



**LEON FUAT BERHAD**

Registration No. 200601036648 (756407-D)

# ASPIRE TO PROGRESS

ANNUAL REPORT 2022



# ASPIRE TO PROGRESS

With years of expertise and segments under the group's portfolio, Leon Fuat has always established a synergised group-wide approach towards collective progress in its operations, spearheading each steel product segment towards the right path through innovative leadership.

To reflect these successes, this inspiring, progressive cover design showcases a series of arrows all pointing towards the right, with patterns within each arrow illustrating Leon Fuat's different steel product segments all unified in one direction.

## Our Products

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





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## Our Processing and/or Manufacturing

- CNC Oxy-gas Cutting
- CNC Laser Cutting
- CNC Waterjet Cutting
- CNC Plasma Cutting
- Bandsaw Cutting
- Guillotine Shear
- CNC Press Brake (Bending)
- CNC Turret Punching
- Coil Levelling/Slitting
- Polishing
- Pipe Forming
- Expanded Metal



# CORPORATE INFORMATION

## BOARD OF DIRECTORS

**Dato' Lim Cheng Poh**

Independent Non-Executive Chairman

**Dato' Sri Ooi Bin Keong**

Executive Deputy Chairman

**Ooi Seng Khong**

Group Managing Director

**Ooi Kong Tiong**

Executive Director

**Ng Kok Teong**

Executive Director

**Ooi Shang How**

Executive Director

**Chan Kee Loin**

Senior Independent Non-Executive Director

**Tan Did Heng**

Independent Non-Executive Director

**Tan Sack Sen**

Independent Non-Executive Director

**Audit Committee**

**Tan Did Heng** (Chairman)

**Chan Kee Loin**

**Tan Sack Sen**

**Nomination Committee**

**Chan Kee Loin** (Chairman)

**Tan Sack Sen**

**Tan Did Heng**

**Remuneration Committee**

**Tan Sack Sen** (Chairman)

**Chan Kee Loin**

**Tan Did Heng**

**Company Secretaries**

**Yeoh Chong Keat**

SSM PC No.201908004096

MIA 2736

**Lim Fei Chia**

SSM PC No.202008000515

MAICSA 7036158

**Registered Office**

Lot 5, Level 10

Menara Great Eastern 2

No. 50 Jalan Ampang

50450 Kuala Lumpur

Tel : (603) 2031 1988

Fax : (603) 2031 9788

**Principal Place of Business**

Wisma Leon Fuat

No. 11, Lorong Keluli 1B

Kawasan Perindustrian

Bukit Raja Selatan

Seksyen 7, 40000 Shah Alam

Selangor Darul Ehsan

Tel : (603) 3375 3333

Fax : (603) 3344 7777

**Auditors**

**Baker Tilly Monteiro Heng PLT**

Baker Tilly Tower

Level 10, Tower 1, Avenue 5

Bangsar South City

59200 Kuala Lumpur

Tel : (603) 2297 1000

Fax : (603) 2282 9980

**Share Registrar**

**Boardroom Share Registrars Sdn. Bhd.**

11th Floor, Menara Symphony

No. 5, Jalan Prof. Khoo Kay Kim

Seksyen 13

46200 Petaling Jaya

Selangor Darul Ehsan

Tel : (603) 7890 4700

Fax : (603) 7890 4670

**Principal Bankers**

**AmBank (M) Berhad**

Level 21, Bangunan AmBank Group

Jalan Raja Chulan

50200 Kuala Lumpur

Tel : (603) 2036 2633

Fax : (603) 2036 2458

**Hong Leong Bank Berhad**

Level 9, Menara Hong Leong

No. 6, Jalan Damanlela

Bukit Damansara

50490 Kuala Lumpur

Tel : (603) 2081 8888

Fax : (603) 2081 8935

**Al Rajhi Banking & Investment Corporation (Malaysia) Berhad**

Ground Floor, East Block

Wisma Golden Eagle Realty

142-B Jalan Ampang

50450 Kuala Lumpur

Tel : (603) 2301 7000

Fax : (603) 2170 7100

**Stock Exchange Listing**

**Main Market of Bursa Malaysia Securities Berhad**

Sector/Sub-sector:

Industrial Products & Services/Metals

Stock Name : LEONFB

Stock Code : 5232

**Corporate Website**

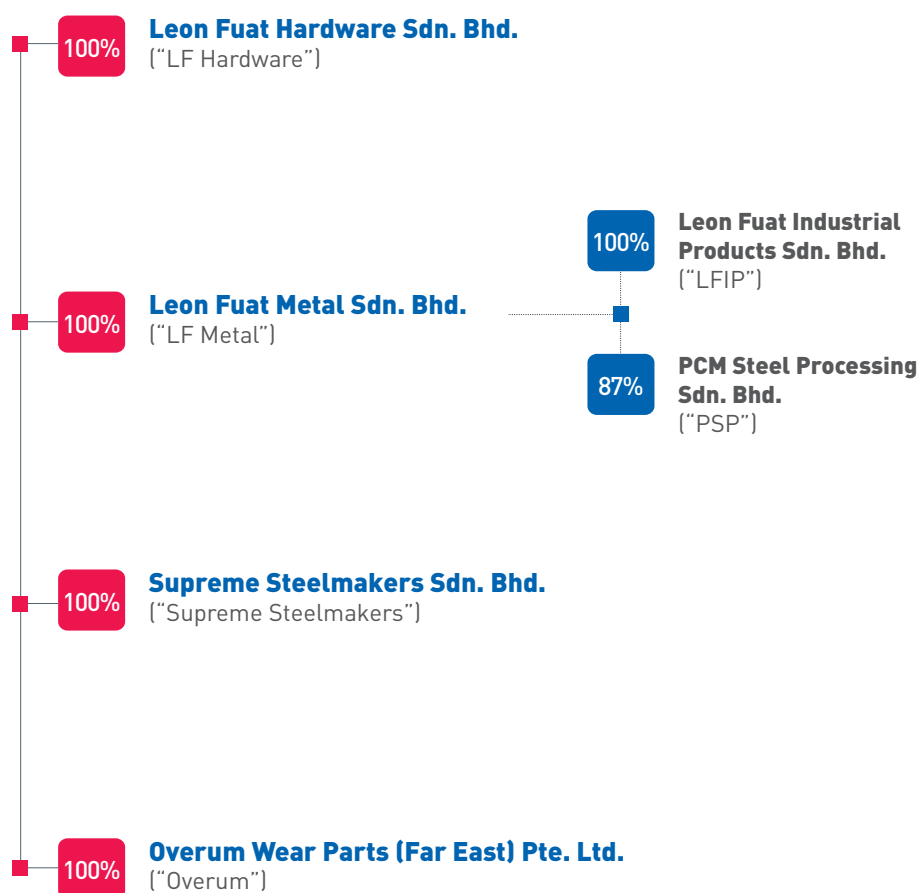
www.leonfuat.com.my



# CORPORATE STRUCTURE



LEON FUAT BERHAD



## BOARD OF DIRECTORS



From left to right:

**DATO' LIM CHENG POH**

Independent Non-Executive Chairman

**OOI SENG KHONG**

Group Managing Director

**DATO' SRI OOI BIN KEONG**

Executive Deputy Chairman

**OOI SHANG HOW**

Executive Director



**TAN SACK SEN**

Independent Non-Executive Director

**TAN DID HENG**

Independent Non-Executive Director

**OOI KONG TIONG**

Executive Director

**NG KOK TEONG**

Executive Director

**CHAN KEE LOIN**Senior Independent  
Non-Executive Director

## DIRECTORS' PROFILE

### DATO' LIM CHENG POH

Independent Non-Executive Chairman



75

Male



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

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

In 1972, he started his career in Malaysia as a mining engineer in Osborne & Chappel International ("O&CI") and eventually became a shareholder and an Executive Director of O&CI. He joined Hong Leong Group Malaysia in 1983 as the Managing Director for Hong Leong Credit Berhad (now known as Hong Leong Financial Group). In January 1994, he was appointed as the Senior Group Managing Director of Hong Leong Bank. Dato' Lim retired from Hong Leong Bank and the Hong Leong

Group in October 2003 after having served the group for 21 years. On 15 June 2004, he joined AmBank (M) Berhad as its Managing Director/Chief Executive Officer. After the merger of the business operations of AmBank Berhad and AmFinance Berhad (renamed as AmBank (M) Berhad) on 1 June 2005, Dato' Lim was appointed as the Managing Director of Business Banking of the group. During 2005 to 2006, he was appointed as the Director of AmAssurance Berhad and AmIslamic Bank Berhad. Dato' Lim retired from AmBank Group in October 2015 after having served for over 10 years.

He was the Independent Non-Executive Chairman of LYC Healthcare Berhad ("LYC"), a public company listed on the ACE Market of Bursa Malaysia Securities Berhad until his resignation from the board of LYC on 4 August 2020.

He attended five (5) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2022.





## DATO' SRI OOI BIN KEONG

Executive Deputy Chairman



73

Male

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

After completing his primary education in 1963, he worked at a coffee shop before he established Leong Huat Trading & Co in 1972 as a partnership, which was then mainly involved in the trading of steel products and undertook minor processing work.

In 1982, he co-founded Leon Fuat Group together with Ooi Kong Tiong and the late Ng Chee Tiang by establishing LF Hardware to take over the business of Leong Huat Trading & Co. They then established LF Metal, Supreme Steelmakers and Asa Steel (M) Sdn. Bhd. ("ASA Steel") in 1983, 1991 and 1995 respectively. As the co-founder and with approximately 51 years of experience in the steel industry, he has been instrumental in the growth and development of Leon Fuat Group and has also contributed significantly to the success of the Group particularly in driving the Group's overall vision and strategy.

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

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

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

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

He attended all six (6) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2022.

## DIRECTORS' PROFILE

**Ooi Seng Khong**

Group Managing Director



61

Male



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

After completing his primary school education in 1975, he was involved in his family's paper packaging business before joining Leong Huat Trading & Co as a machine operator in 1979. In 1982, he joined LF Hardware as a sales representative and subsequently in 1983, he was appointed as Head of Operations of LF Metal. In 1999, he was appointed as the Managing Director of LF Metal and holding this position until 30 September 2020. During this period, he has been instrumental in the growth and development of Leon Fuat Group. With approximately 44 years of experience in the steel industry, he has contributed significantly to the Group's success.

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

He is the brother of Dato' Sri Ooi Bin Keong and Ooi Kong Tiong, the Executive Deputy Chairman and Executive Director of the Company respectively.

He attended all six (6) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2022.





**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 Leon Fuat Group. With approximately 51 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 Deputy Chairman and Group Managing Director of the Company respectively.

He attended five (5) out of six (6) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2022.

## DIRECTORS' PROFILE

**NG KOK TEONG**

Executive Director



54

Male



**Ng Kok Teong**, was appointed to the Board on 21 June 2012. He graduated with a 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 operations of the company.

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

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

He attended all six (6) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2022.



**OOI SHANG HOW**

Executive Director



44

Male

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

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

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

He attended all six (6) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2022.

## DIRECTORS' PROFILE

**CHAN KEE LOIN**

Senior Independent Non-Executive Director



59

Male



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

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

He was an Independent Non-Executive Director of CAM Resources Berhad which is listed on the Main Market of Bursa Malaysia Securities Berhad until his resignation on 1 March 2023.

He attended all six (6) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2022.

**TAN DID HENG**

Independent Non-Executive Director



52

Male

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

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

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

He attended all six (6) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2022.



## DIRECTORS' PROFILE

### TAN SACK SEN

Independent Non-Executive Director



47

Male



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

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

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

He attended all six (6) Board of Directors' Meetings of the Company held during the financial year ended 31 December 2022.

#### 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 2022.

## PROFILE OF KEY MANAGEMENT PERSONNEL

### NG LAM KEONG

Executive Director of LF Hardware



65

Male

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

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

He is the brother of Dato' Sri Ooi Bin Keong, Ooi Kong Tiong and Ooi Seng Khong, the Executive Deputy Chairman, Executive Director and Group Managing Director of the Company respectively.

### Ooi Pek Kuan

Managing Director of LF Metal



58

Male

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

In 1999, he was appointed as the Executive Director of LF Metal. On 1 October 2020, he was re-designated as the Managing Director of LF Metal. He has accumulated approximately 40 years of experience in the steel industry. He is currently responsible for overseeing the overall management, business development and procurement functions of LF Metal.

He is the brother of Dato' Sri Ooi Bin Keong, Ooi Kong Tiong and Ooi Seng Khong, the Executive Deputy Chairman, Executive Director and Group Managing Director of the Company respectively.

### NG KOK WEE

Executive Director of LF Metal



52

Male

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

His career started in 2000 when he joined Ling Kam Hong & Co, an audit firm in Kuala Lumpur as a semi-senior. In 2002, he joined Leon Fuat Holdings Sdn. Bhd. as the Accounts Executive. Subsequently in 2007, he joined LF Hardware as the Assistant Accountant before he was transferred to LF Metal in 2009 as the Finance Manager. He was appointed as the Executive Director of LF Metal since 2010.

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

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

## PROFILE OF KEY MANAGEMENT PERSONNEL

### OOI SHANG YAO

Executive Director of Supreme Steelmakers



41

Male

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

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

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

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

### TAN KIEN YAP

Chief Financial Officer



51

Male

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

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

### WONG CHOONG HENG

Assistant General Manager of LF Metal



55

Male

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

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

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

He continued to pursue his study in year 2016 and was awarded Graduate Certificate of Business by University of Southern Queensland, Australia before he rejoined 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 2022.

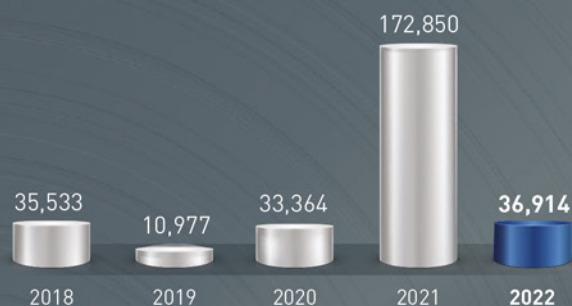


# FINANCIAL HIGHLIGHTS

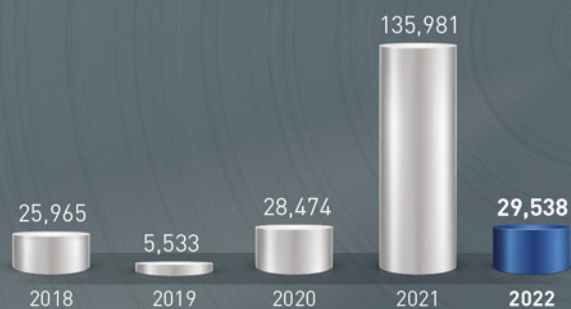
**Revenue**  
(RM'000)



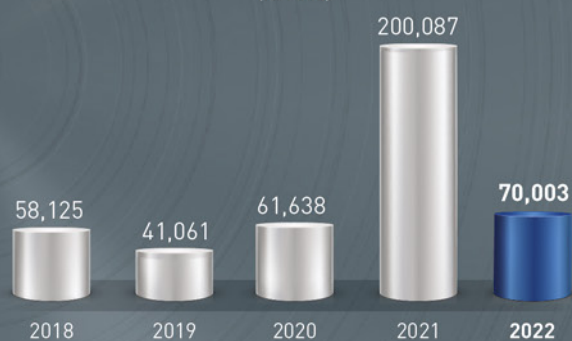
**Profit Before Tax**  
(RM'000)



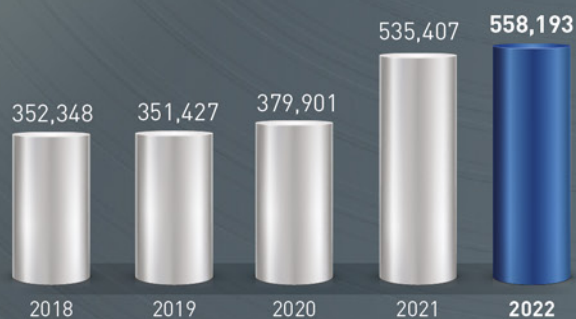
**Profit After Tax**  
(RM'000)



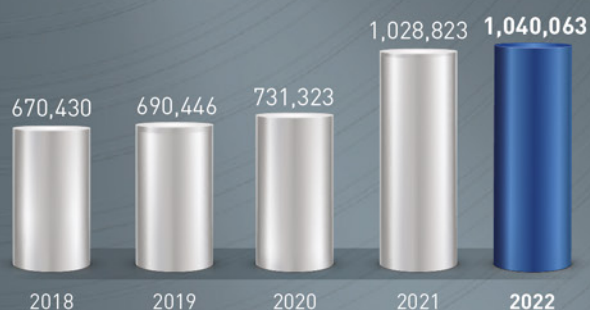
**Earnings Before Interest, Tax,  
Depreciation & Amortisation**  
(RM'000)



**Total Equity**  
(RM'000)



**Total Assets**  
(RM'000)









**THE BENCHMARK OF  
EXCELLENCE**



## CHAIRMAN'S STATEMENT



Dear Shareholders,  
This year has been a year filled with opportunities following the full reopening of the domestic economy after Sarawak and Kelantan moved into Phase 4 of the National Recovery Plan (NRP) starting from 3 January 2022<sup>1</sup>. While the NRP played an important role in enabling economic activities to recover in the course of the year, the year has not been without its challenges.

<sup>1</sup> <https://www.thevibes.com/articles/news/50952/all-states-to-be-in-phase-4-of-national-recovery-plan-beginning-monday>



## PROFIT BEFORE TAX

**FY2022**  
**RM36.91** MILLION  
 FY2021 RM172.85 million



Inflation remained an issue, as core inflation remained elevated at the domestic level despite headline inflation moderating in the fourth quarter of 2022. Headline inflation for the year stood at 3.3% while core inflation in December 2022 stood at 4.1%<sup>2</sup>. The International Monetary Fund in the January update of its World Economic Outlook noted similar inflation conditions at the global level<sup>3</sup>.

## 2022 OVERVIEW

Despite the headwinds faced by the Group in 2022, our revenue for the financial year ended 31 December 2022 ("FY2022") increased by 15.6% or RM138.54 million to RM1,025.12 million compared with RM886.58 million for the preceding financial year ended 31 December 2021 ("FY2021"), and we also achieved a positive result with profit before tax ("PBT") of RM36.91 million for FY2022 although it was substantially lower compared with the PBT of RM172.85 million recorded for FY2021.

The improved topline for the Group was achieved amid a faster pace of domestic economic recovery as Gross Domestic Product ("GDP") expanded by 8.7% for the whole year of 2022 after growing 7.0% in the fourth quarter with private sector activity remaining the key driver of growth, supported by private consumption and investment. Bank Negara Malaysia ("BNM") noted that private consumption was supported by improving labour market conditions while resilient external demand for exports of electrical and electronic products and higher tourism activities offset the moderation in export growth<sup>4</sup>.

Price pressures remained pervasive in the fourth quarter reflecting the continued strength in domestic demand driven mostly by core services and several discretionary spending categories, with BNM noting that the monthly price increases for the share of items in the consumer price index remained above historical average<sup>5</sup>.

<sup>2</sup> [https://www.dosm.gov.my/v1/index.php?r=column/cthemeByCat&cat=106&buL\\_id=MWsx25MWVgyK3JrTjdqU1VRTXplUT09&menu\\_id=bThzTHQxN1ZqMVf6a2l4RkZoNDFkQT09](https://www.dosm.gov.my/v1/index.php?r=column/cthemeByCat&cat=106&buL_id=MWsx25MWVgyK3JrTjdqU1VRTXplUT09&menu_id=bThzTHQxN1ZqMVf6a2l4RkZoNDFkQT09)

<sup>3</sup> <https://www.imf.org/en/Publications/WEO/Issues/2023/01/31/world-economic-outlook-update-january-2023>

<sup>4</sup> [https://www.bnm.gov.my/-/qb22q4\\_bm\\_pr](https://www.bnm.gov.my/-/qb22q4_bm_pr)

<sup>5</sup> [https://www.bnm.gov.my/documents/20124/9722771/qb22q4\\_en\\_book.pdf](https://www.bnm.gov.my/documents/20124/9722771/qb22q4_en_book.pdf)

## CHAIRMAN'S STATEMENT

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BNM expects growth in 2023 to moderate amid a slower global economy, with domestic demand to continue driving growth supported by continued recovery in the labour market and the realisation of multi-year investment projects.

**2022 OVERVIEW (CONTINUED)**

The Group's welded steel pipe manufacturing plant located in Port Klang, Selangor is estimated to become fully operational in 2024 while Phase 1 of the plant is currently operating. Leon Fuat's welded steel pipe manufacturing plant initiative is part of the three-prong initiative to improve financial performance and at the same time, enhance shareholder value while ensuring the Group's leading position in the market for steel products.

The World Steel Association ("Worldsteel") in the October 2022 Short Range Outlook ("SRO") projected steel demand to contract by 2.3% in 2022 on inflation, the tighter monetary policy, the Russia-Ukraine war and China's slowdown. The October 2022 SRO estimated China's steel demand to fall by 4.0% with the low base effect of the second half of 2022 while steel demand in developed economies will fall by 1.7% due to sustained inflation and lasting supply side bottlenecks. Notably, steel demand in the EU is expected to contract by 3.5% in 2022, steel demand in the US to be impacted by slower economic growth momentum on higher interest rates, Japan's steel demand to continue on a moderate recovery and South Korea to worsen and decline in 2022<sup>6</sup>.

According to the Organisation for Economic Cooperation and Development's ("OECD") fourth quarter 2022 Steel Market Developments report, the outlook for global steel markets has deteriorated sharply on the global economic slowdown, high energy prices and accelerating inflation, impact from the Russia-Ukraine war and associated supply-chain disruptions as well as a sharp downturn in China due to an ailing real estate market and the country's zero-COVID policy. This led to world crude steel production decreasing sharply as global demand for steel contracted, while the destruction of steel production facilities in Ukraine led to a collapse in steel production and soaring energy prices led to widespread plant idling and production stoppages, especially in Europe<sup>7</sup>.

OECD data showed that steel prices have fallen sharply and more than steel raw material prices. Steel prices peaked in June 2021 and have been decreasing sharply since then, erasing most of its 2021 gains. Iron ore prices and scrap prices have followed a similar trajectory, whereas coking coal prices remained high. Given these factors, margins for business of steel companies have been squeezed and stand at historic lows in 2022. The data also showed that steel consumption is expected to decline by 2.3% in 2022 with annualised figures for global exports down by 7.8% so far in 2022, reflecting weak demand conditions<sup>8</sup>.

<sup>6</sup> [https://worldsteel.org/wp-content/uploads/worldsteel-Short-Range-Outlook-October-2022\\_press-release.pdf](https://worldsteel.org/wp-content/uploads/worldsteel-Short-Range-Outlook-October-2022_press-release.pdf)

<sup>7</sup> <https://www.oecd.org/industry/ind/steel-market-developments-Q4-2022.pdf>

<sup>8</sup> <https://www.oecd.org/industry/ind/steel-market-developments-Q4-2022.pdf>



## 2023 OUTLOOK

BNM expects growth in 2023 to moderate amid a slower global economy, with domestic demand to continue driving growth supported by continued recovery in the labour market and the realisation of multi-year investment projects. The economy will continue to be supported by growth in the services and manufacturing sectors while higher tourism activity will partially cushion the slowdown in exports. The central bank noted that the balance of risks remained tilted to the downside due to the weaker global growth, tighter financial conditions, re-escalation of geopolitical conflicts and worsening supply chain disruptions<sup>9</sup>. Moody's Analytics expects Malaysia's GDP to moderate to 4.1% in 2023 with the key risks being a global economic slowdown that may affect demand for exports and the pace of China's recovery<sup>10</sup>. A bright spot in terms of news flow was the show of confidence in Malaysia as an investment destination when a record RM170 billion worth of investment commitments was secured following Prime Minister Datuk Seri Anwar Ibrahim's visit to China<sup>11</sup>.

Worldsteel forecasts global steel demand to recover and grow 1.0%, with China's steel demand to remain flat under the assumption that small new stimulus measures are to be introduced and that new infrastructure projects and a mild recovery in the real estate market could prevent further contraction of steel demand. Steel demand in developed

economies is expected to recover by 0.2% although demand in the EU will continue to contract, with China's slow growth and financial risks stemming from high public debts weighing on the outlook. For the US, steel demand is not expected to turn into a contraction while in Japan, growth in the automotive industry with easing of supply chain constraints will allow for a continued recovery of steel demand in 2023 and in South Korea, besides automotive industry recovery, an improved outlook for ship deliveries and construction will support demand<sup>12</sup>.

The global construction sector is expected to face further challenges in the coming years on higher interest rates weighing on the residential construction sector, with the only bright spot being governments focusing on infrastructure projects. In the US, the new Infrastructure Law is expected to boost investment in infrastructure sharply despite the deteriorating overall economic environment and in Japan, civil engineering projects associated with natural disaster prevention programmes will support construction steel demand. For the automotive industry, continued easing of supply chain disruptions and demand for electric vehicles will boost demand for steel<sup>13</sup>.

Given the conditions present at the domestic and global levels, the Group is cautiously optimistic in achieving positive results for FY2023 after taking into consideration of the BNM's outlook for the domestic economy. Leon Fuat will continue to monitor steel prices and its raw material inputs as well as related foreign currencies. The Group's proactive measures such as negotiating forward contracts where necessary and prudent inventory management will continue as efforts to keep operating costs at a manageable level.

## APPRECIATION

We have had a good year despite the challenges that the Group have had to face but as always, the Leon Fuat team rose to the occasion and overcame the obstacles with their hard work and dedication.

To all our valued customers, suppliers, business associates and shareholders, I would like to extend my gratitude for your support this past year. My thanks also to the members of the Board of Directors for their invaluable support, advice and insights.

**Dato' Lim Cheng Poh**

Independent Non-Executive Chairman

<sup>9</sup> [https://www.bnm.gov.my/-/qb22q4\\_bm\\_pr](https://www.bnm.gov.my/-/qb22q4_bm_pr)

<sup>10</sup> <https://www.nst.com.my/news/nation/2023/02/884287/malaysias-economy-projected-grow-41-pct-2023-%E2%80%93-moodys-analytics#:~:text=Malaysia's%20economy%20projected%20to%20grow%204.1%20pct%20in%202023%20%E2%80%93%20Moody's%20Analytics,-By%20Bernama&text=KUALA%20LUMPUR%3A%20Malaysia's%20economic%20growth,in%202022%2C%20said%20Moody's%20Analytics>

<sup>11</sup> <https://www.theedgemarkets.com/node/661736>

<sup>12</sup> [https://worldsteel.org/wp-content/uploads/worldsteel-Short-Range-Outlook-October-2022\\_press-release.pdf](https://worldsteel.org/wp-content/uploads/worldsteel-Short-Range-Outlook-October-2022_press-release.pdf)

<sup>13</sup> [https://worldsteel.org/wp-content/uploads/worldsteel-Short-Range-Outlook-October-2022\\_press-release.pdf](https://worldsteel.org/wp-content/uploads/worldsteel-Short-Range-Outlook-October-2022_press-release.pdf)

# MANAGEMENT DISCUSSION AND ANALYSIS



## STEELED FOR SUCCESS

### OVERVIEW OF THE GROUP'S BUSINESS

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

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



FY2022

**RM1,025.12** MILLION

FY2021 RM886.58 million

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

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

The Group’s other customers include those from the construction industry’s infrastructure and building segments as well as hardware wholesalers and retailers.

Besides Malaysia, the Group also has customers from Australia, Thailand, Singapore, Philippines and Indonesia that collectively contributed approximately 3.0% of the revenue for the financial year ended 31 December 2022 (“FY2022”).



## REVIEW OF FINANCIAL PERFORMANCE

The Group posted revenue that increased by 15.6% to RM1,025.12 million for FY2022 compared with RM886.58 million for the preceding financial year ended 31 December 2021 ("FY2021").

The topline financial performance was mainly contributed by the trading segment, which saw revenue rose by 11.6% to RM362.70 million from RM324.93 million and was also contributed by the processing segment, which saw revenue rose by 17.9% to RM662.00 million from RM561.36 million.

Under the trading segment, the higher revenue was mainly due to increase in the trading of flat carbon steel products by 25.2% attributable to higher tonnage sales by 21.4% and higher average selling price by 3.1%.

Whereas under the processing segment, the increase in revenue was contributed by higher revenue from processing of flat carbon steel products by 10.0% due to tonnage sales rose by 15.9% despite lower average selling price by 5.1%; higher revenue from processing of other flat steel products by 40.8% due to tonnage sales and average selling price rose by 12.5% and by 25.1% respectively; higher revenue from processing of long carbon steel products by 15.4% due to average selling price rose by 20.1% despite lower tonnage sales by 3.9%; and higher revenue from processing of other long steel products by 31.8% due to tonnage sales and average selling price rose by 17.7% and by 12.0% respectively.

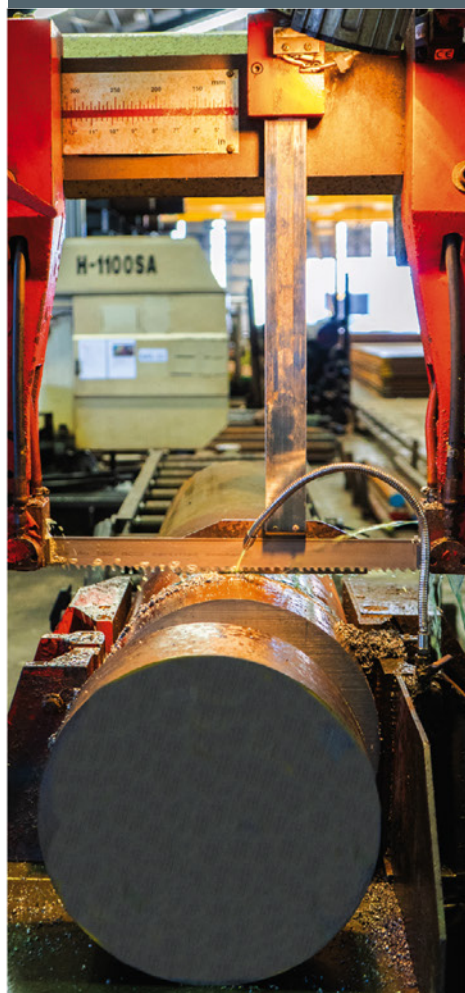




## MANAGEMENT DISCUSSION AND ANALYSIS

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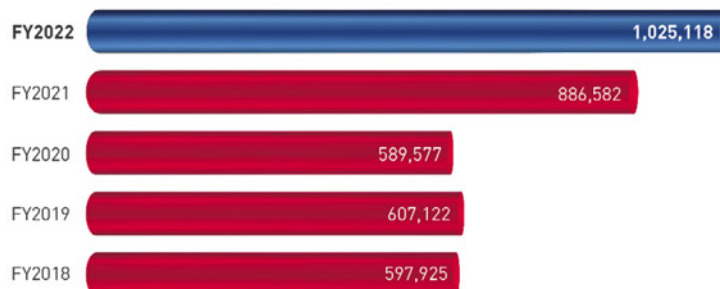
The topline financial performance was mainly contributed by both trading and processing segments, which saw revenue rose by 11.6% and 17.9% respectively.



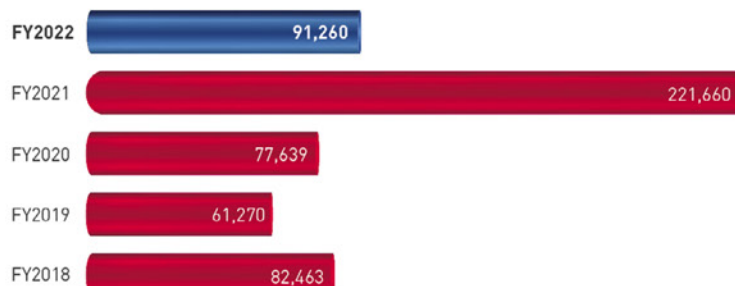
Gross profit decreased by 58.8% to RM91.26 million compared with RM221.66 million for FY2021 mainly due to lower overall gross profit margin by approximately 14.8 percentage points to 10.2% from 25.0% as well as inventories written down of RM12.93 million in FY2022 compared with RM0.37 million in FY2021 as certain inventories were measured at its estimated net realisable value. Profit before tax (“PBT”) for FY2022 decreased by 78.6% to RM36.92 million compared with PBT of RM172.85 million for FY2021.

Infographics for Revenue and Gross Profit:

### Revenue (RM'000)



### Gross Profit (RM'000)



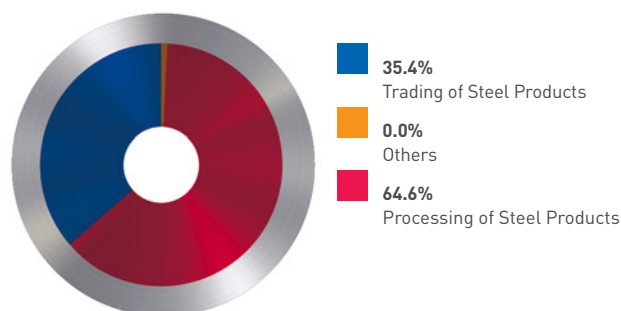
## OPERATIONS REVIEW BY BUSINESS SEGMENT

The Group's business segments are as follows:

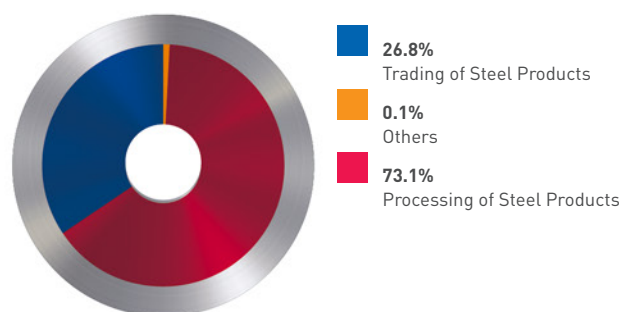
1. **Processing of steel products**
  - i. Processing of flat carbon steel products
  - ii. Processing of other flat steel products
  - iii. Processing of long carbon steel products
  - iv. Processing of other long steel products
2. **Trading of steel products**
  - i. Trading of flat carbon steel products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

## Charts on Segmental Contribution to Revenue and Gross Profit:

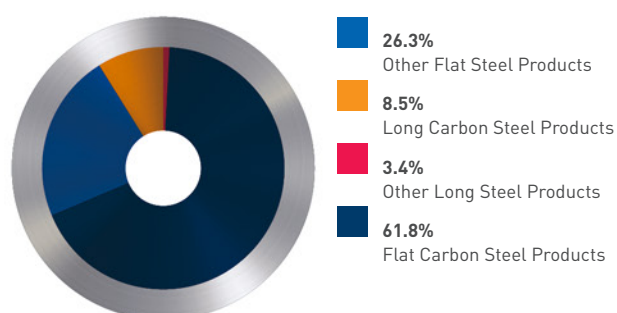
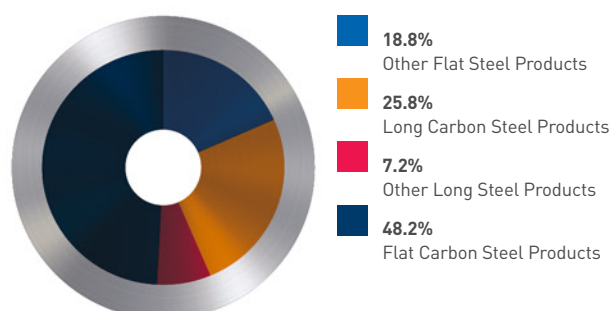
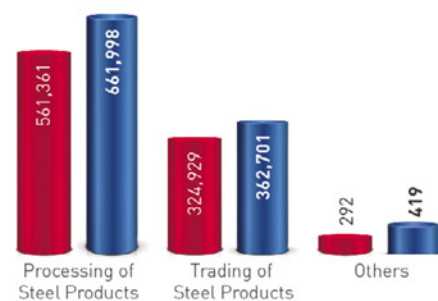
## FY2022 Segmental Revenue (%)



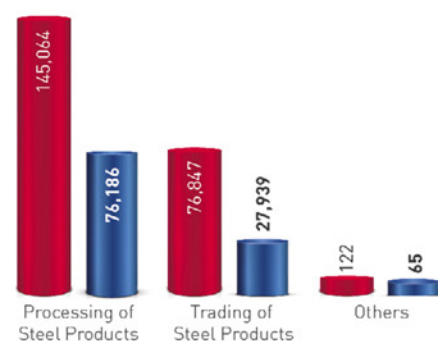
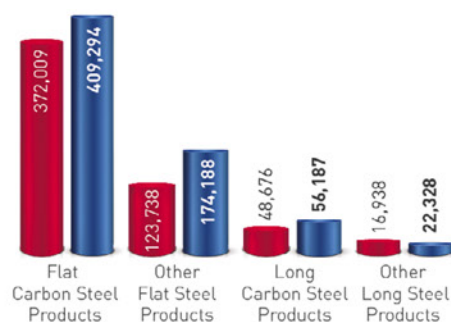
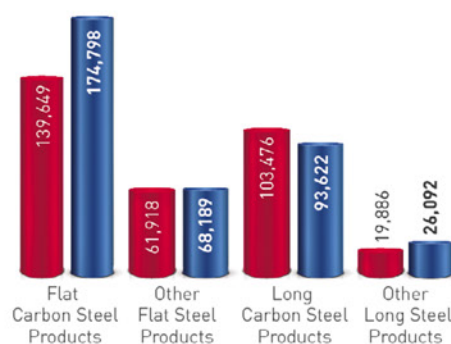
## FY2022 Segmental Gross Profit\* (%)



\* Before inventories written down

FY2022 Segmental Revenue  
Processing of Steel Products (%)FY2022 Segmental Revenue  
Trading of Steel Products (%)FY2021 & FY2022  
Segmented Revenue (RM'000)

## Segmented Gross Profit\* (RM'000)

Revenue for Processing of  
Steel Products (RM'000)Revenue for Trading of  
Steel Products (RM'000)

■ FY2021 ■ FY2022

## MANAGEMENT DISCUSSION AND ANALYSIS



For FY2022, the Board is proposing a final dividend of 1.5 sen per share amounting to approximately RM5.12 million, subject to shareholders' approval at the 16<sup>th</sup> Annual General Meeting to be held on 23 May 2023.



### DIVIDEND

For FY2022, the Board is proposing a final dividend of 1.5 sen per share amounting to approximately RM5.12 million, which is subject to shareholders' approval at the 16<sup>th</sup> Annual General Meeting to be held on 23 May 2023. This will bring the total dividend pay-out ratio for FY2022 to 17.3%, lower than the usual practice of up to 30% of our net profit due to the current operating landscape calls for prudence in conserving cash. The Group believes that there is need for the management of an optimum capital structure to ensure sufficient funds to weather uncertainties although bank borrowings will remain as the main source of funds supporting growth and capital expenditure.

### SHARE PRICE PERFORMANCE & TRADING VOLUME

As at 31 March 2023, the Group's share price closed at RM0.52 with a total market capitalisation of RM177.32 million.

For the 15 months period ended 31 March 2023, the share's highest and lowest closing price stood at RM1.02 and RM0.48 respectively, with average daily trading volume of approximately 586,210 units.

**Daily Share Price Performance (Closing)**  
1 January 2022 – 31 March 2023

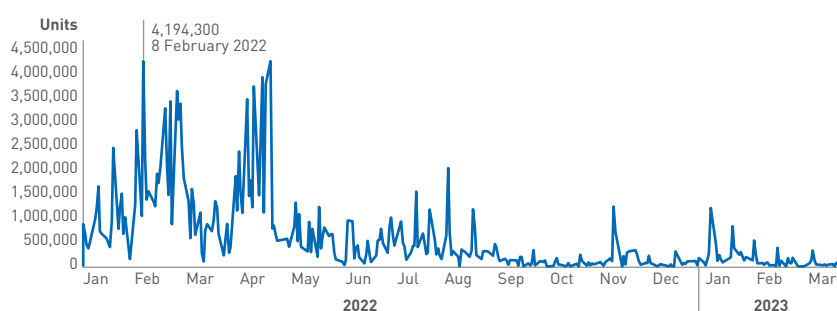






### Daily Trading Volume (Closing)

1 January 2022 – 31 March 2023



### ANTICIPATED OR KNOWN RISKS

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

To mitigate the impact of such fluctuations to the Group's operating costs and profitability, steel prices as well as inventory levels are closely monitored throughout the year in order to counter potential risks. Another key risk is foreign currency exchange volatility given the Group sources some of its material such as flat and long stainless steel, alloy steel and carbon steel from countries such as China, Europe, Japan and Korea among others. To safeguard the exchange-rate volatility that could increase the cost of material, the Group has several hedging facilities such as forward contracts and foreign currency accounts, which can be utilised should the need arises. For the financial year under review, the realised loss on foreign exchange was RM0.43 million compared with the realised gain of RM0.08 million in FY2021.

Careful management of inventory to ensure timely delivery to customers mitigates the Group's risk of incurring high inventory holding cost due to its position as an intermediary between the steel millers and industrial end-users. As for FY2022, the inventory turnover period was 156 days, which was 83 days lower compared with 239 days recorded for FY2021 mainly due to steel prices have stabilised and/or normalised in FY2022. There was no significant material impact from high inventory holding as steel products do not have a definite shelf life and therefore do not become obsolete. However, there was inventories written down of RM12.93 million for FY2022 as certain inventories were measured at its estimated net realisable value.

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

## MANAGEMENT DISCUSSION AND ANALYSIS

“

The Group is cautiously optimistic of achieving positive financial performance for FY2023 and will continue to take the necessary proactive measures to enhance productivity and efficiency of our operations. While the domestic economy received a strong boost in growth momentum for 2022, there is expectation of a more challenging operating landscape that will impact businesses across the economy.

### FORWARD LOOKING STATEMENT

Inflation together with the response from central banks and the Russia-Ukraine war and its ramifications to the global supply chain and commodity markets will shape the global financial and economic landscape this year.

According to the IMF's January 2023 WEO update, global economic growth is projected at 2.9% in 2023, with the forecast reflecting tighter monetary policy to fight inflation in advanced economies and the Russia-Ukraine war. The decline in growth when compared with 2022 is driven by advanced economies as growth is estimated to have bottomed out in 2022 for emerging market and developing economies, with growth in China expected to pick up with the country's full reopening this year. With lower global demand, global trade is expected to decline in 2023 to 2.4% despite the easing of supply bottlenecks<sup>1</sup>.

For Malaysia, GDP growth is expected to be between 4% and 5% in 2023 according to the 2023 Economic Outlook Report<sup>2</sup>. The balance of risks to global growth remains tilted to the downside, with BNM citing escalation of geopolitical tensions, weaker-than-expected growth outturn in major economies, and a sharp tightening in financial conditions. BNM expects growth to be driven by domestic demand, supported by the continued recovery in the labour market and realisation of multi-year investment projects. The services and manufacturing sectors will continue to drive the economy while the slowdown in exports following weaker global demand will be partially cushioned by higher tourism activity<sup>3</sup>.

The Group is cautiously optimistic of achieving positive financial performance for FY2023 and will continue to take the necessary proactive measures to enhance productivity and efficiency of our operations. While the domestic economy received a strong boost in growth momentum for 2022, there is expectation of a more challenging operating landscape that will impact businesses across the economy. Leon Fuat will continue to leverage on our strong relationships and network to diversify the customer base and at the same time, enhance operational efficiency.

<sup>1</sup> <https://www.imf.org/en/Publications/WEO/Issues/2023/01/31/world-economic-outlook-update-january-2023>

<sup>2</sup> <https://www.theedgemarkets.com/article/malaysias-economic-growth-expected-ease-45-2023>

<sup>3</sup> [https://www.bnm.gov.my/documents/20124/9722771/qb22q4\\_en\\_book.pdf](https://www.bnm.gov.my/documents/20124/9722771/qb22q4_en_book.pdf)

Leon Fuat's existing plants house an extensive range of machinery including cutting, levelling, shearing, profiling, bending, polishing, expanded metal processing and pipe forming machines. The Group has invested in the machinery and equipment needed with cutting-edge technology to remain competitive. As at 31 December 2022, there were 121 major machines with total carrying amount of RM51.31 million, installed across the Group's facilities, as listed below:

| Machinery & Equipment                  | No. of Units |
|--|--------------|
| Coil levelling machine                 | 7            |
| Slitter line                           | 2            |
| Pipe forming line                      | 4            |
| CNC oxy-gas and plasma cutting machine | 3            |
| CNC oxy-gas cutting machine            | 3            |
| CNC plasma cutting machine             | 6            |
| CNC laser cutting machine              | 11           |
| CNC waterjet cutting machine           | 4            |
| Shearing machine                       | 11           |
| Portable plasma cutting machine        | 4            |
| Portable oxy-gas cutting machine       | 10           |
| Expanded metal machine                 | 3            |
| Bandsaw machine                        | 35           |
| High precision CNC press brake machine | 7            |
| Surface grinding machine               | 3            |
| Punching machine                       | 2            |
| External pipe blasting machine         | 3            |
| Polishing machine                      | 2            |
| Rolling machine                        | 1            |
| <b>Total</b>                           | <b>121</b>   |

Leon Fuat expects the welded steel pipe manufacturing business to grow further with the expansion of its facilities to offer larger-sized steel pipes. As the Group is still in the midst of constructing the additional welded steel pipe manufacturing plant, there is a need for further capital commitment, which entails a careful monitoring and management of the capital structure. The Group expects all phases of the welded steel pipe manufacturing plant project to be completed by 2024.







**INVESTING IN  
TOMORROW**



# SUSTAINABILITY REPORT

## ABOUT THIS STATEMENT

Leon Fuat Berhad (also known as “Leon Fuat” or “Group”) is proud to present our sustainability statement for the financial year ended 31 December 2022 (FY2022). This statement details our cooperative efforts to achieve our environmental, social, and governance (“ESG”) objectives and performance for this financial year and how they are incorporated into the Group’s operations. It serves as the foundation of our route to attaining our sustainability goals in accordance with the ultimate global sustainability agenda.

As a specialist in steel trading and processing, we have embraced our role in achieving our ESG goals for a sustainable future. Consequently, we prepared this statement to provide our stakeholders with insight into the Group’s strategy for incorporating sustainability into our operations and our long-term value creation strategy. For a comprehensive insight into Leon Fuat’s business and operational performance, readers are encouraged to read the statement in conjunction with the remainder of this Annual Report.



## What We Have Achieved – Sustainability Highlights

Groupwide, Leon Fuat remains committed to our sustainability journey and has recorded notable progress in implementing our ESG initiatives. By installing solar panels, we aimed to reduce our operational reliance on fossil fuels and, consequently, our greenhouse gas emissions. These solar panels had generated a total of approximately 1,921,000 kWh of renewable energy this financial year, accelerating our transition to green energy.

Furthermore, as customer satisfaction remained one of our top priorities, we enhanced this element of our operations by ensuring that all filed complaints were resolved promptly and appropriately. As such, Leon Fuat maintained a high customer satisfaction score across our main subsidiaries.

## Reporting Scope and Boundary

This statement discloses the ESG performance of Leon Fuat's three (3) main subsidiaries located in Selangor and Kuala Lumpur for FY2022, as well as three (3) financial years of comparative statistical information, when applicable.

The three (3) main subsidiaries are as follows:

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

## Reporting Framework

The FY2022 Sustainability Statement has been developed with reference to the following standards to ensure that a relevant and informative statement is presented to our stakeholders.



## Feedback

We welcome any feedback or inquiry that may help us enhance the quality of our reporting. Please do not hesitate to contact the person-in-charge listed below:

### Tan Kien Yap

Chief Financial Officer  
Email: tanky@lfb.com.my

### Wisma Leon Fuat

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

## Assurance

All the data disclosed within this statement has been internally verified by the respective subsidiaries. As part of Leon Fuat's assurance efforts, data is internally reviewed to improve our data collection process and data accuracy.

# SUSTAINABILITY REPORT

## SUSTAINABILITY FRAMEWORK

Our Sustainability Framework is an integral part of our sustainability efforts, as it outlines how we will advance towards and achieve our long-term sustainability goals, allowing us to deliver sustainable value. It clearly defines our ESG commitments and serves as a guide for our efforts to address ESG issues relevant to our business, in addition to aligning with our strategies and targets.

The Group framework is established on four (4) key sustainability pillars: Responsible Governance, Economic Prosperity, Environmental Stewardship and Social Responsibility. This framework has been retained from the previous financial year as it remains relevant to our current operations and is effective in regulating our sustainability strategies at every level.

### Our Vision

**“Steel is our business. Excellence is our commitment”**

|  |   |   |  |  |  |   |   |   |
|--|---|---|--|--|--|---|---|---|
| <b>Our Shared Values</b>                                     | <br><b>Drive a performance culture of integrity and accountability</b> | <br><b>Commitment to products and services quality</b> | <br><b>Strengthen business processes to best service customers</b>  | <br><b>Manage cash resources for operational effectiveness</b>  |  |   |   |   |
| <b>Our Sustainability Pillars</b>                            | <b>Responsible Governance</b> <ul style="list-style-type: none"><li>• Business Ethics and Compliance</li></ul>  | <b>Economic Prosperity</b> <ul style="list-style-type: none"><li>• Operational Excellence</li><li>• Responsible Procurement</li></ul>   | <b>Environmental Stewardship</b> <ul style="list-style-type: none"><li>• Effluent and Waste Management</li><li>• Noise Management</li><li>• Energy and Water Efficiency</li><li>• Climate Change</li></ul> | <b>Social Responsibility</b> <ul style="list-style-type: none"><li>• Occupational Health and Safety</li><li>• Knowledge and Skill Development</li><li>• Product Quality and Customer Satisfaction</li><li>• Data Security</li><li>• Employee Welfare</li><li>• Diversity and Inclusiveness</li><li>• Corporate Social Responsibility</li></ul> |  |   |   |   |
|  |   |   |  |  |  |   |   |   |
| <b>Our Stakeholder Groups</b>                                |  Investors/Shareholders  |  Customers   |  Government/Regulatory Bodies  |  |  |   |   |   |
|  |  Management  |  Employees   |  Vendors/Suppliers  |  Communities  |  |   |   |   |
| <b>Our Contribution to the Sustainable Development Goals</b> |    |    |   |   |  |  |  |  |

## EMPOWERING VIA OUR VALUES

In FY2022, we aimed to emerge as the foremost representative of the steel industry, exemplary in terms of value creation, responsible business practices, and ethics. We sought to accomplish this by incorporating sustainable business practices at every level.

Leon Fuat's core values act as the foundation of our sustainability commitments. Through clearly outlining these values, the Group ensures they are carried out and successfully enforced through various initiatives. This in turn allows us to establish long-term business relationships with our stakeholders.



## OUR SUSTAINABILITY JOURNEY

Since we began reporting in FY2017, Leon Fuat has worked diligently to enhance our sustainability disclosures. With a greater emphasis on integrating quality business processes and activities with the Group's ESG aspirations, the Group has made additional strides towards its sustainability objective goals. Our journey over the past six years illustrates our progression as we grew from strength to strength, positioning the Group on a positive trajectory towards achieving our sustainability goals.



1

### Board of Directors

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

2

### Sustainability Committee

- Makes recommendations for the proposed sustainability statement
  - Supervises Leon Fuat's progress on sustainability initiatives
- Executive Directors  
Chief Financial Officer  
Managerial level from subsidiaries

3

### Sustainability Task Force Committee

- Assists the SC in making recommendations for Leon Fuat's sustainability statement
  - Guides the implementation of the Group's sustainability strategy and activities in its day-to-day business practices
- Employee representatives from subsidiaries  
(LF Metal, LF Hardware, Supreme Steelmakers)

## SUSTAINABILITY GOVERNANCE STRUCTURE

The leaders of the Group and an organisation-wide governance structure at Leon Fuat are accountable for driving sustainability as a key component of the Group's operations. They serve to implement the guiding principles of our work culture, such as the Corporate Values, Code of Conduct and Policies of Leon Fuat across the Group.

A three-tiered structure is used to evaluate the performance of all sustainability-related issues, with each tier having its own set of duties and obligations. The first-tier is the Board of Directors ("Board") which is in charge of ensuring that the Group's sustainability strategy is carried out throughout the three (3) main subsidiaries.

The Sustainability Committee ("SC") is the next tier which assists the Board by supervising the execution of the Group's activities on a management level. Finally, the Sustainability Task Force Committee ("STFC") administers the Group's sustainability programmes and projects on a daily basis.










# SUSTAINABILITY REPORT

## PRIORITISING OUR STAKEHOLDER ENGAGEMENT

At Leon Fuat, we see our stakeholders as collaborators in generating long-term value. We have established a strong stakeholder engagement approach to cultivate and nurture robust connections with our stakeholders which aid in strategy creation and decision-making. Delivering on the needs, interests and expectations of our stakeholders is fundamental to how we conduct business. Thus, we meet with them on a regular basis, either in a focus group or individually.



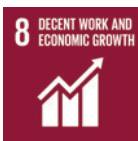




We also execute a variety of methods and platforms for efficient communication with our stakeholders, such as our Company website, newsletters, e-mails, social media, online communication platforms, one-on-one meetings, physical/virtual conferences and meetings and press releases.

| Stakeholders  | Area of Interest   | Engagement Channel  | Engagement Frequency   |
|---|--|---|--|
| <b>Investors/Shareholders</b>   |  |   |  |
|    | <ul style="list-style-type: none"> <li>Company reputation</li> <li>Future competence</li> <li>Investment growth of the Company</li> <li>Risk management</li> </ul>         | <ul style="list-style-type: none"> <li>Annual general meetings</li> <li>Bursa Malaysia announcements</li> </ul>   | <ul style="list-style-type: none"> <li>Annually</li> <li>Ad-hoc</li> </ul>   |
| <b>Customers</b>  |  |   |  |
|   | <ul style="list-style-type: none"> <li>Confidence and trust on the Group</li> <li>Quality of goods</li> <li>Valuable business experience</li> </ul>                        | <ul style="list-style-type: none"> <li>Face-to-face interaction</li> <li>Satisfaction assessment</li> <li>Feedback survey</li> <li>Website and social media tools</li> </ul>                        | <ul style="list-style-type: none"> <li>Ad-hoc</li> <li>Annually</li> <li>Ad-hoc</li> <li>Ad-hoc</li> </ul>                   |
| <b>Government/Regulatory Bodies</b>   |  |   |  |
|  | <ul style="list-style-type: none"> <li>Corporate governance</li> <li>Regulatory compliance</li> <li>Transparency and accountability</li> </ul>                             | <ul style="list-style-type: none"> <li>Meetings and consultations</li> <li>Compliance with government legislative framework</li> </ul>  | <ul style="list-style-type: none"> <li>Ad-hoc</li> <li>On-going</li> </ul>   |
| <b>Management</b>   |  |   |  |
|  | <ul style="list-style-type: none"> <li>Company reputation</li> <li>Risk management</li> <li>Ensuring service requirements and profitability</li> </ul>                     | <ul style="list-style-type: none"> <li>Coordination meetings</li> <li>Business unit meetings</li> <li>ISO management review</li> </ul>  | <ul style="list-style-type: none"> <li>Ad-hoc</li> <li>Quarterly</li> <li>Annually</li> </ul>                                |
| <b>Employees</b>  |  |   |  |
|  | <ul style="list-style-type: none"> <li>Capacity building</li> <li>Work-life balance</li> <li>Attractive remuneration</li> <li>Safe and healthy work environment</li> </ul> | <ul style="list-style-type: none"> <li>Face-to-face discussions</li> <li>Learning and development</li> <li>Employee performance appraisal</li> <li>Staff meetings</li> <li>Annual dinner</li> </ul> | <ul style="list-style-type: none"> <li>Ad-hoc</li> <li>Ad-hoc</li> <li>Annually</li> <li>Ad-hoc</li> <li>Annually</li> </ul> |
| <b>Vendor/Suppliers</b>   |  |   |  |
|  | <ul style="list-style-type: none"> <li>Continuous collaboration</li> <li>Fair procurement</li> <li>Supporting local suppliers</li> </ul>                                   | <ul style="list-style-type: none"> <li>Face-to-face interaction</li> <li>Vendor performance review</li> <li>Product quality feedback</li> </ul>   | <ul style="list-style-type: none"> <li>Ad-hoc</li> <li>Annually</li> <li>Ad-hoc</li> </ul>                                   |
| <b>Communities</b>  |  |   |  |
|  | <ul style="list-style-type: none"> <li>Local community development</li> <li>Philanthropy</li> <li>Impact of the Group's operations on the surrounding community</li> </ul> | <ul style="list-style-type: none"> <li>Corporate programmes</li> <li>Promotion and advertising on social media and websites</li> </ul>  | <ul style="list-style-type: none"> <li>Ad-hoc</li> <li>Ad-hoc</li> </ul>   |

## UNITED NATIONS SUSTAINABLE DEVELOPMENT GOALS ("UN SDGs")

The United Nations established the 2030 Agenda for Sustainable Development, with the seventeen (17) SDGs at its core. It is a global call to action aimed at addressing and overcoming the challenges that people and the planet face.

As a responsible steel trading and processing specialist, Leon Fuat identified seven (7) relevant UN SDGs to which we can contribute the most and positively impact the markets, industries and environments we served in FY2021. This financial year, we remain aligned with the same UN SDGs as they remain pertinent to our operations, and we continuously strive to further our efforts and initiatives to better align with these goals.

| Targets and Indicators  |  | Our Contribution to the UN SDGs   |
|---|--|---|
| <ul style="list-style-type: none"> <li><b>Target 3.8</b><br/>Achieve universal health coverage, including financial risk protection, access to quality essential health-care services and access to safe, effective, quality and affordable essential medicines and vaccines for all</li> </ul>   |    | <ul style="list-style-type: none"> <li>Noise Risk Assessment, noise awareness training and audiometric checks</li> <li>COVID-19 Safety Procedures</li> </ul>  |
| <ul style="list-style-type: none"> <li><b>Target 7.1</b><br/>By 2030, ensure universal access to affordable, reliable and modern energy services</li> </ul>   |    | <ul style="list-style-type: none"> <li>Installation of solar panels at four (4) factories</li> </ul>  |
| <ul style="list-style-type: none"> <li><b>Target 8.8</b><br/>Protect labour rights and promote safe and secure working environments for all workers, including migrant workers, in particular women migrants, and those in precarious employment</li> </ul>   |  | <ul style="list-style-type: none"> <li>Maintained Health and Safety Policy and Management System</li> <li>Health and Safety induction training for all employees</li> </ul>   |
| <ul style="list-style-type: none"> <li><b>Target 9.3a</b><br/>Increase the access of small-scale industrial and other enterprises, in particular in developing countries, to financial services, including affordable credit, and their integration into value chains and markets</li> <li><b>Target 9.3b</b><br/>Support domestic technology development, research and innovation in developing countries, including by ensuring a conducive policy environment for, inter alia, industrial diversification and value addition to commodities</li> </ul> |  | <ul style="list-style-type: none"> <li>Continued commitment to invest in newer and more efficient factory machinery and warehouse facilities to improve production capacity</li> </ul>  |
| <ul style="list-style-type: none"> <li><b>Target 12.5</b><br/>By 2030, substantially reduce waste generation through prevention, reduction, recycling and reuse</li> <li><b>Target 12.6</b><br/>Encourage companies, especially large and transnational companies, to adopt sustainable practices and to integrate sustainability information into their reporting cycle</li> </ul>   |  | <ul style="list-style-type: none"> <li>Scheduled waste management procedure</li> <li>Supplier performance assessment</li> </ul>   |
| <ul style="list-style-type: none"> <li><b>Target 13.2</b><br/>Integrate climate change measures into national policies, strategies and planning</li> </ul>  |  | <ul style="list-style-type: none"> <li>Use of Green Diesel trucks for lower carbon emissions</li> <li>Generation of renewable energy from solar at four (4) factories</li> </ul>  |
| <ul style="list-style-type: none"> <li><b>Target 16.5</b><br/>Substantially reduce corruption and bribery in all their forms</li> <li><b>Target 16.6</b><br/>Develop effective, accountable and transparent institutions at all levels</li> <li><b>Target 16.7</b><br/>Ensure responsive, inclusive, participatory and representative decision-making at all levels</li> </ul>  |  | <ul style="list-style-type: none"> <li>Comprehensive Anti-Bribery Management System</li> <li>Anti-Bribery Policy</li> <li>Whistle-Blowing Policy</li> <li>Code of Ethics and Conducts</li> <li>Personal Data Protection Notice</li> </ul> |

# SUSTAINABILITY REPORT

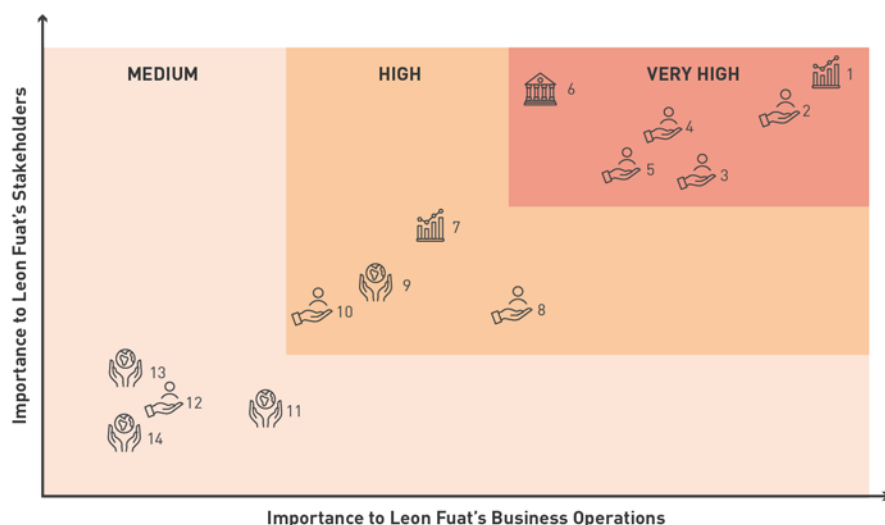
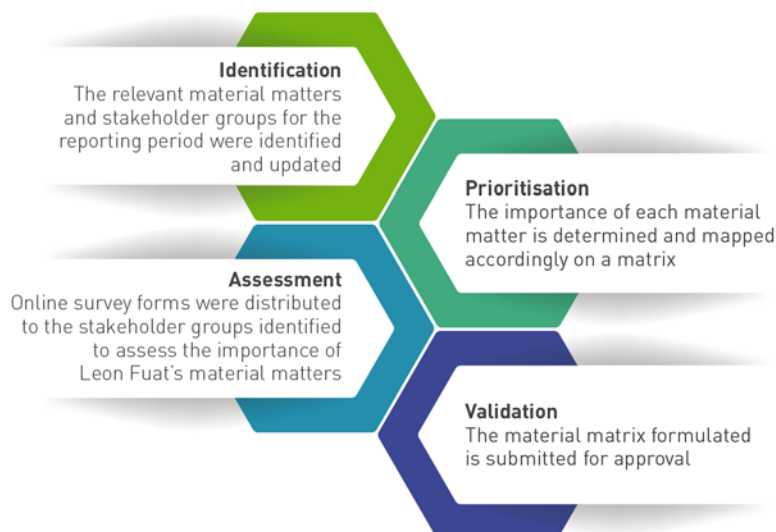
## OUR MATERIAL SUSTAINABILITY MATTERS

### Materiality Assessment

In FY2020, Leon Fuat conducted a comprehensive materiality assessment and identified several critical material matters that remain relevant to our current business operations. As no changes have been identified, we have not undertaken a material assessment in FY2022.

### Materiality Matrix

Since FY2020, fourteen (14) material matters crucial to our business operations and stakeholders have been mapped onto a matrix and continue to remain relevant to our business this financial year. The material matters are plotted in accordance with their significance to our business operations and stakeholders and are aligned with Bursa Malaysia's requirements.



Among the material matters that remain top priorities are "Operational Excellence", "Occupational Health and Safety", "Knowledge and Skill Development", "Product Quality & Customer Satisfaction", "Data Security", and "Business Ethics and Compliance". Four (4) of these six (6) material matters fall under the "Strengthening Social Responsibility" pillar. The remaining two (2) material matters can each be found under the "Achieving Economic Prosperity" and the "Practising Responsible Governance" pillars.

| Sustainability Pillars | Responsible Governance            | Economic Prosperity                                     | Environmental Stewardship   | Social Responsibility  |
|------------------------|-----------------------------------|---|---|--|
| Material Matters       | 6. Business Ethics and Compliance | 1. Operational Excellence<br>7. Responsible Procurement | 9. Climate Change<br>11. Effluent and Waste Management<br>13. Noise Management<br>14. Energy and Water Efficiency | 2. Occupational Health and Safety<br>3. Knowledge and Skill Development<br>4. Product Quality & Customer Satisfaction<br>5. Data Security<br>8. Employee Welfare<br>10. Diversity and Inclusiveness<br>12. Corporate Social Responsibility |



## MAPPING OF OUR MATERIAL MATTERS

The table below depicts the relationship between our material matters, respective GRI Indicators, and relevant stakeholders.

| Pillars                   | UN SDGs   | Material Matter                           | GRI Indicator                          | Stakeholder Group  |
|---------------------------|---|---|--|--|
| Responsible Governance    |    | Business Ethics and Compliance            | 2-23, 2-26, 2-27, 3-3, 205-2           | <ul style="list-style-type: none"> <li>• Employees</li> <li>• Management</li> <li>• Investors</li> <li>• Shareholders</li> </ul> |
| Economic Prosperity       |    | Operational Excellence                    | 2-6, 3-3, 203-2                        | <ul style="list-style-type: none"> <li>• Employees</li> <li>• Management</li> <li>• Investors</li> <li>• Shareholders</li> </ul> |
|                           |    | Responsible Procurement                   | 2-6, 203-2, 204-1                      | <ul style="list-style-type: none"> <li>• Vendors/Suppliers</li> </ul>  |
| Environmental Stewardship |    | Effluent and Waste Management             | 3-3, 303-2, 303-4, 306-1, 306-2, 306-3 | <ul style="list-style-type: none"> <li>• Employees</li> <li>• Management</li> <li>• Investors</li> <li>• Shareholders</li> </ul> |
|                           |  | Noise Management                          | 3-3                                    | <ul style="list-style-type: none"> <li>• Management</li> <li>• Employees</li> </ul>  |
|                           |  | Energy and Water Efficiency               | 302-1, 302-3, 302-4, 303-5             | <ul style="list-style-type: none"> <li>• Management</li> <li>• Employees</li> </ul>  |
|                           |  | Climate Change                            | 3-3, 305-1, 305-2                      | <ul style="list-style-type: none"> <li>• Management</li> </ul>   |
| Social Responsibility     |  | Occupational Health and Safety            | 403-2, 403-4, 403-5, 403-9             | <ul style="list-style-type: none"> <li>• Employees</li> <li>• Government/Regulatory Bodies</li> </ul>                            |
|                           |  | Knowledge and Skill Development           | 404-1, 404-2                           | <ul style="list-style-type: none"> <li>• Employees</li> </ul>  |
|                           |  | Product Quality and Customer Satisfaction | 2-29, 3-3                              | <ul style="list-style-type: none"> <li>• Customers</li> <li>• Management</li> </ul>  |
|                           |   | Data Security                             | 3-3, 418-1                             | <ul style="list-style-type: none"> <li>• Employees</li> <li>• Customers</li> <li>• Management</li> </ul>                         |
|                           |   | Employee Welfare                          | 2-29, 401-1, 401-2, 401-3              | <ul style="list-style-type: none"> <li>• Employees</li> </ul>  |
|                           |   | Diversity and Inclusiveness               | 405-1, 405-2, 406-1                    | <ul style="list-style-type: none"> <li>• Management</li> <li>• Employees</li> </ul>  |
|                           |   | Corporate Social Responsibility           | 413-1                                  | <ul style="list-style-type: none"> <li>• Management</li> <li>• Employees</li> <li>• Communities</li> </ul>                       |

## SUSTAINABILITY REPORT



### RESPONSIBLE GOVERNANCE

Leon Fuat has implemented high-level policies to ensure that all of our business operations are conducted ethically. We established a governance framework, policies, management systems, and code of conduct that clearly define our ethical principles and expectations. This necessitates that our employees conduct themselves with professionalism, honesty, and integrity, and that we respect the human rights of every individual.

Contribution  
to the SDGs



### UPHOLDING BUSINESS ETHICS AND PRIORITISING COMPLIANCE

As an essential component in steering the Group and maintaining a track record of performance in other aspects, these fundamental policies are constantly kept in place to promote ethical business, good conduct and transparency



Whistleblowing Policy



Anti-Bribery Policy

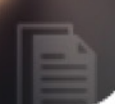
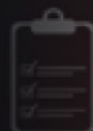


Code of Ethics and Conduct

Our policies are upheld by our very own Anti-Bribery Management System which encourages ethical corporate practices and creates action plans to resolve any identified infringements. Moreover, in terms of other compliance, Leon Fuat has demonstrated commitment to the following rules and regulations through internal documentation and assessments.

- Employment Act 1955
- Factories and Machinery Act 1967
- Income Tax Act 1967
- Environmental Quality Act 1974
- Capital Markets and Services Act 2007
- Companies Act 2016
- Minimum Wages Order 2018
- Main Market Listing Requirements
- Malaysian Code on Corporate Governance
- Occupational Safety and Health Act, 1994

COMPLIANCE



### Anti-Bribery Management System ("ABMS")

In FY2020, the Group established the ABMS, which aims to ensure the Group operates ethically and responsibly. This system uses the preventive measures approach to identify risks in our operations and organisational committee. As such, we have committed to adhering to the principles of the ABMS (MS ISO 37001). Further to this, ABMS is aligned with the Anti-Bribery Manual which thoroughly defines the scope of the management system.

The Group also established the Anti-Bribery Compliance Function ("ABCF"), whose roles and responsibilities comprise overseeing the implementation of ABMS, managing ABMS documentation and addressing bribery concerns.

#### Document Controller

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

#### Chief of ABCF

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

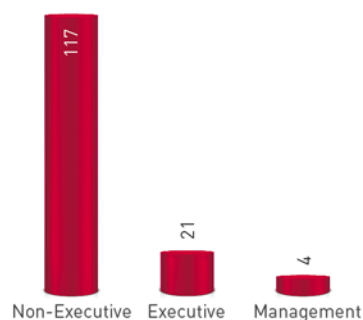
#### Deputy Chief of ABCF

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

#### Members of ABCF

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

### Employees who Received Anti-Bribery Training by Employee Category in FY2022



### Bribery Prevention via Communications and Training

The policies and any amendments made to them are successfully conveyed to our staff members either through the employee handbook for LF Metal employees or during the orientation programme for new hires at the three (3) main subsidiaries. The policies are also publicly available on our corporate website. We ensure our employees from various employee categories have exposure to anti-bribery guidelines via training. For this reporting period, the anti-bribery training was attended by one hundred and seventeen (117) Non-Executive, twenty-one (21) Executive, and four (4) Management employees of LF Hardware and LF Metal which represented 40.1%, 34.4% and 11.1% respectively for each employee category of the aforesaid subsidiaries.



## SUSTAINABILITY REPORT

### Transparency of Our Reporting and Investigation Procedures

Leon Fuat observes the views of interested parties through a variety of channels and is committed to addressing any suspected unlawful or improper conduct within the Group. We have a grievance mechanism in place at all times. Any interested party can file a complaint by sending an email to the Group's designated personnel. Throughout the process, all reports filed in good faith will be treated with confidentiality. Whistleblowers are shielded from reprisal, and their identities are kept strictly confidential until prior authorisation to reveal them is obtained.

We have designated points of contact throughout our operations to manage any potential concerns that may arise.



**Audit Committee Chairman**

**Senior Independent  
Non-Executive Director**

**Chief of ABCF**



We have recorded zero incidents of whistleblowing or probable violations of conduct in FY2022.



## ECONOMIC PROSPERITY

Leon Fuat provides added value to customers, business partners, and communities by establishing a solid business structure, encouraging inclusive and sustainable industry practices, and supporting an innovative and creative culture. We strive for efficiency and effectiveness by promoting excellence across the steel value chain, from the procurement of raw materials to the processed end product delivered to customers.

Contribution to the SDGs

9 INDUSTRY, INNOVATION AND INFRASTRUCTURE



12 RESPONSIBLE CONSUMPTION AND PRODUCTION



## Soaring Towards Operational Excellence

At Leon Fuat, we are cognisant of the adverse effects of our steel production and ensure our products are produced sustainably. In addition to maximising our economic output, we also optimise our material input. Our most valuable business is steel processing and/or manufacturing (collectively referred to as “processing”), followed by our trading businesses. We specialise in producing carbon steel, alloy steel, and stainless steel. The process of value creation in the steel industry is depicted in the graphic below, along with the role that Leon Fuat’s primary activity – steel processing – plays in creating value for our many stakeholders.

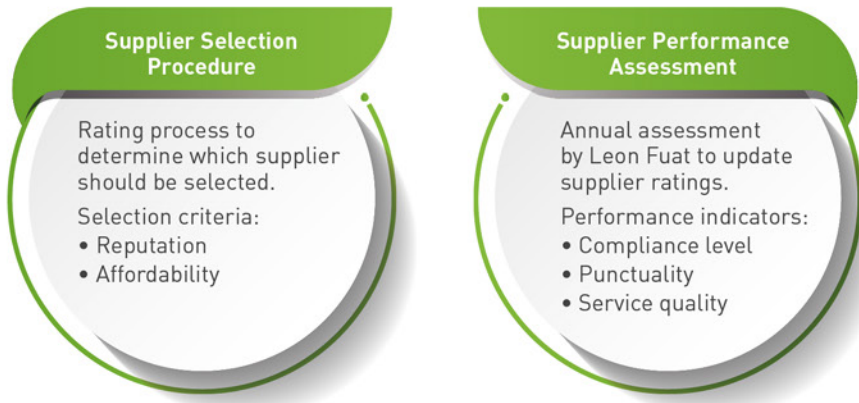
We maintain operational excellence on our production line by continuing to schedule ad hoc night shifts based on the number of orders and delivery lead-time requirements of our customers. In addition, we utilise advanced machines capable of enhancing production efficiency. LF Metal and Supreme Steelmakers have invested in fibre laser cutting technology, which utilises a focused, high-powered laser beam to cut sheet metal with high levels of precision. Compared to conventional laser technology, this technology operates at a faster speed and consumes less power, thereby increasing our operations’ overall productivity and energy efficiency.



# SUSTAINABILITY REPORT

## Putting Forward a Responsible Procurement

Leon Fuat endeavors to engage in responsible procurement to decrease supply chain risks and accelerate the development of a sustainable society.



The Procurement Policies outline the fair business practices that Leon Fuat adheres to, and we anticipate that our suppliers will do the same. We expect that the suppliers, service providers, and other third parties with whom we do business will conduct their operations ethically and in accordance with Leon Fuat's corporate values.

At Leon Fuat, our top priority is to ensure that our selected suppliers are ingrained with the standards that drive the excellence of our procurement. By implementing precise selection criteria and supplier performance evaluations, we have moved towards a more sustainable supply chain.

## Supporting the Local Economy

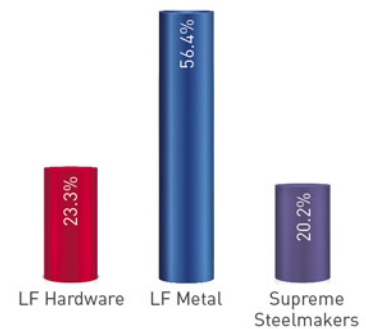
We have included local vendors in our procurement whenever possible to do our part in improving the local economy and lowering carbon emissions brought on by the long-distance transportation of products.

This reporting year, LF Metal engaged ninety-two (92) local suppliers, recording the highest percentage (56.4%) compared to our other two subsidiaries, LF Hardware (23.3%) and Supreme Steelmakers (20.2%).

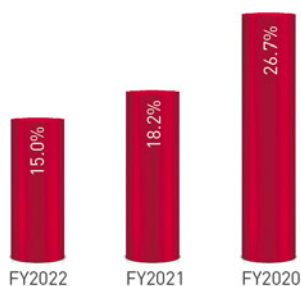
LF Hardware recorded a decrease in spending on local suppliers from FY2020 to FY2022. This reporting year, LF Hardware spent RM14.57 million (15.0% of its purchases) on the local trade suppliers, decreased by 32.4% compared to FY2021.

On the other hand, local purchases for LF Metal has shown an increase by 20.5%, from RM109.32 million for the FY2021 to RM131.69 million for the FY2022 while Supreme Steelmakers had reduced the spending on local suppliers by 4.8% in this reporting year, from RM24.70 million for the FY2021 to RM23.52 million for FY2022.

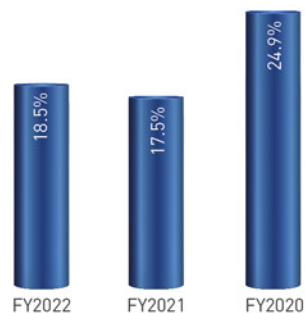
### Local Suppliers Engaged in FY2022



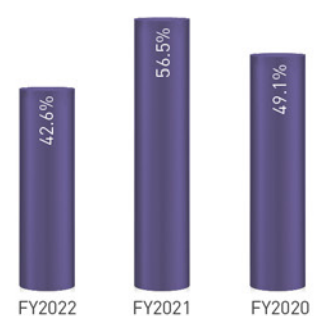
### Proportion of Spending on Local Suppliers in LF Hardware



### Proportion of Spending on Local Suppliers in LF Metal

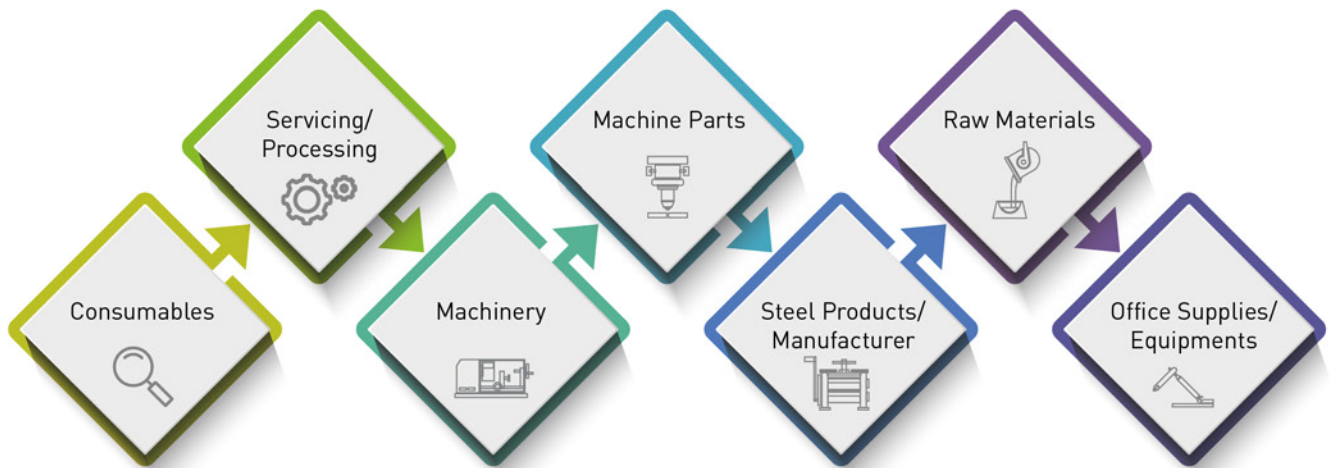


### Proportion of Spending on Local Suppliers in Supreme Steelmakers





## Suppliers Engaged in FY2022



“

At Leon Fuat, our top priority is to ensure that our selected suppliers are ingrained with the standards that drive the excellence of our procurement. By implementing precise selection criteria and supplier performance evaluations, we have moved towards a more sustainable supply chain.

2022

89%

99.96

+9.91

-87.12

+7.01

-54.23

+4.59

-26.34

2021

20.08

43.21

57%

72.66

# SUSTAINABILITY REPORT



## ENVIRONMENTAL STEWARDSHIP

Steel is essential for infrastructure construction and plays an important role in economic growth and nation-building. However, steel production and trade are resource-intensive industries that can impact the environment through emissions and effluents. To lower our environmental footprint, we are committed to employing the most efficient manufacturing routes, minimising waste output and investing in innovative technologies.

Our efforts commence at the management level, with the respective subsidiary managements overseeing climate change initiatives at their respective operating units and the Board's support.

Contribution to the SDGs



### Sustainable Management of Effluent and Waste

Leon Fuat is committed to adhering to the Environmental Quality Act of 1974 (EQA 1974) and the Local Government Act of 1976 with regard to the management and disposal of scheduled and non-scheduled waste and the discharge of effluents. In further compliance with this, we have constructed a waste management system that efficiently regulates the treatment and disposal of all types of waste efficiently. A designated safety and health officer oversees the waste management system, with assistance from production and procurement staff.

### Waste Disposal at Leon Fuat

#### Scheduled Waste

##### 1. Types of wastes:

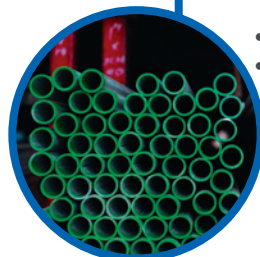
- SW104
- SW306
- SW404
- SW409
- SW410

##### 2. Handled by Safety and Health Officer

##### 3. Disposed by DOE licensed collector

##### 4. Disposal:

- SW104 – Landfill and Incineration
- SW306 – Recycle
- SW409 – Recovery



#### Non-Scheduled Waste

##### 1. Types of wastes:

- Paper
- Plastics
- General

##### 2. Handled by Production and Procurement personnel

##### 3. Disposed by local appointed collector

##### 4. Disposed by recycling



Scheduled waste generated by LF Metal and Supreme Steelmakers has been included for FY2022. LF Metal has also started recording SW404 (Biohazard waste) from RTK test kits. The waste produced by the three (3) main subsidiaries of Leon Fuat during this reporting period has been classified as non-scheduled waste generation. We aim to enhance our waste generation monitoring and reporting in the future.

#### Amount of Scheduled Waste (tonnes) Generated

| Code  | Description   | LF Metal |        |        | Supreme Steelmakers |        |        |
|-------|---|----------|--------|--------|---------------------|--------|--------|
|       |   | FY2022   | FY2021 | FY2020 | FY2022              | FY2021 | FY2020 |
| SW104 | Dust, slag, dross or ash containing aluminium, arsenic, mercury, lead, cadmium, chromium, nickel, copper, vanadium, beryllium, antimony, tellurium, thallium or selenium excluding slag from iron and steel factory | 3.42     | 1.10   | 1.32   |                     |        |        |
| SW306 | Spent lubricating oil   |          |        |        | 2.11                | 2.28   |        |
| SW409 | Disposed containers, bags or equipment contaminated with chemicals, pesticides, mineral oil or scheduled wastes   | 0.93     | 0.41   |        |                     |        |        |
| SW410 | Rags, plastics, papers or filters contaminated with scheduled wastes  |          |        |        |                     |        |        |

In FY2022, LF Metal recorded 2.32 tonnes increase in SW104 waste as compared to FY2021. This increase was primarily attributable to the resumption of normal business operations following the COVID-19 pandemic. The generated waste was disposed of in landfills or incinerated. Similarly, SW409 waste generation increased in FY2022 as compared to FY2021.

#### Amount of Non-Scheduled Waste (tonnes) Generated

| Types of Waste | LF Metal |        |        | Supreme Steelmakers |        |        | LF Hardware |        |        |
|----------------|----------|--------|--------|---------------------|--------|--------|-------------|--------|--------|
|                | FY2022   | FY2021 | FY2020 | FY2022              | FY2021 | FY2020 | FY2022      | FY2021 | FY2020 |
| Papers         |          |        |        |                     | 0.66   |        | 0.05        | 0.26   |        |
| Plastics       |          |        |        |                     |        |        |             | 0.01   |        |
| General        | 4.84     | 5.30   | 6.49   |                     |        |        | 0.10        | 0.10   |        |

We calculated the quantity of general waste that the three (3) main subsidiaries produced during this reporting period. For three (3) consecutive financial years, LF Metal has continued to show a reduction in the quantity of its only non-scheduled waste, which is general waste. This trend is linked to the effectiveness of our green activities which include installing recycling bins in offices and minimising the distribution of information in hardcopy such as ISO manuals and regulations, in favour of increased softcopy sharing.

#### Discharge (mg/L)

| Effluent Sampling Results | FY2022 | Std. A | Std. B |
|---------------------------|--------|--------|--------|
| COD                       | 67     | 120    | 200    |
| BOD                       | 18     | 20     | 50     |
| TSS                       | 15     | 50     | 100    |
| Oil and Grease            |        | 20     | 20     |
| NH3-N                     | 11     | 50     | 50     |

We monitor and record the quality of LF Metal's effluent discharge to ensure it is within the legal limits established by the Environmental Quality Act of 1974 (EQA 1974). Chemical Oxygen Demand ("COD"), Biological Oxygen Demand ("BOD"), Total Suspended Solids ("TSS"), Oil and Grease and Ammoniacal Nitrogen ("NH3-N") are the five (5) water quality criteria that we evaluate. As seen in the table at left, our effluent discharge for this reporting period was maintained significantly below both the minimum levels of Standards A and B of the EQA 1974.

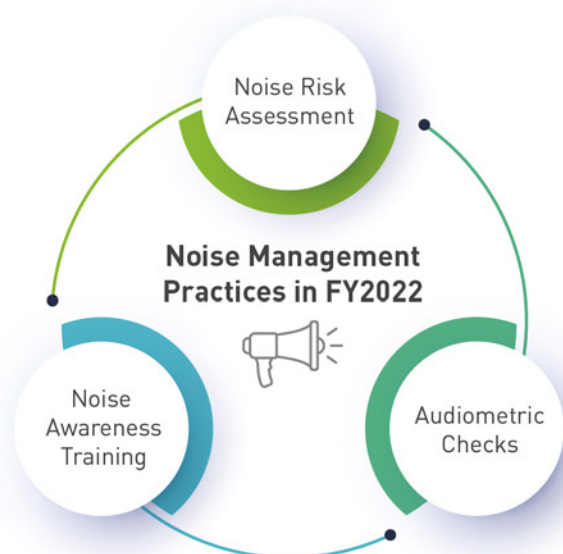
*Note:*

\* Standard A refers to discharge upstream of any raw water intake.

\*\* Standard B refers to discharge downstream of any raw water intake.



# SUSTAINABILITY REPORT



## Noise Management

The Group recognises the importance of noise control in our daily operations as continuous exposure to excessive noise can cause a number of health problems such as stress, poor focus, fatigue, productivity loss and hearing issues.

To avoid this, we constantly adhere to the latest updated noise laws and legal requirements, such as the 2019 Noise Regulations. Supreme Steelmakers conducted a Noise Risk Assessment over the course of two (2) days and a total of thirty-two (32) male non-executive employees attended these assessments. Meanwhile, LF Metal performed audiometric checks for two (2) hours each day for two (2) days, and tested the hearing of a total of ninety-three (93) employees.

## Energy and Water in Changing Climate

Leon Fuat recognises that our businesses operations, particularly steel product manufacturing and processing, are energy-demanding processes. As such, they can have a significant impact on both the environment and operational expenses if this energy consumption is not appropriately managed. Consequently, we track our electricity and fuel consumption, as well as our electricity intensity, at the three (3) main subsidiaries.

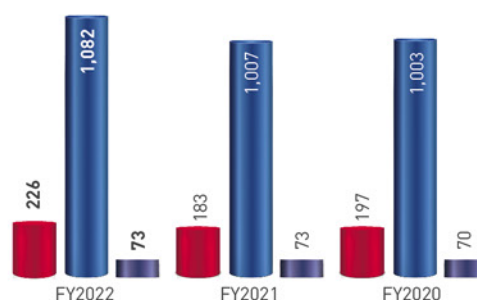
### Greenhouse Gas ("GHG") Emissions

We determined our Scope 1 and Scope 2 GHG emissions for this reporting period and included our findings in this statement. Scope 1 emissions are produced directly as a result of the combustion of carbon fuel sources, and the quantity is measured by multiplying fuel consumption by the total amount of carbon dioxide ("CO<sub>2</sub>") that is emitted using a diesel fuel emission factor<sup>1</sup>. In order to calculate Scope 2 emissions which are defined as the indirect emissions driven by grid power use, we adopted the grid emission factor<sup>2</sup> for Peninsular Malaysia.

### Direct (Scope 1) Emissions

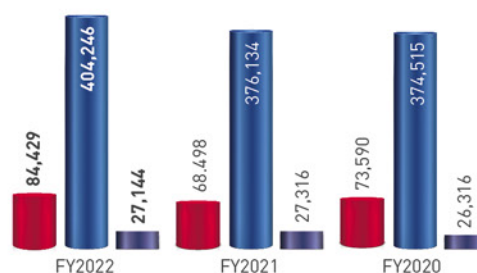
Scope 1 emissions refer to the direct GHG emissions generated by the Group's fuel consumption. The Group's Scope 1 emissions that were tracked from FY2020 through FY2022 have been collated for this statement, which also includes Leon Fuat's fuel consumption tracking data. This year, the three (3) main subsidiaries recorded 1,381 tCO<sub>2</sub>e Scope 1 GHG emissions which is a 9.3% increase from FY2021. LF Metal recorded the highest amount of Scope 1 emissions produced among the subsidiaries for three (3) consecutive financial years, generating a total of 3,092 tCO<sub>2</sub>e. In FY2022, LF Metal produced the highest emissions among all subsidiaries whilst Supreme Steelmakers recorded the lowest, with a recorded difference of 1,009 tCO<sub>2</sub>e.

### Scope 1 GHG Emissions (tCO<sub>2</sub>e)



\* The emission factor is using the provided fixed value.

### Total Fuel Consumption (Litres)



LF Hardware LF Metal Supreme Steelmakers

<sup>1</sup> 2006 IPCC Guidelines for National Greenhouse Gas Inventories: [https://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2\\_Volume2/V2\\_2\\_Ch2\\_Stationary\\_Combustion.pdf](https://www.ipcc-nggip.iges.or.jp/public/2006gl/pdf/2_Volume2/V2_2_Ch2_Stationary_Combustion.pdf)

<sup>2</sup> 2017 CDM Electricity Baseline for Malaysia: <https://www.mgtc.gov.my/wp-content/uploads/2019/12/2017-CDMElectricity-Baseline-Final-Report-Publication-Version.pdf>

To study the trend of fuel consumption at our facilities, we tracked our total fuel consumption over the past three (3) financial years. At Leon Fuat, our fleet of delivery vehicles operates on diesel fuel, which contributed a fraction of our total energy consumption. Overall, LF Metal uses the most fuel out of the three (3) main subsidiaries, as it has the most delivery trucks – twenty-two (22) units in total. This is aligned with their recorded total fuel consumption which was the highest for all three (3) financial years, totaling 1,154,895 litres.

In FY2022, Supreme Steelmakers consumed less fuel by as much as 0.6% as compared to FY2021. The difference between the highest recorded consumption by LF Metal and the lowest recorded consumption by Supreme Steelmakers in FY2022 was 93.3%.

To reduce our GHG emissions resulting from fuel consumption, we have continued to deploy delivery vehicles that can be fuelled by Euro5 diesel which are known as green diesel trucks. Due to its significantly lower emission limit (1.0g/km of CO for Euro2 against 0.5g/km of CO for Euro5) and lower maximum sulphur content, Euro5 diesel is a cleaner fuel compared to traditional Euro2 diesel (500ppm for Euro2; 10ppm for Euro5). Our fleet now consists of 89.5% green diesel trucks, and 10.5% conventional diesel trucks, ensuring efficient fuel usage and reducing our GHG emissions.

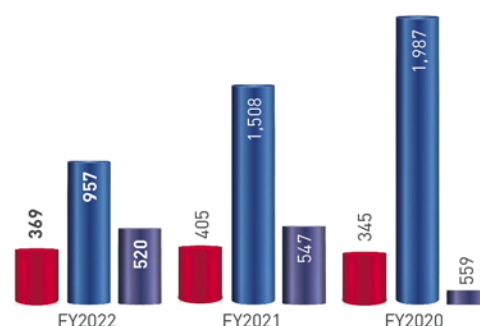
### Indirect (Scope 2) Emissions

Scope 2 emissions represent indirect GHG emissions related to the production and consumption of electricity. Consequently, disclosure in the form of electricity consumption generates values for this type of emission. Comparing FY2022 to FY2021, Scope 2 emissions decreased by 25.0%. For all three (3) financial years, LF Metal generated the majority of Scope 2 emissions, on account of having the most operations conducted within the premises. Conversely, LF Hardware recorded the lowest total emissions consecutively throughout the three (3) financial years. This financial year, LF Metal and LF Hardware have a difference of 588 tCO<sub>2</sub>e in terms of Scope 2 emissions.

Throughout FY2022, Leon Fuat's three (3) main subsidiaries consumed a total of 3,155,822 kWh of electricity, a 25.0% decrease compared to the previous financial year's 4,205,590 kWh. LF Metal, the subsidiary that recorded the highest electricity consumption throughout all three (3) financial years, saw a steady decrease in consumption since FY2020. This decrease could be attributed to the installation of solar panels at four (4) factories, with a total capacity of approximately 2,300 kWp.

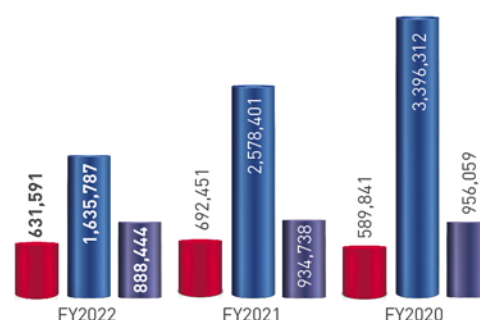
We also recorded an electricity intensity of 24.37 kWh/sq.ft. in the three (3) main subsidiaries of Leon Fuat in FY2022. Out of the three (3) main subsidiaries, Supreme Steelmakers recorded the highest electricity intensity in FY2022 which has steadily decreased since FY2020, with FY2022 recording a decrease of 4.7% compared to FY2021.

### Scope 2 GHG Emissions (tCO<sub>2</sub>e)

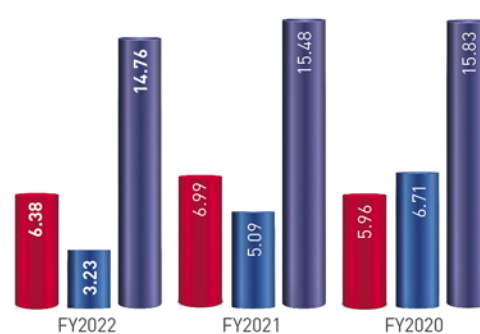


\* The emission factor is using the provided fixed value.

### Electricity Consumption (kWh)

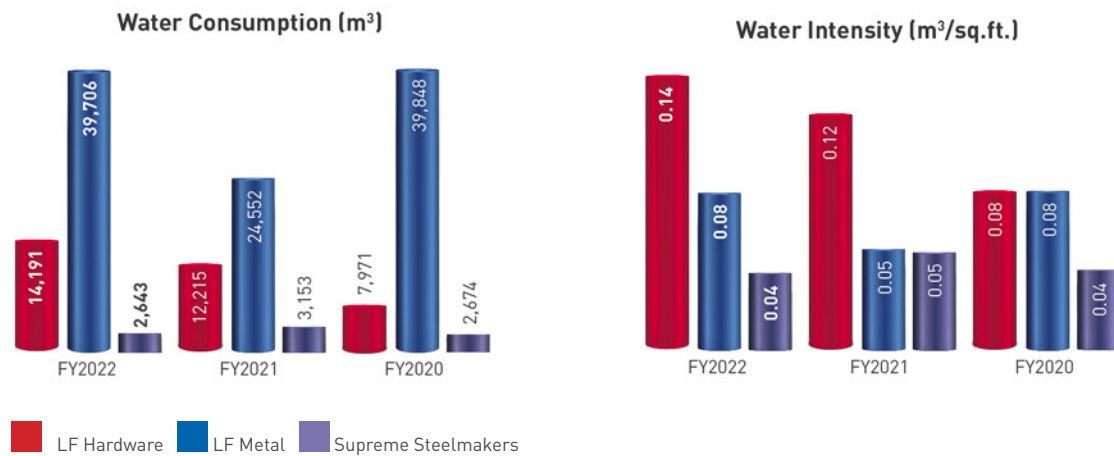


### Electricity Intensity (kWh/sq.ft.)



LF Hardware LF Metal Supreme Steelmakers

## SUSTAINABILITY REPORT



### Water Management

Given that the steel production process uses a substantial quantity of water, particularly during the chilling and descaling processes, Leon Fuat understands the significance of effective water management in our operations. To this end, we regularly monitor water consumption at each subsidiary and analyse which processes and machinery consume an abnormal amount of water.

We recorded 56,540 m³ of total water consumption for the three (3) main subsidiaries during FY2022, an increase of 41.6% from the previous financial year's 39,920 m³ due to the return to work in the office arrangement. Throughout all three (3) financial years, LF Metal recorded the largest water consumption at 104,106 m³ as it has the most machinery in its facility. Conversely, Supreme Steelmakers recorded the lowest at 8,470 m³. Among the (3) main subsidiaries, LF Metal consumed the highest water usage of 104,106 m³ in total throughout the three (3) years, while Supreme Steelmakers recorded the lowest water intensity of 0.13 m³/sq.ft. in total for the same period. In FY2022, LF Metal experienced 45.3% lower water intensity as compared to LF Hardware.

## INITIATIVE IN RENEWABLE ENERGY

### #GreenInitiative

With the installation of solar panels in four (4) of our facilities, we have taken the first steps towards making the switch to renewable energy.

In FY2022, these solar panels had generated a total of approximately 1,921,000 kWh of renewable energy worth approximately RM0.76 million and has led to a saving in our electricity expense for the said facilities by 49.1%.





# SUSTAINABILITY REPORT



## SOCIAL RESPONSIBILITY

At Leon Fuat, the wellbeing of our employees, the community, and society as a whole is fundamental to our business practices. The platform on which Leon Fuat operates strikes a balance between economic development, environmental sustainability, and community benefits.

*Contribution to the SDGs*

**3** GOOD HEALTH AND WELL-BEING



**8** DECENT WORK AND ECONOMIC GROWTH



**16** PEACE, JUSTICE AND STRONG INSTITUTIONS



## Occupational Health and Safety ("OHS")

A company's essential obligation is to ensure the health and safety of everyone who works in, with, or around Leon Fuat. Our mission, guided by our Safety and Health Policy, is to ensure zero (0) injury to our workers, contractors and the communities in which we operate. Our Safety and Health Policy and culture of awareness are supported by frequent training for our employees to develop and maintain safe workplace conduct.

A Safety and Health Manual has been put in place as a control system for LF Metal. The system is supervised by the Safety and Health Committee, to ensure the safety of our operations. The handbook details the tasks and responsibilities of the assigned Safety and Health Officer, as well as the essential safety procedures for a typical workplace. The officer conducts routine inspections of the workplace for health and safety.

LF Metal has a three-tiered Safety and Health Committee to ensure high OHS performance. The Safety and Health Committee is led by the Safety and Health Chairman, who is assisted by the Safety and Health Officer. The third tier is comprised of employer and employee representatives. In the future, we aim for the remaining two (2) subsidiaries to establish a similar structure to oversee OHS in the facilities.



# SUSTAINABILITY REPORT

LF Metal employs two (2) risk assessment procedures as illustrated in the diagram below. These procedures serve to identify potential hazards and implement the necessary control measures. As a result, we have created a safer and healthier workplace.

## Hazard Identification, Risk Assessment, and Risk Control ("HIRARC") Procedure

- Established since FY2017 to aid in potential hazards' identification for appropriate measures.
- Calculates risk level from the severity of an injury or illness resulting from the hazards, and likelihood of the injury/illness occurring.



## 2-Minute Hazard Report Card

- Identifies the severity of a hazard and subsequently indicates whether to stop or continue an activity.



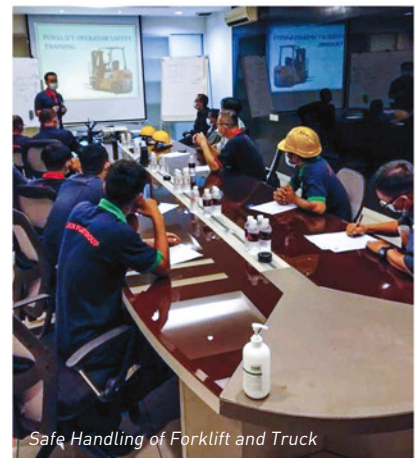
In FY2022, one hundred and thirteen (113) times of attendance for training in health and safety. We implemented the following training programmes in an effort to promote a committed and safety-conscious work environment:

## Occupational Health and Safety Training Programmes

- Chemical Health Risk Assessment Awareness Training
- Safety and Health Induction Briefing
- Overhead Crane Safety
- Safety Inspection Training
- Safe Handling of Forklift and Truck
- Management of Scheduled Waste
- Integrated Occupational Health, Safety and Environment Management
- 23<sup>rd</sup> Conference on Occupational Safety and Health 2022



Overhead Crane Safety Training



Safe Handling of Forklift and Truck



Safe Handling of Forklift and Truck

During this reporting period, the three (3) main subsidiaries logged a total of 318,086 hours of work. Twenty (20) cases of minor work-related injuries or ill health were also reported. This year, we recorded a Lost-Time Injury Rate (LTIR) of 12.58 for the three (3) main subsidiaries, with LF Hardware recording four (4) cases and LF Metal recording sixteen (16) cases. Supreme Steelmakers, in contrast, reported zero (0) cases.

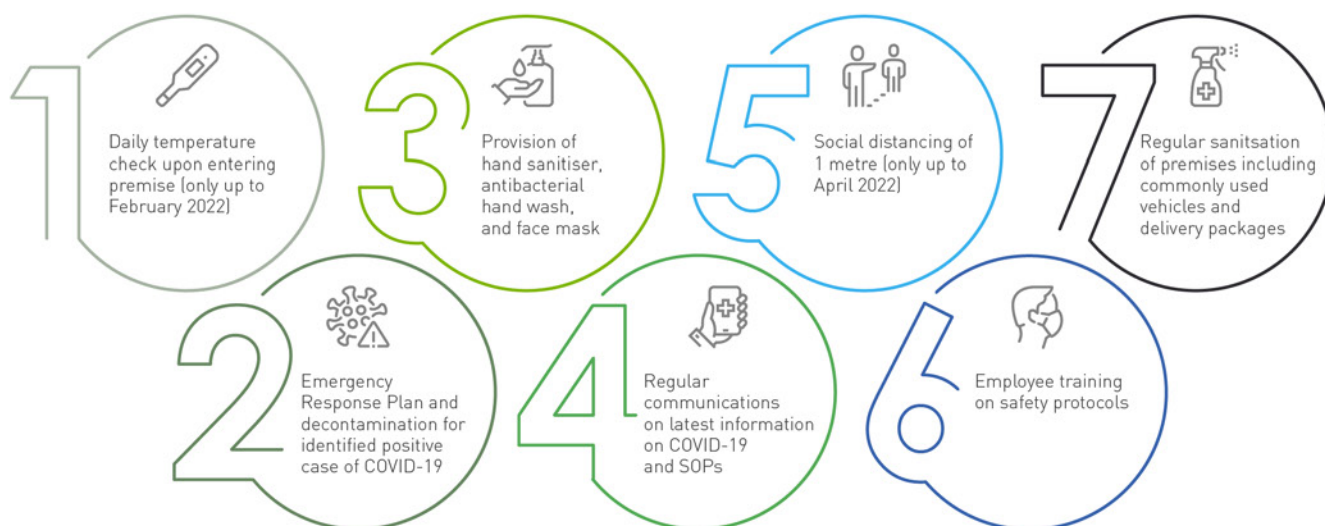
As we transition from a pandemic to an endemic, we will continue to implement preventative measures to minimise the impact of COVID-19, safeguard the health of our employees, and maintain business continuity to the greatest extent practicable.

The COVID-19 Infection Prevention and Control (IPC) Standard Operating Procedures ("SOPs") have been maintained to assist our management and employees in implementing the necessary procedures and preventing the spread of the virus.

# SUSTAINABILITY REPORT

SOPs are depicted in the diagram below.

## COVID-19 SOPs



## Fostering a Culture of Diversity and Inclusiveness

We foster a culture that values inclusivity, diversity and respect. An equal workplace and a diverse workforce are goals that we have worked diligently to attain. We acknowledge that our employees afford us a competitive edge. Our teams are diverse not only in terms of gender and age but also in terms of culture, ethnicity and more. To foster a meritocratic and non-discriminatory society, we strive to combat negative stereotypes and biased beliefs.

| Financial year | Male | Female |
|----------------|------|--------|
| 2022           | 302  | 97     |
| 2021           | 298  | 93     |
| 2020           | 305  | 95     |

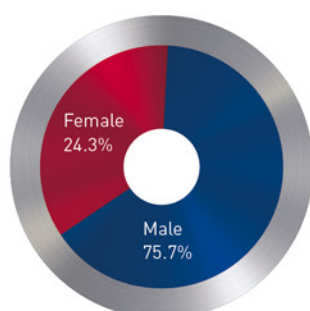
Owing to the nature of our business which is in steel industry, a majority of our employees are male, with 75.7% reported in this financial year compared to 24.3% of female employees. The trend for the past financial years has us seeing more male employee hires. This indicates the physically strenuous nature of the steel industry's labour. Despite this, we do not discourage women from joining our workforce, and we give all employees fair and equal chances.

One of our core values is non-discrimination, and we are amenable to employing disabled individuals. Since FY2020, we have employed a staff member with disabilities who is an integral component of our team, and together we are committed to achieving excellence. The Group considers all employees as our assets. We welcome new team members and look forward to growing together.

The Group hired eighty-seven (87) new employees in FY2022, an increase of 64.2% compared to the fifty-three (53) new employees hired in each FY2021 and FY2020.

| New Hires | FY2022 | FY2021 | FY2020 |
|-----------|--------|--------|--------|
| Male      | 73     | 43     | 46     |
| Female    | 14     | 10     | 7      |

We emphasise on recruiting new talent that meets our hiring criteria. This assures a constant influx of talent and new perspectives that will add value to the team and stimulate healthy competition among existing employees.





## SUSTAINABILITY REPORT

Various circumstances led to the departure of a number of employees from the Group. In FY2022, fifty-three (53) employees resigned. Compared to sixty-one (61) resignations in FY2021, this represents a decrease of 13.1%. Only fifty-two (52) employees left the Group during FY2020, the lowest number of resignations among the past three (3) financial years.

| Turnover | FY2022 | FY2021 | FY2020 |
|----------|--------|--------|--------|
| Male     | 43     | 50     | 44     |
| Female   | 10     | 11     | 8      |

The diversity of ages among our employees is well balanced. In this reporting year, the majority of our employees are among the younger generation, with one hundred and twenty (120) or 30.1% employees under the age of thirty (30) and two hundred and twenty (220) or 55.1% employees between the ages of thirty (30) and fifty (50). The majority of the second age group are individuals with significant industry experience and tremendous growth and development potential. There are fifty-nine (59) or 14.8% individuals in the age group of fifty (50) and older, making them the minority. This is due to numerous factors, including the need to consider their health and wellbeing. However, they possess the most expertise among their peers, both in terms of experience and business knowledge. Therefore, we continue to employ eleven (11) contract staff who are at least fifty (50) years old.

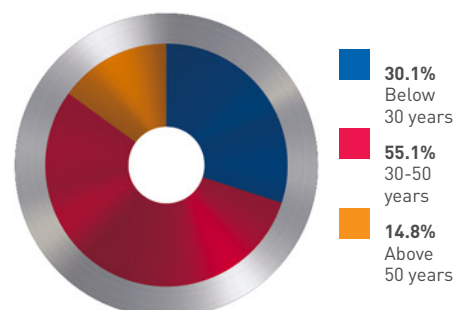
By giving locals employment priority in FY2022, we will continue to support the local communities and regional economy in which we operate. Our local workforce consisted of two hundred ninety-nine (299) or 74.9% employees as opposed to one hundred (100) or 25.1% non-local employees, representing a disparity of 49.9%.

The majority of our workforce is comprised of two hundred and ninety-two (292) or 73.2% non-executive employees. This is due to the fact that the Group operates primarily in the steel processing and factory management industries, where physical labour is predominant.

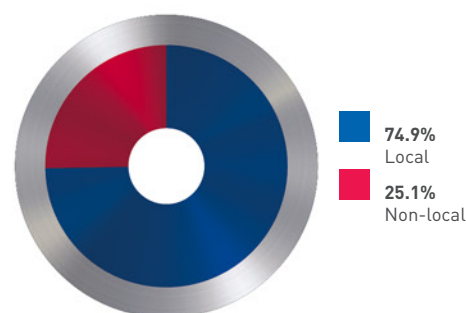
### Caring for the Welfare of Our Employees

As we advance into FY2022, we maintain our commitment to the welfare of our employees as part of the Work-life Balance material matters. The objective of our practices is to foster a culture of consideration, dedication, involvement, and harmony among employees. We implemented the following benefits to promote work-life balance among our employees.

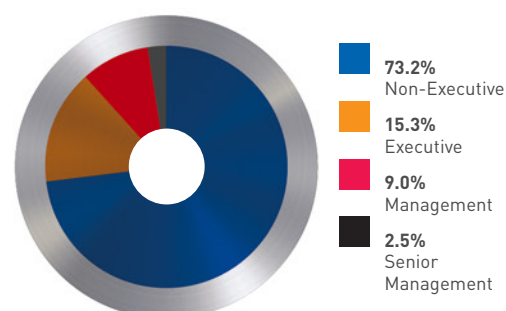
**Employee Distribution by Age Group in FY2022**



**Employee Distribution by Nationality in FY2022**



**Employee Category Distribution in FY2022**



### Parental Leave

| Parental Leave Details   | FY2022 |        | FY2021 |        | FY2020 |        |
|--|--------|--------|--------|--------|--------|--------|
|  | Male   | Female | Male   | Female | Male   | Female |
| Number of employees that took Parental Leave   |        | 1      |        | 4      |        | 11     |
| Number of employees that returned after Parental Leave   |        | 1      |        | 4      |        | 10     |
| Number of employees that returned to work after Parental Leave ended that were still employed 12 months after their return to work |        | 1      |        | 4      |        | 10     |

At Leon Fuat, we provide parental or maternity leave to employees who have recently become parents as part of our benefits plan. In FY2022, we only had a female employee taken parental leave, as compared to four (4) and eleven (11) female employees in FY2021 and FY2020 respectively. Except a female employee who did not return to work after parental leave in FY2020, the rest returned to work and are still employed 12 months thereafter.

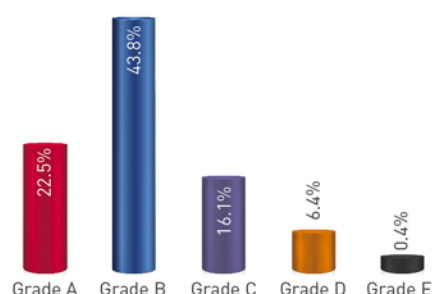
We conduct annual employee assessments to better comprehend their wants and needs and develop a holistic work environment that further stimulates and maximises our personnel's productivity.

In FY2022, two hundred and fifty-four (254) employees at LF Metal have undergone annual performance evaluations to measure their excellence in contributing to the smooth administration of our business. In FY2021, LF Metal conducted performance evaluations for two hundred and sixty-five (265) employees, an increase of 0.8% compared to FY2020, where two hundred and sixty-three (263) employees were evaluated.

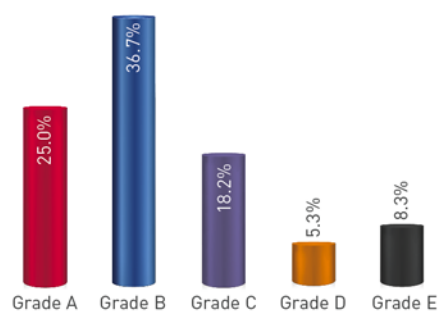
In FY2022, the largest percentages consist of Grade A (22.5%) and Grade B (43.8%), indicating that our employees' excellent performance contributed significantly to the smooth operation of our business. 0.4% of employees received Grade E, in contrast. The Group will provide upskilling courses for employees who received a Grade E on their annual assessments, allowing them to further develop their careers and key competencies.

In addition, we offer a variety of training opportunities to assist our employees in advancing their careers and core competencies.

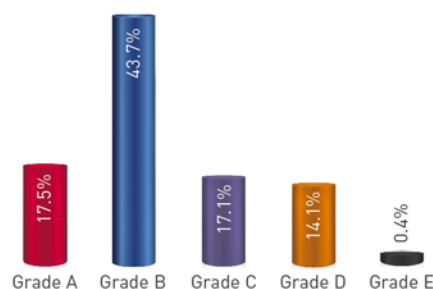
### Employee Performance Appraisal for FY2022



### Employee Performance Appraisal for FY2021



### Employee Performance Appraisal for FY2020



# SUSTAINABILITY REPORT

## Upskilling and Talent Acquisition of Our Employees

The work culture at Leon Fuat encourages performance excellence through continuous development and advancement opportunities, as well as by enhancing engagement and motivation through unique incentive and recognition programmes. Through internal and external training, we have fostered a culture of diverse ideas that cultivates new skill sets and the finest talent.

All new hires at Leon Fuat receive induction training. The induction programme consists of two sessions, the first of which provides an introduction to the Group and its operations and the second of which focuses on department-specific SOPs and practices.

In addition to the induction programme conducted during the hiring process, Leon Fuat ensures that all employees, regardless of position, have opportunities to elevate their skills through training sessions.

## Training Programmes

- Vistage Small Business Programme (VSB)
- VISTAGE – Key Collaborative Leadership Program
- VSB- Short Form Video Marketing
- VSB- 2022 Customer Attraction Game Plan
- VSB- 7 Habits of Highly Effective People
- e-Learning for Building Mental Resilience to Boost Productivity Through Stress Management Practices
- e-Learning for Sick Leave Reduction Through Chronic Disease Management
- e-Learning for Healthier Workplace, Happier Employees
- Internal ISO 9001 (QMS) Auditor
- Can You Survive Transfer Pricing Audit Training
- FMM Webinar on Manage Scheduled Wastes in Compliance with Regulations
- Transformational Customer Service
- Employers! Know Your Legal Rights (Understanding Employment Act 1955 with Its Amendments)
- Training Needs Analysis Programme
- Predictive and Preventive Maintenance
- The Complete Amendment to Employment Act 1955
- New Amendments to Labour Law 2022
- Risk Management Briefing & Workshop
- Environmental, Social and Governance (ESG) Awareness Training



Environmental, Social and Governance (ESG) Awareness Training

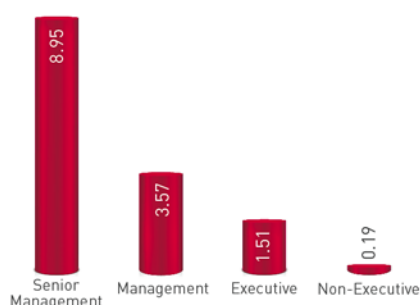


Transformational Customer Service Training



A total of approximately two hundred and eighty-three (283) training hours (excluding Anti-Bribery trainings and health and safety trainings) have been recorded for FY2022. As we transitioned from the pandemic phase into the endemic phase, training was conducted both virtually and physically.

**Average Training Hours by Employee Category in FY2022**



**Average Training Hours by Gender in FY2022**



**Total Training Hours by Employee Category in FY2022**



In addition to the training programmes mentioned above, LF Metal encourages employees to participate in educational programmes that are advantageous to them and the business. Such initiatives include providing education counselling to our employees by department heads as well as paid examination leave of up to five (5) days.

## EDUCATION REIMBURSEMENT PLAN

We offer our employees the opportunity to take part in educational programmes by partially or fully reimbursing our employees the examination registration fees, tuition fees, examination fees, and cost of study materials.



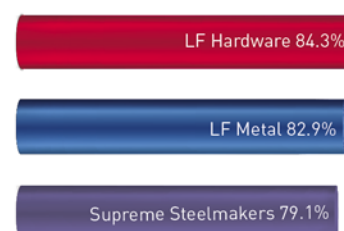
## Pioneering in Product Quality and Elevating Customer's Experience

The Group is continually striving to provide the greatest possible client experience through the quality of our products and services as well as our customer service. We engage and connect with our consumers on a regular basis in order to create and maintain positive relationships. We also perform customer satisfaction surveys on a yearly basis.

As a whole, LF Hardware recorded the highest customer satisfaction rating compared to the other two (2) subsidiaries. Conversely, Supreme Steelmakers recorded the lowest customer satisfaction with a difference of 5.2% compared to LF Hardware.

To ensure high customer satisfaction is maintained, we take note of complaints and recorded as many as sixteen (16), two hundred and eight (208) and six (6) complaints by LF Hardware, LF Metal and Supreme Steelmakers respectively for FY2022. Many of the complaints were filed due to common human errors and the need to meet the high expectations of customers, especially in terms of procurement products. We recorded these complaints through the Customer Return Note.

## Customer Satisfaction in FY2022



A robust customer complaint procedure was long established in Leon Fuat, and we have continued to implement it to ensure issues related to the client experience are resolved in a proper manner. The three (3) main subsidiaries adhere to this guide in accordance with ISO 9001:2015 (Quality Management Systems).

## SUSTAINABILITY REPORT



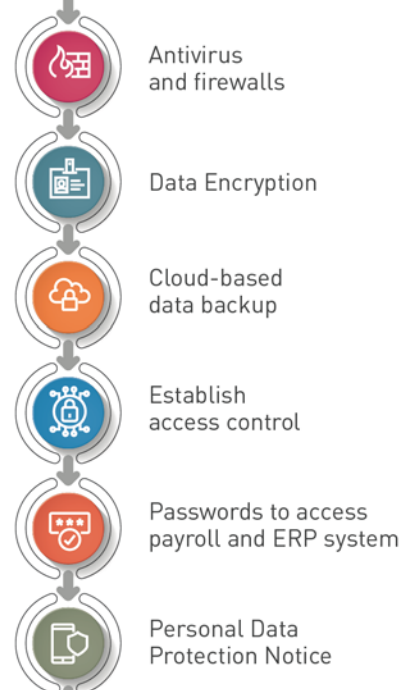
### SAFEGUARDING WITH DATA SECURITY

The integration of the “new normal” in internet communication and operations has been expedited. However, this growing trend towards remote working modes and the rapid use of digital technology have made businesses more vulnerable to cyber-attacks.

Financial and personal data generated, collected, and maintained by businesses is becoming an increasingly important asset for them. As a result, safeguarding such data from threats such as data breaches is crucial.

The Personal Data Protection Act of 2010 (“PDPA 2010”) regulates the acquisition, use, disclosure, and maintenance of personal data and serves as the legal framework for Leon Fuat’s business operations. In accordance with the PDPA 2010, we provide our employees and customers with a Personal Data Protection Notice detailing the reasons for processing personal data and any disclosure of such data.

We have previously implemented cyber security measures, which we continue to stringently maintain as part of our commitment to boosting cyber resilience.



### Engaging in Community Investments

In line with Leon Fuat's Corporate Values, we envision a larger society in which each individual may reach his or her full potential with dignity. This goal is made possible by the work of Leon Fuat's Corporate Social Responsibility team which collaborates to co-create revolutionary, efficient, and long-term solutions to development concerns.

As communities around us face the consequences of the COVID-19 outbreak, 2022 was also a challenging year. In all, we assisted four (4) non-profit organisations. With RM8,000 channelled towards community investments via donations, we aim to do better every year in giving aid and sharing happiness with the surrounding communities as well as our own employees.



### RM8,000 WORTH OF DONATIONS

- RM7,500 for charity.
- RM500 for staff aid during a fire.

## OUR ESG-DRIVEN PROGRESSION

As we move towards sustainability, Leon Fuat has gotten off to a strong start and is poised to attain new heights of success. In our governance for FY2022, we effectively maintained compliance and established an ethical culture. In addition, we took into account the social aspects of our workforce and offered numerous employee benefits, including training and development. In an effort to stimulate the local economy, we prioritised working with suppliers and provided financial assistance to less fortunate members of the community. Additionally, we have demonstrated our commitment to sustainable operations by installing solar panels in a number of our factories. Leon Fuat will continue to create value for our stakeholders while enhancing our ESG performance by leveraging our leadership skills, capabilities, and market position. In addition, we provide numerous training opportunities to help our employees advance their careers and fundamental skills. As we set our sights on attaining our ESG goals, Leon Fuat is optimistic about the future and will continue to work diligently and in the best interests of our Group, shareholders and stakeholders.





# SUSTAINABILITY REPORT

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# CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

This Statement provides an overview of the application of the principles of MCCG which should be read together with the Corporate Governance ("CG") Report that sets out details of the application of the corporate governance practices by the Group in the financial year ended 31 December 2022 ("FY2022"). The CG Report is available on the Company's website at [www.leonfuat.com.my](http://www.leonfuat.com.my).

## PRINCIPLE A: BOARD LEADERSHIP AND EFFECTIVENESS

### I. BOARD RESPONSIBILITIES

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

- (a) Adopting and reviewing the strategic plan of the Group;
- (b) Overseeing the conduct of the Group's business to evaluate whether the business is being properly managed and sustainable;
- (c) Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks;
- (d) Succession planning, including promotion, re-designation, appointing, training, fixing the remuneration of and where appropriate, replacing director and senior management personnel of the Group;
- (e) Developing and implementing an investor relations programme for the Group and proactive communication with shareholders at the general meetings of the Company; and
- (f) Reviewing the adequacy and integrity of the Group's internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines.

The Board delegates specific responsibilities and oversight functions to the Board Committees namely, the Audit Committee, Remuneration Committee and Nomination Committee, each operate within clearly defined terms of reference, to assist the Board in the execution and ensure proper discharge of its fiduciary duties and responsibilities.

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



## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

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

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

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

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

During the financial year, the Directors' Fit and Proper Policy has been established and adopted by the Board that sets out, amongst other, the fit and proper criteria to be considered for appointment and re-election of Directors of the Company and its subsidiaries pursuant to Paragraph 15.01A and 2.20A of the Listing Requirements. The Directors' Fit and Proper Policy is published on the Company's website.

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

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

To ensure compliance with the Listing Requirements, the Directors and Principal Officers of the Group would be advised and reminded every quarter of the closed periods for dealings in the securities of the Company based on the targeted date of announcements of the Group's interim financial results.

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

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

| Directors                          | Attendance |
|------------------------------------|------------|
| Dato' Lim Cheng Poh <sup>(1)</sup> | 5 out of 5 |
| Dato' Sri Ooi Bin Keong            | 6 out of 6 |
| Ooi Seng Khong                     | 6 out of 6 |
| Ooi Kong Tiong                     | 5 out of 6 |
| Ng Kok Teong                       | 6 out of 6 |
| Ooi Shang How                      | 6 out of 6 |
| Chan Kee Loin                      | 6 out of 6 |
| Tan Did Heng                       | 6 out of 6 |
| Tan Sack Sen                       | 6 out of 6 |

*Note:*

<sup>(1)</sup> Appointed on 6 January 2022.

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

| Name   | Date of Training  | Subject   |
|--|-------------------|---|
| Dato' Lim Cheng Poh<br>Dato' Sri Ooi Bin Keong<br>Ooi Seng Khong<br>Ooi Kong Tiong<br>Ng Kok Teong<br>Ooi Shang How<br>Chan Kee Loin<br>Tan Sack Sen | 20 December 2022  | Environmental, Social and Governance (ESG) Awareness Training |
| Tan Did Heng   | 21 & 22 June 2022 | Malaysian Tax Conference 2022                                 |
|  | 26 & 27 July 2022 | Updates and Overview:<br>2022 – Selected MFRS Standards       |
|  | 6 December 2022   | AOB Conversation with Audit Committees                        |
|  | 20 December 2022  | Environmental, Social and Governance (ESG) Awareness Training |

## II. BOARD COMPOSITION

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

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

Pursuant to the Listing Requirements mandating a listed issuer to have at least one (1) woman director on its board, the Board will look into sourcing a woman director having regard to amongst others, the requirements of the Board and Management and the selection criteria set out in the adopted Directors' Fit and Proper Policy.

The Board had through the Nomination Committee performed annual review of its size and composition and assessed the performance of the Board, Board Committees and individual Director facilitated by the Company Secretary. The Nomination Committee has also been tasked to carry out assessment of the independence of the Independent Directors annually, upon admission and when any new interest or relationship develops.

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

## NOMINATION COMMITTEE

### Composition of Nomination Committee

| Directors     | Positions   |
|---------------|---|
| Chan Kee Loin | Chairman, Senior Independent Non-Executive Director |
| Tan Did Heng  | Member, Independent Non-Executive Director          |
| Tan Sack Sen  | Member, Independent Non-Executive Director          |

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

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

### Activities of the Nomination Committee

During the FY2022, the Nomination Committee carried out the following activities in the discharge of its duties:

1. Reviewed and recommended to the Board the proposed appointment of Dato' Lim Cheng Poh as an Independent Non-Executive Director and Chairman of the Board, after due consideration of the selection criteria set out in the adopted Director Recruitment Policy and Procedure encompassing , the independence, experience, wide exposure, capability, leadership skills and insights of Dato' Lim which the Nomination Committee considered is suitable and qualified to fill the vacancy and assume the role as an Independent Non-Executive Chairman of the Board.
2. Reviewed the existing Board's structure, size and composition, as well as the effectiveness of the Board and Board Committees. The annual evaluation of the Board and Board Committee, and individual Director self and peer evaluation was conducted through the adopted evaluation questionnaires facilitated by the Company Secretary.

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

3. Reviewed the independence of the Independent Non-Executive Directors of the Company and noted that all the Independent Non-Executive Directors have satisfied the independence test under the Listing Requirements and free from management. The Nomination Committee and Board of Directors were satisfied that there were no issues of independence in the Board of the Company and the Independent Non-Executive Directors continues to demonstrate objective, independent view and judgement in board deliberations.
4. Reviewed the tenure of the Independent Non-Executive Directors of the Company and considered the applicable Practice 5.3 under the MCCG governing the tenure of independent directors. The Nomination Committee noted that three (3) Independent Directors have exceeded the term limit of 9 years and has recommended to the Board their retention as Independent Non-Executive Directors for approval by the shareholders of the Company through a two-tier voting process at the 2022 Annual General Meeting ("AGM") of the Company.
5. Reviewed the term of office and performance of the Audit Committee in accordance with the Listing Requirements and was satisfied that the Audit Committee and its members have carried out and discharged their duties and responsibilities in accordance with its Terms of Reference.
6. In accordance with the Constitution of the Company, one-third (1/3) of the Directors shall retire from office and subject themselves to re-election at least once every three (3) years. For the financial year under review, the Board, via the Nomination Committee has reviewed and determined the Directors retiring by rotation and has recommended their re-election subject to shareholders' approval at the 2022 AGM of the Company.
7. In accordance with the Constitution of the Company, the Board, based on the recommendation of the Nomination Committee has tabled the re-election of the new Director and Chairman of the Board during the financial year for shareholders' approval at the 2022 AGM of the Company.
8. Reviewed the training needs of the Directors and together with the Board ensures that all Directors continue to possess the required skills and knowledge and keep abreast with emerging trends and latest developments relevant to the Group and other regulatory developments to effectively discharge their duties.
9. Reviewed the activities carried out by the Nomination Committee for inclusion in the Annual Report.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## III. REMUNERATION

### Composition of Remuneration Committee

| Directors     | Positions   |
|---------------|---|
| Tan Sack Sen  | Chairman, Independent Non-Executive Director      |
| Chan Kee Loin | Member, Senior Independent Non-Executive Director |
| Tan Did Heng  | Member, Independent Non-Executive Director        |

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

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

The Remuneration Committee held four (4) meetings during the financial year. Details of the attendance records are as follows:

| Directors     | Attendance |
|---------------|------------|
| Tan Sack Sen  | 4 out of 4 |
| Chan Kee Loin | 4 out of 4 |
| Tan Did Heng  | 4 out of 4 |

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

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

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

### Activities of the Remuneration Committee

During the FY2022, the Remuneration Committee carried out the following activities to discharge its duties:

- Reviewed and determined the remuneration framework and packages of the Executive Directors of the Company, its subsidiaries and Key Management Personnel to ensure the remuneration packages offered to the Directors and Key Management Personnel is reasonable, appropriate and competitive in light of the Company's performance in order to attract, motivate and retain the individual towards the achievement of performance and business objective of the Group.
- Reviewed and determined the bonus entitlement of the Executive Directors of the Company and its subsidiaries measured against the achievement of pre-determined targets and performance of the Company and individual subsidiary companies for recommendation to the Board. In reviewing and determining the remuneration packages and compensation, the Remuneration Committee would be guided by the criteria stated in the adopted Remuneration Policy.
- Reviewed and recommended to the Board the Directors' fees and meeting allowances for the Non-Executive Directors of the Company for tabling to the shareholders for approval at the 2022 AGM of the Company.
- Reviewed, deliberated and recommended to the Board for approval the remuneration of the new Director and Chairman of the Board.
- Reviewed the activities carried out by the Remuneration Committee for inclusion in the Annual Report.
- Reviewed its Terms of Reference at least once annually to ensure its adequacy for current circumstances, the Company's policies and/or compliance with applicable rules and regulations.
- Reviewed the Remuneration Policy of Directors and Senior Management to ensure its adequacy and in line with the changes in regulations and/or best practices applicable to the Group. The Remuneration Policy will be reviewed periodically or when necessary and made available on the Company's website.

### Remuneration

Details of the remuneration paid to and/or provided for the Directors for the FY2022, categorised into appropriate component is as follows:

|                                 | Fees<br>RM       | Meeting<br>Allowance<br>RM | Salaries<br>RM   | Bonus<br>RM      | Other<br>Emoluments <sup>(1)</sup><br>RM | Total<br>RM      |
|---------------------------------|------------------|----------------------------|------------------|------------------|--|------------------|
| <b>Group</b>                    |                  |                            |                  |                  |  |                  |
| <b>Non-Executive Directors:</b> |                  |                            |                  |                  |  |                  |
| Dato' Lim Cheng Poh             | 90,000           | 5,000                      | -                | -                | -  | <b>95,000</b>    |
| Chan Kee Loin                   | 70,000           | 6,000                      | -                | -                | -  | <b>76,000</b>    |
| Tan Did Heng                    | 70,000           | 6,000                      | -                | -                | -  | <b>76,000</b>    |
| Tan Sack Sen                    | 70,000           | 6,000                      | -                | -                | -  | <b>76,000</b>    |
| <b>Executive Directors:</b>     |                  |                            |                  |                  |  |                  |
| Dato' Sri Ooi Bin Keong         | 220,000          | -                          | 720,000          | 540,000          | 181,700                                  | <b>1,661,700</b> |
| Ooi Seng Khong                  | 120,000          | -                          | 720,000          | 210,000          | 138,479                                  | <b>1,188,479</b> |
| Ooi Kong Tiong                  | 220,000          | -                          | 576,000          | 192,000          | 116,895                                  | <b>1,104,895</b> |
| Ng Kok Teong                    | 170,000          | -                          | 504,000          | 168,000          | 109,890                                  | <b>951,890</b>   |
| Ooi Shang How                   | 120,000          | -                          | 504,000          | 147,000          | 100,782                                  | <b>871,782</b>   |
| <b>Total</b>                    | <b>1,150,000</b> | <b>23,000</b>              | <b>3,024,000</b> | <b>1,257,000</b> | <b>647,746</b>                           | <b>6,101,746</b> |

## CORPORATE GOVERNANCE OVERVIEW STATEMENT

|                                 | Fees<br>RM     | Meeting<br>Allowance<br>RM | Salaries<br>RM | Bonus<br>RM | Other<br>Emoluments <sup>(1)</sup><br>RM | Total<br>RM    |
|---------------------------------|----------------|----------------------------|----------------|-------------|--|----------------|
| <b>Company</b>                  |                |                            |                |             |  |                |
| <b>Non-Executive Directors:</b> |                |                            |                |             |  |                |
| Dato' Lim Cheng Poh             | 90,000         | 5,000                      | -              | -           | -  | 95,000         |
| Chan Kee Loin                   | 70,000         | 6,000                      | -              | -           | -  | 76,000         |
| Tan Did Heng                    | 70,000         | 6,000                      | -              | -           | -  | 76,000         |
| Tan Sack Sen                    | 70,000         | 6,000                      | -              | -           | -  | 76,000         |
| <b>Executive Directors:</b>     |                |                            |                |             |  |                |
| Dato' Sri Ooi Bin Keong         | 70,000         | -                          | -              | -           | -  | 70,000         |
| Ooi Seng Khong                  | 70,000         | -                          | -              | -           | -  | 70,000         |
| Ooi Kong Tiong                  | 70,000         | -                          | -              | -           | -  | 70,000         |
| Ng Kok Teong                    | 70,000         | -                          | -              | -           | -  | 70,000         |
| Ooi Shang How                   | 70,000         | -                          | -              | -           | -  | 70,000         |
| <b>Total</b>                    | <b>650,000</b> | <b>23,000</b>              | <b>-</b>       | <b>-</b>    | <b>-</b>                                 | <b>673,000</b> |

Note:

<sup>(1)</sup> 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 and/or provided for the top five (5) Key Management Personnel including salary, bonus, directors' fees, benefits-in-kind and other emoluments for the FY2022, analysed into bands of RM50,000 is as follows:

| Remuneration band      | Number of Key Management Personnel |
|------------------------|------------------------------------|
| RM450,001 to RM500,000 | 1                                  |
| RM550,001 to RM600,000 | 1                                  |
| RM650,001 TO RM700,000 | 1                                  |
| RM700,001 to RM750,000 | 1                                  |
| RM900,001 to RM950,000 | 1                                  |

The names of Key Management Personnel and their remuneration components are not disclosed due to confidentiality and security concerns.

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

# CORPORATE GOVERNANCE OVERVIEW STATEMENT

## PRINCIPLE B: EFFECTIVE AUDIT AND RISK MANAGEMENT

### I. AUDIT COMMITTEE

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

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

### II. RISK MANAGEMENT AND INTERNAL CONTROL FRAMEWORK

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

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

The risk assessment approach are summarised as follows:

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

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

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

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

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

Written confirmation has been obtained from the External Auditors on their independence in accordance with the independence requirements of the By-Laws (On Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants as an integral part of the evaluation of the External Auditors. Confirmations have also been obtained from the External Auditors that their firm and relevant partner in-charge had duly registered with the Audit Oversight Board of the Securities Commission Malaysia.



# CORPORATE GOVERNANCE OVERVIEW STATEMENT

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

### I. COMMUNICATION WITH STAKEHOLDERS

- **Corporate Disclosure Policies and Procedures**

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

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

The Investors Relation Policy is published on the Company's website and the Board will regularly review the same and make any changes it deemed necessary or desirable to remain consistent with the Board's objectives and responsibilities.

- **Dissemination of Information**

The Company's website provides a platform where the public can access to the Company's information including its products and services, share prices, financial results, future plan and media releases as well as the Company's announcements made to Bursa Securities. All announcements made by the Company are uploaded to its website as soon as practicable after the same are released to Bursa Securities.

### II. CONDUCT OF GENERAL MEETING

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

The notice convening the 15th Annual General Meeting (AGM) of the Company held on 28 June 2022 was issued to the shareholders on 29 April 2022, more than 28 days before the said AGM in accordance with the MCGG and more than the requisite 21 days prescribed by the Companies Act 2016 and the Listing Requirements.

The notice convening the 15th AGM which sets out the business to be transacted at the AGM, was advertised in the newspaper giving shareholders sufficient time to prepare and/or to appoint proxy holder(s) to attend and vote for their behalf.

In line with paragraph 8.29A of the Listing Requirements, all the resolutions tabled for shareholders' approval at the 15th AGM were voted on by poll, and the Company has appointed a scrutineer to validate the poll results. The Company will explore the suitability of electronic voting and leverage on technology for its future general meetings.

All the Directors of the Company and Key Management Personnel attended the 15th AGM of the Company held on 28 June 2022.

This Statement was reviewed and approved by the Board on 10 April 2023.

## **DIRECTORS' RESPONSIBILITY STATEMENT**

### **IN PREPARING THE AUDITED FINANCIAL STATEMENTS**

The Board is responsible to ensure that the financial statements are properly drawn up in accordance with the provisions of the Companies Act 2016 and approved accounting standards in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at the financial year ended 31 December 2022 and of their financial performance and cash flows for the financial year then ended.

The Directors are satisfied that in preparing the financial statements of the Group for the financial year ended 31 December 2022, the Group has adopted suitable accounting policies and applied them consistently, prudently and reasonably. The Directors also consider that all applicable approved accounting standards have been followed in the preparation of the financial statements, subject to any material departures being disclosed and explained in the notes to the financial statements. The financial statements have been prepared on going concern basis.

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

# REPORT OF THE AUDIT COMMITTEE

## COMPOSITION OF THE AUDIT COMMITTEE

| Directors     | Positions   |
|---------------|---|
| Tan Did Heng  | Chairman, Independent Non-Executive Director      |
| Chan Kee Loin | Member, Senior Independent Non-Executive Director |
| Tan Sack Sen  | Member, Independent Non-Executive Director        |

## TERMS OF REFERENCE

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

## MEETINGS AND ATTENDANCE

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

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

## ACTIVITIES OF THE AUDIT COMMITTEE

During the financial year, the Audit Committee carried out the following activities in discharging its duties:

- i. Reviewed the unaudited quarterly financial results and audited financial statements of the Group, focusing on compliance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards, Companies Act 2016 and the Main Market Listing Requirements of Bursa Securities. The Audit Committee considered and enquired of, and discussed with Management the scope and adequacy of the reports prepared by the Management to facilitate the review of the financial results of the Group;
- ii. Reviewed and discussed with the External Auditors the following pertinent matters during the audit planning process and after the conduct of the audit of the financial statements of the Group:
  - Independence of the External Auditors;
  - Consideration of fraud;
  - Related party disclosures and procedures;
  - Risk assessment and audit approach;
  - Communication of key audit matters and matters for control improvements;
  - Accounting developments including the adoption of amendments/improvements to the MFRSs, new MFRSs and amendments/improvements to MFRSs that have been issued but yet to be effective; and
  - Proposed audit fees of the External Auditors.
- iii. Reviewed the nature and extent of non-audit services provided by the External Auditors to the Company;
- iv. Conducted private sessions with the External Auditors without the presence of Management on 25 February 2022 and 7 April 2022 and noted positive responses from the External Auditors during the course of the audit and the assistance provided by Management to the External Auditors;
- v. Conducted ongoing review and monitoring of the inventory reduction and rationalisation plan formulated by Management to optimise inventory levels and enhance the liquidity of the Group;

## REPORT OF THE AUDIT COMMITTEE

- vi. Reviewed the quarterly report issued by the Internal Auditors on the review of recurrent related party transactions (“RRPT”) entered by the Group to ensure that the RRPT are within the transaction limits and the control procedures are in accordance with the shareholders’ mandate;
- vii. Reviewed in respect of the circular to the shareholders for the proposed RRPT mandate the established guidelines and procedures and was of the view that the procedures are sufficient 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 to the detriment of the minority shareholders. The Audit Committee declared that they do not have any interests with respect to any RRPT with the Group;
- viii. Reviewed the Report issued by the Internal Auditors on the assessment of the adequacy of the corruption and bribery preventive measures implemented by Management;
- ix. Reviewed and overseen the risk management measures reported by the Risk Management Working Group (“RMWG”) during the quarterly Audit Committee meetings;
- x. Reviewed the internal audit reports presented by the Internal Auditors and sought clarifications from Management and the Internal Auditors on the issues highlighted;
- xi. Reviewed the updates presented by the Internal Auditors on the progress of risk assessment, the risk appetite and exposures (in terms of quantitative and qualitative) and the risk mitigation measures undertaken by the management of the key subsidiaries every quarter;
- xii. Conducted regular private sessions with the Internal Auditors without the presence of Management on 25 February 2022, 30 May 2022, 29 August 2022 and 28 November 2022 and noted the report from the Internal Auditors that there were no significant internal control deficiencies and lack of cooperation and assistance from the Management;
- xiii. Conducted annual evaluation of the performance of External Auditors, considering the competency of the audit team, independence, audit scope and planning, amongst others. The External Auditors have provided annual confirmation of their independence in accordance with relevant auditing standards and requirements. The Audit Committee was satisfied with the service and performance, and independence of the External Auditors and had recommended to the Board for approval the re-appointment of the External Auditors;
- xiv. Conducted annual evaluation of the performance, resources and competency of the Internal Auditors and satisfied with their effectiveness and performance;
- xv. Reviewed the Audit Committee Report and Statement on Risk Management and Internal Control for inclusion in the Annual Report of the Company; and
- xvi. Reviewed the Terms of Reference of the Audit Committee and the policy on the evaluation of the External and Internal Auditors to ensure that they are up-to-date.

### REVIEW OF AUDIT COMMITTEE

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



## REPORT OF THE AUDIT COMMITTEE

### INTERNAL AUDIT FUNCTION

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

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

The following are the activities carried out by the Internal Auditors during the financial year based on the approved internal audit plan:

- Reviewed and reported the progress of risk assessment, the risk appetite and exposures (in terms of quantitative and qualitative) and the risk mitigation measures undertaken by the management of the key subsidiaries every quarter;
- Evaluated and reported to the Audit Committee on the corruption and bribery preventive measures put in place in the Group;
- Evaluated the adequacy and effectiveness of management controls of the Inventory and Logistic function of LF Metal and the Human Resource functions of LF Hardware and Supreme Steelmakers and reported to the Audit Committee the conclusion of control status, overviews of management performances, audit findings, recommendations for improvement, management responses and targeted completion;
- Facilitated LF Hardware and Supreme Steelmakers in identifying and re-assessing the existing, new and emerging risks, the adequacy of the existing controls, and further actions for improvement;
- Conducted follow-up reviews to ascertain the progress of the Management's implementation of the agreed action plans highlighted in the internal audit reports and reported to the Audit Committee; and
- Conducted quarterly reviews on the RRPT entered by the Group to ensure that the transactions are within the estimated transaction limits and the control procedures followed were in accordance with the approved shareholder's mandate.

The cost incurred for the internal audit function in respect of the FY2022 was RM226,409.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

The Board of Directors of Leon Fuat Berhad is pleased to present the Statement on Risk Management and Internal Control ("Statement") for the financial year ended 31 December 2022 pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Securities.

This Statement is prepared in accordance with the disclosure requirements under the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers and the Malaysian Code on Corporate Governance.

## BOARD RESPONSIBILITIES

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

## RISK MANAGEMENT AND INTERNAL CONTROL

The risk management framework adopted by the Group is based on the general principles of the international risk management framework. The risk management framework consists of risk identification, impact assessment, profiling matrix, and risk mitigation plans.

At the management level, the senior management team from the operating subsidiaries formed the Risk Management Working Group ("RMWG"). RMWG is chaired by an Executive Director, and its members comprise managerial and senior staffs from each operating subsidiary.

The RMWG conducted four (4) meetings during the financial year on 10 February 2022, 10 May 2022, 10 August 2022 and 14 November 2022 to review and discuss the identified key risks and the effectiveness and adequacy of risk mitigation actions. The members of the Audit Committee and Internal Auditors were also invited to attend these meetings as observers and to share their views on the issues discussed.

Besides customer demands, the profitability of the Group depends on the prices of the steel products. Accordingly, the reversal in the steel prices during the financial year affected the financial performance of the Group. Such fluctuation in steel prices was due to the global factors such as volatility in the commodities and crude oil prices as well as significant fluctuation in exchange rate of foreign currencies against Ringgit Malaysia will also affect the Group's suppliers pricing and hence the profitability of the Group's steel products as some of the Group's merchandise and raw materials are sourced from overseas.

To counter this risk, the Group has taken the following measures:

- i. Negotiating forward contracts, where necessary;
- ii. Managing and optimising the inventory holdings prudently and working capital liquidity; and
- iii. Leveraging on large and diverse customer base of the Group to maintain sales.

With respect to the systems of internal control, the Group continues to enforce its lines of responsibility, reporting and approval authority under its management organisation structure and the standard operating procedures. These controls are reviewed by the Internal Auditors and strengthened by the Management to ensure its effectiveness.

# STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

## BOARD REVIEW

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

- The quarterly Board's review of the unaudited financial results and management reports comprising key financial data, significant financial and operational matters, and detailed analysis of the performance of the Group;
- The subsidiaries' financial performance review against the budget, and variances are highlighted and explained by the Chief Financial Officer to the Board. The Board ensures and closely follows up on business and operational issues and action plans designed and implemented by Management. The budget will be revised as appropriate when the business environment evolves;
- The Audit Committee's review of the audit findings reported by the External and Internal Auditors and seeks clarifications from and discuss with the Management on the recommended corrective or improvement actions, including the deadline for Management implementation thereof;
- The Audit Committee's review of the risk assessment report of the key subsidiaries, the new and emerging risks as well as the evaluation of the adequacy of the current controls to address the risks and the need for further actions; and
- The Audit Committee's review of the updates on the progress of risk assessment, the risk appetite and exposures (in terms of quantitative and qualitative) and the risk mitigation measures undertaken by the Management of the key subsidiaries every quarter.

## MANAGEMENT RESPONSIBILITIES AND ASSURANCE

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

The Board has received assurance from the Group Managing Director and Chief Financial Officer on 10 April 2023 that the Group's risk management and internal control systems are operating adequately and effectively for the financial year ended 31 December 2022 and up to 10 April 2023, being the date of this Statement.

## BOARD ASSURANCE AND LIMITATION

The Board recognises that the risk management and internal control systems 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 the 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.

This Statement was reviewed and approved by the Board on 10 April 2023.

## REVIEW BY EXTERNAL AUDITORS

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

Based on their review, the External Auditors have reported to the Board that nothing had come to their attention that causes them to believe that this Statement is not prepared, in all material respects, in accordance with the disclosures required by paragraphs 41 and 42 of the Statement on Risk Management and Internal Control: Guidelines for Directors of Listed Issuers to be set out, or is factually inaccurate.

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

# ADDITIONAL COMPLIANCE INFORMATION

## 1. UTILISATION OF PROCEEDS FROM CORPORATE PROPOSAL

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

As at 31 December 2022, the gross proceeds raised from the Private Placement amounting to RM26,350,000 has been fully utilised, with details as shown below:

| Purpose  | Proposed Utilisation <sup>(1)</sup> (RM'000) | Actual Utilisation (RM'000) | Deviation | Balance unutilised (RM'000) | Estimated timeframe for utilisation (from the completion date of the Private Placement) |
|--|--|-----------------------------|-----------|-----------------------------|---|
| Purchase of machineries for the new welded steel pipe manufacturing line | 26,195                                       | 26,195                      | -         | -                           | Within 24 months  |
| Expenses incurred for the Private Placement                              | 155  | 155                         | -         | -                           | Immediate   |
| <b>Total</b>   | <b>26,350</b>                                | <b>26,350</b>               | <b>-</b>  | <b>-</b>                    |   |

Note:

<sup>(1)</sup> The proposed utilisation of proceeds as disclosed above should be read in conjunction with the Company's announcement dated 13 April 2021.

## 2. AUDIT AND NON-AUDIT FEES

The amount of audit and non-audit fees paid and payable to the External Auditors for services rendered for the financial year ended 31 December 2022 are as follows:

|                | Group RM       | Company RM    |
|----------------|----------------|---------------|
| Audit fees     | 265,565        | 45,000        |
| Non-audit fees | 7,000          | 7,000         |
| <b>Total</b>   | <b>272,565</b> | <b>52,000</b> |

## 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 AGM of the Company held on 28 June 2022 are set out in Section 2.5 of the Circular to Shareholders dated 28 April 2023.



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# DIRECTORS' REPORT

The directors hereby submit their report together with the audited financial statements of the Group and of the Company for the financial year ended 31 December 2022.

## PRINCIPAL ACTIVITIES

The principal activities of the Company are investment holding and the provision of management services to its subsidiaries. The principal activities of the subsidiaries are disclosed in Note 11 to the financial statements.

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

## RESULTS

|   | Group<br>RM | Company<br>RM |
|---|-------------|---------------|
| Profit for the financial year, net of tax | 29,537,817  | 7,617,676     |
| Attributable to:                          |             |               |
| Owners of the Company                     | 29,619,039  | 7,617,676     |
| Non-controlling interests                 | (81,222)    | -             |
|   | 29,537,817  | 7,617,676     |

## DIVIDENDS

The amount of dividend declared and paid by the Company since the end of the previous financial year were as follows:

|   | RM        |
|---|-----------|
| Single-tier final dividend of 2.0 sen per ordinary share for the financial year ended 31 December 2021, paid on 5 August 2022 | 6,820,000 |

At the forthcoming Annual General Meeting, a single-tier final dividend of 1.5 sen per ordinary share amounting to RM5,115,000 in respect of the current financial year, based on the number of outstanding ordinary shares in issue as at 31 December 2022, will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2023.

## RESERVES AND PROVISIONS

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

## BAD AND DOUBTFUL DEBTS

Before the 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 had satisfied themselves that there were no known bad debts 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.

## DIRECTORS' REPORT (CONTINUED)

### CURRENT ASSETS

Before the financial statements of the Group and of the Company were prepared, the directors took reasonable steps to ensure that any current assets which were unlikely to be realised in the ordinary course of business including their values as shown in the accounting records of the Group and of the Company had been written down to an amount which they might be expected so to realise.

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

### VALUATION METHODS

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

### CONTINGENT AND OTHER LIABILITIES

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

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

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

### CHANGE OF CIRCUMSTANCES

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

### ITEMS OF MATERIAL AND UNUSUAL NATURE

In the opinion of the directors,

- (i) the results of the operations of the Group and of the Company for the financial year were not substantially affected by any item, transaction or event of a material and unusual nature; and
- (ii) no item, transaction or event of a material and unusual nature has arisen in the interval between the end of the financial year and the date of this report which is likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

### ISSUE OF SHARES AND DEBENTURES

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

## DIRECTORS' REPORT (CONTINUED)

### DIRECTORS

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

Dato' Lim Cheng Poh  
 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 this report are:

Ng Kok Wee  
 Ng Lam Keong  
 Ooi Pek Kuan  
 Ooi Shang Yao  
 Yoshiaki Imono  
 Teo Chee Hiong

### 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:

|  | At<br>1 January<br>2022 | Number of ordinary shares |      | At<br>31 December<br>2022 |
|--|-------------------------|---------------------------|------|---------------------------|
|  |                         | Bought                    | Sold |                           |
| <b>Shareholdings in the ultimate holding company</b> |                         |                           |      |                           |
| <b>- Leon Fuat Holdings Sdn. Bhd.</b>                |                         |                           |      |                           |
| <b><i>Direct interests</i></b>                       |                         |                           |      |                           |
| Dato' Sri Ooi Bin Keong                              | 1,900,000               | -                         | -    | 1,900,000                 |
| Ooi Kong Tiong                                       | 1,000,000               | -                         | -    | 1,000,000                 |
| Ooi Seng Khong                                       | 670,000                 | -                         | -    | 670,000                   |
| Ng Kok Teong   | 1,000,000               | -                         | -    | 1,000,000                 |
| Ooi Shang How  | 600,000                 | -                         | -    | 600,000                   |
| <b><i>Indirect interests</i></b>                     |                         |                           |      |                           |
| Ng Kok Teong <sup>(1)</sup>                          | 2,300,000               | -                         | -    | 2,300,000                 |



## DIRECTORS' REPORT (CONTINUED)

### DIRECTORS' INTERESTS (CONTINUED)

|  | At<br>1 January<br>2022 | Number of ordinary shares |         | At<br>31 December<br>2022 |
|--|-------------------------|---------------------------|---------|---------------------------|
|  |                         | Bought                    | Sold    |                           |
| <b>Shareholdings in the Company</b>        |                         |                           |         |                           |
| <b>Direct interests</b>                    |                         |                           |         |                           |
| Dato' Sri Ooi Bin Keong                    | 200,000                 | -                         | -       | 200,000                   |
| Ooi Kong Tiong                             | 200,000                 | -                         | -       | 200,000                   |
| Ng Kok Teong                               | 221,000                 | -                         | -       | 221,000                   |
| Ooi Shang How                              | 200,000                 | -                         | -       | 200,000                   |
| Chan Kee Loin                              | 100,000                 | -                         | -       | 100,000                   |
| Tan Sack Sen                               | 200                     | 29,800                    | (9,800) | 20,200                    |
| <b>Indirect interests</b>                  |                         |                           |         |                           |
| Dato' Lim Cheng Poh <sup>(2)</sup>         | 175,000                 | -                         | -       | 175,000                   |
| Dato' Sri Ooi Bin Keong <sup>(3) (4)</sup> | 219,715,000             | -                         | -       | 219,715,000               |
| Ng Kok Teong <sup>(3)</sup>                | 219,690,000             | -                         | -       | 219,690,000               |

<sup>(1)</sup> Shares held through a corporation in which the director has substantial financial interests.

<sup>(2)</sup> Disclosure of interest held by spouse pursuant to Section 59(11)(c) of the Companies Act 2016.

<sup>(3)</sup> 219,690,000 shares held through the ultimate holding company, Leon Fuat Holdings Sdn. Bhd..

<sup>(4)</sup> Disclosure of 25,000 shares held by children of the director who themselves are not directors of the Company pursuant to Section 59(11)(c) of the Companies Act 2016.

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

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

### DIRECTORS' BENEFITS

Since the end of the previous financial year, no director of the Company has received or become entitled to receive any benefit (other than benefits included in the aggregate amount of emoluments received or due and receivable, by the directors as shown below) by reason of a contract made by the Company or a related corporation with the director or with a firm of which the director is a member, or with a company in which the director has a substantial financial interest other than any deemed benefit which may arise from transactions as disclosed in Note 27 to the financial statements.

## DIRECTORS' REPORT (CONTINUED)

### DIRECTORS' BENEFITS (CONTINUED)

The directors' benefits of the Group and of the Company during the financial year were as follows:

|  | Group<br>RM      | Company<br>RM  |
|--|------------------|----------------|
| <b>Directors of the Company</b>                |                  |                |
| Executive directors:                           |                  |                |
| - Fees   | 850,000          | 350,000        |
| - Other emoluments                             | 4,285,090        | -              |
| - Defined contribution plan                    | 513,720          | -              |
| - Estimated monetary value of benefits-in-kind | 129,936          | -              |
|  | 5,778,746        | 350,000        |
| Non-executive directors:                       |                  |                |
| - Fees   | 300,000          | 300,000        |
| - Other emoluments                             | 23,000           | 23,000         |
|  | 323,000          | 323,000        |
| <b>Directors of Subsidiaries</b>               |                  |                |
| Executive directors:                           |                  |                |
| - Fees   | 200,000          | -              |
| - Other emoluments                             | 2,428,116        | -              |
| - Defined contribution plan                    | 286,641          | -              |
| - Estimated monetary value of benefits-in-kind | 70,274           | -              |
|  | 2,985,031        | -              |
| <b>Total directors' remuneration</b>           | <b>9,086,777</b> | <b>673,000</b> |

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

### INDEMNITY TO DIRECTORS AND OFFICERS

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

### SUBSIDIARIES

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

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

### INTERESTS IN HOLDING COMPANY AND OTHER RELATED CORPORATIONS

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

### 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.

## DIRECTORS' REPORT (CONTINUED)

### AUDITORS

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

The details of the auditors' remuneration of the Group and the Company during the financial year were RM265,565 and RM45,000 respectively.

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

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

**DATO' SRI OOI BIN KEONG**

Director

Date: 10 April 2023

**OOI SENG KHONG**

Director

# STATEMENTS OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

|  |      | Group         |               | Company     |             |
|--|------|---------------|---------------|-------------|-------------|
|  | Note | 2022<br>RM    | 2021<br>RM    | 2022<br>RM  | 2021<br>RM  |
| Revenue  | 4    | 1,025,117,767 | 886,581,622   | 10,076,346  | 15,378,844  |
| Cost of sales  | 5    | (933,858,119) | (664,921,928) | -           | -           |
| <b>Gross profit</b>  |      | 91,259,648    | 221,659,694   | 10,076,346  | 15,378,844  |
| Other income   |      | 2,681,219     | 5,113,811     | 13,687      | 354,483     |
| Distribution costs   |      | (12,432,398)  | (11,596,591)  | -           | -           |
| Administrative costs   |      | (24,575,157)  | (25,611,378)  | (2,130,666) | (2,644,898) |
| Net reversal/(addition) of impairment losses<br>on financial instruments |      | 445,530       | (2,095,968)   | -           | -           |
| Other costs  |      | (2,544,058)   | (714,112)     | (70,050)    | (39,064)    |
| <b>Profit from operations</b>  |      | 54,834,784    | 186,755,456   | 7,889,317   | 13,049,365  |
| Finance costs  |      | (17,920,368)  | (13,905,475)  | (180)       | -           |
| <b>Profit before tax</b>   | 6    | 36,914,416    | 172,849,981   | 7,889,137   | 13,049,365  |
| Tax expense  | 7    | (7,376,599)   | (36,869,037)  | (271,461)   | (319,892)   |
| <b>Profit for the financial year</b>                                     |      | 29,537,817    | 135,980,944   | 7,617,676   | 12,729,473  |
| <b>Other comprehensive income, net of tax</b>                            |      |               |               |             |             |
| <i>Item that may be reclassified subsequently<br/>to profit or loss</i>  |      |               |               |             |             |
| Exchange differences on translation<br>of a foreign operation            |      | 68,779        | 16,644        | -           | -           |
| <b>Total comprehensive income<br/>for the financial year</b>             |      | 29,606,596    | 135,997,588   | 7,617,676   | 12,729,473  |
| <b>Profit for the financial year attributable to:</b>                    |      |               |               |             |             |
| Owners of the Company  |      | 29,619,039    | 136,010,685   | 7,617,676   | 12,729,473  |
| Non-controlling interests  |      | (81,222)      | (29,741)      | -           | -           |
|  |      | 29,537,817    | 135,980,944   | 7,617,676   | 12,729,473  |
| <b>Total comprehensive income attributable to:</b>                       |      |               |               |             |             |
| Owners of the Company  |      | 29,687,818    | 136,027,329   | 7,617,676   | 12,729,473  |
| Non-controlling interests  |      | (81,222)      | (29,741)      | -           | -           |
|  |      | 29,606,596    | 135,997,588   | 7,617,676   | 12,729,473  |
| <b>Earnings per share (sen):</b>   |      |               |               |             |             |
| Basic/Diluted  | 8    | 8.69          | 41.17         |             |             |

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



# STATEMENTS OF FINANCIAL POSITION

AS AT 31 DECEMBER 2022

|   | Note | 2022<br>RM           | Group<br>2021<br>RM  | 2022<br>RM         | Company<br>2021<br>RM |
|---|------|----------------------|----------------------|--------------------|-----------------------|
| <b>ASSETS</b>                                       |      |                      |                      |                    |                       |
| <b>Non-current assets</b>                           |      |                      |                      |                    |                       |
| Property, plant and equipment                       | 9    | 272,373,100          | 245,021,966          | 6,384              | 10,104                |
| Capital work-in-progress                            | 10   | 69,294,497           | 33,866,748           | -                  | -                     |
| Investment in subsidiaries                          | 11   | -                    | -                    | 185,604,020        | 185,653,849           |
| <b>Total non-current assets</b>                     |      | <b>341,667,597</b>   | <b>278,888,714</b>   | <b>185,610,404</b> | <b>185,663,953</b>    |
| <b>Current assets</b>                               |      |                      |                      |                    |                       |
| Inventories   | 12   | 387,099,486          | 419,278,451          | -                  | -                     |
| Trade and other receivables                         | 13   | 263,344,424          | 284,856,184          | 7,500              | 7,500                 |
| Amount due from subsidiaries                        | 14   | -                    | -                    | 2,576,030          | 1,294,617             |
| Dividend receivables                                |      | -                    | -                    | 8,000,000          | 8,000,000             |
| Tax assets  |      | 8,397,818            | 147,005              | -                  | 136,104               |
| Deposits with licensed banks                        | 15   | 4,566,324            | 3,015,369            | -                  | -                     |
| Cash and bank balances                              | 16   | 34,987,150           | 42,636,808           | 1,617,111          | 1,918,843             |
| <b>Total current assets</b>                         |      | <b>698,395,202</b>   | <b>749,933,817</b>   | <b>12,200,641</b>  | <b>11,357,064</b>     |
| <b>TOTAL ASSETS</b>                                 |      | <b>1,040,062,799</b> | <b>1,028,822,531</b> | <b>197,811,045</b> | <b>197,021,017</b>    |
| <b>EQUITY AND LIABILITIES</b>                       |      |                      |                      |                    |                       |
| <b>Equity attributable to owners of the Company</b> |      |                      |                      |                    |                       |
| Share capital                                       | 17   | 186,422,515          | 186,422,515          | 186,422,515        | 186,422,515           |
| Reserves  | 18   | 371,265,701          | 348,397,883          | 10,451,027         | 9,653,351             |
|   |      | 557,688,216          | 534,820,398          | 196,873,542        | 196,075,866           |
| Non-controlling interests                           |      | 505,063              | 586,285              | -                  | -                     |
| <b>TOTAL EQUITY</b>                                 |      | <b>558,193,279</b>   | <b>535,406,683</b>   | <b>196,873,542</b> | <b>196,075,866</b>    |
| <b>Non-current liabilities</b>                      |      |                      |                      |                    |                       |
| Loans and borrowings                                | 19   | 82,100,579           | 69,257,743           | -                  | -                     |
| Deferred tax liabilities                            | 20   | 6,098,527            | 7,480,382            | -                  | -                     |
| <b>Total non-current liabilities</b>                |      | <b>88,199,106</b>    | <b>76,738,125</b>    | <b>-</b>           | <b>-</b>              |
| <b>Current liabilities</b>                          |      |                      |                      |                    |                       |
| Trade and other payables                            | 21   | 23,727,321           | 30,328,319           | 903,503            | 945,151               |
| Tax liabilities                                     |      | 971,703              | 14,704,242           | 34,000             | -                     |
| Loans and borrowings                                | 19   | 366,734,438          | 369,608,510          | -                  | -                     |
| Contract liabilities                                | 22   | 2,236,952            | 2,036,652            | -                  | -                     |
| <b>Total current liabilities</b>                    |      | <b>393,670,414</b>   | <b>416,677,723</b>   | <b>937,503</b>     | <b>945,151</b>        |
| <b>TOTAL LIABILITIES</b>                            |      | <b>481,869,520</b>   | <b>493,415,848</b>   | <b>937,503</b>     | <b>945,151</b>        |
| <b>TOTAL EQUITY AND LIABILITIES</b>                 |      | <b>1,040,062,799</b> | <b>1,028,822,531</b> | <b>197,811,045</b> | <b>197,021,017</b>    |

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

# STATEMENTS OF CHANGES IN EQUITY

FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

| ←----- Attributable to owners of the Company -----→      |       |                     |                      |                       |                           |                         |                 |                                 |                    |
|--|-------|---------------------|----------------------|-----------------------|---------------------------|-------------------------|-----------------|---------------------------------|--------------------|
| Group  | Note  | Share capital<br>RM | Merger deficit<br>RM | Capital reserve<br>RM | Translation reserve<br>RM | Retained earnings<br>RM | Sub-total<br>RM | Non-controlling interests<br>RM | Total equity<br>RM |
| <b>At 1 January 2022</b>                                 |       | 186,422,515         | (109,544,997)        | 923                   | 1,803                     | 457,940,154             | 534,820,398     | 586,285                         | 535,406,683        |
| <b>Total comprehensive income for the financial year</b> |       |                     |                      |                       |                           |                         |                 |                                 |                    |
| Profit/(Loss) for the financial year                     |       | -                   | -                    | -                     | -                         | 29,619,039              | 29,619,039      | (81,222)                        | 29,537,817         |
| Other comprehensive income for the financial year        |       | -                   | -                    | -                     | 68,779                    | -                       | 68,779          | -                               | 68,779             |
| <b>Total comprehensive income</b>                        |       | -                   | -                    | -                     | 68,779                    | 29,619,039              | 29,687,818      | (81,222)                        | 29,606,596         |
| <b>Transactions with owners</b>                          |       |                     |                      |                       |                           |                         |                 |                                 |                    |
| Realisation of merger deficit                            | 18(b) | -                   | 5,585,000            | -                     | -                         | (5,585,000)             | -               | -                               | -                  |
| Dividends  | 23    | -                   | -                    | -                     | -                         | (6,820,000)             | (6,820,000)     | -                               | (6,820,000)        |
| <b>Total transactions with owners</b>                    |       | -                   | 5,585,000            | -                     | -                         | (12,405,000)            | (6,820,000)     | -                               | (6,820,000)        |
| <b>At 31 December 2022</b>                               |       | 186,422,515         | (103,959,997)        | 923                   | 70,582                    | 475,154,193             | 557,688,216     | 505,063                         | 558,193,279        |

# STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

## STATEMENTS OF CHANGES IN EQUITY (CONTINUED)

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

| Company   | Note | Share capital<br>RM | Retained earnings<br>RM | Total equity<br>RM |
|---|------|---------------------|-------------------------|--------------------|
| <b>At 1 January 2021</b>  |      | 160,094,360         | 3,743,878               | 163,838,238        |
| Profit for the financial year, representing total comprehensive income for the financial year |      | -                   | 12,729,473              | 12,729,473         |
| <b>Transactions with owners</b>   |      |                     |                         |                    |
| Issuance of ordinary shares pursuant to private placement                                     | 17   | 26,350,000          | -                       | 26,350,000         |
| Transaction costs of share issue  | 17   | (21,845)            | -                       | (21,845)           |
| Dividends   | 23   | -                   | (6,820,000)             | (6,820,000)        |
| <b>Total transactions with owners</b>   |      | 26,328,155          | (6,820,000)             | 19,508,155         |
| <b>At 31 December 2021/1 January 2022</b>   |      | 186,422,515         | 9,653,351               | 196,075,866        |
| Profit for the financial year, representing total comprehensive income for the financial year |      | -                   | 7,617,676               | 7,617,676          |
| Dividends, representing total transaction with owners   | 23   | -                   | (6,820,000)             | (6,820,000)        |
| <b>At 31 December 2022</b>  |      | 186,422,515         | 10,451,027              | 196,873,542        |

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



# STATEMENTS OF CASH FLOWS

## FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

| Note   | Group        |               | Company     |              |
|--|--------------|---------------|-------------|--------------|
|  | 2022<br>RM   | 2021<br>RM    | 2022<br>RM  | 2021<br>RM   |
| <b>Cash flows from operating activities</b>                      |              |               |             |              |
| Profit before tax  | 36,914,416   | 172,849,981   | 7,889,137   | 13,049,365   |
| Adjustments for:   |              |               |             |              |
| Bad debts written off  | -            | 70,824        | -           | -            |
| Depreciation of property, plant and equipment                    | 16,948,922   | 15,027,037    | 3,720       | 3,640        |
| Dividend income  | -            | -             | (8,000,000) | (13,500,000) |
| Gain on disposal of plant and equipment                          | (768,929)    | -             | -           | -            |
| Impairment losses on:  |              |               |             |              |
| - trade receivables  | 494,162      | 2,160,169     | -           | -            |
| - investment in subsidiaries                                     | -            | -             | 13,601      | 9,560        |
| Interest expense   | 16,139,295   | 12,210,068    | -           | -            |
| Interest income  | (564,597)    | (1,299,188)   | (13,687)    | (312,642)    |
| Inventories written down   | 12,929,457   | 373,372       | -           | -            |
| Loss on winding up of a subsidiary                               | -            | -             | 8,623       | -            |
| Net gain on lease termination                                    | (135)        | (6,220)       | -           | -            |
| Net unrealised foreign exchange loss                             | 166,470      | 12,326        | -           | -            |
| Plant and equipment written off                                  | 353,663      | 14,226        | -           | -            |
| Rent concession income   | -            | (71,040)      | -           | -            |
| Reversal of impairment losses on:                                |              |               |             |              |
| - trade receivables  | (939,692)    | (64,201)      | -           | -            |
| - investment in a subsidiary                                     | -            | -             | -           | (51,401)     |
| Waiver of interest income  | 188,568      | -             | -           | -            |
| <b>Operating profit/(loss) before changes in working capital</b> | 81,861,600   | 201,277,354   | (98,606)    | (801,478)    |
| Inventories  | 17,998,653   | (169,292,243) | -           | -            |
| Trade and other receivables                                      | 14,355,452   | (70,269,247)  | (1,281,413) | (347,502)    |
| Trade and other payables   | (9,946,603)  | (20,893,811)  | (41,648)    | 63,312       |
| Contract liabilities   | 200,300      | (992,870)     | -           | -            |
| Net cash generated from/(used in) operation                      | 104,469,402  | (60,170,817)  | (1,421,667) | (1,085,668)  |
| Interest received  | 398,185      | 895,838       | 13,687      | 312,642      |
| Interest paid  | (15,866,968) | (13,165,081)  | -           | -            |
| Income tax paid  | (30,741,806) | (16,730,541)  | (101,357)   | (135,996)    |
| Net cash from/(used in) operating activities                     | 58,258,813   | (89,170,601)  | (1,509,337) | (909,022)    |

## STATEMENTS OF CASH FLOWS (CONTINUED)

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

|   |        | Group        |              | Company     |              |
|---|--------|--------------|--------------|-------------|--------------|
|   | Note   | 2022<br>RM   | 2021<br>RM   | 2022<br>RM  | 2021<br>RM   |
| <b>Cash flows from investing activities</b>                             |        |              |              |             |              |
| Additional investment in an existing subsidiary                         | 11     | -            | -            | -           | (26,500,000) |
| Capital distribution from a subsidiary                                  | 11     | -            | -            | 27,605      | -            |
| Capital work-in-progress paid   | (a)    | (33,861,874) | (15,637,674) | -           | -            |
| Changes in deposits pledged with licensed banks                         |        | (7,973)      | 7,588,433    | -           | -            |
| Deposits paid for acquisition of property, plant and equipment          |        | (3,871,103)  | (11,575,906) | -           | -            |
| Dividends received  |        | -            | -            | 8,000,000   | 5,500,000    |
| Proceeds from disposal of plant and equipment                           |        | 779,000      | -            | -           | -            |
| Purchase of property, plant and equipment                               | (b)    | (8,141,376)  | (38,702,493) | -           | (473)        |
| Net cash (used in)/from investing activities                            |        | (45,103,326) | (58,327,640) | 8,027,605   | (21,000,473) |
| <b>Cash flows from financing activities</b>                             |        |              |              |             |              |
| Dividends paid  | (d) 23 | (6,820,000)  | (6,820,000)  | (6,820,000) | (6,820,000)  |
| Drawdown of term loans  |        | 7,912,981    | 6,237,097    | -           | -            |
| Net drawdown of islamic financing                                       |        | 23,297,521   | 9,115,908    | -           | -            |
| Net proceeds from issuance of ordinary shares                           | 17     | -            | 26,328,155   | -           | 26,328,155   |
| Net (repayment)/drawdown of bankers' acceptances                        |        | (67,403,443) | 147,015,674  | -           | -            |
| Payment of hire purchase payables                                       |        | (4,073,419)  | (3,027,655)  | -           | -            |
| Payment of lease liabilities  |        | (1,817,028)  | (1,786,614)  | -           | -            |
| Repayment of term loans   |        | (10,526,384) | (3,162,974)  | -           | -            |
| Net cash (used in)/from financing activities                            |        | (59,429,772) | 173,899,591  | (6,820,000) | 19,508,155   |
| Net (decrease)/increase in cash and cash equivalents                    |        | (46,274,285) | 26,401,350   | (301,732)   | (2,401,340)  |
| <b>Cash and cash equivalents at the beginning of the financial year</b> |        | 40,136,845   | 13,680,603   | 1,918,843   | 4,320,183    |
| Effect of exchange rate changes on cash and cash equivalents            |        | (118,461)    | 54,892       | -           | -            |
| <b>Cash and cash equivalents at the end of the financial year</b>       | 24     | (6,255,901)  | 40,136,845   | 1,617,111   | 1,918,843    |

## STATEMENTS OF CASH FLOWS (CONTINUED)

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

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

|  | 2022<br>RM  | 2021<br>RM  |
|--|-------------|-------------|
| <b>Group</b>                                       |             |             |
| Additions in capital work-in-progress              | 48,956,768  | 20,030,763  |
| Less: Transferred from deposits paid in prior year | (8,401,510) | (3,007,287) |
| Less: Transferred from inventories                 | (1,250,855) | (9,710)     |
| Less: Financed by term loan                        | (2,808,258) | -           |
| Less: Contra against trade receivables             | (26,451)    | -           |
| Less: Owing to other payables                      | (2,607,820) | (1,376,092) |
| Cash payments on capital work-in-progress          | 33,861,874  | 15,637,674  |

#### (b) Purchase of property, plant and equipment:

|   | 2022<br>RM   | 2021<br>RM  |
|---|--------------|-------------|
| <b>Group</b>  |              |             |
| Purchase of property, plant and equipment                         | 31,140,777   | 56,620,680  |
| Less: Transferred from deposits paid and prepayment in prior year | (3,485,753)  | (469,800)   |
| Less: Transferred from inventories                                | -            | (9,369)     |
| Less: Financed by hire purchase arrangements                      | (3,366,000)  | (6,003,690) |
| Less: Financed by lease arrangements                              | (124,548)    | (3,373,997) |
| Less: Financed by term loans                                      | (16,000,000) | (8,000,000) |
| Less: Contra against trade receivables                            | (6,950)      | -           |
| Less: Owing to other payables                                     | (16,150)     | (61,331)    |
| Cash payments on purchase of property, plant and equipment        | 8,141,376    | 38,702,493  |
| <b>Company</b>  |              |             |
| Cash payments on purchase of office equipment                     | -            | 473         |

#### (c) Total cash outflows for leases

During the financial year, the Group had total cash outflows for leases amounting to RM2,562,453 (2021: RM2,577,720).

## STATEMENTS OF CASH FLOWS (CONTINUED)

### FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2022

(d) Reconciliation of liabilities arising from financing activities:

| Group                  | 1 January<br>2022<br>RM | Cash<br>flows<br>RM | ←----- Non-cash -----→<br>Acquisition<br>RM | Others<br>RM | 31 December<br>2022<br>RM |
|------------------------|-------------------------|---------------------|---|--------------|---------------------------|
| Bankers' acceptances   | 296,773,674             | (67,403,443)        | -   | -            | 229,370,231               |
| Hire purchase payables | 8,782,521               | (4,073,419)         | 3,366,000                                   | -            | 8,075,102                 |
| Islamic financing      | 52,989,873              | 23,297,521          | -   | -            | 76,287,394                |
| Lease liabilities      | 13,263,323              | (1,817,028)         | 124,548                                     | (6,340)      | 11,564,503                |
| Term loans             | 62,039,838              | (2,613,403)         | 18,808,258                                  | -            | 78,234,693                |
|                        | 433,849,229             | (52,609,772)        | 22,298,806                                  | (6,340)      | 403,531,923               |

| Group                  | 1 January<br>2021<br>RM | Cash<br>flows<br>RM | ←----- Non-cash -----→<br>Acquisition<br>RM | Others<br>RM | 31 December<br>2021<br>RM |
|------------------------|-------------------------|---------------------|---|--------------|---------------------------|
| Bankers' acceptances   | 149,758,000             | 147,015,674         | -   | -            | 296,773,674               |
| Hire purchase payables | 5,806,486               | (3,027,655)         | 6,003,690                                   | -            | 8,782,521                 |
| Islamic financing      | 43,873,965              | 9,115,908           | -   | -            | 52,989,873                |
| Lease liabilities      | 11,996,585              | (1,786,614)         | 3,373,997                                   | (320,645)    | 13,263,323                |
| Term loans             | 50,965,715              | 3,074,123           | 8,000,000                                   | -            | 62,039,838                |
|                        | 262,400,751             | 154,391,436         | 17,377,687                                  | (320,645)    | 433,849,229               |

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



# NOTES TO THE FINANCIAL STATEMENTS

## 1. CORPORATE INFORMATION

Leon Fuat Berhad ("the Company") is a public limited liability company, incorporated and domiciled in Malaysia and is listed on the Main Market of Bursa Malaysia Securities Berhad. The registered office of the Company is located at Lot 5, Level 10, Menara Great Eastern 2, No. 50, Jalan Ampang, 50450 Kuala Lumpur. The principal place of business of the Company is located at No. 11, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan.

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

The ultimate holding company is Leon Fuat Holdings Sdn. Bhd., a private limited liability company incorporated in Malaysia.

The financial statements were authorised for issue by the Board of Directors in accordance with a resolution of the directors on 10 April 2023.

## 2. BASIS OF PREPARATION

### 2.1 Statement of Compliance

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

### 2.2 Adoption of amendments/improvements to MFRSs

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

#### Amendments/Improvements to MFRSs

|          |  |
|----------|--|
| MFRS 1   | First-time Adoption of Malaysian Financial Reporting Standards |
| MFRS 3   | Business Combinations  |
| MFRS 9   | Financial Instruments  |
| MFRS 116 | Property, Plant and Equipment                                  |
| MFRS 137 | Provisions, Contingent Liabilities and Contingent Assets       |
| MFRS 141 | Agriculture  |

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. BASIS OF PREPARATION (CONTINUED)

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

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

|   |   | Effective for<br>financial periods<br>beginning on or<br>after |
|---|---|--|
| <u>New MFRS</u>                         |   |  |
| MFRS 17                                 | Insurance Contracts   | 1 January 2023   |
| <u>Amendments/Improvements to MFRSs</u> |   |  |
| MFRS 1                                  | First-time Adoption of Malaysian Financial Reporting Standards  | 1 January 2023 <sup>#</sup>                                    |
| MFRS 3                                  | Business Combinations   | 1 January 2023 <sup>#</sup>                                    |
| MFRS 5                                  | Non-current Assets Held for Sale and Discontinued Operations    | 1 January 2023 <sup>#</sup>                                    |
| MFRS 7                                  | Financial Instruments: Disclosures                              | 1 January 2023 <sup>#</sup>                                    |
| MFRS 9                                  | Financial Instruments   | 1 January 2023 <sup>#</sup>                                    |
| MFRS 10                                 | Consolidated Financial Statements                               | Deferred   |
| MFRS 15                                 | Revenue from Contracts with Customers                           | 1 January 2023 <sup>#</sup>                                    |
| MFRS 16                                 | Leases  | 1 January 2024   |
| MFRS 17                                 | Insurance Contracts   | 1 January 2023   |
| MFRS 101                                | Presentation of Financial Statements                            | 1 January 2023 <sup>#</sup> /<br>1 January 2024                |
| MFRS 107                                | Statements of Cash Flows  | 1 January 2023 <sup>#</sup>                                    |
| MFRS 108                                | Accounting Policies, Changes in Accounting Estimates and Errors | 1 January 2023   |
| MFRS 112                                | Income Taxes  | 1 January 2023   |
| MFRS 116                                | Property, Plant and Equipment                                   | 1 January 2023 <sup>#</sup>                                    |
| MFRS 119                                | Employee Benefits   | 1 January 2023 <sup>#</sup>                                    |
| MFRS 128                                | Investments in Associates and Joint Ventures                    | Deferred/ 1 January 2023 <sup>#</sup>                          |
| MFRS 132                                | Financial Instruments: Presentation                             | 1 January 2023 <sup>#</sup>                                    |
| MFRS 136                                | Impairment of Assets  | 1 January 2023 <sup>#</sup>                                    |
| MFRS 137                                | Provisions, Contingent Liabilities and Contingent Assets        | 1 January 2023 <sup>#</sup>                                    |
| MFRS 138                                | Intangible Assets   | 1 January 2023 <sup>#</sup>                                    |
| MFRS 140                                | Investment Property   | 1 January 2023 <sup>#</sup>                                    |

<sup>#</sup> Amendments as to the consequence of effective of MFRS 17 Insurance Contracts

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. BASIS OF PREPARATION (CONTINUED)

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

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

##### ***Amendments to MFRS 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 101 Presentation of Financial Statements***

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

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

The latest amendments to MFRS 101 clarify how conditions with which an entity must comply within 12 months after the reporting period affect the classification of a liability. As such, the amendments specify that covenants to be complied with after the reporting date do not affect the classification of debt as current or non-current at the reporting date. Instead, the amendments require an entity to disclose information about these covenants in the notes to the financial statements.

#### 2.4 Functional and presentation currency

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

#### 2.5 Basis of measurement

The financial statements of the Group and of the Company have been prepared on the historical cost basis except for those as disclosed in Note 3.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 2. BASIS OF PREPARATION (CONTINUED)

#### 2.6 Significant accounting judgements, estimates and assumptions

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

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

##### **Write-down of obsolete or slow-moving inventories**

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

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

### 3. SIGNIFICANT ACCOUNTING POLICIES

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

#### 3.1 Basis of consolidation

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

##### **(a) Subsidiaries and business combination**

Subsidiaries are entities (including structured entities) over which the Group is exposed, or has right, to variable returns from its involvement with the acquirees and has the ability to affect those returns through its power over the acquirees.

The financial statements of subsidiaries are included in the consolidated financial statements from the date the Group obtains control of the acquirees until the date the Group loses control of the acquirees.

The Group applies the acquisition method of accounting except for those business combinations which were accounted for using merger method of accounting.

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 subsidiaries are presented as if the business combination had been affected throughout the current and previous financial years. 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. On consolidation, the difference between cost of acquisition over the nominal value of share capital of the subsidiaries is taken to merger reserve or merger deficit.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.1 Basis of consolidation (continued)

##### (a) Subsidiaries and business combination (continued)

For new acquisition, goodwill is initially measured at cost, being the excess of the following:

- the fair value of the consideration transferred, calculated as the sum of the acquisition-date fair value of assets transferred (including contingent consideration), the liabilities incurred to former owners of the acquiree and the equity instruments issued by the Group. Any amounts that relate to pre-existing relationships or other arrangements before or during the negotiations for the business combination, that are not part of the exchange for the acquiree, will be excluded from the business combination accounting and be accounted for separately; plus
- the recognised amount of any 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 (the choice of measurement basis is made on an acquisition-by-acquisition basis); plus
- if the business combination is achieved in stages, the acquisition-date fair value of the previously held equity interest in the acquiree; less
- the net fair value of the identifiable assets acquired and the liabilities (including contingent liabilities) assumed at the acquisition date.

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

If the business combination is achieved in stages, the Group remeasures the previously held equity interest in the acquiree to its acquisition-date fair value, and recognises the resulting gain or loss, if any, in profit or loss. Amounts arising from interests in the acquiree prior to the acquisition date that have previously been recognised in other comprehensive income are reclassified to profit or loss or transferred directly to retained earnings on the same basis as would be required if the acquirer had disposed directly of the previously held equity interest.

If the initial accounting for a business combination is incomplete by the end of the reporting period in which the business combination occurs, the Group uses provisional fair value amounts for the items for which the accounting is incomplete. The provisional amounts are adjusted to reflect new information obtained about facts and circumstances that existed as of the acquisition date, including additional assets or liabilities identified in the measurement period. The measurement period for completion of the initial accounting ends as soon as the Group receives the information it was seeking about facts and circumstances or learns that more information is not obtainable, subject to the measurement period not exceeding one year from the acquisition date.

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 gain or loss 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.

Changes in the Group's ownership interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions. The difference between the Group's share of net assets before and after the change, and the fair value of the consideration received or paid, is recognised directly in equity.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.1 Basis of consolidation (continued)

##### (b) Non-controlling interest

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.

##### (c) Transactions eliminated on consolidation

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

#### 3.2 Separate financial statements

In the Company's statement of financial position, investment in subsidiaries is measured at cost less any accumulated impairment losses, unless the investment is classified as held for sale or distribution. The cost of investment includes transaction costs. The policy for the recognition and measurement of impairment losses shall be applied on the same basis as would be required for impairment of non-financial assets as disclosed in Note 3.14(b).

#### 3.3 Foreign currency transactions and operations

##### (a) Translation of foreign currency transactions

Foreign currency transactions are translated to the respective functional currencies of the Group entities using the exchange rates prevailing at the transaction dates.

At the end of each reporting date, monetary items denominated in foreign currencies are retranslated at the exchange rates prevailing at the reporting date.

Non-monetary items denominated in foreign currencies that are measured at fair value are retranslated at the rates prevailing at the dates the fair values were determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated at the historical rates as at the dates of the initial transactions.

Foreign exchange differences arising on settlement or retranslation of monetary items are recognised in profit or loss except for monetary items that are designated as hedging instruments in either a cash flow hedge or a hedge of the Group's net investment of a foreign operation. When settlement of a monetary item receivable from or payable to a foreign operation is neither planned nor likely to occur in the foreseeable future, exchange differences are recognised in profit or loss in the separate financial statements of the parent company or the individual financial statements of the foreign operation. In the consolidated financial statements, the exchange differences are considered to form part of a net investment in a foreign operation and are recognised initially in other comprehensive income until its disposal, at which time, the cumulative amount is reclassified to profit or loss.

The gain or loss arising on translation of non-monetary items measured at fair value is treated in line with the recognition of the gain or loss on the change in fair value of the item (i.e. translation differences on items whose fair value gain or loss is recognised in other comprehensive income or profit or loss are also recognised in other comprehensive income or profit or loss, respectively).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.3 Foreign currency transactions and operations (continued)

##### (b) Translation of foreign operations

The assets and liabilities of foreign operations denominated in the functional currency different from the presentation currency, including goodwill and fair value adjustments arising on acquisition, are translated into the presentation currency at exchange rates prevailing at the reporting date. The income and expenses of foreign operations are translated at exchange rates at the dates of the transactions.

Exchange differences arising on the translation are recognised in other comprehensive income. However, if the foreign operation is a non-wholly owned subsidiary, then the relevant proportionate share of the translation difference is allocated to the non-controlling interests.

When a foreign operation is disposed of such that control, significant influence or joint control is lost, the cumulative amount in foreign exchange translation reserves related to that foreign operation is reclassified to profit or loss. For a partial disposal not involving loss of control of a subsidiary that includes a foreign operation, the proportionate share of cumulative amount in foreign exchange translation reserve is reattributed to non-controlling interests. For partial disposals of associates or joint ventures that do not result in the Group losing significant influence or joint control, the proportionate share of the cumulative amount in foreign exchange translation reserve is reclassified to profit or loss.

#### 3.4 Revenue and other income

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

The Group measures revenue at its transaction price, being the amount of consideration to which the Group expects to be entitled in exchange for transferring promised good or services to a customer, excluding amounts collected on behalf of third parties, adjusted for the effects of any variable consideration, constraining estimates of variable consideration, significant financing components, non-cash consideration and consideration payable to customer. If the transaction price includes variable consideration, the Group uses 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 expects to better predict the amount of consideration to which it is entitled.

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

##### Financing components

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.4 Revenue and other income (continued)

##### (a) Sale of goods

Revenue from sale of goods is recognised when at a point in time when control of goods is transferred to the customer, recovery of the consideration is probable, the associated costs and possible return of goods can be estimated reliably, and there is no continuing management involvement with the goods.

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

Revenue from the sale of goods is measured at fair value of the consideration received or receivable, net of returns and allowances, trade discounts and volume rebates.

##### (b) Dividend income

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

##### (c) Interest income

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

##### (d) Rental income

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

##### (e) Management and corporate guarantee fees

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

#### 3.5 Employee benefits

##### (a) Short-term employee benefits

Short-term employee benefit obligations in respect of wages, salaries, social security contributions, annual bonuses, paid annual leave, sick leave and non-monetary benefits are recognised as an expense in the financial year where the employees have rendered their services to the Group and the Company.

##### (b) Defined contribution plans

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

#### 3.6 Borrowing costs

Borrowing costs are interests and other costs that the Group incurs in connection with borrowing of funds.

Borrowing costs that are not directly attributable to the acquisition, construction or production of a qualifying asset are recognised in profit or loss using the effective interest method.

Borrowing costs that are directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

The Group begins capitalising borrowing costs when the Group has incurred the expenditures for the asset, incurred related borrowing costs and undertaken activities that are necessary to prepare the asset for its intended use or sale.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.7 Tax expense

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

##### (a) Current income tax

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

##### (b) Deferred tax

Deferred tax is recognised using the liability method on temporary differences at the reporting date between the tax bases of assets and liabilities and their carrying amounts in the statements of financial position. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences, unused tax losses and unused tax credits, to the extent that it is probable that future taxable profit will be available against which the deductible temporary differences, unused tax losses and unused tax credits can be utilised.

Deferred tax is not recognised if the temporary differences arise from the initial recognition of assets and liabilities in a transaction which is not a business combination and that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investment in subsidiaries, except where the Group is able to control the reversal timing of the temporary differences and it is probable that the temporary differences will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow the benefit of part or all of that deferred tax asset to be utilised. 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 allow the deferred tax assets to be utilised.

Deferred tax is measured at the tax rates that are expected to apply in the period when the asset is realised or the liability is settled, based on tax rates and tax laws that have been enacted or substantively enacted at the reporting date.

Deferred tax relating to items recognised outside profit or loss is recognised outside profit or loss. Deferred tax items are recognised in correlation to the underlying transaction either in other comprehensive income or directly in equity.

Deferred tax assets and deferred tax liabilities are offset if there is a legally enforceable right to offset current tax assets against current tax liabilities and when they relate to income taxes levied by the same taxation authority on the same taxable entity, or on different tax entities, but they intend to settle their income tax recoverable and income tax payable on a net basis or their tax assets and liabilities will be realised simultaneously.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.7 Tax expense (continued)

##### (c) Sales and services tax

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

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

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

#### 3.8 Financial instruments

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

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

##### (a) Subsequent measurement

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

##### (i) Financial assets

For the purposes of subsequent measurement, financial assets are classified in two categories:

- Financial assets at amortised cost
- 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.8 Financial instruments (continued)

##### (a) Subsequent measurement (continued)

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

##### (i) Financial assets (continued)

###### 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 two 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 is in accordance with Note 3.14(a). Gains and losses are recognised in profit or loss when the financial asset is derecognised, modified or impaired.

- **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, 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.

##### (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 *Financial Instruments* are satisfied. The Group and the Company have not designated any financial liability as at fair value through profit or loss.

###### 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.8 Financial instruments (continued)

##### (b) 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 in accordance with the original or modified terms of a debt instrument.

Financial guarantee contracts are recognised initially as a liability at fair value, net of transaction costs that are directly attributable to the issuance of the guarantee. Subsequent to initial recognition, the liability is measured at the higher of the amount of the loss allowance determined in accordance with Section 5.5 of MFRS 9 and the amount initially recognised less, when appropriate, the cumulative amount of income recognised in accordance with the principles of MFRS 15.

##### (c) 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.

##### (d) 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.9 Property, plant and equipment

##### (a) Recognition and measurement

Property, plant and equipment are measured at cost less accumulated depreciation and any accumulated impairment losses. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.14(b).

Cost of assets, other than bearer plants, includes expenditures that are directly attributable to the acquisition of the asset and any other costs that are directly attributable to bringing the asset to working condition for its intended use, and the costs of dismantling and removing the items and restoring the site on which they are located. The cost of self-constructed assets also includes cost of materials, direct labour, and any other direct attributable costs but excludes internal profits. For qualifying assets, borrowing costs are capitalised in accordance with the accounting policy on borrowing costs in Note 3.6.

Purchased software that is integral to the functionality of the related equipment is capitalised as part of that equipment.

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

##### (b) Subsequent costs

The cost of replacing a part of an item of property, plant and equipment, other than bearer plants, is included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that the future economic benefits associated with the part will flow to the Group or the Company and its cost can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are charged to the profit or loss as incurred.

##### (c) Depreciation

Freehold land has an unlimited useful life and therefore is not depreciated. Assets under construction included in property, plant and equipment are not depreciated as these assets are not yet available for use.

Short-term leasehold land is depreciated over the lease term between 30 years and 43 years. Long-term leasehold land is depreciated over the lease term of approximately 96 years.

All other property, plant and equipment are depreciated on straight-line basis by allocating their depreciable amounts over their remaining useful lives. The principal depreciation rates are as follows:

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

The residual values, useful lives and depreciation methods are reviewed at the end of each reporting period and adjusted as appropriate.

##### (d) Derecognition

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising on derecognition of the asset is recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.10 Leases

##### (a) Definition of lease

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

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

##### (b) Lessee accounting

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

##### Right-of-use asset

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

The right-of-use asset is subsequently measured at cost less accumulated depreciation and any accumulated impairment losses, and adjust for any remeasurement of the lease liabilities. The right-of-use asset is depreciated using the straight-line method from the commencement date to the earlier of the end of the useful life of the right-of-use asset or the end of the lease term. If the Group expects to exercise a purchase option, the right-of-use asset is depreciated over the useful life of the underlying asset. The depreciation starts from the commencement date of the underlying asset. The policy for the recognition and measurement of impairment losses is in accordance with Note 3.14(b).

##### Lease liability

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.10 Leases (continued)

##### (b) Lessee accounting (continued)

###### Lease liability (continued)

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

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

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

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

###### Short-term leases and leases of low value assets

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

##### (c) Lessor accounting

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

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

#### 3.11 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.



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.12 Inventories

Inventories are measured at the lower of cost and net realisable value.

Costs incurred in bringing the inventories to their present location and condition are accounted for as follows:

- Trading goods: the actual costs of purchase and incidentals in bringing the inventories into store. These costs are assigned on a weighted average cost basis.
- Spare parts: purchase costs on first-in first-out basis.

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

#### 3.13 Cash and cash equivalents

For the purpose of the statements of cash flows, cash and cash equivalents comprise cash on hand, bank balances and deposits, that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. Cash and cash equivalents are presented net of bank overdrafts and pledged deposits with licensed banks.

#### 3.14 Impairment of assets

##### (a) Impairment of financial assets

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

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

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

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

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

The Group and the Company assume that the credit risk on a financial asset has increased significantly if it is more than 90 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 90 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.14 Impairment of assets (continued)

##### (a) Impairment of financial assets (continued)

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.

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

- significant financial difficulty of the issuer or the 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 impairment losses (or reversal) shall be recognised in profit or loss, as an impairment gain or loss.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.14 Impairment of assets (continued)

##### (b) Impairment of non-financial assets

The carrying amounts of non-financial assets except for inventories, are reviewed at the end of each reporting period to determine whether there is any indication of impairment. If any such indication exists, the Group and the Company make an estimate of the asset's recoverable amount.

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

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

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

Impairment losses are recognised in profit or loss.

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

#### 3.15 Share capital

##### Ordinary shares

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

#### 3.16 Contract liabilities

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

#### 3.17 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 ordinary shareholders 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 ordinary shareholders and the weighted average number of ordinary shares outstanding, for the effects of all dilutive potential ordinary shares.

#### 3.18 Operating segment

For management purposes, the Group is organised into operating segments based on its products and services which are independently managed by its respective segment managers responsible for the performance of the respective segments under their charge. The segment managers report directly to the Executive Directors and Chief Financial Officer of the Company who regularly review the segment results in order to allocate resources to the segments and to assess the segment performance. Additional disclosures on each of these segments are disclosed in Note 25, including the factors used to identify the reportable segments and the measurement basis of segment information.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 3. SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

#### 3.19 Fair value measurements

Fair value of an asset or a liability, except for 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    |            |
|--|---------------|-------------|------------|------------|
|  | 2022<br>RM    | 2021<br>RM  | 2022<br>RM | 2021<br>RM |
| <b>Revenue from contract customers</b>           |               |             |            |            |
| Sale of goods                                    | 1,025,117,767 | 886,581,622 | -          | -          |
| Management fees                                  | -             | -           | 565,179    | 549,402    |
| Corporate guarantee fees charged to subsidiaries | -             | -           | 1,511,167  | 1,329,442  |
|  | 1,025,117,767 | 886,581,622 | 2,076,346  | 1,878,844  |
| <b>Revenue from other sources</b>                |               |             |            |            |
| Dividend income from subsidiaries                | -             | -           | 8,000,000  | 13,500,000 |
|  | 1,025,117,767 | 886,581,622 | 10,076,346 | 15,378,844 |
| <b>Timing of revenue recognition</b>             |               |             |            |            |
| At a point in time                               | 1,025,117,767 | 886,581,622 | -          | -          |
| Over time  | -             | -           | 2,076,346  | 1,878,844  |

#### (a) Disaggregation of revenue

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

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

#### (b) Transaction price allocated to the remaining performance obligation

The Group and the Company applied the practical expedient in paragraph 121(a) of MFRS 15 and did not disclose information about remaining performance for contracts that have original expected duration of one year or less.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 5. COST OF SALES

|                       | 2022<br>RM  | Group<br>2021<br>RM |
|-----------------------|-------------|---------------------|
| Direct costs          | 906,332,016 | 640,670,059         |
| Other operating costs | 27,526,103  | 24,251,869          |
|                       | 933,858,119 | 664,921,928         |

### 6. PROFIT BEFORE TAX

Other than disclosed elsewhere in the financial statements, the following items have been charged/(credited) in arriving at profit before tax:

|   | Note     | 2022<br>RM | Group<br>2021<br>RM | 2022<br>RM | Company<br>2021<br>RM |
|---|----------|------------|---------------------|------------|-----------------------|
| Auditors' remuneration:                       |          |            |                     |            |                       |
| - statutory audit services:                   |          |            |                     |            |                       |
| - current year                                |          | 265,565    | 247,589             | 45,000     | 41,000                |
| - other services                              |          | 7,000      | 7,000               | 7,000      | 7,000                 |
| Bad debts written off                         |          | -          | 70,824              | -          | -                     |
| Depreciation of property, plant and equipment | 9        | 16,948,922 | 15,027,037          | 3,720      | 3,640                 |
| Employee benefits expenses                    | (a)      | 33,885,826 | 34,836,802          | 1,646,560  | 1,666,592             |
| Expenses relating to short-term leases:       |          |            |                     |            |                       |
| - premises                                    |          | 143,779    | 139,779             | -          | -                     |
| - motor vehicle                               |          | -          | 3,000               | -          | -                     |
| Impairment losses on:                         |          |            |                     |            |                       |
| - trade receivables                           | 28(b)(i) | 494,162    | 2,160,169           | -          | -                     |
| - investment in subsidiaries                  | 11       | -          | -                   | 13,601     | 9,560                 |
| Interest expenses in respect of:              |          |            |                     |            |                       |
| - bank overdrafts                             |          | 1,618,693  | 1,074,990           | -          | -                     |
| - bankers' acceptances                        |          | 8,276,226  | 6,665,164           | -          | -                     |
| - hire purchase                               |          | 342,096    | 248,994             | -          | -                     |
| - islamic financing                           |          | 2,383,924  | 1,442,422           | -          | -                     |
| - lease liabilities                           |          | 601,646    | 646,515             | -          | -                     |
| - term loans                                  |          | 2,916,710  | 2,131,983           | -          | -                     |
| Inventories written down                      |          | 12,929,457 | 373,372             | -          | -                     |
| Loss on winding up of a subsidiary            |          | -          | -                   | 8,623      | -                     |
| Net realised foreign exchange loss/(gain)     |          | 425,447    | (76,432)            | -          | -                     |
| Net unrealised foreign exchange loss          |          | 166,470    | 12,326              | -          | -                     |
| Plant and equipment written off               |          | 353,663    | 14,226              | -          | -                     |
| Waiver of interest income                     |          | 188,568    | -                   | -          | -                     |
| Gain on disposal of plant and equipment       |          | (768,929)  | -                   | -          | -                     |
| Interest income from:                         |          |            |                     |            |                       |
| - cash at banks                               |          | (178,531)  | (136,544)           | (13,687)   | (35,891)              |
| - deposits with licensed banks                |          | (20,742)   | (722,459)           | -          | (276,751)             |
| - trade receivables' overdue balances         |          | (365,324)  | (440,185)           | -          | -                     |
| Net gain on lease termination                 |          | (135)      | (6,220)             | -          | -                     |
| Rent concession income                        |          | -          | (71,040)            | -          | -                     |
| Rental income from premises                   |          | (430,612)  | (2,524,598)         | -          | -                     |
| Reversal of impairment losses on:             |          |            |                     |            |                       |
| - trade receivables                           | 28(b)(i) | (939,692)  | (64,201)            | -          | -                     |
| - investment in a subsidiary                  | 11       | -          | -                   | -          | (51,401)              |



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 6. PROFIT BEFORE TAX (CONTINUED)

#### (a) Employee benefits expenses

|                                       | Group      |            | Company    |            |
|---------------------------------------|------------|------------|------------|------------|
|                                       | 2022<br>RM | 2021<br>RM | 2022<br>RM | 2021<br>RM |
| Salaries and allowances               | 30,189,017 | 31,010,840 | 1,536,057  | 1,554,403  |
| Defined contribution plan             | 3,005,091  | 3,154,447  | 103,216    | 105,112    |
| Social security contributions         | 275,723    | 260,942    | 4,686      | 4,256      |
| Staff welfare                         | 415,995    | 410,573    | 2,601      | 2,821      |
|                                       | 33,885,826 | 34,836,802 | 1,646,560  | 1,666,592  |
| <b>Recognised in:</b>                 |            |            |            |            |
| Cost of sales                         | 11,516,114 | 11,063,679 | -          | -          |
| Distribution and administrative costs | 22,369,712 | 23,773,123 | 1,646,560  | 1,666,592  |
|                                       | 33,885,826 | 34,836,802 | 1,646,560  | 1,666,592  |

#### Directors' remuneration

Included in employee benefits expenses is the aggregate amount of remuneration received and receivable by the directors of the Company and its subsidiaries during the financial years ended 31 December 2022 and 31 December 2021 as follows:

|  | Group            |                   | Company        |                |
|--|------------------|-------------------|----------------|----------------|
|  | 2022<br>RM       | 2021<br>RM        | 2022<br>RM     | 2021<br>RM     |
| <b>Directors of the Company</b>                |                  |                   |                |                |
| Executive directors:                           |                  |                   |                |                |
| - Fees   | 850,000          | 850,000           | 350,000        | 350,000        |
| - Other emoluments                             | 4,285,090        | 5,295,956         | -              | -              |
| - Defined contribution plan                    | 513,720          | 635,040           | -              | -              |
| - Estimated monetary value of benefits-in-kind | 129,936          | 135,677           | -              | -              |
|  | 5,778,746        | 6,916,673         | 350,000        | 350,000        |
| Non-executive directors:                       |                  |                   |                |                |
| - Fees   | 300,000          | 300,000           | 300,000        | 300,000        |
| - Other emoluments                             | 23,000           | 24,000            | 23,000         | 24,000         |
|  | 323,000          | 324,000           | 323,000        | 324,000        |
| <b>Directors of subsidiaries</b>               |                  |                   |                |                |
| Executive directors:                           |                  |                   |                |                |
| - Fees   | 200,000          | 200,000           | -              | -              |
| - Other emoluments                             | 2,428,116        | 3,041,197         | -              | -              |
| - Defined contribution plan                    | 286,641          | 360,050           | -              | -              |
| - Estimated monetary value of benefits-in-kind | 70,274           | 61,480            | -              | -              |
|  | 2,985,031        | 3,662,727         | -              | -              |
| <b>Total directors' remuneration</b>           | <b>9,086,777</b> | <b>10,903,400</b> | <b>673,000</b> | <b>674,000</b> |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 7. TAX EXPENSE

The major components of tax expense for the financial years ended 31 December 2022 and 31 December 2021 are as follows:

|                           | Note | 2022<br>RM  | Group<br>2021<br>RM | 2022<br>RM | Company<br>2021<br>RM |
|---------------------------|------|-------------|---------------------|------------|-----------------------|
| <b>Current income tax</b> |      |             |                     |            |                       |
| - current year            |      | 9,070,517   | 37,222,890          | 274,000    | 319,000               |
| - prior years             |      | (312,063)   | (1,247,005)         | (2,539)    | 892                   |
|                           |      | 8,758,454   | 35,975,885          | 271,461    | 319,892               |
| <b>Deferred tax</b>       | 20   |             |                     |            |                       |
| - current year            |      | (1,559,754) | 956,934             | -          | -                     |
| - prior year              |      | 177,899     | (63,782)            | -          | -                     |
|                           |      | (1,381,855) | 893,152             | -          | -                     |
| <b>Tax expense</b>        |      | 7,376,599   | 36,869,037          | 271,461    | 319,892               |

Domestic income tax is calculated at Malaysian statutory income tax rate of 24% (2021: 24%) of the estimated assessable profit for the financial year.

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

|   | 2022<br>RM  | Group<br>2021<br>RM | 2022<br>RM  | Company<br>2021<br>RM |
|---|-------------|---------------------|-------------|-----------------------|
| Profit before tax   | 36,914,416  | 172,849,981         | 7,889,137   | 13,049,365            |
| Tax at Malaysian statutory income tax rate of 24% (2021: 24%)                   | 8,859,500   | 41,484,000          | 1,893,400   | 3,131,800             |
| Effect of different tax rate in a foreign jurisdiction                          | 5,766       | (2,433)             | -           | -                     |
| Tax effects of:   |             |                     |             |                       |
| - non-deductible expenses   | 1,575,703   | 1,346,497           | 310,528     | 424,810               |
| - non-taxable income  | (149,892)   | (220,866)           | (1,920,000) | (3,250,000)           |
| - double deduction expenses   | (53,298)    | (45,450)            | -           | -                     |
| Green investment tax allowance claimed  | (1,136,551) | -                   | -           | -                     |
| Reinvestment allowance claimed  | (1,706,844) | (4,407,194)         | -           | -                     |
| Utilisation of deferred tax assets previously not recognised:                   |             |                     |             |                       |
| - business losses   | -           | (1,617)             | -           | -                     |
| - other temporary differences   | (9,928)     | -                   | (9,928)     | -                     |
| Deferred tax assets not recognised on business losses and temporary differences | 126,307     | 26,887              | -           | 12,390                |
| (Over)/Under provision in prior years:  |             |                     |             |                       |
| - current income tax  | (312,063)   | (1,247,005)         | (2,539)     | 892                   |
| - deferred tax  | 177,899     | (63,782)            | -           | -                     |
| <b>Tax expense</b>  | 7,376,599   | 36,869,037          | 271,461     | 319,892               |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 8. EARNINGS PER SHARE

#### (a) Basic earnings per share

The basic earnings per share of the Group is calculated by dividing the Group's profit for the financial year attributable to owners of the Company of RM29,619,039 (2021: RM136,010,685) by the weighted average number of ordinary shares in issue during the financial year of 341,000,000 (2021: 330,383,562) 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 9. PROPERTY, PLANT AND EQUIPMENT

| Group<br>2022                                       | Freehold<br>land<br>RM | Buildings<br>RM | Furniture,<br>fittings and<br>electrical<br>fittings<br>RM | Office<br>equipment<br>and<br>renovation<br>RM | Forklift,<br>plant and<br>machinery<br>RM | Motor<br>vehicles<br>RM | Right-of-<br>use assets<br>RM | Total<br>RM |
|---|------------------------|-----------------|--|--|---|-------------------------|-------------------------------|-------------|
| <b>Cost</b>   |                        |                 |  |  |   |                         |                               |             |
| At 1 January 2022                                   | 51,083,310             | 101,400,141     | 3,830,718  | 7,404,328                                      | 133,447,850                               | 15,780,641              | 52,385,780                    | 365,332,768 |
| Additions   | -                      | -               | 64,022   | 476,016  | 4,332,692                                 | 4,877,841               | 21,390,206                    | 31,140,777  |
| Transfer from capital<br>work-in-progress (Note 10) | -                      | -               | -  | -  | 13,529,019                                | -                       | -                             | 13,529,019  |
| Disposals   | -                      | -               | -  | (33,499)                                       | (121,001)                                 | (3,774,129)             | -                             | (3,928,629) |
| Derecognition                                       | -                      | -               | -  | -  | -   | -                       | (118,114)                     | (118,114)   |
| Written off   | -                      | -               | -  | (84,729)                                       | (1,067,739)                               | (91,706)                | -                             | (1,244,174) |
| Exchange differences                                | -                      | -               | 220  | 2,841  | -   | -                       | -                             | 3,061       |
| At 31 December 2022                                 | 51,083,310             | 101,400,141     | 3,894,960  | 7,764,957                                      | 150,120,821                               | 16,792,647              | 73,657,872                    | 404,714,708 |
| <b>Accumulated depreciation</b>                     |                        |                 |  |  |   |                         |                               |             |
| At 1 January 2022                                   | -                      | 15,822,699      | 2,652,312  | 5,529,783                                      | 75,699,441                                | 14,124,897              | 6,481,670                     | 120,310,802 |
| Depreciation charge for the<br>financial year       | -                      | 2,344,359       | 245,522  | 602,255  | 10,046,045                                | 949,503                 | 2,761,238                     | 16,948,922  |
| Disposals   | -                      | -               | -  | (22,841)                                       | (120,997)                                 | (3,774,120)             | -                             | (3,917,958) |
| Derecognition                                       | -                      | -               | -  | -  | -   | -                       | (111,909)                     | (111,909)   |
| Written off   | -                      | -               | -  | (84,729)                                       | (714,077)                                 | (91,705)                | -                             | (890,511)   |
| Exchange differences                                | -                      | -               | 203  | 2,059  | -   | -                       | -                             | 2,262       |
| At 31 December 2022                                 | -                      | 18,167,058      | 2,898,037  | 6,026,527                                      | 84,910,412                                | 11,208,575              | 9,130,999                     | 132,341,608 |
| <b>Carrying amount</b>                              |                        |                 |  |  |   |                         |                               |             |
| At 31 December 2022                                 | 51,083,310             | 83,233,083      | 996,923  | 1,738,430                                      | 65,210,409                                | 5,584,072               | 64,526,873                    | 272,373,100 |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

| Group<br>2021                                 | Freehold<br>land<br>RM | Buildings<br>RM | Furniture,<br>fittings and<br>electrical<br>fittings<br>RM | Office<br>equipment<br>and<br>renovation<br>RM | Forklift,<br>plant and<br>machinery<br>RM | Motor<br>vehicles<br>RM | Right-of-<br>use assets<br>RM | Total<br>RM |
|---|------------------------|-----------------|--|--|---|-------------------------|-------------------------------|-------------|
| <b>Cost</b>                                   |                        |                 |  |  |   |                         |                               |             |
| At 31 December 2020                           |                        |                 |  |  |   |                         |                               |             |
| - As previously reported                      | 25,107,881             | 89,342,770      | 3,826,710  | 7,864,330                                      | 112,461,419                               | 13,754,568              | 63,233,175                    | 315,590,853 |
| Reclassification                              | -                      | -               | -  | -  | 10,156,070                                | 1,256,688               | (11,412,758)                  | -           |
| Restated balance at<br>1 January 2021         | 25,107,881             | 89,342,770      | 3,826,710  | 7,864,330                                      | 122,617,489                               | 15,011,256              | 51,820,417                    | 315,590,853 |
| Additions                                     | 25,975,429             | 12,057,371      | 3,955  | 256,686  | 14,183,857                                | 769,385                 | 3,373,997                     | 56,620,680  |
| Derecognition                                 | -                      | -               | -  | -  | -   | -                       | (2,808,634)                   | (2,808,634) |
| Written off                                   | -                      | -               | -  | (717,684)                                      | (3,353,496)                               | -                       | -                             | (4,071,180) |
| Exchange differences                          | -                      | -               | 53   | 996  | -   | -                       | -                             | 1,049       |
| At 31 December 2021                           | 51,083,310             | 101,400,141     | 3,830,718  | 7,404,328                                      | 133,447,850                               | 15,780,641              | 52,385,780                    | 365,332,768 |
| <b>Accumulated depreciation</b>               |                        |                 |  |  |   |                         |                               |             |
| At 31 December 2020                           |                        |                 |  |  |   |                         |                               |             |
| - As previously reported                      | -                      | 13,639,105      | 2,405,745  | 5,671,451                                      | 68,600,570                                | 12,880,430              | 8,707,768                     | 111,905,069 |
| Reclassification                              | -                      | -               | -  | -  | 2,150,945                                 | 172,438                 | (2,323,383)                   | -           |
| Restated balance at<br>1 January 2021         | -                      | 13,639,105      | 2,405,745  | 5,671,451                                      | 70,751,515                                | 13,052,868              | 6,384,385                     | 111,905,069 |
| Depreciation charge for the<br>financial year | -                      | 2,183,594       | 246,519  | 574,881  | 8,287,480                                 | 1,072,029               | 2,662,534                     | 15,027,037  |
| Derecognition                                 | -                      | -               | -  | -  | -   | -                       | (2,565,249)                   | (2,565,249) |
| Written off                                   | -                      | -               | -  | (717,400)                                      | (3,339,554)                               | -                       | -                             | (4,056,954) |
| Exchange differences                          | -                      | -               | 48   | 851  | -   | -                       | -                             | 899         |
| At 31 December 2021                           | -                      | 15,822,699      | 2,652,312  | 5,529,783                                      | 75,699,441                                | 14,124,897              | 6,481,670                     | 120,310,802 |
| <b>Carrying amount</b>                        |                        |                 |  |  |   |                         |                               |             |
| At 1 January 2021 (Restated)                  | 25,107,881             | 75,703,665      | 1,420,965  | 2,192,879                                      | 51,865,974                                | 1,958,388               | 45,436,032                    | 203,685,784 |
| At 31 December 2021                           | 51,083,310             | 85,577,442      | 1,178,406  | 1,874,545                                      | 57,748,409                                | 1,655,744               | 45,904,110                    | 245,021,966 |

Included in buildings of the Group are warehouse buildings of a subsidiary with carrying amount of RM13,858,774 (2021: RM14,497,435) which are erected on a land leased from a third party landlord which has a remaining lease term of approximately 22 years (2021: 23 years).

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

|                                 | Company    |            |
|---------------------------------|------------|------------|
|                                 | 2022<br>RM | 2021<br>RM |
| <b>Office equipment</b>         |            |            |
| <b>Cost</b>                     |            |            |
| At 1 January                    | 18,605     | 18,132     |
| Additions                       | -          | 473        |
| At 31 December                  | 18,605     | 18,605     |
| <b>Accumulated depreciation</b> |            |            |
| At 1 January                    | 8,501      | 4,861      |
| Charge for the financial year   | 3,720      | 3,640      |
| At 31 December                  | 12,221     | 8,501      |
| <b>Carrying amount</b>          |            |            |
| At 31 December                  | 6,384      | 10,104     |

## (a) Assets pledged as security

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

|                     | Group       |             |
|---------------------|-------------|-------------|
|                     | 2022<br>RM  | 2021<br>RM  |
| Freehold land       | 35,401,710  | 35,401,710  |
| Buildings           | 57,435,855  | 58,856,251  |
| Plant and machinery | 17,821,201  | 20,644,995  |
|                     | 110,658,766 | 114,902,956 |

## (b) Assets under hire purchase

The carrying amount of plant and equipment held under hire purchase arrangements are as follows:

|                     | Group      |            |
|---------------------|------------|------------|
|                     | 2022<br>RM | 2021<br>RM |
| Motor vehicles      | 4,075,076  | 581,548    |
| Plant and machinery | 9,143,051  | 12,674,306 |
|                     | 13,218,127 | 13,255,854 |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### (c) Asset subject to operating leases

The Group leases certain of its warehouse buildings to third parties.

During the financial year, the Group had entered into a lease contract with a new tenant to lease part of the warehouse space. The lease contains an initial non-cancellable period of 2 years with an option to renew for subsequent 1 year. Subsequent renewal is subject to negotiation with the lessee.

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

|  | <b>Buildings<br/>(own use)<br/>RM</b> | <b>Building<br/>(subject to<br/>operating<br/>lease)<br/>RM</b> | <b>Total<br/>RM</b> |
|--|---------------------------------------|---|---------------------|
| <b>Group Cost</b>                          |                                       |   |                     |
| At 1 January 2021                          | 72,044,464                            | 17,298,306  | 89,342,770          |
| Addition                                   | 12,057,371                            | -   | 12,057,371          |
| Reclassification                           | 11,548,068                            | (11,548,068)  | -                   |
| At 31 December 2021                        | 95,649,903                            | 5,750,238   | 101,400,141         |
| Reclassification                           | (11,548,068)                          | 11,548,068  | -                   |
| At 31 December 2022                        | 84,101,835                            | 17,298,306  | 101,400,141         |
| <b>Accumulated depreciation</b>            |                                       |   |                     |
| At 1 January 2021                          | 11,476,895                            | 2,162,210   | 13,639,105          |
| Depreciation charge for the financial year | 1,544,933                             | 638,661   | 2,183,594           |
| Reclassification                           | 2,355,763                             | (2,355,763)   | -                   |
| At 31 December 2021                        | 15,377,591                            | 445,108   | 15,822,699          |
| Depreciation charge for the financial year | 1,705,698                             | 638,661   | 2,344,359           |
| Reclassification                           | (2,355,763)                           | 2,355,763   | -                   |
| At 31 December 2022                        | 14,727,526                            | 3,439,532   | 18,167,058          |
| <b>Carrying amount</b>                     |                                       |   |                     |
| At 31 December 2021                        | 80,272,312                            | 5,305,130   | 85,577,442          |
| At 31 December 2022                        | 69,374,309                            | 13,858,774  | 83,233,083          |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 9. PROPERTY, PLANT AND EQUIPMENT (CONTINUED)

#### (d) Right-of-use assets

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

|                        | Leasehold<br>land<br>RM | Buildings<br>RM | Plant and<br>machinery<br>RM | Motor<br>vehicles<br>RM | Total<br>RM |
|------------------------|-------------------------|-----------------|------------------------------|-------------------------|-------------|
| <b>Group</b>           |                         |                 |                              |                         |             |
| <b>Carrying amount</b> |                         |                 |                              |                         |             |
| At 31 December 2020    |                         |                 |                              |                         |             |
| - As previously stated | 44,145,827              | 1,233,822       | 8,005,125                    | 1,140,633               | 54,525,407  |
| Reclassification       | -                       | -               | (8,005,125)                  | (1,084,250)             | (9,089,375) |
| Restated balance at    |                         |                 |                              |                         |             |
| 1 January 2021         | 44,145,827              | 1,233,822       | -                            | 56,383                  | 45,436,032  |
| Additions              | -                       | 3,341,348       | 32,649                       | -                       | 3,373,997   |
| Depreciation           | (834,092)               | (1,804,298)     | (816)                        | (23,328)                | (2,662,534) |
| Derecognition *        | -                       | (243,385)       | -                            | -                       | (243,385)   |
| At 31 December 2021    | 43,311,735              | 2,527,487       | 31,833                       | 33,055                  | 45,904,110  |
| Additions              | 21,265,658              | 124,548         | -                            | -                       | 21,390,206  |
| Depreciation           | (1,037,723)             | (1,696,922)     | (3,265)                      | (23,328)                | (2,761,238) |
| Derecognition *        | -                       | (6,205)         | -                            | -                       | (6,205)     |
| At 31 December 2022    | 63,539,670              | 948,908         | 28,568                       | 9,727                   | 64,526,873  |

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

#### (i) Lease term

The Group leases land and buildings for its office space, operation site and staff accommodation. The leases generally have lease term between 2 years and approximately 96 years (2021: 2 years and 95 years).

Plant and machinery and motor vehicles have lease term between 2 years and 4 years (2021: 2 years and 4 years).

The remaining lease terms of the leasehold land are approximately between 22 years and 95 years (2021: 23 years and 89 years).

#### (ii) Asset pledged as security

The leasehold land with a carrying amount of RM55,664,672 (2021: RM35,073,269) has been pledged as security to secure loans and borrowings granted to certain subsidiaries as disclosed in Note 19.

#### (iii) Extension and termination options

Included in the lease contracts of a subsidiary is a lease for an industrial land which has a 30 years extension period upon the expiry of the current lease tenure in 2044 ("the lease extension"). As at the reporting date, the Group is still in the midst of assessing the lease extension. As the rental payments for the lease extension period are subject to discretion of the lessor, the subsidiary is unable to reliably estimate the future cash outflow pertaining to the lease extension period.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 10. CAPITAL WORK-IN-PROGRESS

|   | Note | 2022<br>RM   | Group<br>2021<br>RM |
|---|------|--------------|---------------------|
| At 1 January                              |      | 33,866,748   | 13,835,985          |
| Additions                                 |      | 48,956,768   | 20,030,763          |
| Transfer to property, plant and equipment | 9    | (13,529,019) | -                   |
| At 31 December                            |      | 69,294,497   | 33,866,748          |

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

Included in construction of factory and warehouse buildings is an amount of RM33,682,473 (2021: RM18,684,452) pledged as security to secure certain loans and borrowings of a subsidiary as disclosed in Note 19.

Borrowing costs capitalised in relation to capital work-in-progress during the financial year amounts to RM510,549 (2021: RM68,514).

### 11. INVESTMENT IN SUBSIDIARIES

|  | Note | 2022<br>RM  | Company<br>2021<br>RM |
|--|------|-------------|-----------------------|
| <b>Unquoted shares, at cost</b>        |      |             |                       |
| At 1 January                           |      | 188,756,997 | 162,256,997           |
| Addition                               | (a)  | -           | 26,500,000            |
| Capital distribution from a subsidiary |      | (27,605)    | -                     |
| Winding up of a subsidiary             |      | (2,157,395) | -                     |
| At 31 December                         |      | 186,571,997 | 188,756,997           |
| <b>Accumulated impairment losses</b>   |      |             |                       |
| At 1 January                           |      | 3,103,148   | 3,144,989             |
| Additions                              | 6    | 13,601      | 9,560                 |
| Reversal                               | 6    | -           | (51,401)              |
| Winding up of a subsidiary             |      | (2,148,772) | -                     |
| At 31 December                         |      | 967,977     | 3,103,148             |
| <b>Carrying amount</b>                 |      |             |                       |
| At 31 December                         |      | 185,604,020 | 185,653,849           |

#### (a) Capital injection in a subsidiary

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 11. INVESTMENT IN SUBSIDIARIES (CONTINUED)

The details of subsidiaries are as follows:

|   | Principal place<br>of business/<br>country of<br>incorporation |  | Effective ownership interest/<br>voting rights |                        |
|---|--|--|--|------------------------|
| Name of company   |  | Principal activities   | 2022   | 2021                   |
| Direct subsidiaries                                     |  |  |  |                        |
| Leon Fuat Hardware Sdn. Bhd.                            | Malaysia   | Trading and processing of<br>steel products  | 100%   | 100%                   |
| Leon Fuat Metal Sdn. Bhd.                               | Malaysia   | Trading, processing and/or<br>manufacturing of steel and<br>other related products | 100%   | 100%                   |
| Supreme Steelmakers Sdn. Bhd.                           | Malaysia   | Trading and processing of<br>stainless steel and other<br>steel products           | 100%   | 100%                   |
| ASA Steel (M) Sdn. Bhd.#                                | Malaysia   | Dissolved  | -  | 100%                   |
| Overum Wear Parts (Far East)<br>Pte. Ltd.*              | Republic of<br>Singapore                                       | Trading and processing of<br>steel products  | 100%   | 100%                   |
| Indirect subsidiaries through Leon Fuat Metal Sdn. Bhd. |  |  |  |                        |
| Leon Fuat Industrial Products<br>Sdn. Bhd.              | Malaysia   | Manufacturing, trading and<br>processing of steel products                         | 100%   | 100%                   |
| PCM Steel Processing Sdn. Bhd.                          | Malaysia   | Slitting and processing metal<br>coil and sheets                                   | 87%<br>(Approximately)                         | 87%<br>(Approximately) |

<sup>#</sup> ASA Steel (M) Sdn. Bhd. was dissolved after the expiration of three months from the date of lodgement of the Return by Liquidator relating to Final Meeting with the Companies Commission of Malaysia and with the Official Receiver on 1 March 2022, pursuant to Section 459(5) of the Companies Act 2016.

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

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

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 12. INVENTORIES

|                                | 2022<br>RM  | Group<br>2021<br>RM |
|--------------------------------|-------------|---------------------|
| <b>At cost</b>                 |             |                     |
| Trading inventories            | 281,271,831 | 410,862,352         |
| Goods-in-transit               | 4,011,873   | 6,626,330           |
| Spare parts                    | 327,713     | 460,422             |
|                                | 285,611,417 | 417,949,104         |
| <b>At net realisable value</b> |             |                     |
| Trading inventories            | 101,488,069 | 1,329,347           |
|                                | 387,099,486 | 419,278,451         |

- (a) During the financial year, the cost of inventories recognised as an expense in cost of sales of the Group is RM906,332,016 (2021: RM640,670,059).
- (b) The cost of inventories of the Group recognised as an expense in cost of sales during the financial year in respect of write-down of inventories to net realisable value is RM12,929,457 (2021: RM373,372).

### 13. TRADE AND OTHER RECEIVABLES

|  | Note     | 2022<br>RM  | Group<br>2021<br>RM | Company<br>2022<br>RM | 2021<br>RM |
|--|----------|-------------|---------------------|-----------------------|------------|
| <b>Trade receivables</b>                       |          |             |                     |                       |            |
| External parties                               | (a)      | 252,407,746 | 262,535,152         | -                     | -          |
| Related party                                  | (b)      | 399,009     | 405,023             | -                     | -          |
| Fellow subsidiary                              | (b)      | -           | 271                 | -                     | -          |
|  |          | 252,806,755 | 262,940,446         | -                     | -          |
| Less: Impairment losses<br>on external parties | 28(b)(i) | (2,836,236) | (3,319,798)         | -                     | -          |
| <b>Total trade receivables</b>                 |          | 249,970,519 | 259,620,648         | -                     | -          |
| <b>Other receivables</b>                       |          |             |                     |                       |            |
| Other receivables                              |          | 402,216     | 26,866              | -                     | -          |
| Advances to suppliers                          | (c)      | 2,982,693   | 8,620,358           | -                     | -          |
| GST refundable                                 |          | -           | 11,727              | -                     | -          |
| Deposits                                       | (d)      | 5,339,581   | 12,494,807          | 4,500                 | 4,500      |
| Prepayments                                    |          | 4,649,415   | 4,081,778           | 3,000                 | 3,000      |
| <b>Total other receivables</b>                 |          | 13,373,905  | 25,235,536          | 7,500                 | 7,500      |
| <b>Total trade and other receivables</b>       |          | 263,344,424 | 284,856,184         | 7,500                 | 7,500      |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 13. TRADE AND OTHER RECEIVABLES (CONTINUED)

(a) Trade receivables

The Group's trade receivables normal credit term range from 14 to 90 days (2021: 14 to 90 days). They are recognised at their original invoice amounts which represent their fair values on initial recognition. Other credit terms are assessed and approved on a case by case basis.

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

(b) The amounts due from a related party and a fellow subsidiary are subject to normal trade term and their further information are disclosed in Note 27.

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

(d) Included in deposits of the Group are:

- (i) an amount of RM60,000 (2021: RM60,000) represents rental and utilities deposits paid to a fellow subsidiary;
- (ii) an amount of RM125,100 (2021: RM125,100) represents rental deposits paid to ultimate holding company;
- (iii) an amount of RM4,442,658 (2021: RM11,575,906) being down payments for acquisition of plant and equipment; and
- (iv) down payments for acquisition of plant and equipment are amounts of RM1,499,955 (2021: RM800,454) and RM1,379,901 (2021: RM8,172,611) denominated in United States Dollar and Chinese Yuan Renminbi respectively.

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

|                      | 2022<br>RM | Group<br>2021<br>RM |
|----------------------|------------|---------------------|
| United States Dollar | 593,028    | 1,490,808           |
| Singapore Dollar     | 867,826    | 321,378             |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 14. AMOUNT DUE FROM SUBSIDIARIES

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

### 15. DEPOSITS WITH LICENSED BANKS

|                              | 2022<br>RM | Group<br>2021<br>RM |
|------------------------------|------------|---------------------|
| Deposits with licensed banks |            |                     |
| - pledged                    | 506,281    | 498,308             |
| - not pledged                | 4,060,043  | 2,517,061           |
|                              | 4,566,324  | 3,015,369           |

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

|                               | 2022        | Group<br>2021 |
|-------------------------------|-------------|---------------|
| Interest rate (%) (per annum) | 1.60 - 2.98 | 1.60 - 1.92   |
| Maturity (days)               | 18 - 365    | 11 - 365      |

Deposit amounting to RM506,281 (2021: RM498,308) is pledged with a licensed bank as security for banking facilities granted to a subsidiary as disclosed in Note 19(d).

### 16. CASH AND BANK BALANCES

|               | 2022<br>RM | Group<br>2021<br>RM | Company<br>2022<br>RM | 2021<br>RM |
|---------------|------------|---------------------|-----------------------|------------|
| Cash at banks | 34,965,701 | 42,608,462          | 1,617,108             | 1,918,840  |
| Cash in hand  | 21,449     | 28,346              | 3                     | 3          |
|               | 34,987,150 | 42,636,808          | 1,617,111             | 1,918,843  |

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

|                      | 2022<br>RM | Group<br>2021<br>RM |
|----------------------|------------|---------------------|
| United States Dollar | 8,133,715  | 403,002             |
| Singapore Dollar     | 676,762    | 292,446             |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 17. SHARE CAPITAL

|   | Group/Company                        |              |                                      |              |
|---|--------------------------------------|--------------|--------------------------------------|--------------|
|   | ←----- 2022 -----→                   |              | ←----- 2021 -----→                   |              |
|   | Number of<br>ordinary shares<br>Unit | Amount<br>RM | Number of<br>ordinary shares<br>Unit | Amount<br>RM |
| <b>Issued and fully paid up (no par value):</b>     |                                      |              |                                      |              |
| At 1 January  | 341,000,000                          | 186,422,515  | 310,000,000                          | 160,094,360  |
| Issuance of shares pursuant to<br>private placement | -                                    | -            | 31,000,000                           | 26,350,000   |
| Transaction costs of share issue                    | -                                    | -            | -                                    | (21,845)     |
| At 31 December                                      | 341,000,000                          | 186,422,515  | 341,000,000                          | 186,422,515  |

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.

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

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

## 18. RESERVES

|                     | Note | Group         |               | Company    |            |
|---------------------|------|---------------|---------------|------------|------------|
|                     |      | 2022<br>RM    | 2021<br>RM    | 2022<br>RM | 2021<br>RM |
| Capital reserve     | (a)  | 923           | 923           | -          | -          |
| Merger deficit      | (b)  | (103,959,997) | (109,544,997) | -          | -          |
| Retained earnings   |      | 475,154,193   | 457,940,154   | 10,451,027 | 9,653,351  |
| Translation reserve | (c)  | 70,582        | 1,803         | -          | -          |
|                     |      | 371,265,701   | 348,397,883   | 10,451,027 | 9,653,351  |

**(a) Capital reserve**

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

**(b) Merger deficit**

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

During the financial year, the Company had realised part of its merger deficit for an amount of RM5,585,000 arising from member's voluntary winding up of a subsidiary as disclosed in Note 11.

**(c) Translation reserve**

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 19. LOANS AND BORROWINGS

|                                   | Note | 2022<br>RM  | Group<br>2021<br>RM |
|-----------------------------------|------|-------------|---------------------|
| <b>Non-current</b>                |      |             |                     |
| <b>Secured</b>                    |      |             |                     |
| Hire purchase payables            | (a)  | 4,124,574   | 4,934,287           |
| Term loans                        | (b)  | 67,441,641  | 52,846,794          |
|                                   |      | 71,566,215  | 57,781,081          |
| <b>Unsecured</b>                  |      |             |                     |
| Lease liabilities                 | (c)  | 10,534,364  | 11,476,662          |
| <b>Total non-current</b>          |      | 82,100,579  | 69,257,743          |
| <b>Current</b>                    |      |             |                     |
| <b>Secured</b>                    |      |             |                     |
| Hire purchase payables            | (a)  | 3,950,528   | 3,848,234           |
| Term loans                        | (b)  | 10,793,052  | 9,193,044           |
| Bankers' acceptances              | (d)  | 109,378,000 | 161,502,000         |
| Bank overdrafts                   | (d)  | 37,528,415  | 1,017,024           |
|                                   |      | 161,649,995 | 175,560,302         |
| <b>Unsecured</b>                  |      |             |                     |
| Lease liabilities                 | (c)  | 1,030,139   | 1,786,661           |
| Bankers' acceptances              | (d)  | 119,992,231 | 135,271,674         |
| Bank overdrafts                   | (d)  | 7,774,679   | 4,000,000           |
| Islamic financing                 | (e)  | 76,287,394  | 52,989,873          |
|                                   |      | 205,084,443 | 194,048,208         |
| <b>Total current</b>              |      | 366,734,438 | 369,608,510         |
| <b>Total loans and borrowings</b> |      |             |                     |
| Hire purchase payables            | (a)  | 8,075,102   | 8,782,521           |
| Term loans                        | (b)  | 78,234,693  | 62,039,838          |
| Lease liabilities                 | (c)  | 11,564,503  | 13,263,323          |
| Bankers' acceptances              | (d)  | 229,370,231 | 296,773,674         |
| Bank overdrafts                   | (d)  | 45,303,094  | 5,017,024           |
| Islamic financing                 | (e)  | 76,287,394  | 52,989,873          |
|                                   |      | 448,835,017 | 438,866,253         |



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 19. LOANS AND BORROWINGS (CONTINUED)

#### (a) Hire purchase payables

The secured hire purchase payables are to secure certain plant and machinery and motor vehicles of the Group as disclosed in Note 9(b).

The hire purchase payables bear interest at rates ranging from 2.19% to 2.80% (2021: 2.30% to 2.80%) per annum.

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

|  | 2022<br>RM  | Group<br>2021<br>RM |
|--|-------------|---------------------|
| Minimum hire purchase payments:                      |             |                     |
| Not later than 1 year                                | 4,223,570   | 4,163,360           |
| Later than 1 year and not later than 5 years         | 4,274,883   | 5,135,691           |
|  | 8,498,453   | 9,299,051           |
| Less: Future finance charges                         | (423,351)   | (516,530)           |
| Present value of net minimum hire purchase payments  | 8,075,102   | 8,782,521           |
| Present value of net minimum hire purchase payments: |             |                     |
| Not later than 1 year                                | 3,950,528   | 3,848,234           |
| Later than 1 year and not later than 5 years         | 4,124,574   | 4,934,287           |
|  | 8,075,102   | 8,782,521           |
| Less: Amount due within 12 months                    | (3,950,528) | (3,848,234)         |
| Amount due after 12 months                           | 4,124,574   | 4,934,287           |

#### (b) Term loans – Secured

Details of the repayment terms are as follows:

##### Term Loan 1

Term loan 1 of a subsidiary of RM5,700,000 (2021: RM7,500,000) bears interest at a rate of 4.35% (2021: 3.35%) per annum and is repayable by monthly principal instalments of RM150,000 over 10 years commenced from the day of first drawdown and is secured and supported as follows:

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

##### Term Loan 2

Term loan 2 of a subsidiary of RM18,584,736 (2021: RM23,432,928) bears interest at a rate of 5.07% (2021: 4.08%) per annum and is repayable by monthly principal instalments of RM404,016 over 5 years commenced on the first day of the 25th month from the expiry of the availability period and is secured and supported as follows:

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 19. LOANS AND BORROWINGS (CONTINUED)

#### (b) Term loans – Secured (continued)

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

##### **Term Loan 3**

Term loan 3 of a subsidiary of RM13,315,811 (2021: RM14,823,263) bears interest at a rate of 5.95% (2021: 4.95%) per annum and is repayable by monthly principal instalments of RM125,621 and a final instalment of RM125,606 over 10 years commenced on the first day of the 25th month from the expiry of the availability period and is secured and supported as follows:

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

##### **Term Loan 4**

Term loan 4 of a subsidiary of RM13,585,792 (2021: RM6,237,097) bears interest at a rate of 5.95% (2021: 4.95%) per annum and is repayable by monthly instalments over 9 years commencing on the first day of the 37th month from the date of first drawdown or repayable by monthly instalments over 10 years commencing on the first day of the 25th month from the date of completion of the proposed development, whichever is earlier and is secured and supported as follows:

- (i) a corporate guarantee given by the Company; and
- (ii) legal charge over the leasehold land, building and CWIP of a subsidiary (Notes 9 and 10).

##### **Term Loan 5**

Term loan 5 of a subsidiary of RM1,876,250 (2021: RM2,113,250) bears interest at a rate of 5.48% (2021: 4.20%) per annum and is repayable by monthly principal instalments of RM19,750 over 10 years commenced on the first day of the following month after full drawdown and is secured and supported as follows:

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

##### **Term Loan 6**

Term loan 6 of a subsidiary of RM7,132,900 (2021: RM7,933,300) bears interest at a rate of 5.61% (2021: 3.99%) per annum and is repayable by monthly principal instalments of RM66,700 and a final instalment of RM62,700 over 10 years commenced on the first day of the following month after full drawdown and is secured and supported as follows:

- (i) a corporate guarantee given by the Company; and
- (ii) legal charge over the freehold land of a subsidiary (Note 9) and ultimate holding company.

##### **Term Loan 7**

Term loan 7 of a subsidiary of RM14,666,660 (2021: RM Nil) bears interest at a rate of 4.81% (2021: Nil) per annum and is repayable by monthly principal instalments of RM133,334 and a final instalment of RM133,254 over 10 years commenced on the first day of the month following the full release of the facility and is secured and supported as follows:

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 19. LOANS AND BORROWINGS (CONTINUED)

#### (b) Term loans – Secured (continued)

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

##### Term Loan 8

Term loan 8 of a subsidiary of RM3,372,544 (2021: RM Nil) bears interest at a rate of 5.07% (2021: Nil) per annum and is repayable by monthly instalments over 4 years commencing on the first day of the 37th month from the date of first drawdown or repayable by monthly instalments over 5 years commencing on the first day of the 25th month from the date of completion of the proposed development, whichever is earlier and is secured and supported as follows:

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

#### (c) Lease liabilities

The incremental borrowing rates applied to lease liabilities ranging from 2.70% to 5.14% (2021: 2.70% to 5.70%) per annum.

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

|  | 2022<br>RM  | Group<br>2021<br>RM |
|--|-------------|---------------------|
| Minimum lease payments:                      |             |                     |
| Not later than 1 year                        | 1,555,276   | 2,385,274           |
| Later than 1 year and not later than 5 years | 2,756,916   | 3,531,342           |
| Later than 5 years                           | 14,897,931  | 15,586,580          |
|  | 19,210,123  | 21,503,196          |
| Less: Future finance charges                 | (7,645,620) | (8,239,873)         |
| Present value of net minimum lease payments  | 11,564,503  | 13,263,323          |
| Present value of net minimum lease payments: |             |                     |
| Not later than 1 year                        | 1,030,139   | 1,786,661           |
| Later than 1 year and not later than 5 years | 768,320     | 1,505,567           |
| Later than 5 years                           | 9,766,044   | 9,971,095           |
|  | 11,564,503  | 13,263,323          |
| Less: Amount due within 12 months            | (1,030,139) | (1,786,661)         |
| Amount due after 12 months                   | 10,534,364  | 11,476,662          |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 19. LOANS AND BORROWINGS (CONTINUED)

#### (d) Bankers' acceptances and bank overdrafts

##### Secured

The secured bankers' acceptances and bank overdrafts as at the end of the financial year bear interest at rates ranging from 3.22% to 4.45% (2021: 2.56% to 2.96%) per annum and 6.95% to 7.45% (2021: 5.95% to 6.45%) per annum respectively and are secured and supported by:

- (i) legal charge over certain properties of subsidiaries (Note 9) and ultimate holding company;
- (ii) deposit placed with a licensed bank of a subsidiary (Note 15); and
- (iii) corporate guarantees given by the Company.

##### Unsecured

The unsecured bankers' acceptances and bank overdrafts as at the end of the financial year bear interest at rates ranging from 3.15% to 4.42% (2021: 2.55% to 3.34%) per annum and 7.42% to 7.57% (2021: 6.42% to 6.57%) per annum respectively and are supported by corporate guarantees given by the Company.

#### (e) Islamic financing

Islamic financing represents the Structured Commodity Financing-i facilities. This amount as at the end of the financial year is unsecured and bears interest at rates ranging from 3.75% to 4.47% (2021: 2.87% to 3.57%) per annum. The unsecured facility is supported by a corporate guarantee provided by the Company.

### 20. DEFERRED TAX LIABILITIES

|                              | Note | 2022<br>RM  | Group<br>2021<br>RM |
|------------------------------|------|-------------|---------------------|
| At 1 January                 |      | 7,480,382   | 6,587,230           |
| Recognised in profit or loss | 7    | (1,381,855) | 893,152             |
| At 31 December               |      | 6,098,527   | 7,480,382           |

Presented after appropriate offsetting as follows:

|                          | 2022<br>RM  | Group<br>2021<br>RM |
|--------------------------|-------------|---------------------|
| Deferred tax liabilities | 14,402,426  | 12,937,799          |
| Deferred tax assets      | (8,303,899) | (5,457,417)         |
|                          | 6,098,527   | 7,480,382           |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 20. DEFERRED TAX LIABILITIES (CONTINUED)

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

|  | At<br>1 January<br>2021<br>RM | Recognised<br>in profit<br>or loss<br>RM | At<br>31 December<br>2021<br>RM | Recognised<br>in profit<br>or loss<br>RM | At<br>31 December<br>2022<br>RM |
|--|-------------------------------|--|---------------------------------|--|---------------------------------|
| <b>Group</b>   |                               |  |                                 |  |                                 |
| <b>Deferred tax liabilities:</b>                             |                               |  |                                 |  |                                 |
| Property, plant and equipment                                | 10,336,373                    | 1,860,116                                | 12,196,489                      | 1,492,426                                | 13,688,915                      |
| Fair value adjustment in respect<br>of a subsidiary acquired | 610,094                       | (20,488)                                 | 589,606                         | (20,488)                                 | 569,118                         |
| Others   | 62,121                        | 89,583                                   | 151,704                         | (7,311)                                  | 144,393                         |
| <b>Total deferred tax liabilities</b>                        | <b>11,008,588</b>             | <b>1,929,211</b>                         | <b>12,937,799</b>               | <b>1,464,627</b>                         | <b>14,402,426</b>               |
| <b>Deferred tax assets:</b>                                  |                               |  |                                 |  |                                 |
| Impairment losses on trade<br>receivables                    | (353,461)                     | (369,194)                                | (722,655)                       | 54,587                                   | (668,068)                       |
| Accrual of bonus   | (1,031,751)                   | (125,650)                                | (1,157,401)                     | (103,064)                                | (1,260,465)                     |
| Inventories written down                                     | -                             | (193,116)                                | (193,116)                       | (3,086,671)                              | (3,279,787)                     |
| Lease liabilities  | (2,864,928)                   | (303,313)                                | (3,168,241)                     | 398,144                                  | (2,770,097)                     |
| Unutilised business losses                                   | (125,191)                     | 125,191                                  | -                               | -  | -                               |
| Unrealised profits on inventories                            | (46,027)                      | (169,944)                                | (215,971)                       | (106,961)                                | (322,932)                       |
| Others   | -                             | (33)                                     | (33)                            | (2,517)                                  | (2,550)                         |
| <b>Total deferred tax assets</b>                             | <b>(4,421,358)</b>            | <b>(1,036,059)</b>                       | <b>(5,457,417)</b>              | <b>(2,846,482)</b>                       | <b>(8,303,899)</b>              |
|  | <b>6,587,230</b>              | <b>893,152</b>                           | <b>7,480,382</b>                | <b>(1,381,855)</b>                       | <b>6,098,527</b>                |

Unrecognised deferred tax assets

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

|                                  | Group<br>2022<br>RM | 2021<br>RM        |
|----------------------------------|---------------------|-------------------|
| Deductible temporary differences | 766,353             | 685,847           |
| Unabsorbed capital allowances    | 3,356,742           | 3,183,251         |
| Unutilised business losses       | 6,616,619           | 6,385,702         |
|                                  | <b>10,739,714</b>   | <b>10,254,800</b> |

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

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

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

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

|      | Group<br>2022<br>RM | 2021<br>RM |
|------|---------------------|------------|
| 2028 | 5,643,625           | 5,643,625  |
| 2032 | 123,773             | -          |



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 21. TRADE AND OTHER PAYABLES

|                                       |      |            | Group      |            | Company    |
|---------------------------------------|------|------------|------------|------------|------------|
|                                       | Note | 2022<br>RM | 2021<br>RM | 2022<br>RM | 2021<br>RM |
| <b>Trade payables</b>                 |      |            |            |            |            |
| External parties                      | (a)  | 6,706,966  | 14,216,726 | -          | -          |
| Related party                         | (b)  | 2,253      | -          | -          | -          |
| <b>Total trade payables</b>           |      | 6,709,219  | 14,216,726 | -          | -          |
| <b>Other payables</b>                 |      |            |            |            |            |
| Other payables                        | (c)  | 3,901,855  | 4,046,314  | -          | -          |
| GST payable                           |      | 5,441      | -          | -          | -          |
| SST payable                           |      | 162,159    | 160,909    | -          | -          |
| Withholding tax payable               |      | -          | 734        | -          | -          |
| Rental deposits received              |      | 523,054    | 353,170    | -          | -          |
| Advances from customers               |      | 907,082    | 1,238,990  | -          | -          |
| Accruals                              | (c)  | 11,518,511 | 10,311,476 | 903,503    | 945,151    |
| <b>Total other payables</b>           |      | 17,018,102 | 16,111,593 | 903,503    | 945,151    |
| <b>Total trade and other payables</b> |      | 23,727,321 | 30,328,319 | 903,503    | 945,151    |

(a) Trade payables

The Group's trade payables normal trade credit term range from 14 to 90 days (2021: 14 to 120 days).

(b) The amount due to a related party is subject to normal trade term and its further information is disclosed in Note 27.

(c) Included in other payables and accruals of the Group are RM2,192,647 (2021: RM1,369,828) and RM415,173 (2021: RM Nil) due to external parties and a fellow subsidiary respectively in relation to the construction of machineries, factory and warehouse buildings.

Included in accruals of the Group and of the Company are directors' fees amounting to RM1,350,000 (2021: RM1,350,000) and RM650,000 (2021: RM650,000) respectively.

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

|                       |            | Group      |
|-----------------------|------------|------------|
|                       | 2022<br>RM | 2021<br>RM |
| <b>Trade payables</b> |            |            |
| Australian Dollar     | -          | 201,572    |
| United States Dollar  | 558,976    | 2,998,448  |
| <b>Other payables</b> |            |            |
| Euro                  | -          | 24,995     |
| Singapore Dollar      | 149,358    | 617        |
| United States Dollar  | -          | 729        |

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 22. CONTRACT LIABILITIES

|                              | 2022<br>RM  | Group<br>2021<br>RM |
|------------------------------|-------------|---------------------|
| At 1 January                 | 2,036,652   | 3,029,522           |
| Recognised in profit or loss | (1,607,769) | (2,770,406)         |
| Additions                    | 1,808,069   | 1,777,536           |
| At 31 December               | 2,236,952   | 2,036,652           |

Contract liabilities relate to advance billings for which consideration may or may not be received for goods and services yet to be delivered and rendered.

## 23. DIVIDENDS

|   | Group/Company<br>2022<br>RM | 2021<br>RM |
|---|-----------------------------|------------|
| <b>Recognised during the financial year:</b>  |                             |            |
| Dividends on ordinary shares:   |                             |            |
| - Single-tier interim dividend of 2.0 sen per ordinary share for the financial year ended 31 December 2021, paid on 1 July 2021 | -                           | 6,820,000  |
| - Single-tier final dividend of 2.0 sen per ordinary share for the financial year ended 31 December 2021, paid on 5 August 2022 | 6,820,000                   | -          |

At the forthcoming Annual General Meeting, a single-tier final dividend of 1.5 sen per ordinary share amounting to RM5,115,000 in respect of the current financial year, based on the number of outstanding ordinary shares in issue as at 31 December 2022, will be proposed for the shareholders' approval. The financial statements for the current financial year do not reflect this proposed dividend. Such dividend, if approved by the shareholders, will be accounted for in equity as an appropriation of retained earnings in the financial year ending 31 December 2023.

## 24. CASH AND CASH EQUIVALENTS

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

|  |    | Group<br>2022<br>RM | 2021<br>RM  | Company<br>2022<br>RM | 2021<br>RM |
|--|----|---------------------|-------------|-----------------------|------------|
| Cash and bank balances                     | 16 | 34,987,150          | 42,636,808  | 1,617,111             | 1,918,843  |
| Deposits with licensed banks               | 15 | 4,566,324           | 3,015,369   | -                     | -          |
|  |    | 39,553,474          | 45,652,177  | 1,617,111             | 1,918,843  |
| Less: Bank overdrafts                      | 19 | (45,303,094)        | (5,017,024) | -                     | -          |
| Less: Deposit pledged with a licensed bank | 15 | (506,281)           | (498,308)   | -                     | -          |
|  |    | (6,255,901)         | 40,136,845  | 1,617,111             | 1,918,843  |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 25. SEGMENT INFORMATION

#### General information

The Group is principally engaged in trading, processing and/or manufacturing of steel related products.

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

- (i) Trading of steel products;
- (ii) Processing and/or manufacturing of steel products; and
- (iii) Others.

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

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

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

#### Measurement of reportable segment

| 2022   | Trading of<br>steel products<br>RM | Processing/<br>Manufacturing<br>of steel products<br>RM | Others<br>RM | Total<br>RM   |
|--|------------------------------------|---|--------------|---------------|
| External revenue   | 362,700,896                        | 661,997,771   | 419,100      | 1,025,117,767 |
| Cost of sales  | (334,762,282)                      | (585,811,990)   | (354,390)    | (920,928,662) |
| Gross profit before inventories written down               | 27,938,614                         | 76,185,781  | 64,710       | 104,189,105   |
| Inventories written down                                   |                                    |   |              | (12,929,457)  |
| <b>Gross profit</b>  |                                    |   |              | 91,259,648    |
| <b>Add/(Less):</b>   |                                    |   |              |               |
| Other income   |                                    |   |              | 2,681,219     |
| Operating expenses   |                                    |   |              | (39,551,613)  |
| Net reversal of impairment losses on financial instruments |                                    |   |              | 445,530       |
| Finance costs  |                                    |   |              | (17,920,368)  |
| <b>Profit before tax</b>                                   |                                    |   |              | 36,914,416    |
| Tax expense  |                                    |   |              | (7,376,599)   |
| <b>Profit for the financial year</b>                       |                                    |   |              | 29,537,817    |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 25. SEGMENT INFORMATION (CONTINUED)

#### Measurement of reportable segment (continued)

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

#### Geographical segment

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

|                       | Non-current assets |             |
|-----------------------|--------------------|-------------|
|                       | 2022<br>RM         | 2021<br>RM  |
| Malaysia              | 341,654,822        | 278,875,669 |
| Republic of Singapore | 12,775             | 13,045      |
|                       | 341,667,597        | 278,888,714 |

#### Information about major customers

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 26. COMMITMENTS

#### (a) Commitments

The Group has made commitments for the following capital expenditures:

|   | 2022<br>RM | Group<br>2021<br>RM |
|---|------------|---------------------|
| <b>Approved and contracted for:</b>             |            |                     |
| Acquisition of motor vehicles                   | -          | 963,916             |
| Acquisition of plant and equipment              | 20,901,412 | 35,207,180          |
| Acquisition of properties                       | 1,378,982  | 19,853,545          |
| Construction of factory and warehouse buildings | 11,007,820 | 15,454,235          |
|   | 33,288,214 | 71,478,876          |

#### (b) Operating lease commitments – as lessor

The Group leases its warehouse buildings with non-cancellable period of 2 years to a third party with an option to renew for subsequent 1 year and the subsequent renewal is subject to negotiation with the lessee.

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

|                       | 2022<br>RM | Group<br>2021<br>RM |
|-----------------------|------------|---------------------|
| Not later than 1 year | 989,304    | 348,170             |
| 1 to 2 years          | 906,862    | -                   |
|                       | 1,896,166  | 348,170             |

### 27. RELATED PARTIES

#### (a) Identity of related parties

A party is considered to be related to the Group if the Group has the ability, directly or indirectly, to control the party or exercise significant influence over the party in making financial and operational decisions, or vice versa, or where the Group and the party are subject to common control. Related parties may be individuals or other entities.

Related parties of the Group include:

- (i) Ultimate holding company;
- (ii) Subsidiaries;
- (iii) Fellow subsidiaries;
- (iv) Entities in which directors or a person connected to the directors have substantial financial interests; and
- (v) Key management personnel of the Group, comprising persons (including directors) having the authority and responsibility for planning, directing and controlling the activities directly or indirectly.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 27. RELATED PARTIES (CONTINUED)

#### (b) Significant related party transactions

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

|  | Group       |             | Company     |              |
|--|-------------|-------------|-------------|--------------|
|  | 2022<br>RM  | 2021<br>RM  | 2022<br>RM  | 2021<br>RM   |
| <b>Transactions with ultimate holding company</b>  |             |             |             |              |
| - Rental paid and payable  | 1,420,800   | 1,449,360   | -           | -            |
| - Acquisition of property, plant and equipment   | -           | 28,000,000  | -           | -            |
| <b>Transactions with subsidiaries</b>  |             |             |             |              |
| - Management fees received and receivables   | -           | -           | (565,179)   | (549,402)    |
| - Dividend income received and receivables   | -           | -           | (8,000,000) | (13,500,000) |
| - Corporate guarantee fees received and receivables  | -           | -           | (1,511,167) | (1,329,442)  |
| <b>Transactions with fellow subsidiaries</b>   |             |             |             |              |
| - Sales  | -           | (2,276)     | -           | -            |
| - Purchases  | 688,146     | 177,805     | -           | -            |
| - Rental paid and payable  | 300,000     | 300,000     | -           | -            |
| <b>Transactions with entities in which directors or a person connected to the directors have substantial financial interests</b> |             |             |             |              |
| - Sales  | (5,522,413) | (5,307,699) | -           | -            |
| - Purchases  | 97,330      | 2,002       | -           | -            |

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

#### (c) Compensation of key management personnel

|                              | Group      |            | Company    |            |
|------------------------------|------------|------------|------------|------------|
|                              | 2022<br>RM | 2021<br>RM | 2022<br>RM | 2021<br>RM |
| Short-term employee benefits | 7,431,310  | 9,097,100  | 432,002    | 456,923    |
| Fees                         | 1,350,000  | 1,350,000  | 650,000    | 650,000    |
| Benefits-in-kind             | 207,023    | 203,888    | 106        | 1,669      |
| Post-employment benefits     | 8,988,333  | 10,650,988 | 1,082,108  | 1,108,592  |
|                              | 883,533    | 1,083,182  | 48,960     | 51,840     |
|                              | 9,871,866  | 11,734,170 | 1,131,068  | 1,160,432  |



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 28. FINANCIAL INSTRUMENTS

#### (a) Categories of financial instruments

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

|                                 | Carrying<br>amount<br>RM | Amortised<br>cost<br>RM |
|---------------------------------|--------------------------|-------------------------|
| <b>At 31 December 2022</b>      |                          |                         |
| <b>Financial assets</b>         |                          |                         |
| <b>Group</b>                    |                          |                         |
| Trade and other receivables (i) | 251,269,658              | 251,269,658             |
| Deposits with licensed banks    | 4,566,324                | 4,566,324               |
| Cash and bank balances          | 34,987,150               | 34,987,150              |
|                                 | 290,823,132              | 290,823,132             |
| <b>Company</b>                  |                          |                         |
| Other receivable (i)            | 4,500                    | 4,500                   |
| Amount due from subsidiaries    | 2,576,030                | 2,576,030               |
| Dividend receivables            | 8,000,000                | 8,000,000               |
| Cash and bank balances          | 1,617,111                | 1,617,111               |
|                                 | 12,197,641               | 12,197,641              |
| <b>Financial liabilities</b>    |                          |                         |
| <b>Group</b>                    |                          |                         |
| Trade and other payables (ii)   | 22,652,639               | 22,652,639              |
| Loans and borrowings (iii)      | 437,270,514              | 437,270,514             |
|                                 | 459,923,153              | 459,923,153             |
| <b>Company</b>                  |                          |                         |
| Other payables                  | 903,503                  | 903,503                 |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

## (a) Categories of financial instruments (continued)

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

|                                 | Carrying<br>amount<br>RM | Amortised<br>cost<br>RM |
|---------------------------------|--------------------------|-------------------------|
| <b>At 31 December 2021</b>      |                          |                         |
| <b>Financial assets</b>         |                          |                         |
| <b>Group</b>                    |                          |                         |
| Trade and other receivables (i) | 260,566,415              | 260,566,415             |
| Deposits with licensed banks    | 3,015,369                | 3,015,369               |
| Cash and bank balances          | 42,636,808               | 42,636,808              |
|                                 | 306,218,592              | 306,218,592             |
| <b>Company</b>                  |                          |                         |
| Other receivable (i)            | 4,500                    | 4,500                   |
| Amount due from subsidiaries    | 1,294,617                | 1,294,617               |
| Dividend receivables            | 8,000,000                | 8,000,000               |
| Cash and bank balances          | 1,918,843                | 1,918,843               |
|                                 | 11,217,960               | 11,217,960              |
| <b>Financial liabilities</b>    |                          |                         |
| <b>Group</b>                    |                          |                         |
| Trade and other payables (ii)   | 28,927,686               | 28,927,686              |
| Loans and borrowings (iii)      | 425,602,930              | 425,602,930             |
|                                 | 454,530,616              | 454,530,616             |
| <b>Company</b>                  |                          |                         |
| Other payables                  | 945,151                  | 945,151                 |

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

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

(iii) Excluding lease liabilities.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 28. FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Financial risk management

The Group and the Company are exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, interest rate risk, liquidity risk, and foreign currency risk. The Group's and the Company's overall financial risk management objective is to minimise potential effects on the financial performance of the Group and the Company.

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

#### (i) Credit risk

Credit risk is the risk of financial loss to the Group that may arise on outstanding financial instruments should a counterparty default on its obligations. The Group is exposed to credit risk from its operating activities (primarily trade receivables) and from its financing activities, including deposits with banks and financial institutions, foreign exchange transactions and other financial instruments. The Group has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures.

#### Trade receivables

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

## 28. FINANCIAL INSTRUMENTS (CONTINUED)

## (b) Financial risk management (continued)

## (i) Credit risk (continued)

## Trade receivables (continued)

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

|                       | Gross<br>carrying<br>amount<br>RM | Individual<br>impairment<br>RM | ECL rate<br>% | Collective<br>impairment<br>RM | Net<br>carrying<br>amount<br>RM |
|-----------------------|-----------------------------------|--------------------------------|---------------|--------------------------------|---------------------------------|
| <b>Group<br/>2022</b> |                                   |                                |               |                                |                                 |
| Current               | 124,090,849                       | (12,121)                       | 0.00 - 0.39   | (153,181)                      | 123,925,547                     |
| <u>Past due</u>       |                                   |                                |               |                                |                                 |
| 1 - 30 days           | 53,846,202                        | (7,003)                        | 0.00 - 0.95   | (184,702)                      | 53,654,497                      |
| 31 - 60 days          | 41,565,658                        | (7,337)                        | 0.00 - 1.27   | (219,430)                      | 41,338,891                      |
| 61 - 90 days          | 16,225,853                        | (8,122)                        | 0.01 - 3.23   | (216,745)                      | 16,000,986                      |
| > 90 days             | 17,078,193                        | (1,287,960)                    | 0.16 - 5.00   | (739,635)                      | 15,050,598                      |
| Total                 | 252,806,755                       | (1,322,543)                    |               | (1,513,693)                    | 249,970,519                     |
| <b>2021</b>           |                                   |                                |               |                                |                                 |
| Current               | 127,532,843                       | (20,931)                       | 0.00 - 0.82   | (205,988)                      | 127,305,924                     |
| <u>Past due</u>       |                                   |                                |               |                                |                                 |
| 1 - 30 days           | 62,822,215                        | (10,643)                       | 0.00 - 1.85   | (226,917)                      | 62,584,655                      |
| 31 - 60 days          | 50,986,508                        | (10,409)                       | 0.00 - 2.30   | (255,479)                      | 50,720,620                      |
| 61 - 90 days          | 15,200,224                        | (11,207)                       | 0.05 - 4.21   | (177,342)                      | 15,011,675                      |
| > 90 days             | 6,398,656                         | (2,140,442)                    | 0.67 - 5.00   | (260,440)                      | 3,997,774                       |
| Total                 | 262,940,446                       | (2,193,632)                    |               | (1,126,166)                    | 259,620,648                     |

The movement in the allowance for impairment losses on trade receivables during the financial years ended 31 December 2022 and 31 December 2021 were:

|                       | Note | Individual<br>impairment<br>RM | Collective<br>impairment<br>RM | Total<br>RM |
|-----------------------|------|--------------------------------|--------------------------------|-------------|
| <b>Group<br/>2022</b> |      |                                |                                |             |
| At 1 January 2022     |      | 2,193,632                      | 1,126,166                      | 3,319,798   |
| Additions             | 6    | 100,034                        | 394,128                        | 494,162     |
| Reversal              | 6    | (933,091)                      | (6,601)                        | (939,692)   |
| Written off           |      | (38,032)                       | -                              | (38,032)    |
| At 31 December 2022   |      | 1,322,543                      | 1,513,693                      | 2,836,236   |
| <b>2021</b>           |      |                                |                                |             |
| At 1 January 2021     |      | 1,280,125                      | 926,586                        | 2,206,711   |
| Additions             | 6    | 1,934,085                      | 226,084                        | 2,160,169   |
| Reversal              | 6    | (37,697)                       | (26,504)                       | (64,201)    |
| Written off           |      | (982,881)                      | -                              | (982,881)   |
| At 31 December 2021   |      | 2,193,632                      | 1,126,166                      | 3,319,798   |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 28. FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Financial risk management (continued)

##### (i) Credit risk (continued)

##### Trade receivables (continued)

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

##### Other receivables and other financial assets

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

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

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

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

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

##### Financial guarantee contracts

The Company is exposed to credit risk in relation to financial guarantees given to banks in respect of loans granted to certain subsidiaries. The Company monitors the results of the subsidiaries and their repayment on an on-going basis. The maximum exposure to credit risks amounts to RM429,195,412 (2021: RM416,820,409) representing the maximum amount the Company could pay if the guarantee is called on as disclosed in Note 19. As at the reporting date, there was no indication that the subsidiaries would default on repayment and hence no loss allowance for impairment as determined by the Company for the financial guarantees.

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

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 28. FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Financial risk management (continued)

##### (ii) Interest rate risk

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

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

Borrowings at floating rate amounting to RM429,195,412 (2021: RM416,820,409) expose the Group to cash flow interest rate risk whilst borrowings at fixed rate amounting to RM19,639,605 (2021: RM22,045,844) expose the Group to fair value interest rate risk.

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

##### Sensitivity analysis for interest rate risk

If the interest rate had been 50 basis point higher/lower and all other variables held constant, the Group's profit for the financial year ended 31 December 2022 would decrease/increase by RM1,630,943 (2021: RM1,583,918) as a result of exposure to floating rate borrowings.

##### (iii) Liquidity risk

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

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



## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 28. FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Financial risk management (continued)

##### (iii) Liquidity risk (continued)

##### Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of the Group's and the Company's financial liabilities at the reporting date based on contractual undiscounted repayment obligations:

|                              | Carrying<br>amount<br>RM | Contractual<br>cash flows<br>RM | On demand<br>or within<br>1 year<br>RM | 1 to 2<br>years<br>RM | 2 to 5<br>years<br>RM | Over 5<br>years<br>RM |
|------------------------------|--------------------------|---------------------------------|--|-----------------------|-----------------------|-----------------------|
| <b>2022</b>                  |                          |                                 |  |                       |                       |                       |
| <b>Group</b>                 |                          |                                 |  |                       |                       |                       |
| <b>Financial liabilities</b> |                          |                                 |  |                       |                       |                       |
| Trade and other payables     | 22,652,639               | 22,652,639                      | 22,652,639                             | -                     | -                     | -                     |
| Hire purchase payables       | 8,075,102                | 8,498,453                       | 4,223,570                              | 3,070,205             | 1,204,678             | -                     |
| Term loans                   | 78,234,693               | 95,821,225                      | 14,757,796                             | 14,458,708            | 36,335,483            | 30,269,238            |
| Lease liabilities            | 11,564,503               | 19,210,123                      | 1,555,276                              | 668,967               | 2,087,949             | 14,897,931            |
| Bankers' acceptances         | 229,370,231              | 229,370,231                     | 229,370,231                            | -                     | -                     | -                     |
| Bank overdrafts              | 45,303,094               | 45,303,094                      | 45,303,094                             | -                     | -                     | -                     |
| Islamic financing            | 76,287,394               | 77,926,696                      | 77,926,696                             | -                     | -                     | -                     |
|                              | 471,487,656              | 498,782,461                     | 395,789,302                            | 18,197,880            | 39,628,110            | 45,167,169            |
| <b>Company</b>               |                          |                                 |  |                       |                       |                       |
| <b>Financial liabilities</b> |                          |                                 |  |                       |                       |                       |
| Other payables               | 903,503                  | 903,503                         | 903,503                                | -                     | -                     | -                     |
| Financial guarantee *        | -                        | 429,195,412                     | 429,195,412                            | -                     | -                     | -                     |
|                              | 903,503                  | 430,098,915                     | 430,098,915                            | -                     | -                     | -                     |

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 28. FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Financial risk management (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<br>amount<br>RM | Contractual<br>cash flows<br>RM | On demand<br>or within<br>1 year<br>RM | 1 to 2<br>years<br>RM | 2 to 5<br>years<br>RM | Over 5<br>years<br>RM |
|------------------------------|--------------------------|---------------------------------|--|-----------------------|-----------------------|-----------------------|
| <b>2021</b>                  |                          |                                 |  |                       |                       |                       |
| <b>Group</b>                 |                          |                                 |  |                       |                       |                       |
| <b>Financial liabilities</b> |                          |                                 |  |                       |                       |                       |
| Trade and other payables     | 28,927,686               | 28,927,686                      | 28,927,686                             | -                     | -                     | -                     |
| Hire purchase payables       | 8,782,521                | 9,299,051                       | 4,163,360                              | 3,047,810             | 2,087,881             | -                     |
| Term loans                   | 62,039,838               | 73,021,961                      | 11,714,644                             | 11,329,893            | 30,878,996            | 19,098,428            |
| Lease liabilities            | 13,263,323               | 21,503,196                      | 2,385,274                              | 1,504,876             | 2,026,466             | 15,586,580            |
| Bankers' acceptances         | 296,773,674              | 296,773,674                     | 296,773,674                            | -                     | -                     | -                     |
| Bank overdrafts              | 5,017,024                | 5,017,024                       | 5,017,024                              | -                     | -                     | -                     |
| Islamic financing            | 52,989,873               | 53,781,272                      | 53,781,272                             | -                     | -                     | -                     |
|                              | <b>467,793,939</b>       | <b>488,323,864</b>              | <b>402,762,934</b>                     | <b>15,882,579</b>     | <b>34,993,343</b>     | <b>34,685,008</b>     |
| <b>Company</b>               |                          |                                 |  |                       |                       |                       |
| <b>Financial liabilities</b> |                          |                                 |  |                       |                       |                       |
| Other payables               | 945,151                  | 945,151                         | 945,151                                | -                     | -                     | -                     |
| Financial guarantee *        | -                        | 416,820,409                     | 416,820,409                            | -                     | -                     | -                     |
|                              | <b>945,151</b>           | <b>417,765,560</b>              | <b>417,765,560</b>                     | <b>-</b>              | <b>-</b>              | <b>-</b>              |

\* The Company has given corporate guarantees 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.

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 28. FINANCIAL INSTRUMENTS (CONTINUED)

#### (b) Financial risk management (continued)

##### (iv) Foreign currency risk

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

The Group has foreign currency exposure primarily arising from its trade receivables, cash at banks and trade and other payables which are denominated in United States Dollar ("USD"), Singapore Dollar ("SGD"), Euro ("EURO") and Australian Dollar ("AUD") as disclosed in Notes 13, 16 and 21.

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

##### Sensitivity analysis for foreign currency risk

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

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

|         |                   | 2022<br>RM | Group<br>2021<br>RM |
|---------|-------------------|------------|---------------------|
| USD/RM  | - Strengthened 5% | 310,375    | (42,004)            |
|         | - Weakened 5%     | (310,375)  | 42,004              |
| SGD/RM  | - Strengthened 5% | 53,019     | 23,302              |
|         | - Weakened 5%     | (53,019)   | (23,302)            |
| EURO/RM | - Strengthened 5% | -          | (950)               |
|         | - Weakened 5%     | -          | 950                 |
| AUD/RM  | - Strengthened 5% | -          | (7,660)             |
|         | - Weakened 5%     | -          | 7,660               |

#### (c) Fair value measurement

##### (i) Fair value of financial instruments

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

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

##### (ii) Fair value hierarchy

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).

## NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)

### 28. FINANCIAL INSTRUMENTS (CONTINUED)

#### (c) Fair value measurement (continued)

##### (ii) Fair value hierarchy (continued)

The following table provides the fair value measurement hierarchy of the Group's financial instruments that are not carried at fair value:

|                            | Carrying<br>amount<br>RM | Fair value of financial instruments<br>not carried at fair value |               |               | Total<br>RM |
|----------------------------|--------------------------|--|---------------|---------------|-------------|
|                            |                          | ←----- Fair value -----→<br>Level 1<br>RM                        | Level 2<br>RM | Level 3<br>RM |             |
| <b>Group</b>               |                          |  |               |               |             |
| <b>2022</b>                |                          |  |               |               |             |
| <b>Financial liability</b> |                          |  |               |               |             |
| Hire purchase payables     | 8,075,102                | -  | -             | 8,070,378     | 8,070,378   |
| <b>2021</b>                |                          |  |               |               |             |
| <b>Financial liability</b> |                          |  |               |               |             |
| Hire purchase payables     | 8,782,521                | -  | -             | 8,776,080     | 8,776,080   |

#### Level 3 fair value

##### Fair value of financial instruments not carried at fair value

The fair value of hire purchase payables is estimated by discounting future cash flows using effective interest rates for similar type of hire purchase arrangements.

During the financial year ended 31 December 2022, there have been no transfers within the fair value measurement hierarchy (2021: no transfer in either directions).

### 29. CAPITAL MANAGEMENT

The primary objective of the Group's capital management is to ensure that it maintains a strong credit rating and healthy capital ratios in order to support its business and maximise shareholder value. The Group manages its capital structure and makes adjustments to it, in light of changes in economic and business conditions. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, return capital to shareholders, or issue new shares. There were no changes in the Group approach to capital management since the financial year ended 31 December 2021. The Group is not subject to any externally imposed capital requirements.

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

|  | Group        |              |
|--|--------------|--------------|
|  | 2022<br>RM   | 2021<br>RM   |
| Total interest-bearing borrowings                          | 448,835,017  | 438,866,253  |
| Less: Deposits with licensed banks, cash and bank balances | (39,553,474) | (45,652,177) |
| Total net debts  | 409,281,543  | 393,214,076  |
| Total equity   | 558,193,279  | 535,406,683  |
| Total net debts plus equity                                | 967,474,822  | 928,620,759  |
| Gearing ratio  | 42%          | 42%          |

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

# STATEMENT BY DIRECTORS

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

We, **DATO' SRI OOI BIN KEONG** and **OOI SENG KHONG**, being two of the directors of LEON FUAT BERHAD, do hereby state that in the opinion of the directors, the accompanying financial statements set out on pages 88 to 152 are drawn up in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022 and of their financial performance and cash flows for the financial year then ended.

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

**DATO' SRI OOI BIN KEONG**  
Director

**OOI SENG KHONG**  
Director

Kuala Lumpur  
Date: 10 April 2023

# STATUTORY DECLARATION

## PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016

I, **TAN KIEN YAP**, being the officer primarily responsible for the financial management of LEON FUAT BERHAD, do solemnly and sincerely declare that to the best of my knowledge and belief, the accompanying financial statements as set out on pages 88 to 152 are correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

**TAN KIEN YAP**  
(MIA 15963)

Subscribed and solemnly declared by the abovenamed at the Federal Territory of Kuala Lumpur on 10 April 2023.

Before me,

**HADINUR MOHD SYARIF (W761)**  
Commissioner for Oaths

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LEON FUAT BERHAD

(Incorporated in Malaysia)

## Report on the Audit of the Financial Statements

### Opinion

We have audited the financial statements of Leon Fuat Berhad, which comprise the statements of financial position as at 31 December 2022 of the Group and of the Company, and the statements of profit or loss and other comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including significant accounting policies, as set out on pages 88 to 152.

In our opinion, the accompanying financial statements give a true and fair view of the financial position of the Group and of the Company as at 31 December 2022, and of their financial performance and their cash flows for the financial year then ended in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

### Basis for Opinion

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the *Auditors' Responsibilities for the Audit of the Financial Statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### *Independence and Other Ethical Responsibilities*

We are independent of the Group and of the Company in accordance with the *By-Laws (on Professional Ethics, Conduct and Practice)* of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' *International Code of Ethics for Professional Accountants (including International Independence Standards)* ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

### Key Audit Matters

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

### Group

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#### Inventories (Note 12 to the financial statements)

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As at 31 December 2022, the Group's inventories amounted to RM387.10 million. The Group's inventories are measured at the lower of cost and net realisable value. Judgement is required in estimating their net realisable values and identifying slow-moving inventories.

#### Our audit response:

Our audit procedures included, among others:

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



# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LEON FUAT BERHAD (CONTINUED)

(Incorporated in Malaysia)

## Key Audit Matters (continued)

### Company

We have determined that there are no key audit matters in the audit of the separate financial statements of the Company to be communicated in our auditors' report.

### Information Other than the Financial Statements and Auditors' Report Thereon

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

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

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

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

### Responsibilities of the Directors for the Financial Statements

The directors of the Company are responsible for the preparation of financial statements of the Group and of the Company that give a true and fair view in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The directors are also responsible for such internal control as the directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

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

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

### Auditors' Responsibilities for the Audit of the Financial Statements

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

# INDEPENDENT AUDITORS' REPORT TO THE MEMBERS OF LEON FUAT BERHAD (CONTINUED)

(Incorporated in Malaysia)

## Auditors' Responsibilities for the Audit of the Financial Statements (continued)

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

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

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

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

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

## Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act 2016 in Malaysia, we report that the subsidiary of which we have not acted as auditors, are disclosed in Note 11 to the financial statements.

## Other Matters

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the contents of this report.

**Baker Tilly Monteiro Heng PLT**  
201906000600 (LLP0019411-LCA) & AF 0117  
Chartered Accountants

Kuala Lumpur  
Date: 10 April 2023

**Andrew Choong Tuck Kuan**  
No. 03264/04/2025 J  
Chartered Accountant

# LIST OF PROPERTIES

AS AT 31 DECEMBER 2022

| Registered/<br>Beneficial Owner | Address/Title  | Description/Existing Use  | Tenure                                       | Approximate Land/<br>Built-up Areas<br>(sq. ft. *)                               | Approximate<br>Age of Buildings<br>(No. of Years) | Net Carrying Amount<br>at Group Level as at<br>31 December 2022<br>(RM) | Year of<br>Acquisition/<br>Revaluation |
|---------------------------------|--|---|--|--|---|---|--|
| <b>LF Metal</b>                 | No. 11, Lorong Keluli 1B,<br>Kawasan Perindustrian Bukit Raja Selatan,<br>Seksyen 7, 40000 Shah Alam,<br>Selangor Darul Ehsan held under GRN 290613,<br>Lot 26102, (formerly H.S. (D) 30948,<br>Lot No. PT 17395), Mukim Kapar,<br>Daerah Klang, Negeri Selangor Darul Ehsan | A unit of single-storey detached factory<br>cum warehouse building with an annexed<br>4 storey office and a unit of single-storey factory<br>cum warehouse building with annexed<br>single-storey office and 2 storey store/used as a<br>steel processing plant, warehouse and office | Freehold                                     | 179,736/19,754<br>(office built-up area) &<br>102,882 (factory<br>built-up area) | 15  | Office and factory:<br>16,530,814 &<br>Land: 6,890,000                  | 2004                                   |
| <b>LF Metal</b>                 | No. 6, Lorong Keluli 1B,<br>Kawasan Perindustrian Bukit Raja Selatan,<br>Seksyen 7, 40000 Shah Alam,<br>Selangor Darul Ehsan held under GRN 290612,<br>Lot 26104, (formerly H.S. (D) 30970,<br>Lot No. PT 17397), Mukim Kapar,<br>Daerah Klang, Negeri Selangor Darul Ehsan  | A unit of 4 1/2 storey office with an annexed<br>2 units of single-storey warehouse cum<br>factory/used as a steel processing plant,<br>warehouse and office  | Freehold                                     | 116,928/29,600<br>(office built-up area) &<br>51,200 (factory<br>built-up area)  | 26  | Office and factory:<br>2,545,123 &<br>Land: 2,536,281                   | 1994                                   |
| <b>LF Metal</b>                 | No. 1a, Lorong Keluli 1B,<br>Kawasan Perindustrian Bukit Raja Selatan,<br>Seksyen 7, 40000 Shah Alam,<br>Selangor Darul Ehsan<br>held under H.S. (D) 30972, Lot No. PT 17399,<br>Mukim Kapar, Daerah Klang,<br>Negeri Selangor Darul Ehsan                                   | A unit of single-storey detached factory<br>building with annexed double-storey office<br>building/used as a steel processing plant,<br>warehouse and office  | Freehold                                     | 130,680/16,402<br>(office built-up area) &<br>60,838 (factory<br>built-up area)  | #   | Office and factory:<br>11,190,143 &<br>Land: 15,681,600                 | 2012                                   |
| <b>LF Metal</b>                 | No. 17, Persiaran Sultan Alauddin KU 17,<br>Kawasan Perindustrian Bandar Sultan Suleiman<br>Fasa 4, Pelabuhan Klang,<br>42000 Selangor Darul Ehsan<br>held under H.S.(M) 42036, PT 65615,<br>Mukim Kapar, Daerah Klang,<br>Negeri Selangor Darul Ehsan                       | A unit of single-storey detached factory cum<br>warehouse building/used as steel pipe<br>manufacturing plant, warehouse and office  | Leasehold<br>expiring on<br>07.12.2110       | 700,844/128,371<br>(factory and warehouse<br>built-up area)                      | 4   | Factory and warehouse:<br>23,277,065 &<br>Land: 30,720,075              | 2016                                   |
| <b>LF Metal</b>                 | P136 - P138 and part of P139,<br>Jalan Persiaran Port Klang FZ4,<br>Precinct 1, Port Klang Free Zone (PKFZ),<br>K/S12, 42920 Pulau Indah,<br>Selangor Darul Ehsan  | Two units of single-storey detached warehouse<br>with a double-storey office building/<br>Currently approximately 45,801 sq. ft.<br>of the warehouse space is rented by a<br>third party and the remaining warehouse space<br>and office are for own use                              | Lease Agreement<br>expiring on<br>31.08.2044 | 1,842 (office<br>built-up area) &<br>192,147 (warehouse<br>built-up area)        | 7   | Office and warehouse:<br>13,858,774                                     | 2016                                   |
| <b>LF Metal</b>                 | H.S.(M) 47185, Lot No. PT65648, Mukim Kapar,<br>Daerah Klang, Negeri Selangor Darul Ehsan  | A parcel of vacant industrial land  | Leasehold expiring<br>on 15.10.2117          | 291,804  | N/A   | Land: 21,062,028  | 2022                                   |

# LIST OF PROPERTIES

## AS AT 31 DECEMBER 2022

| Registered/<br>Beneficial Owner | Address/Title  | Description/Existing Use   | Tenure                                       | Approximate Land/<br>Built-up Areas<br>(sq. ft. *)                            | Approximate<br>Age of Buildings<br>(No. of Years) | Net Carrying Amount<br>at Group Level as at<br>31 December 2022<br>(RM) | Year of<br>Acquisition/<br>Revaluation |
|---------------------------------|--|--|--|---|---|---|--|
| <b>LF Hardware</b>              | No. 6A, Jalan Tiga, Off Jalan Sungai Besi,<br>Kawasan Perusahaan Sungai Besi, Kuala Lumpur<br>held under PN 37429, Lot No. 443<br>(formerly H.S. (D) 66942, Lot No. P.T. 413),<br>Seksyen 92, Bandar Kuala Lumpur,<br>Daerah Kuala Lumpur, Wilayah Persekutuan<br>Kuala Lumpur             | A unit of single-storey detached factory/<br>Used as a steel processing plant  | Leasehold expiring<br>on 09.07.2050          | 25,957/12,938<br>(factory built-up area)**                                    | 25  | Factory: 282,701 &<br>Land: 331,037                                     | 1991                                   |
| <b>LF Hardware</b>              | GRN 26499, Lot No. 10324, Mukim Klang,<br>Daerah Klang, Negeri Selangor Darul Ehsan  | A parcel of vacant land  | Freehold                                     | 227,334   | N/A   | Land: 10,384,000  | 2021                                   |
| <b>PSP</b>                      | Lot Plo 122, Jalan Firma 1/3,<br>Tebrau Industrial Estate (1),<br>81100 Johor Bahru, Johor Darul Takzim<br>held under Lot 44900, Title No. GRN 190371,<br>Mukim Tebrau, District of Johor Bahru,<br>State of Johor   | A unit of single-storey detached factory with<br>an annexed 3 storey office building/<br>Used as a steel processing plant, warehouse<br>and office | Lease Agreement<br>expiring on<br>25.06.2055 | 92,602/6,903<br>(office built-up area) &<br>54,632 (factory<br>built-up area) | 23  | Office and factory:<br>3,064,311 &<br>Land: 3,551,532                   | 2017                                   |
| <b>Supreme<br/>Steelmakers</b>  | B09-F2-1, Pangsapuri Mutiara,<br>Taman Balakong Jaya,<br>43300 Balakong, Selangor Darul Ehsan<br>Strata Title No. PM204/M1/3/64,<br>No. Bangunan M1, No. Tingkat 3,<br>No. Petak 64, Lot No. 41233,<br>Pekan of Kajang, District of Hulu Langat,<br>State of Selangor                      | A unit of residential apartment/<br>Used as workers' hostel  | Lease Agreement<br>expiring on<br>29.07.2095 | 741 (apartment<br>built-up area)  | 22  | Apartment: 147,830  | 2018                                   |
| <b>Supreme<br/>Steelmakers</b>  | B10-F1-2, Pangsapuri Mutiara,<br>Jalan Balakong Jaya, Taman Balakong Jaya,<br>43300 Balakong, Selangor Darul Ehsan<br>Strata Title No. PM204/M1/2/51,<br>No. Bangunan M1, No. Tingkat 2,<br>No. Petak 51, Lot No. 41233,<br>Pekan of Kajang, District of Hulu Langat,<br>State of Selangor | A unit of residential apartment/<br>Used as workers' hostel  | Lease Agreement<br>expiring on<br>29.07.2095 | 741 (apartment<br>built-up area)  | 22  | Apartment: 161,675  | 2018                                   |
| <b>Supreme<br/>Steelmakers</b>  | No. 3, Jalan Balakong Jaya 5,<br>Taman Balakong Jaya,<br>43300 Balakong, Selangor Darul Ehsan<br>H.S.(M) 20117, No PT 34509,<br>Tempat BT 12, Jalan Balakong<br>Mukim Kajang, Daerah Hulu Langat,<br>State of Selangor   | A unit of double-storey link house/<br>Used as workers' hostel   | Lease Agreement<br>expiring on<br>29.07.2095 | 1,076/1,350<br>(double-storey link<br>house built-up area)                    | 13  | Double-storey link<br>house: 438,806                                    | 2018                                   |

# LIST OF PROPERTIES

## AS AT 31 DECEMBER 2022

| Registered/<br>Beneficial Owner | Address/Title   | Description/Existing Use   | Tenure   | Approximate Land/<br>Built-up Areas<br>(sq. ft. *)  | Approximate<br>Age of Buildings<br>(No. of Years) | Net Carrying Amount<br>at Group Level as at<br>31 December 2022<br>(RM) | Year of<br>Acquisition/<br>Revaluation |
|---------------------------------|---|--|----------|---|---|---|--|
| <b>Supreme<br/>Steelmakers</b>  | Lot 5176, Jalan Perindustrian Balakong, Kawasan Perindustrian Balakong Jaya,<br>43300 Seri Kembangan, Selangor Darul Ehsan<br>held under Geran Mukim No. 6958,<br>Lot 60240, Pekan Kajang, Daerah Hulu Langat,<br>Negeri Selangor Darul Ehsan | A unit of single-storey detached warehouse with an annexed 4 storey office block and a unit of single-storey detached factory/<br>Used as a steel processing plant, warehouse and office | Freehold | 107,058/21,400<br>(office built-up area)<br>& 36,594 (factory &<br>warehouse built-up area) | 3   | Office, factory and<br>warehouse: 11,735,841<br>& Land: 15,591,429      | 2021                                   |

### Notes:

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

\*\* Estimated remaining land and factory built-up area after compulsory acquisition pursuant to the Land Acquisition Act, 1960 for the purpose of "Projek Mass Rapid Transit (MRT) Lembah Klang – Jajaran Sungai Buloh-Serdang-Putrajaya (SSP)".

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

# STATISTICS OF SHAREHOLDINGS

AS AT 31 MARCH 2023

## SHARE CAPITAL

Total number of Issued Shares : 341,000,000 ordinary shares

Class of Shares : Ordinary shares

Voting Rights : One (1) vote per ordinary share

| Size of Shareholdings | No. of Shareholders | %             | No. of Shares held | %             |
|-----------------------|---------------------|---------------|--------------------|---------------|
| Less than 100         | 6                   | 0.19          | 89                 | 0.00          |
| 100 - 1,000           | 290                 | 9.25          | 185,000            | 0.05          |
| 1,001 - 10,000        | 1,600               | 51.02         | 9,434,111          | 2.77          |
| 10,001 - 100,000      | 1,040               | 33.16         | 33,894,500         | 9.94          |
| 100,001 - 17,049,999  | 199                 | 6.35          | 77,796,300         | 22.81         |
| 17,050,000 and above  | 1                   | 0.03          | 219,690,000        | 64.43         |
| <b>Total</b>          | <b>3,136</b>        | <b>100.00</b> | <b>341,000,000</b> | <b>100.00</b> |

## DIRECTORS' SHAREHOLDINGS

(As per Register of Directors' Shareholdings)

| Name of Directors       | Direct<br>No. of<br>Shares held | %    | Indirect<br>No. of<br>Shares held | %     |
|-------------------------|---------------------------------|------|-----------------------------------|-------|
| Dato' Lim Cheng Poh     | -                               | -    | 175,000 <sup>(1)</sup>            | 0.05  |
| Dato' Sri Ooi Bin Keong | 200,000                         | 0.06 | 219,690,000 <sup>(2)</sup>        | 64.43 |
| Ooi Kong Tiong          | 200,000                         | 0.06 | -                                 | -     |
| Ooi Seng Khong          | -                               | -    | -                                 | -     |
| Ng Kok Teong            | 221,000                         | 0.06 | 219,690,000 <sup>(3)</sup>        | 64.43 |
| Ooi Shang How           | 200,000                         | 0.06 | -                                 | -     |
| Chan Kee Loin           | 100,000                         | 0.03 | -                                 | -     |
| Tan Did Heng            | -                               | -    | -                                 | -     |
| Tan Sack Sen            | 20,200 <sup>(4)</sup>           | 0.01 | -                                 | -     |
| Others <sup>(5)</sup>   |                                 |      |                                   |       |
| Ooi Shang Yao           | 20,000                          | 0.01 | -                                 | -     |
| Ooi Shang Chieh         | 5,000                           | #    | -                                 | -     |

### Notes:

<sup>1</sup> Disclosure of interest held by spouse pursuant to Section 59(11)(c) of the Companies Act 2016 ("Act").

<sup>2</sup> Deemed interest by virtue of his interest in Leon Fuat Holdings Sdn Bhd pursuant to Section 8(4) of the Act.

<sup>3</sup> Deemed interest by virtue of his interest in NCT & Sons Sdn Bhd, a substantial shareholder of Leon Fuat Holdings Sdn Bhd pursuant to Section 8(4) of the Act.

<sup>4</sup> Partly held through CGS-CIMB Nominees (Tempatan) Sdn Bhd.

<sup>5</sup> 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.

# Negligible.



## STATISTICS OF SHAREHOLDINGS

### AS AT 31 MARCH 2023

#### SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS

(As per Register of Substantial Shareholders' Shareholdings)

| Name of Substantial Shareholders | Direct                |       | Indirect                   |       |
|----------------------------------|-----------------------|-------|----------------------------|-------|
|                                  | No. of<br>Shares held | %     | No. of<br>Shares held      | %     |
| Leon Fuat Holdings Sdn Bhd       | 219,690,000           | 64.43 | -                          | -     |
| Dato' Sri Ooi Bin Keong          | 200,000               | 0.06  | 219,690,000 <sup>(1)</sup> | 64.43 |
| NCT & Sons Sdn Bhd               | -                     | -     | 219,690,000 <sup>(1)</sup> | 64.43 |
| Ng Kok Teong                     | 221,000               | 0.06  | 219,690,000 <sup>(2)</sup> | 64.43 |
| Ng Kok Wee                       | 200,000               | 0.06  | 219,690,000 <sup>(2)</sup> | 64.43 |
| Ong Mung Hsia                    | -                     | -     | 219,690,000 <sup>(2)</sup> | 64.43 |
| Ng Bee Fong                      | -                     | -     | 219,690,000 <sup>(2)</sup> | 64.43 |

**Notes:**

<sup>1</sup> Deemed interest by virtue of their interest in Leon Fuat Holdings Sdn Bhd pursuant to Section 8(4) of the Act.

<sup>2</sup> Deemed interest by virtue of their interest in NCT & Sons Sdn Bhd, a substantial shareholder of Leon Fuat Holdings Sdn Bhd pursuant to Section 8(4) of the Act.

## STATISTICS OF SHAREHOLDINGS

### AS AT 31 MARCH 2023

#### 30 LARGEST SHAREHOLDERS

| No.          | Name of Shareholders   | No. of Shares      | %            |
|--------------|--|--------------------|--------------|
| 1.           | Leon Fuat Holdings Sdn Bhd   | 219,690,000        | 64.43        |
| 2.           | Tan Kok Choon  | 3,371,200          | 0.99         |
| 3.           | Lim Pei Tiam @ Liam Ahat Kiat  | 2,930,000          | 0.86         |
| 4.           | Do Hock Kwong  | 2,813,000          | 0.82         |
| 5.           | Sin Hock   | 2,291,800          | 0.67         |
| 6.           | Maybank Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Toh Su See                       | 2,289,400          | 0.67         |
| 7.           | Jeffrey Ng Pow Kong  | 2,050,700          | 0.60         |
| 8.           | Tan Aik Choon  | 1,675,600          | 0.49         |
| 9.           | Maybank Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Chiau Beng Teik                  | 1,456,300          | 0.43         |
| 10.          | Loo Suo Li   | 1,425,800          | 0.42         |
| 11.          | Kenanga Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Lim Hong Choon (030)             | 1,416,300          | 0.42         |
| 12.          | Maybank Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Ng Beng Hoo                      | 1,394,800          | 0.41         |
| 13.          | AllianceGroup Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Kong Kok Choy (8092812)    | 1,300,000          | 0.38         |
| 14.          | Liau Keen Yee  | 1,225,000          | 0.36         |
| 15.          | Maybank Nominees (Tempatan) Sdn Bhd<br>Wong Choy Fong  | 1,200,000          | 0.35         |
| 16.          | Tan Jian Jong  | 1,158,600          | 0.34         |
| 17.          | HLB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Lee Koing @ Lee Kim Sin              | 1,066,600          | 0.31         |
| 18.          | Lim Jit Hai  | 1,053,700          | 0.31         |
| 19.          | AllianceGroup Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Lee Choon Fook (8027431)   | 968,500            | 0.28         |
| 20.          | Maybank Nominees (Tempatan) Sdn Bhd<br>Bong Choon Fah  | 911,800            | 0.27         |
| 21.          | Lim Choon  | 850,000            | 0.25         |
| 22.          | Liau Yuan Hin  | 820,000            | 0.24         |
| 23.          | CGS-CIMB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Goalkey System Sdn Bhd (MY1461) | 802,000            | 0.24         |
| 24.          | Kenanga Nominees (Asing) Sdn Bhd<br>Pledged Securities Account for Wu Teng Siong                       | 801,100            | 0.23         |
| 25.          | Maybank Nominees (Tempatan) Sdn Bhd<br>Te Chee Siong   | 800,000            | 0.23         |
| 26.          | Maybank Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Lee Choon Fook                   | 757,900            | 0.22         |
| 27.          | Chay Chee Ken  | 735,600            | 0.22         |
| 28.          | Ng Teck Lin  | 682,900            | 0.20         |
| 29.          | Lau Sau Mooi   | 672,400            | 0.20         |
| 30.          | HLB Nominees (Tempatan) Sdn Bhd<br>Pledged Securities Account for Lee Koing @ Lee Kim Sin              | 607,900            | 0.18         |
| <b>TOTAL</b> |  | <b>259,218,900</b> | <b>76.02</b> |

# NOTICE OF 16TH ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN THAT the 16th Annual General Meeting ("AGM") of Leon Fuat Berhad ("LFB" or "Company") will be held at Greens III, Sports Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 23 May 2023 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 2022 together with the Directors' and Auditors' Reports thereon.
2. To approve the payment of Directors' fees and allowances up to RM1,340,000 from 24 May 2023 until the next AGM of the Company. **Resolution 1**
3. To approve a final single tier dividend of 1.5 sen per share for the financial year ended 31 December 2022. **Resolution 2**
4. To re-elect the following Directors who retire in accordance with Article 92 of the Company's Constitution:
  - (i) Ooi Seng Khong **Resolution 3**
  - (ii) Ooi Kong Tiong **Resolution 4**
  - (iii) Ng Kok Teong **Resolution 5**
5. To re-appoint Messrs Baker Tilly Monteiro Heng PLT as the Company's Auditors for the financial year ending 31 December 2023 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**  
**RETENTION OF CHAN KEE LOIN AS INDEPENDENT DIRECTOR** **Resolution 7**  
 "THAT in accordance with the Malaysian Code on Corporate Governance ("MCCG"), Chan Kee Loin be and is hereby retained as Independent Non-Executive Director of the Company and be designated as such until the conclusion of the next AGM, subject to the provisions of the relevant regulatory authorities."
7. **ORDINARY RESOLUTION**  
**RETENTION OF TAN DID HENG AS INDEPENDENT DIRECTOR** **Resolution 8**  
 "THAT in accordance with the MCCG, Tan Did Heng be and is hereby retained as Independent Non-Executive Director of the Company and be designated as such until the conclusion of the next AGM, subject to the provisions of the relevant regulatory authorities."
8. **ORDINARY RESOLUTION**  
**RETENTION OF TAN SACK SEN AS INDEPENDENT DIRECTOR** **Resolution 9**  
 "THAT in accordance with the MCCG, Tan Sack Sen be and is hereby retained as Independent Non-Executive Director of the Company and be designated as such until the conclusion of the next AGM, subject to the provisions of the relevant regulatory authorities."

# NOTICE OF 16TH ANNUAL GENERAL MEETING

## 9. ORDINARY RESOLUTION

## Resolution 10

### AUTHORITY FOR THE DIRECTORS TO ISSUE SHARES

"THAT pursuant to Sections 75 and 76 of the Companies Act 2016 ("Act"), and subject to the Main Market Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Securities") and the approvals of the relevant governmental and/or regulatory authorities (if applicable), the Directors be and are hereby empowered to issue and allot new shares in the Company at any time, to such person or persons at such price, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares issued pursuant to this resolution does not exceed 10% of the total number of issued shares of the Company at the time of issue.

THAT pursuant to Section 85 of the Act to be read together with Clause 60(a) of the Constitution of the Company, approval be and is hereby given to waive the statutory pre-emptive rights of the shareholders of the Company to be offered new shares of the Company ranking equally to the existing issued shares arising from any issuance of new shares in the Company pursuant to Sections 75 and 76 of the Act.

AND THAT the Directors be and are also empowered to obtain the approval from Bursa Securities for the listing of and quotation for the additional shares so issued AND THAT such authority shall continue to be in force until the conclusion of the next AGM of the Company."

## 10. ORDINARY RESOLUTION

## Resolution 11

### PROPOSED RENEWAL OF EXISTING SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS OF A REVENUE OR TRADING NATURE ("PROPOSED RENEWAL OF RRPT MANDATE")

"THAT subject always to the provisions of the Main Market Listing Requirements of Bursa Securities, approval be and is hereby given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature, details as set out in Section 2.5 of the Circular to Shareholders dated 28 April 2023 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 at which time it will lapse, unless by a resolution passed at the AGM whereby the authority is renewed; or
- (ii) the expiration of the period within which the next AGM of the Company is required to be held pursuant to Section 340(2) of the Act (but must not extend to such extension as may be allowed pursuant to Section 340(4) of the Act); or
- (iii) revoked or varied by a resolution passed by the shareholders in a general meeting;

whichever is the earlier;

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

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

# NOTICE OF 16TH ANNUAL GENERAL MEETING

## NOTICE OF DIVIDEND ENTITLEMENT AND PAYMENT

**NOTICE IS HEREBY GIVEN THAT** the final single tier dividend of 1.5 sen per share for the financial year ended 31 December 2022, if approved by the shareholders at the 16th AGM, will be paid on 14 July 2023 to depositors registered in the Record of Depositors at the close of business on 23 June 2023.

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 23 June 2023 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

### YEON CHONG KEAT

SSM PC NO. 201908004096  
MIA 2736

### LIM FEI CHIA

SSM PC NO. 202008000515  
MAICSA 7036158

Company Secretaries  
Kuala Lumpur

28 April 2023

# NOTICE OF 16TH ANNUAL GENERAL MEETING

## NOTES:

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 17 May 2023 [General Meeting Record of Depositors] shall be eligible to attend, speak and vote at this meeting.
2. 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.
3. 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.
4. 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.
5. To be valid, the original Proxy Form, duly completed must be deposited at the registered office of the Company at Lot 5, Level 10, Menara Great Eastern 2, No. 50, Jalan Ampang, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
6. If the appointor is a corporation, the Proxy Form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
7. Audited Financial Statements for the financial year ended 31 December 2022  
The Audited Financial Statements for the financial year ended 31 December 2022 are laid in accordance with Section 340(1)(a) of the Act for discussion only and do not require shareholders' approval. As such, this item will not be put for voting.
8. Directors' Fees and Allowances (Resolution 1)  
Pursuant to Section 230(1) of the Act, the fees of the Directors and any benefits payable to the Directors of a listed company and its subsidiaries shall be approved at a general meeting. The proposed Directors' fees and allowances payable to the Directors of the Company and its subsidiaries for the period from 24 May 2023 to the next AGM takes into account the current and proposed size of the Board and the estimated number of Board meetings to be held during the period.
9. Final dividend (Resolution 2)  
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. At its meeting held on 10 April 2023, the Board had considered the amount of dividend payout and based on the cash flow forecast and projections of the Company, 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 14 July 2023 in accordance with the requirements under Section 132(2) and (3) of the Act.
10. Re-election of Directors (Resolutions 3 to 5)  
Ooi Seng Khong, Ooi Kong Tiong and Ng Kok Teong are retiring pursuant to Clause 92 of the Company's Constitution and being eligible, have offered themselves for re-election at the 16th AGM.  
The Board had through the Nomination Committee carried out fit and proper assessment on the retiring Directors and agreed that they met the criteria as set out in the Directors' Fit and Proper Policy on character and integrity, experience and competence, time and commitment to effectively discharge their role as Directors. The Nomination Committee also noted the Director Self and Peer Performance Evaluation conducted encompassing fit and proper assessment on the Directors of the Company and satisfied that the Directors including the retiring Directors have effectively discharge their role as Directors of the Company.
11. Re-appointment of Auditors (Resolution 6)  
The Board had through the Audit Committee performed an annual evaluation on the performance, independence and objectivity of the External Auditors, Messrs Baker Tilly Monteiro Heng PLT. The Board is satisfied with the service and performance of the External Auditors for the financial year ended 31 December 2022 and recommends to the shareholders for approval the re-appointment of Messrs Baker Tilly Monteiro Heng PLT as the Company's Auditors for the financial year ending 31 December 2023 and the Directors be authorised to fix their remuneration.
12. Retention of Independent Non-Executive Directors (Resolutions 7 to 9)  
These resolutions are to seek the shareholders' approvals to retain Chan Kee Loin, Tan Did Heng and Tan Sack Sen, who have served as Independent Non-Executive Directors of the Company for more than 9 years. The Board supported the assessment conducted by the Nomination Committee on the independence of the abovenamed Directors with justifications set out in the Corporate Governance Overview Statement in the Company's 2022 Annual Report.
13. Authority for the Directors to issue shares (Resolution 10)  
This resolution, if passed, will renew the authority given to and empower the Directors of the Company to issue and allot new shares in the Company at any time to such person or persons, upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit ("General Mandate"), provided that the number of shares issued pursuant to the General Mandate, when aggregated with the number of shares issued during the preceding twelve (12) months, does not exceed 10% of the total number of issued shares of the Company at the time of issue. The renewed General Mandate, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.  
The Company did not issue any new shares pursuant to the mandate obtained at the last annual general meeting of the Company hence no proceeds were raised.  
With the General Mandate, the Company will be able to raise funds expeditiously for the purpose of funding future investments projects, working capital and/or corporate proposals including placement of shares without having to convene a general meeting to seek shareholders' approval when such opportunities or needs arise.
14. Proposed Renewal of RRPT Mandate (Resolution 11)  
This resolution, if passed, will renew the authority given to the Company and/or its subsidiaries to enter into recurrent related party transactions of a revenue or trading nature which are necessary for the day-to-day operations of the Group, particulars of which are set out in Section 2.5 of the Circular to Shareholders dated 28 April 2023. This authority, unless revoked or varied by the Company in a general meeting, will expire at the next AGM of the Company.
15. Personal Data Privacy  
The Personal Data Protection Act 2010, which regulates the processing of personal data in commercial transactions, applies to the Company. By providing to the Company and/or its agents the personal data which may include the name, contact details and mailing address, a member of the Company hereby consent, agree and authorise the processing and/or disclosure of any personal data of or relating to the member for the purposes of issuing the notice of this meeting and convening the meeting (including any adjournment thereof), including but not limited to preparation and compilation of documents and other matters, whether or not supplied by the member. The member further confirms to have obtained the consent, agreement and authorisation of all persons whose personal data the member have disclosed and/or processed in connection with the foregoing.

## STATEMENT ACCOMPANYING

### NOTICE OF THE 16TH 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 16th AGM of the Company.



# PROXY FORM



## LEON FUAT BERHAD

Registration No. 200601036648 (756407-D)  
(Incorporated in Malaysia)

|                       |  |
|-----------------------|--|
| NUMBER OF SHARES HELD |  |
| CDS ACCOUNT NO.       |  |
| CONTACT NO.           |  |

I/We \_\_\_\_\_ NRIC No./Passport No./Company No. \_\_\_\_\_  
*(Full Name in Block Letters)*

of \_\_\_\_\_  
*(Full Address)*

being a member/members of **LEON FUAT BERHAD**, hereby appoint

| Full Name (in Block Letters) | NRIC No./Passport No. | Contact No. | Proportion of Shareholdings |   |
|------------------------------|-----------------------|-------------|-----------------------------|---|
|                              |                       |             | No. of Shares               | % |
| Full Address                 |                       |             |                             |   |

and (if more than one (1) proxy)

| Full Name (in Block Letters) | NRIC No./Passport No. | Contact No. | Proportion of Shareholdings |   |
|------------------------------|-----------------------|-------------|-----------------------------|---|
|                              |                       |             | No. of Shares               | % |
| 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 16th Annual General Meeting of the Company to be held at Greens III, Sports Wing, Tropicana Golf & Country Resort, Jalan Kelab Tropicana, 47410 Petaling Jaya, Selangor Darul Ehsan on Tuesday, 23 May 2023 at 2.30 p.m. and at any adjournment thereof on the following resolutions referred to in the Notice of Annual General Meeting.

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

| RESOLUTIONS   | FOR | AGAINST |
|---|-----|---------|
| 1. To approve the payment of Directors' fees and allowances up to RM1,340,000 from 24 May 2023 until the next AGM of the Company  |     |         |
| 2. To approve a final dividend of 1.5 sen per share for the financial year ended 31 December 2022   |     |         |
| 3. To re-elect Ooi Seng Khong who retires in accordance with Article 92 of the Company's Constitution   |     |         |
| 4. To re-elect Ooi Kong Tiong who retires in accordance with Article 92 of the Company's Constitution   |     |         |
| 5. To re-elect Ng Kok Teong who retires in accordance with Article 92 of the Company's Constitution   |     |         |
| 6. To re-appoint Messrs Baker Tilly Monteiro Heng PLT as the Company's Auditors for the financial year ending 31 December 2023 and to authorise the Directors to fix their remuneration |     |         |
| 7. To retain Chan Kee Loin as Independent Director  |     |         |
| 8. To retain Tan Did Heng as Independent Director   |     |         |
| 9. To retain Tan Sack Sen as Independent Director   |     |         |
| 10. Authority for the Directors to issue shares   |     |         |
| 11. Proposed Renewal of RRPT Mandate  |     |         |

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

\* Delete if not applicable.

Date this \_\_\_\_\_ day of \_\_\_\_\_, 2023.

\_\_\_\_\_  
Signature or Common Seal of Shareholder(s)

Fold this flap for sealing

**NOTES:**

1. In respect of deposited securities, only members whose names appear in the Record of Depositors on 17 May 2023 (General Meeting Record of Depositors) shall be eligible to attend, speak and vote at this meeting.
2. 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.
3. 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.
4. 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.
5. To be valid, the original Proxy Form, duly completed must be deposited at the registered office of the Company at Lot 5, Level 10, Menara Great Eastern 2, No. 50, Jalan Ampang, 50450 Kuala Lumpur not less than forty-eight (48) hours before the time for holding the meeting or any adjournment thereof.
6. If the appointor is a corporation the Proxy Form must be executed under its common seal or under the hand of an officer or attorney duly authorised.
7. By submitting the duly executed Proxy Form, the member and his/her proxy consent to the Company and/or its agents collecting, processing, using and disclosing the personal data therein in accordance with the Personal Data Protection Act 2010 for the purpose of this meeting and at any adjournment thereof.

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AFFIX  
STAMP

The Company Secretaries

**LEON FUAT BERHAD**

Registration No. 200601036648 (756407-D)

**C/o Archer Corporate Services Sdn Bhd**

Lot 5, Level 10

Menara Great Eastern 2

No. 50 Jalan Ampang

50450 Kuala Lumpur

Malaysia

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

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

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

[www.leonfuat.com.my](http://www.leonfuat.com.my)