LEON FUAT BERHAD
(756407-D)

Strength In Diversity

ANNUAL REPORT 2018

STRENGTH IN DIVERSITY

This year's Annual Report cover carries the theme "Strength in Diversity". It is an abstract portrayal of how different species of bamboo come together to form one single, strong tree or "culm". Akin to a bamboo culm, LEON FUAT too consists of many diverse parts that come together to form one strong group that withstand any weather of challenges. This is reflected in the diverse subsidiaries, broaden lines of products and services, and talented workforce of people that make up LEON FUAT. Like bamboo, LEON FUAT is exhibiting its inherent strength, resilience and rapid growth qualities. As we accelerate to achieve our goal, we will continue to leverage these qualities as well as several robust strategies to maintain our strong position and achieve growth.

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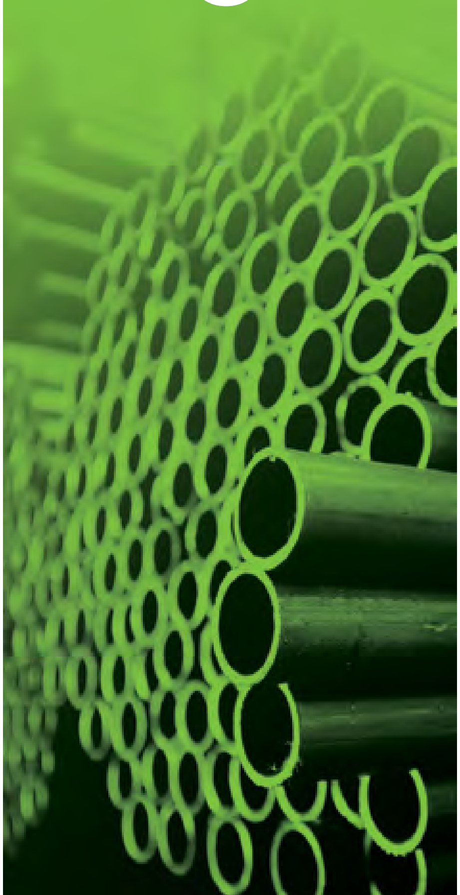
Proxy Form

Leon Fuat Group's

Our core business activities comprise: Trading of steel products; and Processing of steel products.

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

OUR PRODUCTS

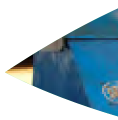


Stainless Steel Flat

Stainless Steel Long

Carbon And Alloy Steel Flat

Carbon And Alloy Steel Long



Business At A Glance

OUR SERVICES

CUTTING SERVICES

CNC Laser Cutting

CNC Waterjet Cutting

CNC Plasma Cutting

Portable Plasma Cutting

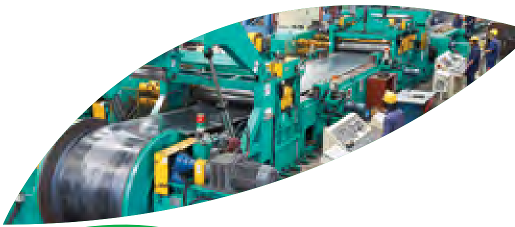
CNC Oxy-gas and Plasma Cutting

CNC Oxy-gas Cutting

Oxy-gas Cutting with Optical Tracer

Portable Oxy-gas Cutting

Bandsaw Cutting



OTHER SERVICES

Levelling

Guillotine Shear

CNC Press Brake (Bending)

CNC Turret Punching

Profiling

Surface Polishing

Corporate Information

BOARD OF DIRECTORS

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

Dato' Sri Ooi Bin Keong
Group Managing Director

Ooi Kong Tiong
Executive Director

Ooi Seng Khong
Executive Director

Ng Kok Teong
Executive Director

Ooi Shang How
Executive Director

Chan Kee Loin
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)*
Dato' Ng Ah Hock @ Ng Soon Por
Chan Kee Loin

COMPANY SECRETARIES

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

REGISTERED OFFICE

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

PRINCIPAL PLACE OF BUSINESS

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

AUDITORS

Baker Tilly Monteiro Heng PLT
(LLP0019411-LCA) *(AF0117)*
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Tel : (603) 2297 1000
Fax : (603) 2282 9980

SHARE REGISTRAR

Boardroom Share Registrars Sdn Bhd
(378993-D)
(Formerly known as Symphony Share Registrars Sdn Bhd)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan
Tel : (603) 7849 0777 *(Helpdesk)*
Fax : (603) 7841 8151/8152/8100

PRINCIPAL BANKERS

AmBank (M) Berhad *(8515-D)*
Level 21, Bangunan AmBank Group
Jalan Raja Chulan
50200 Kuala Lumpur
Tel : (603) 2036 2633
Fax : (603) 2036 2458

Hong Leong Bank Berhad *(97141-X)*
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
(719057-X)
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

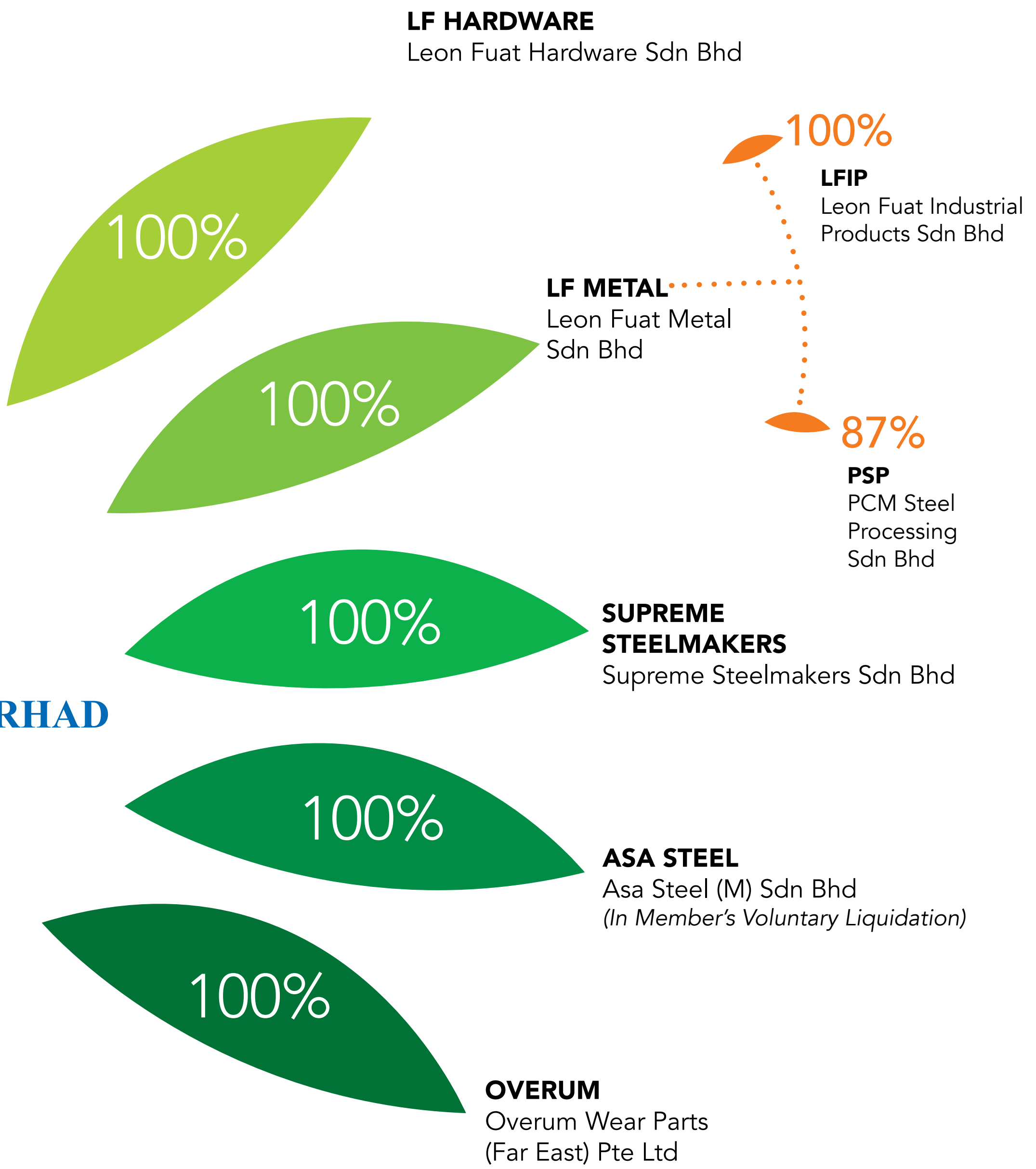
Main Market of Bursa Malaysia Securities Berhad
Sector/Sub-sector : Industrial Products & Services/Metals
Stock Name : LEONFB
Stock Code : 5232

CORPORATE WEBSITE

www.leonfuat.com.my

Corporate Structure

LEON FUAT BERHAD
(756407-D)



Board of

Directors

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

2. **Dato' Sri Ooi Bin Keong**
   Group Managing Director

3. **Ooi Kong Tiong**
   Executive Director

4. **Ooi Seng Khong**
   Executive Director

5. **Ng Kok Teong**
   Executive Director

6. **Ooi Shang How**
   Executive Director

7. **Chan Kee Loin**
   Senior Independent Non-Executive Director

8. **Tan Did Heng**
   Independent Non-Executive Director

9. **Tan Sack Sen**
   Independent Non-Executive Director

Profile Of Directors

Dato' Ng Ah Hock @ Ng Soon Por
Malaysian, aged 69
Independent Non-Executive Chairman

Dato' Ng Ah Hock @ Ng Soon Por, a member of the Remuneration Committee, was appointed to the Board on 6 November 2012.

He graduated from Tunku Abdul Rahman College in 1974 with the accountancy qualification ACCA awarded by the Association of Chartered and Certified Accountants of United Kingdom. He is a member of the Malaysian Institute of Accountants, Fellow Member of the Association of Chartered and Certified Accountants of United Kingdom and a member of the Malaysian Institute of Chartered Secretaries & Administrators.

He started his career in 1974 when he joined the audit firms, Turquand, Youngs & Co. and Azman, Wong, Salleh & Co. as an Auditor. In 1977, he left and joined Spicers International Ltd as a Finance Manager until 1982 when he was elected as the Selangor State Legislative Assemblyman for Sungei Pelek constituency and held the position until 1995. During his tenure as an assemblyman, he was also the Selangor Executive Councilor from 1990 to 1995. Subsequently in 1995, he joined Paper Converting Industries Sdn Bhd as the Finance Director until 2005. He was also a member of the Selangor Public Service Commission from 2002 to 2007.

He has served as an Independent Non-Executive Director of XingQuan International Sports Holdings Limited and Turbo-Mech Berhad, both listed on the Main Market of Bursa Malaysia Securities Berhad.

He attended all the five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2018.

Dato' Sri Ooi Bin Keong
Malaysian, aged 69
Group Managing Director

Dato' Sri Ooi Bin Keong was appointed to the Board on 21 June 2012.

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 Group Managing Director, he has been instrumental in the growth and development of the Leon Fuat Group. With more than 45 years of experience in the steel industry, he has contributed significantly to the success of the Group particularly in driving the Group's overall vision and strategy.

He is currently the 1st Vice President of the 57th Executive Committee (2017 – 2019) of the Malaysia Steel and Metal Distributors' Association (MSMDA).

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

He attended all the five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2018.

Ooi Kong Tiong
Malaysian, aged 65
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 more than 45 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 five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2018.

Profile Of Directors

Ooi Seng Khong
Malaysian, aged 57
Executive Director

Ooi Seng Khong was appointed to the Board on 21 June 2012.

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. He has been instrumental in the growth and development of the Leon Fuat Group. With more than 38 years of experience in the steel industry, he has contributed significantly to the Group's success. He is currently responsible for overseeing the business development and procurement activities of the Group.

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

He attended all the five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2018.

Ng Kok Teong
Malaysian, aged 50
Executive Director

Ng Kok Teong was appointed to the Board on 21 June 2012. He obtained his Diploma in Business Studies from Stamford College, Malaysia in 1989.

He 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 operation functions of the company.

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

He attended all the five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2018.

Ooi Shang How
Malaysian, aged 40
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.

He was tasked to develop information technology capability for LF Metal during his tenure with the company. 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 operations and business development functions of LF Metal.

He is the son of Dato' Sri Ooi Bin Keong, the Group Managing Director of the Company.

He attended all the five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2018.

Chan Kee Loin
Malaysian, aged 55
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 was educated in the Tunku Abdul Rahman College where he completed a three years extra-mural course in Financial Accounting in 1987 and 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 left for a medium size public accounting firm in Kuala Lumpur where he was promoted as a Director in 2000. He brings with him experience in statutory audits, due diligence audits, share and business valuation and rendering 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 five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2018.

Profile Of Directors

Tan Did Heng
Malaysian, aged 48
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.

From 1992 to 1994, he attended Tunku Abdul Rahman College to undertake the course and examinations leading to his memberships with the Malaysian Institute of Certified Public Accountants (MICPA) and the Malaysian Institute of Accountants (MIA) in 1999.

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. Subsequently, he started D.H. Tan & Associates in 2001 as the managing proprietor to-date.

He is an approved Company Auditor and licensed Tax Agent since 2001 and 2005 respectively. He is the Managing Proprietor of Y.W. Woon & Co., a professional firm providing audit services.

He attended all the five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2018.

Tan Sack Sen
Malaysian, aged 43
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 obtained his Bachelor of Law (Honours) Degree from the University of Wales, Cardiff, United Kingdom in 2017 and 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 in various defence work and general litigation matters. In 2002, he was invited by Messrs. Chong & Tiong to handle and manage the Litigation Department. In 2003, he started his legal firm, Messrs. Yee How & Tan where he manages the main office in Kuala Lumpur.

He attended all the five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2018.

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 2018.

Profile Of Key Management Personnel

Ng Lam Keong
Malaysian, aged 61
Executive Director of LF Hardware

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
Malaysian, aged 54
Executive Director of LF Metal

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

In 1999, he was appointed as the Executive Director of LF Metal. He has accumulated more than 34 years of experience in the steel industry. He is currently responsible for overseeing the business development and procurement functions of LF Metal.

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

Ng Kok Wee
Malaysian, aged 48
Executive Director of LF Metal

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 left and joined Leon Fuat Holdings Sdn Bhd as the Accounts Executive. Subsequently in 2007, he left and 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.

Ooi Shang Yao
Malaysian, aged 37
Executive Director
of Supreme Steelmakers

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 Group Managing Director of the Company.

Profile Of Key Management Personnel

Tan Kien Yap
Malaysian, aged 47
Chief Financial Officer

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.

His career started in 1997 when he joined Price Waterhouse (predecessor firm of PricewaterhouseCoopers) as Audit Assistant before he was promoted to the position of Senior Associate in 1999. Subsequently in 2000, he left and 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
Malaysian, aged 51
Assistant General Manager of LF Metal

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.

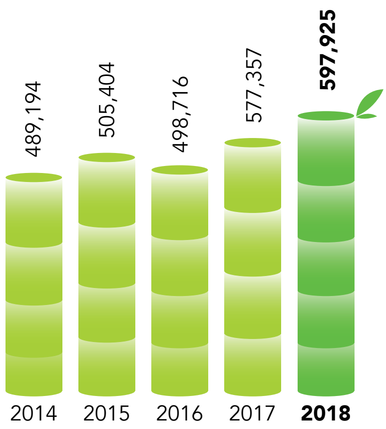
ADDITIONAL NOTES:

Save as disclosed, none of the Key Management Personnel have any:

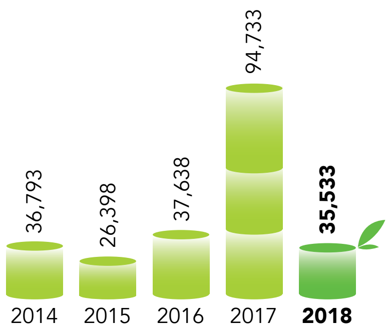
1. Directorships in public companies and listed issuers;
2. Family relationship with other directors and/or major shareholders of the Company;
3. Conflict of interests with the Company; and
4. Conviction for any offences within the past five (5) years (other than traffic offences, if any) nor any public sanction or penalty imposed by the relevant regulatory bodies during the financial year ended 31 December 2018.

Financial Highlights

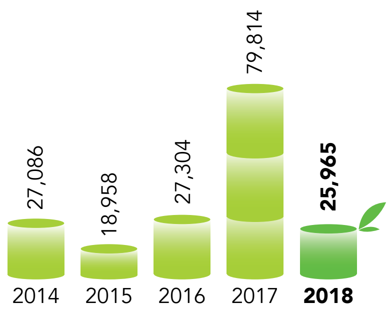
Financial Year Ended	2014 RM'000 (Restated)	2015 RM'000 (Restated)	2016 RM'000 (Restated)	2017 RM'000 (Restated)	2018 RM'000
Revenue	489,194	505,404	498,716	577,357	597,925
Profit Before Tax	36,793	26,398	37,638	94,733	35,533
Profit After Tax	27,086	18,958	27,304	79,814	25,965
Earnings Before Interest, Tax, Depreciation & Amortisation	48,856	41,901	54,094	114,208	58,125
Total Equity	219,623	232,364	255,026	331,029	352,348
Total Assets	423,765	441,122	487,728	630,752	670,430



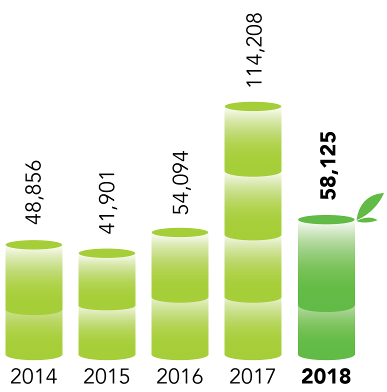
REVENUE RM'000



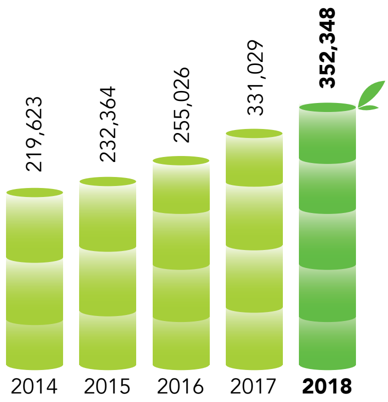
PROFIT BEFORE TAX RM'000



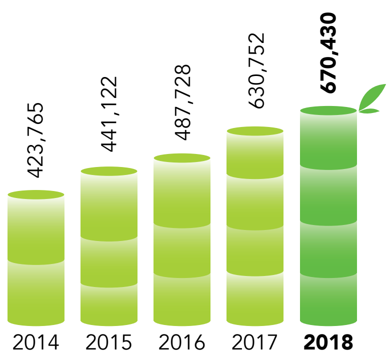
PROFIT AFTER TAX RM'000



EARNINGS BEFORE INTEREST, TAX, DEPRECIATION & AMORTISATION RM'000



TOTAL EQUITY RM'000



TOTAL ASSETS RM'000

Leader

Bamboo is one of the fastest-growing plants on the planet with reported growth rates of 100 cm (39 inches) in 24 hours. Similarly, Leon Fuat continues to set new benchmark of excellence through products and services that meets the needs of the diverse market segments that we serve.

CHAIRM
STATEMENT

Dear Shareholders,

In 2018, the Malaysian steel industry has braved through a series of challenges from both external and internal environments. As a result of the United States of America ("US")-China trade war, the world's steel industry has been through tough conditions. The Malaysian steel scene was largely affected by the dumping of cheap steel from China, and the halt of mega construction projects, which caused a slowdown in steel demand. Nonetheless, having weathered difficult conditions, Leon Fuat team has worked tirelessly to keep our operations intact. I am grateful for our team, the management and our Board of Directors who have shown relentless support throughout the financial year ended 31 December 2018 ("FY2018").

OVERVIEW OF 2018

Steel is a crucial raw material for some of the major industries such as construction, oil and gas, automotive, and heavy manufacturing. It is described as a major artery of contemporary development, which is a subject to government policies and planning. In 2018, it was especially challenging for our local players, due to the impact from both the trade war and the 14th Malaysian General Election ("GE14") accompanied by the decrease in demand and the oversupply of steel in China. Nevertheless, Leon Fuat has weathered through difficult conditions and delivered an improved sales revenue of RM597.93 million for FY2018, as compared to RM577.36 million for the financial year ended 31 December 2017 ("FY2017").

The Malaysian steel sector was expected to experience more headwinds, due to the risk from trade wars, which includes the impose of tariffs and duty order from local steel exporter for products exports to the US and Europe[1]. Furthermore, the demand of steel in China was seen shaky as the country was experiencing a slump in the construction industry and shudder demand from the manufacturing sector, due to China's environmental health and occupational safety policies[2]. Generally, in the local scene, the performances of major steel players have reacted negatively towards the announcements and news of trade wars and tariff imposition by the US and European Union[3].

1 http://www.midf.com.my/images/Downloads/Research/Sector/Steel/Steel-More-Headwind-Coming-So-Recovery-is-Slower-than-Expected-MIDF-140818.pdf
2 http://www.midf.com.my/images/Downloads/Research/Sector/Steel/Steel-More-Headwind-Coming-So-Recovery-is-Slower-than-Expected-MIDF-140818.pdf
3 http://www.midf.com.my/images/Downloads/Research/Sector/Steel/Steel-More-Headwind-Coming-So-Recovery-is-Slower-than-Expected-MIDF-140818.pdf
4 19-Mar04-The Edge-Corporate-60-Better times ahead for the steel sector?
5 https://www.thestar.com.my/business/business-news/2018/10/06/steel-still-in-demand/#0gwF5rXVHeD1Tlb2.99

Despite that, local experts and politicians were having mixed views on the trade war between US and China. Some describe the trade war as a double-edge sword as the trade war could be an opportunity, with the US slapping tariffs on steel imports onto other countries. Malaysian steel can be competitive in terms of exporting to the US, as both big players will inevitably look for alternative supplies. Others viewed that the dumping of cheap steel products is expected to be more rampant as the US-China trade tension rises from the possibility of Malaysia being used as transhipment point.

It is not new to industry players that the Malaysian steel industry has been affected by overcapacity in the global steel industry and low production capacity utilisation rates. In 2017, Malaysian Iron and Steel Federation ("MISIF") reported that the production of crude steel stood at 12.4 million tonnes. As for the overall steel performances, the capacity utilisation was low across segments and significantly below the performance benchmark of 80%[4]. In addition to the trade war, China has started to dump its steel products into other countries, mainly in the Asian region. Subsequently, the local steel industry took a hit from the dumping of Chinese steel in 2018. The supply of cheap Chinese steel caused by the oversupply has quickly become a competition against Malaysian steel. Although China has pledged to cut its steel production capacity, the MISIF is in view that the cut would only be minimal in the face of the overwhelming supplies[5].

AN'S

Dato' Ng Ah Hock @ Ng Soon Por
Chairman

Chairman's Statement

In the local political scene, Malaysia undergone a breakthrough during GE14, as it was the first time in history that the nation experienced a change in government. Consequently, the newly elected government has put mega infrastructure projects on hold for further review and better policy planning. As a result, domestic demand for steel has slowed, as the construction industry is one of the main consumers of steel products and the main driver for steel demand, with the anticipated consumption up to 52% of steel products in 2025, according to estimates by the World Steel Association[6]. Hence, this has caused the suppression of domestic steel price. However, the industry had the opportunity to catch up during the tax holiday following the abolishment of Goods and Service Tax ("GST"), plus, in addition to the industry not being subjected to any Sales and Service Tax ("SST").

Overall, due to domestic and international conflicts, our Malaysian steel price is at a suppressed level and the demand for local steel has contracted. Despite that, our Company has nonetheless delivered our performances in sales revenue. Leon Fuat's business in nature is mainly involved in the trading and processing of carbon and stainless-steel products. The influx of cheap imports from China does not affect our business as much as the upstream players. Hence, we are confident that when the business sentiment improves, the price will move onto a better level compared to international prices. Moving forward, we at Leon Fuat will continue striving to improve our current condition to deliver better performance for our financial year 2019 ("FY2019").

LOOKING INTO 2019

The demand growth for steel among international steel players, particularly China, US and Europe are expected to slow down in 2019. China, being a heavy user of steel within the global arena, has been consuming approximately 50% of the global production of steel, is anticipated to show a slowed demand in 2019[7].

However, MISIF has forecasted that the world steel demand is expected to increase from 1.59 billion tonnes in 2017 to 1.63 billion tonnes in 2019, and the targeted regional export opportunities are in ASEAN countries[8].

Furthermore, steel prices have shown improvements from the effort of industrial rationalisation in China, resulting in the reduced steel production capacity, accompanied by the closure of outmoded induction furnaces. Despite that, the overall industry has been and is still affected by China's steel production capacity from new plants from the period between 2000 and 2013[9]. Nevertheless, the industry trend seems encouraging in 2019, as Malaysia's apparent steel consumption ("ASC") is projected to grow at a compound annual growth rate of 3.5% to 12.4 million tonnes in 2025, from 9.4 million tonnes in 2017[10]. Having said that, the outlook for downstream players in the global arena is stable in 2019 and should persist and preserve favourable supply conditions due to elevated prices, capacity rationalisation in China and lower imports, mainly in the US and Europe[11].

6 https://www.thestar.com.my/business/business-news/2018/10/06/steel-still-in-demand/#0gwF5rXVHeD1Tlb2.99
7 https://www.bloomberg.com/news/articles/2019-02-07/arcelormittal-sees-steel-demand-growth-slowing-as-china-drops
8 19-Mar04-The Edge-Corporate-60-Better times ahead for the steel sector?
9 https://www.thestar.com.my/business/business-news/2018/10/06/steel-still-in-demand/#0gwF5rXVHeD1Tlb2.99
10 19-Mar04-The Edge-Corporate-60-Better times ahead for the steel sector?
11 https://www.spratings.com/documents/20184/5670590/Industry+Top+Trends+2019+-+Metals+and+Mining/4876eaf4-23b9-ac4a-dec9-8b6a1a571f65

Riding on this momentum, 2019 will be crucial for Leon Fuat as we are embarking on the journey of synergistic business expansion and work towards growing our Company's financial performances. Having been in the industry for approximately 47 years, Leon Fuat has long and proven excellent operational model and track records in our businesses as we are backed by experienced management and talents. We will remain resilient in our operations and business and continue to work on our expansion strategies. We plan to further expand Leon Fuat's product range, clientele base, and improve our production capacity and efficiency through our improved and upgraded facilities, which includes our warehouse in Port Klang Free Zone, our newly renovated and refurbished processing plant in Shah Alam, and, our steel pipe manufacturing plant in Kawasan Perusahaan Bandar Suleiman, Pelabuhan Klang. In terms of revenue stream, we expect to see new contributions into our revenue stream from the sales of our in-house produce welded steel pipe. We are highly motivated and would be in a strong position to deliver positive performances for FY2019.

APPRECIATION

I would like to take this opportunity to express my utmost gratitude towards my fellow Board members for their continued contribution towards the Company's journey thus far. On behalf of the Company, we would like to thank our valued customers, suppliers, business associates, partners, bankers and staff as well as our loyal shareholders for their invaluable support and confidence in Leon Fuat throughout the years.

DATO' NG AH HOCK @ NG SOON POR
Independent Non-Executive Chairman

BUSINESS OVERVIEW

Leon Fuat Group ("the Group") operates in two (2) main business segments, which are the trading and processing of steel products, specialising in long and flat rolled products. Within our trading activities, the Group's portfolio offers products ranging from various steel materials, including carbon steel, stainless steel and alloy steel. These steel products can be further classified into two categories, namely flat products, which comprise coils, plates, sheets as well as welded tubing and piping, and long products, which include items such as bars, rods, shafts, sections, angles as well as seamless tubing and piping.

MANA

Revenue & Gross Profit comparison for FY2014 – FY2018

5.2%

CAGR

Dato' Sri Ooi Bin Keong
Group Managing Director

Meanwhile, the Group's processing division offers value-adding services, which includes cutting, levelling, shearing, profiling, bending, finishing as well as the production of expanded metal that works in synergy with our trading division. This creates an advantage for the Group as we can meet specific product requirements of our customers, as well as serve customers in multiple industries, each used for differing applications.

The Group services a large customer base comprising manufacturers of metal products and components, fabricators of machinery, equipment and metal structures, companies within the building, construction and infrastructure industries, and hardware wholesalers and retailers, from local as well as overseas markets such as Thailand, Singapore and Vietnam. To date, the Group has over 3,000 active customers, including customers who have longstanding working relationships of over a decade.

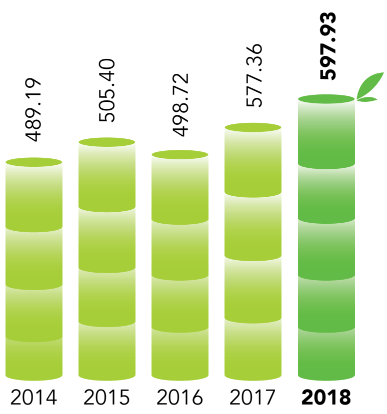
FINANCIAL REVIEW

The Group registered a slight increase of 3.6% in revenue at RM597.93 million for FY2018 as compared to RM577.36 million recorded for FY2017.

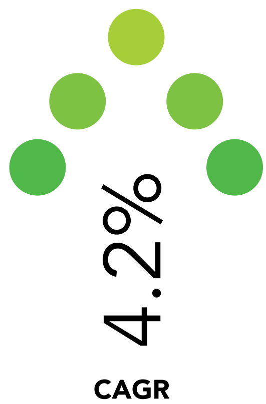
During the financial year under review, despite the Group achieving higher revenue, the Group's Gross Profit ("GP") decreased by 13.9% at RM82.46 million as compared to RM95.83 million recorded for FY2017. This was mainly due to lower overall gross profit margin, from 16.6% for FY2017 to 13.8% for FY2018, as a result of lower GP margin for processing of steel products by 5.0 percentage points, from 18.2% to 13.2%.

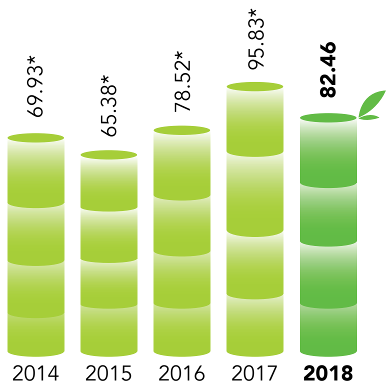
AGEMENT

DISCUSSION & ANALYSIS



REVENUE RM (mil)





GROSS PROFIT RM (mil)
***Restated**

Management Discussion & Analysis

The Group's other income for FY2018 normalised at RM2.60 million, a significant decline of RM43.32 million as compared to RM45.92 million recorded for FY2017. The Group's other income for FY2017 mainly comprised the gain and compensations derived from the compulsory acquisition of the affected land and buildings which house the steel processing plant, office and warehouse of a wholly owned subsidiary, Supreme Steelmakers, amounting to approximately RM41.20 million, and also contributed by the recognition of gain on bargain purchase for RM2.70 million, arising from the acquisition of PSP as the Group share of fair value of identifiable net assets acquired on the acquisition date is more than its purchase consideration. For illustration purposes, excluding the aforesaid one-off gain of RM41.20 million and RM2.70 million, the Group's other income stood at RM2.02 million for FY2017.

Accordingly, the Group closed FY2018 with total Profit Before Tax and Profit After Tax of RM35.53 million and RM25.97 million respectively, down by 62.5% and 67.5% as compared to RM94.73 million and RM79.81 million for FY2017 correspondingly. For FY2018, the Group's Earnings Per Share stood at 8.42 sen, decreased by 67.3% as compared to the 25.76 sen marked in FY2017.

OPERATIONS REVIEW BY BUSINESS SEGMENT

The Group's business segments are as follows:

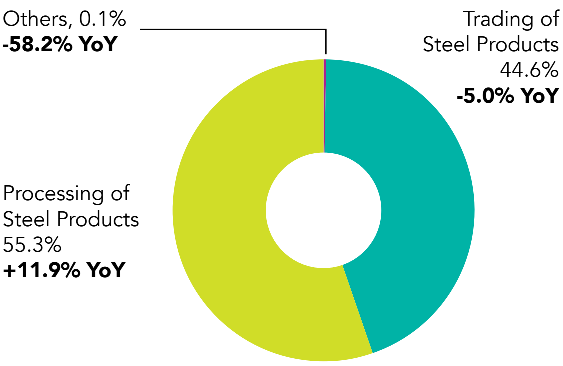
1. Processing of steel products

    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

Segmental contribution to FY2018 Revenue and Gross Profit

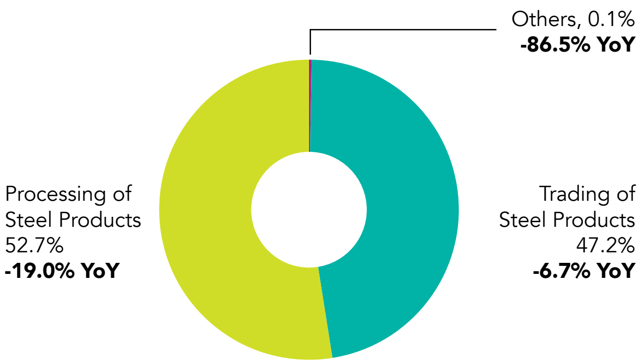
FY2018 Revenue (mil)

RM597.93



FY2018 Gross Profit (mil)

RM82.46



2. Trading 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

The processing of steel products segment remains the largest contributor to the Group's revenue, marking an increase of 11.9% from RM295.54 million for FY2017 to RM330.78 million for FY2018, which was attributable to:

1. Higher revenue from processing of flat carbon steel products by 12.9% from RM197.55 million to RM223.02 million, mainly due to its rising demand by 10.4% as well as higher average selling price by 2.2%;

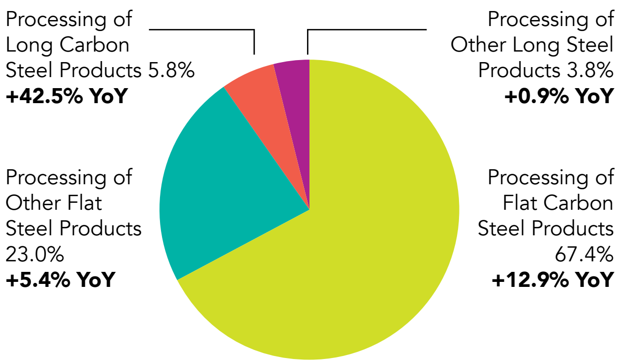
2. Higher revenue from processing of other flat steel products by 5.4% from RM72.13 million to RM76.02 million, mainly due to higher tonnage sales by 23.7% despite lower average selling price by 14.8%; and

3. Higher revenue from processing of long carbon steel products by 42.5% from RM13.56 million to RM19.33 million, mainly due to its rising demand by 39.4% as well as higher average selling price by 2.2%.

Segmental Revenue :
Processing of Steel Products (mil)

RM330.78

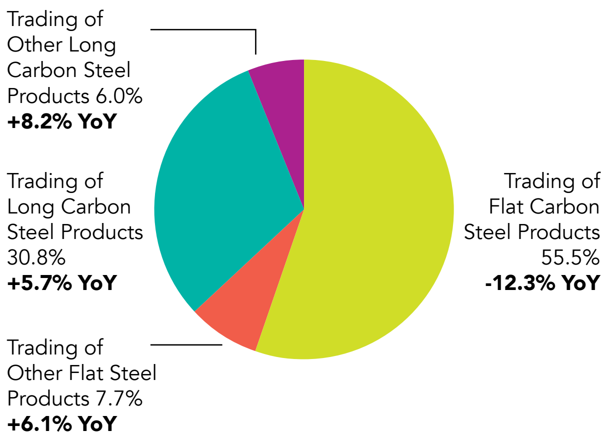
(+11.9% YoY)



Segmental Revenue :
Trading Products (mil)

RM266.62

(-5.0% YoY)



Management Discussion & Analysis

Despite the trading of other flat steel products, long carbon steel products and other long steel products recording higher average selling price or higher tonnage sales, the lower revenue from trading of flat carbon steel products led the overall decline of the trading of steel products segment by 5.0%, from RM280.56 million for FY2017 to RM266.62 million for FY2018, analysed as below:

1. Lower revenue from trading of flat carbon steel products by 12.3% from RM168.86 million to RM148.07 million, mainly due to lower tonnage sales by 19.3%, mitigated by higher average selling price by 8.7%;
2. Higher revenue from trading of other flat steel products by 6.1% from RM19.44 million to RM20.62 million, mainly attributed to higher tonnage sales by approximately 16.2%, despite lower average selling price by 8.8%;
3. Higher revenue from trading of long carbon steel products by 5.7% from RM77.62 million to RM82.08 million, mainly attributed to higher average selling price by 20.7%, despite lower tonnage sales by 12.4%; and
4. Higher revenue from trading of other long steel products by 8.2% from RM14.65 million to RM15.85 million, mainly attributed to higher tonnage sales by 24.2%, despite lower average selling price by 12.9%.

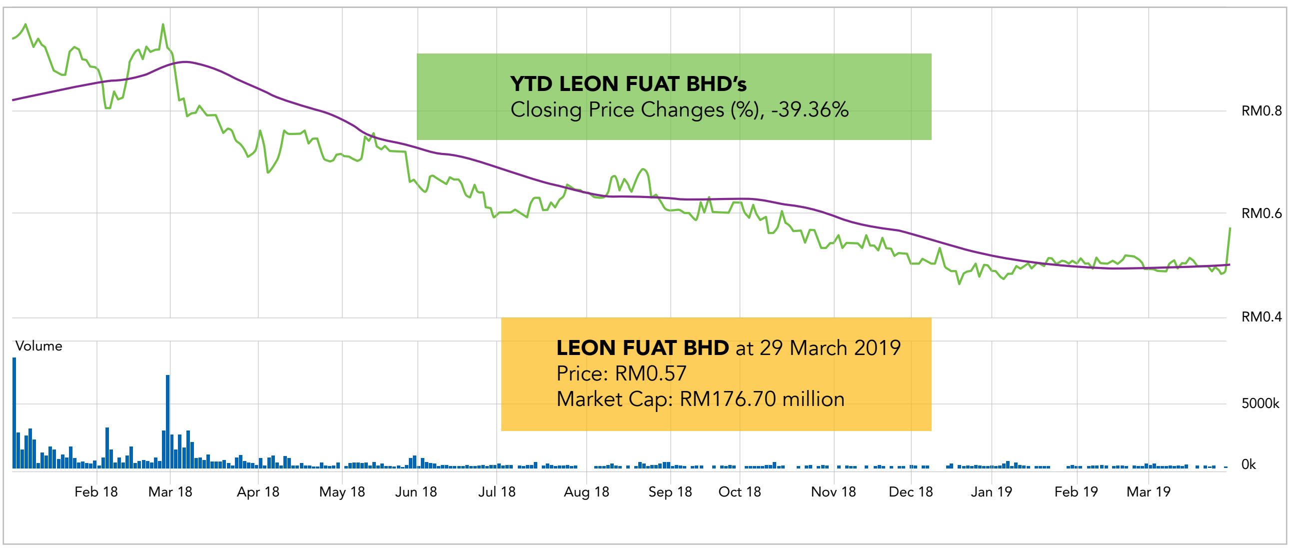
SHARE PRICE PERFORMANCE

As at 29 March 2019, the Group's share price closed at RM0.57, with a total market capitalisation of RM176.70 million. Year-to-date high and low share prices marked RM0.97 and RM0.46 respectively. Average daily trading volume is at 383,659 units.

DIVIDEND

For FY2018, the Board is proposing a final single-tier-dividend of 1.5 sen per share amounting to RM4.65 million, which is subject to shareholders' approval at the 12th Annual General Meeting to be held on 12 June 2019. This will bring the total dividend pay-out ratio for FY2018 to approximately 17.9%, lower than the usual practice of up to 30% of our net profit. The Board believes that this is an appropriate decision in order to reduce our reliance on bank borrowings for the materialisation of our upcoming business growth strategies and to preserve funds for capital expenditure for FY2019 as well as to maintain a healthier financial and gearing ratio for the coming financial year.

Share Price Performance & Trading Volume



Source: Wall Street Journal

ANTICIPATED OR KNOWN RISKS

The Group is exposed to several day-to-day risks within our operations, which failure to manage, may to a certain extent, impact our profitability.

One of the Group's key issues faced is the exposure to the fluctuation in price of steel materials, often driven by factors such as global economic conditions, production volume of steel mills and the industry's supply and demand. We consistently monitor the prices of steel materials and our inventory levels closely throughout the year to avoid any significant impact on our operating costs and profit.

The Group is also exposed to the fluctuation in foreign currency exchange that may impose a risk of increased cost of materials for the Group as we source for some materials such as flat and long stainless steel, alloy steel and carbon steel from overseas, namely Japan, Europe, China and Korea, among others. As such, the Group has in place several hedging facilities with our bankers such as forward contracts and foreign currency accounts, which can be utilised should the need arises.

The realised gain and unrealised loss on foreign exchange recorded for FY2018 were insignificant. Our purchases that are denominated in foreign currencies accounted for approximately 59.7% of our total purchase costs for FY2018, of which approximately 59.3%, 0.1% and 0.3% were transacted in USD, EUR and SGD respectively.

With our position as an intermediary between the steel millers and industrial end-users, the Group may be exposed to the risk of high inventory holding cost. We ensure to maintain sufficient level of inventory to provide timely deliveries to our customers at all times.

For FY2018, our inventory turnover period was approximately 185 days, improved slightly as compared to approximately 195 days recorded for FY2017. We do not experience any material impact from high inventory holding as our steel products do not have a definite shelf life and do not become obsolete.

Last but not least, our business is exposed to credit risks arising from trade receivables as we generally grant out customers credit periods of between 14 days to 90 days. In the event of significant delay in debt collection, we will have to provide for impairment loss on trade receivables or write off trade receivables as bad debts, which may adversely affect our financial performance.

Management Discussion & Analysis

FORWARD LOOKING STATEMENT

The Malaysian Gross Development Product for 2019 is expected to have continued growth at a lower rate of sub 5% with growth likely to remain supported by firm domestic demand and favourable export sectors.

The Group remains focused on our three-pronged strategy, developed to effectively help expand our business by increasing our production capacity and improving our efficiency with aim to widen our income stream.

First Initiative - Warehouse in Port Klang Free Zone ("PKFZ")

The first phase of the warehouse in PKFZ has been in commission since 2016 with a net usable factory storage space of approximately 94,000 sq. ft., which will be leverage for the benefit of the Group in terms of, amongst others, logistic arrangement, supplying to local customers who are eligible for import duty exemption and re-export activities. In FY2018, we have commenced the second phase by constructing another warehouse/factory with the size of approximately 96,000 sq. ft., at the estimated investment cost of approximately RM5.0 million. This second phase of construction is targeted to be completed by the first half of FY2019.

Second Initiative - Processing Plant in Shah Alam

The second initiative is our newly-renovated and refurbished processing plant located directly opposite Wisma Leon Fuat in Shah Alam. The new plant has approximately 59,370 sq. ft. of usable factory space, housing our new CNC cutting machines and the relocation of our existing CNC cutting machine that we believe will enhance efficiency as well as production capacity.

Since the newly-renovated and refurbished plant commenced operations, operation flow on site has improved significantly, particularly in material handling. Processes have become more organised and is time-efficient to monitor inventory.

This additional factory space also allowed us to install a newly acquired fiber laser cutting machine in the second half of FY2018. This cutting machine completes with automated loading and unloading facilities for inputs and outputs with overall processing speed of up to 5 times more than the conventional machines is believed to be the first fiber laser machine with the highest power in South East Asia.

Third Initiative - Steel Pipe Manufacturing Plant in Port Klang

The Group is aiming to embark on downstream production by leveraging on existing clientele network and grow this segment to be the third core business and believes it will become a significant income generator in the future.

The construction of this new plant will be executed in three phases. Presently, the first phase of the construction and the installation of machines have been completed. We are in the midst of trial run and expected to commence commercial operation by the first half of FY2019. On another note, we have purchased one of the newest technologies in pipe forming invented in Japan. This new machine literally increases the productivity with minimal set up time, improve the quality consistency as it managed by advanced numerical control system and having the flexibility of switching the productions. Henceforth, it requires lower manpower for cost efficiency and higher productivity.

In addition, we have commenced the preparation for the submission of our construction plans for the second and third phases to the authorities for their approvals. We expect to obtain these approvals by this year and target to complete the construction works by the end of 2020.

First Initiative

Second Initiative

The Group's existing plants house an extensive range of processing machinery, such as cutting, levelling, shearing, profiling, bending and expanded metal processing machines. With the variation in its technologies, the Group is well-equipped to remain competitive in order to maintain its foothold at the forefront of the steel processing industry going forward. As at 31 December 2018, the Group possesses a total of 108 major machines with total Net Book Value ("NBV") of RM25.14 million, installed across our facilities, as listed below:

Machinery and Equipment	No. of Units
Coil levelling machine	7
Slitter line	1
CNC oxy-gas and plasma cutting machine	4
CNC oxy-gas cutting machine	3
CNC plasma cutting machine	4
CNC laser cutting machine	11
CNC waterjet cutting machine	4
Shearing machine	10
Portable plasma cutting machine	1
Portable oxy-gas cutting machine	14
Expanded metal machine	3
Bandsaw machine	33
High precision CNC press brake machine	7
Surface grinding machine	1
Punching machine	2
External pipe blasting machine	1
Polishing Machine	1
Rolling Machine	1
Total	**108**

Third Initiative

On top of having new machinery and plants, and providing a one-stop solution, we will proactively address our risks arising from global and local factors, and continuously enhance our operational capabilities and efficiencies to ensure that we are in a strong position to generate positive results for FY2019.

DATO' SRI OOI BIN KEONG
Group Managing Director

Resilient

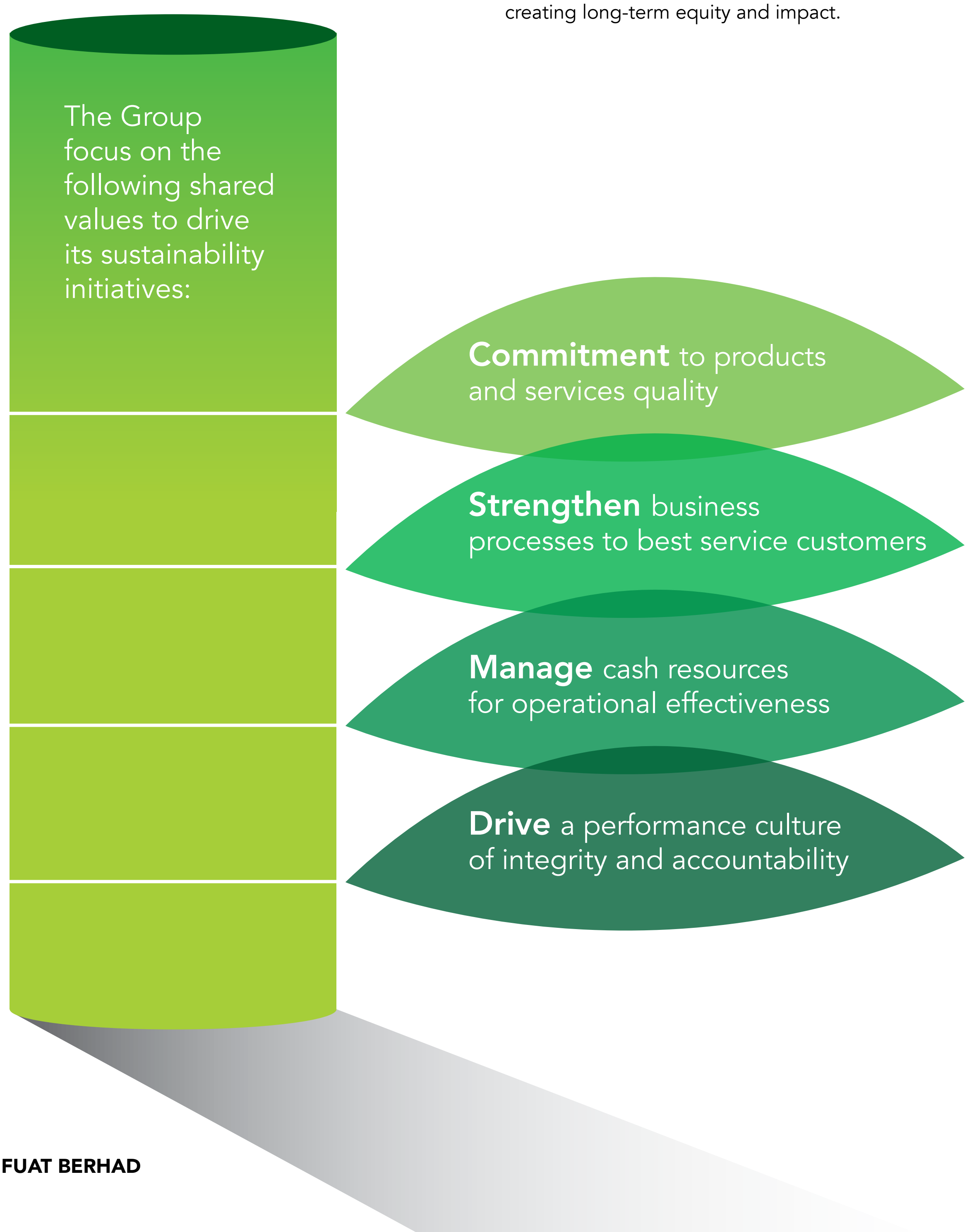
A great symbol of resilience, bamboos stand strong and flexible against bad weather. Like bamboo, Leon Fuat too has weathered the challenge of a difficult operating environment to emerge stronger and more in tune with market changes.

Sustainability Statement

1. WHAT'S INSIDE

This second Sustainability Statement ("the Statement") outlines our continuous effort in embracing sustainable development practices within all our business activities. It contains our commitment to various policies, programmes and commitments in relation to our fresh adoption of the Economic, Environmental and Social ("EES") framework.

The key to achieving sustainable growth is to grow profitably with clear focus on high growth areas that provide attractive and value accretive opportunities. We will strategically focus on optimising the return on our assets and investments through continuous operational improvements, effective cost management and, if necessary, to undertake product portfolio rebalancing to ensure an effective overall transformation of the Group's business activities. As we embark on our sustainability journey, we will work with our people, improve on our operational processes and capitalise on technology advancement to define clear sustainability goals and targets, creating long-term equity and impact.

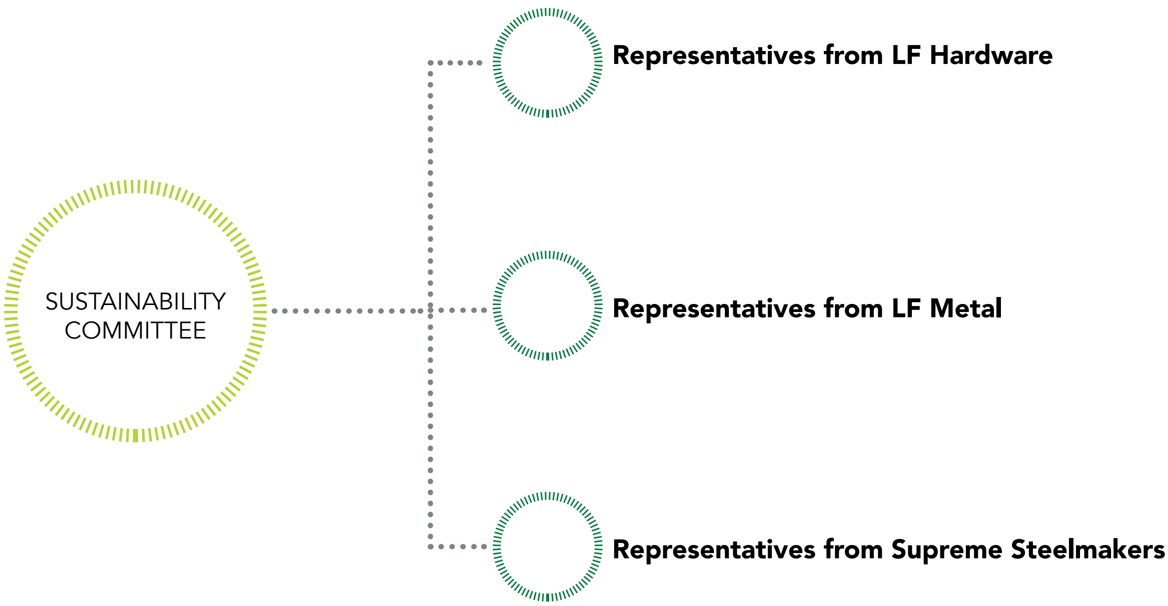


This Statement provides an insight into the Group's Economic, Environmental and Social activities with a guide on its sustainability objectives and goals. Broadly, this disclosure highlights how value is created and delivered to all stakeholders in moving forward the business of the Group for long-term value creation.

2. SUSTAINABILITY GOVERNANCE

The Sustainability Committee has been established in 2018 to oversee the implementation of sustainability policies, measures and related actions to achieve the desired objectives and approved goals. The Sustainability Committee is supported by the Sustainability Task Force Committee which consists representatives from our three (3) major subsidiary companies to provide information, opinion and to facilitate the Sustainability Committee in monitoring as well as managing the policies implementation progress and taking periodic corrective actions.

The Statement also highlights financial and other non-financial aspects of our business operations to improve our operational efficiencies and deliver long-term growth and value for all our stakeholders, using the following reporting structure:



Sustainability Statement

3. REPORTING SCOPE AND BOUNDARY

This Sustainability Statement includes quantitative and qualitative data and information, on the three (3) most active business units of Leon Fuat Berhad. Hereinafter, the Company and the specified business units mentioned above will collectively be referred to as the Group, unless otherwise stated. The reporting scope and boundary of this year's report have not changed from that of the previous financial year.

Reporting Period	**1 January 2018 to 31 December 2018**
Reporting Scope	Three (3) most active operating business units with focus on the key risks and opportunities based on materiality assessment exercise. Unless otherwise stated, the information presented in this Statement covers only business activities in Malaysia
Reporting Cycle	Annually
Reporting Guidelines	• Bursa Securities' Sustainability Reporting Guide • Main Market Listing Requirement Practice Note 9 Article 6 • United Nations Sustainable Development Goals ("UNSDGs")
Report Availability	Corporate Website : www.leonfuat.com.my

4. DRIVING SUSTAINABILITY INITIATIVES & MATERIALITY MATTERS

During the financial year 2018, our focus is to create on what is good for business in order to nurture a long-term sustainable future. This approach is to balance the sustainability principles into our business operations that allows us to make responsible investment decisions with increased value for all stakeholders.

Sustainability Initiatives

Our sustainability policy is communicated to all employees in a meaningful manner, using relevant core components of sustainability goals align and benchmark to achieving UNSDGs:

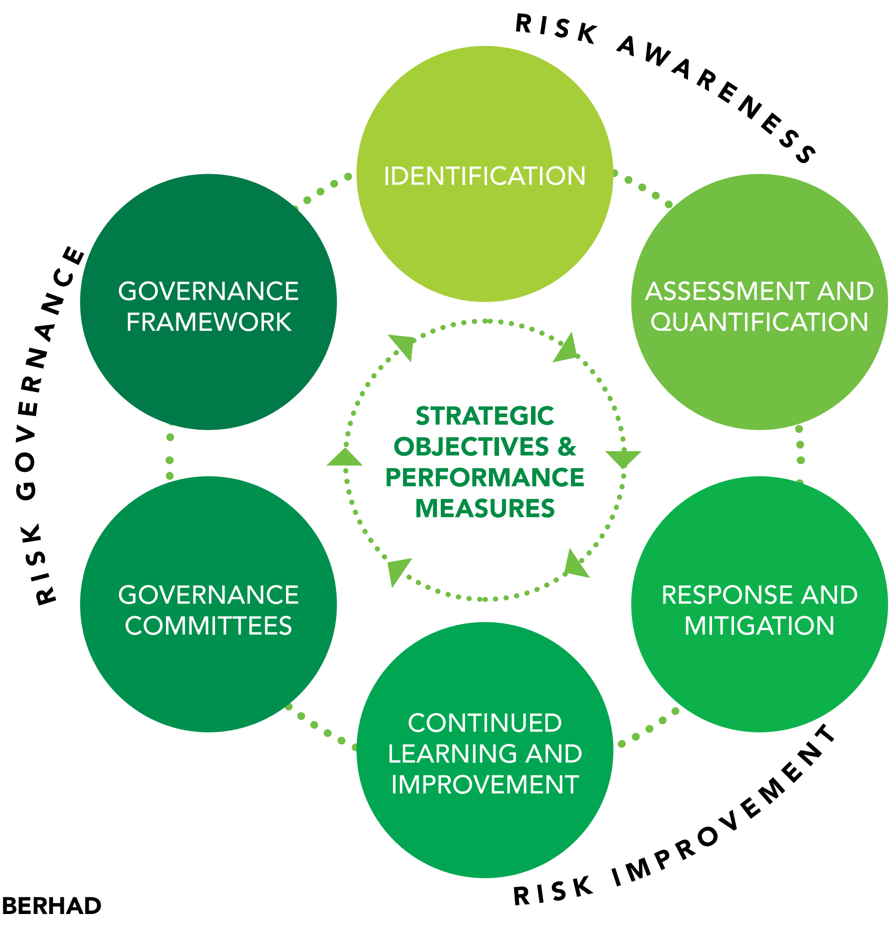
Implementation Progress	Sustainability Initiative	UNSDGs Impact
On-going	Invest in Pipe Manufacturing operation to enlarge the Group's product offerings with target commencement by the second quarter of the FY2019.	SDG 8, SDG 9
Completed	Finished the commissioning of the shaft polishing value-added process in the second quarter of the FY2018.	SDG 8, SDG 9
Completed	Procured a 10kW Fiber Laser machine with a fully automated loading/unloading system, which can greatly improve the overall efficiency and quality of the cutting process to enhance productivity.	SDG 8, SDG 9
Completed	Initiated the formation of a Sports Club in November 2018, to improve on the development of teamwork culture and promote a healthy lifestyle for employees.	SDG 3
On-going	Energy and water saving policies to minimise operational impact to the environment and climate change.	SDG 7 and SDG 13

Preparing for the Future

Stakeholder Engagement

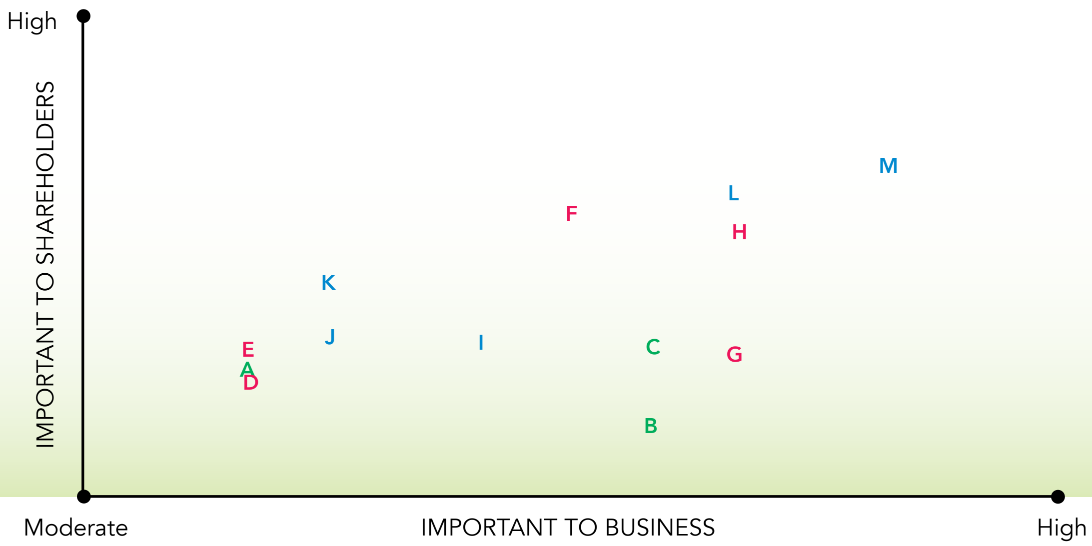
Our stakeholders are a vital component in our business strategy and we takes into consideration the impact of our activities to stakeholders and their expectations through various engagement channels as follows:

Stakeholder Group	Engagement Channels
Employees	• Face to face discussions • Learning and development programmes • Employee performance appraisal • Staff meetings
Management	• Ad-hoc coordination meeting • Quarterly business unit meeting • Annual ISO management review
Customers	• Face-to-face interaction • Satisfaction assessment • Feedback survey
Vendors/Suppliers	• Face-to-face interaction • Vendor performance review • Product quality feedback
Investors and shareholders	• Annual General Meeting • Bursa Malaysia announcements
Community	• Corporate programs



Materiality Matrix

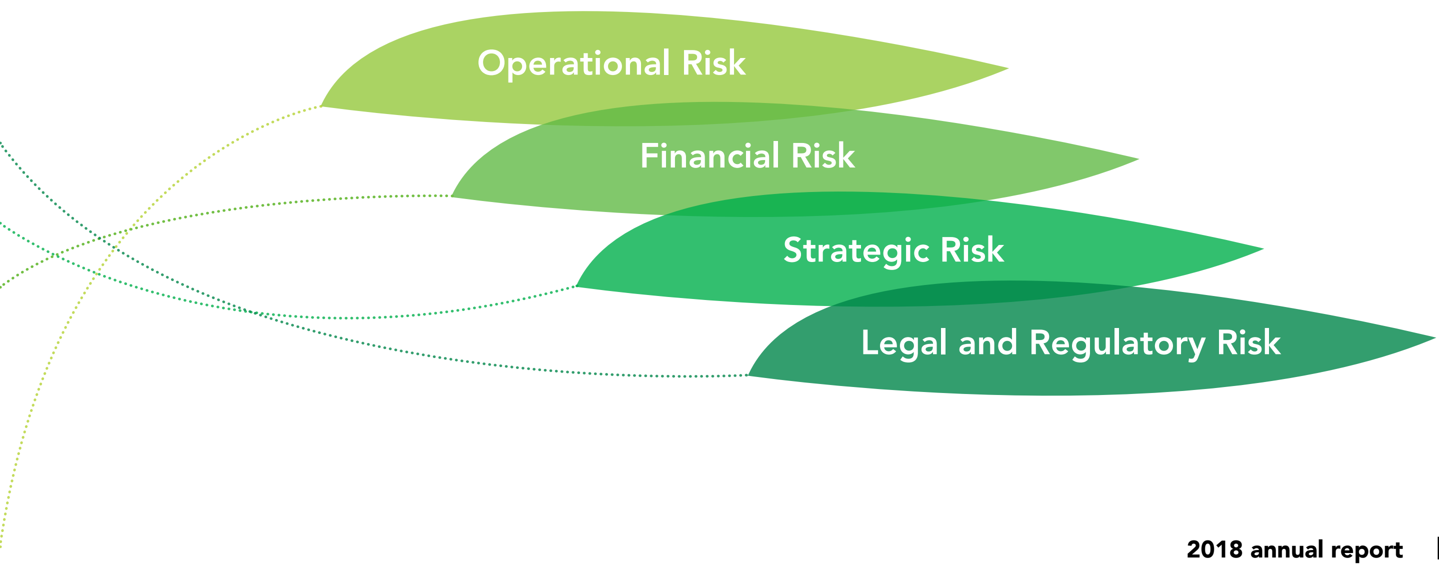
As a continuous on-going process to update materiality matters, the Sustainability Team annually prioritise the reporting of matters that are material to us and our stakeholders on areas of sustainability importance. Tabulate below the materiality matrix used to develop employee awareness training on materiality matters impacting the Group:



ENVIRONMENT
- A Noise Monitoring Management
- B Energy and Water Consumption Management
- C Effluent and Waste Management

SOCIAL
- D Work-Life Balance
- E Corporate Social Responsibility
- F Health and Safety
- G Employee Welfare
- H Knowledge and Skills Development

ECONOMIC
- I Data Security
- J Responsible Procurement
- K Business Ethics and Compliance
- L Customer Satisfaction
- M Operational Excellence



Sustainability Statement

Accordingly, progress in the following ten (10) focus areas are monitored to ensure that we are on track in our journey towards attaining our sustainability goals as follows:

ECONOMIC (SDG 8, SDG 9, SDG 11, SDG 12, and SDG 17)	• Operational excellence • Customer satisfaction • Business ethics and compliance • Responsible procurement
ENVIRONMENT (SDG 6, SDG 7, SDG 13 and SDG 15)	• Effluent and waste management • Energy and water consumption management
SOCIAL (SDG 1, SDG 2, SDG 4, SDG 5, SDG 10, and SDG 11)	• Health and safety • Knowledge and skills development • Employee welfare • Corporate social responsibility

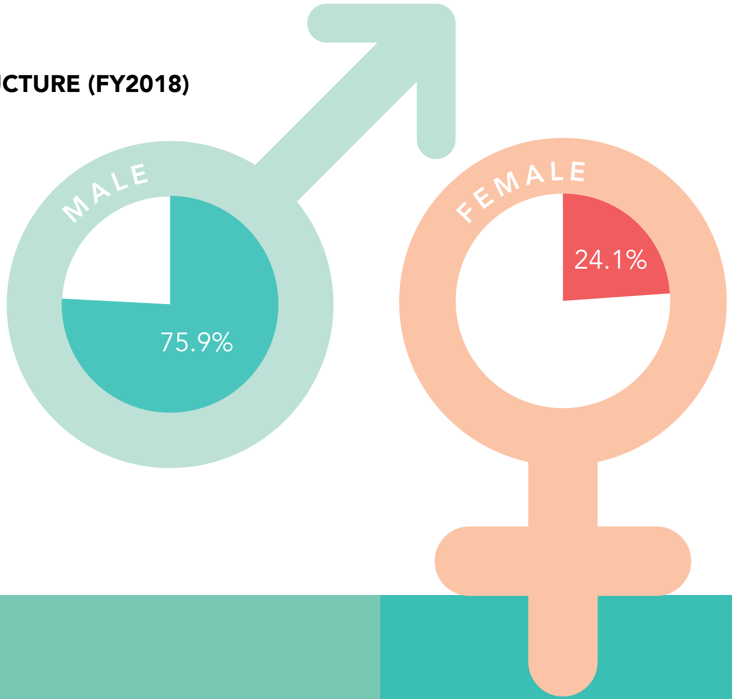
We are of the broad opinion that the following eight (8) material matters listed below are still relevant moving forward for the Group's business activities.

Workplace Diversity for Malaysian Operations

Workforce Data	FY2016	FY2017	FY2018
Number of Employees			
Total Employees	355	371	386
Male	265	280	293
Female	90	91	93
Employee by Age Group			
< 30	116	117	124
30 - 40	148	150	150
41 - 50	54	57	63
> 50	37	47	49
Employee by Ethnicity			
Bumiputera	90	101	114
Non-Bumiputera	155	173	165
Foreigners	110	97	107
% of Female Employees			
Total Employees	25.4%	24.5%	24.1%
Board of Directors	0.0%	0.0%	0.0%
Senior Management	0.0%	0.0%	0.0%
Middle Management	40.0%	42.3%	50.0%
Executive/Supervisory	76.4%	68.0%	67.6%
Non-Executive	10.6%	11.2%	11.2%
New Hires Data			
Total Number of New Hires	93	89	120
Male	73	70	107
Female	20	19	13
Monthly Turnover Rate (%)	2.0%	1.6%	2.3%

* Note: the above data covers only three (3) most active operating business units.

EMPLOYEE STRUCTURE (FY2018)



Male vs Female

By Age

<30	32.1%
30 - 40	38.9%
41 -50	16.3%
>50	12.7%

By Ethnicity

Bumiputera	29.5%
Non-Bumiputera	42.8%
Foreigners	27.7%

Staff Training for Executives and Non-Executives Statistics

FY	Total Hours Of Training For Executives	Total Hours Of Training For Non-Executives
2018	406	213
2017	1,319	780
2016	1,060	528

5. ECONOMIC

a. Operational Excellence

As the Group strives to promote and deliver holistic quality products of the highest and best grade to customers, stringent quality control assurance is essential.

Consequently, the Group continue its bold moves in machinery investment modernisation. In this respect, the Group procured a new fiber laser cutting machine complete with automated loading and unloading facilities for inputs and outputs with overall processing speed of up to 5 times more than conventional machines.

The Group currently embarks on a downstream production of steel pipes and expected to commence commercial operation by the first half of FY2019. As a new player in this market segment, we expect a modest revenue contribution from this operation for FY2019 and more significant contribution in ensuing years.

The above investments enable cost and production effective solutions with effective sustainable energy and resource use, for better resource planning and management.

b. Creating Excellent Customer Experience and Satisfaction

The Group aim to secure high satisfaction and product trust of all valued customers by providing constructive recommendation on product use and application.

In this respect, survey forms were sent out to gather feedback from our valued customers about their main concerns and issues they had encountered.

c. Business Ethics and Compliance

Acting with integrity has always been and will be the fundamental on how the Group operates.

In the complex business environment and ever-evolving legal and regulatory requirements, right business decision requires careful consideration of many aspects.

It is not only limited to right thing to do. It protects all stakeholders including our employees, our customers and others. Doing business with integrity could also improve our business performance and differentiate us in the steel market.

d. Promoting Value-Add Supply Chain Competitiveness

Incorporating sustainable principles into fair procurement and quality assurance processes have improved overall supply chain management effectiveness and delivery timeliness.

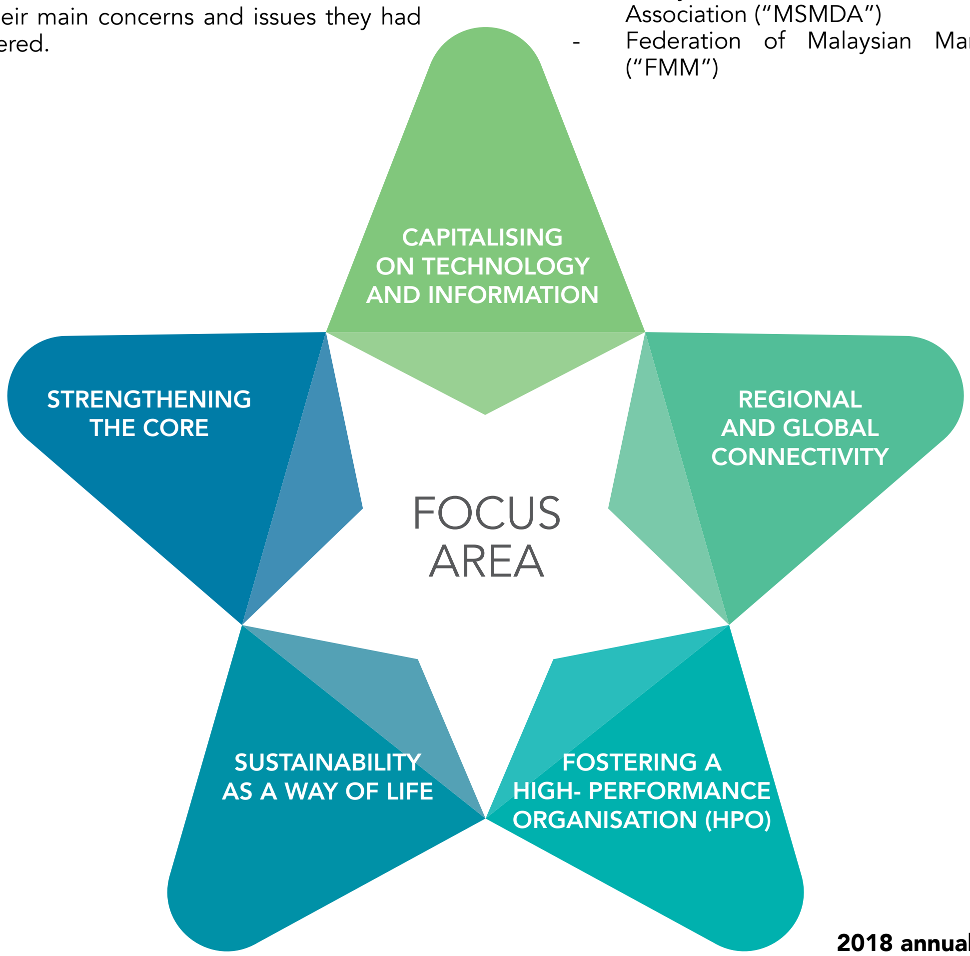
The Group is also committed to support local businesses. By buying locally helps reduce the amount spent on logistics cost besides reducing emissions and energy used in transportation.

Hence, strengthen the relationships with business associates and ensure best value to customers.

e. Industry Memberships

The Group is registered with the following industry associations:

- Malaysia Steel and Metal Distributors' Association ("MSMDA")
- Federation of Malaysian Manufacturers ("FMM")



Sustainability Statement

6. ENVIRONMENT

a. Energy and Water Consumption Management

To abate Green House Gas emission and other environmental issue due to use of energy and water from our operational activities, we believe proactive approach have to be taken across our Group to ensure efficient use of energy and water.

The Group adopts a responsible behavior to create awareness to all staff by placing awareness notice on water and energy savings.

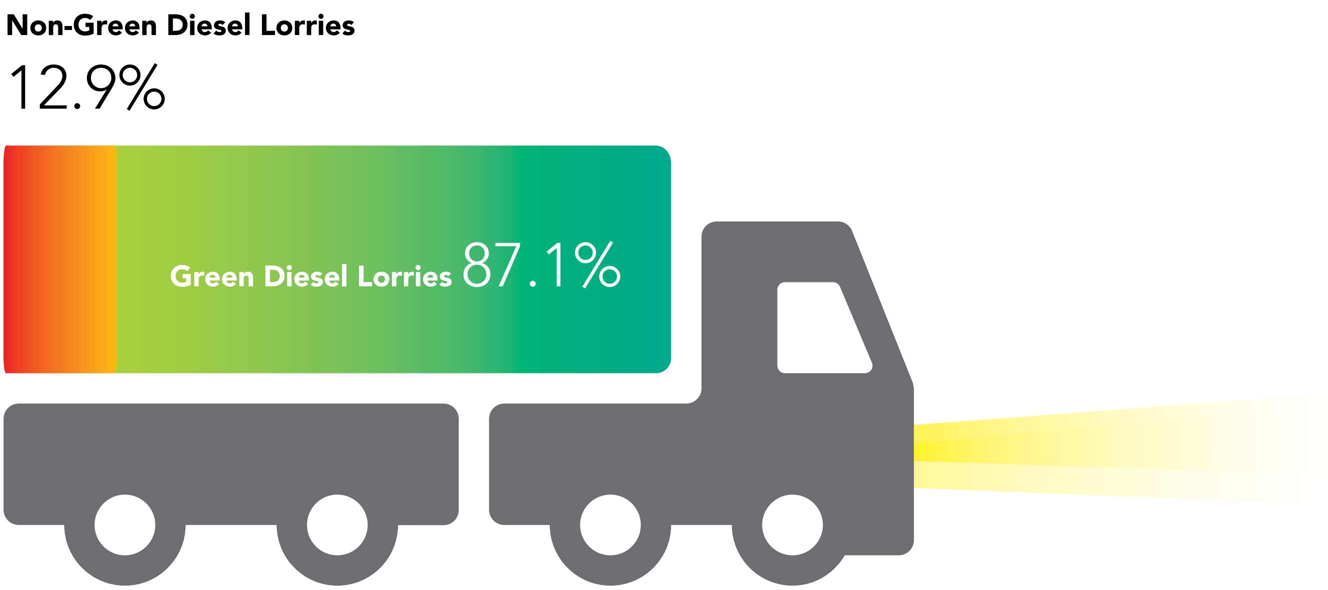
To be more energy conservative, the Group will prioritise on installation of LED types lighting system for energy efficiency for future building and factory.

b. Effluent and Climate Change Management

As a responsible corporate citizen, the group will focus on initiatives to minimise operational impact to environment.

The Group endeavours to progressive replace its transportation fleet to green vehicle as its contribution towards reducing climate change impact. Some 87% of transportation fleet comprises of green vehicles now in use by the Group.

Proactive effort is taken to contribute towards the lowering of carbon emission and environmental pollution.



Logistic Fleet Management
24 out of 28 lorries are using Green Technology

7. SOCIAL

a. Improving Health and Safety Practices

Strict compliance with all applicable laws and regulations is a minimum requirement for the Group to operate.

In this connection, systematic review of health and safety practices are conducted periodically to ensure its effectiveness. Necessary precautions to overcome noise pollution and proper house-keeping of waste disposal are carried out periodically.

We will continue to eliminate work accident and taking care of our employees' health and safety by having more activities including audio test, health screening, as well as health and safety briefing.

b. Knowledge and Skills Development

In order to achieve operational excellence, we will impart and provide continuous on job training to improve and increase the knowledge and skills of our people.

The Group dynamic focus on embracing diverse background, skills and ideas, drive inclusiveness in the workplace for talent management and employee retention.

Sustainability Statement

c. Staff Welfare and Healthy Life Style

Recognising and rewarding individual and team achievement create a competitiveness workplace that promote high level of productivity and product profitability.

We value our people by family-based approach. We listen to the staff, understand their career objective and treat all staff like family members. We believe engage with employee could increase the chances of success and innovation for the organisation.

We aim to be an employer of choice by maintaining sound work culture and good long-term career development of our employees.

During the FY2018, the Sports Club organised the following recreational activities:

- Jungle trekking
- Badminton
- Table tennis
- Aerobic and yoga

Table Tennis

Badminton

Aerobic and Yoga

d. Contributing To Charitable and Social Causes

The Group participate in community programmes and charity events to create a positive impact on the society.

During the FY2018, the Group made some monetary contributions to schools for fundraising activities and to charity organisations for the underprivileged communities.

Birthday Celebration

Party Event

Lucky Draw

Jungle Trekking

Corporate Governance Overview Statement

The Board of Directors of Leon Fuat Berhad is committed to ensuring that the Company and its subsidiaries (the "Group") comply with the high standards of corporate governance practices prescribed by the Malaysian Code on Corporate Governance ("MCCG") and in compliance with the Listing Requirements of Bursa Malaysia Securities Berhad ("Listing Requirements") ("Bursa Securities") as part of the Board's fundamental duties to protect and enhance shareholders' value. In order to uphold good corporate ethics, the Board is committed to continuously evaluate and where appropriate, implement relevant policies and procedures to ensure adherence to good corporate governance.

The following Corporate Government Overview Statement ("Statement") outlines the application of the principles of the MCCG which should be read together with the Corporate Governance Report detailing the application by the Group of the corporate governance practices which is available on the Company's website, www.leonfuat.com.my.

PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

I. Board Responsibilities

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

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

The Company is led and managed by the Board with a wide range of experience, broad range of skills and qualifications. The Board has the following major responsibilities, which facilitate 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 appointing, training, fixing the remuneration of and where appropriate, replacing director and senior management personnel of the Group;
(e) Developing and implementing an investor relations programme for the Group and pro-active communication with shareholders at the general meetings of the Company; and
(f) Reviewing the adequacy and integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

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

Besides the Board, other Board Committees, namely the Audit Committee, Nomination Committee and Remuneration Committee have been established with respective written terms of reference to assist the Board in the execution and ensure proper discharge of the Board's fiduciary duties and responsibilities.

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

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

The Chairman and the Group Managing Director are held by different individual whose responsibilities are segregated and clearly defined to ensure balance of power and authority. The Chairman of the Company is an Independent Non-Executive Director and he is responsible for ensuring the integrity and effectiveness of the governance processes of the Board and will consult with the Board promptly over any matter of major concern.

The Chairman, in leading the Board, is responsible for the effective overall functioning of the Board. The Chairman ensures that appropriate procedures are in place and will act as facilitator at meetings of the Board and ensure that no Board member, whether executive or non-executive, dominates the discussion, and that appropriate discussion takes place and relevant opinion among Board members are forthcoming. The Chairman ensures that all strategic and critical issues are considered and deliberated by the board and decisions are taken on a sound and well-informed basis.

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

The corporate secretarial function of the Company has been outsourced to Archer Corporate Services Sdn Bhd, and the Board is supported by two (2) professional Company Secretaries who are experienced and qualified pursuant to the requirements of the Companies Act 2016. The Company Secretaries have vast knowledge and are supported by a dedicated team of company secretarial personnel. The Company Secretary is responsible for supporting the effective functioning of the board. The Board have full and unrestricted access to the Company Secretaries who play an advisory role and keep the Board abreast and appraised of regulatory legislations and requirements, corporate governance best practices and other relevant rules or guidelines from time to time.

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

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

The Whistle-Blowing Policy is published at the Company's website. 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.

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

- To all Key Management Personnel for information pertaining to the Group;
- To the Company Secretary for procedural and regulatory requirements or advice, board policies and procedures;
- To the External Auditors of the Group for advice on accounting and audit related issues to ensure that the financial statements are free from material misstatement; and
- To the Internal Auditors of the Group to ensure the systems of internal control and processes of the Group are working well.

Corporate Governance Overview Statement

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

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

The Company Secretary will circulate to the Board an annual meeting calendar in advance setting out the scheduled dates for meetings of the Board and Board Committees in order to facilitate the Directors' time planning. The Board and the Principal Officers of the Group are also advised and reminded quarterly 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 of the Company are expected to devote sufficient time to carry out their duties and responsibilities and are required to notify the Chairman of the Board before accepting any new directorship.

During the financial year under review, five (5) board meetings were held with full attendance recorded by the members of 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 thus expected to dedicate sufficient time and effort in discharging their duties and responsibilities effectively.

In order to effectively discharge their duties and responsibilities, all the Directors are encouraged to attend appropriate training programmes to equip themselves with relevant knowledge and keep abreast of latest regulatory developments and other developments.

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

Name	Date of Training	Subject
Dato' Ng Ah Hock @ Ng Soon Por Dato' Sri Ooi Bin Keong Ooi Kong Tiong Ooi Seng Khong Ng Kok Teong Ooi Shang How	10 November 2018	Business Transformation Challenges – Shaping High Performance Organisation
Chan Kee Loin Tan Sack Sen	12 September 2018	MFRS 9, Financial Instruments – A Comprehensive Review and Analysis
	10 November 2018	Business Transformation Challenges – Shaping High Performance Organisation
Tan Did Heng	3 May 2018	New Models for Lease Accounting
	17 & 18 April 2018	Malaysian Tax Conference 2018
	16 & 17 July 2018	National Tax Conference 2018
	12 September 2018	MFRS 9, Financial Instruments – A Comprehensive Review and Analysis
	13 December 2018	2019 Budget Seminar
	17 & 18 December 2018	Essentials of Corporate Taxation – A Legal and Practical Approach (with Budget 2019 Updates)

The Board is mindful of the need for sustainability of the Group's business and ensures the Group's performance, business direction and operational requirements take into consideration the economic, environmental and social aspects for the ultimate benefit and objective of the Group.

In line with the principles of sustainability, the Board promotes good ethics and honesty in all aspects of the business dealings to create long term relationship with customers and suppliers. Good corporate governance, environmental consciousness and employee development are also practiced by the Group as the Board believes these will translate into better transparency, efficiency and reduced operational risks. Three (3) subsidiaries under the Group are accredited with ISO 9001 relating to quality management system to ensure continual improvement in all aspects of the Group's business.

The Group's sustainability agenda is disclosed on page 32 to page 45 of this Annual Report.

II. Board Composition

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

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

The Board seeks to ensure that its membership reflects diversity covering a combination of skills, experience, race, age, gender, educational and professional background and other relevant personal attributes in providing a range of perspectives and insights to enable it to discharge its duties and responsibilities effectively.

The Board will consider new appointment to be Board to take into account the specific skills and experience, independence and knowledge, amongst other attributes needed to ensure an effective Board and the diversity benefits each candidate can bring to the overall Board composition. The Board has delegated the role of identification and selection of potential Board members to the Nomination Committee which in turn makes its recommendations to the Board. The Nomination Committee can consider variety of approaches and sources to ensure that is it able to identify the most suitable candidates including sourcing from a directors' registry and open advertisements or the use of independent search firms. The ultimate decision on the appointment of new Board member will be decided by the Board after considering the recommendation from the Nomination Committee.

On gender diversity, the Board recognising the emerging targets for companies to move towards having a certain number or percentage of female representation and will take opportunities to increase the number of female Board Members where that is consistent with other skills, diversity and requirements of the Board.

The Nomination Committee in the discharge of its duties undertakes annual assessment of the Board, Board Committees and individual Director facilitated by the Company Secretary based on four (4) main areas covering Board Structure, Board Operations, Board Roles and Responsibilities, as well as Board Committees' and Board Chairman's Roles and Responsibilities.

For Director's Peer Evaluation, the assessment criteria include contribution to interaction, quality of input and understanding of role as a member of the Board.

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

The annual evaluation was conducted via questionnaires for Board and Board Committees, Individual Director Self and Peer evaluation as well as the Independent Directors' Self-Assessment Checklist, which was circulated to the Directors in advance via email by the Company Secretary.

Generally, the Board was satisfied that for the financial year under review, the performance of the Board has been satisfactory and that all the Directors were of the view that each of them 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 as per the terms of reference.

Corporate Governance Overview Statement

All the Independent Director have satisfied the independence test under the Listing Requirements and free from Management and there were no issues of independence in the Board of the Company. As none of the Independent Non-Executive Director has served the Company for nine (9) years or a cumulative period of nine (9) years or more, the recommendation to seek shareholders' approval to retain the status of Independent Directors of nine (9) years or more on the Board is not applicable.

The Board is satisfied that the Nomination Committee is able to discharge its duties and responsibilities effectively. The minutes of the Nomination Committee meeting was recorded and tabled for confirmation at its next meeting and subsequently tabled to the Board for notation. The Chairman of Nomination Committee reported to the Board the matters reviewed and discussed at the meeting and its recommendations for the Board's consideration and decision.

III. Remuneration

The Remuneration Committee, currently consists wholly of Independent Non-Executive Directors, is responsible for reviewing and recommending to the Board the policy and framework of the remuneration packages of the Executive Directors of the Company, its subsidiaries and Key Management Personnel. The Board believes 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 criteria for determining the remuneration packages of Directors and/or Key Management Personnel, among others, as provided in the remuneration policy which has been adopted by the Board covers:

- 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 predetermined 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 marketplace.

PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

I. Audit Committee

The Audit Committee is entrusted by the Board to ensure effectiveness of the Group's risk management and internal control systems. The Audit Committee is supported by the Risk Management Working Group ("RMWG") comprising representatives from the subsidiary companies.

The activities of the outsourced Internal Auditors are reported to the Audit Committee every quarter which provides the Board with the required assurance in relation to the adequacy and integrity of the Group's system of internal controls.

II. Risk Management and Internal Control Framework

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

- To review and discuss with Management the risk governance structure, risk assessment and risk management practices and the guidelines, policies and processes for risk assessment and risk management;
- To review and discuss with management the risk appetite and strategy relating to key risks, including credit risk, liquidity and funding risk, market risk, product risk and reputation risk, as well as the guidelines, policies and processes for monitoring and mitigate such risks;

- To receive, as and when appropriate, reports from the Internal Auditors on the results of risk management reviews and assessments;
- To review the statement on risk management and internal control prepared for the Group;
- To review reports on identified risk topics as the Audit Committee deems appropriate from time to time;
- To be given unrestricted access to the Management and to the accurate and complete information pertaining to the Group including from auditors and/or consultants; and
- To discharge any other duties or responsibilities delegated to the 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 and impact of risks.

Information on the Group's risk management and internal control is presented in the Statement on Risk Management and Internal Control set out on pages 59 to 60 of this Annual Report.

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

The assessment has been conducted on an annual basis by the Chairman of Audit Committee based on the adopted assessment checklist. The criteria for the assessment encompasses independence, competency, reliability and compliance. An independent party or the Company Secretary may assist the Audit Committee in the evaluation process and the assessment result will then be presented to the Board of Directors for deliberation and consideration.

During the financial year under review, written confirmation was 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. 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. The Board, having reviewed the recommendation of the Audit Committee who had assessed the suitability and independence of the External Auditors against the evaluation criteria established, agreed and had recommended to the shareholders for approval the proposed re-appointment of the External Auditors for financial year 2018.

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

I. Communication with Stakeholders

- **Compliance of Financial Statements with Applicable Financial Reporting Standards**

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

  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 2018 ("FY2018") 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 FY2018, the Group has adopted suitable accounting policies and applied them consistently, prudently and reasonably. The Directors also consider that all applicable approved accounting standards have been followed in the preparation of the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The financial statements have been prepared on the going concern basis.

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

Corporate Governance Overview Statement

- **Corporate Disclosure Policies and Procedures**

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

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

  The Investors Relation Policy is published at the Company 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. Annual General Meetings

The notice convening the annual general meeting will be sent to the shareholders at least twenty-one days before the annual general meeting in accordance with the provisions of the Listing Requirements and the Company's Constitution. Notice of general meetings will also be advertised in the newspaper giving shareholders sufficient time to prepare and/or to appoint proxy to attend and vote for their behalf.

Pursuant to the Listing Requirements, all resolutions proposed for shareholders' approval at the general meeting of the Company will be voted by poll, and the Company will appoint a scrutineer to validate the votes cast at the meeting. The Company will consider electronic voting and leverage on technology to facilitate greater shareholders' participation in general meetings.

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

All members of the Board including the Chairman and the respective Chairmen of the Audit Committee, Nomination Committee and Remuneration Committee attended the Annual General Meeting of the Company held on 6 June 2018 and the shareholders' queries were responded satisfactorily at the meeting.

This Statement is made in accordance with the resolution passed at the Board of Directors' meeting held on 8 April 2019.

Report of the Nomination Committee

COMPOSITION OF THE NOMINATION COMMITTEE

Directors	Position
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

TERMS OF REFERENCE

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

MEETINGS AND ATTENDANCE

The Nomination Committee held a total of three (3) meetings during the FY2018 with full attendance recorded by the members of the Nomination Committee.

ACTIVITIES OF THE NOMINATION COMMITTEE

During the FY2018, the Nomination Committee carried out the following activities to discharge its duties:

1. Reviewed and assessed the existing Board's structure, size and composition and the effectiveness of the Board as a whole taking into consideration board operations, roles and responsibilities of Directors and the Board Committees namely Audit Committee, Remuneration Committee and Nomination Committee. The annual assessment and evaluation was carried out by the Nomination Committee facilitated by the Company Secretary and the process was conducted via questionnaires for Board and Board Committees, Individual Director Self and Peer evaluation as well as the Independent Directors' Self-Assessment Checklist, which was circulated to the Directors via email by the Company Secretary prior to the meeting. The completed questionnaires were then collated and summarised by the Company Secretary for review by the Nomination Committee and subsequent reporting to the Board. All assessments and evaluations carried out by the Nomination Committee in the discharge of all its functions were properly documented.

   For the financial year under review, the Nomination Committee and the Board was satisfied with the Board size and composition and that all the Directors were of the view that each of them 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 as per the terms of reference.

2. In compliance with Practice 6.2 of the MCCG, the Nomination Committee and the Board have restructured the composition of the Remuneration Committee which now consist wholly of Independent Non-Executive Directors.

3. The Nomination Committee undertaken the assessment of Independent Directors and based on their confirmation and declaration that each of them continues to fulfill the prescribed definition and established criteria of independence, the Nomination Committee and the Board were satisfied that there were no issues of independence in the Board of the Company as the Independent Directors continues to demonstrate independent view and judgement in board deliberations. It was noted that none of the Independent Directors have exceeded the term limit of nine (9) years or more.

4. The Nomination Committee took cognisance that a succession plan to fill key business leadership positions in the Company is crucial to ensure leadership continuity. The Nomination Committee reviewed and communicated to the Board the succession plan developed for the positions of the Group Managing Director and Senior Executive Directors of the Group after considering the experience, character, capability and leadership skills of the identified successors.

Report of the Nomination Committee

5. In accordance with the Listing Requirements, the Nomination Committee reviewed the term of office and performance of the Audit Committee and each of its members taking into consideration the existing composition of the Audit Committee, the terms of reference and activities carried out by the Audit Committee in the discharge of its responsibilities; and was satisfied that the Audit Committee had carried out its duties in accordance with its Terms of Reference.

6. The Nomination Committee also reviewed and determined the Directors retiring by rotation and proposed to the Board the re-election of the Directors at the 2018 Annual General Meeting ("AGM") in accordance with the provisions of the Constitution of the Company. All retiring Directors, being eligible, have offered themselves for re-election at the AGM.

7. The Nomination Committee reviewed the training needs of the Directors and ensures that all Directors undertake continuous professional development to equip themselves with the relevant knowledge and keep abreast of latest regulatory developments and other developments to effectively discharge their duties as Directors. As prescribed by the MCCG, all Audit Committee members should undertake continuous professional development to keep themselves abreast of relevant developments in accounting and auditing standards, practices and rules.

8. The Nomination Committee reviewed and updated its Terms of Reference to ensure it remains consistent with the Committees' objectives and responsibilities, having regard to the Company's policies and/or applicable rules and regulations. The Terms of Reference will be reviewed periodically and made available on the Company's website.

Report of the Audit Committee

COMPOSITION OF THE AUDIT COMMITTEE

Directors	Position
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 for reference on the Company's website.

MEETINGS AND ATTENDANCE

The Audit Committee held five (5) meetings during the financial year. All members of the Audit Committee had attended these meetings.

ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year, the activities carried out by the Audit Committee in discharging its duties and functions included, among others, the following:

i. Reviewed the unaudited quarterly financial results and audited financial statements of the Group for recommendation to the Board of Directors for approval, focusing on compliance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards, Companies Act 2016 and the Listing Requirements. The Audit Committee had also considered and enquired of and discussed with Management the integrity of the reports prepared by the Management to the Board of Directors;

ii. Reviewed and discussed with the External Auditors the following matters in the Audit Planning Memorandum:

- Independence of the External Auditors;
- Consideration of fraud;
- Audit approach and risk assessment of the identified key areas;
- Accounting developments including implementation of new major accounting standards and adoption of amendments/ improvements to the Malaysian Financial Reporting Standards;
- Potential key audit matters identified by the External Auditors;
- Responsibilities of the Directors and Management as well as the External Auditors required under relevant applicable laws and regulations; and
- Proposed audit fees of the External Auditors.

iii. Reviewed the Audit Review Memorandum provided by the External Auditors arising from the audit of the Group and significant matters that required Audit Committee's attention;

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

v. Met the External Auditors without the presence of Management on 27 February 2018 and 9 April 2018 to review the assistance provided by Management to the External Auditors during the course of their audit and noted positive response from the External Auditors;

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

Report of the Audit Committee

vii. Reviewed the recurrent related party transactions ('RRPT') reports prepared by the Internal Auditors and the guidelines and procedures for the Group's RRPT to ensure that the RRPT are conducted at arm's length and on normal commercial terms which are not more favourable to the related parties than those generally available to the public and are not detriment to the minority shareholders, and made the relevant Audit Committee's statement in the Company's Circular to Shareholders on Proposed Shareholders' Mandate for RRPT;

viii. Reviewed and discussed with the Internal Auditors the risk assessment process and related matters and the effectiveness of internal control systems of the Group;

ix. Reviewed and overseen the risk management framework of the Group, with the assistance of RMWG who reports the key risk issues of the Group and matters discussed at its meeting to the Audit Committee;

x. Reviewed and discussed with the Internal Auditors the Internal Audit Plan to ensure the adequacy of the scope and frequency of reporting to the Audit Committee;

xi. 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. The Audit Committee would, as and when necessary, seek clarifications from Management and/or the Internal Auditors on the issues and control weaknesses highlighted;

xii. Met the Internal Auditors without the presence of Management on 27 February 2018, 30 May 2018 and 28 August 2018 to discuss internal control matters and weaknesses identified during the audit besides the assistance provided by Management to the Internal Auditors and noted no significant matters and deficiencies;

xiii. Conducted annual assessment of the performance of External Auditors based on their quality of services, adequacy of resources and independence. The External Auditors provides 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; and

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

REVIEW OF AUDIT COMMITTEE

An annual review and assessment on the terms of office and performance of the Audit Committee was undertaken by the Nomination Committee.

The assessment covers amongst others, main role and responsibilities of the Audit Committee and its key areas of oversight. Specifically, this oversight responsibility includes the reviews of internal control and risk management systems, effectiveness of internal and external audits, integrity of financial statements as well as its judgement in addressing significant financial reporting matters.

The Board was satisfied that the Audit Committee and its members have discharged their functions, duties and responsibilities in accordance with the Audit Committee's Terms of Reference.

INTERNAL AUDIT FUNCTION

The Group had outsourced its internal audit function to a third-party internal audit firm. The firm was also engaged to assist and facilitate the discharge of RMWG's functions in enhancing the Group's risk management framework. There is no other engagement between the Group and the firm which may create conflict of interest or impair their objectivity and independence.

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

- Conducted follow-up reviews to ascertain that agreed action plans in respect of the control weaknesses highlighted in the internal audit reports were adequately addressed and reported to the Audit Committee accordingly;
- Reviewed the following functions of the Company and its key subsidiaries covering:
  - Purchasing;
  - Inventory (Receiving) Management; and
  - Risk Management Framework assessment;
- Conducted quarterly reviews on the RRPT to ensure that the transactions were carried out in accordance with the mandate obtained from the shareholders of the Company as detailed in the Company's Circular on Proposed Shareholders' Mandate for RRPT; and
- Advised the RMWG on the enhancement of the risk management framework of the Group.

The costs incurred for the internal audit function in respect of the FY2018 was RM50,336.

Report of the Remuneration Committee

COMPOSITION OF THE REMUNERATION COMMITTEE

Directors	Position
Tan Sack Sen	Chairman of Remuneration Committee & Independent Non-Executive Director
Chan Kee Loin	Senior Independent Non-Executive Director
Dato' Ng Ah Hock @ Ng Soon Por	Independent Non-Executive Director

TERMS OF REFERENCE

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

MEETINGS AND ATTENDANCE

The Remuneration Committee held a total of three (3) meetings during the FY2018 with full attendance recorded by the members of the Remuneration Committee.

ACTIVITIES OF THE REMUNERATION COMMITTEE

During the FY2018, the Remuneration Committee carried out the following activities to discharge its duties:

- Reviewed and recommended to the Board the remuneration packages of the Executive Directors of the Company and its subsidiaries as well as Key Management Personnel which comprise salary, bonus, benefits-in-kind and other emoluments. The remuneration framework is reviewed annually 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. The individuals concerned shall abstain from discussing their own remuneration.
- 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.
- Reviewed and recommended to the Board the Directors' fees and meeting allowance for Directors' attendance at the meetings of the Company.
- Reviewed the Report of the Remuneration Committee for inclusion in the Annual Report.

Report of the Remuneration Committee

REMUNERATION

Details of the remuneration paid to the Directors for the FY2018, categorised into appropriate component is as follows:

	Fees RM	Meeting Allowance RM	Salaries RM	Bonus RM	*Other Emoluments RM	Total RM
Group						
Non-Executive Directors:						
Dato' Ng Ah Hock @ Ng Soon Por	90,000	5,000	–	–	–	95,000
Chan Kee Loin	70,000	5,000	–	–	–	75,000
Tan Did Heng	70,000	5,000	–	–	–	75,000
Tan Sack Sen	70,000	5,000	–	–	–	75,000
Executive Directors:						
Dato' Sri Ooi Bin Keong	170,000	–	700,000	240,000	164,658	1,274,658
Ooi Kong Tiong	170,000	–	560,000	192,000	127,346	1,049,346
Ooi Seng Khong	120,000	–	560,000	192,000	130,073	1,002,073
Ng Kok Teong	120,000	–	490,000	168,000	117,096	895,096
Ooi Shang How	120,000	–	490,000	168,000	117,480	895,480
Total	**1,000,000**	**20,000**	**2,800,000**	**960,000**	**656,653**	**5,436,653**
Company						
Non-Executive Directors:						
Dato' Ng Ah Hock @ Ng Soon Por	90,000	5,000	–	–	–	95,000
Chan Kee Loin	70,000	5,000	–	–	–	75,000
Tan Did Heng	70,000	5,000	–	–	–	75,000
Tan Sack Sen	70,000	5,000	–	–	–	75,000
Executive Directors:						
Dato' Sri Ooi Bin Keong	70,000	–	–	–	–	70,000
Ooi Kong Tiong	70,000	–	–	–	–	70,000
Ooi Seng Khong	70,000	–	–	–	–	70,000
Ng Kok Teong	70,000	–	–	–	–	70,000
Ooi Shang How	70,000	–	–	–	–	70,000
Total	**650,000**	**20,000**	**–**	**–**	**–**	**670,000**

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

Total remuneration paid to the top five Key Management Personnel including salary, bonus, directors' fees, benefits in-kind and other emoluments for the FY2018, analysed into bands of RM50,000 is as follows:

Remuneration band	Number of Key Management Personnel
RM450,001 to RM500,000	2
RM600,001 to RM650,000	1
RM700,000 to RM750,000	1
RM900,001 to RM950,000	1

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

Statement on Risk Management and Internal Control

The Board of Directors of Leon Fuat Berhad is pleased to present the following Statement on Risk Management and Internal Control ("this Statement") for the financial year ended 31 December 2018 pursuant to Paragraph 15.26 (b) of the Listing Requirements. 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 MCCG.

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.

The Audit Committee is entrusted by the Board to overseeing the effectiveness of the Group's risk management and internal control systems. In order to carry out this oversight function, the Audit Committee is supported by the RMWG comprising senior management team headed by an Executive Director of the Board.

RISK MANAGEMENT AND INTERNAL CONTROL

The risk management framework adopted by RMWG is based on the general principles of the international risk management framework. This risk management framework consists of risk identification, impact assessment, profiling matric as well as the management action plans. The RMWG hold four (4) meetings during the financial year to identify, review and discuss the risk issues affecting the Group. Besides members of senior management, the Audit Committee and Internal Auditors are also invited to attend the periodic RMWG meetings.

Presently, the key risk focus of RMWG is the stock holding levels of the identified subsidiaries and management action plans to optimise the stock holding levels. Matters discussed and resolved at the RMWG meetings are reported to the Audit Committee.

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.

Going forward, the Board will review its Group Risk policy and the Terms of Reference of the RMWG covering the principles of risk management; the Board's and management's risk management responsibilities; and the new objectives and areas of improvement that the Board expects to achieve from its risk management framework.

BOARD REVIEW

Presently, the Board derives its comfort on the state of internal control and risk management in the Group through the following processes, information and review mechanisms:

- The Board reviews on quarterly basis the unaudited financial results and management reports setting out key financial data and significant financial and operational matters as well as 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 budget and in line with changing business environment, updates or revises the budget as appropriate for effectiveness with corrective actions proposed and taken to reduce variances;
- The Board ensures that management reviews the quarterly results, business performance and operational issues affecting the Group and action plans are designed and implemented to address the issues and follow-up closely;

Statement on Risk Management and Internal Control

- The Audit Committee reviews the audit findings reported by the External and/or Internal Auditors and seek clarifications from and discussed with the Management on the recommended corrective/ improvement actions to be taken on accounting related and/or internal control lapses identified by the External and/or Internal Auditors, including the deadline for management to implement the agreed corrective actions on the internal control issues. Follow-up status reviews are conducted by the Internal Auditors and reported to the Audit Committee; and

- The Audit Committee conducts private meetings with the Internal and External Auditors to ensure that significant issues brought to their attention are communicated to and discussed with the Management for necessary corrective actions and improvements. Three (3) private discussions were conducted with the Internal Auditors on 27 February 2018, 30 May 2018 and 28 August 2018 and with the External Auditors twice on 27 February 2018 and 9 April 2018 respectively during the financial year.

MANAGEMENT RESPONSIBILITIES AND ASSURANCE

In accordance with the Listing Requirements, management is responsible to the Board for identifying risks relevant to the Group's business objectives, 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 8 April 2019 stating that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management and internal control system of the Group for the financial year ended 31 December 2018 and up to 8 April 2019, being the date of this Statement.
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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.

REVIEW BY EXTERNAL AUDITORS

As required by 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") (previously RPG 5 (Revised 2015)), 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 and reported to the Board that nothing had come to their attention that causes them to believe that the statement intended to be included in the annual report of the Group, in all material respects:

(a) 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

(b) 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.

The Audit Committee and Board of Directors have reviewed, deliberated and approved this Statement on 8 April 2019.

Additional Compliance Information

1. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSAL

The Company did not undertake any corporate proposal during the financial year under review.

2. AUDIT AND NON-AUDIT FEES

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

	Group RM	Company RM
Audit fees	218,947	33,000
Non-audit fees	12,000	12,000
Total	**230,947**	**45,000**

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 Annual General Meeting of the Company held on 6 June 2018 are set out in Section 2.5 of Part A of the Circular to Shareholders dated 29 April 2019.

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Directors' Report

The directors have pleasure in submitting their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2018.

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 12 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	25,965,128	4,164,880
Attributable to:		
Owners of the Company	26,099,888	4,164,880
Non-controlling interests	(134,760)	–
	25,965,128	4,164,880

DIVIDEND

Dividend declared and paid by the Company since the end of the previous financial year was the final single tier dividend of 1.5 sen per share amounting to RM4,650,000 in respect of the financial year ended 31 December 2017, as disclosed in the directors' report of that financial year, which was paid on 25 July 2018.

The directors recommended a final single tier dividend of 1.5 sen per share amounting to RM4,650,000 based on the number of outstanding ordinary shares in issue as at the date of this report, in respect of the current financial year, subject to the approval of the shareholders at the forthcoming Annual General Meeting. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2019.

RESERVES AND PROVISIONS

There were no material transfers to or from reserves or provisions during the financial year.

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 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 was made.

ISSUE OF SHARES AND DEBENTURES

During the financial year, no new issue of shares and debentures were made 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 the report are:

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

** Directors 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 the report are:

NG KOK WEE
NG LAM KEONG
OOI PEK KUAN
OOI SHANG YAO
TEO CHEE HIONG

Directors' Report (CONT'D)

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 1.1.2018	Bought	Sold	At 31.12.2018
Shareholdings in the ultimate holding company - Leon Fuat Holdings Sdn. Bhd.				
Direct interests				
Dato' Sri Ooi Bin Keong	2,500,000	–	–	2,500,000
Ooi Kong Tiong	1,800,000	–	–	1,800,000
Ooi Seng Khong	600,000	–	–	600,000
Ng Kok Teong	1,000,000	–	–	1,000,000
Ooi Shang How	600,000	–	–	600,000
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
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 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 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 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 except for the deemed benefit which may arise from transactions disclosed in Note 29 to the financial statements.

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

INTEREST IN HOLDING COMPANY AND OTHER RELATED CORPORATION

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

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' REMUNERATION

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

INDEMNITY TO AUDITORS

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.

SUBSIDIARIES

The details of the Company's subsidiaries are disclosed in Note 12 to the financial statements.

AUDITORS

The auditors, Messrs Baker Tilly Monteiro Heng PLT (converted from a conventional partnership, Baker Tilly Monteiro Heng on 5 March 2019), have expressed their willingness to continue in office.

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 KONG TIONG
Director

Date: 8 April 2019

Statements of Profit or Loss And Other Comprehensive Income

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group		Company	
	Note	2018 RM	2017 RM (Restated)	2018 RM	2017 RM (Restated)
Revenue	4	597,925,317	577,356,949	6,183,509	5,285,272
Cost of sales	5	(515,462,077)	(481,529,880)	–	–
Gross profit		82,463,240	95,827,069	6,183,509	5,285,272
Other income		2,602,901	45,919,137	296,855	49,646
Distribution costs		(9,212,907)	(9,305,948)	–	–
Administrative costs		(25,280,461)	(24,249,117)	(1,826,154)	(1,602,215)
Net (addition)/reversal of impairment losses of financial assets		(848,079)	722,788	–	–
Other costs		(1,609,366)	(3,949,352)	(9,815)	(210,521)
		(36,950,813)	(36,781,629)	(1,835,969)	(1,812,736)
Profit from operations		48,115,328	104,964,577	4,644,395	3,522,182
Finance costs		(12,582,784)	(10,231,318)	–	–
Profit before tax	6	35,532,544	94,733,259	4,644,395	3,522,182
Tax expense	7	(9,567,416)	(14,919,160)	(479,515)	(380,803)
Profit for the financial year		25,965,128	79,814,099	4,164,880	3,141,379
Other comprehensive income, net of tax:					
Item that may be reclassified subsequently to profit or loss:					
Exchange difference on translation of foreign subsidiary		3,798	(12,508)	–	–
Total comprehensive income for the financial year		25,968,926	79,801,591	4,164,880	3,141,379
Profit/(Loss) attributable to:					
Owners of the Company		26,099,888	79,865,627		
Non-controlling interests		(134,760)	(51,528)		
		25,965,128	79,814,099		
Total comprehensive income/(loss) attributable to:					
Owners of the Company		26,103,686	79,853,119		
Non-controlling interests		(134,760)	(51,528)		
		25,968,926	79,801,591		
Earnings per share (sen)					
Basic	8	8.42	25.76		
Diluted	8	8.42	25.76		

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

Consolidated Statement Of Financial Position

AS AT 31 DECEMBER 2018

	Note	31.12.2018 RM	31.12.2017 RM (Restated)	01.01.2017 RM (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	9	145,101,722	139,149,449	144,809,041
Capital work-in-progress	10	59,781,218	3,663,266	765,355
Prepaid land lease payment	11	919,579	1,061,053	–
		205,802,519	143,873,768	145,574,396
Current assets				
Inventories	13	247,200,384	243,789,144	186,706,277
Trade and other receivables	14	163,752,024	180,065,109	136,745,057
Tax assets		635,902	337,333	334,407
Derivative financial assets		–	–	32,042
Deposits with licensed banks	16	36,415,468	41,531,876	431,070
Cash and bank balances	17	16,623,488	21,155,246	17,905,054
		464,627,266	486,878,708	342,153,907
TOTAL ASSETS		670,429,785	630,752,476	487,728,303

Consolidated Statement Of Financial Position

AS AT 31 DECEMBER 2018 (CONT'D)

	Note	31.12.2018 RM	31.12.2017 RM (Restated)	01.01.2017 RM (Restated)
EQUITY AND LIABILITIES				
Equity				
Share capital	18	160,094,360	160,094,360	155,000,000
Reserves	19	191,588,324	170,134,638	100,025,879
		351,682,684	330,228,998	255,025,879
Non-controlling interests		665,396	800,156	–
Total Equity		352,348,080	331,029,154	255,025,879
Non-current liabilities				
Borrowings	20	50,737,027	13,812,681	18,576,026
Deferred tax liabilities	21	3,604,187	4,225,830	2,867,745
		54,341,214	18,038,511	21,443,771
Current liabilities				
Trade and other payables	22	34,556,459	42,176,422	31,587,629
Tax liabilities		3,352,456	5,778,490	3,059,004
Borrowings	20	217,548,335	222,735,469	166,612,020
Deferred income	23	3,283,241	994,430	–
Amount due to ultimate holding company	24	5,000,000	10,000,000	10,000,000
		263,740,491	281,684,811	211,258,653
Total Liabilities		318,081,705	299,723,322	232,702,424
TOTAL EQUITY AND LIABILITIES		670,429,785	630,752,476	487,728,303

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

Statement Of Financial Position

AS AT 31 DECEMBER 2018

	Note	31.12.2018 RM	31.12.2017 RM (Restated)	01.01.2017 RM (Restated)
ASSETS				
Non-current assets				
Property, plant and equipment	9	4,076	–	–
Investments in subsidiaries	12	159,960,985	159,767,215	159,932,401
		159,965,061	159,767,215	159,932,401
Current assets				
Other receivables	14	57,875	53,500	4,740
Amount due from a subsidiary	15	1,853,738	–	159,661
Dividend receivables		3,500,000	3,000,000	7,200,000
Deposit with a licensed bank	16	1,548,119	2,008,293	–
Cash and bank balances	17	435,547	3,085,710	1,959,765
		7,395,279	8,147,503	9,324,166
TOTAL ASSETS		167,360,340	167,914,718	169,256,567
EQUITY AND LIABILITIES				
Equity				
Share capital	18	160,094,360	160,094,360	155,000,000
Reserves	19	6,379,928	6,865,048	13,468,029
Total Equity		166,474,288	166,959,408	168,468,029
Current liabilities				
Other payables	22	838,252	918,310	750,938
Tax liability		47,800	37,000	37,600
		886,052	955,310	788,538
Total Liabilities		886,052	955,310	788,538
TOTAL EQUITY AND LIABILITIES		167,360,340	167,914,718	169,256,567

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

Consolidated Statement of Changes In Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

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 1.1.2018								
As previously reported	160,094,360	(109,544,997)	923	(20,093)	282,868,599	333,398,792	800,156	334,198,948
Retrospective adjustments	–	–	–	–	(3,169,794)	(3,169,794)	–	(3,169,794)
Restated balance at 1.1.2018	160,094,360	(109,544,997)	923	(20,093)	279,698,805	330,228,998	800,156	331,029,154
Comprehensive income								
Profit for the financial year	–	–	–	–	26,099,888	26,099,888	(134,760)	25,965,128
Other comprehensive income								
Exchange difference on translation of a foreign subsidiary	–	–	–	3,798	–	3,798	–	3,798
Total other comprehensive income	-	–	–	3,798	–	3,798	–	3,798
Total comprehensive income	–	–	–	3,798	26,099,888	26,103,686	(134,760)	25,968,926
Transactions with owners								
Dividend (Note 25)	–	–	–	–	(4,650,000)	(4,650,000)	–	(4,650,000)
Total transactions with owners	–	–	–	–	(4,650,000)	(4,650,000)	–	(4,650,000)
At 31.12.2018	160,094,360	(109,544,997)	923	(16,295)	301,148,693	351,682,684	665,396	352,348,080

Group	Attributable to Owners of the Company								
	Share Capital RM	Share Premium RM	Merger Deficit RM	Capital Reserve RM	Translation Reserve RM	Retained Earnings RM	Sub-Total RM	Non-controlling Interests RM	Total Equity RM
At 1.1.2017									
As previously reported	155,000,000	5,094,360	(109,544,997)	923	(7,585)	207,098,061	257,640,762	–	257,640,762
Retrospective adjustments	–	–	–	–	–	(2,614,883)	(2,614,883)	–	(2,614,883)
Restated balance at 1.1.2017	155,000,000	5,094,360	(109,544,997)	923	(7,585)	204,483,178	255,025,879	–	255,025,879
Comprehensive income									
Profit for the financial year	–	–	–	–	–	79,865,627	79,865,627	(51,528)	79,814,099
Other comprehensive income									
Exchange difference on translation of a foreign subsidiary	–	–	–	–	(12,508)	–	(12,508)	–	(12,508)
Total other comprehensive income	–	–	–	–	(12,508)	–	(12,508)	–	(12,508)
Total comprehensive income	–	–	–	–	(12,508)	79,865,627	79,853,119	(51,528)	79,801,591
Transactions with owners									
Dividend (Note 25)	–	–	–	–	–	(4,650,000)	(4,650,000)	–	(4,650,000)
Non-controlling interest arising from acquisition of a new subsidiary	–	–	–	–	–	–	–	851,684	851,684
Total transactions with owners	–	–	–	–	–	(4,650,000)	(4,650,000)	851,684	(3,798,316)
Transition to no-par value regime (Note 18)	5,094,360	(5,094,360)	–	–	–	–	–	–	–
At 31.12.2017	160,094,360	–	(109,544,997)	923	(20,093)	279,698,805	330,228,998	800,156	331,029,154

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

Statement Of Changes In Equity

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

	Share Capital RM	Share Premium RM	Distributable Retained Earnings RM	Total Equity RM
Company				
At 1.1.2017				
As previously reported	155,000,000	5,094,360	8,523,189	168,617,549
Retrospective adjustments	–	–	(149,520)	(149,520)
Restated balance at 1.1.2017	155,000,000	5,094,360	8,373,669	168,468,029
Profit for the financial year, representing total comprehensive income for the financial year	–	–	3,141,379	3,141,379
Transactions with owners				
Dividend (Note 25)	–	–	(4,650,000)	(4,650,000)
Transition to no-par value regime (Note 18)	5,094,360	(5,094,360)	–	–
At 31.12.2017	160,094,360	–	6,865,048	166,959,408
At 1.1.2018				
As previously reported	160,094,360	–	6,993,848	167,088,208
Retrospective adjustments	–	–	(128,800)	(128,800)
Restated balance at 1.1.2018	160,094,360	-	6,865,048	166,959,408
Profit for the financial year, representing total comprehensive income for the financial year	–	–	4,164,880	4,164,880
Transactions with owners				
Dividend (Note 25)	–	–	(4,650,000)	(4,650,000)
At 31.12.2018	160,094,360	–	6,379,928	166,474,288

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

Statements of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018

		Group		Company	
	Note	2018 RM	2017 RM (Restated)	2018 RM	2017 RM (Restated)
Cash Flows from Operating Activities					
Profit before tax		35,532,544	94,733,259	4,644,395	3,522,182
Adjustments for:					
Amortisation of prepaid land lease payment		141,474	58,947	–	–
Bad debts written off		21,836	270,571	–	–
Bargain purchase on acquisition of a subsidiary		–	(2,699,732)	–	–
Depreciation of property, plant and equipment		10,612,275	9,821,098	291	–
Deposits written off		20,719	–	–	–
Dividend income		–	–	(3,500,000)	(3,000,000)
Loss/(Gain) on disposal of property, plant and equipment		53,078	(17,781,953)	–	–
Impairment losses on:					
- trade receivables		925,803	280,458	–	–
- investments in subsidiaries		–	–	–	165,186
Interest income		(1,657,017)	(869,678)	(103,085)	(49,646)
Interest expense		11,839,040	9,594,974	–	–
Inventories written down		645,543	272,439	–	–
Property, plant and equipment written off		–	60,765	–	–
Reversal of impairment losses on:					
- trade receivables		(77,724)	(1,003,246)	–	–
- investments in subdiaries		–	–	(193,770)	–
Unrealised loss/(gain) on foreign exchange		114,017	(22,099)	–	–
Operating profit before working capital changes		58,171,588	92,715,803	847,831	637,722
Increase in inventories		(4,668,535)	(56,744,559)	–	–
(Increase)/Decrease in receivables		(2,538,134)	(23,865,424)	(1,855,738)	110,901
(Decrease)/Increase in payables		(10,457,404)	7,992,807	(80,058)	167,372
Cash generated from operations, balance carried down		40,507,515	20,098,627	(1,087,965)	915,995

Statements Of Cash Flows

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2018 (CONT'D)

	Note	Group 2018 RM	Group 2017 RM (Restated)	Company 2018 RM	Company 2017 RM (Restated)
Cash Flows from Operating Activities (Continued)					
Cash generated from operations, balance brought down		40,507,515	20,098,627	(1,087,965)	915,995
Interest received		1,621,789	869,678	100,710	49,646
Interest paid		(11,740,653)	(9,594,974)	–	–
Income tax paid		(12,913,662)	(11,719,758)	(468,715)	(381,403)
Net cash from/(used in) operating activities		17,474,989	(346,427)	(1,455,970)	584,238
Cash Flows from Investing Activities					
Addition to deposits pledged with licensed banks		(230,054)	(6,336,138)	–	–
Capital work-in-progress paid		(16,682,272)	(3,922,191)	–	–
Deposits paid for acquisition of plant and equipment	14	(196,050)	(15,941,506)	–	–
Dividends received		–	–	3,000,000	7,200,000
Purchase of property, plant and equipment	9	(5,790,955)	(2,201,660)	(4,367)	–
Proceeds from disposal of property, plant and equipment		64,101	22,695,700	–	–
Net cash used in acquisition of a subsidiary	12	–	(2,414,252)	–	–
Net cash (used in)/from investing activities		(22,835,230)	(8,120,047)	2,995,633	7,200,000

	Note	Group 2018 RM	Group 2017 RM (Restated)	Company 2018 RM	Company 2017 RM (Restated)
Cash Flows from Financing Activities	(a)				
Dividend paid		(4,650,000)	(4,650,000)	(4,650,000)	(4,650,000)
Drawdown of term loan		14,607,373	–	–	–
Payments to finance lease payables		(4,848,168)	(2,565,898)	–	–
Repayments of term loan		(1,800,000)	(1,800,000)	–	–
Repayment to ultimate holding company		(5,000,000)	–	–	–
Net (repayments)/drawdowns of islamic financing		(1,405,558)	20,933,999	–	–
Net (repayments)/drawdowns of bankers' acceptances		(16,218,779)	35,603,655	–	–
Net cash (used in)/from financing activities		(19,315,132)	47,521,756	(4,650,000)	(4,650,000)
Net (decrease)/increase in cash and cash equivalents		(24,675,373)	39,055,282	(3,110,337)	3,134,238
Effect of exchange rate changes on cash and cash equivalents		140,637	18,230	–	–
Cash and cash equivalents at beginning of the financial year		40,006,181	932,669	5,094,003	1,959,765
Cash and cash equivalents at end of the financial year	26	15,471,445	40,006,181	1,983,666	5,094,003

(a) Reconciliation of liabilities arising from financing activities:

Group	1 January 2018 RM	Cash flows RM	←Non-Cash→ Acquisition RM	31 December 2018 RM
Bankers' acceptances	157,654,655	(16,218,779)	–	141,435,876
Finance lease payables	5,395,763	(4,848,168)	6,792,525	7,340,120
Islamic financing	42,933,999	(1,405,558)	–	41,528,441
Term loans	14,700,000	12,807,373	19,953,303	47,460,676
	220,684,417	(9,665,132)	26,745,828	237,765,113

Group	1 January 2017 RM	Cash flows RM	←Non-Cash→ Acquisition RM	31 December 2017 RM
Bankers' acceptances	122,051,000	35,603,655	–	157,654,655
Finance lease payables	7,664,661	(2,565,898)	297,000	5,395,763
Islamic financing	22,000,000	20,933,999	–	42,933,999
Term loan	16,500,000	(1,800,000)	–	14,700,000
	168,215,661	52,171,756	297,000	220,684,417

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

Notes To The Financial Statements

31 DECEMBER 2018

1. CORPORATE INFORMATION

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

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

The principal place of business of the Company is located at No.11, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 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 12. There have been no significant changes in the nature of these activities during the financial year.

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

The financial statements were authorised for issue in accordance with a Board of Directors' resolution dated 8 April 2019.

2. BASIS OF PREPARATION

(a) 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"), International Financial Reporting Standards ("IFRSs") and the requirements of the Companies Act 2016 in Malaysia.

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

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

2. BASIS OF PREPARATION (CONTINUED)

(b) New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int

(i) Adoption of new MFRSs, amendments/improvements to MFRSs and New IC Interpretation ("IC Int")

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

New MFRSs	
MFRS 9	Financial Instruments
MFRS 15	Revenue from Contracts with Customers

Amendments/Improvements to MFRSs	
MFRS 1	First-time adoption of MFRSs
MFRS 2	Share-based Payment
MFRS 4	Insurance Contracts
MFRS 128	Investment in Associates and Joint Ventures
MFRS 140	Investment Property

New IC Int	
IC Int 22	Foreign Currency Transactions and Advance Consideration

The adoption of the above new MFRSs, amendments/improvements to MFRSs and new IC Int 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, except for those as discussed below:

MFRS 9 Financial Instruments

MFRS 9 replaced the guidance of MFRS 139, Financial Instruments: Recognition and Measurement on the classification and measurement of financial assets and liabilities, on impairment of financial assets, and on hedge accounting.

Key requirements of MFRS 9:

- MFRS 9 introduces an approach for classification and measurement of financial assets which is driven by cash flow characteristics and the business model in which an asset is held.

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

2. BASIS OF PREPARATION (CONTINUED)

(b) New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int (Continued)

(i) Adoption of new MFRSs, amendments/improvements to MFRSs and New IC Interpretation ("IC Int") (Continued)

MFRS 9 Financial Instruments (Continued)

Key requirements of MFRS 9: (Continued)

- MFRS 9 introduces a new, expected-loss impairment model that will require more timely recognition of expected credit losses which replaced the "incurred loss" model in MFRS 139. Specifically, this Standard requires entities to account for expected credit losses from when financial instruments are first recognised and to recognise full lifetime expected losses on a more timely basis. The model requires an entity to recognise expected credit losses at all times and to update the amount of expected credit losses recognised at each reporting date to reflect changes in the credit risk of financial instruments. This model eliminates the threshold for the recognition of expected credit losses, so that it is no longer necessary for a trigger event to have occurred before credit losses are recognised. Trade receivables and contract assets that do not contain a significant financing component shall always measure the loss allowance at an amount equal lifetime expected credit losses.

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

The retrospective application of MFRS 9 does not require restatement of 2017 comparative financial statements. As such, the Group and the Company have not restated the comparative information, which continues to be reported under MFRS 139. The Group and the Company recognised any difference between the carrying amount of financial instruments under MFRS 139 and the restated carrying amount under MFRS 9 in the opening balance of retained earnings (or other equity components) of the annual reporting period including the date of initial application i.e. 1 January 2018.

Impact of the adoption of MFRS 9

The adoption of MFRS 9 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to financial instruments, which the Group and the Company have complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group and the Company, except for those as discussed below:

(i) Classification and measurement

The following are the changes in the classification of the Group's and the Company's financial assets:

- Trade and other receivables, including refundable deposits previously classified as Loans and Receivables under MFRS 139 as at 31 December 2017 are held to collect contractual cash flows and give rise to cash flows representing solely payments of principal and interest. Accordingly, these financial assets are classified and measured as debt instruments at amortised cost beginning 1 January 2018.

2. BASIS OF PREPARATION (CONTINUED)

(b) New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int (Continued)

(i) Adoption of new MFRSs, amendments/improvements to MFRSs and New IC Interpretation ("IC Int") (Continued)

MFRS 9 Financial Instruments (Continued)

Impact of the adoption of MFRS 9 (Continued)

(i) Classification and measurement (Continued)

In summary, upon the adoption of MFRS 9, the Group had the following reclassifications as at 1 January 2018:

MFRS 139 measurement category	MFRS 9 measurement category Amortised cost RM
Financial assets	
Group	
Loans and receivables	
Trade and other receivables *	159,546,054
Deposits with licensed banks	41,531,876
Cash and bank balances	21,155,246
	222,233,176
Company	
Loans and receivables	
Other receivables *	4,500
Dividend receivables	3,000,000
Deposit with a licensed bank	2,008,293
Cash and bank balances	3,085,710
	8,098,503
Financial liabilities	
Group	
Other financial liabilities	
Trade and other payables **	42,002,515
Amount due to ultimate holding company	10,000,000
Borrowings	236,548,150
	288,550,665
Company	
Other financial liabilities	
Other payables #	918,310

* Excluded advances to suppliers, GST claimable, prepayments and down payments for purchase of plant and equipment.

** Excluded GST payable, withholding tax payable and advances from customers.

\# Excluded GST payable.

2. BASIS OF PREPARATION (CONTINUED)

(b) New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int (Continued)

(i) Adoption of new MFRSs, amendments/improvements to MFRSs and New IC Interpretation ("IC Int") (Continued)

MFRS 9 Financial Instruments (Continued)

Impact of the adoption of MFRS 9 (Continued)

(ii) Impairment

In previous financial years, trade and other receivables are impaired if, and only if, there is objective evidence of impairment as a result of one or more events that occurred after initial recognition of the receivables (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the receivables ("incurred loss model"). Upon adoption of MFRS 9, the Group and the Company are recording expected credit losses on all its trade and other receivables, either on a 12-month or lifetime basis.

Based on the Group's assessment, the application of MFRS 9 did not have any material financial impact to the Group and the Company.

MFRS 15 Revenue from Contracts with Customers

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

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

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

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

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

The Group and the Company have applied MFRS 15 retrospectively with the cumulative effect of initial application recognised as an adjustment to the opening balance of retained earnings (or other components of equity) at the date of initial application of 1 January 2018. As such, the comparative information was not restated and continues to be reported under MFRS 111, MFRS 118 and related Interpretations. The Group and the Company have elected the practical expedient to apply the standard only to contracts that are not completed as at 1 January 2018. The Group and the Company also elected the practical expedient of not to retrospectively restate the contract for those modifications before the date of initial application, but instead, to reflect the aggregate effect of all past contract modifications when identifying the performance obligations, and determining and allocating the transaction price to the satisfied and unsatisfied performance obligations.

2. BASIS OF PREPARATION (CONTINUED)

(b) New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int (Continued)

(i) Adoption of new MFRSs, amendments/improvements to MFRSs and New IC Interpretation ("IC Int") (Continued)

Impact of the adoption of MFRS 15

The adoption of MFRS 15 resulted in changes in accounting policies and adjustments to the amounts recognised in the financial statements. Other than the enhanced new disclosures relating to contracts with customers, which the Group and the Company have complied with in the current financial year, the adoption of this standard does not have any significant effect on the financial statements of the Group and the Company.

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

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

		Effective for financial periods beginning on or after
New MFRSs		
MFRS 16	Leases	1 January 2019
MFRS 17	Insurance Contracts	1 January 2021
Amendments/Improvements to MFRSs		
MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards	1 January 2021#
MFRS 2	Share-based Payment	1 January 2020*
MFRS 3	Business Combinations	1 January 2019/ 1 January 2020*
MFRS 5	Non-current Assets Held for Sale and Discontinued Operations	1 January 2021#
MFRS 6	Exploration for and Evaluation of Mineral Resources	1 January 2020*
MFRS 7	Financial Instruments: Disclosures	1 January 2021#
MFRS 9	Financial Instruments	1 January 2019
MFRS 10	Consolidated Financial Statements	Deferred
MFRS 11	Joint Arrangements	1 January 2019
MFRS 14	Regulatory Deferral Accounts	1 January 2020*
MFRS 15	Revenue from Contracts with Customers	1 January 2021#
MFRS 101	Presentation of Financial Statements	1 January 2020*
MFRS 107	Statement of Cash Flows	1 January 2021#
MFRS 108	Accounting Policies, Changes in Accounting Estimates and Errors	1 January 2020*
MFRS 112	Income Taxes	1 January 2019
MFRS 116	Property, Plant and Equipment	1 January 2021#
MFRS 119	Employee Benefits	1 January 2019
MFRS 123	Borrowing Costs	1 January 2019
MFRS 128	Investments in Associates and Joint Ventures	1 January 2019/ Deferred
MFRS 132	Financial instruments: Presentation	1 January 2021#
MFRS 134	Interim Financial Reporting	1 January 2020*
MFRS 136	Impairment of Assets	1 January 2021#
MFRS 137	Provisions, Contingent Liabilities and Contingent Assets	1 January 2020*
MFRS 138	Intangible Assets	1 January 2020*
MFRS 140	Investment Property	1 January 2021#

2. BASIS OF PREPARATION (CONTINUED)

(b) New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int (Continued)

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

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

		Effective for financial periods beginning on or after
New IC Int		
IC Int 23	Uncertainty over Income Tax Treatments	1 January 2019
Amendments to IC Int		
IC Int 12	Service Concession Arrangements	1 January 2020*
IC Int 19	Extinguishing Financial Liabilities with Equity Instruments	1 January 2020*
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2020*
IC Int 22	Foreign Currency Transactions and Advance Consideration	1 January 2020*
IC Int 132	Intangible Assets – Web Site Costs	1 January 2020*

* Amendments to References to the Conceptual Framework in MFRS Standards
\# Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

Based on the Group's initial assessment, the application of the new MFRS 16 is not expected to have any material impact to the financial statements of the Group. The Group will continue to assess any potential impact which may arise from adoption of other above mentioned new MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int.

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

MFRS 16 Leases

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

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

On initial adoption of MFRS 16, there may be impact on the accounting treatment for leases, which the Group as a lessee currently accounts for as operating leases. On adoption of this standard, the Group will be required to capitalise its rented premises, on the statements of financial position by recognising them as "rights-of-use" assets and their corresponding lease liabilities for the present value of future lease payments.

The Group plan to adopt this standard when it becomes effective in the financial year beginning 1 January 2019 by applying the transitional provisions and include the required additional disclosures in their financial statements of that year. The Group is likely electing the practical expedient not to reassess whether a contract contains a lease at the date of initial application. Accordingly, existing lease contracts that are still effective on 1 January 2019 will be accounted for as lease contracts under MFRS 16.

2. BASIS OF PREPARATION (CONTINUED)

(b) New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int (Continued)

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

Amendments to MFRS 3 Business Combinations and MFRS 11 Joint Arrangements

Amendments to MFRS 3 clarify that when an entity obtains control of a business that is a joint operation, it remeasures previously held interests in that business. Amendments to MFRS 11 clarify that when an entity obtains joint control of a business that is a joint operation, the entity does not remeasure previously held interests in that business.

Amendments to MFRS 9 Financial Instruments

Amendments to MFRS 9 allow companies to measure prepayable financial assets with negative compensation at amortised cost or at fair value through other comprehensive income if certain conditions are met.

The amendments also clarify that when a financial liability measured at amortised cost is modified without this resulting in derecognition, a gain or loss should be recognised in profit or loss.

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

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

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

Amendments to MFRS 112 Income Taxes

Amendments to MFRS 112 clarify that an entity recognises the income tax consequences of dividends in profit or loss because income tax consequences of dividends are linked more directly to past transactions than to distributions to owners, except if the tax arises from a transaction which is a business combination or is recognised in other comprehensive income or directly in equity.

Amendments to MFRS 119 Employee Benefits

Amendments to MFRS 119 require an entity to use updated actuarial assumptions to determine current service cost and net interest for the remainder of the annual reporting period after the plan amendment, curtailment or settlement when the entity remeasures its net defined benefit liability (asset).

Amendments to MFRS 123 Borrowing Costs

Amendments to MFRS 123 clarify that when a qualifying asset is ready for its intended use or sale, an entity treats any outstanding borrowing made specifically to obtain that qualifying asset as part of general borrowings.

Amendments to MFRS 128 Investments in Associates and Joint Ventures

Amendments to MFRS 128 clarify that companies shall apply MFRS 9, including its impairment requirements, to account for long-term interests in an associate or joint venture that, in substance, form part of the net investment in the associate or joint to which the equity method is not applied.

2. BASIS OF PREPARATION (CONTINUED)

(b) New MFRSs, amendments/improvements to MFRSs, new IC Interpretation ("IC Int") and amendments to IC Int (Continued)

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

IC Int 23 Uncertainty over Income Tax Treatments

IC Int 23 clarifies that where there is uncertainty over income tax treatments, an entity shall:

(i) assume that a taxation authority will examine amounts it has a right to examine and have full knowledge of all related information when making those examinations.

(ii) reflect the effect of uncertainty in determining the related tax position (using either the most likely amount or the expected value method) if it concludes it is not probable that the taxation authority will accept an uncertain tax treatment.

Amendments to References to the Conceptual Framework in MFRS Standards

The Malaysian Accounting Standards Board has issued a revised *Conceptual Framework for Financial Reporting* and amendments to fourteen Standards under the Malaysian Financial Reporting Standards Framework on 30 April 2018.

The revised Conceptual Framework comprises a comprehensive set of concepts of financial reporting. It is built on the previous version of the Conceptual Framework issued in 2011. The changes to the chapters on the objective of financial reporting and qualitative characteristics of useful financial information are limited, but with improved wordings to give more prominence to the importance of providing information need to assess management's stewardship of the entity's economic resources.

Other improvements of the revised Conceptual Framework include a new chapter on measurement, guidance on reporting financial performance, improved definitions and guidance – in particular the definition of a liability – and clarifications in important areas, such as the role of prudence and measurement uncertainty in financial reporting.

The amendments to the fourteen Standards are to update the references and quotations in these Standards which include MFRS 2, MFRS 3, MFRS 6, MFRS 14, MFRS 101, MFRS 108, MFRS 134, MFRS 137, MFRS 138, IC Int 12, IC Int 19, IC Int 20, IC Int 22 and IC Int 132.

(c) Basis of Measurement

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

(d) Functional and Presentation Currency

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

2. BASIS OF PREPARATION (CONTINUED)

(e) Significant Accounting Estimates and Judgements

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

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

(ii) Impairment of financial assets (Note 14) – The impairment provisions for financial assets are based on assumptions about risk of default and expected loss rate. The Group use judgement in making these assumptions and selecting inputs to the impairment calculation, based on the Group's past history as well as forward looking estimates at the end of each reporting period. The assessment of the correlation between historical observed default rates, forecast economic conditions and expected credit loss ("ECL") is a significant estimate. The amount of ECLs is sensitive to changes in circumstances and of forecast economic conditions. The Group's historical credit loss experience and forecast of economic conditions may also not be representative of customer's actual default in the future.

3. SUMMARY OF 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.

(a) Basis of Consolidation

Subsidiaries

The consolidated financial statements incorporate the audited financial statements of the Company and all of its subsidiaries which are disclosed in Note 12 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Consolidation (Continued)

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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of Consolidation (Continued)

Subsidiaries (Continued)

(ii) Business Combinations under acquisition method (Continued)

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Foreign Currency

(i) Foreign Currency Transactions

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

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

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.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(c) Tax Expense

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

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

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

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

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

(d) Goods and Services Tax

Revenues, expenses and assets are recognised net of the amount of goods and services tax ("GST") except:

- Where the GST incurred in a purchase of assets or services is not recoverable from the taxation authority, in which case the GST 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 GST included.

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

The GST in Malaysia was abolished and replaced by the sales and services tax effective from 1 September 2018.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) 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.

(f) 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 good or service 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 service to a customer, excluding amounts collected on behalf of third parties such as goods and service tax, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group and the Company use the expected value method by estimating the sum of probability-weighted amounts in a range or possible consideration amounts, or the most likely outcome method, depending on which method the Group and the Company expect to better predict the amount of consideration to which it is entitled.

For contract with separate performance obligations, the transaction price is allocated to the separate performance obligations on the relative stand-alone selling price basis. If the stand-alone selling price is not directly observable, the Group and the Company estimate it by using the costs plus margin approach.

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.

i. Sale of Goods

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

ii. Dividend Income

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

iii. Interest Income

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

iv. Rental Income

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

v. Management and Corporate Guarantee Fees

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(g) Employee Benefits

i. Short Term Employee Benefits

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

ii. Defined Contribution Plans

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

(h) Property, Plant and Equipment and Depreciation

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

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

The principal annual rates used for this purpose are:

Buildings	2% - 6%
Furniture, fittings and electrical fittings	10%
Office equipment	10% - 20%
Forklifts, plant and machineries	10% - 20%
Motor vehicles	20%

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

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

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

(i) 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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(j) Inventories

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

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

(k) Impairment of Non-Financial Assets

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

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

(l) 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 instrument.

Accounting policies applied from 1 January 2018

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.

An embedded derivative is recognised separately from the host contract and accounted for as a derivative if, and only if, it is not closely related to the economic characteristics and risks of the host contract; it is a separate instrument with the same terms as the embedded derivative would meet the definition of a derivative; and the hybrid contract is not measured as fair value through profit or loss. The host contract, in the event an embedded derivative is recognised separately, is accounted for in accordance with the policy applicable to the nature of the host contract.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial Instruments (Continued)

Accounting policies applied from 1 January 2018 (Continued)

A derivative embedded within a hybrid contract containing a financial asset host is not accounted for separately. The financial asset host together with the embedded derivative is required to be classified in its entirety as a financial asset at fair value through profit or loss.

(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 in four categories:

- Financial assets at amortised cost
- Financial assets at fair value through other comprehensive income with recycling of cumulative gains and losses upon derecognition
- Financial assets designated at fair value through other comprehensive income with no recycling of cumulative gains and losses upon derecognition
- Financial assets at fair value through profit or loss

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. There are three measurement categories into which the Group and the Company classify their debt instruments:

- **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(m). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

- **Fair value through other comprehensive income (FVOCI)**
  Financial assets that are held for collection of contractual cash flows and for selling the financial assets, and the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. For debt instruments at FVOCI, interest income, foreign exchange revaluation and impairment losses or reversals are recognised in profit or loss and computed in the same manner as for financial assets measured at amortised cost. The remaining fair value changes are recognised in other comprehensive income. The policy for the recognition and measurement of impairment losses is in accordance with Note 3(m). Upon derecognition, the cumulative fair value change recognised in other comprehensive income is recycled to profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial Instruments (Continued)

Accounting policies applied from 1 January 2018 (Continued)

(a) Subsequent measurement (Continued)

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

(i) Financial assets (Continued)

Debt instruments (continued)

- **Fair value through profit or loss (FVPL)**
  Financial assets at FVPL include financial assets held for trading, financial assets designated upon initial recognition at fair value through profit or loss, or financial assets mandatorily required to be measured at fair value. Financial assets are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives, including separated embedded derivatives, are also classified as held for trading unless they are designated as effective hedging instruments. Financial assets with cash flows that are not solely payments of principal and interest are classified and measured at fair value through profit or loss, irrespective of the business model. Notwithstanding the criteria for debt instruments to be classified at amortised cost or at FVOCI, as described above, debt instruments may be designated at fair value through profit or loss on initial recognition if doing so eliminates, or significantly reduces, an accounting mismatch.

  Financial assets at fair value through profit or loss are carried in the statements of financial position at fair value with net changes in fair value recognised in the profit or loss.

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 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 classify their financial liabilities in the following measurement categories:

- Financial liabilities at fair value through profit or loss
- Financial liabilities at amortised cost

Financial liabilities at fair value through profit or loss

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

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

Financial liabilities designated upon initial recognition at fair value through profit or loss are designated at the initial date of recognition, and only if the criteria in MFRS 9 are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial Instruments (Continued)

Accounting policies applied from 1 January 2018 (Continued)

(a) Subsequent measurement (Continued)

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

(ii) Financial liabilities (Continued)

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 (a) the Group and the Company have transferred substantially all the risks and rewards of the asset, or (b) 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.

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. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial Instruments (Continued)

Accounting policies applied until 31 December 2017

Financial instruments are recognised initially at fair value, except for financial instruments not measured at fair value through profit or loss, they are measured at fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial instruments.

(a) Subsequent measurement

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

(i) Financial assets

Financial assets at fair value through profit or loss

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

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

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

Loans and receivables

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

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

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Financial Instruments (Continued)

Accounting policies applied until 31 December 2017 (Continued)

(a) Subsequent measurement (continued)

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

(ii) Financial liability

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

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

(iii) Other Financial Liabilities

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

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

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

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

(m) Impairment of Financial Assets

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of Financial Assets (Continued)

Accounting policies applied from 1 January 2018

Financial assets measured at amortised cost, financial assets measured at fair value through other comprehensive income (FVOCI), lease receivables, contract assets or a loan commitment 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 loss, except for the following, which are measured as 12-month expected credit loss:

- 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, contract assets and lease 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 loss, 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 borrower 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.

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of Financial Assets (Continued)

Accounting policies applied from 1 January 2018 (Continued)

At each reporting date, the Group and the Company assess whether financial assets carried at amortised cost and debt securities at FVOCI 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 borrower;
- a breach of contract, such as a default of past due event;
- the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or
- the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

The amount of expected credit losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss. For financial assets measured at FVOCI, the loss allowance shall be recognised in other comprehensive income and shall not reduce the carrying amount of the financial asset in the statement of financial position.

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.

Accounting policies applied until 31 December 2017

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

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

Loans and receivables and held-to-maturity investments

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(m) Impairment of Financial Assets (Continued)

Loans and receivables and held-to-maturity investments (Continued)

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

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

(n) Impairment of non-financial assets

The carrying amounts of non-financial assets (except for inventories, amount due from customers for contract work, deferred tax assets, assets arising from employee benefits, investment properties measured at fair value, biological assets and non-current assets or disposal groups classified as held for sale) 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 goodwill and intangible assets that have indefinite useful life and are not yet available for use, the recoverable amount is estimated at each reporting date.

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"). Subject to an operating segment ceiling test, for the purpose of goodwill impairment testing, CGUs to which goodwill has been allocated are aggregated so that the level at which impairment testing is performed reflects the lowest level at which goodwill is monitored for internal reporting purposes. The goodwill acquired in a business combination, for the purpose of impairment testing, is allocated to a CGU or a group of CGUs that are expected to benefit from the synergies of business combination.

(o) Cash and Cash Equivalents

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

(p) Share Capital

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

(q) Borrowing Costs

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(r) Leases

(i) Finance Lease – the Group as lessee

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

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

(ii) Operating Lease – the Group as lessee

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

Leasehold land which in substance is an operating lease is classified as prepaid land lease payment.

(s) Provision

Provisions are recognised when the Group and the Company have a present obligation (legal or constructive) as a result of a past event, it is probable that an outflow of economic resources will be required to settle the obligation and the amount of the obligation can be estimated reliably.

If the effect of the time value of money is material, provisions that are determined based on the expected future cash flows to settle the obligation are discounted using a current pre-tax rate that reflects current market assessments of the time value of money and the risks specifics to the liability. When discounting is used, the increase in the provisions due to passage of time is recognised as finance costs.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. If it is no longer probable that an outflow of economic resources will be required to settle the obligation, the provision is reversed.

(t) Financial Guarantee Contracts

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

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

(u) 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 27, including the factors used to identify the reportable segments and the measurement basis of segment information.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Earnings per Share

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

(w) 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	
	2018 RM	2017 RM	2018 RM	2017 RM
Sale of goods	597,925,317	577,356,949	–	–
Management fees	–	–	398,022	360,359
Dividend income from subsidiaries	–	–	3,500,000	3,000,000
Corporate guarantee fees charged to subsidiaries	–	–	2,285,487	1,924,913
	597,925,317	577,356,949	6,183,509	5,285,272

5. COST OF SALES

	Group	
	2018 RM	2017 RM (Restated)
Direct costs	487,795,637	456,396,425
Other operating costs	27,666,440	25,133,455
	515,462,077	481,529,880

6. PROFIT BEFORE TAX

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

	Group 2018 RM	Group 2017 RM (Restated)	Company 2018 RM	Company 2017 RM (Restated)
Auditors' remuneration				
- statutory audit services				
- current financial year	218,947	213,235	33,000	38,000
- over provision in prior financial year	–	(3,000)	–	–
- other services	12,000	7,000	12,000	7,000
Amortisation of prepaid land lease payment	141,474	58,947	–	–
Bad debts written off	21,836	270,571	–	–
Deposits written off	20,719	–	–	–
Depreciation of property, plant and equipment	10,612,275	9,821,098	291	–
Impairment losses on financial assets:				
- Impairment losses on trade receivables	925,803	280,458	–	–
Impairment loss on investments in subsidiaries	–	–	–	165,186
Interest expense in respect of:				
- bank overdrafts	1,773,145	1,212,339	–	–
- bankers' acceptances	7,082,818	6,262,397	–	–
- finance lease	269,366	369,110	–	–
- Islamic financing	1,804,600	1,421,243	–	–
- term loans	909,111	329,885	–	–
Inventories written down	645,543	272,439	–	–
Loss on disposal of property,plant and equipment	53,078	20,207	–	–
(Gain)/Loss on foreign exchange:				
- realised	(347,291)	42,569	–	–
- unrealised	114,017	(22,099)	–	–
Property, plant and equipment written off	–	60,765	–	–
Personnel expenses (including key management personnel)				
- contributions to defined contribution plan	2,596,487	2,306,394	76,224	67,320
- salaries and others	26,514,589	24,326,677	1,328,676	1,258,876
Rental of crane and equipment	58,710	59,600	–	–
Rental of motor vehicle	25,808	98,219	–	–
Rental of premises	2,115,868	1,759,533	–	–
Rental of land	520,718	520,718	–	–
Bargain purchase on acquisition of a subsidiary	-	(2,699,732)	–	–
Insurance claimed	(92,808)	(471,968)	–	–
Interest income from				
- cash at banks	(102,678)	(126,645)	(12,565)	(41,353)
- deposits with licensed banks	(1,554,339)	(743,033)	(90,520)	(8,293)
Reversal of impairment losses on:				
- trade receivables	(77,724)	(1,003,246)	–	–
- investments in subsidiaries	–	–	(193,770)	–
Exceptional items: (1)				
- Gain on disposal of property, plant and equipment	–	(17,802,160)	–	–
- Compensation for injurious affection	–	(3,876,056)	–	–
- Compensation for incidental expenses and consequential loss	–	(19,521,500)	–	–
- Relocation and rectification expenses (2)	67,304	2,896,181	–	–

6. PROFIT BEFORE TAX (CONTINUED)

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

Notes:

(1) In relation to the compulsory acquisition by the authority of the two affected plots of land which house the steel processing plant, office and warehouse of Supreme Steelmakers Sdn. Bhd..

(2) Mainly relating to the relocation expenses of existing steel processing plant, office and warehouse of Supreme Steelmakers Sdn. Bhd. to temporary sites, and also relating to rectification works on few structures such as main switchboard room, perimeter fencing and part demolishment of the existing factory on one of the affected plots of land.

(a) Directors' remuneration

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

	Group		Company	
	2018 RM	2017 RM (Restated)	2018 RM	2017 RM
Directors of the Company				
Executive directors				
- Fees	700,000	700,000	350,000	350,000
- Other emoluments	4,216,480	3,755,079	–	–
	4,916,480	4,455,079	350,000	350,000
Non-executive directors				
- Fees	300,000	300,000	300,000	300,000
- Other emoluments	20,000	24,000	20,000	24,000
	320,000	324,000	320,000	324,000
Directors of subsidiaries				
Executive Directors				
- Fees	150,000	150,000	–	–
- Other emoluments	2,537,088	2,277,873	–	–
	2,687,088	2,427,873	–	–
	7,923,568	7,206,952	670,000	674,000

The estimated monetary value of benefits-in-kind received and receivable by directors of the Company from the Group and the Company amounted to RM297,031 (2017: RM301,731).

7. TAX EXPENSE

	Group		Company	
	2018 RM	2017 RM (Restated)	2018 RM	2017 RM (Restated)
Current tax				
- Current financial year	10,456,153	15,271,486	479,800	381,000
- Over-provision in prior financial year	(267,094)	(835,167)	(285)	(197)
	10,189,059	14,436,319	479,515	380,803
Deferred tax (Note 21)				
Reversal of temporary differences	(666,036)	(275,897)	–	–
Under-provision in prior financial year	44,393	758,738	–	–
	(621,643)	482,841	–	–
Tax expense	9,567,416	14,919,160	479,515	380,803

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

	Group		Company	
	2018 RM	2017 RM (Restated)	2018 RM	2017 RM (Restated)
Profit before tax	35,532,544	94,733,259	4,644,395	3,522,182
Tax at Malaysian statutory income tax rate of 24% (2017: 24%)	8,527,800	22,736,000	1,114,700	845,300
Effect of different tax rate in foreign jurisdiction	(12,965)	9,673	–	–
Tax effect of:				
- non-deductible expenses	1,742,771	2,826,905	259,600	255,700
- non-taxable income	(144,958)	(9,087,701)	(894,500)	(720,000)
Reinvestment allowance claimed during the year	(407,859)	(204,851)	–	–
Utilisation of business losses in prior year	(26,376)	–	–	–
Reinvestment allowance claimed for prior financial years	–	(718,014)	–	–
Tax incentive obtained from increase portion of chargeable income	–	(798,100)	–	–
Deferred tax asset not recognised	111,704	231,677	–	–
(Over)/Under-provision in prior financial year:				
- current tax	(267,094)	(835,167)	(285)	(197)
- deferred tax	44,393	758,738	–	–
Tax expense	9,567,416	14,919,160	479,515	380,803

7. TAX EXPENSE (CONTINUED)

Domestic income tax is calculated at Malaysian statutory income tax rate of 24% (2017: 24%) of the estimated assessable profit for the financial year.

The Group has unutilised business losses of RM6,806,363 (2017: RM6,876,674), unabsorbed capital allowances of RM3,606,778 (2017: RM3,261,764) and unutilised reinvestment allowances of RM2,288,252 (2017: RM2,288,252), available to offset against future taxable profits.

8. EARNINGS PER SHARE

(a) Earnings per share

The basic earnings per share of the Group is calculated by dividing the Group's profit for the financial year attributable to equity holders of the Company of RM26,099,888 (2017: RM79,865,627) by the weighted average number of ordinary shares in issue during the financial year of 310,000,000 (2017: 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	Freehold Industrial Land RM	Long Term Leasehold Land RM	Short Term Leasehold Land RM	Buildings RM	Furniture, Fittings and Electrical Fittings RM	Office Equipment and Renovation RM	Forklift, Plant and Machinery RM	Motor Vehicles RM	Total RM
Cost									
At 1.1.2018	25,107,881	30,969,669	527,198	57,975,171	2,684,501	6,922,917	73,421,436	13,113,929	210,722,702
Additions	–	–	–	547,547	667,431	374,047	14,468,364	624,281	16,681,670
Disposals	–	–	–	–	–	(3,350)	(176,351)	(31,031)	(210,732)
Written off	–	–	–	–	–	(35,810)	–	–	(35,810)
Exchange differences	–	–	–	–	8	188	–	–	196
At 31.12.2018	25,107,881	30,969,669	527,198	58,522,718	3,351,940	7,257,992	87,713,449	13,707,179	227,158,026
Accumulated Depreciation									
At 1.1.2018	–	651,994	134,861	7,704,575	1,590,677	3,616,903	49,839,087	8,035,156	71,573,253
Charge for the financial year	–	325,996	12,260	1,834,347	256,423	621,068	5,630,938	1,931,243	10,612,275
Disposals	–	–	–	–	–	(3,350)	(76,756)	(13,447)	(93,553)
Written off	–	–	–	–	–	(35,810)	–	–	(35,810)
Exchange differences	–	–	–	–	8	131	–	–	139
At 31.12.2018	–	977,990	147,121	9,538,922	1,847,108	4,198,942	55,393,269	9,952,952	82,056,304
Net Carrying Amount									
At 31.12.2018	25,107,881	29,991,679	380,077	48,983,796	1,504,832	3,059,050	32,320,180	3,754,227	145,101,722

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

Group	Freehold Industrial Land RM	Long Term Leasehold Land RM	Short Term Leasehold Land RM	Buildings RM	Furniture, Fittings and Electrical Fittings RM	Office Equipment and Renovation RM	Forklift, Plant and Machinery RM	Motor Vehicles RM	Total RM
Cost									
At 1.1.2017	25,107,881	30,969,669	2,683,377	55,556,372	2,943,412	6,005,331	60,842,099	12,610,606	196,718,747
Transfer from capital work-in-progress (Note 10)	–	–	–	705,286	–	–	318,994	–	1,024,280
Acquisition of a subsidiary (Note 12 (a))	–	–	–	4,730,000	183,199	403,431	11,805,618	308,000	17,430,248
Additions	–	–	–	828,627	–	744,685	1,162,534	527,216	3,263,062
Disposals	–	–	(2,156,179)	(3,761,348)	(442,027)	(229,178)	(707,809)	(331,893)	(7,628,434)
Written off	–	–	–	(83,766)	–	–	–	–	(83,766)
Exchange differences	–	–	–	–	(83)	(1,352)	–	–	(1,435)
At 31.12.2017	25,107,881	30,969,669	527,198	57,975,171	2,684,501	6,922,917	73,421,436	13,113,929	210,722,702
Accumulated Depreciation									
At 1.1.2017	–	325,997	625,637	6,975,459	1,601,198	2,854,638	33,550,186	5,976,591	51,909,706
Acquisition of a subsidiary (Note 12 (a))	–	–	–	–	182,451	399,261	11,691,627	308,000	12,581,339
Charge for the financial year	–	325,997	27,492	1,509,610	230,863	571,309	5,073,371	2,082,456	9,821,098
Disposals	–	–	(518,268)	(757,493)	(423,786)	(207,152)	(476,097)	(331,891)	(2,714,687)
Written off	–	–	–	(23,001)	–	–	–	–	(23,001)
Exchange differences	–	–	–	–	(49)	(1,153)	–	–	(1,202)
At 31.12.2017	–	651,994	134,861	7,704,575	1,590,677	3,616,903	49,839,087	8,035,156	71,573,253
Net Carrying Amount									
At 31.12.2017	25,107,881	30,317,675	392,337	50,270,596	1,093,824	3,306,014	23,582,349	5,078,773	139,149,449

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Office equipment RM	Total RM
Company		
Cost		
At 1.1.2018	–	–
Addition	4,367	4,367
At 31.12.2018	4,367	4,367
Accumulated Depreciation		
At 1.1.2018	–	–
Charge for the financial year	291	291
At 31.12.2018	291	291
Net Carrying Amount		
At 31.12.2018	4,076	4,076

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

	2018 RM	2017 RM
Group		
Additions of property, plant and equipment	16,681,670	3,263,062
Less: Transferred from deposits paid in prior year	(4,005,710)	–
Less: Financed by finance lease arrangements	(6,792,525)	(297,000)
Less: Owing to non-trade suppliers	(92,480)	(764,402)
Cash payment on purchase of property, plant and equipment	5,790,955	2,201,660
Company		
Cash payment on purchase of office equipment	4,367	–

The net carrying amount of property, plant and equipment pledged as security for banking facilities granted to the subsidiaries as mentioned in Note 20 is as follows:

	Group	
	2018 RM	2017 RM
Freehold land	9,426,281	9,426,281
Leasehold land	30,371,756	30,938,997
Buildings	21,613,230	22,578,642
	61,411,267	62,943,920

9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

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

	Group	
	2018 RM	2017 RM
Motor vehicles	1,039,822	3,723,902
Plant and machinery	10,614,143	8,790,577
	11,653,965	12,514,479

10. CAPITAL WORK-IN-PROGRESS

		Group	
	Note	2018 RM	2017 RM
At 1 January		3,663,266	765,355
Additions		56,117,952	3,922,191
Transfer to property, plant and equipment	9	–	(1,024,280)
At 31 December		59,781,218	3,663,266

Capital work-in-progress is in respect of construction of buildings, plant and machinery.

During the financial year, the Group made the following cash payments for addition in capital work-in-progress:

	Group	
	2018 RM	2017 RM
Additions in capital work-in-progress	56,117,952	3,922,191
Less: Transferred from deposits paid for acquisition of property, plant and equipment	(11,935,796)	–
Less: Transferred from inventories	(611,752)	–
Less: Finance by term loans	(19,953,303)	–
Less: Contra against trade receivables	(2,155,414)	–
Less: Owing to non-trade suppliers	(4,779,415)	–
	16,682,272	3,922,191

Certain machinery amounted to RM26,792,540 (2017:RM nil) pledged as security for banking facilities granted to a subsidiary as mentioned in Note 20.

Borrowing costs capitalised in relation to capital work-in-progress during the financial year amounts to RM664,528 (2017: RM721,504).

11. PREPAID LAND LEASE PAYMENT

	Group 2018 RM	2017 RM
Cost		
At 1 January	1,120,000	–
Acquisition of a subsidiary (Note 12(a))	–	1,120,000
At 31 December	1,120,000	1,120,000
Accumulated amortisation		
At 1 January	58,947	–
Charge for the financial year	141,474	58,947
At 31 December	200,421	58,947
Net Carrying Amount		
At 31 December	919,579	1,061,053

12. INVESTMENTS IN SUBSIDIARIES

	Company 2018 RM	2017 RM
Unquoted shares, at cost	163,456,997	163,456,997
Less: Accumulated impairment losses	(3,496,012)	(3,689,782)
At 31 December	159,960,985	159,767,215

The details of subsidiaries are as follows:

Name of Company	Principal Place of Business/ Country of Incorporation	Principal Activities	Effective Ownership Interest/Voting Rights 2018	2017
Direct subsidiaries				
Leon Fuat Hardware Sdn. Bhd.	Malaysia	Trading and processing of steel products	100%	100%
Leon Fuat Metal Sdn. Bhd.	Malaysia	Trading and processing of steel products	100%	100%
Supreme Steelmakers Sdn. Bhd.	Malaysia	Trading and processing of stainless steel and other steel products	100%	100%
ASA Steel (M) Sdn. Bhd.#	Malaysia	Ceased operation of trading and processing of alloy steel and other steel products	100%	100%

12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

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 2018	2017
Direct subsidiaries (Continued)				
Overum Wear Parts (Far East) Pte. Ltd*	Republic of Singapore	Trading and processing of steel products	100%	100%
Indirect subsidiaries through Leon Fuat Metal Sdn. Bhd.				
Leon Fuat Industrial Products Sdn. Bhd.	Malaysia	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 interest is not material to the financial position, financial performance and cash flows of the Group and therefore it is not presented in the financial statements.

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

(a) Acquisition of PCM Steel Processing Sdn. Bhd.

In the previous financial year, Leon Fuat Metal Sdn. Bhd., a subsidiary of the Company acquired 10,354,000 ordinary shares, representing an approximately 87% controlling interest in the equity shares of PCM Steel Processing Sdn. Bhd. with a cash consideration of RM3,000,000. PCM Steel Processing Sdn. Bhd. operates in manufacturing industry as its core business and is domiciled in Malaysia. In determining and recognising the fair value of assets acquired and liabilities assumed, the Group has performed a purchase price allocation exercise for the acquisition during the financial year.

(i) Fair value of identifiable assets acquired and liabilities recognised:

	2017 RM
Assets	
Property, plant and equipment	4,848,909
Prepaid land lease payment	1,120,000
Inventories	610,747
Trade receivables	2,671,925
Other receivables, deposits and prepayments	190,136
Tax assets	960
Deposit with a licensed bank	50,000
Cash and bank balances	585,748
Total assets	10,078,425
Liabilities	
Trade payables	(2,442,716)
Other payables and accruals	(209,049)
Deferred tax liability	(875,244)
Total liabilities	(3,527,009)
Total identifiable net assets acquired	6,551,416
Bargain purchase arising from acquisition	(2,699,732)
Non-controlling interest in fair value	(851,684)
Fair value consideration transferred	3,000,000

12. INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(a) Acquisition of PCM Steel Processing Sdn. Bhd. (Continued)

(ii) Effects of acquisition on cash flows:

	RM
Fair value consideration transferred	3,000,000
Less: Cash and cash equivalents	(585,748)
Net cash used in acquisition	2,414,252

13. INVENTORIES

	Group 2018 RM	Group 2017 RM
At cost		
Trading inventories	240,860,440	237,770,484
Goods-in-transit	5,841,245	5,554,895
Spare parts	268,264	–
	246,969,949	243,325,379
At net realisable value		
Trading inventories	230,435	463,765
	247,200,384	243,789,144

(a) During the financial year, the cost of inventories recognised as an expense of the Group is RM487,795,637 (2017: RM456,396,425).

(b) The cost of inventories of the Group recognised as an expense during the financial year in respect of write-down of inventories to net realisable value was RM645,543 (2017:RM272,439).

14. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Trade				
External parties	158,240,892	158,548,003	–	–
Related parties	512,869	335,129	–	–
	158,753,761	158,883,132	–	–
Less: Impairment losses for trade receivables	(981,738)	(277,287)	–	–
	157,772,023	158,605,845	–	–
Non-trade				
Sundry receivables	255,669	159,644	2,375	–
Advances to suppliers	1,719,489	439,220	–	–
Goods and services tax ("GST") refundable	610,905	994,399	–	–
Deposits	1,078,264	16,722,071	4,500	4,500
Prepayments	2,315,674	3,143,930	51,000	49,000
	5,980,001	21,459,264	57,875	53,500
	163,752,024	180,065,109	57,875	53,500

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) The Group's trade receivables normal credit term range from 14 to 90 days (2017: 30 to 120 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition.

The amounts due from related parties are subject to normal trade term.

Further information on related parties are disclosed in Note 29.

(b) Included in deposits of the Group are:

(i) an amount of RM60,000 (2017: RM50,000) represents rental and utilities deposits paid to a fellow subsidiary;
(ii) an amount of RM142,000 (2017: RM110,000) represents rental deposits paid to ultimate holding company; and
(iii) an amount of RM196,050 (2017: RM15,941,506) being down payments for purchase of plant and equipment.

(c) Ageing analysis of trade receivables

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

	Group	
	2018 RM	**2017 RM**
Neither past due nor impaired	83,784,552	79,949,902
1 to 30 days past due not impaired	33,707,351	35,670,890
31 to 60 days past due not impaired	23,445,203	23,576,933
61 to 90 days past due not impaired	9,127,078	10,103,126
91 to 120 days past due not impaired	2,397,376	4,072,870
More than 121 days past due not impaired	5,310,463	5,232,124
	73,987,471	78,655,943
Impaired	981,738	277,287
	158,753,761	158,883,132

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

Receivables that are impaired
The movement in the allowance for impairment losses of trade receivables is as follows:

	Group	
	2018 RM	**2017 RM**
At 1 January	277,287	1,158,689
Charge for the financial year (Note 6)		
- individual assessed	334,765	280,458
- collectively assessed	591,038	–
	925,803	280,458
Reversal of impairment losses (Note 6)	(77,724)	(1,003,246)
Written off	(143,628)	(158,614)
At 31 December	981,738	277,287

Loss allowance disclosed in comparative period is based on incurred loss model in accordance with MFRS 139 *Financial instruments: Recognition and measurement.*

14. TRADE AND OTHER RECEIVABLES (CONTINUED)

(c) Ageing analysis of trade receivables (Continued)

Receivables that are impaired (Continued)

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

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

	Group	
	2018 RM	2017 RM
United States Dollar ("USD")	2,308,572	1,648,111
Singapore Dollar ("SGD")	46,935	–

15. AMOUNT DUE FROM A SUBSIDIARY

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

16. DEPOSITS WITH LICENSED BANKS

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Deposits with licensed banks				
- pledged	7,047,262	6,817,208	–	–
- not pledged	29,368,206	34,714,668	1,548,119	2,008,293
	36,415,468	41,531,876	1,548,119	2,008,293

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Interest rate (%) (per annum)	3.15 - 3.50	3.00 - 3.70	3.15-3.50	3.36
Maturity (days)	30 - 365	30 - 365	30	30

Deposits are pledged with licensed banks as securities for banking facilities granted to subsidiaries as disclosed in Note 20(a).

17. CASH AND BANK BALANCES

	Group 2018 RM	Group 2017 RM	Company 2018 RM	Company 2017 RM
Cash at bank	16,601,119	21,132,886	435,544	3,085,707
Cash in hand	22,369	22,360	3	3
	16,623,488	21,155,246	435,547	3,085,710

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

	Group 2018 RM	Group 2017 RM
United States Dollar ("USD")	1,683,003	2,563,792
Japanese Yen ("JPY")	7,404	7,086

18. SHARE CAPITAL

	Group/Company 2018 Number of shares Unit	2018 Amount RM	2017 Number of shares Unit	2017 Amount RM
Issued and fully paid:				
At 1 January	310,000,000	160,094,360	310,000,000	155,000,000
Transition to no-par value regime:				
- Share premium	–	–	–	5,094,360
At 31 December	310,000,000	160,094,360	310,000,000	160,094,360

In the previous financial year, the new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amount standing to the credit of the share premium account of RM5,094,360 becomes part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of its share premium account of RM5,094,360 for purposes as set out in Section 618(3) of the Act. There is no impact on the number of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

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.

19. RESERVES

	Note	31.12.2018 RM	31.12.2017 RM (Restated)	01.01.2017 RM (Restated)
Group				
Capital reserve	(a)	923	923	923
Merger deficit	(b)	(109,544,997)	(109,544,997)	(109,544,997)
Retained earnings		301,148,693	279,698,805	204,483,178
Translation reserve	(c)	(16,295)	(20,093)	(7,585)
Share premium	(d)	–	–	5,094,360
		191,588,324	170,134,638	100,025,879
Company				
Retained earnings		6,379,928	6,865,048	8,373,669
Share premium	(d)	–	–	5,094,360
		6,379,928	6,865,048	13,468,029

(a) Capital reserve

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

(b) Merger deficit

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

(c) Translation reserve

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

(d) Share premium

Share premium comprises the premium paid on subscription of shares in the Company over and above the par value of the shares. Pursuant to Section 618(2) of the Act, the sum of RM5,094,360 standing to the credit of the Company's share premium account has been transferred and became part of the Company's share capital as disclosed in Note 18.

20. BORROWINGS

	Note	Current Due within 1 year RM	← Non-current 1 to 2 years RM	2 to 3 years RM	Due in 3 to 4 years RM	4 to 5 years RM	Over 5 years RM →	Sub-total RM	Total RM
Group									
2018									
Secured									
Bankers' acceptances	(a)	92,922,876	–	–	–	–	–	–	92,922,876
Bank overdrafts	(a)	15,187,368	–	–	–	–	–	–	15,187,368
Finance lease payables	(b)	2,263,769	1,468,824	1,533,165	1,245,309	829,053	–	5,076,351	7,340,120
Term loans	(c)	1,800,000	1,800,000	7,470,686	7,470,686	7,470,687	21,448,617	45,660,676	47,460,676
		112,174,013	3,268,824	9,003,851	8,715,995	8,299,740	21,448,617	50,737,027	162,911,040
Unsecured									
Bankers' acceptances	(a)	48,513,000	–	–	–	–	–	–	48,513,000
Bank overdrafts	(a)	15,332,881	–	–	–	–	–	–	15,332,881
Islamic financing	(d)	41,528,441	–	–	–	–	–	–	41,528,441
		105,374,322	–	–	–	–	–	–	105,374,322
		217,548,335	3,268,824	9,003,851	8,715,995	8,299,740	21,448,617	50,737,027	268,285,362

	Note	Current Due within 1 year RM	Non-current 1 to 2 years RM	2 to 3 years RM	Due in 3 to 4 years RM	4 to 5 years RM	Over 5 years RM	Sub-total RM	Total RM
Group									
2017									
Secured									
Bankers' acceptances	(a)	93,290,655	–	–	–	–	–	–	93,290,655
Bank overdrafts	(a)	11,357,570	–	–	–	–	–	–	11,357,570
Finance lease payables	(b)	4,483,082	894,885	17,796	–	–	–	912,681	5,395,763
Term loan	(c)	1,800,000	1,800,000	1,800,000	1,800,000	1,800,000	5,700,000	12,900,000	14,700,000
		110,931,307	2,694,885	1,817,796	1,800,000	1,800,000	5,700,000	13,812,681	124,743,988
Unsecured									
Bankers' acceptances	(a)	64,364,000	–	–	–	–	–	–	64,364,000
Bank overdrafts	(a)	4,506,163	–	–	–	–	–	–	4,506,163
Islamic financing	(d)	42,933,999	–	–	–	–	–	–	42,933,999
		111,804,162	–	–	–	–	–	–	111,804,162
		222,735,469	2,694,885	1,817,796	1,800,000	1,800,000	5,700,000	13,812,681	236,548,150

20. BORROWINGS (CONTINUED)

(a) Bankers' acceptances and bank overdrafts – Secured

The secured bankers' acceptances and bank overdrafts bear effective interest at rates ranging from 4.28% to 4.62% (2017: 3.90% to 4.48%) per annum and 7.79% to 7.95% (2017: 7.54% to 7.79%) per annum respectively. The secured bankers' acceptances and bank overdrafts are secured and supported by:

(i) legal charge over the properties of subsidiaries (Note 9) and ultimate holding company;
(ii) deposits with licensed banks of certain subsidiaries (Note 16); and
(iii) corporate guarantee given by the Company.

Bankers' acceptances and bank overdrafts - Unsecured

The unsecured bankers' acceptances and bank overdrafts bear effective interest at rates ranging from 4.30% to 4.73% (2017: 3.45% to 5.03%) per annum and 7.85% to 8.07% (2017: 7.67% to 7.79%) per annum respectively. The unsecured bankers' acceptances are supported by corporate guarantees given by the Company.

(b) Finance lease payables

	Group	
	2018 RM	**2017 RM**
Future minimum lease payments	8,140,089	5,569,341
Less: Future finance charges	(799,969)	(173,578)
Total present value of minimum lease payments	7,340,120	5,395,763
Current liabilities		
Payable within one year		
Future minimum lease payments	2,591,790	4,642,066
Less: Future finance charges	(328,021)	(158,984)
Present value of minimum lease payments	2,263,769	4,483,082
Non-current liabilities		
Payable after one year but not later than five years		
Future minimum lease payments	5,548,299	927,275
Less: Future finance charges	(471,948)	(14,594)
Present value of minimum lease payments	5,076,351	912,681
Total present value of minimum lease payments	7,340,120	5,395,763

The finance lease payables bear interest at rates range from 2.38% to 3.90% (2017: 2.38% to 3.90%) per annum.

Certain finance lease payables are secured and supported by corporate guarantees given by the Company.

20. BORROWINGS (CONTINUED)

(c) Term loans – Secured

Details of the repayment terms are as follows:

Term Loan 1

	Group 2018 RM	Group 2017 RM
Repayable by 120 equal monthly instalments of RM150,000 and a final instalment of RM150,000 commenced January 2016 and bear interest at rate of 4.85% per annum (2.10% per annum below bank's prevailing base lending rate).	12,900,000	14,700,000
	12,900,000	14,700,000
Less: Repayable within 1 year included in current liabilities	(1,800,000)	(1,800,000)
Repayable after 1 year	11,100,000	12,900,000

The term loan of a subsidiary bear interest at a rate of 4.85% (2017: 4.60%) per annum and is secured and supported by:

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

Term Loan 2

	Group 2018 RM	Group 2017 RM
Repayable by 120 equal monthly instalments commencing on 25th month after the date of full drawdown or upon expiry of the availability period (not exceeding 24 months from the date of offer letter), whichever is earlier. The term loan bears interest at a rate of 6.45% per annum (0.5% per annum below bank's prevailing base lending rate)	12,414,487	–
	12,414,487	–
Less: Repayable within 1 year included in current liabilities	–	–
Repayable after 1 year	12,414,487	–

The term loan bear interest at a rate of 6.45% (2017: nil) per annum and is secured and supported by:

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

20. BORROWINGS (CONTINUED)

(c) Term loan – Secured (Continued)

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

Term Loan 3

	Group 2018 RM	Group 2017 RM
Repayable by 60 equal monthly instalments commencing on 25th month after the date of full drawdown or upon expiry of the availability period (not exceeding 24 months from the date of offer letter), whichever is earlier. The term loan bears interest at rates ranging from 5.54% to 5.68% per annum (1.25% per annum above the bank's Cost of Funds)	22,146,189	–
	22,146,189	–
Less: Repayable within 1 year included in current liabilities	–	–
Repayable after 1 year	22,146,189	–

The term loan bear interest at rates ranging from 5.54% to 5.68% (2017: nil) per annum and is secured and supported by:

(i) a corporate guarantee given by the Company; and
(ii) legal charge over the certain machinery of a subsidiary (Note 10).

(d) Islamic financing

Islamic financing represents the Structured Commodity Financing-i facilities. This amount is unsecured, bears effective interest at rates ranging from 4.45% to 5.19% (2017: 4.20% to 4.83%) per annum. The unsecured facility is supported by corporate guarantee provided by the Company.

21. DEFERRED TAX LIABILITIES

	Group 2018 RM	Group 2017 RM (Restated)
At 1 January		
As previously reported	4,225,830	3,646,280
Retrospective adjustment (Note 33)	–	(778,535)
As restated	4,225,830	2,867,745
Acquisition of a subsidiary	–	875,244
Recognised in profit or loss (Note 7)	(621,643)	482,841
At 31 December	3,604,187	4,225,830

21. DEFERRED TAX LIABILITIES (CONTINUED)

Presented after appropriate offsetting as follows:

	Group 31.12.2018 RM	31.12.2017 RM (Restated)	01.01.2017 RM (Restated)
Deferred tax liabilities	5,646,575	5,465,548	3,928,351
Deferred tax assets	(2,042,388)	(1,239,718)	(1,060,606)
	3,604,187	4,225,830	2,867,745

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

	Group 31.12.2018 RM	31.12.2017 RM (Restated)	01.01.2017 RM (Restated)
Deferred tax liabilities			
Difference between the carrying amount of property, plant and equipment and its tax base	5,646,073	5,465,548	3,917,425
Unrealised gain on foreign exchange	502	–	10,926
	5,646,575	5,465,548	3,928,351
Deferred tax assets			
Impairment loss on trade receivables	(240,660)	(10,593)	(252,713)
Accrual of bonus	(979,672)	(960,314)	(778,535)
Deferred income	(767,361)	(238,663)	–
Unrealised loss on foreign exchange	(2,236)	(4,168)	–
Unrealised profits on inventories	(52,459)	(25,980)	(29,358)
	(2,042,388)	(1,239,718)	(1,060,606)
	3,604,187	4,225,830	2,867,745

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

	Group 2018 RM	2017 RM
Unutilised business losses	6,806,363	6,876,674
Unabsorbed capital allowances	3,606,778	3,261,764
Unutilised reinvestment allowances	2,288,252	2,288,252
	12,701,393	12,426,690

22. TRADE AND OTHER PAYABLES

	Group		
	31.12.2018 RM	31.12.2017 RM (Restated)	01.01.2017 RM (Restated)
Trade			
External parties	18,407,018	29,888,085	23,539,112
Related party	290	7,615	40,510
Fellow subsidiary	43,041	34,100	11,493
	18,450,349	29,929,800	23,591,115
Non-trade			
Sundry payables	8,017,141	2,596,625	2,818,041
Goods and services tax ("GST") payables	–	115,417	190,075
Sales tax payables	65,578	–	–
Deposits received	461,605	57,823	30,386
Accruals	7,561,786	9,476,757	4,958,012
	16,106,110	12,246,622	7,996,514
	34,556,459	42,176,422	31,587,629

	Company		
	31.12.2018 RM	31.12.2017 RM (Restated)	01.01.2017 RM (Restated)
Non-trade			
Sundry payables	1,100	–	–
Goods and services tax ("GST") payables	–	112,610	102,151
Accruals	837,152	805,700	648,787
	838,252	918,310	750,938

(a) The Group's trade payables normal trade credit term range from 14 to 120 days (2017: 30 to 120 days).

Amounts due to a related party and a fellow subsidiary are subject to normal trade term.

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

(b) In the previous financial year, included in sundry payables of the Group is an amount of RM9,000 due to the ultimate holding company. This amount is non-trade in nature, unsecured, interest-free, and repayable on demand by cash.

(c) Included in accruals of the Group and of the Company are directors' fees amounting to RM1,150,000 (2017: RM1,150,000) and RM650,000 (2017: RM650,000) respectively.

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

	Group	
	2018 RM	2017 RM
Australian Dollar ("AUD")	–	119,461
Euro ("EUR")	19,354	98,492
United States Dollar ("USD")	986,738	489,721

23. DEFERRED INCOME

Deferred income relates to advance billings to customers for goods to be delivered.

24. AMOUNT DUE TO ULTIMATE HOLDING COMPANY

This amount is non-trade in nature, unsecured, bears interest at rate 3.25% (2017: 3.25%) per annum, and repayable on demand by cash. The advances are mainly to support a subsidiary's capital expenditure.

25. DIVIDEND

	Group/Company	
	2018 **RM**	**2017** **RM**
Final single tier dividend of 1.5 sen per share in respect of financial year ended 31 December 2016	–	4,650,000
Final single tier dividend of 1.5 sen per share in respect of financial year ended 31 December 2017	4,650,000	–

In addition, the directors have recommended a final single tier dividend of 1.5 sen per share amounting to RM4,650,000 in respect of financial year ended 31 December 2018 and payable upon approval by shareholders at the forthcoming Annual General Meeting. The financial statements for current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriate of retained earnings in the next financial year ending 31 December 2019.

26. CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise of the following:

	Group		Company	
	2018 **RM**	**2017** **RM**	**2018** **RM**	**2017** **RM**
Cash and bank balances (Note 17)	16,623,488	21,155,246	435,547	3,085,710
Deposits with licensed banks (Note 16)	36,415,468	41,531,876	1,548,119	2,008,293
	53,038,956	62,687,122	1,983,666	5,094,003
Less: Bank overdrafts (Note 20)	(30,520,249)	(15,863,733)	–	–
Less: Deposits pledged with licensed banks (Note 16)	(7,047,262)	(6,817,208)	–	–
	15,471,445	40,006,181	1,983,666	5,094,003

27. SEGMENT INFORMATION

General Information

The Group is principally engaged in trading and processing of steel related products.

The Group has arrived at three (3) reportable segments that are based on information reported internally to the Management and the Board of Directors. The reportable segments are summarised as follows:

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

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

Measurement of Reportable Segment

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

2018	Trading of Steel Products RM	Processing of Steel Products RM	Others RM	Elimination RM	Total RM
Revenue					
External revenue	266,622,009	330,779,584	523,724	–	597,925,317
Cost of sales	(227,731,928)	(287,263,548)	(466,601)	–	(515,462,077)
Gross profit	38,890,081	43,516,036	57,123	–	82,463,240
Add/(Less):					
Other income					2,602,901
Operating expenses					(36,102,734)
Net addition of impairment losses of financial assets					(848,079)
Finance costs					(12,582,784)
Profit before tax					35,532,544
Tax expense					(9,567,416)
Profit for the financial year					25,965,128

27. SEGMENT INFORMATION (CONTINUED)

Measurement of Reportable Segment (Continued)

2017	Trading of Steel Products RM (Restated)	Processing of Steel Products RM (Restated)	Others RM (Restated)	Elimination RM	Total RM (Restated)
Revenue					
External revenue	280,561,440	295,542,041	1,253,468	–	577,356,949
Cost of sales	(238,894,989)	(241,804,634)	(830,257)	–	(481,529,880)
Gross profit	41,666,451	53,737,407	423,211	–	95,827,069
Add/(Less):					
Other income					45,919,137
Operating expenses					(37,504,417)
Net reversal of impairment losses of financial assets					722,788
Finance costs					(10,231,318)
Profit before tax					94,733,259
Tax expense					(14,919,160)
Profit for the financial year					79,814,099

Geographical segment

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

	Non-current assets 2018 RM	2017 RM
Malaysia	205,792,007	143,863,587
Republic of Singapore	10,512	10,181
	205,802,519	143,873,768

Information about Major Customers

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

28. CAPITAL COMMITMENTS

	Group	
	2018 RM	2017 RM
Approved and contracted for:		
- purchase of motor vehicles	–	267,449
- purchase of machinery	747,891	11,924,694
- purchase of properties	–	319,500
- purchase of office equipment	57,780	–
- construction of factory and warehouse buildings	477,399	16,302,927
	1,283,070	28,814,570

29. RELATED PARTY DISCLOSURES

(a) Identity of Related Parties

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

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

(b) Related Party Transactions

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

	Group		Company	
	2018 RM	2017 RM	2018 RM	2017 RM
Transactions with ultimate holding company				
- Rental paid and payable	1,651,500	1,329,000	–	–
- Interest charged and paid	322,332	329,885	–	–
Transactions with subsidiaries				
- Management fees received and receivables	–	–	(398,022)	(360,359)
- Dividend income received and receivables	–	–	(3,500,000)	(3,000,000)
- Corporate guarantee fees received and receivables	–	–	(2,285,487)	(1,924,913)
Transactions with fellow subsidiaries				
- Sales	(7,965)	–	–	–
- Purchases	1,093,696	261,862	–	–
- Rental paid and payable	270,000	240,000	–	–
Transactions with related parties				
- Sales	(4,931,640)	(4,285,056)	–	–
- Purchases	2,703	24,299	–	–

29. RELATED PARTY DISCLOSURES (CONTINUED)

(c) Related Party Balances

Information on outstanding balances with related parties of the Group is disclosed in Notes 14, 15, 22 and 24.

(d) Compensation of Key Management Personnel

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

	Group		Company	
	2018	**2017**	**2018**	**2017**
	RM	**RM**	**RM**	**RM**
		(Restated)		**(Restated)**
Directors of the Company				
Executive directors				
Short-term employee benefits				
- fees	700,000	700,000	350,000	350,000
- other emoluments	3,765,280	3,353,079	–	–
- estimated monetary value of benefits-in-kind	200,173	203,481	–	–
	4,665,453	4,256,560	350,000	350,000
Post employment benefits	451,200	402,000	–	–
	5,116,653	4,658,560	350,000	350,000
Non-executive directors				
Short-term employee benefits				
- fees	300,000	300,000	300,000	300,000
- other emoluments	20,000	24,000	20,000	24,000
	320,000	324,000	320,000	324,000
Directors of subsidiaries				
Executive directors				
Short-term employee benefits				
- fees	150,000	150,000	–	–
- other emoluments	2,268,518	2,047,103	–	–
- estimated monetary value of benefits-in-kind	96,858	98,250	–	–
	2,515,376	2,295,353	–	–
Post employment benefits	268,570	230,770	–	–
	2,783,946	2,526,123	–	–

29. RELATED PARTY DISCLOSURES (CONTINUED)

(d) Compensation of Key Management Personnel (Continued)

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

	Group		Company	
	2018 RM	2017 RM (Restated)	2018 RM	2017 RM (Restated)
Other key management personnels				
Short-term employee benefits				
- other emoluments	677,947	728,105	400,923	336,829
- estimated monetary value of benefits-in-kind	6,269	8,433	1,711	1,563
	684,216	736,538	402,634	338,392
Post employment benefits	81,132	87,157	48,000	40,320
	765,348	823,695	450,634	378,712
	8,985,947	8,332,378	1,120,634	1,052,712

Total compensation of key management personnel comprises:

	Group		Company	
	2018 RM	2017 RM (Restated)	2018 RM	2017 RM (Restated)
Short-term employee benefits	8,185,045	7,612,451	1,072,634	1,012,392
Post employment benefits	800,902	719,927	48,000	40,320
	8,985,947	8,332,378	1,120,634	1,052,712

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES

(a) Categories of Financial Instruments

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

<u>From 1 January 2018:</u>
(i) Amortised cost

<u>On or before 31 December 2017:</u>
(ii) Loan and receivables ("L&R")
(iii) Other financial liabilities ("FL")

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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 2018		
Financial asset		
Group		
Trade and other receivables (i)	158,909,906	158,909,906
Deposits with licensed banks	36,415,468	36,415,468
Cash and bank balances	16,623,488	16,623,488
	211,948,862	211,948,862
Company		
Other receivables (i)	6,875	6,875
Amount due from a subsidiary	1,853,738	1,853,738
Dividend receivables	3,500,000	3,500,000
Deposits with licensed banks	1,548,119	1,548,119
Cash and bank balances	435,547	435,547
	7,344,279	7,344,279
Financial liabilities		
Group		
Trade and other payables (ii)	34,087,217	34,087,217
Amount due to ultimate holding company	5,000,000	5,000,000
Borrowings	268,285,362	268,285,362
	307,372,579	307,372,579
Company		
Other payables (iii)	838,252	838,252

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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	Loan and receivables RM	Other financial liabilities RM
At 31 December 2017			
Financial asset			
Group			
Trade and other receivables (i)	159,546,054	159,546,054	–
Deposits with licensed banks	41,531,876	41,531,876	–
Cash and bank balances	21,155,246	21,155,246	–
	222,233,176	222,233,176	–
Company			
Other receivables (i)	4,500	4,500	–
Dividend receivables	3,000,000	3,000,000	–
Deposits with licensed banks	2,008,293	2,008,293	–
Cash and bank balances	3,085,710	3,085,710	–
	8,098,503	8,098,503	–
Financial liabilities			
Group			
Trade and other payables (ii)	42,002,515	–	42,002,515
Amount due to ultimate holding company	10,000,000	–	10,000,000
Borrowings	236,548,150	–	236,548,150
	288,550,665	–	288,550,665
Company			
Other payables (iii)	918,310	–	918,310

(i) Excluded advances to suppliers, GST claimable, prepayments and down payments for purchase of plant and equipment.

(ii) Excluded GST payable, withholding tax payable, sales tax payable and advances from customers.

(iii) Excluded GST payable.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Financial risk management policies

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

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

(i) Credit Risk

Credit risk is the risk of financial loss to the Group that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group are 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. Credit quality of a customer is assessed based on an extensive credit rating scorecard and individual credit limits are defined in accordance with this assessment.

Trade receivables

As at the end of the reporting period, the maximum exposure to credit risk arising from trade receivables and contract assets is represented by the carrying amounts in the statements of financial position.

The carrying amount of trade receivables and contract assets are not secured by any collateral or supported by any other credit enhancements. In determining the recoverability of these receivables, the Group consider 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 apply the simplified approach to providing for expected credit losses prescribed by MFRS 9, which permits the use of the lifetime expected loss provision for all trade receivables. To measure the expected credit losses, trade receivables have been grouped based on shared credit risk characteristics and the days past due. The expected credit losses also incorporate forward looking information.

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

	Trade Receivables				
	Current RM	1 to 30 days past due RM	31 to 60 days past due RM	> 61 days past due RM	Total RM
Group					
At 31 December 2018					
Expected credit loss rate	0.06% - 0.10%	0.15% - 0.25%	0.20% - 0.34%	0.83% - 5.00%	
Gross carrying amount at default	83,844,141	33,768,738	23,513,227	17,627,655	158,753,761
Impairment losses	59,589	61,385	68,024	792,740	981,738

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Financial risk management policies (Continued)

(i) Credit Risk (Continued)

Trade receivables (Continued)

As at 31 December 2017, the ageing analysis of the Group's trade receivables were as follows:

	Group 31.12.2017 RM
Neither past due nor impaired	79,949,902
1 to 30 days past due not impaired	35,670,890
31 to 60 days past due not impaired	23,576,933
61 to 90 days past due not impaired	10,103,126
91 to 120 days past due not impaired	4,072,870
More than 121 days past due not impaired	5,232,124
	78,655,943
Impaired	
Individually	277,287
	158,883,132

Other receivables and other financial assets

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

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 RM261,092,422 (2017: RM233,250,160) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 20. As at the reporting date, there was no indication that the subsidiary would default on repayment.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Financial risk management policies (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 finance lease payables, term loans, bankers' acceptances, bank overdrafts and amount due to ultimate holding company.

Borrowings at floating rate amounting to RM260,945,242 (2017: RM231,152,387) expose the Group to cash flow interest rate risk whilst borrowings at fixed rate amounting to RM12,340,120 (2017: RM15,395,763) expose the Group's to fair value interest rate risk.

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

Sensitivity analysis for interest rate risk
If the interest rate had been 50 basis point higher/lower and all other variables held constant, the Group's profit for the financial year ended 31 December 2018 would decrease/increase by RM991,592 (2017: RM878,379) as a result of exposure to floating rate borrowings.

(iii) Liquidity Risk

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

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Financial risk management policies (Continued)

(iii) Liquidity Risk (Continued)

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

Analysis of financial instruments by remaining contractual maturities
The table below summarises the maturity profile of the Group's 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
2018						
Group						
Financial liabilities						
Trade and other payables	34,556,459	34,556,459	34,556,459	–	–	–
Amount due to ultimate holding company	5,000,000	5,162,500	5,162,500	–	–	–
Term loans	47,460,676	62,283,283	4,477,644	4,390,344	28,668,316	24,746,979
Bankers' acceptances	141,435,876	141,435,876	141,435,876	–	–	–
Bank overdrafts	30,520,249	30,520,249	30,520,249	–	–	–
Islamic financing	41,528,441	43,428,153	43,428,153	–	–	–
Finance lease payables	7,340,120	8,140,089	2,591,790	2,061,829	3,486,470	–
	307,841,821	325,526,609	262,172,671	6,452,173	32,154,786	24,746,979
Company						
Financial liabilities						
Other payables	838,252	838,252	838,252	–	–	–
Financial guarantee *	–	261,092,422	261,092,422	–	–	–
	838,252	261,930,674	261,930,674	–	–	–

* The Company has given corporate guarantee of RM519,757,772 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 2018, approximately RM261,092,422 of the banking facilities were utilised by the said subsidiaries.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Financial risk management policies (Continued)

(iii) Liquidity Risk (Continued)

Analysis of financial instruments by remaining contractual maturities (Continued)
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: (Continued)

	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
2017						
Group						
Financial liabilities						
Trade and other payables	42,176,422	42,176,422	42,176,422	–	–	–
Amount due to ultimate holding company	10,000,000	10,325,000	10,325,000	–	–	–
Term loan	14,700,000	17,805,000	2,476,200	2,393,400	6,683,400	6,252,000
Bankers' acceptances	157,654,655	157,654,655	157,654,655	–	–	–
Bank overdrafts	15,863,733	15,863,733	15,863,733	–	–	–
Islamic financing	42,933,999	43,428,153	43,428,153	–	–	–
Finance lease payables	5,395,763	5,569,341	4,642,066	909,410	17,865	–
	288,724,572	292,822,304	276,566,229	3,302,810	6,701,265	6,252,000
Company						
Financial liabilities						
Other payables	918,310	918,310	918,310	–	–	–
Financial guarantee *	–	233,250,160	233,250,160	–	–	–
	918,310	234,168,470	234,168,470	–	–	–

* The Company has given corporate guarantee of RM440,018,256 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 2017, approximately RM233,250,160 of the banking facilities were utilised by the said subsidiaries.

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)

(b) Financial risk management policies (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 bank and trade payables which is denominated in AUD, EUR, JPY, USD and SGD as disclosed in Notes 14, 17 and 22.

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

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

(c) Fair value of financial instruments

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

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

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

(ii) Borrowings

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

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

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

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

	Carrying Amount RM	Fair Value RM
Group		
2018		
Financial liability		
Finance lease payables	7,340,120	7,760,392
2017		
Financial liability		
Finance lease payables	5,395,763	5,532,729

30. FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (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).

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

	2018 RM	Level 1 RM	Level 2 RM	Level 3 RM
Group				
Financial liability				
Finance lease payables	7,760,392	–	–	7,760,392

	2017 RM	Level 1 RM	Level 2 RM	Level 3 RM
Financial liability				
Finance lease payables	5,532,729	–	–	5,532,729

During the financial year ended 31 December 2018 and 31 December 2017, there have been no transfers between Level 1 and Level 2 fair value measurements.

31. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, or issue new shares. There were no changes in the Group approach to capital management since the financial year ended 31 December 2017. 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 and finance lease payables less deposits with licensed banks, cash and bank balances whilst total capital is total equity of the Group.

31. CAPITAL MANAGEMENT (CONTINUED)

	Group	
	2018 RM	2017 RM (Restated)
Total interest-bearing borrowings	273,285,362	246,548,150
Less: Deposits with licensed banks, cash and bank balances	(53,038,956)	(62,687,122)
Total net debts	220,246,406	183,861,028
Total equity	352,348,080	331,029,154
Total net debts plus equity	572,594,486	514,890,182
Gearing ratio	38%	36%

A subsidiary of the Company is required to comply with gearing ratios in respect of its trade facilities, bank overdrafts and term loans.

32. OPERATING LEASE COMMITMENT – AS LESSEE

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

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

	Group	
	2018 RM	2017 RM
- Not later than one year	520,718	520,718
- More than one year but not later than five years	2,082,873	2,082,873
- More than five years	10,761,509	11,282,227
	13,365,100	13,885,818

33. RETROSPECTIVE ADJUSTMENTS

Prior Year Adjustments

Based on the past practice of the Group and the Company, annual employee bonus for the respective financial years was determined subsequent to its particular financial year end. Bonus expense was recognised in the profit or loss in the financial year in which it was paid instead of accruing based on the financial years that the bonus is in relation to.

Management have assessed and decided to provide accrual for bonus and to recognise it as an expense retrospectively in the respective financial years which it relates.

33. RETROSPECTIVE ADJUSTMENTS (CONTINUED)

Reclassification Adjustments

Certain reclassification adjustments have been made to the Group's Statement of Profit or Loss and Other Comprehensive Income due to the nature of certain expenses to conform with current year presentation.

The effects arising from the above adjustments are as follows:

Financial year ended 31 December 2017
Statements of Profit or Loss and Other Comprehensive Income

	As previously reported RM	Prior year adjustments RM	Reclassifications RM	As restated RM
Group				
Cost of sales	(478,683,909)	(127,837)	(2,718,134)	(481,529,880)
Distribution costs	(6,288,610)	(263,294)	(2,754,044)	(9,305,948)
Administrative costs	(29,375,736)	(345,559)	5,472,178	(24,249,117)
Tax expense	(15,100,939)	181,779	–	(14,919,160)
Profit for the financial year	80,369,010	(554,911)	–	79,814,099
Total comprehensive income for the financial year	80,356,502	(554,911)	–	79,801,591
Profit attributable to owners of the Company	80,420,538	(554,911)	–	79,865,627
Total comprehensive income attributable to owners of the Company	80,408,030	(554,911)	–	79,853,119
Earnings per shares (sen) attributable to owners of the Company				
- Basic	25.94	(0.18)	–	25.76
- Diluted	25.94	(0.18)	–	25.76
Company				
Administrative costs	(1,622,935)	20,720	–	(1,602,215)
Profit for the financial year	3,120,659	20,720	–	3,141,379
Total comprehensive income for the financial year	3,120,659	20,720	–	3,141,379

33. RETROSPECTIVE ADJUSTMENTS (CONTINUED)

Statements of Financial Position

	As previously reported RM	Prior year adjustments RM	As restated RM
Group			
As at 31 December 2017			
Retained earnings (Note 19)	282,868,599	(3,169,794)	279,698,805
Deferred tax liabilities	5,186,144	(960,314)	4,225,830
Other payables and accruals (Note 22)	8,116,514	4,130,108	12,246,622
As at 31 December 2016/1 January 2017			
Retained earnings (Note 19)	207,098,061	(2,614,883)	204,483,178
Deferred tax liabilities	3,646,280	(778,535)	2,867,745
Other payables and accruals (Note 22)	4,603,096	3,393,418	7,996,514
Company			
As at 31 December 2017			
Retained earnings (Note 19)	6,993,848	(128,800)	6,865,048
Other payables and accruals (Note 22)	789,510	128,800	918,310
As at 31 December 2016/1 January 2017			
Retained earnings (Note 19)	8,523,189	(149,520)	8,373,669
Other payables and accruals (Note 22)	601,418	149,520	750,938

Statements of Cash Flow

	As previously reported RM	Prior year adjustments RM	As restated RM
Group			
As at 31 December 2017			
Profit before tax	95,469,949	(736,690)	94,733,259
Operating profit before working capital changes	93,452,493	(736,690)	92,715,803
Increase in payables	7,256,117	736,690	7,992,807
Company			
As at 31 December 2017			
Profit before tax	3,501,462	20,720	3,522,182
Operating profit before working capital changes	617,002	20,720	637,722
Increase in payables	188,092	(20,720)	167,372

Statement By Directors

PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016

We, **DATO' SRI OOI BIN KEONG** and **OOI KONG TIONG**, being two of the directors of LEON FUAT BERHAD, do hereby state that in the opinion of the directors, the accompanying financial statements as set out on pages 68 to 144 are drawn up in accordance with the 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 2018 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

OOI KONG TIONG

Kuala Lumpur
Date: 8 April 2019

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 financial statements as set out on pages 68 to 144 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 No.: 15963

Subscribed and solemnly declared at the Federal Territory of Kuala Lumpur on 8 April 2019.

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 Financial Statements

Opinion

We have audited the financial statements of Leon Fuat Berhad, which comprise the statements of financial position as at 31 December 2018 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 68 to 144.

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 2018, 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 are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *Code of Ethics for Professional Accountants* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

Key audit matters are those matters that, in our professional 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.

<u>Group</u>

Inventories (Note 13 to the financial statements)

As at 31 December 2018, the Group's inventories amounts to RM247.20 million. The Group's inventories are measure 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 samples of 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)

Trade receivables (Note 14 to the financial statements)

As at 31 December 2018, the Group's trade receivables amounts to RM157.77 million. The Group made subjective judgements over assumptions about risk of default and expected loss rate. In making these assumptions, the directors selected inputs to the impairment calculation, based on the Group's past history as well as forward looking estimates at the end of the reporting period.

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

- evaluating the design and implementation of controls associated with monitoring and impairment assessment of receivables that were either in default or significantly overdue;
- understanding of significant credit exposures which were significantly overdue through analysis of ageing reports and other collection reports prepared by the Group;
- obtaining confirmation of balances from selected samples of receivables;
- reviewing subsequent receipts, customer correspondence and Group's explanation on recoverability of the identified significantly past due balances; and
- understanding the calculation of expected credit loss as at the end of the reporting period.

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.

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 12 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
LLP0019411-LCA & AF 0117
Chartered Accountants

Andrew Choong Tuck Kuan
No. 03264/04/2019 J
Chartered Accountant

Kuala Lumpur

Date: 8 April 2019

List Of Properties

HELD AS AT 31 DECEMBER 2018

Registered/ Beneficial Owner	Address/Title	Description/ Existing Use	Tenure	Approximate Land/Built-up Areas (sq. ft.*)	Approximate Age of Buildings (No. of Years)	NBV At Group Level as at 31 December 2018 (RM)	Year of Acquisition/ Revaluation
LF Metal	11 Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan held under GRN 290613, Lot 26102, (formerly H.S. (D) 30968, Lot No. PT 17395), Mukim Kapar, Daerah Klang, Negeri Selangor Darul Ehsan	A unit of single storey detached factory cum warehouse building with an annexed 4 storey office and a unit of single storey factory cum warehouse building with annexed single storey office and 2 storey store/ Used as a steel processing plant, warehouse and office	Freehold	179,736/19,754 (office built-up area) & 102,882 (factory built-up area)	11	Office and factory NBV: 18,317,929 & land NBV: 6,890,000	2004
LF Metal	6, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan held under GRN 290612, Lot 26104, (formerly H.S. (D) 30970, Lot No. PT 17397), Mukim Kapar, Daerah Klang, Negeri Selangor Darul Ehsan	A unit of 4½ storey office with an annexed 2 units of single storey warehouse cum factory/ Used as a steel processing plant, warehouse and office	Freehold	116,928/ 29,600 (office built-up area) & 51,200 (factory built-up area)	22	Office and factory NBV: 2,968,445 & land NBV: 2,536,281	1991
LF Metal	No. 16, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan held under H.S. (D) 30972, Lot No. PT 17399, Mukim Kapar, Daerah Klang, Negeri Selangor Darul Ehsan	A unit of single-storey detached factory building with annexed double-storey office building /Used as a steel processing plant, warehouse and office	Freehold	130,680/ 16,402 (office built-up area) & 60,838 (factory built-up area)	#	Office and factory NBV: 12,239,367 & land NBV: 15,681,600	2012
LF Metal	No. 17, Persiaran Sultan Alauddin, KU 17, Kawasan Prindustrian Bandar Sultan Suleiman Fasa 4, Perlabuhan Klang, 42000 Selangor Darul Ehsan held under H.S.(M) 42036, PT 65615, Mukim Kapar, Daerah Klang, Negeri Selangor Darul Ehsan	Under construction of a unit of single-storey detached factory cum warehouse building/ To be used as steel pipe manufacturing plant, warehouse and office	Leasehold expiring on 7 December 2110	700,864	N/A	Land NBV: 29,991,678	2016

Registered/ Beneficial Owner	Address/Title	Description/ Existing Use	Tenure	Approximate Land/Built-up Areas (sq. ft.*)	Approximate Age of Buildings (No. of Years)	NBV At Group Level as at 31 December 2018 (RM)	Year of Acquisition/ Revaluation
LF Metal	P136 – P138 and part of P139, Jalan Persiaran Port Klang FZ6, Precinct 1, Port Klang Free Zone (PKFZ), K/S12, 42920 Pulau Indah, Selangor Darul Ehsan	A unit of single storey detached warehouse with double-storey office building/ Used as a steel processing plant, warehouse and office	Lease Agreement expiring on 31.8.2044	1,862 (office built -up area) & 95,562 (warehouse built -up area)	3	Office and warehouse NBV: 10,407,323	2016
LF Hardware	No. 6A, Jalan Tiga, Off Jalan Sungai Besi, Kawasan Perusahaan Sungai Besi, Kuala Lumpur held under PN 37429, Lot No. 443 (formerly H.S. (D) 66962, Lot No. P.T. 413), Seksyen 92, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur	A unit of single storey detached factory/ Whole unit is rented to Supreme Steelmakers and it is used as a steel processing plant up to August 2018	Leasehold expiring on 09.07.2050	25,957/ 11,900 (factory built-up area)**	21	Office and factory NBV: 326, 857 & Land NBV: 380,077	1991
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 25.06.2025	92,602/2,325 (office built-up area) & 54,250 (factory built-up area)	19	Office and factory NBV: 3,883,579	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)	18	Apartment NBV: 169,080	2018

List Of Properties

HELD AS AT 31 DECEMBER 2018 (CONT'D)

Registered/ Beneficial Owner	Address/Title	Description/ Existing Use	Tenure	Approximate Land/Built-up Areas (sq. ft.*)	Approximate Age of Buildings (No. of Years)	NBV At Group Level as at 31 December 2018 (RM)	Year of Acquisition/
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)	18	Apartment NBV: 184,800	2018
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)	9	Double storey link house NBV: 486,416	2018

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 2 APRIL 2019

SHARE CAPITAL

Total number of Issued Shares	: 310,000,000 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	0.13	87	0.00
100 - 1,000	173	7.68	108,713	0.04
1,001 - 10,000	1,048	46.52	6,386,100	2.06
10,001 - 100,000	865	38.39	27,474,600	8.86
100,001 - 15,499,999	163	7.23	56,340,500	18.17
15,500,000 and above	1	0.04	219,690,000	70.87
Total	**2,253**	**100.00***	**310,000,000**	**100.00**

Note:

* *Total does not add-up due to rounding*

DIRECTORS' SHAREHOLDINGS

(As per Register of Directors' Shareholdings)

	Direct		Indirect	
Name of Directors	No. of Shares held	%	No. of Shares held	%
Dato' Ng Ah Hock @ Ng Soon Por	100,000	0.03	–	–
Dato' Sri Ooi Bin Keong	200,000	0.06	219,690,000[1]	70.87
Ooi Kong Tiong	200,000	0.06	–	–
Ooi Seng Khong	1,105,900	0.36	–	–
Ng Kok Teong	221,000	0.07	219,690,000[2]	70.87
Ooi Shang How	200,000	0.06	–	–
Chan Kee Loin	100,000	0.03	–	–
Tan Did Heng	100,000	0.03	–	–
Tan Sack Sen	30,000[3]	0.01	–	–
Others[4]				
Ooi Shang Yao	20,000	0.006	–	–
Ooi Shang Chieh	5,000	0.002	–	–

Notes:

1 *Deemed interest by virtue of his interest in Leon Fuat Holdings Sdn Bhd pursuant to Section 8(4)(c) of the Companies Act, 2016 ("Act").*

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

3 *Held through Cimsec Nominees (Tempatan) Sdn Bhd.*

4 *Disclosure of interests pursuant to Section 59(11)(c) of the Act. Ooi Shang Yao and Ooi Shang Chieh are the sons of Dato' Sri Ooi Bin Keong.*

SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

(As per Register of Substantial Shareholders' Shareholdings)

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

***Notes**:*

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

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

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30 LARGEST SHAREHOLDERS

No.	Name of Shareholders	No. of Shares	%
1	LEON FUAT HOLDINGS SDN BHD	219,690,000	70.87
2	TAN TIAN SOON	6,727,600	2.17
3	JEFFREY NG POW KONG	1,885,000	0.61
4	DO HOCK KWONG	1,300,000	0.42
5	KENANGA NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM HONG CHOON (030)*	1,221,600	0.39
6	CHOO WING SING	1,188,800	0.38
7	OOI SENG KHONG	1,105,900	0.36
8	SUI POOI NGAN	928,900	0.30
9	HLB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LEE KOING@ LEE KIM SIN*	917,000	0.30
10	TAN TIEN SANG	905,000	0.29
11	TEE HENG SENG	707,300	0.23
12	LOH TIANG EAM	672,600	0.22
13	LOO CHEE LAIN	670,000	0.22
14	SIN HOCK	642,200	0.21
15	AFFIN HWANG NOMINEES (TEMPATAN) SDN. BHD. *EXEMPT AN FOR DBS VICKERS SECURITIES (SINGAPORE) PTE LTD (CLIENTS)*	630,000	0.20
16	LIM CHOON	623,800	0.20
17	CHOO WING KONG	620,000	0.20
18	QUEK SEE KUI	591,000	0.19
19	SIANG HAI YONG	588,900	0.19
20	CHAN LEE SAM	522,000	0.17
21	LIAU YUAN HIN	520,000	0.17
22	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR CHIAU BENG TEIK*	517,700	0.17
23	LIM JIT HAI	515,000	0.17
24	HLB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LIM CHAI HUAT*	500,000	0.16
25	RHB NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR LOW KOK YEW*	500,000	0.16
26	HO CHU CHAI	464,600	0.15
27	BINTANG BARAT SDN BHD	460,000	0.15
28	LIM FOOK CHEE & SONS SDN.BHD.	456,700	0.15
29	ONG TEK HAR	450,100	0.15
30	PUBLIC NOMINEES (TEMPATAN) SDN BHD *PLEDGED SECURITIES ACCOUNT FOR YAP KON HING (E-KPG)*	440,000	0.14
	TOTAL	**246,961,700**	**79.69**

Notice Of 12th Annual General Meeting

NOTICE IS HEREBY GIVEN THAT the 12th Annual General Meeting ("AGM") of Leon Fuat Berhad ("LFB") will be held at Greens III, Sports Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Wednesday, 12 June 2019 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 2018 together with the Directors' and Auditors' Reports thereon. ***Please refer to Note (viii)***

2. To approve a final single tier dividend of 1.5 sen per share for the financial year ended 31 December 2018. ***Resolution 1***

3. To approve the payment of Directors' fees and allowances up to RM1,050,000 from 13 June 2019 until the next AGM of the Company. ***Resolution 2***

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

   (i) Dato' Ng Ah Hock @ Ng Soon Por ***Resolution 3***
   (ii) Tan Did Heng ***Resolution 4***
   (iii) Tan Sack Sen ***Resolution 5***

5. To re-appoint Messrs Baker Tilly Monteiro Heng PLT as the Company's Auditors and to authorise the Directors to fix their remuneration. ***Resolution 6***

SPECIAL BUSINESS

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

6. **ORDINARY RESOLUTION**
   AUTHORITY FOR THE DIRECTORS TO ISSUE SHARES ***Resolution 7***

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

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

"THAT subject always to the provisions of the Listing Requirements of Bursa Securities, approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature, details as set out in Section 2.5 of Part A of the Circular to Shareholders dated 29 April 2019 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 Shareholders' Mandate."

8. **SPECIAL RESOLUTION**
PROPOSED ADOPTION OF A NEW CONSTITUTION OF THE COMPANY ("PROPOSED ADOPTION") *Resolution 9*

"THAT approval be and is hereby given to the Company to revoke the existing Constitution of the Company in its entirety and in place thereof, a new Constitution as set out in Appendix II of the Circular to Shareholders dated 29 April 2019 be and is hereby adopted as the Constitution of the Company with immediate effect;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary in order to give full effect to the Proposed Adoption, with full power to assent to any conditions, modification, and/or amendments as may be required by the relevant authorities."

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

NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

NOTICE IS HEREBY GIVEN THAT a final single tier dividend of 1.5 sen per share for the financial year ended 31 December 2018, if approved by the shareholders at the forthcoming 12th AGM, will be paid on 25 July 2019 to depositors registered in the Record of Depositors at the close of business on 28 June 2019.

A depositor shall qualify for entitlement only in respect of:

a) Shares transferred into the depositor's securities account before 4.00 p.m. on 28 June 2019 in respect of transfer; and

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

BY ORDER OF THE BOARD

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

Kuala Lumpur

29 April 2019

Notes:

(i) In respect of deposited securities, only members whose names appear in the Record of Depositors on 31 May 2019 (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 situated 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 this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.

(vii) The Personal Data Protection Act 2010, which regulates the processing of personal data in commercial transactions, applies to the Company. By providing to the Company 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.

(viii) Audited Financial Statements for the financial year ended 31 December 2018

The Audited Financial Statements for the financial year ended 31 December 2018 are laid in accordance with Section 340(1)(a) of the Companies Act 2016 ("Act") for discussion only and do not require shareholders' approval. As such, this item will not be put for voting.

(ix) 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 8 April 2019, the Board had considered the amount of dividend and decided to recommend the same to the shareholders for approval.

The Directors of the Company are satisfied that the Company will be solvent as it will be able to pay its debts as and when the debts become due within 12 months immediately after the distribution is made on 25 July 2019 in accordance with the requirements under Section 132(2) and (3) of the Act.

(x) Authority for the Directors to issue shares

This proposed resolution, if passed, will renew the authority given to the Directors of the Company to issue and allot new shares in the Company at any time, to such person or persons, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit ("General Mandate"), provided that the number of shares issued pursuant to this General Mandate, when aggregated with the 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. This renewed General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

The General Mandate procured and approved in the preceding year 2018 which was not exercised by the Company during the year, will expire at the forthcoming 12th AGM of the Company.

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

(xi) Proposed Shareholders' Mandate

This proposed resolution, if passed, will authorise the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature, particulars of which are as set out in Section 2.5 of Part A of the Circular to Shareholders dated 29 April 2019 despatched together with the Company's Annual Report 2018. This authority, unless revoked or varied by the Company in a general meeting, will expire at the next AGM of the Company.

(xii) Proposed Adoption of a New Constitution

This proposed resolution, if passed, will streamline the existing Constitution of the Company with the provisions of the Companies Act 2016 and the Main Market Listing Requirements of Bursa Securities, and to provide clarity to certain provision thereof and to render consistency throughout in order to facilitate and further enhance administrative efficiency. For further information on the Proposed Adoption, please refer to Part B of the Circular to Shareholders dated 29 April 2019 despatched together with the Company's Annual Report 2018.

STATEMENT ACCOMPANYING NOTICE OF THE 12TH 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 forthcoming 12th Annual General Meeting of the Company.

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

Proxy Form

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

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

of ____
(Full address)

being a member/members of **LEON FUAT BERHAD** do hereby appoint ______________________________
(Full name in block letters and NRIC/Passport No.)

of ____
(Full address)

or failing him/her, ______________________________________ of ______________________________
(Full name in block letters and NRIC/Passport No.) *(Full address)*

____

or failing him/her, the Chairman of the meeting as my/our proxy to vote for me/us on my/our behalf at the 12th 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 Wednesday, 12 June 2019 at 2.30 p.m. and at any adjournment thereof on the following resolutions referred to in the Notice of Annual General Meeting.

The proportion of *my/our holdings to be represented by *my/our proxy(ies) are as follows:

First Proxy	____________%	Second Proxy	____________%

My/Our proxy(ies) is/are to vote as indicated hereunder:

RESOLUTIONS	***FOR**	***AGAINST**
1. To approve a final single tier dividend of 1.5 sen per share for the financial year ended 31 December 2018		
2. To approve the payment of Directors' fees and allowances up to RM1,050,000 from 13 June 2019 until the next AGM of the Company		
3. To re-elect Dato' Ng Ah Hock @ Ng Soon Por who retires in accordance with Article 85 of the Company's Constitution		
4. To re-elect Tan Did Heng who retires in accordance with Article 85 of the Company's Constitution		
5. To re-elect Tan Sack Sen who retires in accordance with Article 85 of the Company's Constitution		
6. To re-appoint Messrs Baker Tilly Monteiro Heng PLT as the Company's Auditors and to authorise the Directors to fix their remuneration		
7. Authority for the Directors to issue shares		
8. Proposed Shareholders' Mandate		
9. Proposed Adoption of a New Constitution		

**Please indicate with an "X" in the spaces provided how you wish your vote to be cast. If you do not do so, the proxy will vote or abstain from voting at his discretion.*

Dated this __________ day of ________________ 2019

____
Signature or Common Seal of Shareholder(s)

Notes:

(i) In respect of deposited securities, only members whose names appear in the Record of Depositors on 31 May 2019 (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 situated 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 this form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
(vii) The Personal Data Protection Act 2010, which regulates the processing of personal data in commercial transactions, applies to the Company. By providing to the Company 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.

Fold this flap for sealing

Then fold here

AFFIX
STAMP

The Company Secretaries

LEON FUAT BERHAD (756407-D)
C/o Archer Corporate Services Sdn Bhd
Suite 11.1A, Level 11
Menara Weld
76, Jalan Raja Chulan
50200 Kuala Lumpur
Malaysia

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LEON FUAT BERHAD
(Company No. 756407-D)

Wisma Leon Fuat
No. 11, Lorong Keluli 1B
Kawasan Perindustrian Bukit Raja Selatan
Seksyen 7
40000 Shah Alam
Selangor Darul Ehsan

Tel: (603) 3375 3333
Fax: (603) 3344 7777