

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS

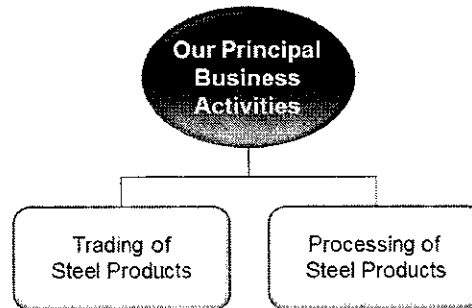
Investors should read the following discussion and analysis of our financial condition and results of operations in conjunction with the pro forma consolidated financial information and the related notes thereon for the past four (4) FYE 31 December 2009 to 2012 as set out in Section 11.4 of this Prospectus.

This discussion and analysis contains data derived from our audited financial statements as well as forward-looking statements that involve risks and uncertainties. The results may differ significantly from those projected in the forward-looking statements. Factors that may cause future results to differ significantly from those included in the forward-looking statements include, but are not limited to, those discussed below and elsewhere in this Prospectus, particularly the risk factors as set out in Section 4 of this Prospectus.

12.1.1 OVERVIEW

Revenue

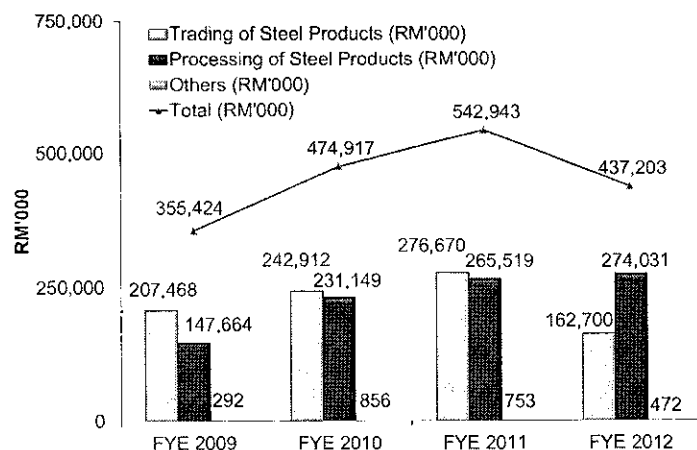
Our Group is principally involved in the following activities:



For the past four (4) financial years under review, our revenue was derived from the following business segments:

- Trading of steel products including flat and long steel products of carbon, stainless and alloy steel;
- Processing of steel products including flat and long steel products of carbon, stainless and alloy steel; and
- Others include trading of specialised steel materials and non-ferrous metal products.

Our revenue grew from RM355.42 million for FYE 31 December 2009 to RM437.20 million for FYE 31 December 2012. This represented an AAGR of 7.15%. Our revenue is mainly derived from our two (2) major business segments, namely trading and processing of steel products, which collectively contributed 99.92%, 99.82%, 99.86% and 99.89% of our revenue for FYE 31 December 2009 to 2012 respectively. Between FYE 31 December 2009 and 2012, our trading segment recorded a negative AAGR of 7.78% while our processing segment registered an AAGR of 22.89%. Others only constituted 0.08%, 0.18%, 0.14% and 0.11% of our revenue during the past four (4) financial years under review respectively.



12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Our revenue from trading and processing of steel products can be further segmented into flat and long products. Revenue from both of our trading and processing of steel products were largely contributed by flat products, which collectively recorded revenue contribution of 77.08%, 81.10%, 82.53% and 80.22% for FYE 31 December 2009 to 2012 respectively.

In terms of steel materials, trading and processing of carbon steel collectively recorded revenue contribution of 85.36%, 84.22%, 83.11% and 79.27% for FYE 31 December 2009 to 2012 respectively. In line with industry trend, the bulk of our carbon steel are mild steel. Other steel materials traded and processed by us include stainless steel and alloy steel.

The main factor that contributed to the increase in our revenue from FYE 31 December 2009 to 2011 was growth in demand for our carbon steel products for both our trading and processing operations namely carbon steel coils. Revenue from carbon steel grew from RM303.36 million or approximately 112,174 tonnes in FYE 31 December 2009 to RM451.30 million or approximately 161,770 tonnes in FYE 31 December 2011. For FYE 31 December 2012, our revenue decreased by 19.48% or RM105.74 million from RM542.94 million in FYE 31 December 2011 to RM437.20 million in FYE 31 December 2012. This was the result of our Group's strategy to scale down trading of low margin products, mainly flat carbon steel products.

Please also refer to Section 12.2.4 of this Prospectus for a segmental analysis of our revenue for the past four (4) FYE 31 December 2009 to 2012.

Direct Operating Costs

Direct Operating Costs	FYE 31 December							
	2009		2010		2011		2012	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Trading of Steel Products	184,235	59.53	215,744	51.64	256,486	53.10	141,495	37.59
Processing of Steel Products	125,014	40.39	201,499	48.23	225,865	46.76	234,498	62.29
Others ⁽¹⁾	256	0.08	573	0.14	697	0.14	445	0.12
Total	309,506[^]	100.00	417,817[^]	100.00[^]	483,049[^]	100.00	376,439[^]	100.00

Notes:

[^] Total does not add-up due to rounding.

(1) Include trading of specialised steel materials including tool steel and non-ferrous metal products including bronze, brass, aluminium and copper products.

Direct operating costs mainly consist of input materials and other direct overheads including staff salaries and related charges, depreciation, factory consumables, statutory charges, product testing and certification, carriage, fuel, utilities and upkeep of vehicles, machinery, equipment and factories.

For the past four (4) FYE 31 December 2009 to 2012 cost of input materials (including import duties) accounted for 96.65%, 96.67%, 96.84% and 95.59% of our direct operating costs respectively.

Direct operating costs constituted approximately 87.08%, 87.98%, 88.97% and 86.10% of our revenue for FYE 31 December 2009 to 2012 respectively. The proportion of our direct operating costs over revenue has been fairly consistent over the financial years under review with marginal difference.

Among the four (4) financial years under review, direct operating costs for FYE 31 December 2012 constituted the lowest proportion over revenue. This was mainly due to our Group's strategy to scale down trading activities on low margin products namely flat carbon steel products.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Trading of Steel Products

Direct operating costs for trading of steel products constituted 88.80%, 88.82%, 92.70% and 86.97% of our revenue from trading of steel products for FYE 31 December 2009 to 2012 respectively.

The increase in our direct operating costs relative to revenue in FYE 31 December 2011 was mainly due to our trading of carbon steel coils, which represented 26.00% of total trading revenue, had an average selling price marginally below average cost of materials by 1.01% (*Note: Average selling price is estimated based on yearly revenue divided by yearly tonnage sold*). The decrease in our direct operating costs relative to revenue in FYE 31 December 2012 was mainly due to decrease in revenue and proportion of revenue contribution from our lower margin products, namely trading of flat carbon steel products.

Input materials (including import duties) represented the largest direct operating costs, contributing 97.46%, 97.34%, 97.36% and 95.90% to our total direct operating costs for our trading of steel product operations for FYE 31 December 2009 to 2012 respectively.

Processing of Steel Products

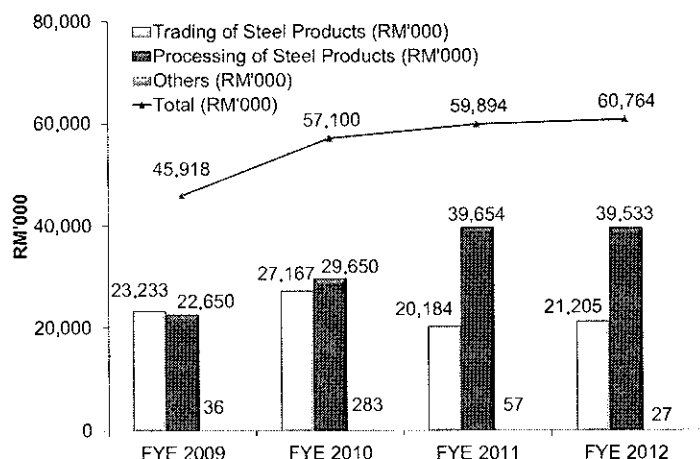
Direct operating costs constituted 84.66%, 87.17%, 85.07% and 85.57% of our revenue from processing of steel product operations for FYE 31 December 2009 to 2012 respectively.

The increase in FYE 31 December 2010 was mainly due to an increase in revenue and revenue contribution from lower margin products, namely processing of carbon steel coils. For FYE 31 December 2011, the decrease was mainly due to higher revenue contribution from profiling of flat carbon steel products which generally provides higher gross profit margin and a slight decrease in revenue and revenue contribution from processing of carbon steel coils. However, revenue and revenue contribution from processing of carbon steel coils in FYE 31 December 2011 remained higher at RM131.31 million and 24.19% compared to FYE 31 December 2009 at RM84.59 million and 23.80%. A slight increase in our direct operating cost over revenue for the FYE 31 December 2012 was corresponding with our growth in sales from our processing of steel products.

Input materials (including import duties) represented the largest direct operating costs, contributing 95.46%, 95.95%, 96.26% and 95.40% to our total direct operating costs for our processing of steel product operations for FYE 31 December 2009 to 2012 respectively.

Gross profit

Our gross profit grew from RM45.92 million for FYE 31 December 2009 to RM60.76 million for FYE 31 December 2012. This represented an AAGR of 9.79%. Our two (2) major business segments, namely trading and processing of steel products, collectively accounted for 99.92%, 99.50%, 99.91% and 99.96% of our gross profit for FYE 31 December 2009 to 2012 respectively. Between FYE 31 December 2009 and 2012, our trading segment recorded a negative AAGR rate of 3.00% while our processing segment registered an AAGR of 20.40%. Others constituted 0.08%, 0.50%, 0.09% and 0.04% of our gross profit for the past four (4) financial years under review respectively.



12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

As our revenue grew, our total gross profit also grew between FYE 31 December 2009 and 2011. Despite the increase in total gross profit, gross profit for our trading operations in FYE 31 December 2011 fell. This was largely due to the gross loss margin recorded for our trading of carbon steel coils, which represented 26.00% of our overall trading operations.

For the FYE 31 December 2012, gross profit of trading activities increased compared to FYE 31 December 2011, despite a fall in our revenue for trading activities. This was primarily due to our strategy to scale down the trading of low margin products. Despite an increase in our revenue for processing activities, our gross profit for processing activities decreased in FYE 31 December 2012 compared to FYE 31 December 2011. This was primarily due to our Group undertaking a higher proportion of less complex profiling jobs with a lower gross profit margin.

Please also refer to Section 12.2.4 of this Prospectus for a segmental analysis of our gross profit for the past four (4) FYE 31 December 2009 to 2012.

Operating costs

Operating Costs	FYE 31 December							
	2009		2010		2011		2012	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Administrative	13,317	74.05	15,748	69.80	15,818	72.76	16,222	70.49
Distribution	3,605	20.05	4,398	19.49	4,572	21.03	4,612	20.04
Others	1,061	5.90	2,417	10.71	1,350	6.21	2,179	9.47
Total	17,983	100.00	22,563	100.00	21,740	100.00	23,013	100.00

Administrative costs mainly consist of directors' remuneration, depreciation, staff salaries and related costs, insurance, utilities, printing and stationery, professional and management fees, security charges, rental, telephone charges, upkeep of motor vehicles, upkeep of office and office equipment and travelling expenses.

Distribution costs mainly consist of staff salaries and related costs, transportation expenses, advertisement and depreciation.

Other operating costs mainly consist of allowance for doubtful debts/impairment loss on trade receivables, quit rent and assessment charges, listing expenses, waiver of late payment interest to customers, gifts and donation, tax penalty charges mainly for FYE 31 December 2002 to 2007 and bad debts written off.

Our operating costs as a proportion of revenue decreased marginally on a year-to-year basis amounting to 5.06%, 4.75% and 4.00% for FYE 31 December 2009 to 2011 respectively. However, our operating costs as a proportion of revenue increased to 5.26% for FYE 31 December 2012 mainly contributed by listing expenses and waiver of late payment interest to customers.

Please also refer to Section 12.2.4 of this Prospectus for an analysis of our operating costs for the past four (4) years from FYE 31 December 2009 to 2012.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Other income

Other income	FYE 31 December							
	2009		2010		2011		2012	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Bad debts recovered	102	8.42	91	6.51	3	0.11	115	9.80
Reversal of impairment loss on trade receivables	-	-	-	-	194	7.11	93	7.93
Gain on disposal of property, plant and equipment	106	8.75	315	22.55	1,797	65.87	41	3.50
Gain on foreign exchange – realised	23	1.90	13	0.93	27	0.99	202	17.22
Interest income	30	2.48	127	9.09	118	4.33	243	20.72
Customer late payment interest charges	496	40.96	462	33.07	109	4.00	45	3.84
Insurance claims	62	5.12	96	6.87	-	-	9	0.77
Dividend income	#	#	-	-	1	0.04	2	0.17
Miscellaneous income	#	#	1	0.07	149	5.46	116	9.90
Rental income	390	32.20	290	20.76	330	12.10	306	26.09
Total	1,211[^]	100.00[^]	1,397[^]	100.00[^]	2,728	100.00[^]	1,173[^]	100.00[^]

Notes:

[^] Total does not add-up due to rounding.

Insignificant value and proportion.

Other income comprises gains on disposal of property, plant and equipment, rental income, reversal of impairment loss on trade receivables, miscellaneous income, interest income, bad debts recovered, dividend, insurance claim, realised gains on foreign exchange and customer late payment interest charges. For FYE 31 December 2009 to 2012, other income accounted for 0.34%, 0.29%, 0.50% and 0.27% of our revenue respectively.

Please also refer to Section 12.2.4 of this Prospectus for an analysis of our other income for the past four (4) FYE 31 December 2009 to 2012.

Finance costs

Finance Costs	FYE 31 December							
	2009		2010		2011		2012	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Bank charges and commitment fees	617	12.04	738	11.10	780	11.06	808	14.69
Bank overdraft interest	797	15.56	838	12.60	548	7.77	218	3.96
Hire purchase interest	787	15.36	736	11.07	546	7.74	343	6.24
Term loan interest	476	9.29	442	6.65	281	3.98	153	2.78
Trust receipt and bankers' acceptance interest	2,446	47.75	3,897	58.59	4,898	69.45	3,978	72.33
Total	5,123	100.00	6,651[^]	100.00[^]	7,053	100.00[^]	5,500	100.00

Note:

[^] Total does not add-up due to rounding.

Finance costs are mainly bank charges and interest charged for bank facilities and accounted for 1.44%, 1.40%, 1.30% and 1.26% of our Group's revenue for FYE 31 December 2009 to 2012 respectively.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Please also refer to Section 12.2.4 of this Prospectus for an analysis of our Group's finance costs for the past four (4) FYE 31 December 2009 to 2012.

Income tax expenses

Income Tax Expenses	FYE 31 December			
	2009 %	2010 %	2011 %	2012 %
Effective Tax Rate	29.08	29.67	25.64	27.87
Malaysia Statutory Income Tax Rate	25.00	25.00	25.00	25.00

Income tax expenses comprise the current year provision for taxation, under or overprovision of taxation in the previous year and deferred taxation.

For FYE 31 December 2009, 2011 and 2012, our effective tax rate was higher than the statutory income tax rate mainly due to non-deductible expenses.

For FYE 31 December 2010, our effective tax rate was higher than the statutory income tax rate mainly due to non-deductible expenses and under provision of taxation in the previous years.

Please also refer to Section 12.2.4 of this Prospectus for an analysis of our income tax expenses for the past four (4) FYE 31 December 2009 to 2012.

12.2 RESULTS OF OPERATIONS

The following is the segmental analysis of our results for the four (4) FYE 31 December 2009 to 2012 based on the assumption that our current group structure has been in existence throughout the financial years under review.

12.2.1 Segmental analysis of revenue

(i) Revenue by Companies

The breakdown of our revenue by companies are as follows:

Revenue	FYE 31 December							
	2009		2010		2011		2012	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
LF Hardware	53,740	15.12	61,945	13.04	60,709	11.18	56,074	12.83
LF Klang	273,634	76.99	384,271	80.91	451,444	83.15	352,508	80.63
Supreme Steelmakers	18,992	5.34	19,990	4.21	20,934	3.86	19,707	4.51
ASA Steel	9,057	2.55	8,711	1.83	9,855	1.82	8,914	2.04
Leon Fuat	-	-	-	-	-	-	-	-
Total	355,424[^]	100.00	474,917	100.00[^]	542,943[^]	100.00[^]	437,203	100.00[^]

Note:

[^] Total does not add-up due to rounding.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

(ii) Revenue by Business Activities

The breakdown of our revenue by business activities are as follows:

Revenue	FYE 31 December							
	2009		2010		2011		2012	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Trading of Steel								
Products								
Flat								
Carbon Steel	128,968	36.29	150,423	31.67	191,295	35.23	93,638	21.42
Other Steel ⁽¹⁾	19,944	5.61	28,892	6.08	19,016	3.50	12,303	2.81
	148,912	41.90	179,315	37.76[^]	210,310[^]	38.74[^]	105,941	24.23
Long								
Carbon Steel	43,501	12.24	49,159	10.35	49,597	9.13	41,745	9.55
Other Steel ⁽¹⁾	15,055	4.24	14,437	3.04	16,763	3.09	15,015	3.43
	58,556	16.47[^]	63,597[^]	13.39	66,360	12.22	56,759[^]	12.98
	207,468	58.37	242,912	51.15	276,670	50.96	162,700	37.21
Processing of Steel								
Products ⁽²⁾								
Flat								
Carbon Steel	117,452	33.05	186,130	39.19	195,189	35.95	196,417	44.93
Other Steel ⁽¹⁾	7,570	2.13	19,706	4.15	42,552	7.84	48,390	11.07
	125,022	35.18	205,836	43.34	237,741	43.79	244,807	55.99[^]
Long								
Carbon Steel	13,441	3.78	14,304	3.01	15,225	2.80	14,745	3.37
Other Steel ⁽¹⁾	9,201	2.59	11,009	2.32	12,553	2.31	14,478	3.31
	22,642	6.37	25,313	5.33	27,778	5.12[^]	29,224[^]	6.68
	147,664	41.55	231,149	48.67	265,519	48.90[^]	274,031	62.68[^]
Others ⁽³⁾								
	292	0.08	856	0.18	753	0.14	472	0.11
Total	355,424	100.00	474,917	100.00	542,943[^]	100.00	437,203	100.00

Notes:

- [^] Total does not add-up due to rounding.
- (1) Include stainless and alloy steel.
- (2) Processing refers to one (1) or more of the following activities including cutting, levelling, shearing, profiling, bending and finishing of steel products as well as production of expanded metal. Revenue derived from processing of steel products is mainly in the form of sales of the processed material.
- (3) Include trading of specialised steel materials including tool steel and non-ferrous metal products including bronze, brass, aluminium and copper products.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

(iii) Revenue by Geographical Markets

The breakdown of our revenue by geographical markets as follows:

Revenue	FYE 31 December							
	2009		2010		2011		2012	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Malaysia	354,987	99.88	474,027	99.81	538,136	99.11	429,047	98.13
Export markets	437	0.12	890	0.19	4,807	0.89	8,156	1.87
Japan	-	-	-	-	-	-	4,218	0.96
Thailand	-	-	240	0.05	3,202	0.59	-	-
Singapore	101	0.03	558	0.12	911	0.17	2,208	0.51
Indonesia	8	#	17	#	694	0.13	1,701	0.39
Others@	328	0.09	75	0.02	-	-	29	0.01
Total	355,424	100.00	474,917	100.00	542,943	100.00	437,203	100.00

Notes:

Insignificant proportion.

@ Others include Greece, Vietnam, Brunei, Canada, United States and Korea.

(iv) Sales Tonnage by Types of Steel Materials

Sales Tonnage	FYE 31 December			
	2009 Tonnes	2010 Tonnes	2011 Tonnes	2012 Tonnes
Trading of Steel Products				
Flat				
Carbon Steel	50,825	57,662	75,373	35,889
Other Steel ⁽¹⁾	1,991	2,679	1,737	1,316
	52,816	60,342[^]	77,110	37,204[^]
Long				
Carbon Steel	13,865	15,959	15,305	13,386
Other Steel ⁽¹⁾	1,298	1,267	1,563	1,461
	15,163	17,226	16,868	14,847
	67,979	77,568	93,978	52,052[^]
Processing of Steel Products⁽²⁾				
Flat				
Carbon Steel	44,392	69,731	67,350	68,450
Other Steel ⁽¹⁾	406	1,307	3,303	4,349
	44,798	71,039[^]	70,653	72,798[^]
Long				
Carbon Steel	3,092	3,567	3,742	3,599
Other Steel ⁽¹⁾	678	876	1,054	1,361
	3,770	4,444[^]	4,795[^]	4,960
	48,568	75,482[^]	75,448	77,759[^]
Total	116,547	153,050	169,426	129,810[^]

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Notes:

^ Total does not add-up due to rounding.

(1) Include stainless steel and alloy steel.

(2) Processing refers to one (1) or more of the following activities including cutting, levelling, shearing, profiling, bending and finishing of steel products as well as production of expanded metal. Sales tonnage derived from processing of steel products is mainly in the form of sales of the processed material.

12.2.2 Segmental analysis of gross profit

(i) Gross profit by Companies

The breakdown of our gross profit and gross profit margin by companies are as follows:

Gross Profit	FYE 31 December							
	2009		2010		2011		2012	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
LF Hardware	10,489	22.84	13,110	22.96	12,485	20.85	13,257	21.82
LF Klang	26,634	58.00	33,359	58.42	36,491	60.93	37,159	61.15
Supreme Steelmakers	5,365	11.68	7,441	13.03	7,795	13.01	7,530	12.39
ASA Steel	3,431	7.47	3,189	5.58	3,123	5.21	2,817	4.64
Leon Fuat	-	-	-	-	-	-	-	-
Total	45,918[^]	100.00[^]	57,100[^]	100.00[^]	59,894	100.00	60,764[^]	100.00

Note:

^ Total does not add-up due to rounding.

Gross Profit Margin	FYE 31 December			
	2009	2010	2011	2012
	%	%	%	%
LF Hardware	19.52	21.16	20.57	23.64
LF Klang	9.73	8.68	8.08	10.54
Supreme Steelmakers	28.25	37.22	37.24	38.21
ASA Steel	37.88	36.61	31.69	31.60
Leon Fuat	-	-	-	-
Total	12.92	12.02	11.03	13.90

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

(ii) Gross profit by Activities

The tables below set forth the breakdown of our gross profit and gross profit margin by activities:

Gross Profit	FYE 31 December							
	2009		2010		2011		2012	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
Trading of Steel								
Products								
Flat								
Carbon Steel	9,267	20.18	9,599	16.81	6,011	10.04	7,098	11.68
Other Steel ⁽¹⁾	2,438	5.31	3,853	6.75	2,018	3.37	2,094	3.45
	11,705	25.49	13,452	23.56	8,029	13.41	9,192	15.13
Long								
Carbon Steel	7,840	17.07	9,010	15.78	8,219	13.72	8,230	13.54
Other Steel ⁽¹⁾	3,688	8.03	4,705	8.24	3,936	6.57	3,783	6.23
	11,528	25.11[^]	13,715	24.02	12,155	20.29	12,013	19.77
	23,233	50.60	27,167	47.58	20,184	33.70	21,205	34.90
Processing of Steel								
Products								
Flat								
Carbon Steel	11,546	25.14	13,737	24.06	23,422	39.11	20,836	34.29
Other Steel ⁽¹⁾	2,909	6.34	6,500	11.38	7,466	12.47	8,987	14.79
	14,455	31.48	20,237	35.44	30,888	51.57[^]	29,824[^]	49.08
Long								
Carbon Steel	4,610	10.04	4,781	8.37	4,614	7.70	4,938	8.13
Other Steel ⁽¹⁾	3,585	7.81	4,631	8.11	4,152	6.93	4,772	7.85
	8,194[^]	17.85	9,412	16.48	8,766	14.64[^]	9,709[^]	15.98
	22,650[^]	49.33	29,650	51.93[^]	39,654	66.21	39,533	65.06
Others ⁽²⁾								
	36	0.08	283	0.50	57	0.09	27	0.04
Total	45,918[^]	100.00[^]	57,100	100.00[^]	59,894[^]	100.00	60,764[^]	100.00

Notes:

[^] Total does not add-up due to rounding.

(1) Include stainless and alloy steel.

(2) Include trading of specialised steel materials including tool steel and non-ferrous metal products including bronze, brass, aluminium and copper products.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Gross Profit Margin	< ----- FYE 31 December ----- >			
	2009 %	2010 %	2011 %	2012 %
Trading of Steel Products				
Flat				
Carbon Steel	7.19	6.38	3.14	7.58
Other Steel ⁽¹⁾	12.22	13.33	10.61	17.02
	7.86	7.50	3.82	8.68
Long				
Carbon Steel	18.02	18.33	16.57	19.71
Other Steel ⁽¹⁾	24.50	32.59	23.48	25.19
	19.69	21.57	18.32	21.16
	11.20	11.18	7.30	13.03
Processing of Steel Products				
Flat				
Carbon Steel	9.83	7.38	12.00	10.61
Other Steel ⁽¹⁾	38.43	32.98	17.55	18.57
	11.56	9.83	12.99	12.18
Long				
Carbon Steel	34.30	33.42	30.31	33.49
Other Steel ⁽¹⁾	38.96	42.07	33.08	32.96
	36.19	37.18	31.56	33.22
	15.34	12.83	14.93	14.43
Others ⁽²⁾	12.33	33.06	7.57	5.72
Total	12.92	12.02	11.03	13.90

Notes:

- (1) Include stainless and alloy steel.
(2) Include trading of specialised steel materials including tool steel and non-ferrous metal products including bronze, brass, aluminium and copper products.

(iii) Average Purchase Prices of Major Raw Materials

	< ----- FYE 31 December ----- >			
	2009 RM/Tonne	2010 RM/Tonne	2011 RM/Tonne	2012 RM/Tonne
Flat Steel Materials				
Carbon Steel	2,454	2,567	2,621	2,650
Stainless Steel	2,257	2,360	2,377	2,282
Alloy Steel	9,579	10,187	10,889	9,074
	5,764	4,488	4,511	4,489
Long Steel Materials				
Carbon Steel	2,981	2,952	3,165	3,239
Stainless Steel	2,413	2,438	2,606	2,487
Alloy Steel	11,239	11,565	14,730	12,441
	5,117	4,352	4,919	4,589
Total	2,522	2,615	2,689	2,747

Please also refer to Section 12.2.6 (c) of this Prospectus for further details on the fluctuations in prices of steel materials.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

12.2.3 Segmental analysis of PBT

(i) PBT by Companies

The breakdown of our PBT by companies is as follows:

PBT	FYE 31 December							
	2009		2010		2011		2012	
	RM'000	%	RM'000	%	RM'000	%	RM'000	%
LF Hardware	5,403	22.49	8,417	28.74	8,843	26.14	8,290	24.80
LF Klang	14,439	60.10	15,476	52.85	18,978	56.10	21,546	64.46
Supreme Steelmakers	2,103	8.75	4,055	13.85	4,222	12.48	3,610	10.80
ASA Steel	2,081	8.66	1,337	4.57	1,791	5.29	1,331	3.98
Leon Fuat	(4)	(0.02)	(2)	(0.01)	(6)	(0.02)	(1,354)	(4.05)
Total	24,023[^]	100.00[^]	29,283	100.00	33,829[^]	100.00[^]	33,424[^]	100.00[^]

Note:

[^] Total does not add-up due to rounding.

PBT Margin	FYE 31 December			
	2009	2010	2011	2012
	%	%	%	%
LF Hardware	10.05	13.59	14.57	14.78
LF Klang	5.28	4.03	4.20	6.11
Supreme Steelmakers	11.07	20.29	20.17	18.32
ASA Steel	22.98	15.35	18.17	14.93
Leon Fuat	n.c.	n.c.	n.c.	n.c.
Total	6.76	6.17	6.23	7.64

Note:

n.c. = not computable.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

12.2.4 Commentary on our past operating results

FYE 31 December 2010 compared to FYE 31 December 2009

Revenue

For FYE 31 December 2010, our revenue grew by 33.62% or RM119.50 million from RM355.42 million in FYE 31 December 2009 to RM474.92 million in FYE 31 December 2010. This was mainly due to increase in demand for our processing of steel products, particularly flat steel products.

Revenue from our processing of steel products overall grew by 56.54% or RM83.48 million. This was mainly contributed by processing of flat steel products which grew by 64.64% or RM80.81 million. Tonnage sales from our processing of steel products grew by 55.42% or approximately 26,914 tonnes, while processing of flat steel products grew by 58.58% or approximately 26,241 tonnes.

Our increase in revenue and tonnage for our processing of steel products was mainly supported by the following:

- increase in demand for processing of carbon steel coils supported by an increase in production output from our existing machinery as well as new machinery in FYE 31 December 2010. Revenue from processing of carbon steel coils increased by 62.81% or RM53.13 million, from RM84.59 million in FYE 31 December 2009 to RM137.72 million in FYE 31 December 2010; and
- increase in demand for our profiling of flat steel which amounted to RM27.19 million, from RM40.43 million in FYE 31 December 2009 to RM67.62 million in FYE 31 December 2010.

For FYE 31 December 2010, LF Klang continued to contribute the largest proportion of our revenue at 80.91% of total revenue, which represented an increase of 3.92 percentage points in revenue contribution compared to the previous year contribution. This was largely attributed to the increased demand for the processing of flat steel products of LF Klang. The proportion of contribution to our revenue from our other subsidiary companies, namely LF Hardware, Supreme Steelmakers and ASA Steel were 13.04%, 4.21% and 1.83% respectively for FYE 31 December 2010. The revenue contribution of these three (3) subsidiary companies had decreased slightly as a result of the increased revenue contribution from LF Klang.

Similarly to FYE 31 December 2009, our main business segments for FYE 31 December 2010 continued to be trading and processing of steel products, which collectively contributed 99.82% of our total revenue. Processing of steel products contributed 48.67% while trading of steel products contributed 51.15% of total revenue. Similarly, for FYE 31 December 2010, a large proportion of our revenue was contributed by trading and processing of flat steel products which accounted for 37.76% and 43.34% respectively, while trading and processing of long steel products accounted for 13.39% and 5.33% respectively. Others accounted for 0.18% of our revenue for FYE 31 December 2010.

As for revenue contribution by geographical markets, the Malaysia market accounted for 99.81% of our revenue for FYE 31 December 2010 while export markets accounted for the remaining 0.19%. For FYE 31 December 2010, revenue from the Malaysia market recorded a growth of 33.53% while revenue from export market recorded a growth of 103.66%. The high revenue growth from exports was partly due to a lower base resulting from a sharp decline in FYE 31 December 2009. Although growth in revenue contribution from exports was high, it has a relatively low impact on our total revenue as revenue from exports represented a very small proportion of our total revenue.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (*Cont'd*)

Direct Operating Costs

Our direct operating costs amounted to RM417.82 million or 87.98% of our revenue for FYE 31 December 2010 as compared to RM309.51 million or 87.08% of our revenue for FYE 31 December 2009. Our direct operating costs, as a proportion of revenue, were fairly consistent between FYE 31 December 2010 and FYE 31 December 2009 with a marginal difference of 0.90%. The marginal difference was mainly due to an increase in revenue and revenue contribution from lower margin product, namely processing of carbon steel coils.

Gross Profit and Gross Profit Margin

Our gross profit improved by 24.35% or approximately RM11.18 million from RM45.92 million in FYE 31 December 2009 to RM57.10 million in FYE 31 December 2010. This was in line with the increase in our revenue.

However, our gross profit margin decreased slightly from 12.92% in FYE 31 December 2009 to 12.02% in FYE 31 December 2010. This was largely due to the following:

- an increase in revenue and revenue contribution from processing of carbon steel coils which generally provides lower margin of 3.14% compared to the gross profit margin of our processing of other steel products of 27.13% during FYE 31 December 2010.
- decrease in gross profit margin for our profiling of flat steel, which fell from 26.39% in FYE 31 December 2009 to 23.37% in FYE 31 December 2010 due to the differences in the complexity of profiling undertaken by us. This is despite an increase in revenue and tonnage during the same period. For FYE 31 December 2010, more of our profiling jobs were for less complex designs compared to FYE 31 December 2009, which resulted in lower gross profit margin. Complexity arises from intricacies of designs and thickness of materials used in the profiling process. More complex designs require more sophisticated technology such as laser cutting as opposed to oxy gas cutting. In addition, thicker materials require longer time to complete each process.

Based on the foregoing factors, our gross profit margin from processing of steel products declined from 15.34% in FYE 31 December 2009 to 12.83% in FYE 31 December 2010.

Gross profit margin from our trading of steel products remained relatively constant from 11.20% in FYE 31 December 2009 to 11.18% in FYE 31 December 2010.

LF Klang and LF Hardware are mainly involved in trading and processing of carbon steel as well as stainless steel and alloy steel. Despite their similarity in business activities, LF Klang recorded a gross profit margin of 8.68% which was lower than LF Hardware at 21.16% in FYE 31 December 2010. This difference was largely due to LF Klang focused on trading and processing of flat steel products whilst LF Hardware focused on trading and processing of long steel products. Generally, flat steel products generate lower margin for our Group. Nevertheless, the lower margin of flat steel products is off-set by the higher sales volume.

Operating Costs

Our operating costs which consist of administrative, distribution and other operating expenses increased by 25.47% or approximately RM4.58 million from RM17.98 million in FYE 31 December 2009 to RM22.56 million in FYE 31 December 2010. This was mainly due to the following:

- Increase in our administrative costs including director's remuneration, depreciation, professional fees, utilities, salaries and related expenses, and upkeep of office equipment and motor vehicles. The increase in administrative costs was in line with our revenue growth as our level of activities and number of employees increased. As a result of improved business performance, bonuses were also paid to directors during the year. Moreover, consultation for the construction and completion of LF Klang's new factory, together with its purchases of new office equipment, furniture and

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

fittings also contributed to the increase in professional fees, depreciation and upkeep expenses. Other reasons for the increase in administrative costs include, among others, tax consultation, and repair of vehicles;

- Distribution costs including transportation, salaries and wages and commission, increased in line with our revenue growth as our level of activities and number of employees increased; and
- Other operating costs including bad debts, allowance for doubtful debts/impairment loss on trade receivables and tax penalty charges mainly due to additional assessment for FYE 31 December 2002 to 2007 also increased.

Other Income

In FYE 31 December 2010, we recorded a higher level of other income of RM1.40 million as compared with other income of RM1.21 million in FYE 31 December 2009. This was mainly due to higher gains on disposal of property, plant and equipment.

Finance Costs

In FYE 31 December 2010, we recorded a higher level of finance costs of RM6.65 million as compared to RM5.12 million for FYE 31 December 2009. This was mainly due to higher interest paid for trade financing. The increased utilisation of trade financing was in line with the increase in our purchases from RM307.89 million in FYE 31 December 2009 to RM397.47 million in FYE 31 December 2010.

PBT

Based on the foregoing factors, our PBT increased by 21.90% or RM5.26 million, from RM24.02 million in FYE 31 December 2009 to RM29.28 million in FYE 31 December 2010, which was in line with our revenue and gross profit growth. However, our PBT margin for FYE 31 December 2010 recorded a marginal decrease of 0.59 percentage points from 6.76% in FYE 31 December 2009 to 6.17% in FYE 31 December 2010, which was in line with our decrease in gross profit margin.

Income Tax Expense

For FYE 31 December 2010, we registered an increase in income tax expense by RM1.70 million to RM8.69 million compared to RM6.99 million for FYE 31 December 2009, which was in line with our increase in PBT. Nevertheless, our income tax expense for FYE 31 December 2010 represented an effective tax rate of 29.67%, which was higher than the Malaysia statutory income tax rate of 25%. This was mainly due to non-deductible expenses for tax purposes including mainly depreciation of property, plant and equipment which did not qualify for capital allowance, professional and legal fees, entertainment expenses, tax penalty charges and interest expenses which were restricted for tax purposes as well as under provision of tax in prior years particularly LF Klang.

PAT

Based on the foregoing factors, our PAT consequently increased by 20.83% or approximately RM3.55 million, from RM17.04 million in FYE 31 December 2009 to RM20.59 million in FYE 31 December 2010, which was in line with the increase in our PBT.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)**FYE 31 December 2011 compared to FYE 31 December 2010****Revenue**

For FYE 31 December 2011, our revenue grew by 14.32% or RM68.02 million from RM474.92 million in FYE 31 December 2010 to RM542.94 million in FYE 31 December 2011. This was mainly due to an increase in demand for our trading of flat carbon steel products particularly carbon steel coils from RM36.57 million in FYE 31 December 2010 to RM71.93 million in FYE 31 December 2011, and processing of other flat steel products, from RM19.71 million in FYE 31 December 2010 to RM42.55 million in FYE 31 December 2011. Tonnage sales of carbon steel coils increased by 101.93% from approximately 14,542 tonnes in FYE 31 December 2010 to approximately 29,364 tonnes in FYE 31 December 2011. Tonnage sales of processing of other flat steel products increased by 152.72% from approximately 1,307 tonnes in FYE 31 December 2010 to approximately 3,303 tonnes in FYE 31 December 2011.

For FYE 31 December 2011, LF Klang continued to contribute the largest proportion of our revenue at 83.15%, which represented an increase of 2.24 percentage points in revenue contribution. Again, this was largely due to the increase in demand for the trading of flat steel products particularly carbon steel coils. The proportion of contribution to our revenue from our other subsidiary companies, namely LF Hardware, Supreme Steelmakers and ASA Steel were 11.18%, 3.86% and 1.82% respectively for FYE 31 December 2011. The proportion of revenue contribution from these three (3) subsidiary companies decreased slightly as a result of the increased revenue contribution of LF Klang.

For FYE 31 December 2011, our main business segments continued to be trading and processing of steel products, which collectively contributed 99.86% of our total revenue. Trading of steel products contributed 50.96% while processing of steel products contributed 48.90% of our Group revenue.

For FYE 31 December 2011, a large proportion of our revenue was contributed by trading and processing of flat steel products which accounted for 38.74% and 43.79% respectively, while long steel products accounted for 12.22% and 5.12% respectively.

As for revenue contribution by geographical markets, Malaysia market accounted for 99.11% of our revenue for FYE 31 December 2011 while export markets accounted for the remaining 0.89%. During FYE 31 December 2011, revenue from local market recorded a growth of 13.52% while revenue from export markets recorded a growth of 440.11%. Despite the high revenue growth from exports, its impact was minimal due to its relatively low contribution to revenue.

Direct Operating Costs

Our direct operating costs amounted to RM483.05 million or 88.97% of our revenue for FYE 31 December 2011 as compared to RM417.82 million or 87.98% for FYE 31 December 2010. Our direct operating costs, as a proportion of revenue, were fairly consistent between FYE 31 December 2011 and FYE 31 December 2010 with a marginal difference of 0.99%. The marginal difference was mainly due to the trading of carbon steel coils, which represented 26.00% of total trading revenue, had an average selling price marginally below average cost of materials by 1.01%.

Gross Profit and Gross Profit Margin

For FYE 31 December 2011, our gross profit improved by 4.89% or approximately RM2.79 million, from RM57.10 million in FYE 31 December 2010 to RM59.89 million. This was in line with the increase in our revenue.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

However, our gross profit margin decreased by 0.99 percentage points, from 12.02% in FYE 31 December 2010 to 11.03% in FYE 31 December 2011. The slight decrease was mainly due to lower gross profit margin obtained from trading of steel products which fell from 11.18% in FYE 31 December 2010 to 7.30% in FYE 31 December 2011. Decrease in gross profit margin from our trading of steel products was largely caused by an increase in the revenue and revenue contribution from carbon steel coils which are associated with lower profit margin. Revenue contribution from trading of carbon steel coils rose from 7.70% in FYE 31 December 2010 to 13.25% in FYE 31 December 2011. During the year, carbon steel coils had a gross loss margin of 2.76% as it had an average selling price marginally below its average cost of materials by 1.01%.

Gross profit margin from our processing of steel products increased from 12.83% in FYE 31 December 2010 to 14.93% in FYE 31 December 2011. The improvement in gross profit margin from our processing of steel products was mainly due to the following:

- higher revenue contribution from profiling of flat carbon steel products which generally provides higher gross profit margin; and
- a decrease in revenue and revenue contribution from processing of carbon steel coils, which generally provides a lower margin. Revenue from processing of carbon steel coils decreased by 4.65% or RM6.41 million from RM137.72 million in FYE 31 December 2010 to RM131.31 million in FYE 31 December 2011. Revenue contribution from processing of carbon steel coils decreased by 4.81 percentage points from 29.00% in FYE 31 December 2010 to 24.19% in FYE 31 December 2011.

Nevertheless, these were partially offset by a decrease in the gross profit margin for processing of flat stainless steel arising from commencement of sales of processing of stainless steel coils, which generally provides lower gross profit margin.

LF Klang recorded a lower gross profit margin of 8.08% compared to LF Hardware of 20.57% in FYE 31 December 2011. Similarly to FYE 31 December 2010, this was due to LF Klang's focus on trading and processing of flat steel products which generate lower margin but higher sales volume, whilst LF Hardware focused more on trading and processing of long steel products, which generate higher margin but lower sales volume.

Operating Costs

Our operating costs which consist of administrative, distribution and other operating expenses decreased by 3.63% or approximately RM0.82 million from RM22.56 million in FYE 31 December 2010 to RM21.74 million in FYE 31 December 2011. This was mainly due to decrease in other operating costs including allowance for doubtful debts/impairment of loss on trade receivables and tax penalty charges.

Other Income

In FYE 31 December 2011, we recorded a higher level of other income of RM2.73 million as compared with RM1.40 million in FYE 31 December 2010. This was mainly due to higher gains on disposal of property, plant and equipment and government compensation for relocation in FYE 31 December 2011. The growth in gains on disposal of property, plant and equipment was largely due to the disposal of two (2) pieces of vacant land by LF Hardware and ASA Steel which amounted to a gain totalling RM1.59 million.

Finance Costs

In FYE 31 December 2011, we recorded a higher level of finance costs of RM7.05 million as compared with RM6.65 million for FYE 31 December 2010. This was mainly due to higher interest paid for trade financing as well as higher bank charges and commitment fees. The increased utilisation of banking and credit facilities was in line with the increase in our purchases from RM397.47 million in FYE 31 December 2010 to RM450.20 million in FYE 31 December 2011.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

PBT

Based on the foregoing factors, our PBT increased by 15.54% or RM4.55 million, from RM29.28 million in FYE 31 December 2010 to RM33.83 million in FYE 31 December 2011. This was in line with our revenue growth. Despite the marginal decrease in gross profit margin, our PBT margin for FYE 31 December 2011 recorded a marginal increase of 0.06 percentage points from 6.17% in FYE 31 December 2010 to 6.23% in FYE 31 December 2011.

Income Tax Expense

For FYE 31 December 2011, we registered a decrease in income tax expense by RM14,540 to RM8.67 million compared to RM8.69 million in the previous financial year. This is despite an increase in our PBT for FYE 31 December 2011. The decrease in income tax was due to a decrease in non-deductible expenses as well as capital gains on disposal of land, which had a lower tax rate of 5% based on real property gains tax. Nevertheless, our income tax expense for FYE 31 December 2011 represented an effective tax rate of 25.64%, which is slightly higher than the Malaysia statutory income tax rate of 25%. This was mainly due to non-deductible expenses for tax purposes including depreciation of property, plant and equipment which did not qualify for capital allowance, professional and legal fees, entertainment expenses, tax penalty charges for additional assessment and interest expenses which were restricted for tax purposes.

PAT

Based on the foregoing factors, our PAT consequently increased by 22.20% or RM4.57 million, from RM20.59 million in FYE 31 December 2010 to RM25.16 million in FYE 31 December 2011, which was in line with the increase in our PBT.

FYE 31 December 2012 compared to FYE 31 December 2011

Revenue

For FYE 31 December 2012, our revenue decreased by 19.48% or RM105.74 million from RM542.94 million in FYE 31 December 2011 to RM437.20 million in FYE 31 December 2012. The drop in our overall revenue was mainly due to a significant drop in our trading activities, where it declined from RM276.67 million (approximately 93,978 tonnes) for the FYE 31 December 2011 to RM162.70 million (approximately 52,052 tonnes) for the FYE December 2012. This was the result of our Group's strategy to scale down trading activities on low margin products, mainly flat carbon steel products.

Despite the drop in our group's overall revenue, our processing of steel products continued to grow from RM265.52 million (approximately 75,448 tonnes) for the FYE 31 December 2011 to RM274.03 million (approximately 77,759 tonnes) for the FYE 31 December 2012.

For FYE 31 December 2012, LF Klang continued to contribute the largest proportion of our revenue at 80.63%, which represented a decrease of 2.52 percentage points in revenue contribution to the Group. This was largely due to the decrease in trading of flat carbon steel products particularly carbon steel coils, carbon steel end plates, high tensile carbon steel plates and marine carbon steel plates. The proportion of contribution to our Group revenue from our other subsidiary companies, namely LF Hardware, Supreme Steelmakers and ASA Steel were 12.83%, 4.51% and 2.04% respectively for FYE 31 December 2012. Although the percentage of revenue contribution from LF Hardware, Supreme Steelmakers and ASA Steel increased slightly compared to FYE 31 December 2011, generally revenue from all three (3) subsidiary companies decreased between 6% and 10%.

For FYE 31 December 2012, our main business segments continued to be processing and trading of steel products, which collectively contributed 99.89% of our total revenue. Processing of steel products contributed 62.68% while trading of steel products contributed 37.21% to our Group revenue.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

For FYE 31 December 2012, a large proportion of our revenue was contributed by processing and trading of flat steel products which accounted for 55.99% and 24.23% respectively, while long steel products accounted for 6.68% and 12.98% respectively.

As for revenue contribution by geographical markets, Malaysia accounted for 98.13% of our revenue for FYE 31 December 2012 while export markets accounted for the remaining 1.87%. During FYE 31 December 2012, revenue from local market recorded a decline of 20.27% while revenue from export markets recorded a growth of 69.67%. Despite the high revenue growth from exports, its impact was minimal due to its relatively low contribution to Group revenue.

Direct Operating Costs

Our direct operating costs amounted to RM376.44 million or 86.10% of our revenue for FYE 31 December 2012 as compared to RM483.05 million or 88.97% for FYE 31 December 2011. In value terms, this represented a drop of 22.07%. However, this large drop in value terms is consistent with the drop in revenue as our direct operating costs as a proportion of revenue were slightly lower by only 2.87 percentage points. The drop in direct operating costs was mainly due to a decline in revenue and revenue contribution from lower margin products, namely trading of flat carbon steel products.

Gross Profit and Gross Profit Margin

Despite a drop in our revenue for the FYE 31 December 2012, our group's gross profit improved marginally from RM59.89 million in FYE 31 December 2011 to RM60.76 million in FYE 31 December 2012.

Processing of steel products was still our largest gross profit contributor, which accounted for 65.06% of our total gross profit, whilst gross profit from trading of steel products accounted for 34.90% of our total gross profit for the FYE 31 December 2012.

For the FYE 31 December 2012, our gross profit from processing operations declined marginally by 0.31% or RM0.12 million to RM39.53 million compared to the previous financial year. The marginal drop was the result of a decline of 11.04%, amounting to RM2.59 million, in our gross profit from processing of flat carbon steel products. The decline was primarily due to our Group undertaking a higher proportion of less complex profiling jobs with a lower gross profit margin. However, the drop of 11.04% was partially off-set by the following:

- An increase of 20.37%, amounting to RM1.52 million, in our gross profit from processing of other flat steel products;
- An increase of 10.76%, amounting to RM0.94 million, in our gross profit from processing of long steel products.

On the other hand, the gross profit from our trading operations increased by 5.06% to RM21.21 million for the FYE 31 December 2012. The growth was due to increase in our gross profit generated from the trading of flat carbon steel products.

Our gross profit margin improved to 13.90% for the FYE 31 December 2012 compared to 11.03% for the FYE 31 December 2011. The improvement is largely contributed by our Group's strategy in scaling down the trading of low margin steel products. This can be demonstrated by the fact that our gross profit margin from trading activities increased significantly from 7.30% for the FYE 31 December 2011 to reach 13.03% for the FYE 31 December 2012.

As for the slight drop in gross margin from our processing of steel products from 14.93% for the FYE 31 December 2011 to 14.43% for the FYE 31 December 2012, it was mainly due to a decline in margin from our processing of flat carbon steel products for the FYE 31 December 2012. The main reason for the slight drop in gross profit margin was primarily due to our Group undertaking a higher proportion of less complex profiling jobs with a lower gross profit margin.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

LF Klang recorded a lower gross profit margin of 10.54% compared to LF Hardware of 23.64% in FYE 31 December 2012. Similarly to FYE 31 December 2011 and FYE 31 December 2010, this was due to LF Klang's focus on trading and processing of flat steel products which generate lower margin but higher sales volume, whilst LF Hardware focused more on trading and processing of long steel products, which generate higher margin but lower sales volume.

Operating Costs

Our operating costs which consist of administrative, distribution and other operating expenses increased by 5.86% or approximately RM1.27 million from RM21.74 million in FYE 31 December 2011 to RM23.01 million in FYE 31 December 2012. This was mainly contributed by listing expenses and waiver of late payment interest to customers.

Other Income

In FYE 31 December 2012, we recorded a lower level of other income of RM1.17 million as compared to RM2.73 million in FYE 31 December 2011. This was mainly due to lower gains on disposal of property, plant and equipment in FYE 31 December 2012, which only amounted to approximately RM41,000 compared to RM1.80 million FYE 31 December 2011 as we did not undertake any major disposal of property, plant and equipment for the FYE 31 December 2012.

Finance Costs

In FYE 31 December 2012, we recorded a lower level of finance costs of RM5.50 million as compared with RM7.05 million for FYE 31 December 2011. This was mainly due to lower interest paid for trade financing and hire purchase. The decreased utilisation of banking and credit facilities was in line with the decrease in our purchases from RM450.20 million in FYE 31 December 2011 to RM376.93 million in FYE 31 December 2012.

PBT

Based on the foregoing factors, our PBT decreased by 1.20% or RM0.41 million, from RM33.83 million in FYE 31 December 2011 to RM33.42 million in FYE 31 December 2012. This was mainly due to higher operating costs and lower other income recorded for FYE 31 December 2012. Nevertheless, the drop in PBT was partly offset by lower level of finance costs for the FYE 31 December 2012. Despite recording lower level of PBT, our PBT margin grew by 1.41 percentage points from 6.23% in FYE 31 December 2011 to 7.64% in FYE 31 December 2012, which was in line with our increase in gross profit margin.

Income Tax Expense

Despite the decrease in PBT for the FYE 31 December 2012, we registered an increase in income tax expense by RM0.64 million to RM9.31 million compared to RM8.67 million in the previous financial year which was mainly due to the increase in non-deductible expenses.

Our income tax expense for FYE 31 December 2012 represented an effective tax rate of 27.87%, which is higher than the Malaysia statutory income tax rate of 25%. This was mainly due to non-deductible expenses for tax purposes including depreciation of property, plant and equipment which did not qualify for capital allowance, professional and legal fees, listing expenses, and entertainment expenses.

PAT

Based on the foregoing factors, our PAT consequently decreased by 4.17% or RM1.05 million, from RM25.16 million in FYE 31 December 2011 to RM24.11 million in FYE 31 December 2012, which was in line with the decrease in our PBT.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

12.2.5 Factors and Trends Affecting Future Financial Conditions and Results

Saved as disclosed in Section 12.2.6 of this Prospectus, factors that may cause our future financial condition and operation results to differ significantly are as follows:

- (a) Construction of a new processing plant with warehousing facilities;
- (b) Purchase of new machinery for slitting process;
- (c) Socio-economic performance such as GDP, public and private expenditure, and population growth will ultimately increase demand for our products and services;
- (d) Growth in user industry sectors will create business opportunities for our products and services;
- (e) Our competitive advantages will provide a platform for continuing growth, which include:
 - (i) Our proven track record;
 - (ii) Diversity in product range;
 - (iii) Economies of scale;
 - (iv) In-house steel processing facilities; and
 - (v) Large customer base.

Details of our competitive advantages are set out in Section 6.1 of this Prospectus.

12.2.6 Significant Factors Materially Affecting Our Operations and Financial Results

In addition to the factors and trends set-out in Section 12.2.5, some of the following factors that may have an impact on our operations and financial results are as follows:

(a) Business Growth and Expansion

Our financial results are dependent on our business growth and expansion from Malaysia and export markets. Our revenue grew from RM355.42 million for FYE 31 December 2009 to RM437.20 million for FYE 31 December 2012. This represented an AAGR of 7.15%.

(b) Diverse Range of Products

We carry a range of products of various steel materials, including carbon, stainless and alloy steel. We also carry a range of specialised steel materials including tool steel and non-ferrous metal products including brass, bronze, aluminium and copper products. In addition to trading, we are supported by our in-house facilities to process steel products of various types of materials including carbon, stainless and alloy steel. We have the capabilities to process steel products including, cutting of long products, leveling and shearing of flat products, profiling and bending of flat products, finishing in terms of surface polishing and production of expanded metal.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

(c) Fluctuations in Prices of Materials

Steel materials purchased by us are mostly rolled steel products. As steel materials including rolled steel flat and long products are commodities, the prices of these steel materials are subject to global market price fluctuations. Increase in prices of steel materials will to a certain extent impact on our performance as steel materials constitute the bulk of our direct operating costs.

We quote our selling prices based on current market prices, hence we are able to pass some of the increase in steel prices to our customers. However, as we maintain a certain level of inventory to ensure we have sufficient stock to service our customers, there is a risk that the actual purchase prices of these materials may differ from the current market prices, hence an unfavourable fluctuation in steel prices may affect our margin and profitability.

We continuously monitor our inventory level. Between FYE 31 December 2009 and 2012, we had managed to reduce our inventory turnover period from 116 days to 96 days. Moreover, for FYE 31 December 2009 to 2012, despite fluctuations in steel prices we continue to achieve positive PAT of RM17.04 million in FYE 31 December 2009, to RM20.59 million in FYE 31 December 2010, RM25.16 million in FYE 31 December 2011 and RM24.11 million in FYE 31 December 2012.

Please refer to Section 4.1.1 for further details on the risk of fluctuation in the price of steel materials.

(d) Competition

Within the rolled steel industry, we face competition from players in the local and overseas markets. We have the following competitive advantages to compete effectively within the industry:

- Our proven track record;
- Diversity in product range;
- Economies of scale;
- In-house steel processing facilities; and
- Large customer base.

Details of our competitive advantages are set out in Section 6.1 of this Prospectus.

(e) Impact of Inflation

Our financial performances for the past four (4) FYE 31 December 2009 to 2012 were not materially affected by the impact of inflation. Nevertheless, although we believe that we will be able to pass on any future increases in the price of raw materials and cost of our operations to our customers, there can be no assurance that future inflation will not have an impact on our business and performance.

(f) Impact from interest rates

Our Group's gearing after the Acquisitions but before our Public Issue and utilisation of proceeds stood at 0.92 times as at FYE 31 December 2012 and all our borrowings are interest bearing obligations. Notwithstanding the above, any interest rate hike will affect businesses and hence, we will monitor and plan for alternative financing options should the need arise. During the FYE 31 December 2009 to 2012, our results were not adversely affected by interest rate fluctuations. Details of risk relating to our borrowing and financing risks are set out in Section 4.1.10 of this Prospectus.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

(g) Government/ Economic/ Fiscal/ Monetary Policies

Risks relating to Government, economic, fiscal or monetary policies, which may materially affect our operations, are set out in Section 4.1.11 of this Prospectus. To the best of our knowledge, save for the risks disclosed in Section 4.1.11 of this Prospectus, there are no Government, economic, fiscal or monetary policies or factors that may have a material impact on our profitability and financial position.

(h) Foreign Exchange Fluctuations

Fluctuations in foreign exchange rates will have an impact on purchases of our materials and services, and revenue derived from exports. An unfavorable foreign exchange movement against the RM may have an impact on our profitability.

For FYE 31 December 2012, 37.68%, 0.13%, 0.05% and 0.01% of our purchases of materials and services were transacted in USD, EUR, RMB and SGD respectively. In addition, 0.49% and 0.01% of our revenue for FYE 31 December 2012 were transacted in USD and SGD respectively.

For the past four (4) FYE 31 December 2009 to 2012, we have not incurred any material losses arising from foreign exchange transactions. Our net foreign exchange gains/(loss) for the financial years under review are as follows:

Foreign Exchange Gain/(Loss)	< ----- FYE 31 December ----- >			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Net foreign exchange gain/(loss)	11	(10)	24	202
Proportion of PBT (%)	0.05	(0.03)	0.07	0.60

We will continue to monitor our foreign currency exposure and take necessary steps to minimise exchange rate exposure whenever deemed appropriate.

(i) Demand for Rolled Steel

Demand for rolled steel is mainly dependent on its major user industries. Some of the major user industries of rolled steel products include the following:

- Automotive;
- Electrical and electronics;
- Manufacturing; and
- Construction.

The diversity in applications and user industries will continue to provide demand and opportunities for our products and services.

Please refer to Section 7 for further details on the demand for rolled steel.

(j) Slowdown in the Manufacturing and Construction Sectors

The manufacturing sector is a key user industry of flat steel products, while the construction sector is a key user industry of long steel products. Hence, any downturn in these sectors will have a negative impact on the overall rolled steel industry.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

Please refer to Section 4.1.13 and Section 7 for further details on the risk of slowdown in the manufacturing and construction sectors.

(k) Regulatory Changes to the Steel Industry

Regulatory changes to the overall steel industry such as the possible imposition of certain trade restrictions may have an impact on the rolled steel industry.

Please refer to Section 4.1.3 and Section 7 for further details on the regulatory changes to the steel industry.

(l) Industry Prospects and Outlook

The outlook of the rolled steel industry is dependent on the following factors:

- Performance of the rolled steel industry;
- Performance of main user industries;
- Economic conditions;
- Global prices of steel products; and
- Government initiatives.

Please refer to Section 6.18.2 (d) and Section 7 for further details on the outlook of the rolled steel industry.

12.2.7 Liquidity and Capital Resources

(i) Working Capital

Our business operations have been financed by a combination of internal and external sources of funds. Internal funds are mainly shareholders' equity and cash generated from our operations, while the external sources comprised credit terms granted by our suppliers and the various credit facilities extended to us by financial institutions.

The following table sets out our current and gearing ratio for FYE 31 December 2009 to 2012:

	<----- FYE 31 December ----->			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Current Assets	205,983	221,294	211,405	227,588
Current Liabilities	156,251	167,720	145,252	149,248
Current Ratio (times)	1.32	1.32	1.46	1.52
Borrowings	129,301	130,171	110,083	134,741
Total equity	103,813	114,397	122,535	146,644
Gearing (times)	1.25	1.14	0.90	0.92

As at 31 December 2012, our total current assets amounted to approximately RM227.59 million comprising mainly trade receivables, inventories, cash and bank balances, fixed deposits as well as other receivables, deposits and prepayments. Our current ratio as at 31 December 2012 was 1.52 times. In addition, as at 31 December 2012, we have banking facilities amounting to RM234.09 million of which RM134.74 million have been utilised thus far, resulting in a gearing level (after the Acquisitions but before our Public Issue and utilisation of proceeds) of 0.92 times as at 31 December 2012. Our interest coverage ratio for FYE 31 December 2012 was 7.90 times based on our interest expenses and Earnings Before Interest and Taxation ("EBIT") for that period. Further details of our borrowings are disclosed in Section 12.2.7(iii) of this Prospectus.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

(1) Current Ratio

Our current ratio has strengthened over the period under review from 1.32 times as at 31 December 2009 to 1.52 times as at 31 December 2012. The improvement was a result of profits from operation being used for working capital in FYE 31 December 2010, 2011 and 2012.

(2) Gearing Ratio

Our gearing ratio had decreased from 1.25 times as at 31 December 2009 to 0.92 times as at 31 December 2012. The improvement in our gearing ratio during this period was due to an increase in profit retained.

The Board is confident that our profitability will be able to generate sufficient working capital and/or we will be able to secure necessary financing facilities to finance our operations moving forward as well as execution of our future plans.

Our Directors are of the opinion that, after taking into account the cash and cash equivalents, the banking facilities made available to us as well as the net proceeds to be raised from the Public Issue, we will have adequate working capital to meet our current and foreseeable funding requirements for a period of twelve (12) months from the date of this Prospectus.

(ii) Cash Flows

The following is a summary of our pro forma cash flow for FYE 31 December 2012 based on the pro forma consolidated statement of cash flows and should be read in conjunction with the Reporting Accountant's Report on the Compilation of Pro forma Consolidated Financial Information as set out in Section 11.4 of this Prospectus.

FYE 31 December 2012	RM'000
Net cash from operating activities	10,557
Net cash used in investing activities	(36,032)
Net cash from financing activities	12,404
Net decrease in cash and cash equivalents	(13,071)
Cash and cash equivalents at beginning of financial year	17,733
Cash and cash equivalents at end of financial year*	4,662

Note:

* *Components of cash and cash equivalents as at 31 December 2012:*

	<u>RM'000</u>
<i>Fixed deposits with licensed banks</i>	4,412
<i>Cash and bank balances</i>	12,885
<i>Bank overdrafts</i>	<u>(12,254)</u>
	5,043
<i>Less: Fixed deposit under lien</i>	<u>(381)</u>
	<u>4,662</u>

Our Directors are of the opinion that there is no economic restriction on the ability of our subsidiary companies to transfer funds to our Company in the form of cash dividends, loans or advances and are therefore confident that we can meet our cash obligations.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Brief commentaries on our pro forma consolidated statement of cash flows statement for FYE 31 December 2012 are as follows:

Net cash from operating activities

For the FYE 31 December 2012, we generated operating cash flows before working capital changes amounting to RM44.74 million. After adjusting for net outflow of RM21.97 million from working capital changes, interest paid of RM4.84 million, income tax paid of RM7.71 million, interest received of RM0.24 million and refund of overpayment of real property gain tax of RM0.1 million, we generated net cash from operating activities of RM10.56 million. Working capital changes arose from increase in inventories of RM17.83 million, increase in trade and other receivables of RM5.86 million and increase in trade and other payables of RM1.72 million.

Net cash used in investing activities

For the FYE 31 December 2012, the pro forma net cash used in investing activities amounted to RM36.03 million. This was mainly due to purchase of property, plant and equipment amounting RM34.07 million, which includes part utilisation of the IPO proceeds of RM12.00 million for the construction of new processing plant with warehousing facilities and purchase of new machines, and prepayment for the purchase of property, plant and equipment (i.e. a unit of CNC laser cutting machine) of RM2.07 million.

Net cash from financing activities

For the FYE 31 December 2012, the pro forma net cash from financing activities amounted to RM12.40 million, as a result of the following:

- (a) Payment of dividend of RM17.00 million;
- (b) Repayment of ABBA facilities of RM1.44 million;
- (c) Payment of finance lease payables of RM4.25 million;
- (d) Drawdown of term loan of RM10.00 million;
- (e) Repayment of term loans of RM10.64 million (including early loan repayment penalty of RM0.30 million);
- (f) Net drawdown of bankers' acceptances of RM2.94 million; and
- (g) Gross proceeds raised from the Public Issue of RM35.59 million and the utilisation of RM2.80 million to defray listing expenses.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

(iii) Borrowings

As at 31 December 2012, we had a total outstanding bank borrowings of RM134.74 million, all of which are interest-bearing and fully denominated in RM, the details of which are set out below:

	Note	←----- FYE 31 December 2012 ----->		
		Payable within Twelve (12) Months RM'000	Payable after Twelve (12) Months RM'000	Total RM'000
Bankers' acceptances/ Trust receipts	(i)	101,953	-	101,953
Hire purchase payables	(ii)	3,379	2,219	5,598
ABBA facilities	(iii)	676	545	1,221
Term loans	(iv)	1,308	9,407	10,715
Bank overdrafts	(v)	15,254	-	15,254
Total		122,570	12,171	134,741
Gearing*				0.92
Gearing#				0.67

Notes:

- (i) Banker acceptances were trade financing facilities to finance trade purchases.
- (ii) Hire purchase payables were utilised to finance purchase of machinery and motor vehicles.
- (iii) ABBA facilities were obtained to finance the construction of building of LF Klang bearing the address of No 11, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, Shah Alam.
- (iv) Our term loans as at 31 December 2012, LPD and after repayment via Public Issue proceeds are as follows:

Term Loans	Balance as at 31 December 2012 RM'000	Balance as at LPD RM'000	Repayment via Public Issue proceeds RM'000	Balance after repayment via Public Issue proceeds RM'000
Part financing of the newly acquired land and building as disclosed in Section 6.18.1(a) of this Prospectus	9,957	9,664	(10,000)*	-
Part finance of industrial land & building of Supreme Steelmakers	758	683	-	683
	<u>10,715</u>	<u>10,347</u>	<u>(10,000)</u>	<u>683</u>

Note:

- * Our Group has earmarked RM10.00 million from the Public Issue Proceeds for the repayment of this term loan. As disclosed in Section 3.6 of this Prospectus, our Group will incur a one-off early repayment penalty of approximately RM0.30 million for the repayment of this term loan. Any variation to the actual repayment of this banking facility will result in an adjustment to the working capital of our Group.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

- (v) Our bank overdrafts as at 31 December 2012, LPD and after repayment via Public Issue proceeds are as follows:

Bank Overdrafts	Balance as at 31 December 2012 RM'000	Balance as at LPD RM'000	Repayment via Public Issue proceeds RM'000	Balance after repayment via Public Issue proceeds RM'000
Part financing of the newly acquired land and building as disclosed in Section 6.18.1(a) of this Prospectus	7,083	7,083	(3,000)	4,083
Prepayment for CNC laser cutting machine	2,070	2,070	-	2,070
Working capital	6,101	5,511		5,511
	<u>15,254</u>	<u>14,664</u>	<u>(3,000)</u>	<u>11,664</u>

* Calculated based on pro forma shareholders' funds after Acquisitions but before our Public Issue.

Calculated based on pro forma shareholders' funds after Acquisitions, our Public Issue and utilisation of proceeds.

As at 31 December 2012, the amount for fixed rate borrowings amounted to RM5.60 million while the amount for floating rate borrowings amounted to RM129.14 million. For FYE 31 December 2012, the effective interest rate for bank borrowings ranged from 3.70% to 7.85%.

The details of the types of credit facilities that we use and their balances as at LPD are as follows:

Type of Financial Instruments	Tenure (days)	Interest Rates (%)	Credit Limit RM'000	Balance as at LPD RM'000
Banker acceptances/ Trust receipts	Between 39 and 150	3.68 to 4.21	179,900	98,727
Hire purchase payables	Between 207 and 869	4.89 to 5.37 ⁽¹⁾	4,706	4,706
ABBA facilities	944	7.85	1,056	1,056
Term loans	Between 549 and 3,470	4.85 to 6.10	10,347	10,347
Bank overdrafts	-	7.60 to 7.85	36,660	14,664
			<u>232,669</u>	<u>129,500</u>

Notes:

⁽¹⁾ Based on effective interest rates.

As at LPD, we do not have any non-interest bearing borrowings or foreign borrowings. We have not defaulted on any payment of either principal sum and/or interest in relation to our borrowings during FYE 31 December 2009 to 2012, and up to LPD.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

As at LPD, neither have we nor any of our subsidiary companies is in breach of any terms and conditions or covenants associated with the credit arrangement or bank loan which can materially affect our financial position and results or business operations or the investments by holders of our securities.

Currently, we do not have any interest rate hedging policy. We will endeavour to manage our interest rate risk by maintaining a mix of fixed and floating rate borrowings where necessary. However, no assurance can be given that any future significant movement in interest rates will not have a material adverse impact on our business, operating results and financial position.

Our Group's cash and cash equivalents (after the Acquisitions but before the Public Issue) as at 31 December 2011, 31 December 2012 and LPD are as follows:

	As at 31 December 2011 RM'000	As at 31 December 2012 RM'000	As at LPD RM'000
Fixed deposits with licensed banks	4,875	4,412	4,456
Cash and bank balances	13,228	4,052	9,873
Bank overdrafts	-	(15,254)	(14,664)
	18,103	(6,790)	(335)
Less : Fixed deposit under lien	(370)	(381)	(393)
	17,733	(7,170)^	(727)^

Note:

^ Total does not add-up due to rounding.

For the period from 1 January 2012 to 31 December 2012

The decrease in cash and cash equivalents of RM24.90 million from RM17.73 million as at 31 December 2011 to negative RM7.17 million as at 31 December 2012 was mainly due to the following:

- (i) Payment of property, plant and equipment amounting to RM22.06 million, which mainly comprised the newly acquired land and building as disclosed in Section 6.18.1(a) of this Prospectus amounting to RM19.64 million;
- (ii) Prepayment of RM2.07 million for the purchase of a unit of CNC laser cutting machine;
- (iii) Payment of dividend amounting to RM17.00 million in January and February 2012; and
- (iv) Repayment of bank borrowings, i.e. finance lease payables, ABBA financing and term loans, amounting to RM6.03 million.

The above were partly offset by the following:

- (i) Net cash generated from operating activities of RM9.21 million (after deducting listing expenses incurred amounting to RM1.35 million); and
- (ii) Drawdown of term loan of RM10.00 million to partly finance the newly acquired land and buildings as disclosed in Section 6.18.1(a) of this Prospectus; and
- (iii) Net drawdown of bankers' acceptances of RM2.94 million.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

For the period from 1 January 2013 to LPD

The increase in cash and cash equivalents of RM6.44 million from negative RM7.17 million as at 31 December 2012 to negative RM0.73 million as at LPD was mainly due to net cash generated from operating activities of RM12.09 million, partly offset by the following:

- (i) Payment of property, plant and equipment amounting to RM1.17 million;
- (ii) Repayment of bank borrowings, i.e. finance lease payables, ABBA financing and term loans, amounting to RM1.42 million; and
- (iii) Net repayment of bankers' acceptances of RM3.23 million.

As at LPD, the cash and bank balances as well as bank overdraft of our Group comprise of the cash and bank balances and bank overdrafts in our individual subsidiaries. As mentioned in Section 12.2.7(iv) of this Prospectus, we ensure that all our subsidiaries are self-sustainable and not relying on other fellow subsidiaries to fund its operations. As such, we generally do not utilise cash and bank balances from one subsidiary company to repay the bank overdrafts of another subsidiary company.

(iv) Treasury Policies And Objectives

We have been funding our operations through shareholders' equity, cash generated from our operations and external sources of funds. Our external sources of funds consist of credit terms granted by our suppliers and borrowings from financial institutions. The goal of our funding policy is to obtain the most suitable type of financing and favourable cost of funding. The goal of our treasury policy is to maintain sufficient working capital to finance our operations, coupled with maintaining adequate credit facilities to meet projected commitments arising from our operational expenditure and financial liabilities.

The normal credit terms granted to us by our suppliers range from 30 days to 120 days due to the stable relationship which we have established with our suppliers. Our borrowings from financial institutions consist of bankers' acceptances/trust receipts, hire purchase payables, ABBA facilities, term loans and bank overdrafts which are used for the purchase of steel materials, land and buildings, machinery and motor vehicles. In addition, we have in place banking facilities that are secured but not yet utilised.

Our short term borrowings are the portion of bankers' acceptances/trust receipts, hire purchase payables, ABBA facilities, term loans and bank overdrafts which are payable within one (1) year. The interest rates for these short term borrowings are based on the prevailing cost of funds plus or minus a margin as the case may be as agreed upon with our bankers when the respective borrowings were granted.

Our long term borrowings are the portion of hire purchase payables, ABBA facilities and term loans which are payable after one (1) year. The interest rates for these long term borrowings are based on the prevailing cost of funds minus a margin as agreed upon with our bankers when the respective borrowings were granted.

The decision to either utilise banking facilities or internally generated funds to finance our operations depends on, inter alia, our cash reserve, expected cash inflows or receipts from customers, future working capital requirements, future capital expenditure requirements and the prevailing interest rates of the banking facilities. In addition to the above, we also take into consideration the cash reserve, operating cash flow and bank borrowings of our respective subsidiary companies to ensure that all our subsidiaries are self-sustainable and not relying on other fellow subsidiaries to fund its operations. On a general perspective, we tend to have more leverage on subsidiaries which generate higher operating cash flows and profit margin due to their ability in generating healthier cash cycles.

Our minimum cash reserves at any point in time is dependent on, inter alia, the expected cash inflows or receipts from customers, liquidity of our short term placement of funds and our future working capital requirements.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

The decision to either utilise banking facilities or internally generated funds to finance our operations depends on, inter alia, our cash reserve, expected cash inflows or receipts from customers, future working capital requirements, future capital expenditure requirements and the prevailing interest rates of the banking facilities.

Our minimum cash reserves at any point in time is dependent on, inter alia, the expected cash inflows or receipts from customers, liquidity of our short term placement of funds and our future working capital requirements.

(v) Financial Instruments for Hedging Purposes

As at LPD, we have in place certain hedging facilities with our bankers such as forward contracts and foreign currency accounts which can be utilised should the need arises.

For FYE 31 December 2012, our purchases that are denominated in foreign currencies accounted for 37.87% of our total purchases of which 37.68%, 0.13%, 0.05% and 0.01% were transacted in USD, EUR, RMB and SGD respectively.

(vi) Material Capital Expenditure and Divestment

Our material capital expenditure for the past four (4) FYE 31 December 2009 to 2012, and up to LPD was as follows:

Investments (measured in cost)	Audited				Unaudited Up to LPD
	FYE 31 December				
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	RM'000
Roof extension	-	-	-	242	-
CWIP	4,205	2,913	208	-	-
Freehold land with building	-	-	-	19,644	-
Long term leasehold land	3,624	-	-	-	-
Furniture, fittings and electrical fittings	-	139	57	21	5
Office equipment	90	227	107	108	39
Forklift, crane, tools, plant and machineries	8,114	2,632	1,689	3,867	2,398
Motor vehicles	338	2,368	137	669	806
	16,371	8,279	2,198	24,551	3,248

Our material capital expenditure during FYE 31 December 2009 comprised capital expenditure on forklift, crane, tools, plant and machinery totalling approximately RM8.1 million; CWIP recognised during the year incurred for the construction of LF Klang's new plant at Kawasan Perindustrian Bukit Raja Selatan amounting to RM4.21 million; the purchase of long term leasehold land at HS (D) 110044 PT No 622, Seksyen 92, Bandar Kuala Lumpur, District of Kuala Lumpur, with a land area of approximately 32,316 sq. ft. amounting to RM3.62 million; motor vehicles and office equipment amounting to approximately RM338,000 and RM90,000 respectively. The capital expenditure on forklift, crane, tools, plant and machinery during FYE 31 December 2009 was made mainly by LF Klang to equip the new plant in Kawasan Perindustrian Bukit Raja Selatan.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

Our material capital expenditure during FYE 31 December 2010 comprised capital expenditure on buildings totalling approximately RM2.91 million, which was mainly for CWIP recognised during the year for the construction LF Klang's new plant at Kawasan Perindustrian Bukit Raja Selatan; capital expenditure on forklift, crane, tools, plant and machinery totalling RM2.63 million; motor vehicles totalling RM2.37 million; office equipment and furniture, fittings and electrical fittings amounting to approximately RM227,000 and RM139,000 respectively. The capital expenditure on forklift, crane, tools, plant and machinery during FYE 31 December 2010 was made mainly by LF Klang to equip our new plant in Kawasan Perindustrian Bukit Raja Selatan. Construction work on the new plant was completed during this financial year.

Our material capital expenditure during FYE 31 December 2011 comprised capital expenditure on forklift, crane, tools, plant and machinery totalling approximately RM1.69 million; buildings amounting to approximately RM208,000; motor vehicles amounting to approximately RM137,000; office equipment and furniture, fittings and electrical fittings amounting to approximately RM107,000 and RM57,000 respectively. The capital expenditure on forklift, crane, tools, plant and machinery during FYE 31 December 2011 was made mainly by LF Klang to equip our plant in Kawasan Perindustrian Bukit Raja Selatan.

Our material capital expenditure during FYE 31 December 2012 comprised capital expenditure on freehold land with building amounting to RM19.64 million, forklift, crane, tools, plant and machinery totalling approximately RM3.87 million; motor vehicles amounting to approximately RM669,000; roof extension amounting to approximately RM242,000; office equipment and furniture, fittings and electrical fittings amounting to approximately RM108,000 and RM21,000 respectively. The capital expenditure on forklift, crane, tools, plant and machinery during FYE 31 December 2012 was made mainly by LF Klang to equip our plant in Kawasan Perindustrian Bukit Raja Selatan whilst the capital expenditure on the freehold land with building for business expansion is as set-out in Section 6.18.1(a) of this Prospectus.

Our material capital expenditure up to LPD comprised capital expenditure on forklift, crane, tools, plant and machinery totalling approximately RM2.40 million; motor vehicles amounting to approximately RM806,000; office equipment and furniture, fittings and electrical fittings amounting to approximately RM39,000 and RM5,000 respectively. The capital expenditure on forklift, crane, tools, plant and machinery up to LPD was made mainly by Supreme Steelmakers for the purchase of a unit of CNC laser cutting machine.

Our divestments for the past four (4) FYE 31 December 2009 to 2012, and up to LPD were as follows:

Divestments (measured in NBV)	Audited				Unaudited Up to LPD
	FYE 31 December				
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	RM'000
CWIP	-	-	316	-	-
Forklift, crane, tools, plant and machinery	286	365	-	-	*
Motor vehicles	*	*	*	68	*
Short term leasehold land	-	-	5,663	-	-
Long term leasehold land	-	-	3,478	-	-
	286	365	9,458[^]	68	*

Notes:

* Less than RM500.

[^] Total does not add-up due to rounding.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

Our divestments during FYE 31 December 2009 comprised the disposal of forklift, crane, tools, plant and machinery with total NBV of approximately RM286,000, and the disposal of motor vehicles with total NBV of less than RM500.

During FYE 31 December 2010, our divestments comprised disposal of forklift, crane, tools, plant and machinery with total NBV of approximately RM365,000, and disposal of motor vehicles with total NBV of less than RM500.

Our divestments during FYE 31 December 2011 comprised the disposal of short term leasehold land with total NBV of approximately RM5.66 million; disposal of long term leasehold land with total NBV of approximately RM3.48 million; disposal of CWIP with total NBV of approximately RM316,000 and disposal of motor vehicles with total NBV of less than RM500. The short term and long term leasehold land comprised two (2) pieces of land, namely PN35795, Lot 424, Seksyen 92, Bandar Kuala Lumpur, District of Kuala Lumpur of approximately 73,668 sq. ft. and HS (D) 110044 PT No 622, Seksyen 92, Bandar Kuala Lumpur, District of Kuala Lumpur of approximately 32,316 sq. ft. The short and long term leasehold land including CWIP was sold to a related party, LF Holdings.

Our divestments during FYE 31 December 2012 comprised the disposal of motor vehicles with total NBV of approximately RM68,000.

Save as disclosed above, we do not have any material plan on divestment as at LPD.

(vii) Material Capital Commitments

As at LPD, save as disclosed in Section 3.6 of this Prospectus and the table below, our Board is not aware of any material capital commitments incurred or known to be incurred by us that has not been provided for, which upon becoming enforceable, may have a material impact on our financial results / position.

	RM'000
Approved and contracted for:	
Purchase of four units of fully auto bandsaw machines	346 ⁽¹⁾
Purchase of a new CNC hydraulic press brake machine	430
Total capital commitments	776

Note:

(1) Total purchase price amounted to RM432,000. Our Group has made a down payment of RM86,400 on 24 January 2013 with the remaining RM345,600 expected to be paid on delivery during May 2013.

The above said capital expenditure will be financed via our internally generated funds and/or bank borrowings.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)
(viii) Material Contingent Liabilities

As at LPD, our Board is not aware of any material contingent liability, which in the opinion of our Board, will or may substantially affect our financial results or position upon becoming enforceable.

(ix) Material litigation, claims or arbitration

As at LPD, we are not engaged in any material litigation, claims or arbitration either as plaintiff or defendant, which has a material effect on the financial position of us. Our Board has no knowledge of any proceedings pending or threatened, or of any facts likely to give rise to any proceedings, which might materially and adversely affect our business or financial position.

(x) Key financial ratios
Trade Receivables

A summary of our pro forma trade receivables for the four (4) FYE 31 December 2009 to 2012 are set out below:

	< ----- FYE 31 December ----- >			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Trade receivables	101,778	111,807	111,107	114,579
Revenue	355,424	474,917	542,943	437,203
Percentage of trade receivables to revenue (%)	28.64	23.54	20.46	26.21
Trade receivables turnover period (days)	105	86	75	96

The normal credit period generally granted to our customers is between 30 days to 120 days. Our credit terms to customers are assessed and approved on a case-by-case basis taking into consideration various factors such as relationship with customers, customers' payment history and credit worthiness while new customers are subject to our credit verification process. Our trade receivables turnover period has been within our Group's credit period granted to our customers for the past four (4) financial years, and it has decreased from 105 days in FYE 31 December 2009 to 96 days in FYE 31 December 2012.

I2. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

As at 31 December 2012, our net trade receivables amounted to approximately RM114.58 million which can be analysed as follows:

	-----Within Credit Period (days)----->				Exceeding Credit Period (days) Over 120	Total
	0 - 30	31 - 60	61 - 90	91 - 120		
Trade receivables (RM'000)	30,552	28,825	26,191	18,403	12,334	116,304 [^]
Less: Allowance for impairment (RM'000)	-	-	-	-	(1,725)	(1,725)
Net trade receivables (RM'000)	30,552	28,825	26,191	18,403	10,609	114,579 [^]
Percentage of total net trade receivables (%)	26.66	25.16	22.86	16.06	9.26	100.00
Subsequent collections as at LPD (RM'000)	12,695	22,823	23,842	17,495	8,444	85,299
Net trade receivables net of subsequent collections (RM'000)	17,856 [^]	6,002	2,349	907 [^]	2,165	29,280 [^]
Percentage of net trade receivables net of subsequent collections to total net trade receivables (%)	15.58	5.24	2.05	0.79	1.89	25.55
Revenue (RM'000)						437,203
Percentage of net trade receivables net of subsequent collections to revenue (%)	4.08	1.37	0.54	0.21	0.50	6.70

Note:

[^] Total does not add-up due to rounding.

As at LPD, a total of approximately RM85.30 million of the trade receivables outstanding as at 31 December 2012 has been collected, which represents 74.45% of the net trade receivables outstanding on that date. The value of trade receivables as at 31 December 2012 that is still outstanding as at LPD was RM29.28 million. The remaining unsettled balances as at LPD was mainly due to the slow payment by some of our customers.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

Trade Payables

A summary of our pro forma trade payables for the four (4) FYE 31 December 2009 to 2012 are set out below:

	<----- FYE 31 December ----->			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Trade payables	33,985	42,683	18,076	19,009
Cost of goods sold ⁽¹⁾	299,350	404,814	467,199	363,778
Percentage of trade payables to cost of goods sold (%)	11.35	10.54	3.87	5.23
Trade payables turnover period (days)	41	38	14	19

Note:

(1) *Excluding direct overheads.*

The normal credit terms granted to us by our suppliers ranges from 30 days to 120 days. Our trade payables turnover period ranged from 14 days to 41 days during the financial years under review. Our trade payables turnover period is shorter compared to our trade receivables turnover period as some of our major local and imported purchases of steel materials from our suppliers such as, among others, Megasteel Sdn Bhd, JK Ji Seng Sdn Bhd, Posim Marketing Sdn Bhd, Hyosung Corporation, Shijiazhuang Iron & Steel Co Ltd, Lion Plate Mills Sdn Bhd, and CMC S.E. Asia Pte Ltd are based on cash terms where payments were normally made immediately upon receipt of goods or within five to fourteen days upon receipt of goods.

We manage the disparity in timing of collections and payments through the use of bank borrowings and trade financing for our purchases.

The payables turnover periods were lower for FYE 31 December 2011 and FYE 31 December 2012 as compared to the previous financial years under review. This was mainly due to a higher proportion of imported purchases in the last quarter of the FYE 31 December 2011 and 2012 where payment was mainly made upon delivery via trade financing. In addition, for FYE 31 December 2011, the lower payables turnover period was also due to lower purchases in the last quarter of the financial year.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

As at 31 December 2012, our trade payables amounted to approximately RM19.01 million which can be analysed as follows:

	<-----Within Credit Period (days) ----->				Exceeding Credit Period (days) Over 120	Total
	0 – 30	31 – 60	61 – 90	91 – 120		
Trade payables (RM'000)	9,879	3,535	4,316	1,279	-	19,009
Percentage of total trade payables (%)	51.97	18.59	22.71	6.73	-	100.00
Subsequent payments as at LPD (RM'000)	8,121	3,532	4,316	1,279	-	17,249 [^]
Trade payables net of subsequent payments (RM'000)	1,758	2 [^]	-	-	-	1,761 [^]
Percentage of trade payables net of subsequent payments to total net trade payables (%)	9.25	0.01	-	-	-	9.26

Note:

[^] Total does not add-up due to rounding.

As at LPD, a total of RM17.25 million of the trade payables outstanding as at 31 December 2012 has been paid, which represents 90.74% of the trade payables outstanding on that date. The value of trade payables as at 31 December 2012 that are still outstanding as at LPD was approximately RM1.76 million. The balance of trade payables after subsequent payments were not due for payment.

Inventories

A summary of our inventories for the four (4) FYE 31 December 2009 to 2012 are set out below:

	<----- FYE 31 December ----->			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Inventory	95,179	92,489	77,791	95,615
Cost of goods sold ⁽¹⁾	299,350	404,814	467,199	363,778
Percentage of inventories to cost of goods sold (%)	31.80	22.85	16.65	26.28
Inventory turnover period (days)	116	83	61	96

Note:

(1) Excluding direct overheads.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS *(Cont'd)*

Our inventory is controlled by the inventory department. For the FYE 31 December 2012, our inventory mainly comprised raw materials for our trading and processing operations. Nevertheless, we do not separately earmark inventory to be used for processing as processing is carried out based on secured purchase orders on an ad-hoc basis and in accordance to customers' specification and requirements. As such, our inventory is generally deemed as trading inventory. The amount of inventories that we require varies from time to time. Replenishment of inventory is dependent on current demand, expected future sales, delivery lead time and material prices.

The high inventory turnover period for FYE 31 December 2009 of 116 days was mainly due to higher purchases in the last quarter of FYE 31 December 2009 especially for carbon steel coils, in view of the new coil levelling machine which was scheduled to commence operation at the beginning of FYE 31 December 2010. The high inventory turnover period for FYE 31 December 2012 of 96 days was mainly due to increase in imported inventories which requires longer delivery lead time. The increase in imported inventories during the FYE 31 December 2012 was because the Group managed to procure cheaper flat carbon and stainless steel during the financial year.

Cost for our trading and processing activities is determined based on two (2) major elements:

- Materials used; and
- Direct overheads.

Material cost is determined based on the quantity of specific types and grades of steel materials used multiplied by the cost of purchase. Further processing charges are determined by the type of processing/cutting required i.e. equipment charges and the specification of materials being processed/cut i.e. thickness, grades and cross sectional areas.

Direct overheads include staff salaries and related charges, depreciation, factory consumables, statutory charges, product testing and certificate, carriage, fuel, utilities and upkeep of vehicles, machinery, equipment and factories.

12.2.8 Trend Analysis

As at LPD, save as disclosed in this Prospectus and to the best of our Board's knowledge and belief, our operations have not been and are not expected to be affected by any of the following:

- (i) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our financial performance, position and operations other than those discussed in this section and Section 3 and Section 4 and 6 of this Prospectus;
- (ii) material commitment for capital expenditure, other than as set out in Section 12.2.7(vii) of this Prospectus;
- (iii) unusual, infrequent events or transactions or any significant economic changes that have materially affected our financial performance, position and operations save as disclosed in this section and in Section 4 of this Prospectus;
- (iv) known trends, demands, commitments, events or uncertainties that had resulted in a material impact on our revenue and/or profits save for those that have been disclosed in this section, industry overview as set out in Section 7 of this Prospectus and future plans and strategies as set out in Section 6.18 of this Prospectus;
- (v) known trends, demands, commitments, events or uncertainties that are reasonably likely to make our historical financial statements not indicative of the future financial performance and position other than those disclosed in this section and in Section 4 of this Prospectus; and

I2. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

- (vi) known trends, demands, commitments, events or uncertainties that have had or that we reasonably expect to have, a material favourable or unfavourable impact on our liquidity and capital resources, other than those discussed in this section and in Section 4 of this Prospectus.

I2.3 CAPITALISATION AND INDEBTEDNESS

The following information shall be read in conjunction with the Reporting Accountants' Report on the Compilation of Pro forma Consolidated Financial Information and Accountants' Report set out in Sections 11.4 and 13 of this Prospectus.

The following table shows our cash and bank balances and fixed deposits, capitalisation and indebtedness:

- (i) based on our pro forma financial position as at 31 December 2012 after Acquisitions; and
(ii) as adjusted for the proceeds arising from our Public Issue and utilisation of proceeds.

	Pro forma As at 31 December 2012 RM'000	After Public Issue and utilisation of proceeds RM'000
Cash and bank balances and fixed deposits	8,464	17,297
Indebtedness		
<u>Current</u>		
Secured:		
ABBA facilities	676	676
Bankers' acceptances	53,371	53,371
Hire purchase payables	3,379	3,379
Term loans	1,308	257
Bank overdrafts	13,953	10,953
	72,687	68,636
Unsecured:		
Bankers' acceptances	48,582	48,582
Bank overdrafts	1,301	1,301
	49,883	49,883
	122,570	118,519
<u>Non-current</u>		
Secured:		
ABBA facilities	545	545
Hire purchase payables	2,219	2,219
Term loans	9,407	458
	12,171	3,222
Total indebtedness	134,741	121,741
Shareholders' equity	146,644	180,477
Total capitalisation and indebtedness	281,385	302,218

The indebtedness shown in the table above are guaranteed and interest-bearing in nature.

12. MANAGEMENT DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION, RESULTS OF OPERATIONS AND PROSPECTS (Cont'd)

12.4 ORDER BOOK

Order book is not relevant to our business operations as we do not receive long-term orders from our customers. The nature of our business is such that we work from confirmed purchase orders from our customers.

12.5 DIVIDEND POLICY

Upon Listing, our Board intends to adopt a stable and sustainable dividend policy to allow our shareholders to participate in the profits of our Group whilst maintaining an optimal capital structure and ensuring sufficient funds for our future growth. In this regard, we envisage a dividend payout ratio of up to 30% of our future net profits to our shareholders in each financial year. Investors should take note that this dividend policy merely describes our present intention and shall not constitute legally binding statements in respect of our Company's future dividends, which are subject to our Board's absolute discretion.

Our Board will consider the following factors that they currently intend to apply when recommending dividends for approval by our shareholders or when declaring any interim dividends:

- (i) The level of cash and level of indebtedness;
- (ii) Required and expected interest expense, cash flow, our profits and return on equity and retained earnings;
- (iii) Our expected results of operations and future level of operations; and
- (iv) Our projected levels of capital expenditure and other investment plans.

As our Company is a holding company, our income and therefore, our ability to pay dividends is dependent upon the dividends and other distributions by our subsidiary companies which are subject to the above factors. There can be no assurance as to whether dividend distribution will occur as intended, the amount of dividend payment or timing of such payment.

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13. ACCOUNTANTS' REPORT



Date: 25 April 2013

The Board of Directors

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

Baker Tilly AC
 (formerly known as Moore Stephens AC)
 Chartered Accountants (AF001826)
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Dear Sirs,

LEON FUAT BERHAD
ACCOUNTANTS' REPORT

1. Introduction

This report has been prepared by Baker Tilly AC, an approved company auditor, for inclusion in the Prospectus of Leon Fuat Berhad ("Leon Fuat" or "the Company") to be dated 25 April 2013 in connection with the listing of and quotation for the entire enlarged issued and paid-up share capital of Leon Fuat on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities") and should not be relied upon for any other purposes.

2. Abbreviations

Unless the context otherwise requires, the following definitions shall apply throughout this report:

ASA	ASA Steel (M) Sdn. Bhd.
BTAC	Baker Tilly AC (formerly known as Moore Stephens AC)
Bursa Securities	Bursa Malaysia Securities Berhad
FRSs	Financial Reporting Standards in Malaysia
FY	Financial year
FYE	Financial year ended
IFRSs	International Financial Reporting Standards
IPO	Initial Public Offering
Leon Fuat or Company	Leon Fuat Berhad
Leon Fuat Group or Group	Leon Fuat and its subsidiaries, collectively
Leon Fuat Share(s) or Share(s)	Ordinary share(s) of RM0.50 each in Leon Fuat
LF Hardware	Leon Fuat Hardware Sdn. Bhd.
LF Holdings	Leon Fuat Holdings Sdn. Bhd.
LF Klang	Leon Fuat Hardware (Klang) Sdn. Bhd.
MASB	Malaysian Accounting Standards Board
MFRSs	Malaysian Financial Reporting Standards
Related companies	Subsidiaries of LF Holdings
Relevant companies	Leon Fuat, LF Hardware, LF Klang, Supreme and ASA
Relevant FYs	Relevant financial years
RM	Ringgit Malaysia
RPGT	Real Property Gains Tax
SC	Securities Commission, Malaysia
SGD	Singapore Dollar
Supreme	Supreme Steelmakers Sdn Bhd
USD	United States Dollar
n/a	Not applicable
n/m	Not meaningful

13. ACCOUNTANTS' REPORT (Cont'd)

Leon Fuat Berhad
Accountants' Report
25 April 2013



3. General information

3.1 Background of Leon Fuat

Leon Fuat was incorporated in Malaysia under the Companies Act, 1965 on 14 December 2006 as a public limited liability company. On 15 May 2012, the Company has converted its status to private limited company. Subsequently, the Company converted its status back to public limited company on 25 June 2012.

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

The principal activity of the Company is investment holding. The principal activities of the subsidiary companies are set out in Section 3.4.

LF Holdings is Leon Fuat's holding company after completion of the Acquisitions.

3.2 Share capital

The details of changes in the authorised and issued and paid-up share capital of Leon Fuat since its incorporation are as follows:

(a) Authorised share capital

Date of creation/ subdivision	Number of shares created/ subdivided	Cummulative Number of ordinary shares created/subdivided	Par Value RM	Cummulative authorised share capital RM
14 December 2006	100,000	100,000	1.00	100,000
24 August 2007	100,000	200,000	0.50	100,000
2 January 2013	999,800,000	1,000,000,000	0.50	500,000,000

(b) Issued and paid-up share capital

Date of allotment/ change	Number of shares allotted	Cummulative Number of shares allotted	Par Value RM	Purpose of share allotment RM	Cummulative total issued and paid-up share capital RM
14 December 2006	2	2	1.00	Subscribers' shares	2
24 August 2007	-	4 [^]	0.50	Subdivision of shares	2
2 December 2009	2	6	0.50	Allotment of shares	3
2 January 2013	250,689,994	250,690,000	0.50	Purchase consideration for the Acquisitions	125,345,000

[^] Subdivision of the 2 existing issued ordinary shares of RM1.00 each into 4 ordinary shares of RM0.50 each.

13. ACCOUNTANTS' REPORT (Cont'd)

Leon Fuat Berhad
Accountants' Report
25 April 2013



3. General information (cont'd)

3.3 Listing scheme

In conjunction with, and as an integral part of the listing of and quotation for the entire enlarged issued and paid-up share capital of Leon Fuat on the Main Market of Bursa Securities, Leon Fuat undertakes the following exercises:

3.3.1 Acquisitions

Leon Fuat has entered into conditional sale and purchase agreements dated 18 June 2012 with LF Holdings to acquire the entire equity interests in the following companies:

Name of company	Number of ordinary shares of RM1.00 each	Equity interest acquired %	Purchase Consideration RM	Number of Leon Fuat shares issued as consideration
LF Hardware	2,000,000	100	28,978,000	57,956,000
LF Klang	10,000,000	100	76,793,997	153,587,994
Supreme	2,000,000	100	12,188,000	24,376,000
ASA	1,800,000	100	7,385,000	14,770,000

(The above acquisitions are collectively hereinafter referred to as 'Acquisitions').

The total purchase consideration for the Acquisitions of RM125,344,997 was arrived at after taking into consideration the audited net assets of LF Hardware, LF Klang, Supreme and ASA as at 31 December 2011 and was satisfied by the issuance of 250,689,994 Leon Fuat Shares at an issue price of RM0.50 per Leon Fuat Share. The Acquisitions were completed on 2 January 2013.

3.3.2 Public issue

The public issue of 59,310,000 new Leon Fuat Shares at an issue price of RM 0.60 per Leon Fuat Share payable in full on application ("Public Issue"). The Public Issue is to be allocated in the following manner:

(a) Public

15,500,000 Public Issue Shares, representing 5.00% of the enlarged issued and paid-up share capital of Leon Fuat, will be made available for application by the Public, of which at least 50% shall be set aside for Bumiputera investors including individuals, companies, societies, co-operatives and institutions.

(b) Eligible Directors, employees and persons who have contributed to the success of Leon Fuat Group

10,000,000 Public Issue Shares, representing approximately 3.23% of the enlarged issued and paid-up share capital of Leon Fuat will be available for subscription by the eligible Directors, employees and persons who have contributed to the success of Leon Fuat Group.

(c) Selected Investors via Placement

33,810,000 Public Issue Shares, representing approximately 10.91% of the enlarged issued and paid-up share capital of Leon Fuat, have been reserved for placement to selected investors.

13. ACCOUNTANTS' REPORT (Cont'd)

Leon Fuat Berhad
Accountants' Report
25 April 2013



3. General information (cont'd)

3.3.3 Offer for Sale

The offer for sale of up to 31,000,000 Leon Fuat Shares, by LF Holdings at the offer price of RM0.60 per Leon Fuat Share, representing up to 10% of the enlarged issued and paid-up share capital to Bumiputera investors approved by the Ministry of International Trade and Industry, Malaysia ("Offer for Sale").

3.3.4 Listing

Upon completion of the Acquisitions, Public Issue and Offer for Sale, Leon Fuat will seek a listing of and quotation for its entire enlarged issued and paid-up share capital of RM155,000,000 comprising 310,000,000 Leon Fuat Shares on the Main Market of Bursa Securities.

(Collectively referred to as the "Listing Scheme").

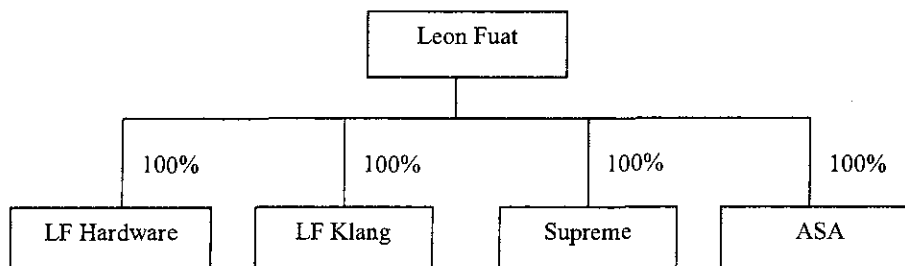
3.4 Information on subsidiary companies

The details of subsidiary companies of Leon Fuat as at the date of this report are as follows:

Name of Company	Date and Place of Incorporation	Issued and Paid-up Share Capital	Effective Equity Interest	Principal Activities
LF Hardware	15 March 1982, Malaysia	RM2,000,000	100%	Trading and processing of steel products.
LF Klang	17 March 1983, Malaysia	RM10,000,000	100%	Trading and processing of steel products.
Supreme	3 January 1991, Malaysia	RM2,000,000	100%	Trading and processing of stainless steel and other steel products.
ASA	7 June 1995, Malaysia	RM1,800,000	100%	Trading and processing of alloy steel and other steel products.

3.5 Group structure

The Leon Fuat Group structure as at the date of this report is as follows:



13. ACCOUNTANTS' REPORT (Cont'd)

Leon Fuat Berhad
Accountants' Report
25 April 2013



3. General information (cont'd)

3.6 Dividends

No dividend was declared by the Company since its incorporation.

Details of the dividends paid by the subsidiaries of Leon Fuat to LF Holdings for the Relevant FYs are as follows:

Subsidiaries	Section	FYE	Gross dividend per share RM	Gross dividend RM'000	Net dividend RM'000
LF Hardware	6.2.21	31 December 2009	1.33	2,667	2,000
		31 December 2010	3.33	6,667	5,000
		31 December 2011	6.00	12,000	9,000
LF Klang	6.3.22	31 December 2009	0.40	4,000	3,000
		31 December 2010	0.67	6,667	5,000
		31 December 2011	0.53	5,333	4,000
Supreme	6.4.23	31 December 2011	1.33	2,667	2,000
ASA	6.5.20	31 December 2011	1.48	2,667	2,000

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13. ACCOUNTANTS' REPORT (Cont'd)

Leon Fuat Berhad
Accountants' Report
25 April 2013



4. Audited financial statements and auditors

The auditors who audited the financial statements of Leon Fuat, LF Klang, LF Hardware, Supreme and ASA for the Relevant FYs are as follows:

Companies	FYE	Auditors	Auditors' Report
Leon Fuat	FYE 31 December 2009	BTAC	Appendix I
	FYE 31 December 2010	BTAC	
	FYE 31 December 2011	BTAC	
	FYE 31 December 2012	BTAC	
LF Hardware	FYE 31 December 2009	BTAC	Appendix II
	FYE 31 December 2010	BTAC	
	FYE 31 December 2011	BTAC	
	FYE 31 December 2012	BTAC	
LF Klang	FYE 31 December 2009	BTAC	Appendix III
	FYE 31 December 2010	BTAC	
	FYE 31 December 2011	BTAC	
	FYE 31 December 2012	BTAC	
Supreme	FYE 31 December 2009	BTAC	Appendix IV
	FYE 31 December 2010	BTAC	
	FYE 31 December 2011	BTAC	
	FYE 31 December 2012	BTAC	
ASA	FYE 31 December 2009	BTAC	Appendix V
	FYE 31 December 2010	BTAC	
	FYE 31 December 2011	BTAC	
	FYE 31 December 2012	BTAC	

No consolidated financial statements were presented as Leon Fuat Group did not exist throughout the Relevant FYs. This is because the Acquisitions as mentioned in Note 3.3.1 were completed on 2 January 2013.

BTAC has reported on the respective audited financial statements for the Relevant FYs without any qualification or modification.

13. ACCOUNTANTS' REPORT (*Cont'd*)

Leon Fuat Berhad
Accountants' Report
25 April 2013



5. Accounting policies and standards

5.1 Basis of preparation of the financial statements

The financial information presented in Section 6 in this report for the four (4) FYE 31 December 2009 to 2012 are prepared based on the audited financial statements of Leon Fuat, LF Hardware, LF Klang, Supreme and ASA ("Relevant Companies") and modified appropriately, for the purpose of this report.

The scope of work include in the preparation of this report does not constitute an audit in accordance with Approved Standards on Auditing in Malaysia.

The accounting policies adopted in the preparation of this report are set out in Section 7 of this report and are consistent with the accounting policies adopted by the Relevant Companies for the Relevant FYs.

The financial information is presented in Ringgit Malaysia and has been recorded to the nearest RM thousand, unless otherwise stated.

The financial statements of the Relevant Companies have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRSs"), International Financial Reporting Standards ("IFRSs") for the FYE 31 December 2012 and the requirements of the Companies Act, 1965 in Malaysia.

The financial statements of the Relevant Companies for the FYE 31 December 2012 are the first set of financial statements prepared in accordance with the MFRSs, including MFRS 1 'First-time adoption of MFRSs'. In the FYE 31 December 2009 to 2011, the financial statements of the Relevant Companies were prepared in accordance with the Financial Reporting Standards ("FRSs") in Malaysia.

(i) New, Revised and Amendments/Improvements to Accounting Standards and IC Interpretation ("IC Int")

Transition to MFRSs

In conjunction with the planned convergence of FRSs with IFRSs as issued by the International Accounting Standards Board on 1 January 2012, the Malaysian Accounting Standards Board ("MASB") had on 19 November 2011 issued a new MASB approved accounting standards, MFRSs ("MFRSs Framework") for application in the annual periods beginning on or after 1 January 2012.

The MFRSs Framework is mandatory for adoption by all Entities Other Than Private Entities for annual periods beginning on or after 1 January 2012, with the exception of entities subject to the application of MFRS 141 *Agriculture* and/or IC Int 15 *Agreements for the Construction of Real Estate* ("Transitioning Entities"). The Transitioning Entities are given an option to defer adoption of the MFRSs framework to financial periods beginning on or after 1 January 2014. Transitioning Entities also include those entities that consolidate or equity account or proportionately consolidate another entity that has chosen to continue to apply the FRSs framework for annual periods beginning on or after 1 January 2012.

Accordingly, the Relevant Companies which are not Transitioning Entities have adopted the MFRSs Framework including MFRS 1 First-time adoption of MFRSs for the FYE 31 December 2012.

MFRS 1 requires comparative information to be restated as if the requirements of MFRSs effective for annual periods beginning on or after 1 January 2012 have always been applied, except when MFRS 1 allows certain elective exemptions from such full retrospective application or prohibits retrospective application of some aspects of MFRSs.

13. ACCOUNTANTS' REPORT (Cont'd)

Leon Fuat Berhad
Accountants' Report
25 April 2013



5. Accounting policies and standards (cont'd)

5.1 Basis of preparation of the financial statements (cont'd)

(i) New, Revised and Amendments/Improvements to Accounting Standards and IC Interpretation ("IC Int") (cont'd)

Transition to MFRSs (cont'd)

The Relevant Companies have consistently applied the same accounting policies in their opening MFRSs statement of financial position as at 1 January 2011 (date of transition) and throughout all FYs presented, as if these policies had always been in effect.

As at 31 December 2011, all FRSs issued under the existing FRSs framework are equivalent to the MFRSs issued under MFRSs Framework except for differences in relation to the transitional provisions, the adoption of MFRS 141 *Agriculture* and IC Int 15 *Agreements for the Construction of Real Estate* as well as differences in effective dates contained in certain of the existing FRSs.

The adoption of the MFRSs for the FYE 31 December 2012 did not result in any changes in accounting policies and material adjustments to the Relevant Companies' statements of financial position, statements of comprehensive income and statements of cash flows which are reported in accordance with the previous FRSs other than as follows:

In preparing the opening statement of financial position as at 1 January 2011, LF Hardware has adjusted the amounts reported previously in the financial statements prepared in accordance with the previous FRSs framework. Comparative figures for 2011 in these financial statements have been restated to give effect to these changes. An explanation of how the transition from previous FRSs to MFRSs has affected LF Hardware's financial position and financial performance is set out as follows:-

(i) Reconciliation of equity

	1.1.2011 (Date of transition) RM'000	31.12.2011 RM'000
Equity as reported under FRSs	31,118	28,977
Add/(less): Transitioning adjustment		
Previous fair value as deemed cost		
for investment properties	-	(96)
Equity on transition to MFRSs	<u>31,118</u>	<u>28,881</u>

13. ACCOUNTANTS' REPORT (Cont'd)

Leon Fuat Berhad
Accountants' Report
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5. Accounting policies and standards (cont'd)

5.1 Basis of preparation of the financial statements (cont'd)

(i) New, Revised and Amendments/Improvements to Accounting Standards and IC Interpretation ("IC Int") (cont'd)

Transition to MFRSs (cont'd)

(ii) Reconciliation of total comprehensive income

	31.12.2011 RM'000
Total comprehensive income as reported under FRSs	6,859
Add/(less): Transitioning adjustments	
Depreciation arising from use of fair value as deemed cost exemption for investment properties	(119)
Tax expense arising from the adoption of deemed cost approach for investment properties	23
Total comprehensive income on transition to MFRSs	<u>6,763</u>

In accordance with the exemptions in MFRS 1, LF Hardware elected to measure its investment property at fair value as at date of transition of 1 January 2011 as its deemed cost as at that date. The aggregate fair value at the date of transition and the impact arising from the change in the statement of financial position and the statement of comprehensive income are summarised as follows:-

Statement of financial position

	Carrying amount previously reported under FRSs RM'000	Transitioning adjustments (Fair value as deemed costs) RM'000	Restated carrying amount RM'000
At 1 January 2011			
Investment property:			
- Leasehold land	3,400	3,400	3,400
- Building	1,300	1,300	1,300
	<u>4,700</u>	<u>4,700</u>	<u>4,700</u>
At 31 December 2011			
Investment property:			
- Leasehold land	3,400	3,314	3,314
- Building	1,300	1,267	1,267
	<u>4,700</u>	<u>4,581</u>	<u>4,581</u>
Deferred tax liabilities	<u>902</u>	<u>879</u>	<u>879</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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5. Accounting policies and standards (cont'd)

5.1 Basis of preparation of the financial statements (cont'd)

(i) New, Revised and Amendments/Improvements to Accounting Standards and IC Interpretation ("IC Int") (cont'd)

Transition to MFRSs (cont'd)

Statement of Comprehensive Income

	2011 RM'000
Administrative costs- additional depreciation	119
Decrease in profit before tax	119
Decrease in tax expense	(23)
Decrease in profit for the financial year	96

(ii) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted

The Relevant Companies have not adopted the following new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that have been issued as at the date of this report but are not yet effective for the Relevant Companies:-

	Effective for financial periods beginning on or after
<u>New MFRSs</u>	
MFRS 9 Financial Instruments	1 January 2015
MFRS 10 Consolidated Financial Statements	1 January 2013
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of Interests in Other Entities	1 January 2013
MFRS 13 Fair Value Measurement	1 January 2013
<u>Revised MFRSs</u>	
MFRS 119 Employee Benefits	1 January 2013
MFRS 127 Separate Financial Statements	1 January 2013
MFRS 128 Investments in Associates and Joint Ventures	1 January 2013
<u>Amendments/Improvements to MFRSs</u>	
MFRS 1 First-time Adoption of Financial Reporting Standards	1 January 2013
MFRS 7 Financial Instruments: Disclosures	1 January 2013
MFRS 10 Consolidated Financial Statements	1 January 2013 and 1 January 2014
MFRS 11 Joint Arrangements	1 January 2013
MFRS 12 Disclosure of Interests in Other Entities	1 January 2013 and 1 January 2014
MFRS 101 Presentation of Financial Statements	1 July 2012 and 1 January 2013
MFRS 116 Property, Plant and Equipment	1 January 2013

13. ACCOUNTANTS' REPORT (Cont'd)

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5. Accounting policies and standards (cont'd)
5.1 Basis of preparation of the financial statements (cont'd)

(ii) **New, revised, amendments/improvement to accounting standards and IC Int that are issued, hut not yet effective and have not been early adopted** (cont'd)

		Effective for financial periods beginning on or after
<u>Amendments/Improvements to MFRSs</u>		
MFRS 132	Financial Instruments: Presentation	1 January 2013 and 1 January 2014
MFRS 127	Separate Financial Statements	1 January 2014
MFRS 134	Interim Financial Reporting	1 January 2013
<u>New IC Int</u>		
IC Int 20	Stripping Costs in the Production Phase of a Surface Mine	1 January 2013
<u>Amendments to IC Int</u>		
IC Int 2	Members' Shares in Co-operative Entities & Similar Instruments	1 January 2013

A brief discussion on the above significant new and revised MFRSs, amendments/improvements to MFRSs, new IC Int and amendments to IC Int that are applicable to the Relevant Companies are summarised below. The initial application of these standards is not expected to have any significant financial impacts to the current and prior periods financial statements.

MFRS 9 Financial Instruments

MFRS 9 specifies how an entity should classify and measure financial assets and financial liabilities.

This standard requires all financial assets to be classified based on how an entity manages its financial assets (its business model) and the contractual cash flow characteristics of the financial asset. Financial assets are to be initially measured at fair value. Subsequent to initial recognition, depending on the business model under which these assets are acquired, they will be measured at either fair value or at amortised cost.

In respect of the financial liabilities, the requirements are generally similar to the former MFRS 139. However, this standard requires that for financial liabilities designated as at fair value through profit or loss, changes in fair value attributable to the credit risk of that liability are to be presented in other comprehensive income, whereas the remaining amount of the change in fair value will be presented in the profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)

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5. Accounting policies and standards (cont'd)

5.1 Basis of preparation of the financial statements (cont'd)

- (ii) New, revised, amendments/improvement to accounting standards and IC Int that are issued, but not yet effective and have not been early adopted (cont'd)

MFRS 10 Consolidated Financial Statements and MFRS 127 Separate Financial Statements (Revised)

MFRS 10 replaces the consolidation part of the former MFRS 127 Consolidated and Separate Financial Statements. The revised MFRS 127 will deal only with accounting for investment in subsidiaries, joint ventures and associates in the separate financial statements of an investor and requires the entity to account for such investments either at cost, or in accordance with MFRS 9.

MFRS 10 brings about convergence between MFRS 127 and IC Int 12 Consolidation-Special Purpose Entities, which interprets the requirements of MFRS 10 in relation to special purpose entities. MFRS 10 introduces a new single control model to identify a parent-subsidiary relationship by specifying that "an investor controls an investee when the investor is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee". It provides guidance on situations when control is difficult to assess such as those involving potential voting rights, or in circumstances involving agency relationships, or where the investor has control over specific assets of the entity, or where the investee entity is designed in such a manner where voting rights are not the dominant factor in determining control.

MFRS 12 Disclosures of Interests in Other Entities

MFRS 12 is a single disclosure standard for interests in subsidiary companies, joint ventures, associated companies and unconsolidated structured entities. The disclosure requirements in this MFRS are aimed at providing standardised and comparable information that enable users of financial statements to evaluate the nature of, and risks associated with, the entity's interests in other entities, and the effects of those interests on its financial position, financial performance and cash flows.

MFRS 13 Fair Value Measurement

MFRS 13 defines fair value and sets out a framework for measuring fair value, and the disclosure requirements about fair value. This standard is intended to address the inconsistencies in the requirements for measuring fair value across different accounting standards. As defined in this standard, fair value is 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.

13. ACCOUNTANTS' REPORT (*Cont'd*)

Leon Fuat Berhad
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6. Historical financial information

Key financial ratios

Key financial ratios used in the following sections are based on the following formulas:

- (a) Gross earnings/(loss) per share is computed by dividing profit/(loss) before tax over weighted average number of ordinary shares in issue during the FY.
- (b) Net earnings/(loss) per share is computed by dividing profit/(loss) after tax over weighted average number of ordinary shares in issue during the FY.
- (c) Gross profit margin is computed by dividing gross profit over revenue earned during the FY.
- (d) Profit before tax margin is computed by dividing profit before tax over revenue earned during the FY.
- (e) Profit after tax is margin is computed by dividing profit after tax over revenue earned during the FY.
- (f) Effective tax rate is computed by dividing tax expense over profit before tax.
- (g) Current ratio is computed by dividing current assets over current liabilities.
- (h) Gearing ratio is computed by dividing borrowings over shareholders' equity.
- (i) Return on equity is computed by dividing profit after tax over shareholders' equity.
- (j) Trade receivables turnover is computed by dividing net trade receivables over revenue earned during the FY and multiply by 12 months.
- (k) Trade payables turnover is computed by dividing trade payables over cost of goods sold during the FY and multiply by 12 months.
- (l) Inventories turnover is computed by dividing inventories over cost of goods sold during the FY and multiply by 12 months.

13. ACCOUNTANTS' REPORT (Cont'd)

Leon Fuat Berhad
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6. Historical financial information (cont'd)

6.1 Leon Fuat

6.1.1 Statements of Comprehensive Income

Section	FYE 31 December				
	2009	2010	2011	2012	
	RM'000	RM'000	RM'000	RM'000	
Revenue	-	-	-	-	
Administrative costs	(4)	(2)	(6)	(7)	
Other operating costs	-	-	-	(1,347)	
Loss before taxation	6.1.5 (4)	(2)	(6)	(1,354)	
Tax expense	6.1.6 -	-	-	-	
Loss for the financial year, representing total comprehensive income		(4)	(2)	(6)	(1,354)

6.1.2 Statements of Financial Position

Note	As at 31 December			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Asset				
Current assets				
Prepayments	6.1.7 -	182	183	69
Cash in hand	#	#	#	#
Total assets	#	182	183	69
Equity and liability				
Equity attributable to equity holders of the Company				
Share capital	6.1.8 #	#	#	#
Accumulated losses	(12)	(14)	(20)	(1,374)
Total equity	(12)	(14)	(20)	(1,374)
Current liability				
Other payables and accruals	6.1.9 12	196	203	1,443
Total equity & liability	#	182	183	69

This represents RM3.00

Key financial ratios :

Net liabilities (RM'000)	(12)	(14)	(20)	(1,374)
Net liabilities per share (RM)	(2,000.00)	(2,333.33)	(3,333.33)	(229,000.00)
Current ratio (times)	n/m	0.93	0.90	0.05

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.1 Leon Fuat (cont'd)

6.1.3 Statements of Changes in Equity

	Share Capital RM'000	Accumulated Losses RM'000	Total Equity RM'000
At 1 January 2009	*	(8)	(8)
Issuance of shares	@	-	@
Total comprehensive income	-	(4)	(4)
At 31 December 2009	#	(12)	(12)
Total comprehensive income	-	(2)	(2)
At 31 December 2010	#	(14)	(14)
Total comprehensive income	-	(6)	(6)
At 31 December 2011	#	(20)	(20)
Total comprehensive income	-	(1,354)	(1,354)
At 31 December 2012	#	(1,374)	(1,374)

* This represents RM2.00

@ This represents RM1.00

This represents RM3.00

6.1.4 Statements of Cash Flows

	← FYE 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Cash Flows from Operating Activities				
Loss before taxation	(4)	(2)	(6)	(1,354)
Working capital changes:				
Decrease/(Increase) in prepayments	541	(182)	(1)	114
(Decrease)/Increase in other payable and accruals	(537)	184	7	1,240
Net cash from operating activities	-	-	-	-
Cash Flow from Financing Activity				
Proceeds from issuance of shares, representing net cash from financing activity	@	-	-	-
Net change in cash and cash equivalents	@	-	-	-
Cash and cash equivalents at beginning of the financial year	*	#	#	#
Cash and cash equivalents at end of the financial year	#	#	#	#

@ This represents RM1.00

* This represents RM2.00

This represents RM3.00

13. ACCOUNTANTS' REPORT (Cont'd)

Leon Fuat Berhad
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6. Historical Financial Information (cont'd)

6.1 Leon Fuat (cont'd)

6.1.5 Loss before taxation

Loss before taxation is arrived at after charging:

	← FYE 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration	1	1	1	1

6.1.6 Tax expense

As Leon Fuat has not commenced commercial operations, the loss incurred by Leon Fuat for the FYs under review is not an allowable loss for tax purposes.

6.1.7 Prepayments

Prepayments relate to listing expenses paid in advance.

6.1.8 Share capital

	← As at 31 December →							
	Number of ordinary shares				Amount			
	2009	2010	2011	2012	2009	2010	2011	2012
Authorised:	'000	'000	'000	'000	RM'000	RM'000	RM'000	RM'000
Ordinary shares of RM0.50 each	200	200	200	200	100	100	100	100

	← As at 31 December →							
	Number of ordinary shares				Amount			
	2009	2010	2011	2012	2009	2010	2011	2012
Issued and fully paid:					RM	RM	RM	RM
Ordinary shares of RM0.50 each								
At beginning of the year	4	6	6	6	2	3	3	3
Issued during the year	2	-	-	-	1	-	-	-
At end of the year	6	6	6	6	3	3	3	3

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 Leon Fuat. All shares rank equally with regard to Leon Fuat's residual assets.

13. ACCOUNTANTS' REPORT (Cont'd)

Leon Fuat Berhad
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6. Historical Financial Information (cont'd)

6.1 Leon Fuat (cont'd)

6.1.9 Other payables and accruals

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Other payables	11	195	202	1,439
Accruals	1	1	1	4
	<u>12</u>	<u>196</u>	<u>203</u>	<u>1,443</u>

Other payables relate to amounts owing to LF Hardware and LF Klang (2011: LF Holdings), which are companies with certain common directors. These amounts are non-trade in nature, unsecured, interest free and repayable on demand by cash.

6.1.10 Related party disclosures

(a) Identity of related parties

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

Leon Fuat has a related party relationship with its directors and companies with certain common directors.

(b) Related party transactions

	← FYE 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Absorption of listing expenses by LF Holdings	700	-	-	-
Assignment of listing expenses to LF Holdings	-	-	21	-

6.1.11 Financial risk management objectives and policies

The main risk arising from Leon Fuat's financial instruments is liquidity risk. Leon Fuat's risk management seeks to minimise the potential adverse effects of liquidity risk.

It is, and has been throughout the current and previous FYs, Leon Fuat's policy that no derivatives shall be undertaken. Leon Fuat does not apply hedge accounting.

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.1 Leon Fuat (cont'd)

6.1.11 Financial risk management objectives and policies (cont'd)

Leon Fuat's exposure to the financial risks and the objectives, policies and processes put in place to manage liquidity risk is discussed below.

(i) Liquidity Risk

Liquidity risk is the risk that Leon Fuat will encounter difficulty in meeting financial obligations due to shortage of funds. Leon Fuat's exposure to liquidity risk arises primarily from mismatches of the maturities of financial assets and liabilities.

The shareholders have agreed to provide appropriate financial support to Leon Fuat to meet its obligations as and when they fall due.

All Leon Fuat's financial liabilities are either mature within 1 year or payable on demand.

6.1.12 Capital management

The primary objective of Leon Fuat's capital management is to ensure that it maintains a healthy capital ratio in order to ensure that it will continue as a going concern.

Leon Fuat manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital structure, Leon Fuat may adjust by returning capital to shareholders or issuance of new shares.

There were no changes in Leon Fuat's approach to capital management during the Relevant FYs.

Leon Fuat is not subject to any externally imposed capital requirements.

6.1.13 Fair value of financial instruments

The carrying amounts of financial assets and liabilities of Leon Fuat at the reporting date approximate their fair values due to their short term nature.

6.1.14 Significant events during FYE 31 December 2012

- (a) On 15 May 2012, Leon Fuat converted its status to private limited company. Subsequently, Leon Fuat converted its status back to public limited company on 25 June 2012.
- (b) On 21 November 2012, Leon Fuat obtained the approval of the Securities Commission for the proposed listing and quotation for the entire enlarged and paid-up share capital of Leon Fuat on the Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities"). The aforementioned proposed listing and quotation have yet to be completed as at the date of this report.

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.1 Leon Fuat (cont'd)

6.1.15 Significant events subsequent to FYE 31 December 2012

(a) In relation to the proposed listing and quotation for the entire enlarged issued and paid-up share capital of Leon Fuat on the Main Market of Bursa Malaysia Securities Berhad, Leon Fuat had on 2 January 2013 completed the acquisition of the following companies:

- (i) 2,000,000 ordinary shares of RM1.00 each in LF Hardware for purchase consideration of RM28,978,000 satisfied in full via the issuance of 57,956,000 ordinary shares of RM0.50 each in Leon Fuat at par;
- (ii) 1,800,000 ordinary shares of RM1.00 each in ASA for purchase consideration of RM7,385,000 satisfied in full via the issuance of 14,770,000 ordinary shares of RM0.50 each in Leon Fuat at par;
- (iii) 10,000,000 ordinary shares of RM1.00 each in LF Klang for purchase consideration of RM76,793,997 satisfied in full via the issuance of 153,587,994 ordinary shares of RM0.50 each in Leon Fuat at par; and
- (iv) 2,000,000 ordinary shares of RM1.00 each in Supreme for purchase consideration of RM12,188,000 satisfied in full via the issuance of 24,376,000 ordinary shares of RM0.50 each in Leon Fuat at par.

Consequently, the above companies became wholly-owned subsidiaries of Leon Fuat and the issued and paid-up share capital of Leon Fuat increased from RM3 to RM125,345,000.

(b) On 2 January 2013, the authorised share capital of Leon Fuat increased from RM100,000 comprising 200,000 ordinary shares of RM0.50 each to RM500,000,000 comprising 1,000,000,000 ordinary shares of RM0.50 each by the creation of additional 999,800,000 new ordinary share of RM0.50 each.

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13. ACCOUNTANTS' REPORT (Cont'd)

Leon Fuat Berhad
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6. Historical Financial Information (cont'd)

6.2 LF Hardware

6.2.I Statements of Comprehensive Income

Section	FYE 31 December			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Operating revenue	61,761	68,765	69,879	63,530
Direct operating costs	(51,272)	(55,655)	(57,394)	(50,273)
Gross profit	10,489	13,110	12,485	13,257
Other operating income	791	352	2,027	456
Distribution costs	(534)	(561)	(580)	(641)
Administrative costs	(3,546)	(3,478)	(4,216)	(4,213)
Other operating costs	(331)	(279)	(179)	(153)
	(4,411)	(4,318)	(4,975)	(5,007)
Profit from operations	6,869	9,144	9,537	8,706
Finance costs	(716)	(578)	(664)	(386)
Profit before taxation	6,153	8,566	8,873	8,320
Tax expense	(1,834)	(2,231)	(2,110)	(2,166)
Profit for the financial year, representing total comprehensive income	4,319	6,335	6,763	6,154
Number of ordinary shares of RM1.00 each ('000)	2,000	2,000	2,000	2,000
Weighted average number of ordinary shares of RM1.00 each ('000)	2,000	2,000	2,000	2,000
Earnings per share				
Gross (RM)	3.08	4.28	4.44	4.16
Net (RM)	2.16	3.17	3.38	3.08
Gross profit margin (%)	16.98	19.06	17.87	20.87
Profit before tax margin (%)	9.96	12.46	12.70	13.10
Profit after tax margin (%)	6.99	9.21	9.68	9.69

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.2 LF Hardware (cont'd)

6.2.2 Statements of Financial Position

Section	As at 31 December				
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	
Non-current assets					
Property, plant and equipment	6.2.8	7,572	7,417	1,154	1,115
Capital work-in-progress	6.2.9	-	108	-	-
Investment properties	6.2.10	4,700	4,700	4,581	4,462
		12,272	12,225	5,735	5,577
Current assets					
Inventories	6.2.11	15,106	9,132	12,703	14,923
Trade receivables	6.2.12	14,700	16,249	15,602	20,012
Other receivables, deposits and prepayments	6.2.13	70	63	115	1,395
Deposits, cash and bank balances	6.2.14	4,962	5,756	13,654	5,927
		34,838	31,200	42,074	42,257
Total assets		47,110	43,425	47,809	47,834
Equity and liabilities					
Equity					
Share capital	6.2.15	2,000	2,000	2,000	2,000
Reserves	6.2.16	27,783	29,118	26,881	33,035
Total equity		29,783	31,118	28,881	35,035
Non-current liabilities					
Deferred tax liabilities	6.2.17	934	900	879	892
Borrowings	6.2.18	3,708	3,326	140	-
		4,642	4,226	1,019	892
Current liabilities					
Trade payables	6.2.19	2,366	3,753	3,113	4,720
Other payables and accruals	6.2.20	1,722	1,182	850	605
Borrowings	6.2.18	6,406	2,180	4,308	5,728
Dividend payable		2,000	-	9,000	-
Tax payables		191	966	638	854
		12,685	8,081	17,909	11,907
Total liabilities		17,327	12,307	18,928	12,799
Total equity and liabilities		47,110	43,425	47,809	47,834

13. ACCOUNTANTS' REPORT (Cont'd)

Leon Fuat Berhad
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6. Historical Financial Information (cont'd)

6.2 LF Hardware (cont'd)

6.2.2 Statements of Financial Position (cont'd)

	← As at 31 December →			
	2009	2010	2011	2012
<i>Key financial ratios :</i>				
Net assets (RM'000)	29,783	31,118	28,881	35,035
Net assets per share (RM)	14.89	15.56	14.44	17.52
Current ratio (times)	2.75	3.86	2.35	3.55
Gearing ratio (times)	0.34	0.18	0.15	0.16
Return on equity (%)	14.50	20.36	23.42	17.57
Trade receivables turnover period (months)	2.86	2.84	2.68	3.78
Trade payables turnover period (months)	0.58	0.85	0.72	1.16
Inventories turnover period (months)	3.72	2.08	2.92	3.68

6.2.3 Statements of changes of equity

Section	Share Capital RM'000	Non-Distributable		Total Equity RM'000
		Capital Reserve RM'000	Retained Earnings RM'000	
At 1 January 2009	2,000	1	25,463	27,464
Total comprehensive income	-	-	4,319	4,319
Dividends	-	-	(2,000)	(2,000)
At 31 December 2009	2,000	1	27,782	29,783
Total comprehensive income	-	-	6,335	6,335
Dividends	-	-	(5,000)	(5,000)
At 31 December 2010	2,000	1	29,117	31,118
Total comprehensive income	-	-	6,763	6,763
Dividends	-	-	(9,000)	(9,000)
At 31 December 2011	2,000	1	26,880	28,881
Total comprehensive income	-	-	6,154	6,154
At 31 December 2012	2,000	1	33,034	35,035

13. ACCOUNTANTS' REPORT (Cont'd)

Leon Fuat Berhad
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6. Historical Financial Information (cont'd)

6.2 LF Hardware (cont'd)

6.2.4 Statements of Cash Flows

Section	← FYE 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Cash Flows from Operating Activities				
Profit before taxation	6,153	8,566	8,873	8,320
Adjustments for:-				
Bad debts written off	231	-	63	6
Change in fair value in investment properties	(600)	-	-	-
Depreciation of property, plant and equipment	736	608	605	472
Depreciation of investment property	-	-	119	119
Interest expense	678	538	623	347
Impairment loss on trade receivables	-	125	-	-
Property, plant and equipment written off	-	29	-	-
Interest income	(21)	(118)	(100)	(206)
Gain on disposal of property, plant and equipment	-	(8)	(1,519)	(33)
Operating profit before working capital changes	7,177	9,740	8,664	9,025
Decrease/(Increase) in inventories	9,899	5,974	(3,571)	(2,220)
Decrease/(Increase) in receivables	2,088	(1,667)	532	(5,696)
(Decrease)/Increase in payables	(2,092)	847	(972)	1,362
Cash generated from operations	17,072	14,894	4,653	2,471
Interest paid	(678)	(538)	(623)	(347)
Interest received	21	118	100	206
RPGT (paid)/refunded	-	-	(140)	95
Income tax paid	(1,236)	(1,490)	(2,319)	(2,032)
Net cash from operating activities	15,179	12,984	1,671	393
Cash Flows from Investing Activities				
Repayments from former subsidiary company	54	-	-	-
Proceeds from transfer of capital-work-in-progress	-	-	243	-
Additions in capital work-in-progress	-	(108)	(135)	-
Proceeds from disposal of property, plant and equipment	-	350	7,182	33
Purchase of property, plant and equipment	(40)	(424)	(5)	(433)
Net cash from/(used in) investing activities	14	(182)	7,285	(400)
Balance carried down	15,193	12,802	8,956	(7)

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.2 LF Hardware (cont'd)

6.2.4 Statements of Cash Flows (cont'd)

Section	← FYE 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Balance brought down	15,193	12,802	8,956	(7)
Cash Flows From Financing Activities				
Dividend paid	-	(7,000)	-	(9,000)
Payments of finance lease payables	(514)	(365)	(349)	(300)
Net (repayments)/drawdown of bankers' acceptances	(10,569)	(4,218)	2,627	1,580
Repayment of term loan	(409)	(425)	(3,336)	-
Net cash used in financing activities	(11,492)	(12,008)	(1,058)	(7,720)
Net increase in cash and cash equivalents	3,701	794	7,898	(7,727)
Cash and cash equivalents at beginning of the financial year	1,261	4,962	5,756	13,654
Cash and cash equivalents at end of the financial year	<u>4,962</u>	<u>5,756</u>	<u>13,654</u>	<u>5,927</u>

6.2.5 Direct operating costs

	← FYE 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Cost of goods sold	48,698	52,710	52,203	48,665
Other direct costs	2,574	2,945	5,191	1,608
	<u>51,272</u>	<u>55,655</u>	<u>57,394</u>	<u>50,273</u>

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13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.2 LF Hardware (cont'd)

6.2.6 Profit before taxation

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

	← 2009	FYE 31 December		→ 2012
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Auditor' remuneration	16	18	19	22
Bad debts recovered	(10)	-	-	-
Bad debts written off	231	-	63	6
Change in fair value of investment properties	(600)	-	-	-
Depreciation of investment property	-	-	119	119
Depreciation of property, plant and equipment	736	608	605	472
Impairment loss on trade receivables	-	125	-	-
Interest expense	678	538	623	347
Interest income	(21)	(118)	(100)	(206)
Gain on disposal of property, plant and equipment	-	(8)	(1,519)	(33)
Property, plant and equipment written off	-	29	-	-
Realised (gain)/loss on foreign exchange	(8)	-	3	242
Rental income	(120)	(120)	(120)	(120)
Staff costs (including key management personnel)*				
- contribution to defined contribution plan	204	209	282	374
- salaries and others	3,104	3,336	3,923	3,770

* Included in staff costs is the aggregate amount of remuneration received and receivable by directors of LF Hardware as follows:

	← FYE 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Fee	1,000	800	800	200
Other emoluments	538	717	1,256	1,729
	1,538	1,517	2,056	1,929

Certain directors of LF Hardware have acquired the benefit of using LF Hardware's property, plant and equipment and the estimated monetary value of these benefits amounted to RM84,000 (2011: RM84,000; 2010: RM84,000 and 2009: RM84,000).

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.2 LF Hardware (cont'd)

6.2.7 Tax expense

	← FYE 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Current tax				
Malaysian - current financial year	1,594	2,302	1,993	2,208
- prior financial years	85	(37)	(2)	40
	1,679	2,265	1,991	2,248
Deferred tax (Section 6.2.17)				
Origination and reversal of temporary differences	155	(43)	(35)	14
Under/(over) provision in prior financial years	-	9	14	(1)
	155	(34)	(21)	13
Real Property Gain Tax ("RPGT")				
Current financial year	-	-	140	-
Overprovision in prior financial year	-	-	-	(95)
Tax expense	1,834	2,231	2,110	2,166
Statutory tax rate	26%	25%	25%	25%

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

	← FYE 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	6,153	8,566	8,873	8,320
Tax at Malaysian statutory income tax rate of 25%	1,538	2,142	2,218	2,080
Tax effect of non-deductible expenses	216	124	125	154
Tax effect of non-taxable income	-	-	(379)	(8)
Tax effect of double deduction expense RPGT	(5)	(7)	(6)	(4)
Under/(over) provision in prior financial years	-	-	140	(95)
- current tax	85	(37)	(2)	40
- deferred tax	-	9	14	(1)
Tax expense	1,834	2,231	2,110	2,166

LF Hardware has approximately RM1,599,000 (2011: RM1,599,000; 2010: RM1,599,000 and 2009: RM1,599,000) in the tax exempt income account available for distribution by way of tax exempt dividend.

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.2 LF Hardware (cont'd)

6.2.7 Tax expense (cont'd)

Prior to the year of assessment 2008, Malaysian companies adopted the full imputation system. In accordance with the Finance Act, 2007 which was gazetted on 28 December 2007, companies shall not be entitled to deduct tax on dividend paid, credited or distributed to its shareholders, and such dividends will be exempted from tax in hands of the shareholders ("single tier system"). However, there is a transitional period of six years, expiring on 31 December 2013, to allow companies to pay franked dividends to their shareholders under limited circumstances. Companies also have an irrevocable option to disregard the Section 108 balance and opt to pay dividends under the single tier system.

The change in the tax legislation also provides for the Section 108 balance to be locked-in as at 31 December 2007 in accordance with Section 39 of the Finance Act, 2007.

LF Hardware did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, LF Hardware may utilise the credit in the Section 108 balance as at 31 December 2012, 2011, 2010 and 2009 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act, 2007. As at 31 December 2012, LF Hardware has sufficient tax exempt income and credit in the 108 balance to pay franked dividends amounting to approximately RM8,783,000 (2011: RM8,783,000; 2010: RM19,783,000 and 2009: RM22,783,000) out of its retained earnings. If the balance of the retained earnings of approximately RM24,251,000 (2011: RM 18,097,000; 2010: RM9,334,000 and 2009: RM4,999,000) were to be distributed as dividends, LF Hardware may distribute such dividends under the single tier system.

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.2 LF Hardware (cont'd)

6.2.8 Property, plant and equipment

	Short Term Leasehold Land RM'000	Furniture and Fittings RM'000	Office Equipment RM'000	Motor Vehicles RM'000	Cranes, Tools and Machinery RM'000	Total RM'000
Cost						
At 1.1.2009						
As previously stated	-	77	211	3,136	2,005	5,429
Effect of adopting the amendments to FRS 117	6,100	-	-	-	-	6,100
As restated	6,100	77	211	3,136	2,005	11,529
Additions	-	-	6	-	34	40
At 31.12.2009	6,100	77	217	3,136	2,039	11,569
Accumulated Depreciation						
At 1.1.2009						
As previously stated	-	63	120	1,534	1,510	3,227
Effect of adopting the amendments to FRS 117	34	-	-	-	-	34
As restated	34	63	120	1,534	1,510	3,261
Charge for the financial year	138	3	23	508	64	736
At 31.12.2009	172	66	143	2,042	1,574	3,997
Net Carrying Amount						
At 31.12.2009	5,928	11	74	1,094	465	7,572

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.2 LF Hardware (cont'd)

6.2.8 Property, plant and equipment (cont'd)

	Short Term Leasehold Land RM'000	Furniture and Fittings RM'000	Office Equipment RM'000	Motor Vehicles RM'000	Cranes, Tools and Machinery RM'000	Total RM'000
Cost						
At 1.1.2010	6,100	77	217	3,136	2,039	11,569
Additions	-	-	20	800	4	824
Disposals	-	-	-	-	(500)	(500)
Written off	-	(47)	(64)	-	(1,123)	(1,234)
At 31.12.2010	6,100	30	173	3,936	420	10,659
Accumulated Depreciation						
At 1.1.2010	172	66	143	2,042	1,574	3,997
Charge for the financial year	138	2	21	392	55	608
Disposals	-	-	-	-	(158)	(158)
Written off	-	(46)	(51)	-	(1,108)	(1,205)
At 31.12.2010	310	22	113	2,434	363	3,242
Net Carrying Amount						
At 31.12.2010	5,790	8	60	1,502	57	7,417
Cost						
At 1.1.2011	6,100	30	173	3,936	420	10,659
Addition	-	-	5	-	-	5
Disposals	(6,100)	-	-	(916)	-	(7,016)
Written off	-	-	-	-	(177)	(177)
At 31.12.2011	-	30	178	3,020	243	3,471
Accumulated Depreciation						
At 1.1.2011	310	22	113	2,434	363	3,242
Charge for the financial year	127	2	15	451	10	605
Disposals	(437)	-	-	(916)	-	(1,353)
Written off	-	-	-	-	(177)	(177)
At 31.12.2011	-	24	128	1,969	196	2,317
Net Carrying Amount						
At 31.12.2011	-	6	50	1,051	47	1,154

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.2 LF Hardware (cont'd)

6.2.8 Property, plant and equipment (cont'd)

	Furniture and Fittings RM'000	Office Equipment RM'000	Motor Vehicles RM'000	Cranes, Tools and Machinery RM'000	Total RM'000
Cost					
At 1.1.2012	30	178	3,020	243	3,471
Addition	-	3	264	166	433
Disposals	-	-	(26)	-	(26)
At 31.12.2012	30	181	3,258	409	3,878
Accumulated Depreciation					
At 1.1.2012	24	128	1,969	196	2,317
Charge for the financial year	1	12	439	20	472
Disposals	-	-	(26)	-	(26)
At 31.12.2012	25	140	2,382	216	2,763
Net Carrying Amount					
At 31.12.2012	5	41	876	193	1,115

The short term leasehold land of LF Hardware has an unexpired lease of less than 50 years. The leasehold land is pledged as security for banking facilities as mentioned in Section 6.2.18.

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

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Motor vehicles	1,030	1,479	1,025	467
Cranes, tools and machinery	353	-	-	-
	1,383	1,479	1,025	467

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.2 LF Hardware (cont'd)

6.2.9 Capital work-in-progress

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
At cost,				
At beginning of the financial year	-	-	108	-
Additions	-	108	135	-
Transfer to LF Holdings	-	-	(243)	-
At end of the financial year	-	108	-	-

Capital work-in-progress is in respect of construction of warehouse and office building on the leasehold land of LF Hardware.

6.2.10 Investment properties

Fair value/Cost	Leasehold		Leasehold		Total
	land at fair value	Building at fair value	land at fair value as deemed cost	Building at fair value as deemed cost	
	RM'000	RM'000	RM'000	RM'000	RM'000
At 1.1.2009	3,080	1,020	-	-	4,100
Changes in fair value	320	280	-	-	600
At 31.12.2009	3,400	1,300	-	-	4,700
At 1.1.2010	3,400	1,300	-	-	4,700
Changes in fair value	-	-	-	-	-
At 31.12.2010	3,400	1,300	-	-	4,700
As previously stated:					
At 1.1.2011	3,400	1,300	-	-	4,700
Upon adoption of MFRS 1	(3,400)	(1,300)	3,400	1,300	-
As restated					
At 1.1.2011/31.12.2011	-	-	3,400	1,300	4,700
Accumulated Depreciation					
At 1.1.2011	-	-	-	-	-
Charge for the financial year	-	-	86	33	119
At 31.12.2011	-	-	86	33	119
Net Carrying Amount					
At 31.12.2011	-	-	3,314	1,267	4,581
Fair value					
At 31.12.2011					4,700

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.2 LF Hardware (cont'd)

6.2.10 Investment properties (cont'd)

Cost	Leasehold	Building	Leasehold	Building at	Total
	land at fair value RM'000	at fair value RM'000	land at fair value as deemed cost RM'000	fair value as deemed cost RM'000	
At 1.1.2012/31.12.2012	-	-	3,400	1,300	4,700
Accumulated Depreciation					
At 1.1.2012	-	-	86	33	119
Charge for the financial year	-	-	86	33	119
At 31.12.2012	-	-	172	66	238
Net carrying amount					
At 31.12.2012	-	-	3,228	1,234	4,462
Fair value					
At 31.12.2012					4,700

The leasehold land of the Company has remaining unexpired lease period of less than 50 years.

The leasehold land and buildings are pledged as security for banking facilities as disclosed in Section 6.2.18.

6.2.11 Inventories

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
At cost, Trading inventories	15,106	9,132	12,703	14,923

6.2.12 Trade receivables

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Trade receivables				
External parties	13,298	14,196	13,310	16,495
Related parties	441	460	550	582
Related companies	961	1,718	1,742	2,935
	14,700	16,374	15,602	20,012
Less:				
Allowance for impairment loss	-	(125)	-	-
	14,700	16,249	15,602	20,012

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.2 LF Hardware (cont'd)

6.2.12 Trade receivables (cont'd)

(a) LF Hardware's normal credit term granted to customers ranges from 30 to 90 days. The amounts owing by related parties and related companies are subject to normal trade term.

(b) Ageing analysis of trade receivables

The ageing analysis of LF Hardware's trade receivables are as follows:

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Neither past due nor impaired	9,322	10,597	10,931	13,700
1 to 30 days past due not impaired	2,568	2,972	2,957	4,208
31 to 60 days past due not impaired	1,435	1,335	612	1,188
61 to 90 days past due not impaired	554	230	323	36
91 to 120 days past due not impaired	178	98	60	4
More than 121 days past due not impaired	643	1,017	719	876
	5,378	5,652	4,671	6,312
Impaired	-	125	-	-
	<u>14,700</u>	<u>16,374</u>	<u>15,602</u>	<u>20,012</u>

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with LF Hardware. None of LF Hardware's trade receivables that are neither past due nor impaired have been renegotiated during the Relevant FYs.

Receivables that are past due but not impaired

LF Hardware has trade receivables amounting to approximately RM6,312,000 (2011: RM4,671,000; 2010: RM5,652,000 and 2009: RM5,378,000) that are past due at the reporting date but not impaired because there have been no significant changes in credit quality of the debtors and the amounts are still considered recoverable. Based on historic default rates, LF Hardware believes that no collective impairment loss is necessary in respect of trade receivables past due.

Receivables that are impaired

The movements in allowance accounts are as follows:

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
At beginning of the financial year	-	-	125	-
Charge for the financial year	-	125	-	-
Written off	-	-	(125)	-
	<u>-</u>	<u>125</u>	<u>-</u>	<u>-</u>

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

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.2 LF Hardware (cont'd)

6.2.13 Other receivables, deposits and prepayments

	As at 31 December			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Other receivables	29	32	68	1,297
Deposits	19	14	16	67
Prepayments	22	17	31	31
	70	63	115	1,395

Included in other receivables as at 31 December 2012 is an amount of approximately RM1,256,000 (2011: RM nil; 2010: RM nil; 2009: RM nil) owing by Leon Fuat which is a company with certain common directors. The amount is non-trade in nature, unsecured, interest free and repayable on demand by cash.

Included in deposits is an amount of RM50,000 (2011: RM nil; 2010: RM nil; 2009: RM nil) paid to a subsidiary of LF Holdings as rental and utilities deposits.

6.2.14 Deposits, cash and bank balances

	As at 31 December			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Cash on hand and at banks	1,962	2,756	9,148	1,896
Fixed deposits with a licensed bank	3,000	3,000	4,506	4,031
	4,962	5,756	13,654	5,927

The fixed deposits with a licensed bank bear effective interest rate ranging from 3.18% (2011: 2.55% to 3.15%, 2010: 2.73% and 2009: 1.87%) per annum.

The maturity period of the fixed deposits ranges from 30 days to 31 days (2011: 19 days to 25 days, 2010: 10 days to 21 days and 2009: 10 days to 21 days).

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

	As at 31 December			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
USD	-	197	6	6

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.2 LF Hardware (cont'd)

6.2.15 Share capital

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Authorised:				
5,000,000 ordinary shares of RM1 each	5,000	5,000	5,000	5,000
Issued and fully paid:				
2,000,000 ordinary shares of RM1 each	2,000	2,000	2,000	2,000

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 LF Hardware. All shares rank equally with regard to LF Hardware's residual assets.

6.2.16 Reserves

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Distributable				
Retained earnings	27,782	29,117	26,880	33,034
Non- distributable				
Capital reserve	1	1	1	1
	<u>27,783</u>	<u>29,118</u>	<u>26,881</u>	<u>33,035</u>

Capital reserve arises from the takeover of the unincorporated business of Leong Huat Trading & Co.

6.2.17 Deferred tax liabilities

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year	779	934	900	879
Recognised in profit or loss (Section 6.2.7)	155	(34)	(21)	13
At end of the financial year	<u>934</u>	<u>900</u>	<u>879</u>	<u>892</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.2 LF Hardware (cont'd)

6.2.17 Deferred tax liabilities (cont'd)

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

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Differences between the carrying amount of property, plant and equipment and its tax base	54	20	22	57
Fair value adjustment in respect of investment properties	880	880	857	835
	<u>934</u>	<u>900</u>	<u>879</u>	<u>892</u>

6.2.18 Borrowings

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Current:				
Secured:				
Term loan	442	449	-	-
Bankers' acceptances	3,859	1,381	4,008	5,588
Finance lease payables (Section 6.2.22)	365	350	300	140
	<u>4,666</u>	<u>2,180</u>	<u>4,308</u>	<u>5,728</u>
Unsecured:				
Bankers' acceptances	1,740	-	-	-
	<u>6,406</u>	<u>2,180</u>	<u>4,308</u>	<u>5,728</u>
Non-current:				
Secured:				
Term loan	3,319	2,887	-	-
Finance lease payables (Section 6.2.22)	389	439	140	-
	<u>3,708</u>	<u>3,326</u>	<u>140</u>	<u>-</u>

The above borrowings (except for finance lease payables) bear interest at rates as follows:

	2009	2010	2011	2012
	%	%	%	%
Term loan	6.80	7.55	-	-
Bankers' acceptances	<u>2.56 to 4.25</u>	<u>2.65 to 3.52</u>	<u>3.17 to 4.12</u>	<u>3.70 to 3.71</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.2 LF Hardware (cont'd)

6.2.18 Borrowings (cont'd)

The term loan and bankers' acceptances are secured and supported as follows:

- (i) corporate guarantee given by LF Holdings
- (ii) legal charge over the leasehold property of LF Hardware;
- (iii) jointly and severally guaranteed by the directors of LF Hardware;
- (iv) legal charge over properties belonging to certain directors of LF Hardware;
- (v) legal charge over freehold land and leasehold properties of LF Holdings; and
- (vi) fixed deposits of certain directors of LF Hardware.

The maturity profile of term loan is as follows:

	← Maturity →					Total RM'000
	← Current →		← Non-current →			
	Within 1 year RM'000	Within 1-2 years RM'000	Within 2-5 years RM'000	More than 5 years RM'000	Sub-total RM'000	
As at 31 December 2009	442	473	1,628	1,218	3,319	3,761
As at 31 December 2010	449	503	1,733	651	2,887	3,336
As at 31 December 2011	-	-	-	-	-	-
As at 31 December 2012	-	-	-	-	-	-

6.2.19 Trade payables

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
External parties	922	1,496	911	1,014
Related parties	4	-	-	-
Related companies	1,440	2,257	2,202	3,706
	2,366	3,753	3,113	4,720

The normal trade credit term granted by the suppliers ranges from 45 to 60 days. The amounts owing to related parties and related companies are subject to normal trade term.

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.2 LF Hardware (cont'd)

6.2.20 Other payables and accruals

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Sundry payables	176	188	-	223
Deposits received	481	30	31	31
Accruals	1,065	964	819	351
	<u>1,722</u>	<u>1,182</u>	<u>850</u>	<u>605</u>

Included in deposits of LF Hardware is an amount of RM30,000 (2011: RM30,000; 2010: RM30,000 and 2009: RM30,000) being rental deposit received from a related company and amount of RM451,000 as at 31 December 2009, being deposits for sales order received from customers.

Included in accruals of LF Hardware are directors' fees amounting to RM200,000 (2011: RM800,000; 2010: RM800,000 and 2009: RM1,000,000).

6.2.21 Dividends

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
First interim dividend of RM1.33 on 2,000,000 ordinary shares, less 25% tax per ordinary share, in respect of financial year ended 31 December 2009	2,000	-	-	-
First interim dividend of RM3.33 on 2,000,000 ordinary shares, less 25% tax per ordinary share, in respect of financial year ended 31 December 2010	-	5,000	-	-
First interim dividend of RM6.00 on 2,000,000 ordinary shares, less 25% tax per ordinary share, in respect of financial year ended 31 December 2011	-	-	9,000	-
	<u>2,000</u>	<u>5,000</u>	<u>9,000</u>	<u>-</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.2 LF Hardware (cont'd)

6.2.22 Finance lease payables

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Future minimum lease payments	810	841	458	144
Less: Future finance charges	(56)	(52)	(18)	(4)
Total present value of minimum lease payments	754	789	440	140
Current liabilities				
Payable within 1 year				
Future minimum lease payments	400	384	314	144
Less: Future finance charges	(35)	(34)	(14)	(4)
Present value on minimum lease payments	365	350	300	140
Non-current liabilities				
Payable after 1 year but not later than 5 years				
Future minimum lease payments	411	457	144	-
Less: Future finance charges	(22)	(18)	(4)	-
Present value on minimum lease payments	389	439	140	-
Total present value of minimum lease payments	754	789	440	140

The finance lease payables bear effective interest at rate of 4.89% (2011: 4.89% to 6.60%, 2010: 4.89% to 6.60% and 2009: 6.54% to 6.60%) per annum.

6.2.23 Purchase of property, plant and equipment

LF Hardware acquired property, plant and equipment with aggregate costs of approximately RM433,000 (2011: RM5,000; 2010: RM824,000 and 2009: RM40,000), which was satisfied as follows:

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Finance lease arrangements	-	400	-	-
Cash payments	40	424	5	433
	40	824	5	433

6.2.24 Capital commitment

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Approved and contracted for :				
- construction of warehouse and office building	-	108	-	-

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.2 LF Hardware (cont'd)

6.2.25 Related party disclosures

(a) Identity of related parties

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

LF Hardware has a related party relationship with Leon Fuat, LF Holdings, related companies, related parties and key management personnel. Related companies refer to subsidiary companies of LF Holdings. Related parties refer to companies in which a director of LF Hardware has substantial financial interests.

(b) Related party transactions

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Trade				
(Received and receivable from)/Paid and payable to related companies				
- Sales	(8,714)	(6,966)	(9,184)	(7,472)
- Purchases	12,954	16,557	10,671	9,874
Received and receivable from related parties				
- Sales	(6)	-	(153)	(30)
Non-trade				
(Received and receivable)/Paid and payable to LF Holdings				
- Proceeds from disposal of leasehold land	-	-	(7,000)	-
- Proceeds from transfer of capital work-in-progress	-	-	(243)	-
- Management fees	30	33	34	36
- Dividend	2,000	5,000	9,000	-
(Received and receivable from)/paid and payable to related companies				
- Rental income	(120)	(120)	(120)	(120)
- Rental expense	-	-	-	180
- Deposits paid	-	-	-	(50)

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.2 LF Hardware (cont'd)

6.2.25 Related party disclosures (cont'd)

(c) Compensation of key management personnel

Key management personnel include personnel having authority, and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly, including any director of LF Hardware.

The compensation of key management personnel are as follows:

	← FYE 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Directors:				
Short term employee benefits (including estimated monetary value of benefits-in-kind)	1,564	1,524	2,005	1,825
Post-employment benefits	58	77	134	188
	<u>1,622</u>	<u>1,601</u>	<u>2,139</u>	<u>2,013</u>

6.2.26 Financial risk management objectives and policies

LF Hardware is exposed to financial risks arising from their operations and the use of financial instruments. The key financial risks include credit risk, liquidity risk and interest rate risk. The management reviews and agrees policies and procedures for the management of these risks.

It is, and has been throughout the current and previous financial year, LF Hardware's policy that no derivatives shall be undertaken. LF Hardware does not apply hedge accounting.

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

(i) Interest rate risk

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

LF Hardware's exposure to interest rate risk primarily relates to deposits placed with licensed bank and interest bearing financial liabilities which include finance lease payables, term loan and bankers' acceptances.

As the amount of deposit is minimal, LF Hardware's income and operating cash flows are not excessively exposed to changes in market interest rate risk.

As at 31 December 2009, 2010, 2011 and 2012, borrowings at floating rate amounting to approximately RM9,360,000, RM4,717,000, RM4,008,000 and RM5,588,000 respectively expose LF Hardware to cash flow interest rate risk whilst borrowings at fixed rate amounting to approximately RM754,000, RM789,000, RM440,000 and RM140,000 respectively expose LF Hardware to fair value interest rate risk.

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6. Historical Financial Information (cont'd)
- 6.2 LF Hardware (cont'd)
- 6.2.26 Financial risk management objectives and policies (cont'd)

(i) Interest rate risk (cont'd)

LF Hardware manages its interest rate risk exposure by maintaining a prudent mix of fixed and floating borrowings. LF Hardware 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 points higher/lower and all the other variables were held constant, LF Hardware's profit for the FYE 31 December 2009, 2010, and 2011 would decrease/increase by approximately RM35,000, RM18,000, RM15,000 and RM21,000 respectively as a result of exposure to floating rate borrowings.

(ii) Credit risk

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

LF Hardware's exposure to credit risk primarily arises from its trade receivables. The maximum risk associated with financial assets is the carrying amounts as presented in the statement of financial position and financial guarantees to banks in respect of banking facilities granted to certain related companies.

LF Hardware has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. For other financial assets, LF Hardware minimises credit risk by dealing with high credit rating counterparties.

LF Hardware does not have any significant exposure to any individual customer.

Financial guarantee

LF Hardware provides unsecured financial guarantees to banks in respect of banking facilities granted to LF Klang, Supreme and ASA.

LF Hardware monitors on an ongoing basis the repayments made by the related companies and their financial performance.

The maximum exposure to credit risk amounts to approximately RM73,544,000 (2011: RM33,842,000; 2010: RM46,114,000 and 2009: RM28,191,000) representing the outstanding banking facilities of the related companies at the reporting date. At the reporting date, there was no indication that the related companies would default on their repayment.

(iii) Liquidity risk

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.2 LF Hardware (cont'd)

6.2.26 Financial risk management objectives and policies (cont'd)

(iii) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of LF Hardware's financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

	Carrying Amount RM'000	Contractual Cash flows RM'000	On demand			
			Within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	Over 5 years RM'000
As at 31 December 2009						
Financial liabilities:						
Trade and other payables	4,088	4,088	4,088	-	-	-
Finance lease payables	754	810	400	240	170	-
Bankers' acceptances	5,599	5,599	5,599	-	-	-
Term loan	3,761	4,676	684	684	2,053	1,255
Dividend payable	2,000	2,000	2,000	-	-	-
	<u>16,202</u>	<u>17,173</u>	<u>12,771</u>	<u>924</u>	<u>2,223</u>	<u>1,255</u>
As at 31 December 2010						
Financial liabilities:						
Trade and other payables	4,935	4,935	4,935	-	-	-
Finance lease payables	789	841	384	314	143	-
Bankers' acceptances	1,381	1,381	1,381	-	-	-
Term loan	3,336	4,096	684	684	2,053	675
	<u>10,441</u>	<u>11,253</u>	<u>7,384</u>	<u>998</u>	<u>2,196</u>	<u>675</u>
As at 31 December 2011						
Financial liabilities:						
Trade and other payables	3,963	3,963	3,963	-	-	-
Finance lease payables	440	458	314	144	-	-
Bankers' acceptances	4,008	4,008	4,008	-	-	-
Dividend payable	9,000	9,000	9,000	-	-	-
	<u>17,411</u>	<u>17,429</u>	<u>17,285</u>	<u>144</u>	<u>-</u>	<u>-</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)
- 6.2 LF Hardware (cont'd)
- 6.2.26 Financial risk management objectives and policies (cont'd)
- (iii) Liquidity risk (cont'd)

	Carrying Amount RM'000	Contractual Cash flows RM'000	On demand			
			Within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	Over 5 years RM'000
As at 31 December 2012						
Financial liabilities:						
Trade and other payables	5,325	5,325	5,325	-	-	-
Finance lease payables	140	144	144	-	-	-
Bankers' acceptances	5,588	5,588	5,588	-	-	-
	<u>11,053</u>	<u>11,057</u>	<u>11,057</u>	-	-	-

(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.

LF Hardware has foreign currency exposure arising from its cash at bank which is denominated in USD as disclosed in Section 6.2.14.

Sensitivity analysis for foreign currency

LF Hardware believes that no reasonably possible changes in the risk variable could affect the results of LF Hardware as LF Hardware's financial instruments denominated in foreign currency are minimal.

6.2.27 Capital management

The primary objective of LF Hardware's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder's value.

LF Hardware manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital structure, LF Hardware may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

LF Hardware is not subject to any externally imposed capital requirements.

LF Hardware monitors capital using net debts to net debts plus equity ratio, which is net debts divided by total equity plus net debts. Net debts comprise term loan, bankers' acceptances and finance lease payables less cash and bank balances whilst total equity is the shareholders' funds of LF Hardware.

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6. Historical Financial Information (cont'd)

6.2 LF Hardware (cont'd)

6.2.27 Capital management (cont'd)

The net debts to net debts plus equity ratio as at 31 December is as follows:

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Interest-bearing borrowings	10,114	5,506	4,448	5,728
Less: cash and bank balances	(4,962)	(5,756)	(13,654)	(5,927)
Total net debt/(cash)	5,152	(250)	(9,206)	(199)
Total equity	29,783	31,118	28,881	35,035
Total net debts plus equity	34,935	30,868	19,675	34,836
Net debts to net debts plus equity ratio (times)	0.15	n/m	n/m	n/m

6.2.28 Fair value of financial instruments

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

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

The carrying amounts approximate fair values due to the relatively short term maturities of these financial assets and liabilities.

(b) Borrowings

The carrying amounts of short term borrowings approximate fair values due to the relatively short term maturities of these financial liabilities.

The carrying amount of long term floating rate loan approximate its fair values as the loan will be re-priced to market interest rate on or near reporting date.

The fair values of finance lease payables are estimated using discounted cash flow analysis, based on current lending rates for similar types of lease arrangements.

The carrying amounts of financial liabilities recognised in the statements of financial position of LF Hardware approximate their fair values except for the following:

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Financial liability				
Finance lease payables				
- Carrying amount	754	789	440	140
- Fair value	751	788	439	140

The financial guarantee has not been recognised as the fair value on initial recognition was immaterial since the financial guarantees provided by LF Hardware did not contribute towards credit enhancement of the related companies' borrowings in view of the security pledged by the related companies and it is unlikely the related companies will default within the guarantee period.

13. ACCOUNTANTS' REPORT (Cont'd)

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6.2 LF Hardware (cont'd)

6.2.29 Significant event subsequent to FYE 31 December 2012

On 2 January 2013, LF Holdings completed the disposal of its entire equity interests in LF Hardware to Leon Fuat pursuant to a conditional share sale agreement entered into with Leon Fuat on 18 June 2012. Consequently, Leon Fuat became the holding company of LF Hardware.

6.2.30 Reclassifications in the audited financial statements

In presenting this report, no material reclassification has been made to the audited financial statements of LF Hardware for the Relevant FYs other than those arising from adoption of Amendments to FRS 117, *Leases* and certain reclassifications made to ensure consistency of presentation of information for comparison purposes. The reclassifications made are set out as follows:

	Note	As previously classified RM'000	Reclassification RM'000	As reclassified RM'000
FYE 31 December 2009				
Statement of comprehensive income				
Direct operating costs	(a)	51,362	(90)	51,272
Other operating costs	(a)	241	90	331
As at 31 December 2009				
Statement of financial position				
Property, plant and equipment	(b)	1,644	5,928	7,572
Prepaid land lease payment	(b)	5,928	(5,928)	-

Notes:

- (a) Being reclassification of quit rent and assessment on investment property from direct operating costs to other operating costs.
(b) Being reclassification of short term leasehold land from prepaid land lease payment to property, plant and equipment arising from adopting Amendments to FRS 117.

6.2.31 Restatements in the audited financial statements

The following comparative figures have been restated arising from transition to MFRS:

	As previously Restated RM'000	As Restated RM'000
FYE 31 December 2011		
Statement of comprehensive income		
Administrative costs	4,097	4,216
Tax expense	2,133	2,110
FYE 31 December 2011		
Statement of Financial Position		
Investment properties	4,700	4,581
Deferred tax liabilities	902	879
FYE 31 December 2011		
Statement of Changes in Equity		
Profit for the financial year, representing total comprehensive income	6,859	6,763

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.3. LF Klang

6.3.1 Statements of Comprehensive Income

Section	FYE 31 December			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Revenue	285,769	402,804	467,620	371,636
Direct operating costs	(259,135)	(369,445)	(431,129)	(334,477)
Gross profit	26,634	33,359	36,491	37,159
Other operating income	988	856	447	703
Distribution costs	(2,303)	(2,875)	(3,078)	(2,759)
Administrative costs	(6,830)	(8,811)	(8,027)	(8,187)
Other operating costs	(676)	(1,754)	(1,018)	(611)
	(9,809)	(13,440)	(12,123)	(11,557)
Profit from operations	17,813	20,775	24,815	26,305
Finance costs	(3,374)	(5,299)	(5,837)	(4,759)
Profit before taxation	14,439	15,476	18,978	21,546
Tax expense	(4,119)	(4,996)	(4,848)	(5,807)
Profit for the financial year	10,320	10,480	14,130	15,739
Other comprehensive income:				
Fair value loss in available-for-sale financial asset	-	(16)	(16)	-
Total comprehensive income for the financial year	10,320	10,464	14,114	15,739
Number of ordinary shares of RM1.00 each ('000)	10,000	10,000	10,000	10,000
Weighted average number of ordinary shares of RM1.00 each ('000)	10,000	10,000	10,000	10,000
Earnings per share				
Gross (RM)	1.44	1.55	1.90	2.15
Net (RM)	1.03	1.05	1.41	1.57
Gross profit margin (%)	9.32	8.28	7.80	10.00
Profit before tax margin (%)	5.05	3.84	4.06	5.80
Profit after tax margin (%)	3.61	2.60	3.02	4.24
Effective tax rate (%)	28.53	32.28	25.55	26.95

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.3 LF Klang (cont'd)

6.3.2 Statements of Financial Position

	Section	As at 31 December			
		2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Non-current assets					
Property, plant and equipment	6.3.8	28,912	52,788	51,176	71,319
Capital work-in-progress	6.3.9	21,104	-	-	-
Other investment	6.3.10	9	54	38	33
		50,025	52,842	51,214	71,352
Current assets					
Inventories	6.3.11	68,123	72,828	52,815	65,203
Trade receivables	6.3.12	84,798	94,176	96,424	98,335
Other receivables, deposits and prepayments	6.3.13	1,528	1,294	3,860	6,590
Amounts owing by related companies	6.3.14	840	-	-	-
Tax recoverable		-	84	-	-
Deposits, cash and bank balances	6.3.15	1,494	7,864	769	1,273
		156,783	176,246	153,868	171,401
Total assets		206,808	229,088	205,082	242,753
Equity and liabilities					
Equity attributable to equity holders of the Company					
Share capital	6.3.16	10,000	10,000	10,000	10,000
Reserves	6.3.17	51,209	56,679	66,793	82,532
Total equity		61,209	66,679	76,793	92,532
Non-current liabilities					
Deferred tax liabilities	6.3.18	367	1,525	1,844	1,965
Borrowings	6.3.19	11,547	7,490	4,267	11,712
		11,914	9,015	6,111	13,677
Current liabilities					
Trade payables	6.3.20	33,559	43,195	19,432	21,187
Other payables and accruals	6.3.21	1,989	5,652	1,825	2,963
Borrowings	6.3.19	94,798	104,547	95,676	109,822
Dividends payable		3,000	-	4,000	-
Tax payables		339	-	1,245	2,572
		133,685	153,394	122,178	136,544
Total liabilities		145,599	162,409	128,289	150,221
Total equity and liabilities		206,808	229,088	205,082	242,753

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.3 LF Klang (cont'd)

6.3.2 Statements of Financial Position (cont'd)

	← As at 31 December →			
	2009	2010	2011	2012
<i>Key financial ratios :</i>				
Net assets (RM'000)	61,209	66,679	76,793	92,532
Net assets per share (RM)	6.12	6.67	7.68	9.25
Current ratio (times)	1.17	1.15	1.26	1.26
Gearing ratio (times)	1.74	1.68	1.30	1.31
Return on equity (%)	16.86	15.72	18.40	17.01
Trade receivables turnover period (months)	3.56	2.81	2.47	3.18
Trade payables turnover period (months)	1.58	1.43	0.55	0.78
Inventories turnover period (months)	3.22	2.41	1.50	2.40

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13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.3 LF Klang (cont'd)

6.3.3 Statements of Changes in Equity

Section	Share Capital RM'000	Non- Distributable		Total Equity RM'000
		Fair Value Reserve RM'000	Retained Earnings RM'000	
At 1 January 2009	10,000	-	43,889	53,889
Total comprehensive income	-	-	10,320	10,320
Dividends	6.3.22	-	(3,000)	(3,000)
At 31 December 2009	10,000	-	51,209	61,209
Effect of adopting FRS 139	-	6	-	6
Balance as at 1 January 2010, restated	10,000	6	51,209	61,215
Comprehensive income				
Profit for the financial year	-	-	10,480	10,480
Other comprehensive income				
Fair value loss in available- for-sale financial asset	-	(16)	-	(16)
Total other comprehensive income	-	(16)	-	(16)
Total comprehensive income	-	(16)	10,480	10,464
Dividends	6.3.22	-	(5,000)	(5,000)
At 31 December 2010	10,000	(10)	56,689	66,679
Comprehensive income				
Profit for the financial year	-	-	14,130	14,130
Other comprehensive income				
Fair value loss in available- for-sale financial asset	-	(16)	-	(16)
Total other comprehensive income	-	(16)	-	(16)
Total comprehensive income	-	(16)	14,130	14,114
Dividends	6.3.22	-	(4,000)	(4,000)
At 31 December 2011	10,000	(26)	66,819	76,793
Comprehensive income				
Profit for the financial year, representing total comprehensive income	-	-	15,739	15,739
Total comprehensive income	-	-	-	-
At 31 December 2012	10,000	(26)	82,558	92,532

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.3 LF Klang (cont'd)

6.3.4 Statements of Cash Flows

Section	FYE 31 December			
	← 2009 RM'000	2010 RM'000	2011 RM'000	→ 2012 RM'000
Cash Flows from Operating Activities				
Profit before taxation	14,439	15,476	18,978	21,546
Adjustments for:-				
Impairment loss on trade receivables	-	1,023	825	-
Reversal of impairment loss on trade receivables	-	-	(128)	-
Bad debts written off	66	-	-	-
Depreciation of property, plant and equipment	2,152	3,224	3,458	3,476
Interest and financing charges	3,126	4,972	5,487	4,255
Loss on disposal of other investment	-	-	-	1
Dividend income	-	(1)	(1)	(2)
Interest income	-	-	(1)	-
Gain on disposal of property, plant and equipment	(10)	(109)	(30)	(8)
Operating profit before working capital changes	19,773	24,585	28,588	29,268
(Increase)/Decrease in inventories	(24,289)	(4,705)	20,013	(12,388)
Increase in receivables	(10,654)	(9,639)	(5,512)	(4,641)
Increase/(Decrease) in payables	10,035	13,299	(27,590)	2,894
Cash (used in)/generated from operations	(5,135)	23,540	15,499	15,133
Interest and financing charges paid	(3,774)	(5,599)	(5,487)	(4,255)
Interest received	-	-	1	-
Tax refunded	-	-	-	302
Tax paid	(3,310)	(4,261)	(3,200)	(4,662)
Net cash (used in)/from operating activities carried down	(12,219)	13,680	6,813	6,518
Net cash (used in)/from operating activities brought down	(12,219)	13,680	6,813	6,518

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.3 LF Klang (cont'd)

6.3.4 Statements of Cash Flows (cont'd)

Section	FYE 31 December			
	← 2009 RM'000	2010 RM'000	2011 RM'000	→ 2012 RM'000
Net cash (used in)/from operating activities brought down	(12,219)	13,680	6,813	6,518
Cash Flows from Investing Activities				
Acquisition of quoted investment	-	(55)	-	-
Capital work-in-progress incurred	(3,984)	(2,706)	-	-
Dividend received	-	1	1	2
(Advances to)/Repayments from related companies	(840)	840	-	-
Proceeds from disposal of property, plant and equipment	295	132	30	76
Proceeds from disposal of other investments	-	-	-	4
Purchase of property, plant and equipment	(1,160)	(2,332)	(394)	(21,202)
Net cash used in investing activities	(5,689)	(4,120)	(363)	(21,120)
Cash Flows from Financing Activities				
Payments of finance lease payables	(2,513)	(3,334)	(3,503)	(3,255)
Repayments from directors	(1,650)	-	-	-
Net drawdown/(repayment) of bankers' acceptances	37,096	2,473	(1,477)	1,776
Repayments of ABBA financing	(646)	(1,384)	(1,466)	(1,439)
Drawdown of term loan	-	-	-	10,000
Dividend paid	-	(8,000)	-	(4,000)
Repayment of term loan	-	-	-	(43)
Net cash from/(used in) financing activities	32,287	(10,245)	(6,446)	3,039
Net increase/(decrease) in cash and cash equivalents	14,379	(685)	4	(11,563)
Cash and cash equivalents at beginning of the financial year	(12,929)	1,450	765	769
Cash and cash equivalents at end of the financial year	6.3.27 1,450	765	769	(10,794)

6.3.5 Direct operating costs

	FYE 31 December			
	← 2009 RM'000	2010 RM'000	2011 RM'000	→ 2012 RM'000
Cost of goods sold	254,083	362,246	423,480	326,130
Others direct costs	5,052	7,199	7,649	8,347
	259,135	369,445	431,129	334,477

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.3 LF Klang (cont'd)

6.3.6 Profit before taxation

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

	← FYE 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Auditors' remuneration	20	26	26	30
Bad debts recovered	(92)	(91)	-	(115)
Bad debts written off	66	-	-	-
Depreciation of property, plant and equipment	2,152	3,224	3,458	3,476
Dividend income	-	(1)	(1)	(2)
Gain on disposal of property, plant and equipment	(10)	(109)	(30)	(8)
Impairment loss on trade receivables	-	1,023	825	-
Interest and financing charges	3,126	4,972	5,487	4,255
Interest income	-	-	(1)	-
Loss on disposal of other investment	-	-	-	1
Realised loss/(gain) on foreign exchange	10	23	(27)	(200)
Rental income	(390)	(290)	(290)	(306)
Rental of crane	15	5	-	-
Rental of premises	5	-	-	-
Reversal of impairment loss on trade receivables	-	-	(128)	-
Staff costs (including key management personnel)*				
- contribution to defined contribution plan	480	587	622	736
- contribution to social security	40	51	58	59
- salaries and others	6,414	7,993	8,059	8,070

* Included in staff costs is the aggregate amount of remuneration received and receivable by directors of LF Klang as follows:

	← FYE 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Fee	1,200	1,200	1,200	300
Other emoluments	1,345	1,619	1,494	2,063
	<u>2,545</u>	<u>2,819</u>	<u>2,694</u>	<u>2,363</u>

Certain directors of LF Klang have acquired the benefit of using LF Klang's property, plant and equipment with the estimated value amounted to approximately RM93,000 (2011: RM93,000; 2010: RM91,000 and 2009 : RM112,000)

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.3 LF Klang (cont'd)

6.3.7 Tax expense

	← FYE 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Current tax expense				
Malaysian - current financial year	4,064	3,198	4,529	5,596
- prior financial years	33	640	-	90
	4,097	3,838	4,529	5,686
Deferred tax expense (Section 6.3.18)				
Origination and reversal of temporary differences	25	1,131	429	108
(Over)/Under provision in prior financial years	(3)	27	(110)	13
	22	1,158	319	121
Tax expense	4,119	4,996	4,848	5,807
Statutory income tax rate	25%	25%	25%	25%

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

	← FYE 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Profit before taxation	14,439	15,476	18,978	21,546
Tax at Malaysian statutory income tax rate of 25%	3,609	3,869	4,745	5,386
Tax effect of non-deductible expenses	482	487	234	361
Tax effect of non-taxable income	(2)	-	(8)	(2)
Tax effect of double deduction expense	-	(27)	(13)	(41)
Under/(over) provision in prior financial years				
- current tax	33	640	-	90
- deferred tax	(3)	27	(110)	13
Tax expense	4,119	4,996	4,848	5,807

LF Klang has approximately RM12,000 (2011: RM12,000; 2010: RM11,000 and 2009: RM11,000) in the tax exempt income account available for distribution by way of tax exempt dividend.

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6. Historical Financial Information (cont'd)

6.3 LF Klang (cont'd)

6.3.7 Tax expense (cont'd)

LF Klang did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, the Company may utilise the credit in the Section 108 balance as at 31 December 2012, 2011, 2010 and 2009 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act, 2007. As at 31 December 2012, LF Klang has sufficient credit in the 108 balance to pay franked dividends amounting to approximately RM36,130,000 (2012: RM36,130,000; 2010: RM40,130,000 and 2009: RM48,130,000) out of its retained earnings. If the balance of the retained earnings of approximately RM46,429,000 (2011: RM30,690,000; 2010: RM16,560,000 and 2009: RM3,080,000) were to be distributed as dividends, LF Klang may distribute such dividends under the single tier system.

6.3.8 Property, plant and equipment

	Freehold Industrial Land and Buildings RM'000	Furniture, Fittings and Electrical Fittings RM'000	Office Equipment RM'000	Forklift, Plant and Machineries RM'000	Motor Vehicles RM'000	Total RM'000
Cost						
At 1.1.2009	14,718	173	686	9,133	4,927	29,637
Additions	-	-	64	8,038	-	8,102
Disposals	-	-	-	(322)	(36)	(358)
At 31.12.2009	14,718	173	750	16,849	4,891	37,381
Accumulated Depreciation						
At 1.1.2009	1,265	164	367	2,279	2,315	6,390
Charge for the financial year	106	2	59	1,206	779	2,152
Disposals	-	-	-	(37)	(36)	(73)
At 31.12.2009	1,371	166	426	3,448	3,058	8,469
Net Carrying Amount						
At 31.12.2009	13,347	7	324	13,401	1,833	28,912

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.3 LF Klang (cont'd)

6.3.8 Property, plant and equipment (cont'd)

	Freehold Industrial Land and Buildings RM'000	Furniture, Fittings and Electrical Fittings RM'000	Office Equipment RM'000	Forklift, Plant and Machineries RM'000	Motor Vehicles RM'000	Total RM'000
Cost						
At 1.1.2010	14,718	173	750	16,849	4,891	37,381
Additions	-	139	180	2,455	439	3,213
Transferred from capital work-in- progress	22,339	805	766	-	-	23,910
Disposals	-	-	-	(50)	(1,169)	(1,219)
At 31.12.2010	37,057	1,117	1,696	19,254	4,161	63,285
Accumulated Depreciation						
At 1.1.2010	1,371	166	426	3,448	3,058	8,469
Charge for the financial year	552	86	149	1,760	677	3,224
Disposals	-	-	-	(27)	(1,169)	(1,196)
At 31.12.2010	1,923	252	575	5,181	2,566	10,497
Net Carrying Amount						
At 31.12.2010	35,134	865	1,121	14,073	1,595	52,788
Cost						
At 1.1.2011	37,057	1,117	1,696	19,254	4,161	63,285
Additions	-	55	58	1,680	53	1,846
Disposals	-	-	-	-	(108)	(108)
At 31.12.2011	37,057	1,172	1,754	20,934	4,106	65,023
Accumulated Depreciation						
At 1.1.2011	1,923	252	575	5,181	2,566	10,497
Charge for the financial year	553	98	155	2,008	644	3,458
Disposals	-	-	-	-	(108)	(108)
At 31.12.2011	2,476	350	730	7,189	3,102	13,847
Net Carrying Amount						
At 31.12.2011	34,581	822	1,024	13,745	1,004	51,176

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.3 LF Klang (cont'd)

6.3.8 Property, plant and equipment (cont'd)

	Freehold Industrial Land and Buildings RM'000	Furniture, Fittings and Electrical Fittings RM'000	Office Equipment RM'000	Forklift, Plant and Machineries RM'000	Motor Vehicles RM'000	Total RM'000
Cost						
At 1.1.2012	37,057	1,172	1,754	20,934	4,106	65,023
Additions	19,644	5	81	3,692	265	23,687
Disposals	-	-	-	-	(171)	(171)
At 31.12.2012	56,701	1,177	1,835	24,626	4,200	88,539
Accumulated Depreciation						
At 1.1.2012	2,476	350	730	7,189	3,102	13,847
Charge for the financial year	572	102	153	2,099	550	3,476
Disposals	-	-	-	-	(103)	(103)
At 31.12.2012	3,048	452	883	9,288	3,549	17,220
Net Carrying Amount						
At 31.12.2012	53,653	725	952	15,338	651	71,319

The net carrying amounts for freehold industrial land and buildings are analysed as follows:

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Freehold industrial land	9,426	9,426	9,426	25,108
Freehold buildings	3,921	25,708	25,155	28,545
	13,347	35,134	34,581	53,653

The freehold industrial land and buildings are pledged as security for banking facilities granted to LF Klang as mentioned in Section 6.3.19.

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.3 LF Klang (cont'd)

6.3.8 Property, plant and equipment (cont'd)

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

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Forklift, plant and machineries	11,031	10,322	9,548	9,823
Motor vehicles	1,651	1,311	651	75
	<u>12,682</u>	<u>11,633</u>	<u>10,199</u>	<u>9,898</u>

6.3.9 Capital work-in-progress

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
At beginning of the financial year	16,899	21,104	-	-
Additions	4,205	2,806	-	-
Transferred to property, plant and equipment	-	(23,910)	-	-
At end of the financial year	<u>21,104</u>	<u>-</u>	<u>-</u>	<u>-</u>

Included in capital work-in-progress is interest on borrowing for the year amounting to RM nil (2011: RM nil, 2010: RM99,000 and 2009: RM221,000)

Capital work-in-progress is in respect of construction of warehouse and office building on the freehold land of LF Klang and was completed in FYE 31 December 2010.

6.3.10 Other investment

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Available-for-sale financial assets:				
Quoted shares in Malaysia, at fair value	-	54	38	33
Quoted shares in Malaysia, at cost	111	-	-	-
Less: Allowance for diminution in value	(102)	-	-	-
	<u>9</u>	<u>54</u>	<u>38</u>	<u>33</u>
Market value of quoted shares	<u>15</u>	<u>54</u>	<u>38</u>	<u>33</u>

The comparative figures as at 31 December 2009 have not been presented based on the new categorisation of financial assets arising from adopting FRS 139 by virtue of exemption given in FRS 7 Financial Instruments: Disclosures and the effect of adjustment was immaterial.

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.3 LF Klang (cont'd)

6.3.11 Inventories

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
At cost, Trading inventories	68,123	72,828	52,815	65,203

6.3.12 Trade receivables

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Third parties	82,362	92,784	93,814	93,776
Related parties	31	37	38	38
Related companies	2,405	2,378	4,292	6,241
	84,798	95,199	98,144	100,055
Less: Allowance for impairment loss	-	(1,023)	(1,720)	(1,720)
	84,798	94,176	96,424	98,335

(a) LF Klang's normal trade credit term granted to customers ranges from 60 to 120 days. The amounts owing by related parties and related companies are subject to normal trade term.

(b) Ageing analysis of the trade receivables

The ageing analysis of LF Klang's trade receivables are as follows:

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Neither past due nor impaired	36,887	51,183	41,531	45,801
1 to 30 days past due not impaired	19,607	16,935	24,809	25,716
31 to 60 days past due not impaired	10,989	11,562	16,636	17,305
61 to 90 days past due not impaired	7,932	4,811	6,064	5,384
91 to 120 days past due not impaired	3,334	2,607	2,341	2,037
More than 121 days past due not impaired	6,049	7,078	5,043	2,092
	47,911	42,993	54,893	52,534
Impaired	-	1,023	1,720	1,720
	84,798	95,199	98,144	100,055

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.3 LF Klang (cont'd)

6.3.12 Trade receivables (cont'd)

(b) Ageing analysis of the trade receivables (cont'd)

Receivables that are neither past due nor impaired

Trade receivables that are neither past due nor impaired are creditworthy debtors with good payment records with LF Klang.

None of LF Klang's trade receivables that are neither past due nor impaired have been renegotiated during the Relevant FYs.

Receivables that are past due but not impaired

LF Klang has trade receivables amounting to approximately RM52,534,000 (2011: RM54,893,000; 2010: RM42,993,000 and 2009: RM47,911,000) that are past due at reporting date but not impaired because there have been no significant changes in credit quality of the debtors and the amounts are still considered recoverable. LF Klang does not hold any collateral or credit enhancements over these balances. Based on historic default rates, LF Klang believes that no collective impairment loss are necessary in respect of trade receivables past due.

Receivables that are impaired

The movements in allowance accounts are as follows:

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year	-	-	1,023	1,720
Charge for the financial year	-	1,023	825	-
Reversal during the financial year	-	-	(128)	-
At end of the financial year	-	1,023	1,720	1,720

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

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.3 LF Klang (cont'd)

6.3.13 Other receivables, deposits and prepayments

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Sundry receivables	174	64	39	467
Deposits	416	186	2,235	2,252
Prepayments	938	1,044	1,586	3,871
	<u>1,528</u>	<u>1,294</u>	<u>3,860</u>	<u>6,590</u>

Included in sundry receivables as at 31 December 2012 is amount of approximately RM183,000 owing by Leon Fuat, which is a company with certain common directors. The amount is non-trade in nature, unsecured, interest free and repayable on demand by cash.

Included in deposits as at 31 December 2009 are deposits of approximately RM209,000 paid for purchase of plant and machineries as disclosed in Section 6.3.27.

Included in deposits is an amount of RM2,000,000 (2011: RM2,000,000; 2010: RM nil; 2009: RM nil) being deposits paid to a supplier for purchase of trading goods.

Included in prepayments are advances of approximately RM2,750,000 (2011: RM378,000; 2010: RM nil; 2009: RM nil) paid to supplier for purchase of trading goods.

6.3.14 Amounts owing by related companies

The amounts are non-trade in nature, unsecured, interest free and repayable on demand by cash.

6.3.15 Deposits, cash and bank balances

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Cash at banks and on hand	1,494	1,864	769	1,273
Cash deposits with a licensed bank	-	6,000	-	-
	<u>1,494</u>	<u>7,864</u>	<u>769</u>	<u>1,273</u>

The fixed deposit with a licensed bank as at 31 December 2010 bears interest at a rate of 2.20% per annum. The maturity period of the deposit was 4 days.

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.3 LF Klang (cont'd)

6.3.16 Share capital

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Authorised :				
10,000,000 ordinary shares of RM 1 each	10,000	10,000	10,000	10,000
Issued and fully paid :				
10,000,000 ordinary shares of RM1 each	10,000	10,000	10,000	10,000

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 LF Klang. All shares rank equally with regard to LF Klang's residual assets.

6.3.17 Reserves

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Non distributable				
Fair value reserve	-	(10)	(26)	(26)
Distributable				
Retained earnings	51,209	56,689	66,819	82,558
	<u>51,209</u>	<u>56,679</u>	<u>66,793</u>	<u>82,532</u>

Fair value reserve relates to the fair valuation of financial assets categorised as available-for-sale.

6.3.18 Deferred tax liabilities

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
At the beginning of the financial year	345	367	1,525	1,844
Recognised in profit or loss (Section 6.3.7)	22	1,158	319	121
At end of the financial year	<u>367</u>	<u>1,525</u>	<u>1,844</u>	<u>1,965</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.3 LF Klang (cont'd)

6.3.18 Deferred tax liabilities (cont'd)

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

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Differences between the carrying amount of property, plant and equipment and its tax base	392	1,525	1,844	1,965
Deductible temporary differences in respect of expenses	(25)	-	-	-
	<u>367</u>	<u>1,525</u>	<u>1,844</u>	<u>1,965</u>

6.3.19 Borrowings

Section	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Current:				
Secured:				
Al-Bai Bithaman Ajil ("ABBA") facility	1,442	1,730	1,562	676
Bankers' acceptances	46,487	53,711	51,740	44,390
Term loan	-	-	-	1,008
Bank overdrafts	44	6,702	-	10,766
Finance lease payables	3,112	3,045	2,918	3,099
	<u>51,085</u>	<u>65,188</u>	<u>56,220</u>	<u>59,939</u>
Unsecured:				
Bankers' acceptances	43,713	38,962	39,456	48,582
Bank overdrafts	-	397	-	1,301
	<u>43,713</u>	<u>39,359</u>	<u>39,456</u>	<u>49,883</u>
	<u>94,798</u>	<u>104,547</u>	<u>95,676</u>	<u>109,822</u>
Non-current:				
Secured:				
Al-Bai Bithaman Ajil ("ABBA") facility	4,068	2,396	1,098	544
Term loan	-	-	-	8,949
Finance lease payables	7,479	5,094	3,169	2,219
	<u>11,547</u>	<u>7,490</u>	<u>4,267</u>	<u>11,712</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.3 LF Klang (cont'd)

6.3.19 Borrowings (cont'd)

The maturity profile of term loan is as follows:

	← Maturity →					Total RM'000
	Current	Non-current			Sub-total RM'000	
	Within 1 year RM'000	Within 1-2 years RM'000	Within 2-5 years RM'000	Over 5 years RM'000		
As at 31 December 2009	-	-	-	-	-	-
As at 31 December 2010	-	-	-	-	-	-
As at 31 December 2011	-	-	-	-	-	-
As at 31 December 2012	1,008	1,008	3,024	4,917	8,949	9,957

The bankers' acceptances and bank overdrafts bear interest at rates as follows:

	2009 %	2010 %	2011 %	2012 %
Secured:				
Bankers' acceptances	2.71 to 2.97	2.99 to 3.82	3.76 to 4.34	3.75 to 4.03
Bank overdrafts	6.55 to 7.75	6.55 to 7.75	-	7.60 to 7.85
Term loan	-	-	-	4.85
Unsecured:				
Bankers' acceptances	2.73 to 2.94	3.20 to 3.79	3.80 to 4.21	3.81 to 4.06
Bank overdrafts	-	6.55 to 7.75	-	7.60 to 7.85

The secured bankers' acceptances and bank overdrafts are secured and supported as follows:

- (i) legal charges over freehold land and buildings of LF Klang;
- (ii) jointly and severally guarantee by certain directors of LF Klang; and
- (iii) corporate guarantee given by a related company and LF Holdings.

The unsecured bankers' acceptances and bank overdrafts are supported as follows:

- (i) pledged of third parties' fixed deposits belonging to certain directors of LF Klang;
- (ii) corporate guarantees given by LF Holdings; and
- (iii) jointly and severally guaranteed by certain directors of LF Klang.

6.3.20 Trade payables

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
External parties	29,596	37,970	17,036	17,816
Related companies	3,963	5,225	2,396	3,371
	<u>33,559</u>	<u>43,195</u>	<u>19,432</u>	<u>21,187</u>

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6. Historical Financial Information (cont'd)

6.3 LF Klang (cont'd)

6.3.20 Trade payables (cont'd)

The normal trade credit term granted to LF Klang by the suppliers ranges from 90 to 120 days. The amounts owing to related companies are subject to normal trade term.

The foreign currency exposure profile of trade payables is as follows:

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
USD	-	2,714	2,946	2,459
SGD	-	16	8	8
	<u>-</u>	<u>2,730</u>	<u>2,954</u>	<u>2,467</u>

6.3.21 Other payables and accruals

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Sundry payables	683	1,884	512	2,577
Deposits received	85	2,540	85	54
Accruals	1,221	1,228	1,228	332
	<u>1,989</u>	<u>5,652</u>	<u>1,825</u>	<u>2,963</u>

Included in the deposits received as at 31 December 2010 are amounts of approximately RM2,455,000 being deposits for sales order received from customers.

Included in accruals are directors' fees amounting to RM300,000 (2011: RM1,200,000; 2010: RM1,200,000 and 2009: RM1,200,000).

6.3.22 Dividends

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
First interim dividend of RM0.40 on 10,000,000 ordinary shares, less 25% tax per ordinary share, in respect of financial year ended 31 December 2009	3,000	-	-	-
First interim dividend of RM0.67 on 10,000,000 ordinary shares, less 25% tax per ordinary share, in respect of financial year ended 31 December 2010	-	5,000	-	-
First interim dividend of RM0.53 on 10,000,000 ordinary shares, less 25% tax per ordinary share, in respect of financial year ended 31 December 2011	-	-	4,000	-
	<u>3,000</u>	<u>5,000</u>	<u>4,000</u>	<u>-</u>

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6. Historical Financial Information (cont'd)

6.3 LF Klang (cont'd)

6.3.23 Al-Bai Bitbaman Ajil ("ABBA") Facility

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Gross instalments	8,291	6,562	4,832	3,240
Less: Future finance charges	(2,781)	(2,436)	(2,172)	(2,020)
	<u>5,510</u>	<u>4,126</u>	<u>2,660</u>	<u>1,220</u>
Less : Repayable within 1 year included in current liabilities	<u>(1,442)</u>	<u>(1,730)</u>	<u>(1,562)</u>	<u>(676)</u>
Repayable after 1 year included in non-current liabilities	<u>4,068</u>	<u>2,396</u>	<u>1,098</u>	<u>544</u>

The maturity profile of the facility is as follows:

	← Maturity →				
	Current	Non-current			Total RM'000
	Within 1 year RM'000	Within 1-2 years RM'000	Within 2-5 years RM'000	Sub-total RM'000	
As at 31 December 2009	<u>1,442</u>	<u>1,542</u>	<u>2,526</u>	<u>4,068</u>	
As at 31 December 2010	<u>1,730</u>	<u>1,465</u>	<u>931</u>	<u>2,396</u>	<u>4,126</u>
As at 31 December 2011	<u>1,562</u>	<u>748</u>	<u>350</u>	<u>1,098</u>	<u>2,660</u>
As at 31 December 2012	<u>676</u>	<u>544</u>	<u>-</u>	<u>544</u>	<u>1,220</u>

The facility has a financing charge at a range of 7.85% (2011: 7.55% to 7.85%, 2010: 7.30% to 7.55% and 2009: 6.55% to 7.75%) per annum and is secured and supported as follows:

- (i) legal charge over a freehold land and building of LF Klang;
- (ii) jointly and severally guaranteed by certain directors of LF Klang; and
- (iii) corporate guarantee given by a related company.

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6. Historical Financial Information (cont'd)

6.3 LF Klang (cont'd)

6.3.24 Finance lease payables

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Future minimum lease payments	11,778	8,844	6,475	5,598
Less: Future finance charges	(1,187)	(705)	(388)	(280)
Total present value of minimum lease payments	<u>10,591</u>	<u>8,139</u>	<u>6,087</u>	<u>5,318</u>
Current liabilities				
Payable within 1 year				
Future minimum lease payments	3,635	3,421	3,174	3,300
Less: Future finance charges	(523)	(376)	(256)	(201)
Present value of minimum lease payments	<u>3,112</u>	<u>3,045</u>	<u>2,918</u>	<u>3,099</u>
Non-current liabilities				
Payable after 1 year but not later than 5 years				
Future minimum lease payments	8,142	5,423	3,301	2,298
Less: Future finance charges	(663)	(329)	(132)	(79)
Present value of minimum lease payments	<u>7,479</u>	<u>5,094</u>	<u>3,169</u>	<u>2,219</u>
Total present value of minimum lease payments	<u>10,591</u>	<u>8,139</u>	<u>6,087</u>	<u>5,318</u>

The finance lease payables bear effective interest at rates ranging from 5.09% to 5.73% (2011: 4.28% to 7.09%, 2010: 5.49% to 7.33% and 2009: 4.28% to 7.54%) per annum.

6.3.25 Purchase of property, plant and equipment

LF Klang acquired property, plant and equipment with aggregate cost of approximately RM23,687,000 (2011: RM1,846,000; 2010: RM3,213,000 and 2009 : RM8,102,000) which was satisfied as follows:

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Finance lease arrangements	6,942	881	1,452	2,485
Cash payments	1,160	2,332	394	21,202
	<u>8,102</u>	<u>3,213</u>	<u>1,846</u>	<u>23,687</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.3 LF Klang (cont'd)

6.3.26 Cash and cash equivalents

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Cash at banks and on hand	1,494	1,864	769	1,273
Fixed deposits with a licensed bank	-	6,000	-	-
As presented in statements of financial position	1,494	7,864	769	1,273
Less: Bank overdrafts	(44)	(7,099)	-	(12,067)
As presented in statements of cash flows	1,450	765	769	(10,794)

6.3.27 Capital commitment

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Approved and contracted for:				
- construction of office building and warehouse	143	-	-	-
- purchase of plant and machineries	475	1,023	-	-
	618	1,023	-	-

6.3.28 Related party disclosures

(a) Identity of related parties

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

LF Klang has a related party relationship with Leon Fuat, LF Holdings, related companies, related parties and key management personnel. Related companies refer to subsidiary companies of LF Holdings. Related parties refer to companies in which a director of LF Klang has substantial financial interests.

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6. Historical Financial Information (cont'd)

6.3 LF Klang (cont'd)

6.3.28 Related party disclosures (cont'd)

(b) Related party transactions

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Trade				
(Received and receivable from)/Paid and payable to related companies				
- Sales	(12,920)	(19,370)	(17,224)	(20,342)
- Purchases	13,459	13,510	13,033	11,965
	<u>13,459</u>	<u>13,510</u>	<u>13,033</u>	<u>11,965</u>
Received and receivable from related parties				
- Sales	(142)	(50)	-	-
	<u>(142)</u>	<u>(50)</u>	<u>-</u>	<u>-</u>
Non-trade				
Paid and payable to LF Holdings				
- Management fees	18	20	20	22
- Dividend	3,000	5,000	4,000	-
	<u>3,000</u>	<u>5,000</u>	<u>4,000</u>	<u>-</u>
(Received and receivable from)/Paid and payable to related companies				
- Sale of machinery	(223)	-	-	-
- Factory consumables	2	1	6	5
- Capital work-in-progress	108	-	-	-
	<u>108</u>	<u>-</u>	<u>-</u>	<u>-</u>
Paid and payable to a related party				
- Upkeep of office	-	14	-	-
	<u>-</u>	<u>14</u>	<u>-</u>	<u>-</u>

(c) Key management personnel compensation

Key management personnel include personnel having authority, and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly, including any director of LF Klang.

The compensation of key management personnel are as follows:

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Directors:				
Short term employee benefits (including estimated monetary value of benefits-in-kind)	2,513	2,737	2,627	2,235
Post-employment benefits	144	173	160	221
	<u>2,657</u>	<u>2,910</u>	<u>2,787</u>	<u>2,456</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.3 LF Klang (cont'd)

6.3.29 Financial risk management objectives policies

LF Klang is exposed to a variety of risks in the normal course of business. LF Klang's risk management seeks to minimise the potential adverse effects from these exposures.

It is, and has been throughout the current and previous financial year, LF Klang's policy that no derivatives shall be undertaken. LF Klang does not apply hedge accounting.

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

(i) Interest rate risk

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

LF Klang's exposure to interest rate risk primarily relates to cash deposit with licensed bank and bank borrowings which include finance lease payables, ABBA financing facility, bankers' acceptances and bank overdrafts.

As the amount of deposit is minimal, LF Klang's income and operating cash flows are not excessively exposed to changes in market interest rate risk.

As at 31 December 2009, 2010, 2011 and 2012 borrowings at floating rates amounting to approximately RM95,754,000, RM103,898,000, RM93,856,000 and RM104,150,000 respectively expose LF Klang to cash flow interest rate risk whilst borrowings at fixed rate amounting to approximately RM10,591,000, RM8,139,000, RM6,087,000 and RM17,385,000 respectively expose LF Klang to fair value interest rate risk.

LF Klang manages its interest rate risk exposure by maintaining a prudent mix of fixed and floating borrowings. LF Klang 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, LF Klang's profit for the FYE 31 December 2009, 2010, 2011 and 2012 would decrease/increase by approximately RM359,000, RM390,000, RM352,000 and RM436,000 respectively as a result of exposure to floating rate borrowings.

(ii) Credit Risk

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

LF Klang's exposure to credit risk primarily arises from its receivables and the maximum risk associated with recognised financial assets is the carrying amounts as presented in the statement of financial position.

LF Klang has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. For other financial assets, LF Klang minimises credit risks by dealing with high rating counterparties.

LF Klang does not have any significant exposure to any individual customer as at the reporting date.

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6. Historical Financial Information (cont'd)

6.3 LF Klang (cont'd)

6.3.29 Financial risk management objectives policies (cont'd)

(iii) Liquidity Risk

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

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

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of LF Klang's financial liabilities as at the reporting date based on contractual undiscounted repayment obligations:

	Carrying Amount RM'000	Contractual Cash Flows RM'000	Within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000
As at 31 December 2009					
Financial liabilities:					
Trade and other payables	35,548	35,548	35,548	-	-
Finance lease payables	10,591	11,778	3,635	3,102	5,041
Bankers' acceptances	90,200	90,200	90,200	-	-
Bank overdrafts	44	44	44	-	-
ABBA facility	5,510	8,291	1,730	1,730	4,831
Dividend payable	3,000	3,000	3,000	-	-
	144,893	148,861	134,157	4,832	9,872
As at 31 December 2010					
Financial liabilities:					
Trade and other payables	48,847	48,847	48,847	-	-
Finance lease payables	8,139	8,844	3,421	2,678	2,745
Bankers' acceptances	92,673	92,673	92,673	-	-
ABBA facility	4,126	6,562	1,730	1,730	3,102
Bank overdrafts	7,099	7,099	7,099	-	-
	160,884	164,025	153,770	4,408	5,847
As at 31 December 2011					
Financial liabilities:					
Trade and other payables	21,257	21,257	21,257	-	-
Finance lease payables	6,087	6,475	3,174	2,420	881
Bankers' acceptances	91,196	91,196	91,196	-	-
ABBA facility	2,660	4,832	1,730	1,635	1,467
Dividend payable	4,000	4,000	4,000	-	-
	125,200	127,760	121,357	4,055	2,348

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6. Historical Financial Information (cont'd)

6.3 LF Klang (cont'd)

6.3.29 Financial risk management objectives policies (cont'd)

(iii) Liquidity risk (cont'd)

	Carrying Amount RM'000	Contractual Cash Flows RM'000	Within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	Over 5 years RM'000
As at 31 December 2012						
Trade and other						
payables	24,150	24,150	24,150	-	-	-
Finance lease payables	5,318	5,598	3,300	1,776	522	-
Bankers' acceptances	92,972	92,972	92,972	-	-	-
ABBA facility	1,220	1,310	748	562	-	-
Secured term loan	9,957	12,307	1,466	2,789	2,592	5,460
Bank overdraft	12,067	12,067	12,067	-	-	-
	<u>145,684</u>	<u>148,404</u>	<u>134,703</u>	<u>5,127</u>	<u>3,114</u>	<u>5,460</u>

(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.

LF Klang has foreign currency exposure primarily arising from its trade payables which is mainly denominated in USD as disclosed in Section 6.3.20.

Sensitivity analysis for foreign currency risk

Based on the financial instruments held at 31 December 2012, a 4% (2011: 5%; 2010: 4%) strengthening/weakening of RM against USD, with all other variables held constant, would have reduced/increased LF Klang's profit for the financial year by approximately RM92,000, RM110,000 and RM99,000 respectively as a result of foreign exchange losses or gains on translation of foreign currency denominated financial instruments.

(v) Market price risk

Market price risk is the risk that the fair value or future cash flows of LF Klang's financial instruments will fluctuate because of changes in market prices.

LF Klang is exposed to equity price risk arising from its investment in quoted shares listed on the Bursa Securities. These instruments are classified as available-for-sale. As the amount of the investment is minimal, LF Klang's income and operating cash flows are not excessively exposed to changes in the market prices.

6.3.30 Fair value hierarchy

The following table provides an 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

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6. Historical Financial Information (cont'd)

6.3 LF Klang (cont'd)

6.3.30 Fair value hierarchy (cont'd)

(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).

As at 31 December 2012, 2011 and 2010, LF Klang held the following financial instruments carried at fair values on the statements of financial position:

Assets measured at fair value

	31.12.2010	Level 1	Level 2	Level 3
2010	RM'000	RM'000	RM'000	RM'000
Available-for-sale financial assets				
- quoted shares	54	54	-	-
	31.12.2011	Level 1	Level 2	Level 3
2011	RM'000	RM'000	RM'000	RM'000
Available-for-sale financial assets				
- quoted shares	38	38	-	-
	31.12.2012	Level 1	Level 2	Level 3
2012	RM'000	RM'000	RM'000	RM'000
Available-for-sale financial assets				
- quoted shares	33	33	-	-

6.3.31 Capital management

The primary objective of LF Klang's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders value.

LF Klang manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital structure, LF Klang may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

LF Klang is not subject to any externally imposed capital requirements.

LF Klang monitors capital using net debts to net debts plus equity ratio, which is net debts divided by total equity plus net debts. Net debts comprise ABBA facility, banker's acceptances, bank overdrafts and finance lease payables less deposits, cash and bank balances whilst total equity is the shareholders' fund of LF Klang.

The net debts to net debts plus equity ratio as at 31 December is as follow:

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Interest-bearing borrowings	106,345	112,037	99,943	121,534
Less: Cash and bank balances	(1,494)	(7,864)	(769)	(1,273)
Total net debts	104,851	104,173	99,174	120,261
Total equity	61,209	66,679	76,793	92,532
Total net debts plus equity	166,060	170,852	175,967	212,793
Net debts to net debts plus equity ratio (times)	0.63	0.61	0.56	0.57

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6. Historical Financial Information (cont'd)

6.3 LF Klang (cont'd)

6.3.32 Fair value of financial instruments

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

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

The carrying amounts approximate fair values due to the relatively short term maturity of these financial assets and liabilities.

(b) Quoted investments

The fair values of quoted investments are determined by reference to stock exchange quoted market bid prices at the close of the business on the reporting date.

(c) Borrowings

The carrying amount of bank overdrafts and bankers' acceptances approximate fair values due to the relatively short term maturity of these financial liabilities.

The carrying amount of floating rate ABBA facility approximates its fair values.

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

The carrying amounts of financial assets and liabilities recognised in the statement of financial position of LF Klang approximate their fair values except for the following:

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Financial asset				
Quoted investments				
- Carrying amount	9	-	-	-
- Fair value	15	-	-	-
Financial liability				
Finance lease payables				
- Carrying amount	10,591	8,139	6,087	5,318
- Fair value	10,493	8,078	6,098	5,316

6.3.33 Significant event subsequent to FYE 31 December 2012

On 2 January 2013, LF Holdings completed the disposal of its entire equity interests in LF Klang to Leon Fuat pursuant to a conditional share sale agreement entered into with Leon Fuat on 18 June 2012. Consequently, Leon Fuat became the holding company of LF Klang.

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6. Historical Financial Information (cont'd)

6.3 LF Klang (cont'd)

6.3.34 Reclassifications in the audited financial statements

In presenting this report, no material reclassification has been made to the audited financial statements of LF Klang for the Relevant FYs other than certain reclassifications made to ensure consistency of presentation of information for comparison purposes. The reclassifications made are set out as follows:

		As previously classified	Reclassification	As reclassified
	Note	RM'000	RM'000	RM'000
FYE 31 December 2009				
Statement of comprehensive income				
Direct operating costs	(a)	260,368	(1,233)	259,135
Distribution costs	(a)	1,070	1,233	2,303

Note:

- (a) Being reclassification of carriage outwards from direct operating costs to distribution costs.

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6. Historical Financial Information (cont'd)

6.4 Supreme

6.4.1 Statements of Comprehensive Income

		2009	2010	2011	2012
	Section	RM'000	RM'000	RM'000	RM'000
Operating revenue		21,519	24,676	23,567	22,107
Direct operating costs	6.4.5	(16,274)	(17,355)	(15,892)	(14,697)
Gross profit		5,245	7,321	7,675	7,410
Other operating income		205	425	132	154
Distribution costs		(42)	(160)	(70)	(295)
Administrative costs		(2,357)	(2,717)	(3,018)	(3,264)
Other operating costs		(37)	(216)	(88)	(69)
		(2,436)	(3,093)	(3,176)	(3,628)
Profit from operations		3,014	4,653	4,631	3,936
Finance costs		(910)	(599)	(409)	(326)
Profit before taxation	6.4.6	2,104	4,054	4,222	3,610
Tax expense	6.4.7	(646)	(1,102)	(1,206)	(1,035)
Profit for the financial year, representing total comprehensive income		1,458	2,952	3,016	2,575
Number of ordinary shares of RM1.00 each ('000)		2,000	2,000	2,000	2,000
Weighted average number of ordinary shares of RM1.00 each ('000)		2,000	2,000	2,000	2,000
Earnings per share					
Gross (RM)		1.05	2.03	2.11	1.81
Net (RM)		0.73	1.48	1.51	1.29
Gross profit margin (%)		24.37	29.67	32.57	33.52
Profit before tax margin (%)		9.78	16.43	17.91	16.33
Profit after tax margin (%)		6.78	11.96	12.80	11.65
Effective tax rate (%)		30.70	27.18	28.56	28.67

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.4 Supreme (cont'd)

6.4.2 Statements of Financial Position

Section	As at 31 December				
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000	
Non-current asset					
Property, plant and equipment	6.4.8	12,068	11,853	10,538	9,529
Current assets					
Inventories	6.4.9	6,871	5,099	6,482	8,603
Trade receivables	6.4.10	4,136	5,233	3,875	3,847
Other receivables, deposits and prepayments	6.4.11	195	232	234	2,259
Amount owing by a related company	6.4.12	-	276	-	-
Deposits, cash and bank balances	6.4.13	389	1,176	925	461
		11,591	12,016	11,516	15,170
Total assets		23,659	23,869	22,054	24,699
Equity and liabilities					
Equity					
Share capital	6.4.14	2,000	2,000	2,000	2,000
Retained earnings		6,219	9,171	10,187	12,762
Total equity		8,219	11,171	12,187	14,762
Non-current liabilities					
Deferred tax liabilities	6.4.15	402	577	726	797
Borrowings	6.4.16	2,769	1,875	898	458
		3,171	2,452	1,624	1,255
Current liabilities					
Trade payables	6.4.17	1,471	565	1,092	1,049
Other payables and accruals	6.4.18	796	576	179	250
Dividend payable		-	-	2,000	-
Amount owing to directors	6.4.19	2,552	-	-	-
Borrowings	6.4.16	7,440	8,578	4,617	7,020
Tax liabilities		10	527	355	363
		12,269	10,246	8,243	8,682
Total liabilities		15,440	12,698	9,867	9,937
Total equity and liabilities		23,659	23,869	22,054	24,699

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.4 Supreme (cont'd)

6.4.2 Statements of Financial Position (cont'd)

	← As at 31 December →			
	2009	2010	2011	2012
<i>Key financial ratios :</i>				
Net assets (RM'000)	8,219	11,171	12,187	14,762
Net assets per share (RM)	4.11	5.59	6.09	7.38
Current ratio (times)	0.94	1.17	1.40	1.75
Gearing ratio (times)	1.24	0.94	0.45	0.51
Return on equity (%)	17.74	26.43	24.75	17.44
Trade receivables turnover period (months)	2.31	2.54	1.97	2.09
Trade payables turnover period (months)	1.30	0.47	1.03	1.06
Inventories turnover period (months)	6.06	4.26	6.09	8.70

6.4.3 Statements of changes in equity

Section	Distributable		Total Equity RM'000
	Share Capital RM'000	Retained Earnings RM'000	
At 1 January 2009	2,000	4,761	6,761
Total comprehensive income	-	1,458	1,458
At 31 December 2009	2,000	6,219	8,219
Total comprehensive income	-	2,952	2,952
At 31 December 2010	2,000	9,171	11,171
Total comprehensive income	-	3,016	3,016
Dividend	-	(2,000)	(2,000)
At 31 December 2011	2,000	10,187	12,187
Total comprehensive income	-	2,575	2,575
At 31 December 2012	2,000	12,762	14,762

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.4 Supreme (cont'd)

6.4.4 Statements of Cash Flows

Section	← FYE 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Cash Flows from Operating Activities				
Profit before taxation	2,104	4,054	4,222	3,610
Adjustments for:-				
Bad debts written off	10	10	3	21
Depreciation of property, plant and equipment	1,342	1,290	1,358	1,291
Gain on disposal of property, plant and equipment	(75)	(198)	-	-
Impairment loss on trade receivables	-	100	15	-
Insurance claimed	-	(86)	-	-
Interest expense	821	506	308	236
Interest income	(10)	(10)	(12)	(16)
Property, plant and equipment written off	-	63	12	5
Reversal of impairment loss on trade receivables	-	-	-	(15)
Operating profit before working capital changes	4,192	5,729	5,906	5,132
Decrease/(Increase) in inventories	2,431	1,772	(1,383)	(2,121)
Decrease/(Increase) in receivables	239	(1,244)	1,338	68
Increase/(Decrease) in payables	788	(1,126)	130	27
Cash generated from operations	7,650	5,131	5,991	3,106
Interest paid	(821)	(506)	(308)	(236)
Interest received	10	10	12	16
Tax paid	(362)	(410)	(1,229)	(956)
Net cash from/(used in) operating activities	6,477	4,225	4,466	1,930
Cash Flows from Investing Activities				
Repayment from/(Advances to) a related company	5	(276)	276	-
Proceeds from insurance claim	-	86	-	-
Placement of fixed deposits	(3)	(9)	(10)	(11)
Prepayment on purchase of property, plant and equipment	-	-	-	(2,070)
Proceeds from disposal of property, plant and equipment	75	198	-	-
Purchase of property, plant and equipment	(126)	(739)	(55)	(287)
Net cash (used in)/from investing activities	(49)	(740)	211	(2,368)
Balance carried down	6,428	3,485	4,677	(438)

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.4 Supreme (cont'd)

6.4.4 Statements of Cash Flows (cont'd)

Section	← FYE 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Balance brought down	6,428	3,485	4,677	(438)
Cash Flows from Financing Activities				
Repayments to directors	(377)	(2,552)	-	-
Net (repayments)/drawdown of bankers' acceptances	(406)	1,366	(118)	(247)
Dividend paid	-	-	-	(2,000)
Payment of finance lease payables	(1,766)	(1,704)	(989)	(677)
Repayment of term loans	(2,340)	(390)	(300)	(300)
Net cash used in financing activities	(4,889)	(3,280)	(1,407)	(3,224)
Net increase/(decrease) in cash and cash equivalents	1,539	205	3,270	(3,662)
Cash and cash equivalents at beginning of the financial year	(4,459)	(2,920)	(2,715)	555
Cash and cash equivalents at end of the financial year	6.4.22 (2,920)	(2,715)	555	(3,107)

6.4.5 Direct operating costs

	← FYE 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Cost of goods sold	13,597	14,376	12,763	11,866
Others direct costs	2,677	2,979	3,129	2,831
	16,274	17,355	15,892	14,697

6.4.6 Profit before taxation

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

	← FYE 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Auditor' remuneration	14	15	15	17
Bad debts written off	10	10	3	21
Depreciation of property, plant and equipment	1,342	1,290	1,358	1,291
Gain on disposal of property, plant and equipment	(75)	(198)	-	-
Impairment loss on trade receivables	-	100	15	-
Insurance claimed	-	(86)	-	(2)
Interest expense	821	506	308	236

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.4 Supreme (cont'd)

6.4.6 Profit before taxation (cont'd)

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

	← FYE 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Interest income	(10)	(10)	(12)	(16)
Property, plant and equipment written off	-	63	12	5
Realised loss/(gain) on foreign exchange	2	(10)	-	-
Rental income	(120)	(120)	(120)	(120)
Rental of equipment	-	51	50	51
Rental of premises	120	120	120	120
Reversal of Impairment loss on trade receivables	-	-	-	(15)
Staff costs (including key management personnel)*				
- contribution to social security	11	13	14	14
- contribution to defined contribution plan	130	152	168	206
- salaries and others	1,347	1,553	1,683	1,909

* Included in staff costs is the aggregate amount of remuneration received and receivable by directors of Supreme as follows:

	← FYE 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Other emoluments	269	358	358	493

A director of Supreme has acquired the benefit of using Supreme's property, plant and equipment and the estimated monetary value of these benefits amounted to RM28,000 (2011: RM28,000; 2010: RM15,000 and 2009: RM28,000).

6.4.7 Tax expense

	← FYE 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian - current financial year	360	926	1,055	963
- prior financial years	2	1	2	1
	362	927	1,057	964
Deferred tax expense (Section 6.4.15)				
Origination and reversal of temporary differences	284	175	149	71
Tax expense	646	1,102	1,206	1,035

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.4 Supreme (cont'd)

6.4.7 Tax expense (cont'd)

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

	← FYE 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	2,104	4,054	4,222	3,610
Tax at Malaysian statutory income tax rate of 25%	526	1,013	1,056	902
Tax effect of non-deductible expenses	118	142	164	136
Tax effect of non-taxable income	-	(54)	(16)	(4)
Under provision in prior financial year - current tax	2	1	2	1
Tax expense	646	1,102	1,206	1,035

Supreme has approximately RM800 (2011: RM800; 2010: RM800 and 2009: RM800) in the tax exempt income account available for distribution by way of tax exempt dividend.

Supreme did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, Supreme may utilise the credit in the Section 108 balance as at 31 December 2012, 2011, 2010 and 2009 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act, 2007. As at 31 December 2012, Supreme has sufficient tax exempt income and credit in the Section 108 balance to pay franked dividends amounting to approximately RM3,431,000 (2011: RM3,431,000; 2010: RM5,431,000 and 2009: RM5,431,000) out of its retained earnings. If the balance of the retained earnings of approximately RM9,331,000 (2011: RM6,756,000; 2010: RM3,740,000 and 2009: RM788,000) were to be distributed as dividends, Supreme may distribute such dividends under the single tier system.

6.4.8 Property, plant and equipment

	Long Term						Total
	Leasehold	Land Building	Furniture and Fittings	Office Equipment	Motor Vehicles	Plant and Machinery	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Cost							
At 1.1.2009							
As previously stated	-	3,519	439	469	1,644	11,365	17,436
Effect of adopting the amendments to FRS 117	2,062	-	-	-	-	-	2,062
As restated	2,062	3,519	439	469	1,644	11,365	19,498
Additions	-	-	-	20	165	41	226
Disposals	-	-	-	-	(193)	-	(193)
At 31.12.2009	2,062	3,519	439	489	1,616	11,406	19,531

13. ACCOUNTANTS' REPORT (Cont'd)

Leon Fuat Berhad
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6. Historical Financial Information (cont'd)

6.4 Supreme (cont'd)

6.4.8 Property, plant and equipment (cont'd)

	Long Term						Total RM'000
	Leasehold	Building	Furniture and Fittings	Office Equipment	Motor Vehicles	Plant and Machinery	
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000	
Accumulated depreciation							
At 1.1.2009							
As previously stated	-	141	92	181	1,029	4,665	6,108
Effect of adopting the amendments to FRS 117	206	-	-	-	-	-	206
As restated	206	141	92	181	1,029	4,665	6,314
Charge for the financial year	34	70	44	61	277	856	1,342
Disposals	-	-	-	-	(193)	-	(193)
At 31.12.2009	240	211	136	242	1,113	5,521	7,463
Net carrying amount							
At 31.12.2009	1,822	3,308	303	247	503	5,885	12,068
Cost							
At 1.1.2010	2,062	3,519	439	489	1,616	11,406	19,531
Additions	-	-	-	10	955	173	1,138
Disposals	-	-	-	-	(900)	-	(900)
Written off	-	-	-	-	(91)	-	(91)
At 31.12.2010	2,062	3,519	439	499	1,580	11,579	19,678
Accumulated depreciation							
At 1.1.2010	240	211	136	242	1,113	5,521	7,463
Charge for the financial year	34	70	44	56	221	865	1,290
Disposals	-	-	-	-	(900)	-	(900)
Written off	-	-	-	-	(28)	-	(28)
At 31.12.2010	274	281	180	298	406	6,386	7,825
Net carrying amount							
At 31.12.2010	1,788	3,238	259	201	1,174	5,193	11,853

13. ACCOUNTANTS' REPORT (Cont'd)



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6. Historical Financial Information (cont'd)

6.4 Supreme (cont'd)

6.4.8 Property, plant and equipment (cont'd)

	Long Term						Total RM'000
	Leasehold Land RM'000	Building RM'000	Furniture and Fittings RM'000	Office Equipment RM'000	Motor Vehicles RM'000	Plant and Machinery RM'000	
Cost							
At 1.1.2011	2,062	3,519	439	499	1,580	11,579	19,678
Additions	-	-	1	45	-	9	55
Written off	-	-	-	(38)	-	-	(38)
At 31.12.2011	2,062	3,519	440	506	1,580	11,588	19,695
Accumulated depreciation							
At 1.1.2011	274	281	180	298	406	6,386	7,825
Charge for the financial year	34	70	44	55	298	857	1,358
Written off	-	-	-	(26)	-	-	(26)
At 31.12.2011	308	351	224	327	704	7,243	9,157
Net carrying amount							
At 31.12.2011	1,754	3,168	216	179	876	4,345	10,538
Cost							
At 1.1.2012	2,062	3,519	440	506	1,580	11,588	19,695
Additions	-	242	17	20	-	8	287
Written off	-	-	-	(10)	-	-	(10)
At 31.12.2012	2,062	3,761	457	516	1,580	11,596	19,972
Accumulated depreciation							
At 1.1.2012	308	351	224	327	704	7,243	9,157
Charge for the financial year	36	71	44	42	281	817	1,291
Written off	-	-	-	(5)	-	-	(5)
At 31.12.2012	344	422	268	364	985	8,060	10,443
Net carrying amount							
At 31.12.2012	1,718	3,339	189	152	595	3,536	9,529

The long term leasehold land of Supreme has unexpired lease period of more than 50 years.

The long term leasehold land and buildings are pledged as security for banking facilities as disclosed in Section 6.4.16.

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.4 Supreme (cont'd)

6.4.8 Property, plant and equipment (cont'd)

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

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Machineries	4,826	4,207	2,076	-
Motor vehicles	394	962	618	460
	<u>5,220</u>	<u>5,169</u>	<u>2,694</u>	<u>460</u>

6.4.9 Inventories

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
At cost,				
Trading inventories	6,614	5,099	5,996	8,603
Goods in transit	257	-	486	-
	<u>6,871</u>	<u>5,099</u>	<u>6,482</u>	<u>8,603</u>

6.4.10 Trade receivables

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
External parties	3,310	3,363	3,001	3,058
Related party	324	204	252	529
Related companies	502	1,766	637	260
	<u>4,136</u>	<u>5,333</u>	<u>3,890</u>	<u>3,847</u>
Less: Allowance for impairment loss	-	(100)	(15)	-
	<u>4,136</u>	<u>5,233</u>	<u>3,875</u>	<u>3,847</u>

- (a) The normal trade credit term granted to customers ranges from 30 to 90 days. The amounts owing by related party and related companies are subject to normal trade term.

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.4 Supreme (cont'd)

6.4.10 Trade receivables (cont'd)

(b) Ageing analysis of trade receivables

The ageing analysis of Supreme's trade receivable are as follows:

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Neither past due nor impaired	1,851	2,813	1,611	1,445
1 to 30 days past due not impaired	1,064	1,312	1,198	1,395
31 to 60 days past due not impaired	533	625	729	553
61 to 90 days past due not impaired	199	188	112	258
91 to 120 days past due not impaired	35	132	68	93
More than 121 days past due not impaired	454	163	157	103
	2,285	2,420	2,264	2,402
Impaired	-	100	15	-
	4,136	5,333	3,890	3,847

Receivables that are neither past due nor impaired

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

None of Supreme's trade receivables that are neither past due nor impaired have been renegotiated during the year.

Receivables that are past due but not impaired

Supreme has trade receivables amounting to approximately RM2,402,000 (2011: RM2,264,000; 2010: RM2,420,000 and 2009: RM2,285,000) that are past due at reporting date but not impaired because there have been no significant changes in credit quality of the debtors and the amounts are still considered recoverable. Supreme does not hold any collateral or credit enhancements over these balances. Based on historical default rates, Supreme believes that no collective impairment loss is necessary in respect of trade receivables past due.

Receivables that are impaired

The movements in allowance accounts are as follows:

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
At beginning of the financial year	-	-	100	15
Charge for the financial year	-	100	15	-
Written off	-	-	(100)	-
Reversal of impairment loss	-	-	-	(15)
At end of the financial year	-	100	15	-

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

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.4 Supreme (cont'd)

6.4.11 Other receivables, deposits and prepayments

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Sundry receivables	37	36	40	35
Deposits	64	64	64	47
Prepayments	94	132	130	2,177
	<u>195</u>	<u>232</u>	<u>234</u>	<u>2,259</u>

(a) Included in deposits is an amount of RM30,000 (2011: RM30,000; 2010: RM30,000 and 2009: RM30,000) being rental deposit paid to a related company.

(b) Included in prepayments as at 31 December 2012 is an amount of approximately RM2,070,000 (2011: RM nil; 2010: RM nil; 2009: RM nil) being prepayment for purchase of machinery.

6.4.12 Amount owing by a related company

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

6.4.13 Deposits, cash and bank balances

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Cash at banks and on hand	38	816	555	80
Fixed deposit with a licensed bank	351	360	370	381
	<u>389</u>	<u>1,176</u>	<u>925</u>	<u>461</u>

The fixed deposit with a licensed bank bears interest at rate of 3.10% (2011: 2.85%, 2010: 2.75% and 2009: 2.50%) per annum and matures within one year.

The fixed deposit is pledged as security for banking facilities granted to Supreme as disclosed in Section 6.4.16.

6.4.14 Share capital

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Authorised:				
5,000,000 ordinary shares of RM1 each	5,000	5,000	5,000	5,000
Issued and fully paid:				
2,000,000 ordinary shares of RM1 each	2,000	2,000	2,000	2,000

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 Supreme. All shares rank equally with regard to Supreme's residual assets.

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.4 Supreme (cont'd)

6.4.15 Deferred tax liabilities

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year	118	402	577	726
Recognised in profit or loss (Section 6.4.7)	284	175	149	71
At end of the financial year	<u>402</u>	<u>577</u>	<u>726</u>	<u>797</u>

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

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Differences between the carrying amount of property, plant and equipment and its tax base	402	577	726	797

6.4.16 Borrowings

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Current:				
Secured:				
Term loans	390	300	300	300
Bankers' acceptances	2,392	3,758	3,640	3,393
Bank overdrafts (Section 6.4.22)	2,958	3,531	-	3,187
Finance lease payables (Section 6.4.20)	1,700	989	677	140
	<u>7,440</u>	<u>8,578</u>	<u>4,617</u>	<u>7,020</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.4 Supreme (cont'd)

6.4.16 Borrowings (cont'd)

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Non-current:				
Secured:				
Term loans	1,358	1,058	758	458
Finance lease payables (Section 6.4.20)	1,411	817	140	-
	<u>2,769</u>	<u>1,875</u>	<u>898</u>	<u>458</u>

The above borrowings (except for finance lease payables) bear interest at rates as follows:

	2009	2010	2011	2012
	%	%	%	%
Term loan	6.55 to 7.55	5.80	6.10	6.10
Bankers' acceptance	2.62 to 4.26	2.78 to 3.83	3.59 to 4.16	3.83 to 4.01
Bank overdrafts	6.55 to 7.55	6.55 to 7.55	-	7.60 to 7.85

The maturity profile of term loans is as follows:

	← Maturity →					Total
	Current		Non-current			
	Within 1 year	Within 1-2 years	Within 2-5 years	More than 5 years	Sub-total	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
As at 31 December 2009	390	300	1,058	-	1,358	1,748
As at 31 December 2010	300	300	758	-	1,058	1,358
As at 31 December 2011	300	300	458	-	758	1,058
As at 31 December 2012	300	283	175	-	458	758

The term loans, bank overdrafts and bankers' acceptances are secured and supported as follows:

- (i) legal charges over LF Holdings' freehold properties;
- (ii) pledged against Supreme's fixed deposit;
- (iii) jointly and severally guaranteed by certain directors of Supreme;
- (iv) corporate guarantee given by LF holdings and a related company;
- (v) legal charges over Supreme's long term leasehold land and building; and
- (vi) pledged against third party fixed deposit.

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.4 Supreme (cont'd)

6.4.17 Trade payables

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
External parties	599	318	84	124
Related companies	872	247	1,008	925
	1,471	565	1,092	1,049

The normal trade credit term granted to Supreme by the suppliers ranges from 30 to 90 days. The amounts owing to related companies are subject to normal trade term.

6.4.18 Other payables and accruals

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Sundry payables	702	368	82	148
Deposits received	30	30	30	30
Accruals	64	178	67	72
	796	576	179	250

Included in deposits received is an amount of RM30,000 (2011: RM30,000; 2010: RM30,000 and 2009: RM30,000) being rental deposit received from a related company.

6.4.19 Amount owing to directors

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

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13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.4 Supreme (cont'd)

6.4.20 Finance lease payables

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Future minimum lease payments	3,315	1,906	842	144
Less: Future finance charges	(204)	(100)	(25)	(4)
Total present value of minimum lease payments	<u>3,111</u>	<u>1,806</u>	<u>817</u>	<u>140</u>
Current liabilities				
Payable within 1 year				
Future minimum lease payments	1,836	1,064	698	144
Less: Future finance charges	(136)	(75)	(21)	(4)
Present value of minimum lease payments	1,700	989	677	140
Non-current liabilities				
Payable after 1 year but not later than 5 years				
Future minimum lease payments	1,479	842	144	-
Less: Future finance charges	(68)	(25)	(4)	-
Present value of minimum lease payments	<u>1,411</u>	<u>817</u>	<u>140</u>	<u>-</u>
Total present value of minimum lease payments	<u>3,111</u>	<u>1,806</u>	<u>817</u>	<u>140</u>

The finance lease payables bear effective interest at rate of 4.94% (2011: 4.94% to 6.58%, 2010: 4.92% to 6.58% and 2009: 5.64% to 6.60%) per annum.

6.4.21 Purchase of property, plant and equipment

Supreme acquired property, plant and equipment with aggregate cost of approximately RM287,000 (2011: RM55,000; 2010: RM1,138,000 and 2009: RM226,000) which was satisfied as follows:

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Finance lease arrangements	100	399	-	-
Cash payments	126	739	55	287
	<u>226</u>	<u>1,138</u>	<u>55</u>	<u>287</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.4 Supreme (cont'd)

6.4.22 Cash and cash equivalents

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Cash at banks and on hand	38	816	555	80
Fixed deposit with a licensed bank	351	360	370	381
As presented in statements				
of financial position	389	1,176	925	461
Less: Bank overdrafts	(2,958)	(3,531)	-	(3,187)
Less: Fixed deposit under lien	(351)	(360)	(370)	(381)
As presented in statements of cash flows	(2,920)	(2,715)	555	(3,107)

6.4.23 Dividend

	← FYE 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
First interim dividend of RM1.33 on 2,000,000 ordinary shares, less 25% tax per ordinary shares, in respect of financial year ended 31 December 2011	-	-	2,000	-

6.4.24 Related party disclosures

(a) Identity of related parties

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

Supreme has a related party relationship with Leon Fuat, LF Holdings, related companies, related parties and key management personnel. Related companies refer to subsidiary companies of LF Holdings. Related parties refer to companies in which a director of Supreme has substantial financial interests.

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.4 Supreme (cont'd)

6.4.24 Related party disclosures (cont'd)

(b) Related party transactions

	← FYE 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Trade				
(Received and receivable from)/Paid and payable to related companies				
- Sales	(2,527)	(4,687)	(2,633)	(2,401)
- Purchases	1,841	3,711	4,280	4,365
Received and receivable from a related party				
- Sales	(477)	(294)	(336)	(712)
Non-trade				
Paid and payable to LF Holdings				
- Dividend	-	-	2,000	-
- Management fees	108	115	119	125
(Received and receivable from)/Paid and payable to related companies				
- Rental income	(120)	(120)	(120)	(120)
- Rental expense	120	120	120	120
- Carriage inwards	-	-	-	1
- Factory consumables	11	-	5	7
- Upkeep of factory	23	-	-	-
- Upkeep of machinery	8	-	-	-
- Upkeep of factory	6	-	2	-

(c) Key management personnel compensation

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly including any director of Supreme.

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.4 Supreme (cont'd)

6.4.24 Related party disclosures (cont'd)

(c) Key management personnel compensation (cont'd)

The compensation of key management personnel are as follows:

	← FYE 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Directors				
Short term employee benefits (including estimated monetary value of benefits-in-kind)	268	335	348	468
Post-employment benefits	29	38	38	53
	<u>297</u>	<u>373</u>	<u>386</u>	<u>521</u>

6.4.25 Financial risk management objectives and policies

Supreme is exposed to a variety of risks in the normal course of business. Supreme's risk management seeks to minimise the potential adverse effects from these exposures.

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

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

(i) Interest rate risk

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

Supreme's exposure to interest rate risk primarily relates to deposit placed with licensed bank and interest bearing financial liabilities which include finance lease payables, term loans, bankers' acceptances and bank overdrafts.

As the amount of deposit is minimal, Supreme's income and operating cash flows are not excessively exposed to changes in market interest rate risks.

As at 31 December 2009, 2010, 2011 and 2012 borrowings at floating rates amounting to approximately RM7,098,000, RM8,647,000, RM4,698,000 and RM7,338,000 respectively expose Supreme to cash flow interest rate risk whilst borrowings at fixed rate amounting to approximately RM3,111,000, RM1,806,000, RM817,000 and RM 140,000 respectively expose Supreme to fair value interest rate risk.

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

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.4 Supreme (cont'd)

6.4.25 Financial risk management objectives and policies (cont'd)

(i) Interest rate risk (cont'd)

Sensitivity analysis for interest rate risk

If the interest rate had been 50 basis point higher/lower and all other variables held constant, Supreme's profit for the FYE 31 December 2009, 2010, 2011 and 2012 would decrease /increase by approximately RM27,000, RM32,000, RM18,000 and RM28,000 respectively as a result of exposure to floating rate borrowings.

(ii) Credit risk

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

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

Supreme has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. For other financial assets, Supreme minimises credit risk by dealing with high credit rating counterparties.

At the reporting date, approximately 7% (2011: 16%, 2010: 33% and 2009: 12%) of Supreme's trade receivables were due from fellow subsidiaries.

(iii) Liquidity risk

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.4 Supreme (cont'd)

6.4.25 Financial risk management objectives and policies (cont'd)

(iii) Liquidity risk (cont'd)

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of Supreme's financial liabilities at the reporting date based on contractual undiscounted repayment obligations:

	Carrying Amounts RM'000	Contractual Cash flows RM'000	On demand or Within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000
As at 31 December 2009					
Financial liabilities:					
Trade and other payables	2,267	2,267	2,267	-	-
Amount owing to directors	2,552	2,552	2,552	-	-
Finance lease payables	3,111	3,315	1,836	924	555
Bankers' acceptances	2,392	2,392	2,392	-	-
Term loans	1,748	1,863	416	320	1,127
Bank overdrafts	2,958	2,958	2,958	-	-
	15,028	15,347	12,421	1,244	1,682
As at 31 December 2010					
Financial liabilities:					
Trade and other payables	1,141	1,141	1,141	-	-
Finance lease payables	1,806	1,906	1,064	698	144
Bankers' acceptances	3,758	3,758	3,758	-	-
Term loans	1,358	1,557	372	360	825
Bank overdrafts	3,531	3,531	3,531	-	-
	11,594	11,893	9,866	1,058	969
As at 31 December 2011					
Financial liabilities:					
Trade and other payables	1,271	1,271	1,271	-	-
Finance lease payables	817	842	698	144	-
Bankers' acceptances	3,640	3,640	3,640	-	-
Term loans	1,058	1,185	360	341	484
Dividend payable	2,000	2,000	2,000	-	-
	8,786	8,938	7,969	485	484

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.4 Supreme (cont'd)

6.4.25 Financial risk management objectives and policies (cont'd)

(iii) Liquidity risk (cont'd)

	Carrying Amounts RM'000	Contractual Cash flows RM'000	On demand or Within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000
As at 31 December 2012					
Financial liabilities:					
Trade and other payables	1,299	1,299	1,299	-	-
Finance lease payables	140	144	144	-	-
Bankers' acceptances	3,393	3,393	3,393	-	-
Bank overdrafts	3,187	3,187	3,187	-	-
Term loans	758	825	341	304	180
	<u>8,777</u>	<u>8,848</u>	<u>8,364</u>	<u>304</u>	<u>180</u>

6.4.26 Capital management

The primary objective of Supreme's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholders value.

Supreme manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital structure, Supreme may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

Supreme is not subject to any externally imposed capital requirements.

Supreme monitors capital using net debts to net debts plus equity ratio, which is net debts divided by total equity plus net debts. Net debts comprise term loans, bankers' acceptances, bank overdrafts and finance lease payables less cash and bank balances whilst total equity is the shareholders' funds of Supreme.

The net debts to net debts plus equity ratio as at 31 December is as follows:

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Interest-bearing borrowings	10,209	10,453	5,515	7,478
Less: Cash and bank balances	(389)	(1,176)	(925)	(461)
Total net debts	<u>9,820</u>	<u>9,277</u>	<u>4,590</u>	<u>7,017</u>
Total equity	<u>8,219</u>	<u>11,171</u>	<u>12,187</u>	<u>14,762</u>
Total net debts plus equity	<u>18,039</u>	<u>20,448</u>	<u>16,777</u>	<u>21,779</u>
Net debts to net debts plus equity ratio (times)	<u>0.54</u>	<u>0.45</u>	<u>0.27</u>	<u>0.32</u>

13. ACCOUNTANTS' REPORT (Cont'd)



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6. Historical Financial Information (cont'd)

6.4 Supreme (cont'd)

6.4.27 Fair value of financial instruments

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

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

The carrying amounts approximate fair values due to the relatively short term maturities of these financial assets and liabilities.

(ii) Borrowings

The carrying amounts of short term borrowings approximate fair values due to the relatively short term maturities of these financial liabilities.

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

The fair values of finance lease payables are estimated using discounted cash flow analysis, based on current lending rates for similar types of lease arrangements.

The carrying amounts of financial liabilities recognised in the statements of financial position of Supreme approximate their fair values except for the following:

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Financial liability				
Finance lease payables				
- Carrying amount	3,111	1,806	817	140
- Fair value	3,086	1,796	815	140

6.4.28 Significant event subsequent to FYE 31 December 2012

On 2 January 2013, LF Holdings completed the disposal of its entire equity interests in Supreme to Leon Fuat pursuant to a conditional share sale agreement entered into with Leon Fuat on 18 June 2012. Consequently, Leon Fuat became the holding company of Supreme.

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.4 Supreme (cont'd)

6.4.29 Reclassifications in the audited financial statements

In presenting this report, no material reclassification has been made to the audited financial statements of Supreme for the Relevant FYs other than those arising from adoption of Amendments to FRS 117, *Leases*. The reclassifications made are set out as follows:

	Note	As previously classified RM'000	Reclassification RM'000	As reclassified RM'000
As at 31 December 2009				
Statement of financial position				
Property, plant and equipment	(a)	10,247	1,821	12,068
Prepaid land lease payment	(a)	1,821	(1,821)	-

Note:

- (a) Being reclassification of long term leasehold land from prepaid land lease payment to property, plant, equipment arising from adopting Amendments to FRS 117.

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13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.5 ASA

6.5.1 Statements of Comprehensive Income

		← FYE 31 December →			
		2009	2010	2011	2012
Section		RM'000	RM'000	RM'000	RM'000
	Operating revenue	10,898	11,082	11,514	11,165
6.5.5	Direct operating costs	(7,468)	(7,893)	(8,391)	(8,348)
	Gross profit	3,430	3,189	3,123	2,817
	Other operating income	67	2	362	100
	Distribution costs	(726)	(801)	(844)	(917)
	Administrative costs	(671)	(830)	(761)	(761)
	Other operating costs	(16)	(169)	(65)	-
	Profit from operations	2,084	1,391	1,815	1,239
	Finance costs	(123)	(175)	(143)	(28)
6.5.6	Profit before taxation	1,961	1,216	1,672	1,211
6.5.7	Tax expense	(537)	(359)	(488)	(284)
	Profit for the financial year, representing total comprehensive income	1,424	857	1,184	927
	Number of ordinary shares of RM1.00 each ('000)	1,800	1,800	1,800	1,800
	Weighted average number of ordinary shares of RM1.00 each ('000)	1,800	1,800	1,800	1,800
	Earnings per share				
	Gross (RM)	1.09	0.68	0.93	0.67
	Net (RM)	0.79	0.48	0.66	0.52
	Gross profit margin (%)	31.47	28.78	27.12	25.23
	Profit before tax margin (%)	17.99	10.97	14.52	10.85
	Profit after tax margin (%)	13.07	7.73	10.28	8.30
	Effective tax rate (%)	27.38	29.52	29.19	23.45

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.5 ASA (cont'd)

6.5.2 Statements of Financial Position

	Section	As at 31 December			
		2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Non current asset					
Property, plant and equipment	6.5.8	4,075	4,015	385	326
Current assets					
Inventories	6.5.9	5,079	5,430	5,790	6,886
Trade receivables	6.5.10	2,091	2,404	1,961	2,180
Other receivables, deposits and prepayments	6.5.11	55	132	70	85
Cash and bank balances		168	273	2,756	803
		7,393	8,239	10,577	9,954
Total assets		11,468	12,254	10,962	10,280
Equity and liabilities					
Equity					
Share capital	6.5.12	1,800	1,800	1,800	1,800
Retained earnings		5,543	6,400	5,584	6,511
Total equity		7,343	8,200	7,384	8,311
Non-current liabilities					
Borrowings	6.5.13	1,872	1,618	-	-
Deferred tax liabilities	6.5.14	33	45	45	33
		1,905	1,663	45	33
Current liabilities					
Trade payables	6.5.15	536	1,423	1,193	1,847
Deposits received and accruals	6.5.16	6	67	27	16
Borrowings	6.5.13	761	557	177	-
Amount owing to a related company	6.5.17	615	276	-	-
Dividend payable		-	-	2,000	-
Tax payables		302	68	136	73
		2,220	2,391	3,533	1,936
Total liabilities		4,125	4,054	3,578	1,969
Total equity and liabilities		11,468	12,254	10,962	10,280

13. ACCOUNTANTS' REPORT (Cont'd)



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6. Historical Financial Information (cont'd)

6.5 ASA (cont'd)

6.5.2 Statements of Financial Position (cont'd)

	← As at 31 December →			
	2009	2010	2011	2012
<i>Key financial ratios:</i>				
Net assets (RM'000)	7,343	8,200	7,384	8,311
Net assets per share (RM)	4.08	4.56	4.10	4.62
Current ratio (times)	3.33	3.45	2.99	5.14
Gearing ratio (times)	0.36	0.27	0.02	-
Return on equity (%)	19.39	10.46	16.03	11.15
Trade receivables turnover period (months)	2.30	2.60	2.04	2.34
Trade payables turnover period (months)	0.86	2.16	1.71	2.66
Inventories turnover period (months)	8.19	8.26	8.30	9.90

6.5.3 Statements of Changes in Equity

Section	Distributable		
	Share Capital RM'000	Retained Earnings RM'000	Total Equity RM'000
At 1 January 2009	1,800	4,119	5,919
Total comprehensive income	-	1,424	1,424
At 31 December 2009	1,800	5,543	7,343
Total comprehensive income	-	857	857
At 31 December 2010	1,800	6,400	8,200
Total comprehensive income	-	1,184	1,184
Dividend	-	(2,000)	(2,000)
At 31 December 2011	1,800	5,584	7,384
Total comprehensive income	-	927	927
At 31 December 2012	1,800	6,511	8,311

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.5 ASA (cont'd)

6.5.4 Statements of Cash Flows

Section	← FYE 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Cash Flows from Operating Activities				
Profit before taxation	1,961	1,216	1,672	1,211
Adjustments for:-				
Bad debts written off	11	-	-	-
Depreciation of property, plant and equipment	164	248	236	202
Impairment loss on trade receivables	-	144	5	-
Reversal of impairment loss on trade receivables	-	-	(67)	(78)
Gain on disposal of property, plant and equipment	(22)	-	(249)	-
Interest expense	81	144	119	6
Interest income	-	-	(3)	(20)
Operating profit before working capital changes	2,195	1,752	1,713	1,321
Decrease/(Increase) in inventories	1,214	(351)	(360)	(1,095)
Decrease/(Increase) in receivables	840	(534)	502	(156)
Increase/(Decrease) in payables	250	948	(271)	643
Cash generated from operations	4,499	1,815	1,584	713
Interest paid	(75)	(144)	(119)	(6)
Interest received	-	-	3	20
Tax paid	(450)	(581)	(419)	(360)
Net cash from operating activities carried down	3,974	1,090	1,049	367

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.5 ASA (cont'd)

6.5.4 Statements of Cash Flows (cont'd)

Section	← FYE 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Net cash from operating activities brought down	3,974	1,090	1,049	367
Cash Flows from Investing Activities				
Proceeds from disposal of property, plant and equipment	22	-	3,800	-
Purchase of property, plant and equipment	(3,798)	(88)	(93)	(143)
Net cash (used in)/from investing activities	(3,776)	(88)	3,707	(143)
Cash Flows from Financing Activities				
Payments of financial lease payables	(76)	(100)	(123)	(13)
Net repayments of bankers' acceptances	(2,296)	(258)	(68)	(164)
Dividend paid	-	-	-	(2,000)
Advances from /(repayment to) a related company	610	(339)	(276)	-
Drawdown/ (Repayment) of term loan	2,000	(200)	(1,806)	-
Net cash from/(used in) financing activities	238	(897)	(2,273)	(2,177)
Net increase in cash and cash equivalents carried down	436	105	2,483	(1,953)
Cash and cash equivalents at beginning of the financial year	(268)	168	273	2,756
Cash and cash equivalents at end of the financial year	168	273	2,756	803

6.5.5 Direct operating costs

	← FYE 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Cost of goods sold	7,439	7,893	8,375	8,346
Others direct costs	29	-	16	2
	7,468	7,893	8,391	8,348

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.5 ASA (cont'd)

6.5.6 Profit before taxation

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

	←	FYE 31 December		→
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Auditor' remuneration	7	11	11	13
Bad debts recovered	-	-	(3)	-
Bad debts written off	11	-	-	-
Depreciation of property, plant and equipment	164	248	236	202
Gain on disposal of property, property, plant and equipment	(22)	-	(249)	-
Impairment loss on trade receivables	-	144	5	-
Interest expense	81	144	119	6
Interest income	-	-	(3)	(20)
Realised gain on foreign exchange	(15)	(2)	-	2
Rental income	-	-	(40)	-
Rental of premises	120	120	120	120
Reversal of impairment loss on trade receivables	-	-	(67)	(78)
Staff costs (including key management personnel)*				
- contribution to social security	5	5	5	5
- contribution to defined contribution plan	73	79	85	101
- salaries and others	665	767	758	870

* Included in staff costs is the aggregate amount of remuneration received and receivable by directors of ASA as follows:

	←	FYE 31 December		→
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Other emoluments	202	269	269	336

A director of ASA has acquired the benefit of using ASA's property, plant and equipment and the estimated value of which amounted to approximately RM13,000 (2011: RM13,000; 2010: RM13,000 and 2009: RM12,000).

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.5 ASA (cont'd)

6.5.7 Tax expense

	← FYE 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Current tax				
Malaysian - current financial year	521	348	412	348
- prior financial years	(5)	(1)	-	15
	<u>516</u>	<u>347</u>	<u>412</u>	<u>363</u>
Deferred tax (Section 6.5.14)				
Origination and reversal of temporary differences	21	12	-	(12)
Real Property Gain Tax ("RPGT")				
Current financial year	-	-	76	-
Over provision in prior financial year	-	-	-	(67)
Tax expense	<u>537</u>	<u>359</u>	<u>488</u>	<u>284</u>

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

	← FYE 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Profit before taxation	<u>1,961</u>	<u>1,216</u>	<u>1,672</u>	<u>1,211</u>
Tax at Malaysian statutory income tax rate of 25%	490	304	418	303
RPGT	-	-	76	-
Tax effect of non-deductible expenses	53	57	57	33
Tax effect of double deduction expense	(1)	(1)	-	-
Tax effect of non-taxable income	-	-	(63)	-
(Over)/under provision in prior financial years				
- current tax	(5)	(1)	-	15
- real property gain tax	-	-	-	(67)
Tax expense	<u>537</u>	<u>359</u>	<u>488</u>	<u>284</u>

ASA has approximately RM355,000 (2011: RM355,000; 2010: RM355,000 and 2009: RM355,000) in the tax exempt income account available for distribution by way of tax exempt dividend.

ASA did not elect for the irrevocable option to disregard the Section 108 balance. Accordingly, during the transitional period, ASA may utilise the credit in the Section 108 balance as at 31 December 2012, 2011, 2010 and 2009 to distribute cash dividend payments to ordinary shareholders as defined under the Finance Act, 2007. As at 31 December 2012, ASA has sufficient tax exempt income and credit in the Section 108 balance to pay franked dividends amounting to approximately RM1,717,000 (2011: RM1,717,000; 2010: RM3,717,000 and 2009: RM3,717,000) out of its retained earnings. If the balance of the retained earnings of approximately RM4,794,000 (RM3,867,000; 2010: RM2,683,000 and 2009: RM1,826,000) were to be distributed as dividends, ASA may distribute such dividends under the single tier system.

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6. Historical Financial Information (cont'd)

6.5 ASA (cont'd)

6.5.8 Property, plant and equipment

	Loog term Leasehold Land RM'000	Furniture and Fittings RM'000	Office Equipment RM'000	Machinery RM'000	Motor Vehicles RM'000	Total RM'000
Cost						
At 1.1.2009	-	13	221	134	774	1,142
Additions	3,624	-	-	-	174	3,798
Disposals	-	-	-	-	(86)	(86)
Written off	-	-	-	-	(68)	(68)
At 31.12.2009	3,624	13	221	134	794	4,786
Accumulated Depreciation						
At 1.1.2009	-	10	183	132	376	701
Charge for the financial year	22	1	9	2	130	164
Disposals	-	-	-	-	(86)	(86)
Written off	-	-	-	-	(68)	(68)
At 31.12.2009	22	11	192	134	352	711
Net Carryiog Amount						
At 31.12.2009	3,602	2	29	-	442	4,075
Cost						
At 1.1.2010	3,624	13	221	134	794	4,786
Additions	-	-	16	-	172	188
At 31.12.2010	3,624	13	237	134	966	4,974
Accumulated Depreciation						
At 1.1.2010	22	11	192	134	352	711
Charge for the financial year	65	1	9	-	173	248
At 31.12.2010	87	12	201	134	525	959
Net Carrying Amount						
At 31.12.2010	3,537	1	36	-	441	4,015

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.5 ASA (cont'd)

6.5.8 Property, plant and equipment (cont'd)

	Long term					Total RM'000
	Leasehold Land RM'000	Furniture and Fittings RM'000	Office Equipment RM'000	Machinery RM'000	Motor Vehicles RM'000	
Cost						
At 1.1.2011	3,624	13	237	134	966	4,974
Additions	-	-	-	-	84	157
Disposal	(3,624)	-	-	-	-	(3,697)
At 31.12.2011	-	13	237	134	1,050	1,434
Accumulated Depreciation						
At 1.1.2011	87	12	201	134	525	959
Charge for the financial year	59	-	10	-	167	236
Disposal	(146)	-	-	-	-	(146)
At 31.12.2011	-	12	211	134	692	1,049
Net Carrying Amount						
At 31.12.2011	-	1	26	-	358	385
Cost						
At 1.1.2012	-	13	237	134	1,050	1,434
Additions	-	-	3	-	140	143
At 31.12.2012	-	13	240	134	1,190	1,577
Accumulated Depreciation						
At 1.1.2012	-	12	211	134	692	1,049
Charge for the financial year	-	-	7	-	195	202
At 31.12.2012	-	12	218	134	887	1,251
Net Carrying Amount						
At 31.12.2012	-	1	22	-	303	326

13. ACCOUNTANTS' REPORT (Cont'd)



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6. Historical Financial Information (cont'd)

6.5 ASA (cont'd)

6.5.8 Property, plant and equipment (cont'd)

The net carrying amount of property, plant and equipment held under finance lease arrangement plans are as follows:

	← 2009 RM'000	As at 31 December 2010 RM'000	2011 RM'000	→ 2012 RM'000
Motor vehicles	256	314	194	-

6.5.9 Inventories

	← 2009 RM'000	As at 31 December 2010 RM'000	2011 RM'000	→ 2012 RM'000
At cost, Trading inventories	5,079	5,430	5,790	6,886

6.5.10 Trade receivables

	← 2009 RM'000	As at 31 December 2010 RM'000	2011 RM'000	→ 2012 RM'000
External parties	1,790	1,678	1,695	1,805
Related parties	2	-	-	-
Related companies	299	870	348	379
	2,091	2,548	2,043	2,184
Less: Allowance for impairment loss	-	(144)	(82)	(4)
	2,091	2,404	1,961	2,180

(a) ASA's normal trade credit term granted to customers ranges from 60 to 90 days. The amounts owing by related parties and related companies are subject to normal trade term.

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.5 ASA (cont'd)

6.5.10 Trade receivables (cont'd)

(b) Ageing analysis of trade receivables

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

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Neither past due nor impaired	991	1,403	875	1,025
1 to 30 days past due not impaired	516	516	578	701
31 to 60 days past due not impaired	352	373	392	272
61 to 90 days past due not impaired	197	94	92	145
91 to 120 days past due not impaired	7	2	24	37
More than 121 days past due not impaired	28	16	-	-
	1,100	1,001	1,086	1,155
Impaired	-	144	82	4
	2,091	2,548	2,043	2,184

Receivables that are neither past due nor impaired

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

None of ASA's trade receivables that are neither past due nor impaired have been renegotiated during the year. Based on historical default rates, ASA believes that no collective impairment loss is necessary in respect of trade receivables past due.

Receivables that are past due but not impaired

ASA has trade receivables amounting to approximately RM1,155,000 (2011: RM1,086,000; 2010: RM1,001,000 and 2009: RM1,100,000) that are past due at the reporting date but not impaired because there have been no significant changes in credit quality of the debtors and the amounts are still considered recoverable. ASA does not hold any collateral or credit enhancements over these balances. Based on historical default rates, ASA believes that no collective impairment loss is necessary in respect of trade receivables past due.

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6. Historical Financial Information (cont'd)

6.5 ASA (cont'd)

6.5.10 Trade receivables (cont'd)

(b) Ageing analysis of trade receivables (cont'd)

Receivables that are impaired

The movements in allowance accounts are as follows:

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
At beginning of the financial year	-	-	144	82
Charge for the financial year	-	144	5	-
Reversal during the financial year	-	-	(67)	(78)
At end of the financial year	-	144	82	4

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

6.5.11 Other receivables, deposits and prepayments

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Sundry receivables	1	-	3	-
Deposits	32	39	39	38
Prepayments	22	93	28	47
	55	132	70	85

Included in deposits is an amount of RM30,000 (2011: RM30,000; 2010: RM30,000 and 2009: RM 30,000) being rental deposit paid to a related company.

6.5.12 Share capital

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Authorised :				
5,000,000 ordinary shares of RM1 each	5,000	5,000	5,000	5,000
Issued and fully paid :				
1,800,000 ordinary shares of RM1 each	1,800	1,800	1,800	1,800

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 ASA. All shares rank equally with regard to ASA's residual assets.

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.5 ASA (cont'd)

6.5.13 Borrowings

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Current:				
Secured:				
Term loan	207	207	-	-
Finance lease payables (Section 6.5.18)	64	117	13	-
	<u>271</u>	<u>324</u>	<u>13</u>	<u>-</u>
Unsecured:				
Bankers' acceptances	490	233	164	-
	<u>761</u>	<u>557</u>	<u>177</u>	<u>-</u>
Non-current:				
Secured:				
Term loan	1,800	1,599	-	-
Finance lease payables (Section 6.5.18)	72	19	-	-
	<u>1,872</u>	<u>1,618</u>	<u>-</u>	<u>-</u>

The above borrowings (except for finance lease payables) bear interest at rates as follows:

	2009	2010	2011	2012
	%	%	%	%
Term loan	3.75	4.55	-	-
Bankers' acceptances	2.84 to 3.42	3.58 to 3.68	3.81	-

The maturity profile of term loan is as follows:

	← Maturity →					
	← Current →		Non-current		Sub-total	Total
	Within 1 year RM'000	Within 1-2 years RM'000	Within 2-5 years RM'000	More than 5 years RM'000		
As at 31 December 2009	207	200	601	999	1,800	2,007
As at 31 December 2010	207	200	601	798	1,599	1,806
As at 31 December 2011	-	-	-	-	-	-
As at 31 December 2012	-	-	-	-	-	-

The term loan is secured as follows:

- (i) legal charge over ASA's long term leasehold land; and
- (ii) jointly and severally guaranteed by the directors of ASA.

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.5 ASA (cont'd)

6.5.13 Borrowings (cont'd)

The unsecured bankers' acceptances is supported as follows:

- (i) legal charge over LF Holdings' freehold property;
- (ii) jointly and severally guaranteed by the directors of ASA;
- (iii) corporate guarantee given by a related company; and
- (iv) pledge of fixed deposits belonging to certain directors of ASA.

6.5.14 Deferred tax liabilities

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
At the beginning of the financial year	12	33	45	45
Recognised in profit or loss (Section 6.5.7)	21	12	-	(12)
At end of the financial year	<u>33</u>	<u>45</u>	<u>45</u>	<u>33</u>

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

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Differences between the carrying amount of property, plant and equipment and its tax base	33	45	45	33

6.5.15 Trade payables

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
External parties	165	11	20	10
Related companies	371	1,412	1,173	1,837
	<u>536</u>	<u>1,423</u>	<u>1,193</u>	<u>1,847</u>

The normal credit term granted by the suppliers to ASA ranges from 60 to 90 days. Amounts owing to related companies are subject to normal trade term.

The foreign currency exposure profile is as follows:

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
USD	154	-	-	-

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.5 ASA (cont'd)

6.5.16 Deposits received and accruals

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Deposits received	-	-	15	-
Accruals	6	67	12	16
	<u>6</u>	<u>67</u>	<u>27</u>	<u>16</u>

6.5.17 Amount owing to a related company

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

6.5.18 Finance lease payables

	← As at 31 December →			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Future minimum lease payments	142	140	13	-
Less: Future finance charges	(6)	(4)	-	-
Total present value of minimum lease payments	<u>136</u>	<u>136</u>	<u>13</u>	<u>-</u>

Current liabilities

Payable within 1 year

Future minimum lease payments

Less: Future finance charges

Present value of minimum

lease payments

68	121	13	-
(4)	(4)	-	-
64	117	13	-

Non-current liabilities

Payable after 1 year but not

later than 5 years

Future minimum lease payments

Less: Future finance charges

Present value of minimum

lease payments

Total present value of minimum

lease payments

74	19	-	-
(2)	-	-	-
72	19	-	-
136	136	13	-

The finance lease payables bear effective interest at rates of nil (2011: 5.60%, 2010: 4.33% to 5.60 % and 2009: 4.33%) per annum.

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.5 ASA (cont'd)

6.5.19 Purchase of property, plant and equipment

ASA acquired property, plant and equipment with aggregate cost of approximately RM143,000 (2011: RM157,000; 2010: RM188,000 and 2009: RM3,798,000) which was satisfied as follows:

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Finance lease arrangements	-	100	-	
Advances paid to contractors in prior year	-	-	64	-
Cash payments	3,798	88	93	143
	<u>3,798</u>	<u>188</u>	<u>157</u>	<u>143</u>

6.5.20 Dividend

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
First interim dividend of RM1.48 on 1,800,000 ordinary shares, less 25% tax per ordinary shares, in respect of financial year ended 31 December 2011	-	-	2,000	-
	<u>-</u>	<u>-</u>	<u>2,000</u>	<u>-</u>

6.5.21 Related party disclosures

(a) Identity of related parties

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

ASA has a related party relationship with Leon Fuat, LF Holdings, related companies, related parties and key management personnel. Related companies refer to subsidiary companies of LF Holdings. Related parties refer to companies in which a director of ASA has substantial financial interests.

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.5 ASA (cont'd)

6.5.21 Related party disclosures (cont'd)

(b) Related party transactions

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Trade				
(Received and receivable from)/Paid and payable to related companies				
- Sales	(1,841)	(2,373)	(1,659)	(2,284)
- Purchases	1,390	3,157	4,164	8,116
- Steel cutting charges	13	-	10	1
	<u>13</u>	<u>-</u>	<u>10</u>	<u>1</u>
Received and receivable from a related party				
- Sales	(9)	-	-	-
	<u>(9)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Non-trade				
(Received and receivable from)/paid and payable to LF Holdings				
- Proceeds from disposal of leasehold land	-	-	(3,800)	-
- Dividend (net)	-	-	2,000	-
- Management fees	64	69	71	74
	<u>64</u>	<u>69</u>	<u>71</u>	<u>74</u>
Paid and payable to a related company company				
- Rental expense	120	120	120	120
	<u>120</u>	<u>120</u>	<u>120</u>	<u>120</u>
Purchase of motor vehicle from a director	-	-	-	140
	<u>-</u>	<u>-</u>	<u>-</u>	<u>140</u>

(c) Key management personnel compensation

Key management personnel include personnel having authority and responsibility for planning, directing and controlling the activities of the entity, either directly or indirectly, including any director of ASA.

The compensation of key management personnel are as follows:

	← As at 31 December →			
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Short term employee benefits (including estimated monetary value of benefits-in-kind)	192	253	253	313
Post-employment benefits	22	29	29	36
	<u>214</u>	<u>282</u>	<u>282</u>	<u>349</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.5 ASA (cont'd)

6.5.22 Financial risk management objectives policies

ASA is exposed to a variety of risks in the normal course of business. ASA's risk management seeks to minimise the potential adverse effects from these exposures.

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

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

(i) Interest rate risk

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

ASA's exposure to interest rate risk relates to interest bearing financial liabilities which include finance lease payables, bankers' acceptances and term loan.

As at 31 December 2009, 2010, and 2011 borrowings at floating rates amounting to approximately RM2,497,000, RM2,039,000, and RM164,000 respectively expose ASA to cash flow interest rate risk whilst borrowings at fixed rate amounting to approximately RM136,000, RM136,000, and RM13,000 and respectively expose ASA to fair value interest risk.

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

Sensitivity analysis for interest rate risk

The potential change in ASA's profit for the FYE 31 December 2009, 2010 and 2011 resulting from hypothetical 50 basis point change in interest rates applied to floating rate borrowings would be insignificant.

(ii) Credit risk

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

ASA's exposure to credit risk primarily arises from its trade and other receivables and the maximum risk associated with recognised financial assets is the carrying amounts as presented in the statement of financial position.

ASA has a credit policy in place and the exposure to credit risk is managed through the application of credit approvals, credit limits and monitoring procedures. For other financial assets, ASA minimises credit risk by dealing with high credit rating counterparties.

At the reporting date, approximately 17% (2011: 18%, 2010: 36% and 2009: 14%) of ASA's trade receivables were due from related companies.

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)
6.5 ASA (cont'd)
6.5.22 Financial risk management objectives policies (cont'd)

(iii) Liquidity risk

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

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

Analysis of financial instruments by remaining contractual maturities

The table below summarises the maturity profile of ASA's financial liabilities at the reporting date based on contractual undiscounted repayment obligations.

	Carrying Amount RM'000	Contractual cash flows RM'000	On demand or Within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	Over 5 years RM'000
As at 31 December 2009						
Financial liabilities:						
Trade and other payables	542	542	542	-	-	-
Finance lease payables	136	142	68	74	-	-
Bankers' acceptances	490	490	490	-	-	-
Term loan	2,007	2,514	275	271	781	1,187
Amount owing to fellow subsidiary company	615	615	615	-	-	-
	<u>3,790</u>	<u>4,303</u>	<u>1,990</u>	<u>345</u>	<u>781</u>	<u>1,187</u>
As at 31 December 2010						
Financial liabilities:						
Trade and other payables	1,490	1,490	1,490	-	-	-
Finance lease payables	136	140	121	19	-	-
Bankers' acceptances	233	233	233	-	-	-
Term loan	1,806	2,297	281	274	767	975
Amount owing to fellow subsidiary company	276	276	276	-	-	-
	<u>3,941</u>	<u>4,436</u>	<u>2,401</u>	<u>293</u>	<u>767</u>	<u>975</u>
As at 31 December 2011						
Financial liabilities:						
Trade and other payables	1,220	1,220	1,220	-	-	-
Finance lease payables	13	13	13	-	-	-
Bankers' acceptances	164	164	164	-	-	-
Dividend payable	2,000	2,000	2,000	-	-	-
	<u>3,397</u>	<u>3,397</u>	<u>3,397</u>	<u>-</u>	<u>-</u>	<u>-</u>

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)
- 6.5 ASA (cont'd)
- 6.5.22 Financial risk management objectives policies (cont'd)

	On demand					
	Carrying Amount RM'000	Contractual cash flows RM'000	Within 1 year RM'000	1 to 2 years RM'000	2 to 5 years RM'000	Over 5 years RM'000
As at 31 December 2012						
Financial liabilities:						
Trade and other payables	1,863	1,863	1,863	-	-	-

6.5.23 Capital management

The primary objective of ASA's capital management is to ensure that it maintains a healthy capital ratio in order to support its business and maximise shareholder value.

ASA manages its capital structure and makes adjustments to it, in light of changes in economic conditions. To maintain or adjust capital structure, ASA may adjust the dividend payment to shareholders, return capital to shareholders or issue new shares.

ASA is not subject to any externally imposed capital requirements.

ASA monitors capital using net debts to net debts plus equity ratio, which is net debts divided by total equity plus net debts. Net debts comprise term loan, bankers' acceptances and finance lease payables less cash and bank balances whilst total equity is the shareholders' funds of ASA.

The net debts to net debts plus equity ratio as at 31 December is as follows:

	As at 31 December			
	2009 RM'000	2010 RM'000	2011 RM'000	2012 RM'000
Interest-bearing borrowings	2,633	2,175	177	-
Less: Cash and bank balances	(168)	(273)	(2,756)	(803)
Total net debts/(cash)	2,465	1,902	(2,579)	(803)
Total equity	7,343	8,200	7,384	8,311
Total net debts plus equity	9,808	10,102	4,805	7,508
Net debts to net debts plus equity ratio (times)	0.25	0.19	n/m	n/m

13. ACCOUNTANTS' REPORT (Cont'd)

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6. Historical Financial Information (cont'd)

6.5 ASA (cont'd)

6.5.24 Fair value of financial instruments

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

(i) Cash and bank balances, trade and other receivables and payables

The carrying amounts approximate fair values due to the relatively short term maturity of these financial assets and liabilities.

(ii) Borrowings

The carrying amount of short term borrowings approximates fair value due to the relatively short term maturity of these financial liabilities.

The carrying amount of long term floating rate loan approximates its fair value as it is priced to market interest rate on or near the reporting date.

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

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

	←	As at 31 December		→
	2009	2010	2011	2012
	RM'000	RM'000	RM'000	RM'000
Financial liability				
Finance lease payables				
- Carrying amount	136	136	13	-
- Fair value	132	135	13	-

6.5.25 Significant event subsequent to FYE 31 December 2012

On 2 January 2013, LF Holdings completed the disposal of its entire equity interests in ASA to Leon Fuat pursuant to a conditional share sale agreement entered into with Leon Fuat on 18 June 2012. Consequently, Leon Fuat became the holding company of ASA.

13. ACCOUNTANTS' REPORT (Cont'd)

Leon Fuat Berhad
Accountants' Report
25 April 2013



6. Historical Financial Information (cont'd)

6.5 ASA (cont'd)

6.5.26 Reclassifications in the audited financial statements

In presenting this report, no material reclassification has been made to the audited financial statements of ASA for the Relevant FYs other than those arising from adoption of Amendments to FRS 117, *Leases*. The reclassifications made are set out as follows:

	Note	As previously classified RM'000	Reclassification RM'000	As reclassified RM'000
As at 31 December 2009				
Statement of financial position				
Property, plant and equipment	(a)	473	3,602	4,075
Prepaid land lease payment	(a)	3,602	(3,602)	-

Note:

- (a) Being reclassification of long term leasehold land from prepaid land lease payment to property, plant, equipment arising from adopting Amendments to FRS 117.

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13. ACCOUNTANTS' REPORT (Cont'd)

Leon Fuat Berhad
Accountants' Report
25 April 2013



7. Summary of significant accounting policies

(a) Foreign currencies

(i) Functional and presentation currency

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

(ii) Foreign currency transactions

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

Exchange differences arising on the settlement of monetary items and on the translation of monetary items, are included in profit or loss for the period.

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

The exchange rates (denominated in units of RM per foreign currency) as at each financial year end used in translating foreign currency amounts are as follows:-

	2012	2011	2010	2009
	RM	RM	RM	RM
1 USD	3.0583	3.1716	3.0880	3.4245
1 SGD	2.5030	2.4000	2.3900	2.4401

(b) Revenue recognition

(i) Goods sold

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

(ii) Dividend income

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

13. ACCOUNTANTS' REPORT (Cont'd)

Leon Fuat Berhad
Accountants' Report
25 April 2013



7. Summary of significant accounting policies (cont'd)

(b) Revenue recognition

(iii) Rental income

Rental income is recognised on an accrual basis.

(iv) Interest income

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

(c) Employee benefits

(i) Short term employee benefits

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

(ii) Post-employment benefits - Defined contribution plans

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

(d) Borrowing costs

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

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

(e) Tax expense

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

Leon Fuat Berhad
Accountants' Report
25 April 2013



7. Summary of significant accounting policies (cont'd)

(e) Tax expense (cont'd)

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

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

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

(f) Property, plant and equipment

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

No depreciation is provided on the freehold industrial land. Leasehold land is depreciated over the lease term of ranges from 44 to 60 years and other property, plant and equipment are depreciated to write off the cost of the property, plant and equipment over their estimated useful lives.

The principal annual rates used for this purpose are:

Freehold buildings	2%
Furniture, fittings and electrical equipment	10%
Office equipment	10% - 20%
Forklift, cranes, tools, plant and machinery	10% - 20%
Motor vehicles	20%

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

13. ACCOUNTANTS' REPORT (Cont'd)

Leon Fuat Berhad
Accountants' Report
25 April 2013



7. Summary of significant accounting policies (cont'd)

(f) Property, plant and equipment

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

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

(g) Capital work-in-progress

Capital work-in-progress is stated at cost and includes borrowing cost incurred during the period of construction.

No depreciation is provided on capital work-in-progress and upon completion of construction, the cost will be transferred to property, plant and equipment.

(h) Investment properties

Investment properties are properties which are held either to earn rentals or for capital appreciation or both.

Prior to date of transition of 1 January 2011, subsequent to initial recognition, investment properties are stated at fair value. Fair value is arrived at by reference to market evidence of transaction prices for similar properties in the same location and condition and subject to similar lease and other contracts.

On 1 January 2012, the Relevant Companies in accordance with the exceptions in MFRS 1, elected to measure their investment properties at fair value as at date of transition of 1 January 2011 as their deemed cost as at that date. Subsequent to the date of transition, the investment properties are stated at cost less accumulated depreciation and accumulated impairment losses if any.

An investment property is derecognised on its disposal, or when it is permanently withdrawn from use and no future economic benefits are expected from its disposal. The difference between the net disposal proceeds and the carrying amount is recognised in profit or loss in the period in which item is derecognised.

(i) Impairment of non-financial assets

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

Leon Fuat Berhad
Accountants' Report
25 April 2013



7. Summary of significant accounting policies (cont'd)

(j) Inventories

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

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

(k) Cash and cash equivalents

Cash and cash equivalents comprise cash at bank and on hand, demand deposits, and short-term highly liquid investments that are readily convertible to known amount of cash and which are subject to an insignificant risk of changes in value. For the purpose of statements of cash flows, cash and cash equivalents are presented net of bank overdrafts.

(l) Financial assets

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

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

The Relevant Companies determine the classification of their financial assets at initial recognition, and has categorised financial assets as loans and receivables and available-for-sale.

(i) Loans and receivables

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

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

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

The Group classifies the followings assets as loans and receivables:-

- Cash and cash equivalents; and
- Trade and other receivables including deposits and amounts owing by related companies.

13. ACCOUNTANTS' REPORT (*Cont'd*)

Leon Fuat Berhad
Accountants' Report
25 April 2013



7. Summary of significant accounting policies (cont'd)

(i) Financial assets (cont'd)

(ii) Available-for-sale financial assets

Available-for-sale are financial assets that are designated as available for sale or are not classified as financial asset at fair value through profit or loss, loans and receivables and held-to-maturity investments.

After initial recognition, available-for-sale financial assets are measured at fair value. Any gains or losses from changes in fair value of the financial asset are recognised in other comprehensive income, except that impairment losses, foreign exchange gains and losses on monetary instruments and interest calculated using the effective interest method are recognised in profit or loss. The cumulative gain or loss previously recognised in other comprehensive income is reclassified from equity to profit or loss as a reclassification adjustment when the financial asset is derecognised. Interest income calculated using the effective interest method is recognised in profit or loss. Dividends on an available-for-sale equity instrument are recognised in profit or loss when the Relevant Companies' right to receive payment is established.

Available-for-sale financial assets are classified as non-current assets unless they are expected to be realised within 12 months after the reporting date.

The Relevant Companies classifies investment in quoted shares as available-for-sale financial assets.

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

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

13. ACCOUNTANTS' REPORT (*Cont'd*)

Leon Fuat Berhad
Accountants' Report
25 April 2013



7. Summary of significant accounting policies (cont'd)

(m) Impairment of financial assets

The Relevant Companies assess at each reporting date whether there is any objective evidence that a financial asset is impaired.

(i) Trade and other receivables and other financial assets carried at amortised cost

To determine whether there is objective evidence that an impairment loss on financial assets has been incurred, the Relevant Companies consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. For certain categories of financial assets, such as trade receivables, assets that are assessed not to be impaired individually are subsequently assessed for impairment on a collective basis based on similar risk characteristics. Objective evidence of impairment for a portfolio of receivables could include the Relevant Companies' past experience of collecting payments, an increase in the number of delayed payments in the portfolio past the average credit period and observable changes in national or local economic conditions that correlate with default on receivables.

If any such evidence exists, the amount of impairment loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The impairment loss is recognised in profit or loss.

The carrying amount of the financial asset is reduced by the impairment loss directly for all financial assets with the exception of trade receivables, where the carrying amount is reduced through the use of an allowance account. When a trade receivable becomes uncollectible, it is written off against the allowance account.

If in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed to the extent that the carrying amount of the asset does not exceed its amortised cost at the reversal date. The amount of reversal is recognised in profit or loss.

(ii) Available-for-sale financial assets

Significant or prolonged decline in fair value below cost, significant financial difficulties of the issuer or obligor, and the disappearance of an active trading market are considerations to determine whether there is objective evidence that investment securities classified as available-for-sale financial assets are impaired.

If an available-for-sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal payment and amortisation) and its current value, less any impairment loss previously recognised in profit or loss, is transferred from equity to profit or loss.

Impairment losses on available-for-sale equity investments are not reversed in profit or loss in the subsequent periods. Increase in fair value, if any, subsequent to impairment loss is recognised in other comprehensive income. For available-for-sale debt investments, impairment losses are subsequently reversed in profit or loss if an increase in the fair value of the investment can be objectively related to an event occurring after the recognition of the impairment loss in profit or loss.

13. ACCOUNTANTS' REPORT (Cont'd)

Leon Fuat Berhad
Accountants' Report
25 April 2013



7. Summary of significant accounting policies (cont'd)

(n) Share capital

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

(o) ABBA Facility

Cost of property, plant and equipment acquired under the ABBA facility are capitalised as property, plant and equipment and depreciated in accordance with the Relevant Companies' policy on depreciation of property, plant and equipment. The ABBA facility obligations are included in borrowings and the related financing charges are allocated to profit or loss on a systematic basis over the period of the financing.

(p) Leases

(i) Finance lease – the Group as lessee

Assets acquired by way of finance leases where the Relevant Companies assume substantially all the benefits and risks of ownership are classified as property, plant and equipment.

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

Property, plant and equipment acquired under finance lease is depreciated in accordance with the depreciation policy for property, plant and equipment.

(ii) Operating lease – the Group as lessee

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

(iii) Operating lease – the Group as lessor

Assets leased out under operating leases are presented on the statements of financial position according to the nature of the assets. Rental income from operating leases is recognised on a straight-line basis over the term of the relevant lease.

13. ACCOUNTANTS' REPORT (*Cont'd*)

Leon Fuat Berhad
Accountants' Report
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7. Summary of significant accounting policies (cont'd)

(q) Financial liabilities

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

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

(i) Other financial liabilities

The Relevant Companies' other financial liabilities include trade payables, other payables including deposits received and accruals and borrowings.

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

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

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

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

(r) Financial Guarantee Contracts

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

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

13. ACCOUNTANTS' REPORT (*Cont'd*)

Leon Fuat Berhad
Accountants' Report
25 April 2013



7. Summary of significant accounting policies (cont'd)

(s) Provision

A provision is recognised if, as a result of a past event, the Relevant Companies have present legal or constructive obligation that can be estimated reliably, and it is probable that an outflow of economic benefits will be required to settle the obligation.

(t) Contingencies

A contingent liability or asset is a possible obligation or asset that arises from past events and whose existence will be confirmed only by the occurrence or non-occurrence of uncertain future event(s) not wholly within the control of the Relevant Companies.

Contingent liabilities or assets are not recognised in the statements of financial positions.

7.1. Significant accounting estimation and judgements

The preparation of financial statements of the Relevant Companies require management to make assumptions, estimates and judgements that effect the application of accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from the estimates. Assumptions and estimates are reviewed on an ongoing basis and are recognised in the period in which the assumption or estimate is revised.

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

- (i) Depreciation of property, plant and equipment – property, plant and equipment are depreciated on a straight line basis over the assets useful lives. Management estimates the useful lives of these property, plant and equipment to be within 5 to 50 years. Changes in the expected level of usage and technological developments could impact the economic useful lives and the residual values of these assets resulting in revision for future depreciation charges.
- (ii) Impairment loss on trade receivables – the Relevant Companies assess at each reporting date whether there is any objective evidence that a receivable is impaired. Allowances are applied where events or changes in circumstances indicate that the balances may not be collectable. To determine whether there is objective evidence of impairment, the Relevant Companies consider factors such as the probability of insolvency or significant financial difficulties of the debtor and default or significant delay in payments. Where the expectation is different from the original estimate, such difference will impact the carrying amount of receivables at the reporting date.
- (iii) Tax expense – significant judgement is required in determining the capital allowances and deductibility of certain expenses when estimating the provision for taxation. There were transactions during the ordinary course of business for which the ultimate tax determination of whether additional taxes will be due is uncertain. The Relevant Companies recognise liabilities for tax based on estimates of assessment of the tax liability due. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax in the periods in which the outcome is known.

13. ACCOUNTANTS' REPORT (*Cont'd*)


Leon Fuat Berhad
Accountants' Report
25 April 2013




8. Audited financial statements

As at the date of this report, no audited financial statements have been prepared in respect of any period subsequent to 31 December 2012 for Leon Fuat, LF Hardware, LF Klang, Supreme, and ASA.

Yours faithfully,


BAKER TILLY AC
AF 001826
Chartered Accountants

Kuala Lumpur


LEE KONG WENG
2967/07/13(J)
Chartered Accountant

13. ACCOUNTANTS' REPORT (*Cont'd*)

APPENDIX I

Company No.: 756407-D

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

A-37-1, Level 37
Menara UOA Bangsar
No 5 Jalan Bangsar Utama 1
59000 Kuala Lumpur
Malaysia

Tel: 603 2302 1888
Fax: 603 2302 1999

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

Report on the Financial Statements

We have audited the financial statements of Leon Fuat Berhad, which comprise the balance sheet as at 31 December 2009, and the income statement, statement of changes in equity and cash flow statement for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 7 to 16.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

13. ACCOUNTANTS' REPORT (Cont'd)

APPENDIX I (cont'd)

Company No.: 756407-D

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

Opinion

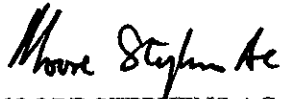
In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2009 and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the Act.

Other Matters

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



MOORE STEPHENS AC
Chartered Accountants
(AF 001826)

Kuala Lumpur
1 June 2010



AU TAI WEE
1551/01/11 (J)
Chartered Accountant

13. ACCOUNTANTS' REPORT (*Cont'd*)

APPENDIX I

Company No.: 756407-D

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

A-37-1 Level 37
Menara UOA Bangsar
5 Jalan Bangsar Utama 1
59000 Kuala Lumpur
Malaysia

Tel: 603 2302 1888
Fax: 603 2302 1999

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

Report on the Financial Statements

We have audited the financial statements of Leon Fuat Berhad, comprise the statement of financial position as at 31 December 2010, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 7 to 20.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

13. ACCOUNTANTS' REPORT (*Cont'd*)

APPENDIX I (cont'd)

Company No.: 756407-D

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

Opinion


In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2010 and of its financial performance and cash flows for the year then ended.


Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

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


MOORE STEPHENS AC
Chartered Accountants
(AF 001826)


AU TAI WEE
1551/01/13 (J)
Chartered Accountant

Kuala Lumpur
31 March 2011

13. ACCOUNTANTS' REPORT (*Cont'd*)

APPENDIX I

Company No.: 756407-D

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

A-37-1, Level 37
Menara UOA Bangsar
No 5 Jalan Bangsar Utama 1
59000 Kuala Lumpur
Malaysia

Tel: 603 2302 1888
Fax: 603 2302 1999

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

Report on the Financial Statements

We have audited the financial statements of Leon Fuat Berhad, comprise the statement of financial position as at 31 December 2011, the statement of comprehensive income, statement of changes in equity and statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory information as set out on pages 7 to 18.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

13. ACCOUNTANTS' REPORT (*Cont'd*)

APPENDIX I (cont'd)

Company No.: 756407-D

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2011 and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements


In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

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

Moore Stephens AC
MOORE STEPHENS AC
Chartered Accountants
(AF 001826)

Kuala Lumpur
30 March 2012


LEE KONG WENG
2967/07/13 (J)
Chartered Accountant

13. ACCOUNTANTS' REPORT (*Cont'd*)

APPENDIX I

Company No.: 756407-D



Baker Tilly AC
(formerly known as Moore Stephens AC)
Chartered Accountants (AF001826)
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
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www.bakertillymh.com.my

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
LEON FUAT BERHAD**
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Leon Fuat Berhad, which comprise the statement of financial position as at 31 December 2012 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on as set out on pages 7 to 21.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

APPENDIX I (cont'd)

Company No.: 756407-D



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF
LEON FUAT BERHAD** (cont'd)
(Incorporated in Malaysia)

Opinion

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


Report on Other Legal and Regulatory Requirements


In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.

Other Matters

As stated in Note 2 to the financial statements, Leon Fuat Berhad adopted the Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statement of financial position as at 31 December 2011 and 1 January 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 December 2011 and its related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as at 31 December 2012 and the financial performance and cash flows for the financial year then ended.

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


BAKER TILLY AC
AF 001826
Chartered Accountants


LEE KONG WENG
2967/07/13 (J)
Chartered Accountant

Kuala Lumpur
22 March 2013

13. ACCOUNTANTS' REPORT (*Cont'd*)

APPENDIX II

Company No.: 82300-H

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

A-37-1, Level 37
Menara UOA Bangsar
No 5 Jalan Bangsar Utama 1
59000 Kuala Lumpur
Malaysia

Tel: 603 2302 1888
Fax: 603 2302 1999

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
LEON FUAT HARDWARE SDN. BHD.**
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Leon Fuat Hardware Sdn. Bhd., which comprise the balance sheet as at 31 December 2009 of the Company, and the income statement, statement of changes in equity and cash flow statement of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 36.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

13. ACCOUNTANTS' REPORT (*Cont'd*)

APPENDIX II (cont'd)

Company No.: 82300-H

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

Opinion

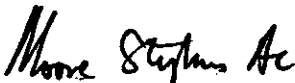
In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2009 and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements


In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the Act.

Other Matters

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


MOORE STEPHENS AC
Chartered Accountants
AF 001826

Kuala Lumpur
1 June 2010


AU TAI WEE
1551/01/11 (J)
Chartered Accountant

13. ACCOUNTANTS' REPORT (Cont'd)

APPENDIX II

Company No.: 82300-H

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

A-37-1 Level 37
Menara UOA Bangsar
5 Jalan Bangsar Utama 1
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Tel: 603 2302 1888
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**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
LEON FUAT HARDWARE SDN. BHD.**
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Leon Fuat Hardware Sdn. Bhd., which comprise the statement of financial position as at 31 December 2010 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 9 to 42.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

13. ACCOUNTANTS' REPORT (*Cont'd*)

APPENDIX II (cont'd)

Company No.: 82300-H

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

Opinion


In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2010 and of its financial performance and cash flows for the year then ended.


Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

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


MOORE STEPHENS AC
Chartered Accountants
AF 001826


AU TAI WEE
1551/01/13 (J)
Chartered Accountant

Kuala Lumpur
31 March 2011

13. ACCOUNTANTS' REPORT (*Cont'd*)

APPENDIX II

Company No.: 82300-H

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

A-37-1, Level 37
Menara UOA Bangsar
No 5 Jalan Bangsar Utama 1
59000 Kuala Lumpur
Malaysia

Tel: 603 2302 1888
Fax: 603 2302 1999

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
LEON FUAT HARDWARE SDN. BHD.**
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Leon Fuat Hardware Sdn. Bhd., which comprise the statement of financial position as at 31 December 2011 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 40.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

APPENDIX II (cont'd)

Company No.: 82300-H

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2011 and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements


In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

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

Moore Stephens AC
MOORE STEPHENS AC
Chartered Accountants
AF 001826

Kuala Lumpur
30 March 2012


LEE KONG WENG
2967/07/13 (J)
Chartered Accountant

13. ACCOUNTANTS' REPORT (*Cont'd*)

APPENDIX II

Company No.: 82300-H



BAKER TILLY

Baker Tilly AC
(formerly known as Moore Stephens AC)
Chartered Accountants (AF001826)
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Malaysia

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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
LEON FUAT HARDWARE SDN. BHD.**

(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Leon Fuat Hardware Sdn. Bhd., which comprise the statement of financial position as at 31 December 2012 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 46.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

13. ACCOUNTANTS' REPORT (*Cont'd*)

APPENDIX II (cont'd)

Company No.: 82300-H



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
LEON FUAT HARDWARE SDN. BHD.** (cont'd)
(Incorporated in Malaysia)

Opinion

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

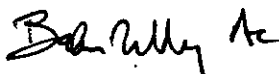
Report on Other Legal and Regulatory Requirements


In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company have been properly kept in accordance with the requirements of the Companies Act, 1965 in Malaysia.

Other Matters

As stated in Note 2 to the financial statements, Leon Fuat Hardware Sdn. Bhd. adopted the Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statement of financial position as at 31 December 2011 and 1 January 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 December 2011 and its related disclosures. We were not engaged to report on the restated comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as at 31 December 2012 and the financial performance and cash flows for the financial year then ended.

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


BAKER TILLY AC
AF 001826
Chartered Accountants


LEE KONG WENG
2967/07/13(J)
Chartered Accountant

Kuala Lumpur
22 March 2013

13. ACCOUNTANTS' REPORT (*Cont'd*)

APPENDIX III

Company No.: 98815-D

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

A-37-1, Level 37
Menara UOA Bangsar
No 5 Jalan Bangsar Utama 1
59000 Kuala Lumpur
Malaysia

Tel: 603 2302 1888
Fax: 603 2302 1999

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
LEON FUAT HARDWARE (KLANG) SDN. BHD.**
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Leon Fuat Hardware (Klang) Sdn. Bhd., which comprise the balance sheet as at 31 December 2009 of the Company, and the income statement, statement of changes in equity and cash flow statement of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 36.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

13. ACCOUNTANTS' REPORT (Cont'd)

APPENDIX III (cont'd)

Company No.: 98815-D

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

Opinion


In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2009 and of its financial performance and cash flows for the year then ended.


Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the Act.

Other Matters

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


MOORE STEPHENS AC
Chartered Accountants
AF 001826


AU TAI WEE
1551/01/11 (J)
Chartered Accountant

Kuala Lumpur
1 June 2010

13. ACCOUNTANTS' REPORT (*Cont'd*)

APPENDIX III

Company No.: 98815-D

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

A-37-1 Level 37
Menara UOA Bangsar
5 Jalan Bangsar Utama 1
59000 Kuala Lumpur
Malaysia

Tel: 603 2302 1888
Fax: 603 2302 1999

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
LEON FUAT HARDWARE (KLANG) SDN. BHD.**
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Leon Fuat Hardware (Klang) Sdn. Bhd., which comprise the statement of financial position as at 31 December 2010 of the Company, and statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 44.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

APPENDIX III (cont'd)

Company No.: 98815-D

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

Opinion

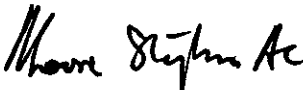
In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2010 and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

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


MOORE STEPHENS AC
Chartered Accountants
AF 001826

Kuala Lumpur
31 March 2011


AU TAI WEE
1551/01/13 (J)
Chartered Accountant

13. ACCOUNTANTS' REPORT (Cont'd)

APPENDIX III

Company No.: 98815-D

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

A-37-1, Level 37
Menara UOA Bangsar
No 5 Jalan Bangsar Utama 1
59000 Kuala Lumpur
Malaysia

Tel: 603 2302 1888
Fax: 603 2302 1999

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
LEON FUAT HARDWARE (KLANG) SDN. BHD.**
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Leon Fuat Hardware (Klang) Sdn. Bhd., which comprise the statement of financial position as at 31 December 2011 of the Company, and statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 44.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

APPENDIX III (cont'd)

Company No.: 98815-D

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO. AF.001826)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as at 31 December 2011 and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

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

Moore Stephens AC

MOORE STEPHENS AC
Chartered Accountants
AF 001826

Kuala Lumpur
30 March 2012



LEE KONG WENG
2967/07/13 (J)
Chartered Accountant

13. ACCOUNTANTS' REPORT (*Cont'd*)

APPENDIX III

Company No.: 98815-D



BAKER TILLY

Baker Tilly AC
(formerly known as Moore Stephens AC)
Chartered Accountants (AF001826)
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
LEON FUAT HARDWARE (KLANG) SDN. BHD.
(Incorporated in Malaysia)**

Report on the Financial Statements

We have audited the financial statements of Leon Fuat Hardware (Klang) Sdn. Bhd., which comprise the statement of financial position as at 31 December 2012 of the Company, and statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 50.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

APPENDIX III (cont'd)

Company No.: 98815-D



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
LEON FUAT HARDWARE (KLANG) SDN. BHD. (cont'd)**
(Incorporated in Malaysia)

Opinion

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


Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company have been properly kept in accordance with the provisions of the Companies Act, 1965 in Malaysia.

Other Matters

As stated in Note 2 to the financial statements, Leon Fuat Hardware (Klang) Sdn. Bhd. adopted the Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statement of financial position as at 31 December 2011 and 1 January 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 December 2011 and its related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as at 31 December 2012 and the financial performance and cash flows for the financial year then ended.

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


BAKER TILLY AC
AF 001826
Chartered Accountants


LEE KONG WENG
2907/07/13 (J)
Chartered Accountant

Kuala Lumpur
22 March 2013

13. ACCOUNTANTS' REPORT (Cont'd)

APPENDIX IV

Company No.: 210422-M

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

A-37-1, Level 37
Menara UOA Bangsar
No 5 Jalan Bangsar Utama 1
59000 Kuala Lumpur
Malaysia

Tel: 603 2302 1888
Fax: 603 2302 1999

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
SUPREME STEELMAKERS SDN. BHD.**

(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Supreme Steelmakers Sdn. Bhd., which comprise the balance sheet of the Company as at 31 December 2009, and the income statement, statement of changes in equity and cash flow statement of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 33.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

13. ACCOUNTANTS' REPORT (Cont'd)

APPENDIX IV (cont'd)

Company No.: 210422-M

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

Opinion

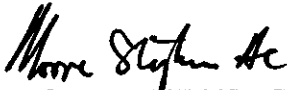
In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2009 and of its financial performance and cash flows for the year then ended.


Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the Act.

Other Matters

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


MOORE STEPHENS AC
Chartered Accountants
AF 001826


AU TAI WEE
1551/01/11 (J)
Chartered Accountant

Kuala Lumpur

01 JUN 2010

13. ACCOUNTANTS' REPORT (*Cont'd*)

APPENDIX IV

Company No.: 210422-M

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

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Tel: 603 2302 1888
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**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
SUPREME STEELMAKERS SDN. BHD.**

(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Supreme Steelmakers Sdn. Bhd., which comprise the statement of financial position as at 31 December 2010 of the Company, and statement of comprehensive income, statement of changes in equity and statement of cash flow of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 9 to 40.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

13. ACCOUNTANTS' REPORT (*Cont'd*)

APPENDIX IV (cont'd)

Company No.: 210422-M

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

Opinion


In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2010 and of its financial performance and cash flows for the year then ended.


Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

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


MOORE STEPHENS AC
Chartered Accountants
AF 001826


AU TAI WEE
1551/01/13 (J)
Chartered Accountant

Kuala Lumpur
31 March 2011

13. ACCOUNTANTS' REPORT (Cont'd)

APPENDIX IV

Company No.: 210422-M

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

A-37-1, Level 37
Menara UOA Bangsar
No 5 Jalan Bangsar Utama 1
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Tel: 603 2302 1888
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**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
SUPREME STEELMAKERS SDN. BHD.**
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Supreme Steelmakers Sdn. Bhd., which comprise the statement of financial position as at 31 December 2011 of the Company, and statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 37.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

13. ACCOUNTANTS' REPORT (*Cont'd*)

APPENDIX IV (cont'd)

Company No.: 210422-M

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

Opinion

In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2011 and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

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

Moore Stephens AC

MOORE STEPHENS AC
Chartered Accountants
AF 001826

Kuala Lumpur
30 March 2012



LEE KONG WENG
2967/07/13 (J)
Chartered Accountant

13. ACCOUNTANTS' REPORT (*Cont'd*)

APPENDIX IV

Company No.: 210422-M



BAKER TILLY

Baker Tilly AC
(formerly known as Moore Stephens AC)
Chartered Accountants (AF001826)
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**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
SUPREME STEELMAKERS SDN. BHD.**
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Supreme Steelmakers Sdn. Bhd., which comprise the statement of financial position as at 31 December 2012 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 42.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

APPENDIX IV (cont'd)

Company No.: 210422-M



**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF
SUPREME STEELMAKERS SDN. BHD.** (cont'd)
(Incorporated in Malaysia)

Opinion

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

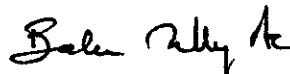
Report on Other Legal and Regulatory Requirements


In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company have been properly kept in accordance with the requirements of the Companies Act, 1965 in Malaysia.

Other Matters

As stated in Note 2 to the financial statements, Supreme Steelmakers Sdn. Bhd. adopted the Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statement of financial position as at 31 December 2011 and 1 January 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 December 2011 and its related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as at 31 December 2012 and the financial performance and cash flows for the financial year then ended.

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


BAKER TILLY AC
AF 001826
Chartered Accountants


LEE KONG WENG
2967/07/13(J)
Chartered Accountant

Kuala Lumpur
22 March 2013

13. ACCOUNTANTS' REPORT (*Cont'd*)

APPENDIX V

Company No.: 345718-D

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

A-37-1, Level 37
Menara UOA Bangsar
No 5 Jalan Bangsar Utama 1
59000 Kuala Lumpur
Malaysia

Tel: 603 2302 1888
Fax: 603 2302 1999

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
ASA STEEL (M) SDN. BHD.**
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Asa Steel (M) Sdn. Bhd., which comprise the balance sheet of the Company as at 31 December 2009, and the income statement, statement of changes in equity and cash flow statement of the Company for the year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on pages 8 to 30.

Directors' Responsibility for the Financial Statements

The directors of the Company are responsible for the preparation and fair presentation of these financial statements in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the Company's preparation and fair presentation of the financial statements 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 Company's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the directors, as well as evaluating the overall presentation of the financial statements.

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

13. ACCOUNTANTS' REPORT (Cont'd)

APPENDIX V (cont'd)

Company No.: 345718-D

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

Opinion


In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2009 and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements


In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the Act.

Other Matters

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


MOORE STEPHENS AC
Chartered Accountants
AF 001826

Kuala Lumpur
1 June 2010


AU TAI WEE
1551/01/11 (J)
Chartered Accountant

13. ACCOUNTANTS' REPORT (Cont'd)

APPENDIX V

Company No.: 345718-D

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

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5 Jalan Bangsar Utama 1
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Malaysia

Tel: 603 2302 1888
Fax: 603 2302 1999

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
ASA STEEL (M) SDN. BHD.**
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Asa Steel (M) Sdn. Bhd., which comprise the statement of financial position as at 31 December 2010 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 35.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

APPENDIX V (cont'd)

Company No.: 345718-D

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

Opinion


In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Company as of 31 December 2010 and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

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


MOORE STEPHENS AC
Chartered Accountants
AF 001826


AU TAI WEE
1551/01/13 (J)
Chartered Accountant

Kuala Lumpur
31 March 2011

13. ACCOUNTANTS' REPORT (*Cont'd*)

APPENDIX V

Company No.: 345718-D

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

A-37-1, Level 37
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Tel: 603 2302 1888
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**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
ASA STEEL (M) SDN. BHD.
(Incorporated in Malaysia)**

Report on the Financial Statements

We have audited the financial statements of Asa Steel (M) Sdn. Bhd., which comprise the statement of financial position as at 31 December 2011 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 36.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

13. ACCOUNTANTS' REPORT (*Cont'd*)

APPENDIX V (cont'd)

Company No.: 345718-D

MOORE STEPHENS AC
CHARTERED ACCOUNTANTS
(FIRM NO: AF.001826)

Opinion


In our opinion, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position at the Company as at 31 December 2011 and of its financial performance and cash flows for the year then ended.

Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company have been properly kept in accordance with the provisions of the Act.

Other Matters

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


MOORE STEPHENS AC
Chartered Accountants
AF 001826

Kuala Lumpur
30 March 2012


LEE KONG WENG
2967/07/13 (J)
Chartered Accountant

13. ACCOUNTANTS' REPORT (Cont'd)

APPENDIX V

Company No.: 345718-D



BAKER TILLY

Baker Tilly AC
(formerly known as Moore Stephens AC)
Chartered Accountants (AF001826)
Baker Tilly MH Tower
Level 10, Tower 1, Avenue 5
Bangsar South City
59200 Kuala Lumpur
Malaysia

T : +603 2297 1000
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www.bakertillymh.com.my

**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
ASA STEEL (M) SDN. BHD.**
(Incorporated in Malaysia)

Report on the Financial Statements

We have audited the financial statements of Asa Steel (M) Sdn. Bhd., which comprise the statement of financial position as at 31 December 2012 of the Company, and the statement of comprehensive income, statement of changes in equity and statement of cash flows of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory information, as set out on pages 8 to 39.

Directors' Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

13. ACCOUNTANTS' REPORT (Cont'd)

APPENDIX V (cont'd)

Company No.: 345718-D



**INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF
ASA STEEL (M) SDN. BHD. (cont'd)**
(Incorporated in Malaysia)

Opinion

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


Report on Other Legal and Regulatory Requirements

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report that in our opinion, the accounting and other records and the registers required by the Companies Act, 1965 in Malaysia to be kept by the Company have been properly kept in accordance with the requirements of the Companies Act, 1965 in Malaysia.

Other Matters

As stated in Note 2 to the financial statements, ASA Steel (M) Sdn. Bhd. adopted the Malaysian Financial Reporting Standards on 1 January 2012 with a transition date of 1 January 2011. These standards were applied retrospectively by the directors to the comparative information in these financial statements, including the statement of financial position as at 31 December 2011 and 1 January 2011, and the statement of comprehensive income, statement of changes in equity and statement of cash flows for the financial year ended 31 December 2011 and its related disclosures. We were not engaged to report on the comparative information and it is unaudited. Our responsibilities as part of our audit of the financial statements of the Company for the financial year ended 31 December 2012 have, in these circumstances, included obtaining sufficient appropriate audit evidence that the opening balances as at 1 January 2012 do not contain misstatements that materially affect the financial position as at 31 December 2012 and the financial performance and cash flows for the financial year then ended.

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


BAKER TILLY AC
AF 001826
Chartered Accountants


LEE KONG WENG
2967/07/13(J)
Chartered Accountant

Kuala Lumpur
22 March 2013

14. DIRECTORS' REPORT



LEON FUAT BERHAD (756407-D)

No. 8, Jalan Tiga, Off Jalan Sungai Besi, 55200 Kuala Lumpur. MALAYSIA.

Tel : 603-9223 6666 (Hunting Line)

Fax : 603-9222 0889, 9222 6999, 9222 6000 (A/C)

08 MAY 2013

Registered Office:
Suite 11.1A, Level 11
Menara Weld,
76 Jalan Raja Chulan,
50200 Kuala Lumpur

The shareholders of Leon Fuat Berhad ("Leon Fuat" or "Company")

Dear Sirs/Madams,

On behalf of the Board of Directors of Leon Fuat, I report after due and careful enquiry that during the period from 31 December 2012 (being the date to which the last audited financial statements of the Company and its subsidiary companies which have been made) up to **08 MAY 2013** (being a date not earlier than 14 days before the issuance of this Prospectus):

- (i) the business of the Company and its subsidiary companies have, in the opinion of the Directors, been satisfactorily maintained;
- (ii) in the opinion of the Directors, no circumstances have arisen since the last audited financial statements of the Company and its subsidiary companies which have adversely affected the trading of the value of the assets of our Company or of its subsidiary companies;
- (iii) the current assets of the Company and its subsidiary companies appear in the books at values which are believed to be realisable in the ordinary course of business;
- (iv) there are no contingent liabilities by reason of any guarantee or indemnities given by the Company or its subsidiary companies;
- (v) since the last audited financial statements of the Company and its subsidiary companies, there has been no default or any known event that could give rise to a default situation, in respect of payments of either interest and/or principal sums in relation to any borrowings in which we are aware of; and
- (vi) since the last audited financial statements of the Company and its subsidiary companies, save as disclosed in the Accountants' Report enclosed in this Prospectus, there have been no material changes in the published reserves or any unusual factors affecting the profits of the Company and its subsidiary companies.

Yours faithfully
For and on behalf of
LEON FUAT BERHAD

O OI BIN KEONG
Group Managing Director

15. ADDITIONAL INFORMATION

15.1 SHARE CAPITAL

- (i) Save as disclosed in this Prospectus, no securities will be allotted or issued on the basis of this Prospectus later than twelve (12) months after the date of this Prospectus.
- (ii) None of the capital of our Company or our subsidiary companies are under option or agreed conditionally or unconditionally to be put under option.
- (iii) Save for our IPO Shares reserved for subscription by the eligible employees and Directors of our Group, there is no other scheme involving the Directors and employees in the capital of our Company or our subsidiary companies.
- (iv) Save as disclosed in Section 8.1 of this Prospectus, there are no other persons who are able to, directly or indirectly, jointly or severally, exercise control over our Company or our subsidiary companies.
- (v) As at the date of this Prospectus, there is no limitation on the right to own securities, including limitations on the right of non-resident or foreign shareholders to hold or exercise voting rights on our Shares imposed by the applicable Malaysian law or by our Memorandum and Articles of Association.

15.2 ARTICLES OF ASSOCIATION

The following provisions relate to the remuneration of directors, voting and borrowing powers of directors, transfer of securities and changes in capital and variation of class rights as reproduced from our Articles of Association (“Article(s)”). The words and expressions appearing in the following provisions shall bear the same meaning used in our Articles unless they are otherwise defined here or the context otherwise requires:

(i) Remuneration of Directors

Article 94

- (1) The fees payable to the Directors shall from time to time be determined by an ordinary resolution of the Company in general meeting PROVIDED THAT such fees shall not be increased except pursuant to an ordinary resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting. Any Director holding office for a part of a year shall be entitled to a proportionate part of such fee.
- (2) Fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover.
- (3) An executive Director shall, subject to the terms of any agreement (if any) entered into in any particular case, receive such remuneration (whether by way of salary, commission or participation in profits, or partly in one (1) way and partly in another) as the Directors may determine.
- (4) Salaries payable to executive Directors may not include a commission on or percentage of turnover.
- (5) Any fee paid to an alternate Director shall be such amount as shall be agreed between himself and the Director nominating him and shall be paid out of the remuneration of the latter.

15. ADDITIONAL INFORMATION (Cont'd)

- (6) The Directors shall also be paid such travelling, hotel and other expenses properly and reasonably incurred by them in the execution of their duties including any such reasonable expenses incurred in connection with their attendance at meetings of the Directors, any committee of the Directors or General Meetings of the Company or in connection with the business of the Company.

(ii) Voting Powers and Borrowing Powers of Directors

Article 99

- (1) The Directors may exercise all the powers of the Company to borrow money from any person, bank, firm or company (expressly including any person holding the office of Director) and to mortgage or charge its undertaking, property and uncalled capital, or any part thereof, and to issue debentures and other securities whether outright or as security for any debt, liability or obligation of the Company, or its wholly owned subsidiaries or of any related or associated corporation. The Directors may guarantee the whole or any part of the loans or debts raised or incurred by or on behalf of the Company or any interest payable thereon with power to the Directors to indemnify the guarantors from or against liability under their guarantees by means of a mortgage or hypothecation of or charge upon any property and asset of the Company or otherwise. The Directors may exercise all the powers of the Company to guarantee and give guarantees or indemnities for the payment of money, the performance of contracts or obligations, or for the benefit or interest of the Company or of any subsidiary corporation.
- (2) The Directors shall not mortgage or charge any of the Company's or the subsidiaries' undertaking, property, or any uncalled capital, or to issue debentures and other securities whether outright or as security for any debt, liability or obligation of an unrelated third party.

Article 112

- 112 Subject to these Articles, any question arising at any meeting of Directors shall be decided by a majority of votes and a determination by a majority of Directors shall for all purposes be deemed a determination of the Directors. Each Director shall have one vote and in case of an equality of votes, the Chairman of the meeting shall have a second or casting vote except where the quorum is made up of only two (2) Directors or where only two (2) Directors are competent to vote on the question at issue.

(iii) Transfer of Securities

Article 27

- 27 Subject to the provisions of the Central Depositories Act, the Rules and these Articles, any Member may transfer all or any of his shares in the manner prescribed under the Rules. The transfer of any listed securities or classes of listed security of the Company which have been deposited with the Depository shall be by way of book entry by the Depository in accordance with the Rules and notwithstanding Sections 103 and 104 of the Act, but subject to Section 107C(2) of the Act and any exemption that may be made from compliance with Section 107C(1) of the Act, the Company shall be precluded from registering and effecting any transfer of listed securities.

15. ADDITIONAL INFORMATION (*Cont'd*)

(iv) Changes in Capital and Variation of Class Rights

Article 3

3 Without prejudice to any special rights previously conferred on the holders of any existing shares or class of shares, and subject to the provisions of these Articles, the Act, the Central Depositories Act and to the provisions of any resolution of the Company, shares in the Company may be issued by the Directors, who may allot or otherwise dispose of such shares to such persons on such terms and conditions with such preferred, deferred or other special rights and either at a premium or otherwise, and subject to such restrictions whether in regard to dividend, voting or return of capital and at such time or times as the Directors may think fit but the Directors in making any issue of shares shall comply with the following conditions:-

- (a) no shares shall be issued at a discount except in compliance with the provisions of the Act;
- (b) in the case of shares offered to the public for subscription the amount payable on application on each share shall not be less than one hundred per centum (100%) of the nominal amount of the share;
- (c) in the case of shares, other than ordinary shares, no special rights shall be attached until the same have been expressed in these Articles or in the resolution creating the same;
- (d) no issue of shares shall be made which will have the effect of transferring a controlling interest in the Company to any person, company or syndicate without the prior approval of the Members in general meeting;
- (e) every Share Issuance Scheme of the Company shall be approved by the Members in general meeting and no Director shall participate in a Share Issuance Scheme unless the Members in general meeting have approved of the specific allotment to be made to such Director.

Any new issue of securities for which listing is sought shall be made by way of crediting the Securities Accounts of the allottees or entitled persons in the Depository with such securities save and except where the Company is specifically exempted from doing so. The Company shall notify the Depository of the names of the allottees or the entitled persons together with all such particulars as may be required by the Depository to enable it to make the appropriate entries in the Securities Accounts of such allottees or entitled persons.

Article 7

7 Whenever the capital of the Company is divided into different classes of shares or groups the rights attached to any class or group may subject to the provisions of these Articles (unless otherwise provided by the terms of issue of the shares of the class), either with the consent in writing of the holders of three-fourths (3/4) of the issued shares of that class or group, or with the sanction of a Special Resolution passed at a separate general meeting of such holders (but not otherwise), be modified or abrogated, and may be so modified or abrogated either whilst the Company is a going concern or during or in contemplation of a winding up, and such writing or resolution shall be binding upon all the holders of shares of that class. To every such separate general meeting all the provisions of these Articles relating to general meetings or to the proceedings thereat shall, mutatis mutandis,

15. ADDITIONAL INFORMATION (Cont'd)

apply, except that the necessary quorum shall be two (2) persons at least holding or representing by proxy one-third (1/3) in nominal amount of the issued shares of the class or group (but so that if an adjourned meeting of such holders a quorum as above defined is not present those Members who are present shall be a quorum), that any holder of shares in the class present in person or by proxy may demand a poll and that the holders of shares of the class or group shall, on a poll, have one (1) vote in respect of every share of the class or group held by them respectively.

(v) Retirement of directors

Article 85

85 At the first Annual General Meeting of the Company, all the Directors shall retire from office, and at the Annual General Meeting in every subsequent year, one-third (1/3) of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third (1/3) with a minimum of one (1) shall retire from office and be eligible for re-election PROVIDED ALWAYS that an election of Directors shall take place each year and all Directors including the Managing Director shall retire from office at least once in every three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election.

Article 86

86 The Directors to retire in each year shall be those who have been longest in office since their last election, but as between persons who became or were last re-elected Directors on the same day those to retire shall (unless they otherwise agree among themselves) be determined by lot.

Article 88

88 The Company at the meeting at which a Director so retires may fill the vacated office by electing a person thereto. Unless at that meeting it is expressly resolved not to fill the vacated office or a resolution for the re-election of the Director retiring at that meeting is put to the meeting and lost or some other person is elected a Director in place of the retiring Director, the retiring Director shall, if offering himself for re-election and not being disqualified under the Act from holding office as a Director, be deemed to have been re-elected.

15.3 MATERIAL CONTRACTS

Save as disclosed below, as at LPD there are no other material contracts (including contracts not in writing), not being contracts entered into in the ordinary course of business, that have been entered into by our Group within the two (2) years preceding the date of this Prospectus:

- (i) Sale and Purchase Agreement dated 10 August 2011 made between ASA Steel of the one part and LF Holdings of the other part whereby ASA Steel agreed to sell and LF Holdings agreed to purchase all that piece of leasehold vacant industrial land held under H.S.(D) 110044, No. P.T. 622, Seksyen 92, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur for a total sale consideration of RM3,800,000. The transaction has been completed;

15. ADDITIONAL INFORMATION (Cont'd)

- (ii) Sale and Purchase Agreement dated 10 August 2011 made between LF Hardware as vendor and LF Holdings as purchaser, LF Hardware agreed to sell and LF Holdings agreed to purchase all that piece of leasehold vacant industrial land held under PN 35795, Lot No. 424 (formerly known as H.S.(D) 52662, P.T. 182), Seksyen 92, Bandar Kuala Lumpur, Daerah Kuala Lumpur, Wilayah Persekutuan Kuala Lumpur for a total sale consideration of RM7,000,000. The transaction has been completed;
- (iii) Sale and Purchase Agreement dated 18 June 2012 made between LF Holdings as vendor and Leon Fuat to acquire the entire issued and paid-up share capital in LF Hardware comprising 2,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM28,978,000 which was entirely satisfied by the issuance of 57,956,000 new Leon Fuat Shares at an issue price of RM0.50 per share credited as fully paid. The transaction has been completed;
- (iv) Sale and Purchase Agreement dated 18 June 2012 made between LF Holdings as vendor and Leon Fuat to acquire the entire issued and paid-up share capital in LF Klang comprising 10,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM76,793,997 which was entirely satisfied by the issuance of 153,587,994 new Leon Fuat Shares at an issue price of RM0.50 per share credited as fully paid. The transaction has been completed;
- (v) Sale and Purchase Agreement dated 18 June 2012 made between LF Holdings as vendor and Leon Fuat to acquire the entire issued and paid-up share capital in Supreme Steelmakers comprising 2,000,000 ordinary shares of RM1.00 each for a total purchase consideration of RM12,188,000 which was entirely satisfied by the issuance of 24,376,000 new Leon Fuat Shares at an issue price of RM0.50 per share credited as fully paid. The transaction has been completed;
- (vi) Sale and Purchase Agreement dated 18 June 2012 made between LF Holdings as vendor and Leon Fuat to acquire the entire issued and paid-up share capital in ASA Steel comprising 1,800,000 ordinary shares of RM1.00 each for a total purchase consideration of RM7,385,000 which was entirely satisfied by the issuance of 14,770,000 new Leon Fuat Shares at an issue price of RM0.50 per share credited as fully paid. The transaction has been completed;
- (vii) Public Auction Contract dated 2 July 2012 entered into by LF Klang as the purchaser and CIMB Bank Berhad, the plaintiff, as vendor, in respect of the sale of a double storey detached factory with an annexed double storey building bearing postal address No. 16, Lorong Keluli 1B, Kawasan Perindustrian Bukit Raja Selatan, Seksyen 7, 40000 Shah Alam, Selangor Darul Ehsan erected on part of a piece of land held under Suratan Hakmilik Sementara No. H.S. (D) 30972, No. PT 17399, Mukim Kapar, Daerah Klang, Negeri Selangor Darul Ehsan for a total purchase consideration of RM19,000,000. The purchase has been completed; and
- (viii) On 26 April 2013, Leon Fuat entered into an Underwriting Agreement with Alliance for the underwriting of up to 15,500,000 Public Issue Shares for an underwriting commission of 2.50% of the total value of the underwritten Shares at the IPO Price.

15. ADDITIONAL INFORMATION (Cont'd)

15.4 MATERIAL LITIGATION, CLAIMS OR ARBITRATION

As at LPD, neither we nor our subsidiary companies are engaged in any material litigation, claims or arbitration, either as plaintiff or defendant, and our Directors do not know of any proceedings pending or threatened against our Company or our subsidiary companies, or of any fact likely to give rise to any proceeding which may materially and adversely affect our financial position or business.

15.5 REPATRIATION OF CAPITAL AND REMITTANCE OF PROFIT

As our Group does not physically operate in other countries, there is no governmental law, decree, regulation or other requirement which may affect the repatriation of capital and the remittance of profit by or to our Group.

15.6 PUBLIC TAKE-OVER OFFERS

None of the following has occurred in the last financial year or the current financial year up to the LPD:

- (i) Public take-over offers by third parties for our Shares; and
- (ii) Public take-over offers by our Company for other companies' shares.

15.7 CONSENTS

The written consents of our Principal Adviser, Underwriter and Placement Agent, Solicitors, Principal Bankers, Issuing House, Share Registrar and Company Secretary for inclusion in this Prospectus of their names and all references thereto in the manner, form and context in which their names appear have been given before the issue of this Prospectus and have not subsequently been withdrawn.

The written consent of Baker Tilly for the inclusion of its name, Accountants' Report, Letter on Proforma Consolidated Financial Information of the Group and all references thereto in the manner, form and context in which they appear in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

The written consent of the Vital Factor for the inclusion in this Prospectus of its name and IMR Report and all reference thereto in the manner, form and context in which they appear in this Prospectus has been given before the issue of this Prospectus and has not subsequently been withdrawn.

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15. ADDITIONAL INFORMATION (Cont'd)

15.8 DOCUMENTS AVAILABLE FOR INSPECTION

Copies of the following documents may be inspected at our registered office during normal business hours for a period of twelve (12) months from the date of this Prospectus:

- (i) Memorandum and Articles of Association of our Company;
- (ii) Material contracts as referred to in Section 15.3 of this Prospectus;
- (iii) Reporting Accountants' Report on the Compilation of Pro Forma Consolidated Financial Information as included in Section 11.4 of this Prospectus;
- (iv) Accountants' Report as included in Section 13 of this Prospectus;
- (v) IMR Report referred to in this Prospectus as included in Section 7 of this Prospectus;
- (vi) Directors' Report as included in Section 14 of this Prospectus;
- (vii) Audited financial statements of Leon Fuat, LF Hardware, LF Klang, Supreme Steelmakers and ASA Steel for the past four (4) FYE 31 December 2009 to 2012; and
- (viii) Letters of consent as referred to in Section 15.7 of this Prospectus.

15.9 RESPONSIBILITY STATEMENT

Our Directors, Promoters and Offeror have seen and approved this Prospectus and we collectively and individually accept full responsibility for the accuracy of the information contained herein and confirm, after having made all reasonable enquiries, that to the best of our knowledge and belief there are no false or misleading statement or other facts the omission of which would make any statement herein false or misleading.

Alliance, being our Principal Adviser, Underwriter and Placement Agent, acknowledges that, based on all available information, and to the best of its knowledge and belief, this Prospectus constitutes a full and true disclosure of all material facts concerning our Public Issue and Offer for Sale.

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16. PROCEDURES FOR APPLICATION AND ACCEPTANCE

16.1 OPENING AND CLOSING OF APPLICATION

Applications will be accepted from 10.00 a.m. on 13 May 2013 and will remain open until 5.00 p.m. on 23 May 2013 or for such further period or periods as our Directors, Promoters, Offeror and Alliance in their absolute discretion may mutually decide.

In the event the closing date for the Applications is extended, you will be notified of the change in a widely circulated daily Bahasa Malaysia and English daily newspaper in Malaysia prior to the original closing date of the application. Following this, the dates for the balloting of the applications for the IPO Shares, allotment of the IPO Shares and Listing would be extended accordingly. **Late Applications will not be accepted.**

16.2 METHODS OF APPLICATION

Applications for the IPO Shares may be made using any of the following ways:

- (a) Application Forms; or
- (b) Electronic Share Applications; or
- (c) Internet Share Applications.

16.3 PROCEDURES FOR APPLICATION

The Applications shall be made in connection with and subject to the terms of this Prospectus and our Memorandum and Articles of Association.

FULL INSTRUCTIONS FOR THE APPLICATION OF THE IPO SHARES AND THE PROCEDURES TO BE FOLLOWED ARE SET OUT IN THE APPLICATION FORMS. YOU ARE ADVISED TO READ THE APPLICATION FORMS AND THE NOTES AND INSTRUCTIONS THEREIN CAREFULLY.

16.3.1 Application by the Public

Applications for the 15,500,000 IPO Shares made available for the Public must be made on the **White Application Forms** provided OR by way of Electronic Share Application OR Internet Share Application. A corporation or institution cannot apply for shares by way of Electronic Share Application or Internet Share Application. The amount payable in full on application is RM0.60 per IPO Share.

16.3.2 Application by eligible Directors, employees and persons who have contributed to the success of our Group

Applications for the 10,000,000 IPO Shares made available for eligible Directors, employees and persons who have contributed to our success must be made on the **Pink Application Forms** provided only and not by way of other Application Forms or by way of Electronic Share Application or Internet Share Application. Applicants using the Pink Application Forms may still apply for the IPO Shares offered to the Malaysian Public using the **White Application Form**, Electronic Share Application or Internet Share Application. The amount payable in full on application is RM0.60 per Issue Share.

16.3.3 Application by places under the private placement

Selected investors being allocated the IPO Shares and/or Offer Shares under this method will be contacted directly by the Placement Agent. Selected investors may still apply for the IPO Shares offered to the Malaysian Public using the White Application Form, Electronic Share Application or Internet Share Application.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

You must have a CDS Account before you can submit your application by way of Application Forms or by way of Electronic Share Application or by way of Internet Share Application.

Directors and employees of MIH and their immediate families are strictly prohibited from applying for the IPO Shares in this exercise.

16.4 APPLICATIONS USING APPLICATION FORMS

16.4.1 Types of Application Forms

The following relevant Application Forms issued with their notes and instructions enclosed with this Prospectus are deemed to form an integral part hereof:

- (i) **White** Application Forms for application by the Malaysian Public; and
- (ii) **Pink** Application Forms for applications by our eligible Directors, employees and persons who have contributed to the success of our Group.

White Application Forms together with copies of this Prospectus may be obtained, subject to availability, from Alliance, participating organisations of Bursa Securities, members of the Association of Banks in Malaysia, members of the Malaysian Investment Banking Association and MIH.

Pink Application Forms together with copies of this Prospectus will be sent out to eligible Directors, employees and persons who have contributed to the success of our Group.

The submission of an Application Form does not necessarily mean that your application will be successful.

You may submit only one (1) Application Form and your application must be for 100 Shares or multiples thereof. Multiple applications will not be accepted. We wish to caution you that if you submit multiple applications in your own name or by using the name of others, with or without their consent, you will be committing an offence under Section 179 of the CMSA and if convicted, may be punished with a minimum fine of RM1,000,000 and to a jail term of up to ten (10) years under Section 182 of the CMSA.

Your application for the IPO Shares must be made on the respective Application Form accompanying this Prospectus and must be completed in accordance with the notes and instructions printed on the reverse side of the Application Form and in this Prospectus. In accordance with Section 232 of the CMSA, the Application Form together with the notes and instructions printed therein shall constitute an integral part of this Prospectus. Our Directors may at their absolute discretion reserve the right not accept applications which do not **STRICTLY** conform to the terms of this Prospectus or Application Form or notes and instructions printed therein or which are illegible.

IF YOU ARE AN INDIVIDUAL OTHER THAN A MEMBER OF THE ARMED FORCES OR POLICE, YOUR NAME AND NATIONAL REGISTRATION IDENTITY CARD ("NRIC") NUMBER MUST BE EXACTLY THE SAME AS STATED IN:

- (i) (a) YOUR NRIC;
- (b) ANY VALID TEMPORARY IDENTITY DOCUMENT AS ISSUED BY THE NATIONAL REGISTRATION DEPARTMENT FROM TIME TO TIME; OR
- (c) YOUR RESIT PENGENALAN SEMENTARA ("JPN KP 09") ISSUED PURSUANT TO PERATURAN 5(5), PERATURAN-PERATURAN PENDAFTARAN NEGARA 1990; AND

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

(ii) THE RECORDS OF BURSA DEPOSITORY.

IF YOU ARE A MEMBER OF THE ARMED FORCES OR POLICE, YOUR NAME AND YOUR ARMED FORCES OR POLICE PERSONNEL NUMBER, AS THE CASE MAY BE, MUST BE EXACTLY THE SAME AS THAT STATED IN YOUR AUTHORITY CARD AND YOUR ADDRESS MUST BE THE ADDRESS OF YOUR RESPECTIVE CAMP, BASE OR STATION.

IF YOU ARE A CORPORATION OR INSTITUTION, THE NAME AND THE CERTIFICATE OF INCORPORATION NUMBER MUST BE EXACTLY THE SAME AS THAT STATED IN THE CORPORATION'S OR INSTITUTION'S CERTIFICATE OF INCORPORATION AND THE ADDRESS MUST BE THE REGISTERED ADDRESS.

We, together with MIH will not issue any acknowledgement of the receipt of your Application Form or application monies.

16.4.2 Terms and conditions for application using Application Forms

Your applications by way of Application Forms shall be made on, and subject to, the following terms and conditions:

- (i) If you are an individual, you must be a Malaysian citizen residing in Malaysia, with a CDS Account and a Malaysian address (White Application Forms only).

If you are an individual, you must have a CDS Account and a correspondence address in Malaysia (Pink Application Forms only).

- (ii) If you are a corporation or institution incorporated in Malaysia, you must have a CDS Account and be subject to the following:

(a) if you have a share capital, more than half of the issued share capital (excluding preference share capital) is held by Malaysian citizens; and

(b) there is a majority of Malaysian citizens on the board of directors or trustee.

If you are a corporation or institution incorporated outside Malaysia, you must have a CDS Account and provide a correspondence address in Malaysia (Pink Application Forms only).

- (iii) If you are a superannuation, co-operative, foundation, provident or pension fund, you must be established or operating in Malaysia and must have a CDS Account.

- (iv) Applications will not be accepted from trustees, any person under eighteen (18) years of age, sole proprietorships, partnerships or other incorporated bodies or associations, other than corporations or institutions referred to in **Section 16.4.2 (ii)** and **Section 16.4.2 (iii)** above or the trustees thereof.

- (v) EACH COMPLETED APPLICATION FORM MUST BE ACCOMPANIED BY REMITTANCE IN RINGGIT MALAYSIA FOR THE FULL AMOUNT PAYABLE BY EITHER:

(a) BANKER'S DRAFT OR CASHIER'S ORDER PURCHASED WITHIN MALAYSIA ONLY AND DRAWN ON A BANK IN KUALA LUMPUR; OR

(b) MONEY ORDER OR POSTAL ORDER (FOR APPLICANTS FROM SABAH AND SARAWAK ONLY); OR

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

- (c) GUARANTEED GIRO ORDER (“GGO”) FROM BANK SIMPANAN NASIONAL MALAYSIA BERHAD; OR
- (d) ATM STATEMENT OBTAINED FROM ANY OF THE FOLLOWING FINANCIAL INSTITUTIONS:
 - AFFIN BANK BERHAD;
 - ALLIANCE BANK MALAYSIA BERHAD;
 - AMBANK (M) BERHAD;
 - CIMB BANK BERHAD;
 - HONG LEONG BANK BERHAD;
 - MALAYAN BANKING BERHAD; OR
 - RHB BANK BERHAD.

AND MUST BE MADE OUT IN FAVOUR OF “MIH SHARE ISSUE ACCOUNT NO. 540” AND CROSSED “A/C PAYEE ONLY” (EXCLUDING ATM STATEMENTS) AND ENDORSED ON THE REVERSE SIDE WITH THE NAME AND ADDRESS OF THE APPLICANT.

APPLICATIONS ACCOMPANIED BY MODE OF PAYMENT OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES OR INAPPROPRIATE BANKER’S DRAFTS, CASHIER’S ORDERS, MONEY ORDERS OR POSTAL ORDER, ATM STATEMENT OR GGO WILL NOT BE ACCEPTED. DETAILS OF REMITTANCES MUST BE COMPLETED IN THE APPROPRIATE BOXES PROVIDED IN THE APPLICATION FORMS.

- (vi) YOU MUST STATE YOUR CDS ACCOUNT NUMBER IN THE SPACE PROVIDED IN THE APPLICATION FORM AND YOU SHALL BE DEEMED TO HAVE AUTHORISED BURSA DEPOSITORY TO DISCLOSE INFORMATION PERTAINING TO YOUR CDS ACCOUNT TO MIH AND/OR OUR COMPANY. IF YOU DO NOT PRESENTLY HAVE A CDS ACCOUNT, YOU MAY OPEN ONE BY CONTACTING ANY ONE OF THE ADAs LISTED IN SECTION 16.11 OF THIS PROSPECTUS.
- (vii) YOUR NAME AND ADDRESS MUST BE WRITTEN ON THE REVERSE SIDE OF THE BANKER’S DRAFT, CASHIER’S ORDER, ATM STATEMENT, MONEY ORDER OR POSTAL ORDER, OR GGO FROM BANK SIMPANAN MALAYSIA BERHAD.
- (viii) Our Board reserves the right to require you, if your Application is successful, to appear in person at the registered office of MIH within fourteen (14) days of the date of the notice issued to you to ascertain the regularity or propriety of your Application. Our Board shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.
- (ix) MIH, acting on the authority of our Directors reserves the right to reject your Application if it does not conform to these instructions or if it is illegible or if it is accompanied by remittances improperly drawn.
- (x) MIH, acting on the authority of our Directors reserves the right not to accept your Application or to accept it in whole or in part only without assigning any reason therefor. We will give due consideration to the desirability of allotting or allocating the IPO Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

(xii) Where your Application is not accepted or accepted in part only, the full amount or the balance of the Application monies, as the case may be, will be returned without interest and shall be despatched to you within ten (10) Market Days from the date of the final ballot of the Application lists by registered post or ordinary post at your address last maintained with Bursa Depository or where the application is not accepted because you have not provided a CDS Account, to the address per the National Registration Identity Card or "Resit Pengenalan Sementara ("JPN KP 09")" or any valid temporary identity document as issued by the National Registration Department from time to time or the Authority Card in the case of armed forces or police personnel, at your own risk.

(xiii) You shall ensure that your personal particulars stated in the Application Form are identical with the records maintained by Bursa Depository. You must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allocation will be sent to your registered or correspondence address registered with Bursa Depository.

MIH, acting on the authority of our Directors and Offeror reserves the right to bank in all Application monies from unsuccessful applicants and partially successful applicants, which would subsequently be refunded without interest and shall be despatched to you within ten (10) Market Days from the date of the final ballot of the Application Lists by registered post or ordinary post at your address registered with Bursa Depository, at your own risk.

(xiv) Your completed Application Form accompanied by the appropriate remittance and legible photocopy of the relevant documents, must be despatched by **ORDINARY POST** in the official envelopes provided, to the following address:

Malaysian Issuing House Sdn Bhd (258345-X)
Level 6, Symphony House
Pusat Dagangan Dana 1
Jalan PJU 1A/46
47301 Petaling Jaya
Selangor Darul Ehsan

or

P.O. Box 8269
Pejabat Pos Kelana Jaya
46785 Petaling Jaya

or **DELIVERED BY HAND AND DEPOSITED** in the Drop-in Boxes provided at the front portion of Symphony House, Pusat Dagangan Dana 1, Jalan PJU 1A/46, 47301 Petaling Jaya, Selangor Darul Ehsan, so as to arrive not later than 5.00 p.m. on 23 May 2013, or such other later date or dates as our Directors, Promoters, Offeror and Alliance in their absolute discretion may mutually decide.

(xv) **PLEASE DIRECT ALL YOUR ENQUIRIES IN RESPECT OF THE WHITE APPLICATION FORM TO MIH.**

16.5 APPLICATIONS USING ELECTRONIC SHARE APPLICATION

16.5.1 Steps for Electronic Share Application through a Participating Financial Institution's ATM

(i) You must have an account with a Participating Financial Institution and an ATM card issued by that Participating Financial Institution to access the account.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

- (ii) You must have a CDS Account.
- (iii) You are to apply for the IPO Shares via the ATM of the Participating Financial Institution by choosing the Electronic Share Application option. Mandatory statements required in the application are set out in Section 16.5.3 of this Prospectus under the Terms and Conditions for Electronic Share Application. You are to enter at least the following information through the ATM where the instructions on the ATM screen at which you enter your Electronic Share Application requires you to do so:
 - Your Personal Identification Number (“PIN”);
 - MIH Share Issue Account No. 540;
 - Your CDS Account Number;
 - Number of IPO Shares applied for and/or the Ringgit Malaysia amount to be debited from the account; and
 - You are to confirm several mandatory statements.

16.5.2 Participating Financial Institutions

Electronic Share Applications may be made through an ATM of the following Participating Financial Institutions and their branches:

- AFFIN BANK BERHAD; OR
- AMBANK (M) BERHAD; OR
- CIMB BANK BERHAD; OR
- HSBC BANK MALAYSIA BERHAD; OR
- MALAYAN BANKING BERHAD; OR
- PUBLIC BANK BERHAD; OR
- RHB BANK BERHAD; OR
- STANDARD CHARTERED BANK MALAYSIA BERHAD (at selected branches only).

16.5.3 Terms and conditions for Electronic Share Application

The procedures for Electronic Share Application at ATMs of the Participating Financial Institutions are set out on the ATM screens of the relevant Participating Financial Institutions (the “Steps”). For illustration purposes, the procedures for Electronic Share Application at ATMs are set out in Section 16.5.1 of this Prospectus. The Steps set out the actions that you must take at the ATM to complete an Electronic Share Application. You are advised to read and understand the terms of this Prospectus, the Steps and the terms and conditions for Electronic Share Application set out below before making an Electronic Share Application.

You must be an individual with a CDS Account to make an Electronic Share Application. The CDS account must be in your own name. Invalid, nominee or third party CDS accounts will not be accepted.

You must have an existing bank account with, and be an ATM cardholder of, one (1) of the Participating Financial Institutions before you can make an Electronic Share Application at an ATM of that Participating Financial Institution. An ATM card issued by one (1) of the Participating Financial Institutions cannot be used to apply for the IPO Shares at an ATM belonging to other Participating Financial Institutions. Upon completion of your Electronic Share Application transaction, you will receive a computer-generated transaction slip (“Transaction Record”), confirming the details of your Electronic Share Application. The Transaction Record is only a record that you have completed a transaction at the ATM and not a record of the receipt of the Electronic Share Application or any data relating to such an Electronic Share Application by us or MIH. The Transaction Record is for your retention and should not be submitted with any Application Form.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

Upon the closing of the offer for the Application for the IPO Shares, on 23 May 2013 at 5.00 p.m. ("Closing Date"), the Participating Financial Institution shall submit a magnetic tape containing its respective customers' applications for the IPO Shares to MIH as soon as practicable but not later than 12.00 p.m. of the second (2nd) business day after the Closing Date and Time.

You will be allowed to make an Electronic Share Application for the IPO Shares via an ATM that accepts the ATM cards of the Participating Financial Institution with which you have an account and its branches, subject to you making only one (1) Application. If you have a bank account with a Participating Financial Institution and have been issued an ATM card, you will be allowed to apply for shares via an ATM of that Participating Financial Institution which is situated in another country or place outside of Malaysia, subject to you making only one (1) Application.

YOU MUST ENSURE THAT YOU USE YOUR OWN CDS ACCOUNT NUMBER WHEN MAKING AN ELECTRONIC SHARE APPLICATION. IF YOU OPERATE A JOINT ACCOUNT WITH ANY PARTICIPATING FINANCIAL INSTITUTION, YOU MUST ENSURE THAT YOU ENTER YOUR OWN CDS ACCOUNT NUMBER WHEN USING AN ATM CARD ISSUED TO YOU IN YOUR OWN NAME. YOUR APPLICATION WILL BE REJECTED IF YOU FAIL TO COMPLY WITH THE FOREGOING CONDITIONS.

The Electronic Share Application shall be made on, and subject to, the terms and conditions contained herein as well as the terms and conditions set out below:

- (i) Your Electronic Share Application shall be made in connection with and subject to the terms of this Prospectus and our Memorandum and Articles of Association.
- (ii) You are required to confirm the following statement (by pressing pre-designated keys or buttons on the ATM keyboard) and undertake that the following information given are true and correct:
 - You have attained eighteen (18) years of age as at the Closing Date of the Share Application;
 - You are a Malaysian citizen residing in Malaysia;
 - You have read the relevant Prospectus and understood and agreed with the terms and conditions of this Application;
 - This is the only Application that you are submitting; and
 - You give consent to the Participating Financial Institution and Bursa Depository to disclose information pertaining to yourself and your account with the Participating Financial Institution and Bursa Depository to MIH and other relevant authorities.

Your Application will not be successfully completed and cannot be recorded as a completed transaction at the ATM unless you complete all the Steps required by the Participating Financial Institution. By doing so, you shall be treated as signifying your confirmation of each of the above statements as well as giving consent in accordance with the relevant laws of Malaysia, including Section 97 of the Banking and Financial Institutions Act, 1989 and Section 45 of the Securities Industry (Central Depositories) Act, 1991 to the disclosure by the relevant Participating Financial Institution or Bursa Depository, as the case may be, of any of your particulars to MIH or any other relevant regulatory bodies.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (iii) YOU CONFIRM THAT YOU ARE NOT APPLYING FOR THE IPO SHARES AS A NOMINEE OF ANY OTHER PERSONS AND THAT ANY ELECTRONIC SHARE APPLICATION THAT YOU MAKE IS MADE BY YOU AS THE BENEFICIAL OWNER. YOU SHALL ONLY MAKE ONE (1) ELECTRONIC SHARE APPLICATION AND SHALL NOT MAKE ANY OTHER APPLICATION FOR THE IPO SHARES, WHETHER AT THE ATMS OF ANY PARTICIPATING FINANCIAL INSTITUTION OR ON THE PRESCRIBED APPLICATION FORMS OR VIA INTERNET SHARE APPLICATION.
- (iv) You must have sufficient funds in your account with the relevant Participating Financial Institution at the time you make your Electronic Share Application, failing which your Electronic Share Application will not be completed. Any Electronic Share Application which does not strictly conform to the instructions set out on the screens of the ATM through which the Electronic Share Application is being made will be rejected.
- (v) You agree and undertake to subscribe for or purchase and to accept the number of IPO Shares applied for as stated on the Transaction Record or any lesser number of IPO Shares that may be allotted or allocated to you in respect of your Electronic Share Application. In the event that we decide to allot or allocate any lesser number of the IPO Shares or not to allot or allocate any IPO Shares to you, you agree to accept any such decision as final. If your Electronic Share Application is successful, your confirmation (by your action of pressing the designated key or button on the ATM) of the number of IPO Shares applied for shall signify, and shall be treated as, your acceptance of the number of IPO Shares that may be allotted or allocated to you and to be bound by our Memorandum and Articles of Association.
- (vi) MIH, on the authority of our Board reserves the right to reject or accept any Electronic Share Application in whole or in part only on a non-discriminatory basis without assigning any reason therefor. We will give due consideration to the desirability of allotting or allocating the IPO Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares.
- (vii) MIH shall inform the relevant Participating Financial Institution of the unsuccessful or partially successful Applications within two (2) Market Days after the balloting date. Where your Electronic Share Application is unsuccessful, the relevant Participating Financial Institution will credit the full amount of the Application monies, in Ringgit Malaysia (without interest or any share of revenue or benefit arising therefrom) into your account with that Participating Financial Institution within two (2) Market Days after the receipt of confirmation from MIH. You may check your accounts on the fifth (5th) Market Day from the balloting day.
- (viii) If your Electronic Share Application is successful in part only, the relevant Participating Financial Institution will credit the balance of the application monies (without interest or any share or revenue or benefit arising therefrom) into your account with the Participating Financial Institution within two (2) Market Days after the receipt of confirmation from MIH. We will, however, hold in reserve a number of Applications to replace any successfully balloted Applications that are subsequently rejected. If your Application held in reserve, is subsequently rejected, your Application monies without interest will be refunded (without interest or any share revenue or benefit arising therefrom) to you by MIH by crediting into your account with the Participating Financial Institution within two (2) Market Days after the receipt of confirmation from MIH. Should you encounter any problems in your Applications, you may refer to the Participating Financial Institution

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (ix) You request and authorise us:
- to credit the IPO Shares allotted or allocated to you into your CDS Account; and
 - to issue share certificate(s) representing such IPO Shares allotted or allocated in the name of Bursa Malaysia Depository Nominees Sdn Bhd and send the same to Bursa Depository.
- (x) Acknowledging that your Electronic Share Application is subject to the risks of electrical, electronic, technical and computer-related faults and breakdowns, fires and other events beyond our control and the control of MIH or the Participating Financial Institutions or Bursa Depository, irrevocably agree that if:
- we or MIH do/ does not receive your Electronic Share Application; or
 - data relating to your Electronic Share Application is wholly or partially lost, corrupted or not otherwise accessible, or not transmitted or communicated to us or MIH,
- you shall be deemed not to have made an Electronic Share Application and you shall not claim whatsoever against us, MIH, the Participating Financial Institutions or Bursa Depository for the IPO Shares applied for or for any compensation, loss or damage.
- (xi) All your particulars in the records of the relevant Participating Financial Institution at the time you make your Electronic Share Application shall be deemed to be true and correct and we, MIH and the relevant Participating Financial Institution shall be entitled to rely on the accuracy thereof.
- (xii) You shall ensure that your personal particulars as recorded by both Bursa Depository and the relevant Participating Financial Institution are correct and identical. Otherwise, your Electronic Share Application is liable to be rejected. You must inform Bursa Depository promptly of any change in address failing which the notification letter of successful allotment or allocation will be sent to your registered address last maintained with Bursa Depository.
- (xiii) By making and completing an Electronic Share Application, you agree that:
- in consideration of us agreeing to allow and accept the making of any Application for IPO Shares via the Electronic Share Application facility established by the Participating Financial Institutions at their respective ATMs, your Electronic Share Application is irrevocable;
 - we, the Participating Financial Institutions, Bursa Depository and MIH shall not be liable for any delays, failures or inaccuracies in the processing of data relating to your Electronic Share Application due to a breakdown, failure of transmission or communication facilities, or to any cause beyond our/ their control;
 - notwithstanding the receipt of any payment by us or on our behalf, the acceptance of your offer to subscribe for and purchase the IPO Shares for which your Electronic Share Application has been successfully completed shall be constituted by the issue of notices of successful allotment for prescribed securities, in respect of the IPO Shares;

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- you irrevocably authorises Bursa Depository to complete and sign on your behalf as transferee or renounee any instrument of transfer and/or other documents required for the issue or transfer of the IPO Shares allotted or allocated to you; and
 - you agree that, in relation to any legal action or proceedings arising out of or in connection with the contract between the parties and/or the Electronic Share Application and/or any terms herein, all rights, obligations and liabilities shall be construed and determined in accordance with the laws of Malaysia and with all directives, rules, regulations and notices from regulatory bodies and that our Company irrevocably submits to the jurisdiction of the Courts of Malaysia.
- (xiv) Our Board reserves the right to require you, if your Application is successful, to appear in person at the registered office of MIH within fourteen (14) days of the date of the notice issued to you to ascertain the regularity or propriety of your Application. Our Board shall not be responsible for any loss or non-receipt of the said notice nor shall they be accountable for any expenses incurred or to be incurred by you for the purpose of complying with this provision.
- (xv) MIH, acting on the authority of our Board reserves the right to reject your Application, if it does not conform to these instructions.
- (xvi) The following processing fee per Electronic Share Application will be charged by the respective Participating Financial Institutions:
- Affin Bank Berhad – No fee will be charged for application by their account holders;
 - AmBank (M) Berhad – RM1.00;
 - CIMB Bank Berhad – RM2.50
 - HSBC Bank Malaysia Berhad – RM2.50;
 - Malayan Banking Berhad – RM1.00;
 - Public Bank Berhad – RM2.00;
 - RHB Bank Berhad – RM2.50; or
 - Standard Chartered Bank Malaysia Berhad (as selected branches only) RM2.50

16.6 OVER / UNDER-SUBSCRIPTION

In the event of an over-subscription, our Issuing House will conduct a ballot in a manner as approved by our Directors to determine acceptance of applications. In determining the manner of balloting, our Directors will consider the desirability of distributing our IPO Shares in a fair and equitable manner to a reasonable number of applicants for the purpose of broadening our shareholding base and establishing an adequate market in the trading of our Shares.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

Pursuant to the Listing Requirements, we are required to have at least 25% of our enlarged issued and paid-up share capital to be held by a minimum number of 1,000 public shareholders holding not less than 100 Shares each upon our Listing and completion of this IPO. We expect to achieve this at the point of our Listing. However, in the event that the above requirement is not met, we may not be allowed to proceed with our Listing. In the event thereof, monies paid in respect of all applications will be returned without interest.

In the event of an under-subscription for our IPO Shares reserved for application by the Public, all such IPO Shares not applied for will be subscribed by our Underwriter pursuant to the Underwriting Agreement.

In the event of an under-subscription of IPO Shares by our eligible Directors, employees and persons who have contributed to the success of our Group, such IPO Shares will be made available for Application by the Malaysian Public. Likewise, in the event of an under-subscription of IPO Shares by the Malaysian Public, such IPO Shares will be made available for Application by our eligible Directors, employees and persons who have contributed to our success.

Our IPO Shares reserved for subscription by identified investors will not be underwritten as written irrevocable undertakings to subscribe for such IPO Shares have been procured from the respective identified investors.

Where your successfully balloted application under White Application Form is subsequently rejected, the full amount of your application monies, will be refunded without interest to you within ten (10) Market Days from the date of the final ballot of the application list to your address registered with the Bursa Depository.

Where your successfully balloted application under Electronic Share Application or Internet Share Application is subsequently rejected, the full amount of your application monies, will be refunded without interest to you by crediting into your account with the Participating Financial Institution or Internet Participating Financial Institution respectively.

16.7 APPLICATIONS USING INTERNET SHARE APPLICATION

16.7.1 Steps for Internet Share Application

The exact steps for Internet Share Application in respect of the IPO Shares are as set out on the internet financial services website of the Internet Participating Financial Institutions.

For illustration purposes only, we have set out below possible steps for an application for the IPO Shares via Internet Share Application. The steps set out the actions that you must take at the Internet financial services website of the Internet Participating Financial Institution to complete an Internet Share Application.

PLEASE NOTE THAT THE ACTUAL STEPS FOR INTERNET SHARE APPLICATIONS CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS MAY DIFFER FROM THE STEPS OUTLINED BELOW.

- (i) Connect to the internet financial services website of the Internet Participating Financial Institution with which you have an account.
- (ii) Login to the internet financial services facility by entering your user identification and PIN/ password.
- (iii) Navigate to the section of the website on applications in respect of initial public offerings.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

- (iv) Select the counter in respect of the IPO Shares to launch the Electronic Prospectus and the terms and conditions of the Internet Share Application.
- (v) Select the designated hyperlink on the screen to accept the abovementioned terms and conditions, having read and understood such terms and conditions.
- (vi) At the next screen, complete the online application form.
- (vii) Check that the information contained in the online application form such as the share counter, NRIC number, CDS Account number, number of IPO Shares applied for and the account number to debit are correct, and select the designated hyperlink on the screen to confirm and submit the online application form.
- (viii) By confirming such information, you will undertake that the following mandatory statements are true and correct:
 - you have attained eighteen (18) years of age as at the closing date of the share application;
 - you are a Malaysian citizen residing in Malaysia;
 - you have, prior to making the Internet Share Application, received and/or had access to a printed/ electronic copy of this Prospectus, the contents of which you have read and understood;
 - you agree to all the terms and conditions of the Internet Share Application as set out in this Prospectus and have carefully considered the risk factors set out in this Prospectus, in addition to all other information contained in this Prospectus before making the Internet Share Application for the IPO Shares;
 - the Internet Share Application is the only application that you are submitting for the IPO Shares;
 - you authorise the Internet Participating Financial Institution or the Authorised Financial Institution to deduct the full amount payable for the IPO Shares from your account with the Internet Participating Financial Institution or the Authorised Financial Institution;
 - you give your express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 99 of the Banking and Financial Institutions Act, 1989 and Section 45 of the Securities Industry (Central Depositories) Act, 1991) to the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and/or Bursa Depository, as the case may be, of information pertaining to you, the Internet Share Application made by you or your account with the Internet Participating Financial Institution, to MIH and the Authorised Financial Institution, the SC and any other relevant authority;
 - YOU ARE NOT APPLYING FOR THE IPO SHARES AS A NOMINEE OF ANY OTHER PERSON AND THE APPLICATION IS MADE IN YOUR OWN NAME, AS THE BENEFICIAL OWNER AND SUBJECT TO THE RISKS REFERRED TO IN THIS PROSPECTUS; AND
 - you authorise the Internet Participating Financial Institution to disclose and transfer to any person, including any government or regulatory authority in any jurisdiction, us, Bursa Securities or other relevant parties in connection with the Public Issue, all information relating to you if required by any law,

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Share Applications services or if such disclosure is requested or required in connection with the Public Issue. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information relating to you furnished by you to the Internet Participating Financial Institution in connection with the use of the Internet Share Application services.

- (ix) Upon submission of the online application form, you will be linked to the website of the Authorised Financial Institution to effect the online payment of the application money for the Public Issue.
- (x) As soon as the transaction is completed, a message from the Authorised Financial Institution pertaining to the payment status will appear on the screen of the website through which the online payment of the application of the Public Issue is being made.
- (xi) Subsequent to the above, the Internet Participating Financial Institution shall confirm that the Internet Share Application has been completed, via the Confirmation Screen on its website.
- (xii) You are advised to print out the Confirmation Screen for reference and retention.

16.7.2 Terms and Conditions for Internet Share Application

Your application for the IPO Shares may be made through the internet financial services website of the Internet Participating Financial Institutions.

YOU ARE ADVISED NOT TO APPLY FOR THE IPO SHARES THROUGH ANY WEBSITE OTHER THAN THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

Internet Participating Financial Institution

Internet Share Applications may be made through the internet financial services websites of the following Internet Participating Financial Institutions:

- Malayan Banking Berhad at www.maybank2u.com.my; or
- CIMB Investment Bank Berhad at www.eipocimb.com; or
- CIMB Bank Berhad at www.cimbclicks.com.my; or
- Affin Bank Berhad at www.affinOnline.com; or
- RHB Bank Berhad at www.rhb.com.my; or
- Public Bank Berhad at www.pbebank.com.

PLEASE READ THE TERMS OF THIS PROSPECTUS, THE TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATIONS SET OUT HEREIN AND THE STEPS FOR INTERNET SHARE APPLICATIONS SET OUT HEREIN CAREFULLY PRIOR TO MAKING AN INTERNET SHARE APPLICATION.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

THE EXACT TERMS AND CONDITIONS AND ITS SEQUENCE FOR INTERNET SHARE APPLICATIONS IN RESPECT OF THE IPO SHARES ARE AS SET OUT ON THE INTERNET FINANCIAL SERVICES WEBSITE OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

PLEASE NOTE THAT THE ACTUAL TERMS AND CONDITIONS OUTLINED BELOW SUPPLEMENT THE ADDITIONAL TERMS AND CONDITIONS FOR INTERNET SHARE APPLICATION CONTAINED IN THE INTERNET FINANCIAL SERVICES WEBSITES OF THE INTERNET PARTICIPATING FINANCIAL INSTITUTIONS.

An Internet Share Application shall be made on and shall be subject to the terms and conditions as set out below:

- (i) In order to make an Internet Share Application, you must:
- be an individual with a CDS account and in the case of a joint account, an individual CDS account registered in your name which is to be used for the purpose of the application if you are making the application instead of a CDS account registered in the joint account holder's name;
 - have an existing account with access to internet financial services facilities with an Internet Participating Financial Institution. You must have ready your user identification ("User ID") and Personal Identification Numbers ("PIN")/ password for the relevant internet financial services facilities; and
 - be a Malaysian citizen and have a Malaysian address.

You are advised to note that a User ID and PIN/ password issued by one of the Internet Participating Financial Institutions cannot be used to apply for the IPO Shares at internet financial service websites of other Internet Participating Financial Institutions.

- (ii) An Internet Share Application shall be made on and shall be subject to the terms of this Prospectus and our Memorandum and Articles of Association.
- (iii) You are required to confirm the following statements (by selecting the designated hyperlink on the relevant screen of the internet financial services website of the Internet Participating Financial Institution) and to undertake that the following information given is true and correct:
- you have attained eighteen (18) years of age as at the date of the application for the IPO Shares;
 - you are a Malaysian citizen residing in Malaysia;
 - you have, prior to making the Internet Share Application, received and/or have had access to a printed/ electronic copy of this Prospectus, the contents of which you have read and understood;
 - you agree to all the terms and conditions of the Internet Share Application as set out in this Prospectus and have carefully considered the risk factors set out in this Prospectus, in addition to all other information contained in this Prospectus before making the Internet Share Application for the IPO Shares;
 - the Internet Share Application is the only application that you are submitting for the IPO Shares;

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- you authorise the Internet Participating Financial Institution or the Authorised Financial Institution to deduct the full amount payable for the IPO Shares from your account with the Internet Participating Financial Institution or the Authorised Financial Institution;
 - you give express consent in accordance with the relevant laws of Malaysia (including but not limited to Section 99 of the Banking and Financial Institutions Act, 1989 and Section 45 of the Securities Industry (Central Depositories) Act, 1991) to the disclosure by the Internet Participating Financial Institution, the Authorised Financial Institution and/or Bursa Depository, as the case may be, of information pertaining to you, the Internet Share Application made by you or your account with the Internet Participating Financial Institution, to MIH and the Authorised Financial Institution, the SC and any other relevant authority;
 - YOU ARE NOT APPLYING FOR THE IPO SHARES AS A NOMINEE OF ANY OTHER PERSON AND THE APPLICATION IS MADE IN YOUR OWN NAME, AS THE BENEFICIAL OWNER AND SUBJECT TO THE RISKS REFERRED TO IN THIS PROSPECTUS; AND
 - you authorise the Internet Participating Financial Institution to disclose transfer to any person, including any government or regulatory authority in any jurisdiction, us, Bursa Securities or other relevant parties in connection with the Public Issue, all information relating to you if required by any law, regulation, court order or any government or regulatory authority in any jurisdiction or if such disclosure and transfer is, in the reasonable opinion of the Internet Participating Financial Institution, necessary for the provision of the Internet Share Application services or if such disclosure is requested or required in connection with the Public Issue. Further, the Internet Participating Financial Institution will take reasonable precautions to preserve the confidentiality of information relating to you furnished by you to the Internet Participating Financial Institution in connection with the use of the Internet Share Application services.
- (iv) Your application will not be successfully completed and cannot be recorded as a completed application unless you have completed all relevant application steps and procedures for the Internet Share Application which would result in the internet financial services website displaying the Confirmation Screen.

For the purposes of this Prospectus, "Confirmation Screen" shall mean the screen which appears or is displayed on the internet financial services website, which confirms that the Internet Share Application has been completed and states the details of your Internet Share Application, including the number of IPO Shares applied for which can be printed out by you for your records.

Upon the display of the Confirmation Screen, you shall be deemed to have confirmed the truth of the statements set out in Section 16.7.2(iii) of this Prospectus.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

(v) You must have sufficient funds in your account with the Internet Participating Financial Institution or the Authorised Financial Institution at the time of making the Internet Share Application, to cover and pay for the IPO Shares and the related processing fees, charges and expenses, if any, to be incurred, failing which the Internet Share Application will not be deemed complete, notwithstanding the display of the Confirmation Screen. Any Internet Share Application which does not conform strictly to the instructions set out in this Prospectus or any instructions displayed on the screens of the internet financial services website through which the Internet Share Application is made shall be rejected.

(vi) You irrevocably agree and undertake to subscribe for and to accept the number of IPO Shares applied for as stated on the Confirmation Screen or any lesser number of IPO Shares that may be allotted or allocated to you in respect of the Internet Share Application. In the event that we decide to allot or allocate any lesser number of such IPO Shares or not to allot or allocate any IPO Shares to you, you agree to accept our decision as final.

In the course of completing the Internet Share Application on the website of the Internet Participating Financial Institution, your confirmation of the number of IPO Shares applied for (by way of your action of clicking the designated hyperlink on the relevant screen of the website) shall be deemed to signify and shall be treated as:

- your acceptance of the number of IPO Shares that may be allotted or allocated to you in the event that your Internet Share Application is successful or successful in part, as the case may be; and
- your agreement to be bound by our Memorandum and Articles of Association.

(vii) You are fully aware that multiple or suspected multiple Internet Share Applications for the IPO Shares will be rejected. MIH on the authority of our Board reserves the right to reject any Internet Share Application or accept any Internet Share Application in part only without assigning any reason therefor. We will give due consideration to the desirability of allotting or allocating the IPO Shares to a reasonable number of applicants with a view to establishing a liquid and adequate market for our Shares.

(viii) If your Internet Share Application is unsuccessful or successful in part only, MIH shall inform the relevant Internet Participating Financial Institution of the unsuccessful or partially successful Internet Share Application within two (2) Market Days after the balloting date. Where your Internet Share Application is unsuccessful, the relevant Internet Participating Financial Institution will credit or arrange with the Authorised Financial Institution to credit the full amount of the application monies, in Ringgit Malaysia (without interest or any share of revenue or other benefit arising therefrom) into your account with the Internet Participating Financial Institution or the Authorised Financial Institution within two (2) Market Days after receipt of written confirmation from MIH.

If your Internet Share Application is successful in part only, the relevant Internet Participating Financial Institution will credit the balance of the application monies in Ringgit Malaysia (without interest or any share or revenue or other benefit arising therefrom) into your account with the Internet Participating Financial Institution or the Authorised Financial Institution within two (2) Market Days after receipt of written confirmation from MIH. We will, however, hold in reserve a number of applications to replace any successfully allotted applications that are subsequently rejected. If your application held in reserve is subsequently rejected, your application monies will be refunded (without interest or any share of revenue or other benefit arising therefrom) to you by MIH by crediting into your account with the Internet

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Participating Financial Institution within two (2) Market Days after receipt of confirmation from MIH.

For applications that are held in reserve and which are subsequently unsuccessful (or partly successful), the Internet Participating Financial Institution will credit into your account the application monies (or any part thereof but without interest or any share of revenue or other benefit arising therefrom) within two (2) Market Days after the receipt of confirmation from MIH.

Except where MIH is required to refund application monies, it is the sole responsibility of the Internet Participating Financial Institution to ensure the timely refund of application monies from unsuccessful or partially successful Internet Share Applications. Therefore, you are strongly advised to consult the Internet Participating Financial Institution through which the application was made in respect of the mode or procedure of enquiring on the status of the Internet Share Application in order to determine the status or exact number of IPO Shares allotted or allocated, if any, before trading of our IPO Shares on Bursa Securities.

- (ix) Internet Share Applications will be closed at 5.00 p.m. on 23 May 2013 or such other date(s) as our Directors, Promoters, Offeror and Alliance may in their absolute discretion mutually decide. An Internet Share Application is deemed to be received only upon its completion that is when the Confirmation Screen is displayed on the internet financial services website. You are advised to print out and retain a copy of the Confirmation Screen for record purposes. Late Internet Share Applications will not be accepted.
- (x) You irrevocably agrees and acknowledge that the Internet Share Application is subject to risk of electrical, electronic, technical and computer-related faults and breakdowns, faults with computer software, problems occurring during data transmission, computer security threats such as viruses, hackers and crackers, fires, acts of God and other events beyond our control and the control of MIH or the Internet Participating Financial Institutions and the Authorised Financial Institution. If, in any such event, we, MIH and/or the Internet Participating Financial Institution and/or the Authorised Financial Institution do not receive your Internet Share Application and/or the payment therefor, or in the event that any data relating to the Internet Share Application or the tape or any other devices containing such data is lost, corrupted, destroyed or otherwise not accessible, whether wholly or partially and for any reason whatsoever, you shall be deemed not to have made an Internet Share Application and you shall have no claim whatsoever against us, MIH or the Internet Participating Financial Institution and the Authorised Financial Institution in relation to the IPO Shares applied for or for any compensation, loss or damage whatsoever, as a consequence thereof or arising therefrom.
- (xi) All your particulars in the records of the relevant Internet Participating Financial Institution at the time you make your Internet Share Application shall be deemed to be true and correct, and we, MIH, the relevant Internet Participating Financial Institutions and all other persons who, are entitled or allowed under the law to such information or where you expressly consent to the provision of such information shall be entitled to rely on the accuracy thereof.

You shall ensure that your personal particulars as recorded by both Bursa Depository and the Internet Participating Financial Institution are correct and identical. Otherwise, your Internet Share Application is liable to be rejected. The notification letter on successful allotment or allocation will be sent to your registered address last maintained with Bursa Depository. It is your responsibility to notify the Internet Participating Financial Institution and Bursa Depository of any changes in your personal particulars that may occur from time to time.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

- (xii) By making and completing an Internet Share Application, you are deemed to have agreed that:
- in consideration of us making available the Internet Share Application facility to you through the Internet Participating Institution acting as our agents, the Internet Share Application is irrevocable;
 - you have irrevocably requested and authorised us to register the IPO Shares allotted or allocated to you for deposit into your CDS Account;
 - neither us nor the Internet Participating Financial Institution shall be liable for any delay, failure or inaccuracy in the recording, storage or transmission or delivery of data relating to the Internet Share Application to MIH or Bursa Depository due to any breakdown or failure of transmission, delivery or communication facilities or due to any risk referred to in **Section 16.7.2(x)** of this Prospectus or to any cause beyond their control;
 - you shall hold the Internet Participating Financial Institution harmless from any damages, claims or losses whatsoever, as a consequence of or arising from any rejection of your Internet Share Application by MIH, us and/or the Internet Participating Financial Institution for reasons of multiple application, suspected multiple application, inaccurate and/or incomplete details provided by you, or any other cause beyond the control of the Internet Participating Financial Institution;
 - the acceptance of your offer to subscribe for the IPO Shares for which your Internet Share Application has been successfully completed shall be constituted by written notification in the form of the issue of a notice of allotment by us or on our behalf and not otherwise, notwithstanding the receipt of any payment by us or on our behalf;
 - you are not entitled to exercise any remedy of rescission for misrepresentation at any time after we have accepted your Internet Share Application;
 - in making the Internet Share Application, you have relied solely on the information contained in this Prospectus. We, Alliance and any other person involved in the Public Issue shall not be liable for any information not contained in this Prospectus which you may have relied on in making the Internet Share Application; and
 - the acceptance of your Internet Share Application and the contract resulting therefrom under the Public Issue shall be governed by and construed in accordance with the laws of Malaysia, and the applicant irrevocably submits to the jurisdiction of the courts of Malaysia.
- (xiii) The following processing fee per Internet Share Application will be charged by the respective Internet Participating Financial Institution:
- Affin Bank Berhad (www.affinOnline.com) - No fee will be charged for application by their account holders;
 - CIMB Investment Bank Berhad (www.eipocimb.com) – RM2.00 for payment via CIMB Bank Berhad or via Malayan Banking Berhad;
 - CIMB Bank Berhad (www.cimbclicks.com.my) - RM 2.00 for applicants with CDS Accounts held with CIMB Investment Bank Berhad and RM2.50 for applicants with CDS Accounts with other ADAs;

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (*Cont'd*)

- Malayan Banking Berhad (www.maybank2u.com.my) – RM1.00;
- RHB Bank Berhad (www.rhb.com.my) – RM2.50; and
- Public Bank Berhad (www.pbebank.com) – RM2.00.

16.8 APPLICATIONS AND ACCEPTANCES

MIH, acting on the authority of our Board reserves the right not to accept your Application, if it does not strictly comply with the instructions, or to accept your Application in part only without assigning any reason therefor.

The submission of an Application Form does not necessarily mean that the Application will be successful.

YOUR APPLICATION MUST BE FOR 100 ORDINARY SHARES OR MULTIPLES THEREOF.

IF YOUR APPLICATION IS REJECTED OR ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED BY REGISTERED POST OR ORDINARY POST TO YOU WITHIN TEN (10) MARKET DAYS FROM THE DATE OF THE FINAL BALLOT OF THE APPLICATION LISTS AT YOUR ADDRESS LAST MAINTAINED WITH BURSA DEPOSITORY AT YOUR OWN RISK.

NO APPLICATION SHALL BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCES HAVING BEEN PRESENTED FOR PAYMENT.

16.9 CDS ACCOUNTS

Pursuant to Section 14(1) of the Securities Industry (Central Depositories) Act, 1991, Bursa Securities has prescribed the Shares as Prescribed Securities. In consequence thereof, the share issued/ offered through this Prospectus will be deposited directly with Bursa Depository and any dealings in these shares will be carried out in accordance with the Securities Industry (Central Depository) Act, 1991 and Rules of Bursa Depository.

Following the above, in accordance with Section 29 of the Securities Industry (Central Depositories) Act 1991, all dealings in our Shares will be by book entries through CDS Accounts. Thus, we will not issue any share certificates to you.

Only if you have a CDS Account can you make an Application by way of an Application Form. If you apply using an Application Form, you should state your CDS Account number in the space provided in the Application Form and you shall be deemed to have authorised Bursa Depository to disclose information pertaining to your CDS Account to MIH or us and any relevant regulatory bodies, as the case may be. If you do not presently have a CDS Account, you should open a CDS Account at an ADA prior to making an Application for our Shares.

Only if you have a CDS Account can you make an Application by way of an Electronic Share Application. If you apply using an Electronic Share Application, you shall furnish your CDS Account number to the Participating Financial Institution by way of keying in your CDS Account number if the instructions on the ATM screen at which you enter your Electronic Share Application require you to do so.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE *(Cont'd)*

Only if you have a CDS Account can you make an Application by way of an Internet Share Application. In certain cases, you can only make an Internet Share Application if you have a CDS Account opened with the Internet Participating Financial Institution. Arising therewith, your CDS Account number would automatically appear in the e-IPO online application form.

If you fail to comply with these specific instructions or there are inaccuracies in the CDS Account number, arising from use of invalid, third party or nominee accounts, your application may be rejected. If you are successful in your Application but fail to state your CDS Account number, MIH, acting on the authority of our Board, reserves the right to reject your Application. MIH, acting on the authority of our Board also reserves the right to reject any incomplete and inaccurate Application. We may also reject your Application if your particulars provided in the Application Forms, or in the case of Electronic Share Application or Internet Share Application, if the records of the Participating Financial Institutions at the time of making the Electronic Share Application or Internet Share Application, differ from those in Bursa Depository's records, such as your identity card number, name and nationality.

16.10 NOTICE OF ALLOTMENT

If your Application is successful or partially successful, we will credit our Shares allotted to you to your CDS accounts. We will despatch a notice of allotment to you at your address last maintained with Bursa Depository at your own risk prior to our Listing. For Electronic Share Applications or Internet Share Applications, the notice of allotment will be despatched to you at your address last maintained with Bursa Depository at your own risk prior to our Listing. This is the only acknowledgement of acceptance of your Application as we will not be issuing any share certificate to you.

You must inform Bursa Depository of your updated address promptly by adhering to certain rules and regulation of Bursa Depository, failing which we shall send the notification letter on your allotment to your address last maintained with Bursa Depository.

You may also check the status of your application by logging on to MIH website at www.mih.com.my or by calling your ADA at the telephone number as stated in Section 16.11 of this Prospectus or MIH at (03)-7841 8000 or (03)-7841 8289, between five (5) to ten (10) Market Days (during office hours only) after the balloting date.

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

16.11 LIST OF ADAS

The list of ADAs and their respective addresses, telephone numbers and broker codes are as follows:

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
KUALA LUMPUR			
A.A. ANTHONY SECURITIES SDN BHD N3, Plaza Damas 60, Jalan Sri Hartamas 1 Sri Hartamas 50480 Kuala Lumpur Tel No : 03-62011155	078-004	CIMB INVESTMENT BANK BERHAD 9 th Floor, Commerce Square Jalan Semantan, Damansara Heights 50490 Kuala Lumpur Tel No : 03-20849999	065-001
AFFIN INVESTMENT BANK BERHAD Ground Mezzanine & 3rd Floor Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No : 03-21438668	028-001	KENANGA INVESTMENT BANK BERHAD Ground Mezzanine, 1 st & 2 nd Floor (West & Center Wing) & 1 st Floor East Wing ECM Libra Building 8, Jalan Damansara Endah Damansara Heights 50490 Kuala Lumpur Tel No : 03-20891888	073-021
AFFIN INVESTMENT BANK BERHAD 38A & 40A Taman Midah Cheras 56000 Kuala Lumpur Tel No : 03-91308803	028-005	KENANGA INVESTMENT BANK BERHAD 1st Floor, Wisma Genting Jalan Sultan Ismail 50250 Kuala Lumpur Tel No : 03-21781133	073-029
ALLIANCE INVESTMENT BANK BERHAD Level 17, Menara Multi-Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No : 03- 26976333	076-001	HONG LEONG INVESTMENT BANK BERHAD Level 8, Menara HLA No. 3, Jalan Kia Peng 50450 Kuala Lumpur Tel No : 03-21681168	066-001
AMINVESTMENT BANK BERHAD 15 th Floor, Bangunan AmBank Group 55, Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-20782788	086-001	HWANGDBS INVESTMENT BANK BERHAD 2 nd Floor, Bangunan AHP No. 2, Jalan Tun Mohd Fuad 3 Taman Tun Dr. Ismail 60000 Kuala Lumpur Tel No : 03-77106688	068-009
BIMB SECURITIES SDN BHD 32 nd Floor, Menara Multi Purpose Capital Square No. 8, Jalan Munshi Abdullah 50100 Kuala Lumpur Tel No : 03-26918887	024-001	HWANGDBS INVESTMENT BANK BERHAD 7th, 22 nd , 23 rd & 23A Floor Menara Keck Seng 203 Jalan Bukit Bintang 55100 Kuala Lumpur Tel No : 03-27116888	068-014

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
HWANGDBS INVESTMENT BANK BERHAD No. 57-10 Level 10 The Boulevard, Mid Valley City Lingkar Syed Putra 59000 Kuala Lumpur Tel No : 03-22872273	068-017	M & A SECURITIES SDN BHD Level 1-2, No. 45 & 47 The Boulevard, Mid Valley City Lingkar Syed Putra 59200 Kuala Lumpur Tel No : 03-22821820	057-002
INTER-PACIFIC SECURITIES SDN BHD West Wing, Level 13 Berjaya Times Square No. 1, Jalan Imbi 55100 Kuala Lumpur Tel No : 03-21171888	054-001	MAYBANK INVESTMENT BANK BERHAD 5-13 Floor, MaybanLife Tower Dataran Maybank No. 1, Jalan Maarof 59000 Kuala Lumpur Tel No : 03-22978888	098-001
INTER-PACIFIC SECURITIES SDN BHD Ground Floor, 7-0-8 Jalan 3/109F Danau Business Centre, Danau Desa 58100 Kuala Lumpur Tel No : 03-79847796	054-003	MERCURY SECURITIES SDN BHD L-7-2, No. 2 Jalan Solaris Solaris Mont Kiara 50480 Kuala Lumpur Tel No : 03-62037227	093-002
INTER-PACIFIC SECURITIES SDN BHD Stesyen Minyak SHELL Jalan I/116B, Off Jalan Kuchai Lama Kuchai Entrepreneur Park 58200 Kuala Lumpur Tel No : 03-79818811	054-005	MIDF AMANAH INVESTMENT BANK BERHAD 11 th & 12 th Floor, Menara MIDF 82, Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-21738888	026-001
JUPITER SECURITIES SDN BHD 7 th -9 th Floor, Menara Olympia 8, Jalan Raja Chulan 50200 Kuala Lumpur Tel No : 03-20341888	055-001	HONG LEONG INVESTMENT BANK BERHAD (formerly known as MIMB Investment Bank Berhad) Level 18, Menara EON Bank 288, Jalan Raja Laut 50350 Kuala Lumpur Tel No : 03-26910200	061-001
KAF-SEAGROATT & CAMPBELL SECURITIES SDN BHD 11 th -14 th Floor, Chulan Tower No. 3, Jalan Conlay 50450 Kuala Lumpur Tel No : 03-21688800	053-001	OSK INVESTMENT BANK BERHAD 20 th Floor, Plaza OSK Jalan Ampang 50450 Kuala Lumpur Tel No : 03-23338333	056-001
KENANGA INVESTMENT BANK BERHAD 8 th Floor, Kenanga International Jalan Sultan Ismail 50250 Kuala Lumpur Tel No : 03-21649080	073-001	OSK INVESTMENT BANK BERHAD No. 62 & 64, Vista Magna Jalan Prima, Metro Prima 52100 Kuala Lumpur Tel No : 03-62575869	056-028

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
OSK INVESTMENT BANK BERHAD Ground Floor No. M3-A-7 & M3-A-8 Jalan Pandan Indah 4/3A Pandan Indah 55100 Kuala Lumpur Tel No : 03-42804798	056-054	PUBLIC INVESTMENT BANK BERHAD 27 th Floor, Public Bank Building No. 6, Jalan Sultan Sulaiman 50000 Kuala Lumpur Tel No : 03-20313011	051-001
OSK INVESTMENT BANK BERHAD Ground, 1 st , 2 nd & 3 rd Floor No. 55, Zone J4 Jalan Radin Anum Bandar Baru Seri Petaling 57000 Kuala Lumpur Tel No : 03-90587222	056-058	RHB INVESTMENT BANK BERHAD Level 9, Tower One RHB Centre, Jalan Tun Razak 50400 Kuala Lumpur Tel No : 03-92873888	087-001
PM SECURITIES SDN BHD Ground, Mezzanine, 1 st & 10 th Floor Menara PMI No. 2, Jalan Changkat Ceylon 50200 Kuala Lumpur Tel No : 03-21463000	064-001	TA SECURITIES HOLDINGS BERHAD Floor 13, 16, 23, 28-30, 34 & 35 Menara TA One No. 22, Jalan P. Ramlee 50250 Kuala Lumpur Tel No : 03-20721277	058-003
SELANGOR DARUL EHSAN			
AFFIN INVESTMENT BANK BERHAD 2 nd , 3 rd & 4 th Floor Wisma Amsteel Securities No. 1, Lintang Pekan Baru Off Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No : 03-33439999	028-002	AMINVESTMENT BANK BERHAD 4th Floor, Plaza Damansara Utama No. 2, Jalan SS21/60 47400 Petaling Jaya Selangor Darul Ehsan Tel No : 03-77106613	086-003
AFFIN INVESTMENT BANK BERHAD Lot 229, 2nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiar Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No : 03-77298016	028-003	CIMB INVESTMENT BANK BERHAD Level G & Level 1, Tropicana City Office Tower No 3 Jalan SS20/27 47400 Petaling Jaya Selangor Darul Ehsan Tel No : 03 – 77173388	065-009
AFFIN INVESTMENT BANK BERHAD 1 st Floor, 20-22 Jalan 21/22 SEA Park 46300 Petaling Jaya Selangor Darul Ehsan Tel No : 03-78776229	028-006	KENANGA INVESTMENT BANK BERHAD 35 (Ground & 1 st Floor) Jalan Tiara 3 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No : 03-33488080	073-035
AFFIN INVESTMENT BANK BERHAD No.79-1 & 79-C Jalan Batu Nilam 5 Bandar Bukit Tinggi 41200 Klang Selangor Darul Ehsan Tel No : 03-33221999	028-007	KENANGA INVESTMENT BANK BERHAD Level 1 East Wing Wisma Consplant 2 No. 7 Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03-56212118	073-030

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
HONG LEONG INVESTMENT BANK BERHAD Level 10 1 First Avenue Bandar Utama 47800 Petaling Jaya Selangor Darul Ehsan Tel No : 03-77246888	066-002	HWANGDBS INVESTMENT BANK BERHAD East Wing & Centre Link Floor 3A, Wisma Consplant 2 No. 7, Jalan SS 16/1 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03-56356688	068-010
HWANGDBS INVESTMENT BANK BERHAD 16th, 18th-20th Floor, Plaza Masalam No. 2, Jalan Tengku Ampuan Zabedah E9/E Section 9 40100 Shah Alam Selangor Darul Ehsan Tel No : 03-55133288	068-002	OSK INVESTMENT BANK BERHAD 24, 24M, 24A, 26M, 28M, 28A & 30 Jalan SS 2/63 47300 Petaling Jaya Selangor Darul Ehsan Tel No : 03-78736366	056-011
JF APEX SECURITIES BERHAD 6 th Floor, Menara Apex Off Jalan Semenyih, Bukit Mewah 43000 Kajang Selangor Darul Ehsan Tel No : 03-87361118	079-001	OSK INVESTMENT BANK BERHAD No. 37, Jalan Semenyih 43000 Kajang Selangor Darul Ehsan Tel No : 03-87363378	056-045
JF APEX SECURITIES BERHAD 15th & 16th Floor Menara Choy Fook On No. 1B, Jalan Yong Shook Lin 46050 Petaling Jaya Selangor Darul Ehsan Tel No : 03-76201118	079-002	OSK INVESTMENT BANK BERHAD Ground & 1 st Floor No. 15, Jalan Bandar Rawang 4 48000 Rawang Selangor Darul Ehsan Tel No : 03-60928916	056-047
KENANGA INVESTMENT BANK BERHAD Ground – Fifth Floor East Wing, Quattro West 4, Lorong Persiaran Barat 46200 Petaling Jaya Selangor Darul Ehsan Tel No : 03-78626200	073-005	OSK INVESTMENT BANK BERHAD Ground & Mezzanine Floor No. 87 & 89, Jalan Susur Pusat Perniagaan NBC Batu 1½, Jalan Meru 41050 Klang Selangor Darul Ehsan Tel No : 03-33439180	056-048
KENANGA INVESTMENT BANK BERHAD 1 st Floor, Wisma UEP Pusat Perniagaan USJ 10 Jalan USJ 10/1A 47620 Subang Jaya Selangor Darul Ehsan Tel No : 03-80241682	073-006	OSK INVESTMENT BANK BERHAD 3 rd Floor, 1A-D Jalan USJ 10/1A Pusat Perniagaan USJ 10 47610 UEP Subang Jaya Selangor Darul Ehsan Tel No : 03-80236518	056-063

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
KENANGA INVESTMENT BANK BERHAD Suite 7.02, Level 7, Menara ING No. 68, Jalan Batai Laut 4 Taman Intan 41300 Klang Selangor Darul Ehsan Tel No : 03-30057550	073-007		
KENANGA INVESTMENT BANK BERHAD Lot 240, 2nd Floor, The Curve No. 6, Jalan PJU 7/3 Mutiara Damansara 47800 Petaling Jaya Selangor Darul Ehsan Tel No : 03-77259095	073-016	OSK INVESTMENT BANK BERHAD 11-1, Jalan PJU 5/12 Dataran Sunway Kota Damansara 47810 Petaling Jaya Selangor Darul Ehsan Tel No : 03-61483361	056-065
MALACCA SECURITIES SDN BHD Subang Jaya Branch No. 16, Jalan SS15/4B 47500 Subang Jaya Selangor Darul Ehsan Tel No : 03-56361533	012-002	MALACCA SECURITIES SDN BHD SS2 Petaling Jaya Branch No. 58A & 60A Jalan SS2/67 47300 Petaling Jaya Selangor Darul Ehsan Tel No : 03-78761533	012-003
OSK INVESTMENT BANK BERHAD Ground, 1st Floor No.13 Jalan Kenari 3 Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel No : 03-80706899	056-066	SJ SECURITIES SDN BHD Ground Floor, Podium Block Wisma Synergy Lot 72, Persiaran Jubli Perak Section 22 40000 Shah Alam Selangor Darul Ehsan Tel No : 03-51920202	096-001
PM SECURITIES SDN BHD No. 157 & 159, Jalan Kenari 23/A Bandar Puchong Jaya 47100 Puchong Selangor Darul Ehsan Tel No : 03-80700773	064-003	TA SECURITIES HOLDINGS BERHAD No. 2-1, 2-2, 2-3 & 4-2 Jalan USJ 9/5T, Subang Business Centre 47620 UEP Subang Jaya Selangor Darul Ehsan Tel No : 03-80251880	058-005
PM SECURITIES SDN BHD No. 18 & 20, Jalan Tiara 2 Bandar Baru Klang 41150 Klang Selangor Darul Ehsan Tel No : 03-33415300	064-007	TA SECURITIES HOLDINGS BERHAD Damansara Utama Branch 2 nd Floor Wisma TA 47400 Petaling Jaya Selangor Darul Ehsan Tel No : 03-77295713	058-007
MELAKA			
CIMB INVESTMENT BANK BERHAD Ground, 1 st & 2 nd Floor No. 191, Taman Melaka Raya Off Jalan Parameswara 75000 Melaka Tel No : 06-2898800	065-006	OSK INVESTMENT BANK BERHAD 579, 580 & 581 Taman Melaka Raya 75000 Melaka Tel No : 06-2825211	056-003

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
KENANGA INVESTMENT BANK BERHAD 71A&B & 73A&B, Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06-2881720	073-028	PM SECURITIES SDN BHD No. 11 & 13, Jalan PM2 Plaza Mahkota 75000 Melaka Tel No : 06-2866008	064-006
KENANGA INVESTMENT BANK BERHAD 22A & 22A -1 and 26 & 26 – I Jalan MP 10 Taman Merdeka Permai 75350 Batu Berendam Melaka Tel No : 06-3372550	073-034	MALACCA SECURITIES SDN BHD No. 1, 3 & 5, Jalan PPM9 Plaza Pandan Malim (Business Park) Balai Panjang, P. O. Box 248 75250 Melaka Tel No : 06-3371533	012-001
RHB INVESTMENT BANK BERHAD No 19, 21 & 23, Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06-2833622	087-002	MERCURY SECURITIES SDN BHD No. 81-B & 83-B, Jalan Merdeka Taman Melaka Raya 75000 Melaka Tel No : 06-2921898	093-003
PERAK DARUL RIDZUAN			
A.A. ANTHONY SECURITIES SDN BHD 29G, Jalan Intan 2 Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No : 05-6216010	078-009	CIMB INVESTMENT BANK BERHAD Ground, No. 8, 8A-C Persiaran Greentown 4C Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2088688	065-010
KENANGA INVESTMENT BANK BERHAD No. 63 Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2422828	073-022	OSK INVESTMENT BANK BERHAD 21-25, Jalan Seenivasagam Greentown 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2415100	056-002
KENANGA INVESTMENT BANK BERHAD No. 7B-1, Jalan Laman Intan Bandar Baru Teluk Intan 36000 Teluk Intan Perak Darul Ridzuan Tel No : 05-6222828	073-026	KENANGA INVESTMENT BANK BERHAD Ground Floor No. 25 & 25A Jalan Jaya 2, Medan Jaya 32000 Setiawan Perak Darul Ridzuan Tel No : 05-6939828	073-031
OSK INVESTMENT BANK BERHAD Ground & 1st Floor No. 17, Jalan Intan 2, Bandar Baru 36000 Teluk Intan Perak Darul Ridzuan Tel No : 05-6236498	056-014	HWANGDBS INVESTMENT BANK BERHAD Ground, Level 1, 2 & 3 21, Jalan Stesen 34000 Taiping Perak Darul Ridzuan Tel No : 05-8066688	068-003

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
OSK INVESTMENT BANK BERHAD Ground, 1st Floor, No. 23 & 25 Jalan Lumut 32000 Sitiawan Perak Darul Ridzuan Tel No : 05-6921228	056-016	HWANGDBS INVESTMENT BANK BERHAD Ground, 1st Floor & 2nd Floor No. 22, Persiaran Greentown 1 Greentown Business Centre 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2559988	068-015
OSK INVESTMENT BANK BERHAD Ground Floor, No. 40, 42 & 44 Jalan Berek 34000 Taiping Perak Darul Ridzuan Tel No : 05-8088229	056-034	M & A SECURITIES SDN BHD M & A Building 52A, Jalan Sultan Idris Shah 30000 Ipoh Perak Darul Ridzuan Tel No : 05-2419800	057-001
OSK INVESTMENT BANK BERHAD 72, Ground Floor Jalan Idris 31900 Kampar Perak Darul Ridzuan Tel No : 05-4651261	056-044	OSK INVESTMENT BANK BERHAD Ground Floor No. 2, Jalan Wawasan 4 Taman Wawasan 34200 Parit Buntar Perak Darul Ridzuan Tel No : 05-7170888	056-052
HONG LEONG INVESTMENT BANK BERHAD 51-53, Persiaran Greenhill 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2530888	066-003	TA SECURITIES HOLDINGS BERHAD Ground, 1st & 2nd Floor Plaza Teh Teng Seng No. 227, Jalan Raja Permaisuri Bainun 30250 Ipoh Perak Darul Ridzuan Tel No : 05-2531313	058-001
MAYBANK INVESTMENT BANK BERHAD B-G-04 (Ground Floor), Level 1 & 2 42 Persiaran Greentown 1 Pusat Dagangan Greentown 30450 Ipoh Perak Darul Ridzuan Tel No : 05-2453400	098-002		
PULAU PINANG			
A.A. ANTHONY SECURITIES SDN BHD 1 st , 2 nd & 3 rd Floor, Bangunan Heng Guan 171 Jalan Burmah 10050 Pulau Pinang Tel No : 04-2299318	078-002	CIMB INVESTMENT BANK BERHAD Ground Floor Suite 1.01, Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-2385900	065-003
A.A. ANTHONY SECURITIES SDN BHD No. 2, Jalan Perniagaan 2 Pusat Perniagaan Alma 14000 Bukit Mertajam Pulau Pinang Tel No : 04-5541388	078-003	HWANGDBS INVESTMENT BANK BERHAD Level 2, 3, 4, 7 & 8, Wisma Sri Pinang 60, Green Hall 10200 Pulau Pinang Tel No : 04-2636996	068-001

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
ALLIANCE INVESTMENT BANK BERHAD Suite 2.1 & Suite 2.4, Level 2 Wisma Great Eastern No. 25, Leboh Light 10200 Pulau Pinang Tel No: 04-2611688	076-015	HWANGDBS INVESTMENT BANK BERHAD No. 2 & 4 Jalan Perda Barat Bandar Perda 14000 Bukit Mertajam Pulau Pinang Tel No : 04-5372882	068-006
AMINVESTMENT BANK BERHAD Mezzanine Floor & Level 3 No. 37, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-2261818	086-004	INTER-PACIFIC SECURITIES SDN BHD Ground, Mezzanine & 8th Floor Bangunan Mayban Trust No. 3, Penang Street 10200 Pulau Pinang Tel No : 04-2690888	054-002
AMINVESTMENT BANK BERHAD Level 3 No. 15, Lebuah Pantai 10300 Pulau Pinang Tel No : 04-2618688	086-007	KENANGA INVESTMENT BANK BERHAD Lot 1.02, Level 1, Menara KWSP 38, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-2106666	073-013
KENANGA INVESTMENT BANK BERHAD 7 th , 8 th & 16 th Floor, Menara Boustead Penang 39, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-2283355	073-023	OSK INVESTMENT BANK BERHAD Ground & 1st Floor No. 15-G-5, 15-G-6, 15-1-5 & 15-1-6 Medan Kampung Relau (Bayan Point) 11950 Pulau Pinang Tel No : 04-6404888	056-042
OSK INVESTMENT BANK BERHAD Ground, 1st & 2nd Floor No. 2677, Jalan Chain Ferry Taman Inderawasih 13600 Seberang Prai Pulau Pinang Tel No : 04-3900022	056-005	OSK INVESTMENT BANK BERHAD 41-A, 41-B and 41-C Lintang Angsana Bandar Baru Air Itam 11500 Pulau Pinang Tel No : 04-8352988	056-064
OSK INVESTMENT BANK BERHAD Ground & Upper Floor No. 11A, Jalan Keranji Off Jalan Padang Lallang 14000 Bukit Mertajam Pulau Pinang Tel No : 04-5402888	056-015	PM SECURITIES SDN BHD Level 25, Menara BHL 51, Jalan Sultan Ahmad Shah 10050 Pulau Pinang Tel No : 04-2273000	064-004
OSK INVESTMENT BANK BERHAD 834 Jalan Besar, Sungai Bakap 14200 Sungai Jawi Seberang Perai Selatan Pulau Pinang Tel No : 04-5831888	056-032	MERCURY SECURITIES SDN BHD Ground, 1st, 2nd & 3rd Floor Wisma UMNO Lorong Bagan Luar Dua 12000 Butterworth Pulau Pinang Tel No : 04-3322123	093-001

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
OSK INVESTMENT BANK BERHAD 64& 64-D Tingkat Bawah-Tingkat 3 & Tingkat 5-Tingkat 8 Lebuh Bishop 10200 Pulau Pinang Tel No : 04-2634222	056-004	MALACCA SECURITIES SDN BHD Tanjung Tokong Penang Branch Prima Tanjung Suite 98-3-13A Jalan Fettes 11200 Tanjung Tokong Pulau Pinang Tel No : 04-8981525	012-004
MERCURY SECURITIES SDN BHD 2 nd Floor, Standard Chartered Bank Chambers 2 Lebuh Pantai 10300 Pulau Pinang Tel No : 04-2639118	093-004	M&A SECURITIES SDN BHD 332H-1 & 332G-2 Harmony Square Jalan Perak 11600 Georgetown Pulau Pinang Tel No : 04-2817611	057-005
PERLIS INDRA KAYANGAN			
ALLIANCE INVESTMENT BANK BERHAD 2 nd Floor, Podium Block KWSP Building 01000 Kangar Perlis Indra Kayangan Tel No : 04-9765200	076-003	OSK INVESTMENT BANK BERHAD Ground & 1st Floor No. 39, Taman Suriani Persiaran Jubli Emas 01000 Kangar Perlis Indra Kayangan Tel No : 04-9793888	056-061
KEDAH DARUL AMAN			
A.A. ANTHONY SECURITIES SDN BHD Lot 4, 5 & 5A 1st Floor EMUM 55 No. 55, Jalan Gangsa Kawasan Perusahaan Mergong 2 Seberang Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel No: 04-7322111	078-007	IHWANGDBS INVESTMENT BANK BERHAD No. 70 A, B, C, Jalan Mawar 1 Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No : 04-4256666	068-011
ALLIANCE INVESTMENT BANK BERHAD 2 nd Floor, Wisma PKNK Jalan Sultan Badlishah 05000 Alor Setar Kedah Darul Aman Tel No : 04-7317088	076-004	OSK INVESTMENT BANK BERHAD No. 112, Jalan Pengkalan Taman Pekan Baru 08000 Sungai Petani Kedah Darul Aman Tel No : 04-4204888	056-017
OSK INVESTMENT BANK BERHAD Ground & 1st Floor 215-A & 215-B Medan Putra, Jalan Putra 05150 Alor Setar Kedah Darul Aman Tel No : 04-7209888	056-021	OSK INVESTMENT BANK BERHAD 35, Ground Floor Jalan Suria 1, Jalan Bayu 09000 Kulim Kedah Darul Aman Tel No : 04-4964888	056-019

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
NEGERI SEMBILAN DARUL KHUSUS			
KENANGA INVESTMENT BANK BERHAD 1C-1 & 1D-1, First Floor Jalan Tunku Munawir 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7655998	073-033	OSK INVESTMENT BANK BERHAD 1 st Floor, No. 3601, Jalan Besar 73000 Tampin Negeri Sembilan Darul Khusus Tel No : 06-4421000	056-037
HWANGDBS INVESTMENT BANK BERHAD Ground & 1 st Floor 105, 107 & 109, Jalan Yam Tuan 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7612288	068-007	OSK INVESTMENT BANK BERHAD 1 st & 2 nd Floor No. 168, Jalan Mewah (Pusat Perniagaan UMNO Bahagian Jempol) 72100 Bahau Negeri Sembilan Darul Khusus Tel No : 06-4553014	056-040
HWANGDBS INVESTMENT BANK BERHAD No. 6, Upper Level Jalan Mahligai 72100 Bahau Negeri Sembilan Darul Khusus Tel No : 06-4553188	068-013	OSK INVESTMENT BANK BERHAD Ground & Mezzanine Floor No. 346 & 347, Batu ½, Jalan Pantai 71000 Port Dickson Negeri Sembilan Darul Khusus Tel No : 06-6461234	056-046
OSK INVESTMENT BANK BERHAD Ground, 1st & 2nd Floor No. 33, Jalan Dato' Bandar Tunggal 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7641641	056-024	PM SECURITIES SDN BHD 1 st , 2 nd & 3 rd Floor 19-21, Jalan Kong Sang 70000 Seremban Negeri Sembilan Darul Khusus Tel No : 06-7623131	064-002
JOHOR DARUL TAKZIM			
A.A. ANTHONY SECURITIES SDN BHD Level 6 & 7, Menara MSC Cyberport No. 5, Jalan Bukit Meldrum 80300 Johor Bahru Johor Darul Takzim Tel No : 07-3332000	078-001	AMINVESTMENT BANK BERHAD 2 nd & 3 rd Floor, Penggaram Complex 1, Jalan Abdul Rahman 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4342282	086-002
A.A. ANTHONY SECURITIES SDN BHD 42-8, Main Road Kulai Besar 81000 Kulai Johor Darul Takzim Tel No : 07-6637398	078-005	AMINVESTMENT BANK BERHAD 18 th & 31 st Floor, Selesa Tower Jalan Dato' Abdullah Tahir 80300 Johor Bahru Johor Darul Takzim Tel No : 07-3343855	086-006
A.A. ANTHONY SECURITIES SDN BHD No. 70, 70-01, 70-02 Jalan Rosmerah 2/17 Taman Johor Jaya 81100 Johor Bahru Johor Darul Takzim Tel No : 07-3513218	078-006	KENANGA INVESTMENT BANK BERHAD Ground Floor No. 234, Jalan Besar Taman Semberong Baru 83700 Yong Peng Johor Darul Takzim Tel No : 07-4678885	073-025

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
A.A. ANTHONY SECURITIES SDN BHD No. 171 (Ground Floor) Jalan Bestari 1/5 Taman Nusa Bestari 81300 Skudai Johor Darul Takzim Tel No : 07-5121633	078-008	KENANGA INVESTMENT BANK BERHAD No. 57, 59 & 61, Jalan Ali 84000 Muar Johor Darul Takzim Tel No : 06-9532222	073-024
ALLIANCE INVESTMENT BANK BERHAD No. 73, Ground Floor & 1st Floor Jalan Rambutan 86000 Kluang Johor Darul Takzim Tel No : 07-7717922	076-006	KENANGA INVESTMENT BANK BERHAD No. 33 & 35 (Ground & 1st Floor A&B) Jalan Syed Abdul Hamid Sagaff 86000 Kluang Johor Darul Takzim Tel No : 07-7771161	073-010
HWANGDBS INVESTMENT BANK BERHAD Level 7, Johor Bahru City Square (Office Tower) 106-108 Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No : 07-2222692	068-004	M&A SECURITIES SDN BHD 26, Jalan Indah 16/5 Taman Bukit Indah 81200 Johor Bahru Johor Darul Takzim Tel No : 07-2366288	057-006
INTER-PACIFIC SECURITIES SDN BHD 95, Jalan Tun Abdul Razak 80000 Johor Bahru Johor Darul Takzim Tel No : 07-2231211	054-004	HONG LEONG INVESTMENT BANK BERHAD (formerly known as MIMB Investment Bank Berhad) Suite 25.02, Level 25 Johor Bahru City Square (Office Tower) No. 106-108, Jalan Wong Ah Fook 80000 Johor Bahru Johor Darul Takzim Tel No : 07-2227388	066-005
KENANGA INVESTMENT BANK BERHAD Level 2, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07-3333600	073-004	HONG LEONG INVESTMENT BANK BERHAD (formerly known as MIMB Investment Bank Berhad) 1st Floor, No. 9 Jalan Kundang Taman Bukit Pasir 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4313688	066-004
KENANGA INVESTMENT BANK BERHAD No. 31 Lorong Dato' Ahmad Jalan Khalidi 84000 Muar Johor Darul Takzim Tel No : 06-9542711	073-008	MERCURY SECURITIES SDN BHD Suite 17.1, Level 17, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07-3316992	093-005

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
KENANGA INVESTMENT BANK BERHAD Ground & Mezzanine Floor No. 34 Jalan Genuang 85000 Segamat Johor Darul Takzim Tel No : 07-9333515	073-009	OSK INVESTMENT BANK BERHAD 6 th Floor, Wisma Tiong-Hua 8, Jalan Keris, Taman Sri Tebrau 80050 Johor Bahru Johor Darul Takzim Tel No : 07-2788821	056-006
KENANGA INVESTMENT BANK BERHAD No. 4, Jalan Dataran 1 Taman Bandar Tangkak 84900 Tangkak Johor Darul Takzim Tel No : 06-9782292	073-011	OSK INVESTMENT BANK BERHAD 53, 53-A & 53-B, Jalan Sultanah 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4380288	056-009
KENANGA INVESTMENT BANK BERHAD No. 24, 24A & 24B Jalan Penjaja 3 Kim Park Centre Batu Pahat, 83000 Johor Darul Takzim Tel No : 07-4326963	073-017		
M&A SECURITIES SDN BHD Suite 5.3A, Level 5, Menara Pelangi Jalan Kuning, Taman Pelangi 80400 Johor Bahru Johor Darul Takzim Tel No : 07-3381233	057-003	OSK INVESTMENT BANK BERHAD No. 33-1, 1 st & 2 nd Floor Jalan Ali 84000 Muar Johor Darul Takzim Tel No : 06-9538262	056-025
OSK INVESTMENT BANK BERHAD Ground & 1 st Floor No. 119 & 121 Jalan Sutera Tanjung 8/2 Taman Sutera Utama 81300 Skudai Johor Darul Takzim Tel No : 07-5577628	056-029	OSK INVESTMENT BANK BERHAD 1 st Floor, No. 2 & 4, Jalan Makmur Taman Sri Aman 85300 Labis Johor Darul Takzim Tel No : 07-9256881	056-039
OSK INVESTMENT BANK BERHAD Ground, 1st & 2nd Floor No. 3, Jalan Susur Utama 2/1 Taman Utama 85000 Segamat Johor Darul Takzim Tel No : 07-9321543	056-030	OSK INVESTMENT BANK BERHAD Ground, 1st Floor & 2nd Floor Nos. 21 & 23 Jalan Molek 1/30 Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel No : 07-3522293	056-043
OSK INVESTMENT BANK BERHAD Ground, 1st & 2nd Floor No. 17 Jalan Manggis 86000 Kluang Johor Darul Takzim Tel No : 07-7769655	056-031	PM SECURITIES SDN BHD No. 41, Jalan Molek 2/4 Taman Molek 81100 Johor Bahru Johor Darul Takzim Tel No : 07-3513232	064-005

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
OSK INVESTMENT BANK BERHAD Ground, 1 st & 2 nd Floor No. 10, Jalan Anggerik 1 Taman Kulai Utama 81000 Kulai Johor Darul Takzim Tel No : 07-6626288	056-035	PM SECURITIES SDN BHD Ground & 1 st Floor No. 43 & 43A, Jalan Penjaja 3 Taman Kim's Park, Business Centre 83000 Batu Pahat Johor Darul Takzim Tel No : 07-4333608	064-008
OSK INVESTMENT BANK BERHAD Ground, 1 st & 2 nd Floor No. 343, Jalan Muar 84900 Tangkak Johor Darul Takzim Tel No : 06-9787180	056-038		
PAHANG DARUL MAKMUR			
ALLIANCE INVESTMENT BANK BERHAD A-397, A-399 & A-401 Taman Sri Kuantan III, Jalan Beserah 25300 Kuantan Pahang Darul Makmur Tel No : 09-5660800	076-002	OSK INVESTMENT BANK BERHAD Ground Floor, 98 Jalan Pasdec 28700 Bentong Pahang Darul Makmur Tel No : 09-2234943	056-022
CIMB INVESTMENT BANK BERHAD Ground, 1 st & 2 nd Floor No. A-27 (Aras G, 1 & 2) Jalan Dato' Lim Hoe Lek 25200 Kuantan Pahang Darul Makmur Tel No : 09-5057800	065-007	KENANGA INVESTMENT BANK BERHAD A15, A17 & A19, Ground Floor Lorong Tun Ismail 2 Sri Dagangan 2 25000, Pahang Darul Makmur Tel No : 09-5171698	073-027
OSK INVESTMENT BANK BERHAD Ground Floor No. 76-A, Persiaran Camelia 4 Tanah Rata 39000 Cameron Highlands Pahang Darul Makmur Tel No : 05-4914913	056-041	OSK INVESTMENT BANK BERHAD B32 & B34, Lorong Tun Ismail 8 Seri Dagangan 11 25000 Kuantan Pahang Darul Makmur Tel No : 09-5173811	056-007
KELANTAN DARUL NAIM			
OSK INVESTMENT BANK BERHAD Ground & 1 st Floor No. 3953-H, Jalan Kebun Sultan 15350 Kota Bharu Kelantan Darul Naim Tel No : 09-7430077	056-020	TA SECURITIES HOLDINGS BERHAD 298, Jalan Tok Hakim 15000 Kota Bharu Kelantan Darul Naim Tel No : 09-7432288	058-004

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
TERENGGANU DARUL IMAN			
ALLIANCE INVESTMENT BANK BERHAD No. 1D, Ground & Mezzanine No. 1E, Ground, Mezzanine 1st & 2nd Floor, Jalan Air Jerneh 20300 Kuala Terengganu Terengganu Darul Iman Tel No : 09-6317922	076-009	FA SECURITIES SDN BHD No. 51 & 51A Ground, Mezzanine & 1st Floor Jalan Tok Lam 20100 Kuala Terengganu Terengganu Darul Iman Tel No : 09-6238128	021-001
OSK INVESTMENT BANK BERHAD Ground & 1 st Floor 9651, Cukai Utama Jalan Kubang Kurus 24000 Kemaman Terengganu Darul Iman Tel No : 09-8583109	056-027	OSK INVESTMENT BANK BERHAD 31A, Ground Floor 31A & 31B, 1st Floor Jalan Sultan Ismail 20200 Kuala Terengganu Terengganu Darul Iman Tel No : 09-6261816	056-055
SARAWAK			
AMINVESTMENT BANK BERHAD No. 164, 166 & 168 1st, 2nd & 3rd Floor Jalan Abell 93100 Kuching Sarawak Tel No : 082-244791	086-005	KENANGA INVESTMENT BANK BERHAD Level 5, Wisma Mahmud Jalan Sungai Sarawak 93100 Kuching Sarawak Tel No : 082-338000	073-003
CIMB INVESTMENT BANK BERHAD Level 1, Wisma STA 26 Jalan Datuk Abang Abdul Rahim 93450 Kuching Sarawak Tel No : 082-358606	065-004	KENANGA INVESTMENT BANK BERHAD No. 11-12 (Ground & 1 st Floor) Lorong Kampung Datu 3 96000 Sibu Sarawak Tel No : 084-313855	073-012
CIMB INVESTMENT BANK BERHAD No. 6A, Ground Floor Jalan Bako, Off Brooke Drive 96000 Sibu Sarawak Tel No : 084-367700	065-008	HWANGDBS INVESTMENT BANK BERHAD Ground Floor & 1 st Floor No. 1, Jalan Pending 1 st Floor, No. 3, Jalan Pending 93450 Kuching Tel No : 082-341999	068-005
OSK INVESTMENT BANK BERHAD Lot 170 & 171 Section 49, K.T.L.D Jalan Chan Chin Ann 93100 Kuching Sarawak Tel No : 082-422252	056-008	HWANGDBS INVESTMENT BANK BERHAD No. 282, 1 st Floor Park City Commercial Centre Phase 4, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel No : 086-330008	068-016

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
OSK INVESTMENT BANK BERHAD Lot 1268, 1 st & 2 nd Floor Lot 1269, 2nd Floor Centre Point Commercial Centre Jalan Melayu 98000 Miri Sarawak Tel No : 085-422788	056-012	KENANGA INVESTMENT BANK BERHAD Lot 2465, Jalan Boulevard Utama Boulevard Commercial Centre 98000 Miri Sarawak Tel No : 085-435577	073-002
OSK INVESTMENT BANK BERHAD 101 & 102, Pusat Pedada Jalan Pedada 96000 Sibu Sarawak Tel No : 084-329100	056-013	OSK INVESTMENT BANK BERHAD Ground & 1 st Floor No. 10, Jalan Bersatu 96100 Sarikei Sarawak Tel No : 084-654100	056-050
TA SECURITIES HOLDINGS BERHAD 12G, H & I Jalan Kampong Datu 96000 Sibu Sarawak Tel No : 084-319998	058-002	OSK INVESTMENT BANK BERHAD Ground & 1st Floor No. 221, Park City Commercial Centre Square Phase III, Jalan Tun Ahmad Zaidi 97000 Bintulu Sarawak Tel No : 086-311770	056-053
TA SECURITIES HOLDINGS BERHAD 2 nd Floor, (Bahagian Hadapan) Bangunan Binamas, Lot 138 Section 54, Jalan Pandung 93100 Kuching Sarawak Tel No : 082-236333	058-006	RHB INVESTMENT BANK BERHAD Yung Kong Abell Units No. 1-10, 2 nd Floor Lot 365, Section 50 Jalan Abell 93100 Kuching Sarawak Tel : 082- 250888	087-003
SABAH			
CIMB INVESTMENT BANK BERHAD 1 st & 2 nd Floor Central Building No.28, Jalan Sagunting 88000 Kota Kinabalu Sabah Tel No : 088-328878	065-005	INNOSABAH SECURITIES BERHAD 11, Equity House, Block K Sadong Jaya, Karamunsing 88100 Kota Kinabalu Sabah Tel No : 088-234090	020-001
KENANGA INVESTMENT BANK BERHAD Aras 8, Wisma Great Eastern 68, Jalan Gaya 88000 Kota Kinabalu Sabah Tel No : 088-236188	073-032	OSK INVESTMENT BANK BERHAD 5 th Floor, Wisma BSN Sabah Jalan Kemajuan, Karamunsing 88000 Kota Kinabalu Sabah Tel No : 088-269788	056-010

16. PROCEDURES FOR APPLICATION AND ACCEPTANCE (Cont'd)

Name, Address and Telephone Number	ADA Code	Name, Address and Telephone Number	ADA Code
HWANGDBS INVESTMENT BANK BERHAD Suite 1-9-E1, 9 th Floor, CPS Tower Centre Point Sabah No. 1, Jalan Centre Point 88000 Kota Kinabalu Sabah Tel No : 088-311688	068-008	OSK INVESTMENT BANK BERHAD Ground Floor, Block 2 Lot 4 & Lot 5, Bandar Indah, Mile 4 North Road 91000 Sandakan Sabah Tel No : 089-229286	056-057
OSK INVESTMENT BANK BERHAD Lot14-0, Ground Floor Lorong Lintas Plaza 2 Lintas Plaza, Off Jalan Lintas 88300 Kota Kinabalu Sabah Tel No : 088-258618	056-067		