim Kapar, Daerah Klang, Negeri Selangor for a purchase price of RM20,425,146. The proposed acquisition was completed following the fulfillment of the Condition Precedent stipulated in the sales and purchase agreement and full payment of the purchase price on 14 February 2022.

STATEMENT BY DIRECTORS

Pursuant to Section 251(2) of the Companies Act 2016

We, **DATO' SRI OOI BIN KEONG** and **OOI SENG KHONG**, being two of the directors of LEON FUAT BERHAD, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 90 to 152 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021 and of their financial performance and cash flows for the financial year then ended.

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

DATO' SRI OOI BIN KEONG
Director

OOI SENG KHONG
Director

Kuala Lumpur
Date: 7 April 2022

STATUTORY DECLARATION

Pursuant to Section 251(1) of the Companies Act 2016

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 accompanying financial statements as set out on pages 90 to 152 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
(MIA 15963)

Subscribed and solemnly declared by the abovenamed at the Federal Territory of Kuala Lumpur on 7 April 2022.

Before me,

HADINUR MOHD SYARIF (W761)
Commissioner for Oaths

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LEON FUAT BERHAD

(Incorporated in Malaysia)

Report on the Audit of 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 2021 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including significant accounting policies, as set out on pages 90 to 152.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2021, and of their financial performance and their cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence and Other Ethical Responsibilities

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

Key Audit Matters

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

Group

Inventories (Note 12 to the financial statements)

As at 31 December 2021, the Group's inventories amounted to RM419.28 million. The Group's inventories are measured at the lower of cost and 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:

- understand 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;
- reviewing subsequent sales and Group's assessment on estimated net realisable value on selected inventory items; and
- evaluating whether the inventories have been written down to their net realisable value for inventory items with net realisable value lower than their cost.

Key Audit Matters (continued)

Company

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to be communicated in our auditors' report.

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 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the directors are responsible for assessing the 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.

INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LEON FUAT BERHAD (CONTINUED)

(Incorporated in Malaysia)

Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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.

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 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, are disclosed in Note 11 to the financial statements.

Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

Baker Tilly Monteiro Heng PLT
201906000600 (LLP0019411-LCA) & AF 0117
Chartered Accountants

Andrew Choong Tuck Kuan
No. 03264/04/2023 J
Chartered Accountant

Kuala Lumpur
Date: 7 April 2022

LEON FUAT BERHAD AND ITS SUBSIDIARIES LIST OF PROPERTIES HELD

AS AT 31 DECEMBER 2021

Registered/ Beneficial Owner	Address/Title	Description/Existing Use	Tenure	Approximate Land/ Built-up Areas (sq. ft.*)	Approximate Age of Buildings (No. of Years)	Net Carrying Amount at Group Level as at 31 December 2021 (RM)	Year of Acquisition/ Revaluation
LF Metal	No. 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)	14	Office and factory: 16,977,593 & Land: 6,890,000	2004
LF Metal	No. 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)	25	Office and factory: 2,650,954 & Land: 2,536,281	1994
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: 11,452,449 & Land: 15,681,600	2012
LF Metal	No. 17, Persiaran Sultan Alauddin KU 17, Kawasan Perindustrian Bandar Sultan Suleiman Fasa 4, Pelabuhan Klang, 42000 Selangor Darul Ehsan held under H.S.(M) 42036, PT 65615, Mukim Kapar, Daerah Klang, Negeri Selangor Darul Ehsan	A unit of single-storey detached factory cum warehouse building/Used as steel pipe manufacturing plant, warehouse and office	Leasehold expiring on 07.12.2110	700,864/128,371 (factory and warehouse built-up area)	3	Factory and warehouse: 23,778,461 & Land: 31,069,168	2016
LF Metal	P136 - P138 and part of P139, Jalan Persiaran Port Klang FZ4, Precinct 1, Port Klang Free Zone (PKFZ), K/S12, 42920 Pulau Indah, Selangor Darul Ehsan	Two units of single-storey detached warehouse with a double-storey office building/ Currently approximately 96,714 sq. ft. of the warehouse space is rented by a third party and the remaining warehouse space and office are for own use	Lease Agreement expiring on 31.08.2044	1,862 (office built-up area) & 192,147 (warehouse built-up area)	6	Office and warehouse: 14,497,435	2016

Registered/ Beneficial Owner	Address/Title	Description/Existing Use	Tenure	Approximate Land/ Built-up Areas (sq. ft.*)	Approximate Age of Buildings (No. of Years)	Net Carrying Amount at Group Level as at 31 December 2021 (RM)	Year of Acquisition/ Revaluation
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/ Used as a steel processing plant	Leasehold expiring on 09.07.2050	25,957/11,900 (factory built-up area)**	24	Factory: 293,740 & Land: 343,297	1991
LF Hardware	GRN 26499, Lot 10324, Mukim Klang, Daerah Klang, Negeri Selangor	A parcel of vacant land	Freehold	227,334	N/A	Land: 10,384,000	2021
PSP	Lot Plo 122, Jalan Firma 1/3, Tebrau Industrial Estate (1), 81100 Johor Bahru, Johor Darul Takzim held under Lot 44900, Title No. GRN 190371, Mukim Tebrau, District of Johor Bahru, State of Johor	A unit of single-storey detached factory with an annexed 3 storey office building/ Used as a steel processing plant, warehouse and office	Lease Agreement expiring on 25.06.2055	92,602/6,903 (office built-up area) & 54,632 (factory built-up area)	22	Office and factory: 3,178,515 & Land: 3,660,804	2017
Supreme Steelmakers	B09-F2-1, Pangsapuri Mutiara, Taman Balakong Jaya, 43300 Balakong, Selangor Darul Ehsan Strata Tittle No. PM204/M1/3/64, No. Bangunan M1, No. Tingkat 3, No. Petak 64, Lot No. 41233, Pekan of Kajang, District of Hulu Langat, State of Selangor	A unit of residential apartment/ Used as workers' hostel	Lease Agreement expiring on 29.07.2095	741 (apartment built-up area)	21	Apartment: 153,143	2018
Supreme Steelmakers	B10-F1-2, Pangsapuri Mutiara, Jalan Balakong Jaya, Taman Balakong Jaya, 43300 Balakong, Selangor Darul Ehsan Strata Tittle No. PM204/M1/2/51, No. Bangunan M1, No. Tingkat 2, No. Petak 51, Lot No. 41233, Pekan of Kajang, District of Hulu Langat, State of Selangor	A unit of residential apartment/ Used as workers' hostel	Lease Agreement expiring on 29.07.2095	741 (apartment built-up area)	21	Apartment: 167,456	2018

LEON FUAT BERHAD AND ITS SUBSIDIARIES
LIST OF PROPERTIES HELD
AS AT 31 DECEMBER 2021

Registered/ Beneficial Owner	Address/Title	Description/Existing Use	Tenure	Approximate Land/ Built-up Areas (sq. ft.*)	Approximate Age of Buildings (No. of Years)	Net Carrying Amount at Group Level as at 31 December 2021 (RM)	Year of Acquisition/ Revaluation
Supreme Steelmakers	No. 3, Jalan Balakong Jaya 5, Taman Balakong Jaya, 43300 Balakong, Selangor Darul Ehsan H.S.(M) 20117, No PT 34509, Tempat BT 12, Jalan Balakong Mukim Kajang, Daerah Hulu Langat, State of Selangor	A unit of double-storey link house/ Used as workers' hostel	Lease Agreement expiring on 29.07.2095	1,076/1,350 (double-storey link house built-up area)	12	Double-storey link house: 450,708	2018
Supreme Steelmakers	Lot 5176, Jalan Perindustrian Balakong, Kawasan Perindustrian Balakong Jaya, 43300 Seri Kembangan, Selangor Darul Ehsan held under Geran Mukim No. 6958, Lot 60240, Pekan Kajang, Dearah Hulu Langat, Negeri Selangor Darul Ehsan	A unit of single-storey detached warehouse with an annexed 4 storey office block and a unit of single-storey detached factory/ Used as a steel processing plant, warehouse and office	Freehold	107,058/21,400 (office built-up area) & 36,594 (factory & warehouse built-up area)	2	Office, factory and warehouse: 11,976,988 & Land: 15,591,429	2021

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.*

** *Estimated remaining land and factory built-up area after 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 OF SHAREHOLDINGS
AS AT 31 MARCH 2022

SHARE CAPITAL

Total number of Issued Shares : 341,000,000 ordinary shares
Class of Shares : Ordinary shares
Voting Rights : One (1) vote per ordinary share

Size of Shareholdings	No. of Shareholders	%	No. of Shares held	%
Less than 100	3	0.10	89	0.00
100 - 1,000	300	9.85	194,300	0.06
1,001 - 10,000	1,661	54.51	9,655,711	2.83
10,001 - 100,000	911	29.90	28,617,400	8.39
100,001 - 17,049,999	170	5.58	59,713,500	17.51
17,050,000 and above	2	0.07	242,819,000	71.21
Total	**3,047**	**100.00**	**341,000,000**	**100.00**

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

	Direct		Indirect	
Name of Directors	**No. of Shares held**	**%**	**No. of Shares held**	**%**
Dato' Lim Cheng Poh	-	-	175,000[(1)]	0.05
Dato' Sri Ooi Bin Keong	200,000	0.06	219,690,000[(2)]	64.43
Ooi Kong Tiong	200,000	0.06	-	-
Ng Kok Teong	221,000	0.06	219,690,000[(3)]	64.43
Ooi Shang How	200,000	0.06	-	-
Chan Kee Loin	100,000	0.03	-	-
Tan Sack Sen	10,000[(4)]	0.003	-	-
Others[(5)]				
Ooi Shang Yao	20,000	0.006	-	-
Ooi Shang Chieh	5,000	0.001	-	-

Notes:

[1] *Disclosure of interest held by spouse pursuant to Section 59(11)(c) of the Companies Act 2016 ("Act").*
[2] *Deemed interest by virtue of his interest in Leon Fuat Holdings Sdn. Bhd. pursuant to Section 8(4) of the Act.*
[3] *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) of the Act.*
[4] *Partly held through CGS-CIMB Nominees (Tempatan) Sdn. Bhd..*
[5] *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.*

STATISTICS OF SHAREHOLDINGS
AS AT 31 MARCH 2022

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	64.43	-	-
Dato' Sri Ooi Bin Keong	200,000	0.06	219,690,000(1)	64.43
NCT & Sons Sdn. Bhd.	-	-	219,690,000(1)	64.43
Ng Kok Teong	221,000	0.06	219,690,000(2)	64.43
Ng Kok Wee	200,000	0.06	219,690,000(2)	64.43
Ong Mung Hsia	-	-	219,690,000(2)	64.43
Ng Bee Fong	-	-	219,690,000(2)	64.43

Notes:

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

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

30 LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1	LEON FUAT HOLDINGS SDN. BHD.	219,690,000	64.43
2	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. *CIMB FOR KOO KOW KIANG @ KO KECK TING (PB)*	23,129,000	6.78
3	TAN TIAN SOON	3,271,200	0.96
4	CIMSEC NOMINEES (TEMPATAN) SDN. BHD. *CIMB FOR KANG YANG CHOO @ KANG TAN YEANG CHOO (PB)*	2,252,000	0.66
5	JEFFREY NG POW KONG	2,050,700	0.60
6	DO HOCK KWONG	1,597,100	0.47
7	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR LIM HONG CHOON (030)*	1,387,800	0.41
8	LIM PEI TIAM @ LIAM AHAT KIAT	1,300,000	0.38
9	ALLIANCEGROUP NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR KONG KOK CHOY (8092812)*	1,220,000	0.36
10	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR TOH SU SEE*	1,203,800	0.35
11	SIN HOCK	1,200,000	0.35
12	LIM JIT HAI	961,500	0.28
13	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR LEE CHOON FOOK*	887,900	0.26
14	HLB NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR LEE KOING@ LEE KIM SIN*	866,600	0.25
15	LIM CHOON	850,000	0.25
16	LIAU YUAN HIN	820,000	0.24
17	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *RAKUTEN TRADE SDN. BHD. FOR KOH JENN CHUAN*	808,900	0.24
18	LEE CHEE YUEN	785,700	0.23
19	LIAU KEEN YEE	755,000	0.22
20	NG TECK LIN	682,900	0.20
21	LAU SAU MOOI	672,400	0.20
22	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. *EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD (CLIENTS)*	630,000	0.18
23	TAN JIAN JONG	603,400	0.18
24	MAYBANK NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR NG BENG HOO*	600,000	0.18
25	KUA SWEE LEONG	588,000	0.17
26	CGS-CIMB NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR LIAW HEN KYUN @ ALEX LIAW (MY3796)*	550,000	0.16
27	TAN HOCK HIN	550,000	0.16
28	CHAN LEE SAM	532,000	0.16
29	LIM HONG HOOI	530,000	0.16
30	KENANGA NOMINEES (TEMPATAN) SDN. BHD. *PLEDGED SECURITIES ACCOUNT FOR NG BENG HOO*	503,600	0.15
	TOTAL	**271,479,500**	**79.62**

NOTICE OF 15TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 15th Annual General Meeting ("AGM") of Leon Fuat Berhad ("LFB" or "the Company") will be held at Greens III, Sports Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 28 June 2022 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 2021 together with the Directors' and Auditors' Reports thereon.
2. To approve the payment of Directors' fees and allowances up to RM1,200,000 from 29 June 2022 until the next AGM of the Company. **Resolution 1**
3. To approve a final single tier dividend of 2.0 sen per share for the financial year ended 31 December 2021. **Resolution 2**
4. To re-elect the following Directors who retire in accordance with Article 92 of the Company's Constitution:
   (i) Dato' Sri Ooi Bin Keong; **Resolution 3**
   (ii) Tan Did Heng; and **Resolution 4**
   (iii) Tan Sack Sen. **Resolution 5**
5. To re-elect Dato' Lim Cheng Poh who retires in accordance with Article 99 of the Company's Constitution. **Resolution 6**
6. To re-appoint Messrs Baker Tilly Monteiro Heng PLT as the Company's Auditors 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**
   RETENTION OF CHAN KEE LOIN AS INDEPENDENT DIRECTOR **Resolution 8**

   "THAT in accordance with the Malaysian Code on Corporate Governance ("MCCG"), Chan Kee Loin be and is hereby retained as Independent Non-Executive Director of the Company and be designated as such until the conclusion of the next AGM, subject to the provisions of the relevant regulatory authorities."

8. **ORDINARY RESOLUTION**
   RETENTION OF TAN DID HENG AS INDEPENDENT DIRECTOR **Resolution 9**

   "THAT in accordance with the MCCG, subject to the passing of Resolution No. 3, Tan Did Heng be and is hereby retained as Independent Non-Executive Director of the Company and be designated as such until the conclusion of the next AGM, subject to the provisions of the relevant regulatory authorities."

9. **ORDINARY RESOLUTION**
   RETENTION OF TAN SACK SEN AS INDEPENDENT DIRECTOR **Resolution 10**

   "THAT in accordance with the MCCG, subject to the passing of Resolution No. 4, Tan Sack Sen be and is hereby retained as Independent Non-Executive Director of the Company and be designated as such until the conclusion of the next AGM, subject to the provisions of the relevant regulatory authorities."

10. **ORDINARY RESOLUTION**
    AUTHORITY FOR THE DIRECTORS TO ISSUE SHARES **Resolution 11**

    "THAT pursuant to Sections 75 and 76 of the Companies Act 2016 ("Act"), and subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant governmental and/or regulatory authorities (if any), the Directors be and are hereby empowered to issue new shares in the Company at any time, to such person or persons at such price, upon such terms and conditions and for such purposes 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 number of issued shares of the Company at the time of issue AND THAT the Directors be and are also empowered to obtain the approval from 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."

11. **ORDINARY RESOLUTION** **Resolution 12**
PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED RENEWAL OF RRPT MANDATE")

"THAT subject always to the provisions of the Main Market 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 29 April 2022 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 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 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 Renewal of RRPT Mandate."

12. To transact any other business of which due notice shall have been given in accordance with the Act and the Company's Constitution.

BY ORDER OF THE BOARD

YEOH CHONG KEAT
SSM PC NO. 201908004096
MIA 2736

LIM FEI CHIA
SSM PC NO. 202008000515
MAICSA 7036158

Company Secretaries
Kuala Lumpur

29 April 2022

NOTICE OF 15TH ANNUAL GENERAL MEETING

NOTES:

(i) In respect of deposited securities, only members whose names appear in the Record of Depositors on 22 June 2022 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at this meeting.

(ii) A member shall be entitled to appoint not more than two (2) proxies to attend and vote at this meeting. A proxy may but need not be a member of the Company.

(iii) Where a member appoints two (2) proxies, the member shall specify the proportions of his/her shareholdings to be represented by each proxy failing which, the appointment shall be invalid.

(iv) 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 authorised nominee may appoint in respect of each omnibus account it holds.

(v) To be valid, the original Proxy Form, duly completed must be deposited at the registered office of the Company at Suite 11.1A, Level 11, Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

(vi) If the appointor is a corporation, the Proxy Form must be executed under its common seal or under the hand of an officer or attorney duly authorised.

(vii) Audited Financial Statements for the financial year ended 31 December 2021
The Audited Financial Statements for the financial year ended 31 December 2021 are laid in accordance with Section 340(1)(a) of the Act for discussion only and do not require shareholders' approval. As such, this item will not be put for voting.

(viii) 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 7 April 2022, 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 5 August 2022 in accordance with the requirements under Section 132(2) and (3) of the Act.

(ix) Retention of Independent Non-Executive Directors (Resolutions 7, 8 and 9)
The proposed resolutions are to seek the shareholders' approvals to retain Chan Kee Loin, Tan Did Heng and Tan Sack Sen, who have served more than 9 years as Independent Non-Executive Directors of the Company. Following the assessment conducted by the Nomination Committee and the Board of Directors, the Board was satisfied that there were no issue of independence and recommended that the abovenamed Directors be retained as Independent Non-Executive Directors of the Company, based on the following justifications:

(a) They fulfilled the independence criteria prescribed under the Listing Requirements of Bursa Securities;

(b) They have demonstrated and will continue to demonstrate and exercise independent view and judgement in Board deliberations.

(c) They have devoted sufficient time in discharging their responsibilities and their experiences and knowledge enable them to provide constructive views and contribute effectively to Board deliberations and decision making.

(x) Authority for the Directors to issue shares (Resolution 10)
This proposed resolution, if passed, will renew the authority given to and empower 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 the General Mandate, when aggregated with the number of shares issued during the preceding twelve (12) months, does not exceed 10% of the total number of issued shares of the Company at the time of issue. The renewed General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

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

The Company undertook a private placement of up to 31,000,000 new ordinary shares ("Placement Shares") in the Company as announced by the Board on 13 April 2021 ("Private Placement").

A total of 31,000,000 Placement Shares were issued at an issue price of RM0.85 per Placement Share for a total cash consideration of RM26,350,000.

The status of utilisation of proceeds raised from the Private Placement as at 31 December 2021 is as follows:

Purpose	Proposed Utilisation[1] (RM'000)	Actual Utilisation (RM'000)	Deviation	Balance unutilised (RM'000)	Estimated timeframe for utilisation (from the completion date of the Private Placement)
Purchase of machineries for the new welded steel pipe manufacturing line	26,195	7,846	-	18,349	Within 24 months
Expenses incurred for the Private Placement	155	155	-		Immediate
Total	**26,350**	**8,001**	**-**	**18,349**	**-**

Note:
[1] *The proposed utilisation of proceeds as disclosed above should be read in conjunction with the announcement made by the Company dated 13 April 2021.*

The Private Placement has been successfully completed following the listing of and quotation for the Placement Shares on the Main Market of Bursa Securities on 7 May 2021.

(xi) Proposed Renewal of RRPT Mandate (Resolution 11)
This proposed resolution, if passed, will enable 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 29 April 2022. This authority, unless revoked or varied by the Company in a general meeting, will expire at the next AGM of the Company.

(xii) Personal Data Privacy
The Personal Data Protection Act 2010, which regulates the processing of personal data in commercial transactions, applies to the Company. By providing to the Company and/or its agents the personal data which may include the name, contact details and mailing address, a member of the Company hereby consent, agree and authorise the processing and/ or disclosure of any personal data of or relating to the member for the purposes of issuing the notice of this meeting and convening the meeting (including any adjournment thereof), including but not limited to preparation and compilation of documents and other matters, whether or not supplied by the member. The member further confirms to have obtained the consent, agreement and authorisation of all persons whose personal data the member have disclosed and/or processed in connection with the foregoing.

STATEMENT ACCOMPANYING NOTICE OF THE 15TH ANNUAL GENERAL MEETING
(Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Securities)

No individual is standing for election as Director at the 15th AGM of the Company.

PROXY FORM

NUMBER OF SHARES HELD	
CDS ACCOUNT NO.	
CONTACT NO.	

LEON FUAT BERHAD
Registration No. 200601036648 (756407-D)
(Incorporated in Malaysia)

I/We ______________________________________ NRIC No./Passport No./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.)

contact no. ________________________of ____
(FULL ADDRESS)

or failing him/her, ____
(FULL NAME IN BLOCK LETTERS AND NRIC/PASSPORT NO.)

contact no. ________________________of ____
(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 15th Annual General Meeting of the Company to be held at Greens III, Sports Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 28 June 2022 at 2.30 p.m. and at any adjournment thereof on the following resolutions referred to in the Notice of 15th 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 the payment of Directors' fees and allowances up to RM1,200,000 from 29 June 2022 until the next AGM of the Company		
2.	To approve a final single tier dividend of 2.0 sen per share for the financial year ended 31 December 2021		
3.	To re-elect Dato' Sri Ooi Bin Keong who retires in accordance with Article 92 of the Company's Constitution		
4.	To re-elect Tan Did Heng who retires in accordance with Article 92 of the Company's Constitution		
5.	To re-elect Tan Sack Sen who retires in accordance with Article 92 of the Company's Constitution		
6.	To re-elect Dato' Lim Cheng Poh who retires in accordance with Article 99 of the Company's Constitution		
7.	To re-appoint Messrs Baker Tilly Monteiro Heng PLT as the Company's Auditors and to authorise the Directors to fix their remuneration		
8.	To retain Chan Kee Loin as Independent Director		
9.	To retain Tan Did Heng as Independent Director		
10.	To retain Tan Sack Sen as Independent Director		
11.	Authority for the Directors to issue shares		
12.	Proposed Renewal of RRPT 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.

* *Delete if not applicable.*
\# *Delete if you do not wish to appoint the Chairman of the Meeting as your proxy/one of your proxies.*

Date this ______________ day of ________________________, 2022.

____
Signature or Common Seal of Shareholder(s)

Fold this flap for sealing

NOTES:

(i) In respect of deposited securities, only members whose names appear in the Record of Depositors on 22 June 2022 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at this meeting.

(ii) A member shall be entitled to appoint not more than two (2) proxies to attend and vote at this meeting. A proxy may but need not be a member of the Company.

(iii) Where a member appoints two (2) proxies, the member shall specify the proportions of his/her shareholdings to be represented by each proxy failing which, the appointment shall be invalid.

(iv) 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 authorised nominee may appoint in respect of each omnibus account it holds.

(v) To be valid, the original Proxy Form, duly completed must be deposited at the registered office of the Company at Suite 11.1A, Level 11, Menara Weld, 76 Jalan Raja Chulan, 50200 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.

(vi) If the appointor is a corporation the Proxy Form must be executed under its common seal or under the hand of an officer or attorney duly authorised.

(vii) By submitting the duly executed Proxy Form, the member and his/her proxy consent to the Company and/or its agents collecting, processing, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for the purpose of this meeting and at any adjournment thereof.

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AFFIX
STAMP

The Company Secretaries

LEON FUAT BERHAD
Registration No. 200601036648 (756407-D)

C/o Archer Corporate Services Sdn. Bhd.
Suite 11.1A, Level 11
Menara Weld
76, Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

1st fold here

www.leonfuat.com.my

LEON FUAT BERHAD
Registration No. 200601036648 (756407-D)

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