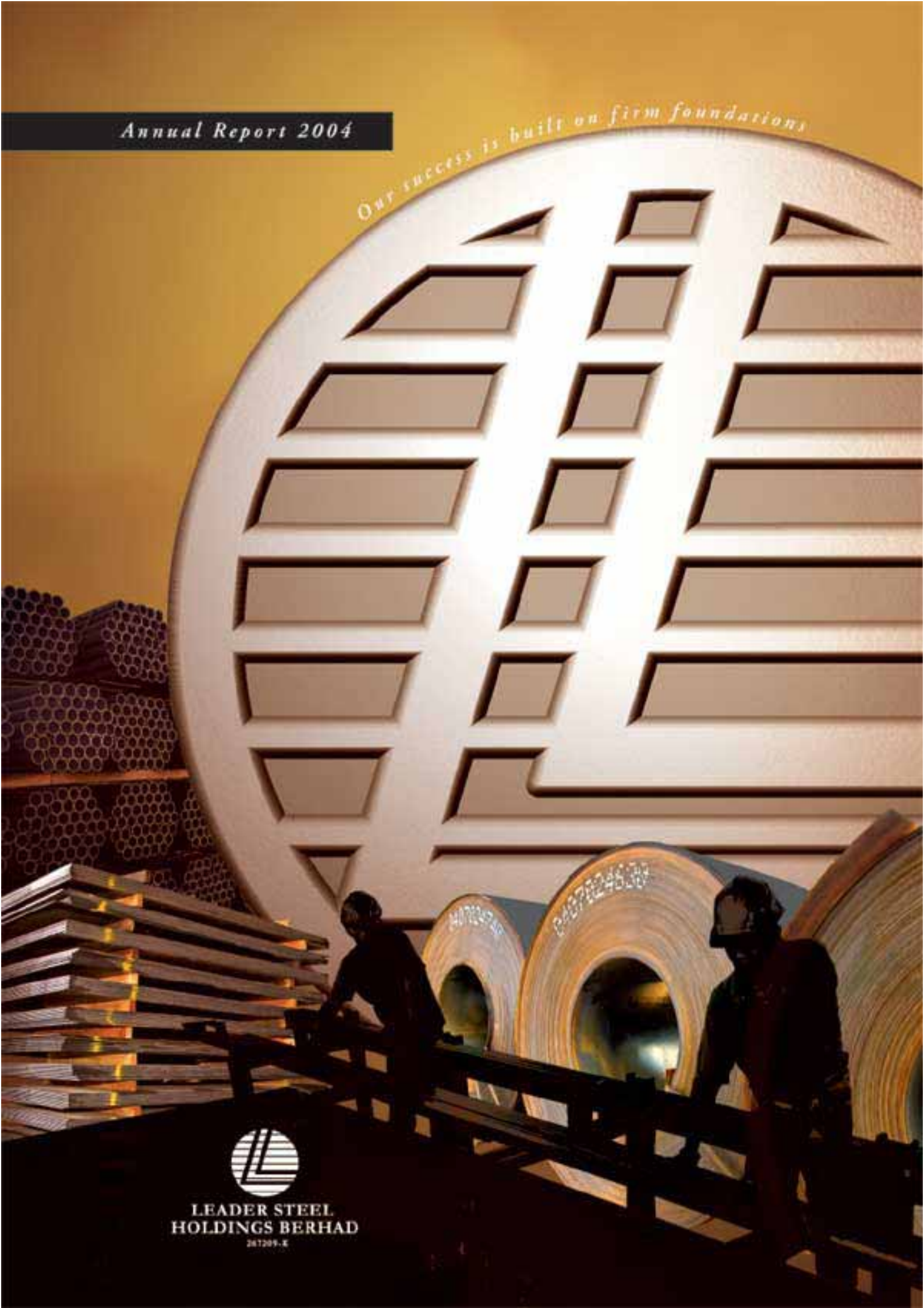


Annual Report 2004

Our success is built on firm foundations



**LEADER STEEL
HOLDINGS BERHAD**

287209-K

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Notice of Annual General Meeting

NOTICE IS HEREBY GIVEN that the TWELFTH ANNUAL GENERAL MEETING of shareholders of the Company will be held at 2nd Floor, Wisma Leader Steel, Plot 85, Lorong Perusahaan Utama, Kawasan Perusahaan Bukit Tengah, 14000 Bukit Tengah, Seberang Prai Tengah, Penang on Monday, 30 May 2005 at 11:00 a.m. for the following purposes:

1. To receive and adopt the audited Financial Statements of the Company and the Group for the year ended 31 December 2004 and the Reports of the Directors and Auditors thereon. **Ordinary Resolution 1**
- 2a. To re-elect Mr. Goh Cheng Huat who retires pursuant to Article 102 of the Company's Articles of Association. **Ordinary Resolution 2**
- 2b. To re-elect Madam Tan Pak Say who retires pursuant to Article 109 of the Company's Articles of Association. **Ordinary Resolution 3**
- 2c. To re-elect the following Directors who retire pursuant to Section 129 of the Companies Act, 1965:
 - i) Tan Sri Dato' Mohd Desa bin Pachi **Ordinary Resolution 4**
 - ii) Tan Sri Dato' Soong Siew Hoong **Ordinary Resolution 5**
3. To approve Directors' fees totalling RM166,667 for the year ended 31 December 2004. **Ordinary Resolution 6**
4. To re-appoint Messrs. KPMG as Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 7**
5. As special Business

To consider and if thought fit, to pass the following Resolutions:

5a. **SECTION 132D OF THE COMPANIES ACT, 1965**

"THAT pursuant to Section 132D of the Companies Act, 1965 and subject always to the approval of all the relevant regulatory authorities, the Board of Directors of the Company be and is hereby authorized to issue and allot from time to time such number of ordinary shares of the Company upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, PROVIDED ALWAYS THAT the aggregate number of ordinary shares to be issued pursuant to this resolution does not exceed 10% of the issued share capital of the Company for the time being AND THAT the Directors are also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Bursa Malaysia Securities Berhad AND THAT such authority shall continue in force until the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier."

Ordinary Resolution 8

5b. **PROPOSED SHARE OPTIONS TO MR. GOH CHENG HUAT, A PERSON CONNECTED TO MADAM TAN PAK SAY, A DIRECTOR AND SUBSTANTIAL SHAREHOLDER OF LEADER STEEL HOLDINGS BERHAD**

"THAT, the Board of Directors of the Company be and is hereby authorized at any time and from time to time to offer and to grant Mr Goh Cheng Huat, being the Non-Independent Non-Executive Director and a person connected to Madam Tan Pak Say, options to subscribe for up to 10% of the total number of new ordinary shares of RM0.50 each in the Company available under the Leader Steel Holdings Berhad Employee Share Option Scheme and subject always to such terms and conditions and/or any adjustments which may be made in accordance with the provisions of the By-Laws of the Employees' Share Option Scheme."

Ordinary Resolution 9

6. To transact any other business of which due notice shall have been given.

Notice of Annual General Meeting (cont'd)

BY ORDER OF THE BOARD

LAM VOON KEAN
(MIA 4793)
Company Secretary

Penang, 6 May 2005

Notes:

1. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. Where a member appoints more than (1) proxy the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
3. To be valid, the proxy form must be deposited at the Company's Registered Office at Suite 2-1, 2nd Floor, Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty eight (48) hours before the time appointed for holding the meeting.
4. The details of the Directors standing for re-election as in Agenda 2 are as more particularly disclosed in Pages 7 to 8 of the Annual Report of the Company.

Explanatory Note on Special Business:

5. The proposed Resolution 8, if passed, will give authority to the Board of Directors to issue and allot ordinary shares from the unissued capital of the Company at any time in their absolute discretion and that such authority, shall continue in force until the conclusion of the next Annual General Meeting of the Company or the expiration of the period within which the next Annual General Meeting is required by law to be held or revoked/varied by resolution passed by the shareholders in general meeting whichever is the earlier.
6. The proposed Resolution 9, if passed, will give authority to the Board of Directors, at time to offer and to grant Mr. Goh Cheng Huat, being the Non-Independent Non-Executive Director, options to subscribe for up to 10% of the total number of new ordinary shares in the Company available under the Leader Steel Holdings Berhad Employee Share Option Scheme.



BOARD OF DIRECTORS

Tan Sri Dato' Mohd Desa bin Pachi	<i>Chairman</i>
Goh Cheng Huat	<i>Deputy Chairman</i>
Tan Pak Say	<i>Managing Director</i>
Tan Sri Dato' Soong Siew Hoong	
Lim Leng Han	
Mohd Arif bin Mastol	
Datuk Abdullah bin Kuntom	

COMPANY SECRETARY

Lam Voon Kean (MIA 4793)

AUDIT COMMITTEE

Lim Leng Han	<i>Chairman</i>
Mohd Arif bin Mastol	<i>Member</i>
Goh Cheng Huat	<i>Member</i>

NOMINATING COMMITTEE

Tan Sri Dato' Mohd Desa bin Pachi	<i>Chairman</i>
Lim Leng Han	<i>Member</i>
Mohd Arif bin Mastol	<i>Member</i>

REMUNERATION COMMITTEE

Tan Sri Dato' Mohd Desa bin Pachi	<i>Chairman</i>
Goh Cheng Huat	<i>Member</i>
Lim Leng Han	<i>Member</i>

REGISTERED OFFICE

Suite 2-1, 2nd Floor
Menara Penang Garden
42A Jalan Sultan Ahmad Shah
10050 Penang
Tel: 04-229 4390 Fax: 04-226 5860

REGISTRARS

AGRITEUM Share Registration Services Sdn. Bhd.
2nd Floor, Wisma Penang Garden
42 Jalan Sultan Ahmad Shah
10050 Penang
Tel: 04-228 2321 Fax: 04-227 2391

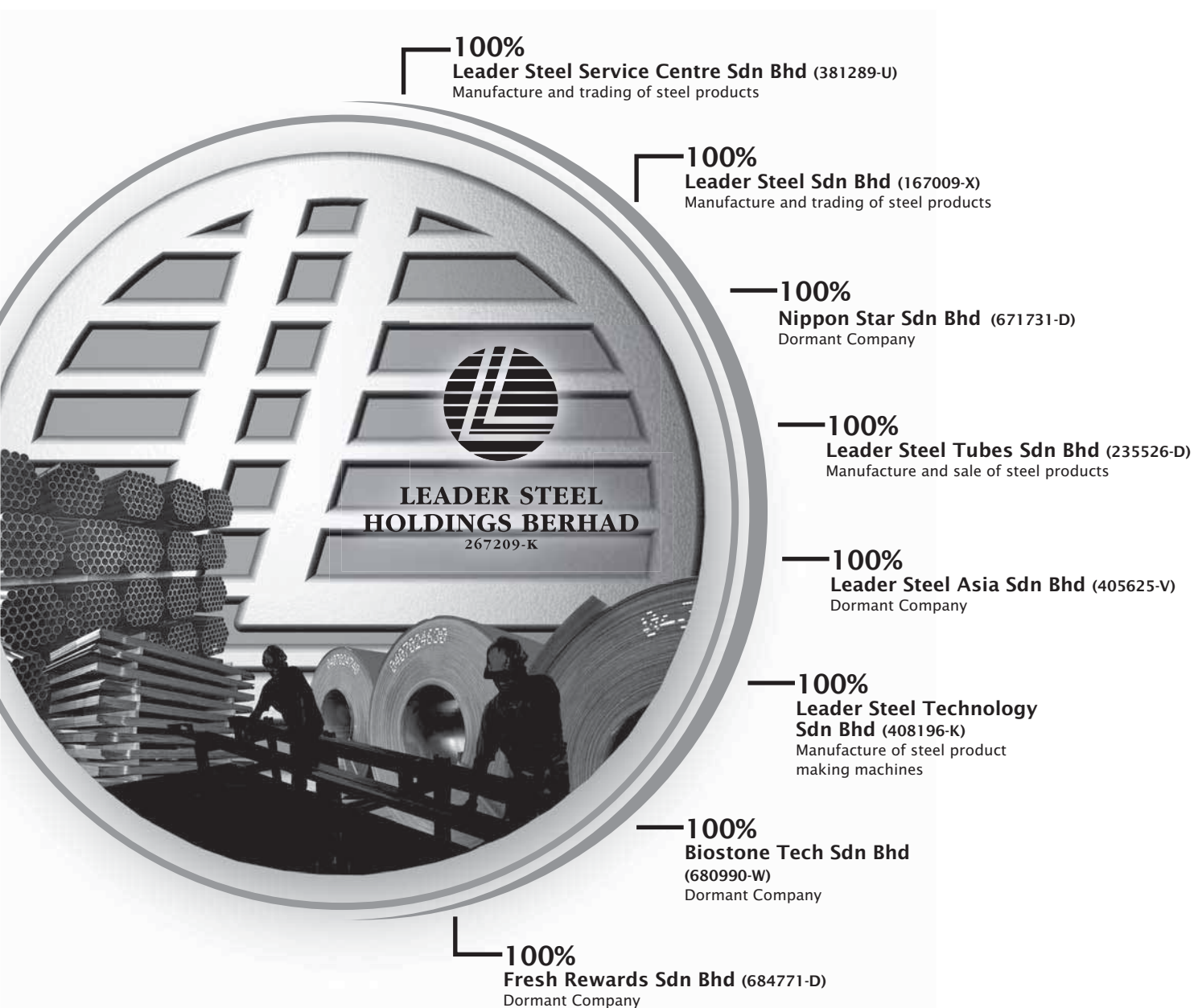
AUDITORS

KPMG, Penang

MAJOR BANKERS

Hong Leong Bank Berhad
Malayan Banking Berhad
HSBC Bank Malaysia Berhad
EON Bank Berhad
Alliance Bank Malaysia Berhad
RHB Bank Berhad
AmBank Berhad
OCBC Bank (Malaysia) Berhad
United Overseas Bank (Malaysia) Bhd

Group Structure And Principal Activities/ Financial Highlights



Financial Highlights

	2000	2001	2002	2003	2004
Turnover (RM million)	89.1	63.3	87.9	100.4	172.9
Profit/(Loss) before taxation (RM million)	1.7	(1.5)	11.1	14.2	19.3



Chairman's Statement

Dear Valued Shareholders,

On behalf of the Board of Directors of Leader Steel Holdings Berhad, I am pleased to present the Annual Report and Audited Financial Statements of the Group and Company for the year ended 31st December 2004.

Brief Description of Industry Trends and Development

Financial year 2004 was a challenging year for the Group with international steel prices rising up from USD430 per metric tonne ("pmt") in January 2004 to USD692 pmt by end of the year*. On the global front, strong demand for steel mainly came from China, which accounted for approximately one-third of the world demand, or equivalent to almost the combined consumption of USA and the whole of Europe.

The escalating international steel prices had a great impact on the domestic market. Demand for local steel products in 2004 improved the price of Cold Rolled Coils, which are the Group's main raw materials. The Group managed to capitalize on the situation by improving selling prices and volume sold, in particular steel pipes and tubes. In addition, proper inventory control measures deployed by Management also contributed to the Group's overall performance.

Outlook

2005 will pose another challenging year for the Group. The world demand for iron & steel as raw materials is expected to surge proportionally following the tremendous growth in demand output worldwide, especially in China. The high growth and demand of steel globally, especially in China, will have a significant influence on the magnitude of price movements of steel and its related products.

The local steel market sentiments are invariably influenced by global events where China is expected to dominate world steel consumption in 2005. Capitalizing on such scenario, the Group has embarked on building a new plant in Kapar, Klang, largely to increase its overall production capacity. Accordingly, the Group expects to improve its 2005 performance provided the current scenario prevails.

Analysis of Group Performance and Material Factors

In 2004, the Group recorded a higher revenue of RM172.9 million compared to RM100.4 million in 2003. In tandem therewith, profit after tax also improved from RM12.3million in 2003 to RM16.8 million in 2004, whilst the Group's earnings per share significantly strengthened from 10.09 sen in 2003 to 13.42 sen in 2004.

The Group's overall commendable performance in 2004 was attributed mainly to higher margins realized due to increase in selling prices and lower raw materials cost, resulting from prudent inventory management measures taken.

The Group, during the year, has also carried out several corporate exercises, one of which is the completion of a bonus issue by the Company and a share split, resulting in 125,922,000 ordinary shares of RM0.50 each on 6 December 2004. More importantly, on 15 December 2004, the Group realized a significant milestone with the transfer of the Company's listing status from the Second Board to the Main Board of Bursa Malaysia Securities Berhad.

Dividend

The Company has paid the following dividends:

- i. A first interim tax exempt dividend of 5 sen per share (based on issued capital of 41,674,000 of RM1 each), totalling RM2,083,700 in respect of the year ended 31 December 2004 on 30 June 2004; and
- ii. A second interim dividend of 2.5sen per share less 28% tax (based on issued capital of 125,922,000 shares of RM0.50 each), totalling RM2,266,596 in respect of the year ended 31 December 2004 on 31 March 2005.

Appreciation

On behalf of the Board of Directors, I would like to express my gratitude and sincere appreciation to the Management and staff of the Group for their continued commitment and dedication. Their efforts have made it possible for the Group to realize its commendable performance for the year.

I would also like to extend my appreciation and thanks to our shareholders, bankers and business associates for their unwavering loyalty, patience, confidence and continuing support to the Group.

**Source: Average price of hot rolled coils and cold rolled coils quoted by MEPS (International) Ltd, a leading consultancy company operating in the steel sector worldwide.*

Directors' Profile

TAN SRI DATO' MOHD DESA BIN PACHI

Chairman, Non-Independent Non-Executive Director

TAN SRI DATO' MOHD DESA BIN PACHI, PSM, DSPN, KMN, aged 71, Malaysian, was appointed to the Board of Directors of LSH on 10 August 1995. He is the Chairman of the Board of Directors, and also acts as Chairman of the Remuneration Committee and Nominating Committee. He is a Chartered Accountant by profession and is a Fellow of the Institute of Chartered Accountants in Australia. He studied accountancy in Melbourne, Australia, under the Colombo Plan Scholarship. He joined Shell Group of Companies in 1962 and served in various capacities in the Finance Administration. From 1970 to 1976, he was in public practice as a Chartered Accountant and was a partner of Desa Megat & Co and KPMG Peat Marwick. Subsequently, he was appointed as the first CEO of Permodalan Nasional Berhad (PNB) and later served as Chairman/CEO of Malaysia Mining Corporation Bhd, Executive Chairman of Fleet Group Sdn. Bhd., Chairman/MD of The New Straits Times Press (Malaysia) Berhad and Chairman of Sistem Televisyen Malaysia Berhad (TV3).

He sits on the Board of several private companies and the following public companies:

YA Horng Electronic (M) Berhad, Petaling Garden Berhad, Commerce Asset-Holding Berhad (Chairman), Saujana Consolidated Berhad, Xian Leng Holdings Berhad (Chairman), Amanah Saham Nasional Berhad, Tracoma Holdings Berhad (Chairman) and Eonmetall Group Bhd.

Mr. GOH CHENG HUAT

Deputy Chairman, Non-Independent Non-Executive Director

MR. GOH CHENG HUAT, aged 44, Malaysian, was appointed to the Board of Directors of LSH on 10 August 1995. He is a member of the Remuneration Committee and Audit Committee of LSH. He resigned as Managing Director and appointed as Deputy Chairman on 29 April 2005.

Founder of the Group, Mr. Goh has extensive experience and knowledge in the processing of iron and steel products. With more than 15 years in the industry, he has accumulated invaluable skills, which includes amongst others, the invention and enhancement of steel making machines and its related processes. In recognition of his entrepreneurial skills, Mr. Goh was conferred the 1990 Young Entrepreneur Award by the Ministry of Youth and Sports. His zeal and untiring efforts to improve steel products making processes did not go unnoticed, for in 1999, he was awarded a patent for "Process For The Manufacturing Of Steel Products And Apparatus". Mr. Goh's visionary approach and keen business acumen augurs well for the Group especially in its business direction.

He presently holds directorship in Eonmetall Group Bhd.

He is the spouse of Madam Tan Pak Say.

MADAM TAN PAK SAY

Managing Director, Non-Independent Executive Director

MADAM TAN PAK SAY, aged 43, Malaysian, was first appointed to the Board of Directors of LSH on 10 August 1995. She ceased to be a director on 2 January 2004 but was subsequently re-appointed on 25 May 2004. She was appointed an Executive Director on 21 February 2005 and subsequently she was appointed as Managing Director on 29 April 2005.

Madam Tan Pak Say has been actively involved in the steel industry since mid 1980's after completing her early years of education. With her many years of experience in the industry, she has helped to lead LSSB to its present status.

Apart from LSH, she does not hold any other directorship in public companies.

She is the spouse of Mr. Goh Cheng Huat.



Directors' Profile (cont'd)

TAN SRI DATO' SOONG SIEW HOONG

Non-Independent Non-Executive Director

TAN SRI DATO' SOONG SIEW HOONG PSM, KMN, SMS, DPMS, JSM, aged 79, Malaysian, was appointed to the Board of Directors of LSH on 25 July 1994. He was conferred the Panglima Setia Mahkota (PSM) which carries the title of "Tan Sri" by the Yang DiPertuan Agong on 6th June 1998 and the Darjah Kebesaran Datuk Mahkota (DPMS) which carries the title of Dato' in 1990.

On experiences, Tan Sri Dato' Soong has previously served as a member on the Councils of Standard & Industrial Research Institute of Malaysia (SIRIM) and the Human Resource Development Council. He was also a director in Telekom Malaysia Berhad from Oct 1988 to May 1996.

Tan Sri Dato' Soong is currently the Secretary General of the Associated Chinese Chambers of Commerce and Industry of Malaysia (ACCCIM) and holds various other honorary positions such as Chairmanship in the Malaysian Iron and Steel Industry Federation (MISIF). He is also the President of Asian Iron & Steel Industry Federation (AISIF) and a council member of Federation of Malaysian Manufacturers (FMM).

In addition, Tan Sri Dato' Soong is also the director of the Small and Medium Industries Development Corporation (SMIDEC), council member of the Malaysian Business Council, and member of the National Economic Action Council (NEAC), member of Technical Resource Groups in Investment and SMB Development under IMP3.

He presently holds directorship in Unico Desa Plantations Berhad, Eonmetall Group Bhd and Unico Holdings Berhad.

MR. LIM LENG HAN

Senior Independent Non-Executive Director

MR. LIM LENG HAN, aged 44, Malaysian, was appointed to the Board of Directors of LSH on 25 July 1994. He is the Chairman of the Audit Committee in LSH and also acts as a member of the Remuneration Committee and Nominating Committee. He graduated in 1985 with a Bachelor of Law (LL.B) (Hon) from University of Malaya, and was subsequently admitted as Advocate and Solicitor by the High Court of Malaya on 8 February 1986 and became a member of the Bar Council of Malaya.

Mr. Lim has been active in the legal profession for 18 years and gained wide experience in corporate, conveyancing and civil matters. Mr. Lim was serving with Johari, Goh & Associates, Kadir & Co. and Zaid Ibrahim & Co. for six (6) years before starting his own legal practice under the name of Messrs. Lim Leng Han & Co., in Butterworth, Penang on 8 February 1993 until today. He is also the legal adviser of societies and organizations such as Penang Hardware and Machinery Merchants' Association, Lim Clan Association of Penang, Butterworth Buddhist Association, Thang Hsiang Temple, Bayan Lepas and various others.

His current directorship in public companies is only with LSH.

Directors' Profile (cont'd)

EN. MOHD ARIF BIN MASTOL

Independent Non-Executive Director

EN. MOHD ARIF BIN MASTOL, aged 51, Malaysian, was appointed to the Board of Directors of LSH on 28 June 2002. He also sits in the Nominating Committee and Audit Committee of LSH as a member. En. Mohd Arif is a member of the Malaysian Institute of Accountants.

He started his career in 1977 as an Executive Accounts Officer. In 1985, he served as an Accountant with the Treasury Department of Kuala Lumpur City Hall after completing his Degree in Accounting from the MARA Institute of Technology. From 1991 to 2001, En. Arif was attached with several companies, including a Japan based company in several capacities including Assistant Manager Finance & Accounts, Finance & Administration Manager, and Company Representative before assuming his current position as Financial Controller.

He presently holds directorship in SKB Shutters Corporation Bhd.

DATUK ABDULLAH BIN KUNTOM

Non-Independent Non-Executive Director

DATUK ABDULLAH BIN KUNTOM, aged 61, Malaysian, was appointed to the Board on 2nd October 2003. He holds a Bachelor of Arts Degree from the University of Malaya and a Masters in Public Policy and Administration from the University of Wisconsin, Madison, United States of America.

Datuk Abdullah's distinguished career in the civil service has placed him in many Government ministries and departments. Amongst the key positions held over a period of some 36 years were those of Deputy Secretary of the Contract and Supply Division and Senior Assistant Director of the Budget Division, Ministry of Finance. He was also appointed as the State Financial Officer of Selangor, Administrative Officer of the Asian & Pacific Development Centre, Director General of the Registration Department and Deputy Secretary General I of the Home Affairs Ministry. He retired from the civil service in April 1999 as the Senior Deputy Secretary General in the Prime Minister's Department. After his retirement, he was appointed by the Government as the Chief of Protocol of the Ministry of Foreign Affairs, a position he held for 4 years until April 2003.

Datuk Abdullah's current directorships in public companies, other than LSH is with Malaysia Building Society Berhad.

Notes:

1. All the Directors do not have any conflict of interest with the Group.
2. All the Directors have not been convicted for any offences within the past ten years other than for traffic offences, if any.
3. None of the Directors have any family relationship with any director and/or major shareholder of LSH other than Mr. Goh Cheng Huat who is the spouse of Madam Tan Pak Say.
4. The Directors' shareholdings are as disclosed in page 64 of this report.



Statement on Corporate Governance

The Board of Directors (the “Board”) of Leader Steel Holdings Berhad (the “Company”) appreciates the importance of adopting high standards of corporate governance within the Group, comprising the Company and its subsidiaries. The Board considers corporate governance as synonymous with three key concepts, namely transparency, accountability and integrity.

The Board endeavours to adopt and apply, where practicable, the Principles and Best Practices as enshrined in Parts 1 and 2 respectively of the Malaysian Code on Corporate Governance (the “Code”) in its quest to enhance shareholder value.

The Board is pleased to provide the following statements, which outline the main corporate governance practices that were in place throughout the financial year, unless otherwise stated.

PRINCIPLES STATEMENT

The following statement sets out how the Company has applied the Principles in Part 1 of the Code. The Principles are dealt with under the headings of Board of Directors, Directors’ Remuneration, Shareholders and Accountability and Audit.

A. BOARD OF DIRECTORS

Board responsibilities

The Group acknowledges the pivotal role played by the Board of Directors in the stewardship of its direction and operations, and ultimately the enhancement of long-term shareholder value. To fulfil this role, the Board is responsible for the overall corporate governance of the Group, including the strategic direction, establishing goals for Management, monitoring the achievement of these goals and ensuring that the Group’s internal controls and reporting procedures are adequate.

The Board delegates the running of the Group’s operations to the Group Managing Director, who has vast experience in the business undertaken by the Group.

Meetings

The Board is scheduled to meet at least four (4) times a year at quarterly intervals with additional meetings convened when urgent and important decisions need to be taken between the scheduled meetings. During the financial year under review, the Board met on five (5) occasions, where it deliberated upon and considered a variety of matters, including the Group’s financial results, major investments and strategic direction of the Group.

All the Directors are provided with an agenda and a set of Board papers on matters requiring their consideration in advance of each Board meeting. The Chairman, with the assistance of the Company Secretary, undertakes the primary responsibility for preparing and organising information necessary for the Board to deal with the agenda and for providing this information to the Directors on a timely basis. All proceedings of Board meetings are duly recorded with the minutes thereof are confirmed by the Chairman of the meeting.

Statement on Corporate Governance (cont'd)

Details of Directors' attendance at Board meetings during the financial year ended 31 December 2004 are as follows:

		Attendance
Executive Director	Mr. Goh Cheng Huat	5/5
Non-Executive Directors	Tan Sri Dato' Mohd Desa bin Pachi	5/5
	Tan Sri Dato' Soong Siew Hoong	4/5
	Datuk Abdullah bin Haji Kuntom	5/5
	Madam Tan Pak Say (appointed on 25 May 2004)	3/4
Independent Non-Executive Directors	Mr. Lim Leng Han	5/5
	Encik Mohd. Arif bin Mastol	5/5

Board Committees

The Board delegates certain responsibilities to Board Committees, namely the Audit Committee, Nominating Committee and Remuneration Committee, in order to enhance business and operational efficiency as well as efficacy.

All Board Committees have written terms of reference and operating procedures and the Board receives reports of their proceedings and deliberations, where relevant. The Chairman of the various Committees reports to the Board the outcome of the Committee meetings and such reports are normally incorporated in the minutes of the full Board meeting.

Board Balance

At the date of this statement, the Board consists of seven (7) members, comprising two (2) Independent Non-Executive Directors within the meaning of Section 1.01 of the Listing Requirement of Bursa Malaysia (the "Listing Requirements"), two (2) Executive Directors and three (3) Non-Executive Directors. The Directors, with their different backgrounds and specialization, collectively bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, legal, marketing and operations and governmental affairs. The brief profile of each Director is presented on pages 7 to 9 of this Annual Report.

The presence of Independent Non-Executive Directors in the Board is essential as they provide an unbiased and independent view, advice and judgment to the decision-making of the Board and provide an appropriate check and balance for the Executive Director, thereby ensuring that no one individual or group dominates the Board's decision-making process.

There is a clear division of responsibilities at the head of the Company to ensure a balance of authority and power. The Board of Directors are led by Tan Sri Dato' Mohd Desa bin Pachi, a non-executive Chairman while the executive management of the Company is led by Mr. Goh Cheng Huat, the Group Managing Director.

According to the Board Charter of the Company, the roles of Chairman and the Group Managing Director are formalized and clearly defined with their individual position descriptions. The Chairman is responsible for running the Board and ensures that all Directors receive sufficient and relevant information on financial and non-financial matters to enable them to participate actively in Board decisions. The Group Managing Director assumes the overall responsibility for the Group's operating units, organisational effectiveness and implementation of Board's policies and decisions.

Pursuant to Best Practices of the Code, the Board has appointed Mr. Lim Leng Han as the Senior Independent Non-Executive Director to whom concerns of Directors may be conveyed.

The Board believes that the current composition of members fairly reflects the investment of minority shareholders in the Company.



Statement on Corporate Governance (cont'd)

Supply of information

The Chairman ensures that all Directors have full and timely access to information with Board papers distributed in advance of meetings. Every Director has unhindered access to the advice and services of the Company Secretary. The Board believes that the current Company Secretary is capable of carrying out her duties to ensure the effective functioning of the Board. The Articles of Association specify that the removal of the Company Secretary is a matter for the Board as a whole.

Before the meetings of the Board and Board Committees, appropriate documents which include the agenda and reports relevant to the issues of the meetings covering, where appropriate, the areas of strategic, financial, operational and regulatory compliance matters are circulated to all the members to obtain further explanations, where necessary, in order to be properly briefed before the meetings.

The Directors meet, review and approve all corporate announcements, including the announcement of the quarterly financial reports, before releasing them to Bursa Malaysia Securities Berhad ("Bursa Malaysia").

The Board as a whole will determine, whether as a full Board or in their individual capacity, to take independent professional advice, where necessary and under appropriate circumstances, in furtherance of their duties, at the Group's expense.

Appointments to the Board

Nominating Committee

The Nominating Committee, during the financial year under review, comprised the following members:

Tan Sri Dato' Mohd Desa bin Pachi	- Chairman, Non-Executive Director
Mr. Lim Leng Han	- Independent Non-Executive Director
Encik Mohd. Arif bin Mastol	- Independent Non-Executive Director

The Board appoints its members through a formal and transparent process via the Nominating Committee. The Nominating Committee is entrusted to bring to the Board recommendations on the appointment of new Directors. Additionally, under its terms of reference, the Nominating Committee reviews the Board structure, size and composition and systematically assesses the effectiveness of the Board, its Committees and the contribution of each individual Director on an annual basis. The Nominating Committee is empowered to seek professional advice within or outside the Group as it considers necessary in the discharge of its responsibilities.

During the financial year, the Committee met once, attended by all members, to deliberate on the retirement by rotation of Directors and their eligibility for re-election the Annual General Meeting and recommended for the Board's approval the appointment of additional Directors.

At the date of this Statement, the Board, through the Nominating Committee's annual appraisal, has assessed the effectiveness of the Board as a whole, the various Board Committees as well as the contributions of individual Directors. The Board believes that the current Board's composition brings the required mix of skills and core competencies required for the Board to discharge its duties effectively. Furthermore, the Board continuously reviews its size and composition with particular consideration on its impact on the effective functioning of the Board.

The Company Secretary will ensure that all the necessary information is obtained and that all legal and regulatory obligations are met before appointments of new Directors are made.

Statement on Corporate Governance (cont'd)

Directors' training

The Board, through the Nominating Committee, ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience to fulfil the duties of a Director appropriately. There is no formal training programme for Directors. At the date of this Statement, all Directors have attended and successfully completed the Mandatory Accreditation Programme conducted by the Research Institute of Investment Analysts Malaysia. In addition, certain Directors have been undergoing the Bursa Malaysia accredited Continuing Education Programme and other relevant training to further enhance their skills and knowledge. The Company will see to it that the Directors continue to attend other relevant training programs to enhance their knowledge from time to time.

Re-election

The Articles of Association of the Company provide that an election of Directors shall take place each year and at the Annual General Meeting ("AGM"), one-third of the Directors for the time being, or if their number is not three (3) or a multiple of three (3), the number nearest to one-third, shall retire from office.

Every Director shall retire from office once at least every three (3) years, but he or she shall be eligible for re-election. Such a provision gives an opportunity to shareholders to renew or extinguish their mandate. The election of each Director is voted on separately. In order to assist shareholders in their decision, pertinent information such as personal profile, meeting attendance and the shareholdings in the Group of each Director standing for election are furnished in the Annual Report accompanying the Notice of AGM.

In accordance with Section 129 (6) of the Companies Act, 1965, Directors who are over seventy (70) years of age are required to submit themselves for re-appointment on an annual basis.

B. DIRECTORS' REMUNERATION

The fees payable to Directors are approved annually by shareholders at the Company's Annual General Meeting. The Board established a Remuneration Committee on 26 August 2002, and during the financial year under review, comprised the following members:

- Tan Sri Dato' Mohd Desa bin Pachi - Chairman, Non-Executive Director
- Mr. Goh Cheng Huat - Non-Executive Director
- Mr. Lim Leng Han - Independent Non-Executive Director

The Remuneration Committee's responsibilities include developing and recommending a remuneration framework for Directors as well as the remuneration package for the Executive Director of the Company. The adoption of remuneration packages for Directors, however, is a matter for the Board as a whole, with individual Directors abstaining from decision-making in respect of his or her remuneration package. During the financial year, the Committee met once attended by all members.

Details of the nature and amount of each major element of the remuneration of Directors of the Company, during the financial year, are as follows:

Director	Fees RM	Salary and bonus RM	Other emoluments RM
Executive	25,000	520,000	123,700
Non-Executive	91,667	-	64,500
Independent Non-Executive	50,000	-	5,000
	166,667	520,000	193,200



Statement on Corporate Governance (cont'd)

The remuneration of Directors, analysed into bands of RM50,000 each for the year ended 31 December 2004, is summarised as follows:

Range of remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	-	5
RM50,001 to RM100,000	-	1
RM650,001 to RM700,000	1	-

C. SHAREHOLDERS

The Company recognizes the importance of communicating with its shareholders and does this through the Annual Reports, AGM and Extraordinary General Meetings ("EGM"). Whilst the Annual Report provides a comprehensive source of information on the Group's financial and operational performance, the AGM and EGM provide a platform to shareholders to seek more information and clarification on the audited financial statements, operational issues and other matters of interest. The Company's practice is to send out the notice of AGM and related papers to shareholders at least twenty-one (21) working days before the meeting.

In addition, quarterly financial results, information about corporate exercises undertaken by the Group, and other information that warrants an announcement under the Listing Requirements are released on a timely basis to continuously provide shareholders with an update of the Group's performance.

However, in any circumstances, the Directors are cautious not to provide undisclosed material information about the Group and frequently stress the importance of timely and equal dissemination of information to shareholders and stakeholders at large.

D. ACCOUNTABILITY AND AUDIT

Financial reporting

The Board aims to provide and present a balanced and meaningful assessment of the Group's financial performance and prospects at the end of the financial year, primarily through the annual financial statements and quarterly announcement of the results to shareholders as well as the Chairman's statement and review of operations in the Annual Report. The Board is assisted by the Audit Committee to oversee the Group's financial reporting processes and the quality of its financial reporting.

Directors' responsibility statement in respect of the preparation of the audited financial statements

The Board is responsible for ensuring that the financial statements of the Group and Company give a true and fair view of the state of affairs of the Group and of the Company as at the end of the financial year and of their results and cash flows for the year then ended. In preparing the financial statements, the Directors have ensured that applicable approved accounting standards in Malaysia and the provisions of the Companies Act, 1965 have been applied.

In preparing the financial statements, the Directors have selected and applied consistently suitable accounting policies and made reasonable and prudent judgments and estimates.

The Directors also have a general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Statement on Corporate Governance (cont'd)

State of internal controls

The Statement on Internal Control, furnished on pages 21 to 22 of this Annual Report, provides an overview on the state of internal controls within the Group.

Relationship with the Auditors

Key features underlying the relationship of the Audit Committee with the external auditors are included in the Audit Committee's terms of reference as detailed on pages 19 to 20 of this Annual Report.

A summary of the activities of the Audit Committee during the year, including the evaluation of the independent audit process, are set out in the Audit Committee Report on pages 17 to 18 of this Annual Report.

Compliance Statement

The Group has complied, throughout the financial year ended 31 December 2004, with all the Best Practices of corporate governance set out in Part 2 of the Code.

This Statement is issued in accordance with a resolution of the Directors dated 26 April 2005.



Additional Information

1. Share Buybacks

During the financial year, there were no share buybacks by the Company.

2. Options, Warrants or Convertible Securities

During the financial year, 1,150,000 new ordinary shares of RM1 each were issued by the Company for cash by virtue of the exercise of options pursuant to the Company's Employee Share Option Scheme 2002.

3. American Depository Receipt (ADR) Global Depository Receipt (GDR) Programme

During the financial year, the Company did not sponsor any ADR and GDR programme.

4. Sanctions and Penalties

There were no sanctions or penalties imposed on the Company and its subsidiaries, Directors or management by any relevant bodies during the financial year.

5. Non-audit fees

Non-audit fees amounting to RM21,525 for the subsidiaries and RM58,600 for the Company were paid to the external auditors for the financial year ended 31 December 2004.

6. Variation in Results

There was no significant variance between the results for the financial year and the unaudited results previously announced.

7. Profit Guarantee

No profit guarantee was given by the Company in respect of the financial year.

8. Material Contracts

During the financial year, there were no material contracts with the Company and its subsidiaries involving Directors' and major shareholders' interest.

9. Revaluation Policy

The Company has not adopted any revaluation policy on landed properties for the financial year.

Audit Committee Report

MEMBERSHIP

The Directors who have served as members of the Audit Committee (the "Committee") during the financial year under review and as at the date of this report are:

- Mr. Lim Leng Han - Chairman, Independent Non-Executive Director
- Encik Mohd. Arif bin Mastol - Member, Independent Non-Executive Director
(Member of Malaysian Institute of Accountants)
- Mr. Goh Cheng Huat - Member, Non-Executive Director

TERMS OF REFERENCE

The Audit Committee was established on 14 August 1995 to act as a Committee of the Board, with terms of reference set out on pages 19 to 20 of the Annual Report.

Meetings

During the financial year ended 31 December 2004, the Committee met four (4) times to discuss matters relating to the accounting and reporting practices of the Company and its subsidiary companies. Details of attendance of each Audit Committee member are as follows:

Director	Attendance
Mr. Lim Leng Han	4/4
Encik Mohd. Arif bin Mastol	4/4
Mr. Goh Cheng Huat	4/4

The meetings were appropriately structured through the use of agenda, which were distributed to members with sufficient notification.

The Company Secretary or her representative was present by invitation at all the meetings. The Group's Senior Management, representatives of the external auditors, as well as representatives from the firm of consultants on the Group's Enterprise Risk Management and outsourced internal audit also attended the meetings upon invitation.



Audit Committee Report (cont'd)

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

The Committee carried out its duties in accordance with its terms of reference during the year. The main activities undertaken by the Committee were as follows:

- Reviewed with the external auditors, the scope of their audit work and audit plan;
- Reviewed with the external auditors the results and findings of the audit, the audit report and management letter;
- Reviewed the annual financial statements of the Group and Company with the external auditors, prior to submission to the Board for its consideration and approval;
- Reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval. The Senior Manager of Finance and Administration was invited to attend the meetings and rendered the relevant explanations on questions raised during the review;
- Reviewed the Company's compliance, in particular, the quarterly and year-end financial statements with the Listing Requirements of Bursa Malaysia Securities Berhad, approved accounting standards of the Malaysian Accounting Standards Board and other relevant legal and statutory requirements;
- Reviewed the internal audit report, which highlighted the audit issues and findings, recommendations and Management's response thereto;
- Reviewed pertinent issues, which had significant impact on the results of the Group, including bank borrowings, investments and divestments and strategic operations of subsidiaries; and
- Reviewed and verified the allocation of options pursuant to the Employees Share Option Scheme.

INTERNAL AUDIT FUNCTION

The Group outsourced its internal audit function to an independent firm of consultants to carry out internal audit of the Group. The principal role of the internal audit function is to undertake independent and regular reviews of the systems of internal control so as to provide reasonable assurance that such systems continue to operate satisfactorily and effectively. It is the responsibility of the internal audit function to provide the Audit Committee with independent and objective reports on the state of internal control of the various operating units within the Group and the extent of compliance of the units with the Group's established policies and procedures as well as relevant statutory requirements.

During the financial year ended 31 December 2004, the internal audit function carried out 2 cycles of internal audit to test the effectiveness of the internal control system of the Group. The opportunities for improvement noted together with the recommendations thereof and agreed management action plans were presented to the Audit Committee for consideration.

Further details on the internal audit function and its activities are set out in the Statement on Internal Control on pages 21 to 22 of the Annual Report.

Audit Committee Terms of Reference

OBJECTIVES

The primary function of the Audit Committee (the "Committee") is to assist the Board of Directors in fulfilling the following oversight objectives on the Group's activities:

- assess the Group's processes relating to its risks and control environment;
- oversee financial reporting; and
- evaluate the internal and external audit processes.

COMPOSITION

The Board shall elect and appoint Committee members from amongst its numbers, comprising no fewer than three (3) Directors, the majority of whom shall be independent non-executive Directors of the Company.

The Board shall at all times ensure that at least one (1) member of the Committee shall be:

- a member of the Malaysian Institute of Accountants ("MIA"); or
- if he/she is not a member of MIA, he/she must have at least three (3) years of working experience and:
 - he/she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967;
 - or
 - he/she must be a member of the associations of accountants specified in Part II of the Accountants Act 1967.

If a member of the Committee resigns, dies or for any reason ceases to be a member with the result that the number of members is reduced to below three (3), the Board shall within three (3) months of the event appoint such number of new members as may be required to fill the vacancy.

The Chairman of the Committee shall be an independent non-executive Director. No alternate Director of the Board shall be appointed a member of the Committee.

QUORUM AND COMMITTEE'S PROCEDURES

Meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate.

In order to form a quorum for the meeting, the majority of the members present must be independent non-executive Directors. In the absence of the Chairman, the members present shall elect a Chairman for the meeting from amongst the members present.

The Company Secretary shall be appointed Secretary of the Committee (the "Secretary"). The Secretary, in conjunction with the Chairman, shall draw up an agenda, which shall be circulated together with the relevant support papers, at least one (1) week prior to each meeting to the members of the Committee. The minutes shall be circulated to members of the Board.

The Committee may, as and when deemed necessary, invite other Board members and senior management members, including external and internal auditors, to attend the meetings.

The Chairman shall submit a report to the Board summarising the Committee's activities during the year and the related significant results and findings.

The Committee shall meet at least annually with the Management, and at least once every year with the Head of Internal Audit and external auditors in separate sessions to discuss any matters with the Committee without the presence of any executive member of the Board.

The Committee shall regulate the manner of proceedings of its meetings, having regard to normal conventions on such matter.



Audit Committee Terms of Reference (cont'd)

AUTHORITY

The Committee is authorised to seek any information it requires from employees, who are required to co-operate with any request made by the Committee.

The Committee shall have full and unlimited access to any information pertaining to the Group.

The Committee shall have direct communication channels with the internal and external auditors and with senior management of the Group and shall be able to convene meetings with the external auditors whenever deemed necessary.

The Committee shall have the resources that are required to perform its duties. The Committee can obtain, at the expense of the Company, outside legal or other independent professional advice it considers necessary in the discharge of its duties.

Where the Committee is of the view that a matter reported by it to the Board has not been satisfactorily resolved resulting in a breach of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa Malaysia"), the Committee shall promptly report such matter to the Bursa Malaysia.

RESPONSIBILITIES AND DUTIES

In fulfilling its primary objectives, the Committee shall undertake the following responsibilities and duties:

- Review with the external auditor, the audit scope and plan, including any changes to the planned scope of the audit plan;
- Review the adequacy of the internal audit scope and plan, functions and resources of the internal audit function and that it has the necessary authority to carry out its work;
- Review the external and internal audit reports to ensure that appropriate and prompt remedial action is taken by Management on major deficiencies in controls or procedures that are identified;
- Review major audit findings and the Management's response during the year with Management, external auditors and internal auditors, including the status of previous audit recommendations;
- Review the assistance given by the Group's officers to the auditors, and any difficulties encountered in the course of the audit work, including any restrictions on the scope of activities or access to required information;
- Review the independence and objectivity of the external auditors and their services, including non-audit services and the professional fees, so as to ensure a proper balance between objectivity and value for money;
- Review the appointment and performance of external auditors, the audit fee and any question of resignation or dismissal before making recommendations to the Board;
- Review budget and staffing of the internal audit department;
- Review the adequacy and integrity of internal control systems, including enterprise risk management, management information system, and the internal auditors' and/or external auditors' evaluation of the said systems;
- Direct and, where appropriate, supervise any special projects or investigation considered necessary, and review investigation reports on any major defalcations, frauds and thefts;
- Review the quarterly results and the year-end financial statements, prior to approval by the Board focusing particularly on:
 - changes in or implementation of major accounting policy changes;
 - significant or unusual events; and
 - compliance with accounting standards and other legal requirements;
- Review procedures in place to ensure that the Group is in compliance with the Companies Act 1965, Bursa Malaysia Listing Requirements and other legislative and reporting requirements;
- Review any related party transaction and conflict of interest situation that may arise within the Company or the Group, including any transaction, procedure or course of conduct that raises question on management integrity;
- Prepare reports, if the circumstances arise or at least once (1) a year, to the Board summarising the work performed in fulfilling the Committee's primary responsibilities;
- Review and verify the allocation of shares to employees under the Employees' Share Option Scheme; and
- Any other activities, as authorised by the Board.

Statement on Internal Control

Paragraph 15.27(b) of the Bursa Malaysia Securities Berhad (“Bursa Malaysia”) requires that the Board of Directors of public listed companies include in its annual report a “statement about the state of internal control of the listed issuer as a group”. As the Board is committed to maintaining a sound system of internal control in the Group, it is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the financial year ended 31 December 2004.

BOARD RESPONSIBILITY

The Board affirms its ultimate responsibility for the Group’s system of internal control which includes the establishment of an appropriate control environment and framework as well as reviewing its adequacy and integrity. In view of the limitations that are inherent in any system of internal control, this system is designed to manage, rather than eliminate, the risk of failure to achieve corporate objectives. Accordingly, it can only provide reasonable but not absolute assurance against material misstatement or loss. The system of internal control covers financial, operational and compliance controls and risk management procedures.

The Board is fully aware of the publication on the Statement on Internal Control: Guidance for Directors of Public Listed Companies (the “Internal Control Guidance”) and has established a process for identifying, evaluating and managing significant risks faced by the Group. The process has been in place throughout the financial year.

ENTERPRISE RISK MANAGEMENT FRAMEWORK

The Board appointed a firm of consultants to assist it in establishing a risk management framework for the Group. Besides strengthening risk management functions, the Enterprise Risk Management project was carried out to sensitise all employees within the Group more strongly to risk identification, evaluation, control, ongoing monitoring and reporting.

The formalisation of the enterprise risk management framework of the Group encompasses the following key elements:

- The issuance of a Risk Management Policy and Procedure document, which depicts the lines of reporting and responsibility at the Board, Audit Committee and Management levels, has been established. The risk management structure enhances risk oversight and management, and integrates expectation on risk management into quarterly performance management and reporting;
- Workshops and interviews were conducted with Director and operational managers from the major business units in the Group. A database of all principal business risks and controls has been created, with the information filtered to produce a detailed risk register, and individual risk profiles for the major business units in the Group. Key risks to each major business unit’s objectives, aligned with the Group’s strategic objectives, were identified and scored for likelihood of the risks occurring and magnitude of the impact;
- A risk profile of the Group was developed which together with a summary of the key findings, was discussed in the Audit Committee before being presented to the Board for consideration;
- Key management in each major business unit have been entrusted to prepare action plans, with implementation time scales, to address any risk and control issues; and
- Periodic cycles of internal audit carried out by an independent firm of consultants which highlighted areas of concerns, including improvement opportunities for Management to strengthen internal control.



Statement on Internal Control (cont'd)

INTERNAL AUDIT FUNCTION

The Group outsourced its internal audit function to an independent firm of consultants, which provides the Board with much of the assurance it requires regarding the adequacy and integrity of the Group's system of internal control.

The internal audit function reviews the internal controls in the key activities of the Group's businesses based on a 3-year internal audit strategy and a detailed annual internal audit plan approved by the Audit Committee. The internal audit function adopts a risk-based approach and prepares its audit strategy and plan based on the risk profiles of the major business units of the Group. Opportunity for improvements to the system of internal control are identified and presented to the Audit Committee via internal audit reports whilst Management formulates the relevant action plans to address the issues noted on periodic basis.

During the financial year ended 31 December 2004, the internal audit function carried out 2 cycles of internal audit to test the existence and effectiveness of the system of internal control of the Group. The findings by the internal audit function, including recommendations and Management's responses, were reported to the Audit Committee. In addition, follow-up on the implementation of recommendations of the previous internal audits was carried out to update the Audit Committee on the status of Management-agreed action plan implementation.

OTHER RISK AND CONTROL PROCESS

Apart from risk management and internal audit, the Board has put in place the following control processes to enhance the system of internal control:

- Diligent review of the quarterly financial results and reports and evaluating the reasons given for any unusual variances noted thereof by the Board and Audit Committee;
- Close involvement of the Group Managing Director in the running of the Group's operations. The Group Managing Director reports to the Board on significant changes in the business and external environmental factors that may impact the Group's operations; and
- An organisational structure with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established, which provides for a documented and auditable trail of accountability. Policies and procedures in place and enforced in the Group include health and safety, training and development, equality of opportunity, staff performance and actions upon serious misconduct. These policies and procedures provide for continuous assurance to be given at increasingly higher levels of Management and, finally, to the Board.

WEAKNESSES IN INTERNAL CONTROLS THAT RESULTED IN MATERIAL LOSSES

There were no material losses incurred during the financial year ended 31 December 2004 as a result of weaknesses in internal control. The Board, together with Management, continue to take measures to strengthen the control environment, as appropriate.

This statement is issued in accordance with a resolution of the Directors dated 26 April 2005.



financial statements

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Directors' Report

for the year ended 31 December 2004

The Directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2004.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

The principal activities of its subsidiaries are set out in Note 3 to the financial statements.

There has been no significant change in the nature of these activities during the financial year other than as disclosed in Note 3 to the financial statements.

RESULTS

	GROUP RM	COMPANY RM
Net profit for the year	<u>16,838,579</u>	<u>1,506,816</u>

RESERVES AND PROVISIONS

There were no material transfers to or from reserves and provisions during the year except as disclosed in the financial statements.

DIVIDENDS

Since the end of the previous financial year, the Company paid the following dividends:

- i. first interim tax exempt dividend of 5 sen per share (based on issued capital of 41,674,000 of RM1 each), totalling RM2,083,700 in respect of the year ended 31 December 2004 on 30 June 2004; and
- ii. second interim dividend of 2.5 sen per share less 28% tax (based on issued capital of 125,922,000 of RM0.50 each), totalling RM2,266,596 in respect of the year ended 31 December 2004 declared and to be paid on 31 March 2005.

No final dividend in respect of the year ended 31 December 2004 has been recommended by the Directors.

DIRECTORS OF THE COMPANY

Directors who served since the date of the last report are:

Tan Sri Dato' Mohd Desa bin Pachi
Goh Cheng Huat
Tan Sri Dato' Soong Siew Hoong
Lim Leng Han
Mohd Arif bin Mastol
Datuk Abdullah Bin Kuntom
Tan Pak Say (Appointed on 25.5.2004)

Directors' Report (cont'd)
for the year ended 31 December 2004

DIRECTORS OF THE COMPANY (cont'd)

The holdings and deemed holdings in the ordinary shares of the Company and of its related company of those who were Directors at year end as recorded in the Register of Directors' Shareholdings are as follows:

Name of Director	Ordinary shares						
	Balance at 1.1.2004/*	Bought	(Sold)	Balance before share split	Share split	Bonus issue	Balance at 31.12.2004
The Company							
Direct interest							
Goh Cheng Huat	3,375,198	235,000	(100,000)	3,510,198	3,510,198	3,510,198	10,530,594
Tan Sri Dato' Soong Siew Hoong	50,000	-	-	50,000	50,000	50,000	150,000
Lim Leng Han	6,000	-	-	6,000	6,000	6,000	18,000
Tan Pak Say	*2	-	-	2	2	2	6
Deemed interest							
Goh Cheng Huat	18,011,958	-	-	18,011,958	18,011,958	18,011,958	54,035,874
Tan Pak Say	*21,387,154	235,000	(100,000)	21,522,154	21,522,154	21,522,154	64,566,462

Name of Director	Number of options over ordinary shares						
	Balance at 1.1.2004	Granted	Exercised	Balance before share split	Share split	Bonus issue	Balance at 31.12.2004
The Company							
Goh Cheng Huat	395,000	-	(235,000)	160,000	160,000	160,000	480,000

* At date of appointment

By virtue of his interests of more than 15% in the shares of the Company, Messrs Goh Cheng Huat and Tan Pak Say are also deemed to have interests in the shares of all the subsidiaries to the extent the Company has an interest.

None of the other Directors holding office at 31 December 2004 had any interest in the ordinary shares of the Company and of its related companies during the financial year.



DIRECTORS' BENEFITS

Since the end of the previous financial year, no Director of the Company has received nor become entitled to receive any benefit (other than a benefit included in the aggregate amount of emoluments received or due and receivable by Directors as shown in the financial statements) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest other than:

- i. Certain Directors who may be deemed to derive benefits from those transactions entered in the ordinary course of business between certain subsidiaries and companies in which they have substantial financial interests; and
- ii. Advisory fees paid by a subsidiary to a Director in the ordinary course of business.

There were no arrangements during and at the end of the financial year which had the object of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in or debentures of the Company or any other body corporate apart from the Employees' Share Option Scheme ("ESOS").

ISSUE OF SHARES AND DEBENTURES

During the financial year,

- i. the authorised share capital of the Company was split from 100,000,000 ordinary shares of RM1.00 each to 200,000,000 ordinary shares of RM0.50 each; and
- ii. the authorised share capital of the Company was increased from RM100,000,000 to RM500,000,000 divided into 1,000,000,000 ordinary shares of RM0.50 each.

The issued and fully paid-up share capital of the Company was also increased by RM22,137,000 from RM40,824,000 to RM62,961,000 as follows:

RM	No. of ordinary shares	Par value	Consideration
1,150,000	1,150,000	1	ESOS at RM1 per ordinary shares
-	41,974,000	0.50	Share split from RM1 each to RM0.50 each
20,987,000	41,974,000	0.50	Bonus issue of 1 new ordinary shares for every 2 ordinary shares held at RM0.50 per ordinary share
<u>22,137,000</u>			

OPTIONS GRANTED OVER UNISSUED SHARES

No options were granted to any person to take up unissued shares of the Company during the year apart from the issue of options pursuant to the ESOS.

The Company's ESOS was approved by the shareholders at the Extraordinary General Meeting held on 20 June 2002.

The salient features of ESOS are summarised as follows:

- a. The maximum number of shares of the Company which may be subscribed on the exercise of options granted under ESOS shall not, in aggregate, exceed ten per centum (10%) of the issued and paid-up share capital of the Company or such maximum percentage as allowable by the relevant authorities at any point of time during the existence of ESOS.

OPTIONS GRANTED OVER UNISSUED SHARES (cont'd)

- b. The number of new shares that may be offered and allotted to any of the eligible Executive Directors and employees of the Group shall be at the discretion of the option committee after taking into consideration the performance, seniority and length of service of the eligible Executive Directors and employees in the Group under ESOS and such other factors that the option committee may deem relevant subject to the following:
- i. not more than fifty per centum (50%) of the shares available under ESOS should be allocated, in aggregate, to Executive Directors and senior management of the Group; and
 - ii. not more than ten per centum (10%) of the shares available under ESOS should be allocated to any individual Executive Director or employee who, either singly or collectively through his/her associates, holds twenty per centum (20%) or more in the issued and paid-up share capital of the Company.
- c. ESOS shall continue to be in force for a period of ten (10) years from 12 August 2002.
- d. The price of each of the option share granted shall be set based on the 5-day weighted average market price of the Company's shares as quoted on the Bursa Malaysia Securities Berhad immediately preceding the date of offer with a discount of not more than ten per centum (10%), if deemed appropriate, or such lower or higher limit in accordance with any prevailing guidelines issued by the Securities Commission or any other relevant authorities as amended from time to time, or at the par value of each of the share of the Company, whichever is higher; and
- e. The new shares to be allotted and issued upon exercise of any option shall upon allotment rank pari passu in all respects with the existing issued and paid-up share capital of the Company except the new shares so allotted shall not be entitled to any dividend, rights, allotment or other distribution unless the shares so allotted have been credited into the relevant securities accounts maintained by Malaysian Central Depository Sdn. Bhd. ("MCD") before the entitlement date of the dividend, rights, allotment or other distribution, and will be subject to all the provision of the Articles of Association of the Company relating to the transfer, transmission or otherwise of the shares of the Company.

The options offered to take up unissued ordinary shares of RM1/RM0.50 each at the option price of RM1/RM0.50* each are as follows:

Date of offer	Balance at 1.1.2004	Granted	Exercised	Lapsed due to resignation	Balance before share split	Share split	Bonus issue	Balance at 31.12.2004
20 June 2002	2,387,000	-	(1,150,000)	(51,000)	1,186,000	1,186,000	1,186,000	3,558,000

* The option price has been adjusted as a result of the share split and bonus issue.

SIGNIFICANT EVENTS DURING THE YEAR

The details of such events are disclosed in Note 27 to the financial statements.



Directors' report (cont'd)
for the year ended 31 December 2004

OTHER STATUTORY INFORMATION

Before the financial statements of the Group and of the Company were made out, the Directors took reasonable steps to ascertain that:

- i. all known bad debts have been written off and adequate provision made for doubtful debts; and
- ii. all current assets have been stated at the lower of cost and net realisable value.

At the date of this report, the Directors are not aware of any circumstances:

- i. that would render the amount written off for bad debts, or the amount of the provision for doubtful debts in the Group and in the Company inadequate to any substantial extent, or
- ii. that would render the value attributed to the current assets in the Group and in the Company financial statements misleading, or
- iii. which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv. not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

In the opinion of the Directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2004 have not been substantially affected by any item, transaction or event of a material and unusual nature nor has any such item, transaction or event occurred in the interval between the end of that financial year and the date of this report.

AUDITORS

The auditors, Messrs KPMG, have indicated their willingness to accept re-appointment.

Signed in accordance with a resolution of the Directors:

TAN SRI DATO' MOHD DESA BIN PACHI
Director

GOH CHENG HUAT
Director

Penang,
Date: 26 April 2005

Statement by Directors

pursuant to Section 169(15) of the Companies Act, 1965

In the opinion of the Directors, the financial statements set out on pages 31 to 62 are drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of the state of affairs of the Group and of the Company at 31 December 2004 and the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the Directors:

TAN SRI DATO' MOHD DESA BIN PACHI
Director

GOH CHENG HUAT
Director

Penang,
Date: 26 April 2005

Statutory Declaration

pursuant to Section 169(16) of the Companies Act, 1965

I, **Goh Cheng Huat**, the Director primarily responsible for the financial management of Leader Steel Holdings Berhad, do solemnly and sincerely declare that the financial statements set out on pages 31 to 62 are, to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

Subscribed and solemnly declared by)
the abovenamed at Georgetown in)
the State of Penang on 26 April 2005)

GOH CHENG HUAT

Before me:

CHAI CHOON KIAT, PJM
(No. P073)
Commissioner For Oaths



Report of the Auditors

to the members of Leader Steel Holdings Berhad (Company No. 267209 - K)
(Incorporated in Malaysia)

We have audited the financial statements set out on pages 31 to 62. The preparation of the financial statements is the responsibility of the Company's Directors. It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with section 174 of the Companies Act 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

It is our responsibility to form an independent opinion, based on our audit, on the financial statements and to report our opinion to you, as a body, in accordance with section 174 of the Companies Act, 1965 and for no other purpose. We do not assume responsibility to any other person for the content of this report.

We conducted our audit in accordance with approved Standards on Auditing in Malaysia. These standards require that we plan and perform the audit to obtain all the information and explanations which we consider necessary to provide us with evidence to give reasonable assurance that the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence relevant to the amounts and disclosures in the financial statements. An audit also includes an assessment of the accounting principles used and significant estimates made by the Directors as well as evaluating the overall adequacy of the presentation of information in the financial statements. We believe our audit provides a reasonable basis for our opinion.

In our opinion:

- a. the financial statements are properly drawn up in accordance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia so as to give a true and fair view of:
 - i. the state of affairs of the Group and of the Company at 31 December 2004 and the results of their operations and cash flows for the year ended on that date; and
 - ii. the matters required by Section 169 of the Companies Act, 1965 to be dealt with in the financial statements of the Group and of the Company;

and

- b. the accounting and other records and the registers required by the Companies Act, 1965 to be kept by the Company and its subsidiaries of which we have acted as auditors have been properly kept in accordance with the provisions of the said Act.

We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the consolidated financial statements and we have received satisfactory information and explanations required by us for those purposes.

The audit reports on the financial statements of the subsidiaries were not subject to any qualification and did not include any comment made under sub-section (3) of Section 174 of the Act.

KPMG
Firm Number : AF 0758
Chartered Accountants

LEE KEAN TEONG
Partner
Approval Number: 1857/02/06 (J)

Penang,
Date: 26 April 2005

Consolidated Balance Sheet

at 31 December 2004

	Note	2004 RM	2003 RM
Property, plant and equipment	2	63,655,493	58,838,329
Other investments	4	1,496,157	1,736,157
Goodwill on consolidation	5	-	-
Deferred tax assets	6	325,000	-
Current assets			
Inventories	7	48,276,752	28,384,993
Trade and other receivables	8	19,319,932	14,767,814
Tax refundable		537,073	598,744
Cash and cash equivalents	9	6,218,865	3,336,371
		74,352,622	47,087,922
Current liabilities			
Trade and other payables	10	4,754,691	6,819,741
Borrowings	11	39,300,286	26,030,286
Taxation		523,984	-
		44,578,961	32,850,027
Net current assets		29,773,661	14,237,895
		95,250,311	74,812,381
Financed by:			
Capital and reserves			
Share capital	12	62,961,000	40,824,000
Reserves	13	20,334,068	26,566,189
Shareholders' funds		83,295,068	67,390,189
Long term and deferred liabilities			
Borrowings	11	4,366,283	822,232
Deferred tax liabilities	6	7,588,960	6,599,960
		95,250,311	74,812,381

The financial statements were approved and authorised for issue by the Board of Directors on 26 April 2005.

The notes set out on pages 40 to 62 form an integral part of, and should be read in conjunction with, these financial statements.



Consolidated Income Statement

for the year ended 31 December 2004

	Note	2004 RM	2003 RM
Revenue	15	172,919,490	100,382,702
Changes in manufactured inventories and work-in-progress		7,408,632	(581,737)
Raw materials and trading inventories used		(142,452,643)	(75,621,402)
Staff costs	16	(3,550,995)	(2,949,999)
Depreciation		(4,976,006)	(4,321,428)
Other operating expenses		(10,137,268)	(6,818,653)
Other operating income		1,554,564	4,929,037
Operating profit	17	20,765,774	15,018,520
Financing costs	18	(1,506,036)	(838,409)
Profit before tax		19,259,738	14,180,111
Tax expense	19	(2,421,159)	(1,874,130)
Net profit for the year		16,838,579	12,305,981
Basic earnings per ordinary share (sen)	20	<u>13.42</u>	10.09
Diluted earnings per ordinary share (sen)	20	<u>13.27</u>	10.04
Dividend per ordinary share (sen) - net	21	<u>4.17</u>	5.00

The notes set out on pages 40 to 62 form an integral part of, and should be read in conjunction with, these financial statements.

Consolidated Statement Of Changes In Equity

for the year ended 31 December 2004

	← Non-distributable →			← Distributable →		Total RM
	Share Capital RM	Share Premium RM	Exchange Fluctuation Reserve RM	Capital Reserve RM	Retained Profits RM	
At 1 January 2003	40,001,000	3,660,003	310,332	283,606	12,320,599	56,575,540
Liquidation of subsidiaries	-	-	(310,332)	-	-	(310,332)
Issue of shares pursuant to ESOS	823,000	-	-	-	-	823,000
Net profit for the year	-	-	-	-	12,305,981	12,305,981
Dividend (Note 21)	-	-	-	-	(2,004,000)	(2,004,000)
At 31 December 2003	40,824,000	3,660,003	-	283,606	22,622,580	67,390,189
Issue of shares pursuant to ESOS	1,150,000	-	-	-	-	1,150,000
Bonus issue (1 for 2)	20,987,000	(3,660,003)	-	-	(17,326,997)	-
Net profit for the year	-	-	-	-	16,838,579	16,838,579
Dividend (Note 21)	-	-	-	-	(2,083,700)	(2,083,700)
At 31 December 2004	62,961,000	-	-	283,606	20,050,462	83,295,068

The notes set out on pages 40 to 62 form an integral part of, and should be read in conjunction with, these financial statements.



Consolidated cash flow statement
for the year ended 31 December 2004

	2004 RM	2003 RM
Cash flows from operating activities		
Profit before tax	19,259,738	14,180,111
Adjustments for:		
Gain on liquidation of subsidiaries	-	(132,154)
Depreciation	4,976,006	4,321,428
Plant and equipment		
- Impairment loss	200,000	200,000
- Reversal of impairment loss	-	(3,500,000)
- Gain on disposal	(1,378)	-
Allowance for diminution in value of other investment	400,000	-
Interest expense	1,506,036	838,409
Interest income	(86,312)	(31,974)
Operating profit before working capital changes	26,254,090	15,875,820
Increase in:		
Inventories	(19,891,759)	(5,927,022)
Trade and other receivables	(4,552,118)	(7,756,076)
(Decrease)/Increase in:		
Trade and other payables	(2,065,050)	3,695,138
Cash (used in)/generated from operations	(254,837)	5,887,860
Income taxes paid	(1,171,504)	(3,647,191)
Interest paid	(1,506,036)	(838,409)
Interest received	86,312	31,974
Net cash (used in)/generated from operating activities	(2,846,065)	1,434,234
Cash flows from investing activities		
Purchase of property, plant and equipment	(10,334,928)	(2,099,337)
Proceeds from disposal of plant and equipment	343,136	62,225
Purchase of other investment	(160,000)	-
Net outflow on liquidation of subsidiaries (Note A)	-	(179,759)
Net cash used in investing activities	(10,151,792)	(2,216,871)

Consolidated cash flow statement (cont'd)
for the year ended 31 December 2004

	2004 RM	2003 RM
Cash flows from financing activities		
Borrowings, net	12,570,000	12,882,264
Draw down of term loan	4,900,000	-
Repayment of term loans	(655,949)	(3,881,107)
Proceeds from issue of shares	1,150,000	823,000
Dividend paid	(2,083,700)	(2,004,000)
Net cash generated from financing activities	15,880,351	7,820,157
Net increase in cash and cash equivalents	2,882,494	7,037,520
Cash and cash equivalents at beginning of year	3,336,371	(3,701,149)
Cash and cash equivalents at end of year (Note B)	6,218,865	3,336,371

NOTES TO CONSOLIDATED CASH FLOW STATEMENT

A. Analysis of liquidation/disposal of subsidiaries

The fair value of assets disposed and liabilities relieved were as follows

	2004 RM	2003 RM
Current assets	-	435,407
Current liabilities	-	(257,229)
Net assets	-	178,178
Exchange fluctuation reserve realised	-	(310,332)
Gain on liquidation	-	132,154
Consideration received	-	-
Cash and cash equivalents disposed of	-	(179,759)
Net outflow	-	(179,759)

B. Cash and cash equivalents

Cash and cash equivalents included in the consolidated cash flow statement comprise the following balance sheet amounts

	2004 RM	2003 RM
Short term deposits with a licensed bank	2,400,000	2,050,000
Cash and bank balances	3,818,865	1,286,371
	6,218,865	3,336,371

The notes set out on pages 40 to 62 form an integral part of, and should be read in conjunction with, these financial statements.



Balance Sheet
at 31 December 2004

	Note	2004 RM	2003 RM
Investment in subsidiaries	3	22,656,775	22,656,773
Other investments	4	1,496,157	1,736,157
Current assets			
Other receivables	8	49,324,969	41,423,847
Tax refundable		23,641	19,946
Cash and cash equivalents	9	30,416	14,220
		49,379,026	41,458,013
Current liabilities			
Other payables	10	9,911,217	2,803,318
		9,911,217	2,803,318
Net current assets		39,467,809	38,654,695
		63,620,741	63,047,625
Financed by:			
Capital and reserves			
Share capital	12	62,961,000	40,824,000
Reserves	13	659,741	22,223,625
Shareholders' funds		63,620,741	63,047,625

The notes set out on pages 40 to 62 form an integral part of,
and should be read in conjunction with, these financial statements.

Income Statement

for the year ended 31 December 2004

	Note	2004 RM	2003 RM
Revenue	15	2,683,333	20,077,777
Operating expenses		(956,729)	(480,316)
Other operating income		360,000	260,716
Profit before tax	17	2,086,604	19,858,177
Tax expense	19	(579,788)	(4,258,086)
Net profit for the year		1,506,816	15,600,091
Dividend per ordinary share (sen) - net	21	4.17	5.00

The notes set out on pages 40 to 62 form an integral part of,
and should be read in conjunction with, these financial statements.



Statement Of Changes In Equity

for the year ended 31 December 2004

	Share Capital RM	Share Premium RM	Retained Profits RM	Total RM
At 1 January 2003	40,001,000	3,660,003	4,967,531	48,628,534
Issue of shares pursuant to ESOS	823,000	-	-	823,000
Net profit for the year	-	-	15,600,091	15,600,091
Dividend (Note 21)	-	-	(2,004,000)	(2,004,000)
At 31 December 2003	40,824,000	3,660,003	18,563,622	63,047,625
Issue of shares pursuant to ESOS	1,150,000	-	-	1,150,000
Bonus issue (1 for 2)	20,987,000	(3,660,003)	(17,326,997)	-
Net profit for the year	-	-	1,506,816	1,506,816
Dividend (Note 21)	-	-	(2,083,700)	(2,083,700)
At 31 December 2004	62,961,000	-	659,741	63,620,741

The notes set out on pages 40 to 62 form an integral part of,
and should be read in conjunction with, these financial statements.

Cash Flow Statement

for the year ended 31 December 2004

	2004 RM	2003 RM
Cash flows from operating activities		
Profit before tax	2,086,604	19,858,177
Adjustments for:		
Allowance for diminution in value of other investment	400,000	-
Dividend income	(2,683,333)	(20,077,777)
Operating loss before working capital changes	(196,729)	(219,600)
Increase in other receivables	(7,901,122)	(16,486,396)
Increase in other payables	7,107,899	2,100,954
Cash used in operations	(989,952)	(14,605,042)
Income taxes paid	(150)	-
Dividend received	2,100,000	15,800,000
Net cash generated from operating activities	1,109,898	1,194,958
Cash flows from investing activities		
Purchase of investment in a subsidiary	(2)	-
Purchase of other investment	(160,000)	-
Net cash used in investing activities	(160,002)	-
Cash flows from financing activities		
Proceeds from issue of shares	1,150,000	823,000
Dividend paid	(2,083,700)	(2,004,000)
Net cash used in financing activities	(933,700)	(1,181,000)
Net increase in cash and cash equivalents	16,196	13,958
Cash and cash equivalents at beginning of year	14,220	262
Cash and cash equivalents at end of year (Note 9)	30,416	14,220

The notes set out on pages 40 to 62 form an integral part of, and should be read in conjunction with, these financial statements.



Notes To The Financial Statements

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years.

a. Basis of accounting

The financial statements of the Group and of the Company are prepared on the historical cost basis except as disclosed in the notes to the financial statements and in compliance with the provisions of the Companies Act, 1965 and applicable approved accounting standards in Malaysia.

b. Basis of consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting except for Leader Steel Sdn. Bhd. which is consolidated using the merger method of accounting. Merger method of accounting for the consolidation of Leader Steel Sdn. Bhd. is continued to be applied in line with the transition provision of MASB 21 Business Combination which allows the Group to apply the standard prospectively.

A subsidiary is excluded from consolidation when control is intended to be temporary if the subsidiary is acquired and held exclusively with a view of its subsequent disposal in the near future and it has not previously been consolidated or it operates under severe long term restrictions which significantly impair its ability to transfer funds to the Company. Subsidiaries excluded on these grounds are accounted for as investments.

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed of during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or negative goodwill as appropriate.

Under the merger method of accounting, the results of the subsidiaries are presented as if the companies had been combined throughout the current and previous financial years. The difference between the cost of acquisition and the nominal value of the share capital and reserves of the merged subsidiaries is taken to merger reserve.

Intragroup transactions and balances and the resulting unrealised profits are eliminated on consolidation. Unrealised losses resulting from intragroup transactions are also eliminated unless cost cannot be recovered.

c. Property, plant and equipment

Property, plant and equipment are stated at cost/valuation less accumulated depreciation and accumulated impairment losses.

It is the Group's policy to state property, plant and equipment at cost. The revaluation of the properties as shown in Note 2 was carried out primarily for the purpose of the listing exercise carried out by the Group then and was not intended to effect a change in accounting policy to one of revaluation of properties. Hence, in accordance with the transitional provisions issued by Malaysian Accounting Standards Board ("MASB") upon adoption of International Accounting Standards No. 16 (Revised) on Property, Plant and Equipment, the valuation of these properties has not been updated and they continue to be stated at their existing carrying amounts less accumulated depreciation and impairment losses. The Directors are of the opinion that the current market values of the revalued properties are not less than their net book values as at 31 December 2004.

Notes To The Financial Statements (cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

c. Property, plant and equipment (cont'd)

Surpluses arising from the above revaluation are dealt with in the property revaluation reserve account. Any deficit arising is offset against the revaluation reserve to the extent of a previous increase for the same property. In all other cases, a decrease in carrying amount is charged to the income statement.

Property, plant and equipment retired from active use and held for disposal are stated at the carrying amount at the date when the asset is retired from active use, less impairment losses, if any.

Depreciation

Leasehold land is amortised in equal instalments over the period of the lease of 60 years. Freehold land and capital work-in-progress are not amortised. On other property, plant and equipment, depreciation is calculated to write off the cost or valuation of the assets concerned on a straight line basis over their expected useful lives at the following principal annual rates:

	%
Factory buildings	2
Staff quarters	2
Plant and machinery	7 - 33 1/3
Furniture, fittings and office equipment	8 - 10
Electrical and other installations	14
Tools and equipment	7 - 10
Motor vehicles	14

d. Impairment

The carrying amount of assets, other than inventories and financial assets (other than investment in subsidiaries), are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement, unless the asset is carried at a revalued amount, in which case the impairment loss is charged to equity.

The recoverable amount is the greater of the asset's net selling price and its value in use. In assessing value in use, estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. For an asset that does not generate largely independent cash inflows, the recoverable amount is determined for the cash-generating unit to which the asset belongs.

An impairment loss in respect of goodwill is not reversed unless the loss was caused by a specific external event of an exceptional nature that is not expected to recur and subsequent external events have occurred that reverse the effect of that event.

In respect of other assets, an impairment loss is reversed if there has been a change in the estimates used to determine the recoverable amount.

An impairment loss is reversed only to the extent that the asset's carrying amount does not exceed the carrying amount that would have been determined, net of depreciation or amortisation, if no impairment loss had been recognised. The reversal is recognised in the income statement, unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.



Notes To The Financial Statements (cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

e. Investments

Long term investment other than in subsidiaries, is stated at cost. An allowance is made when the Directors are of the view that there is a diminution in their value which is other than temporary.

Long term investment in subsidiaries is stated at cost in the Company, less impairment loss where applicable.

f. Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair values of the net identifiable assets acquired and is stated at cost less accumulated amortisation and accumulated impairment losses (refer Note 1 d).

Goodwill is amortised from the date of initial recognition over its estimated useful life of 25 years.

g. Inventories

Inventories are stated at the lower of cost and net realisable value with first-in, first-out cost being the main basis for cost.

For work-in-progress and manufactured inventories, cost consists of materials, direct labour and an appropriate proportion of fixed and variable production overheads.

h. Trade and other receivables

Trade and other receivables are stated at cost less allowance for doubtful debts.

i. Cash and cash equivalents

Cash and cash equivalents consist of cash on hand, balances and deposits with banks and highly liquid investments which have an insignificant risk of changes in value. For the purpose of the cash flow statement, cash and cash equivalents are presented net of bank overdrafts and pledged deposits, if any.

j. Provisions

A provision is recognised when it is probable that an outflow of resources embodying economic benefits will be required to settle a present obligation (legal or constructive) as a result of a past event and a reliable estimate can be made of the amount.

k. Liabilities

Borrowings and trade and other payables are stated at cost.

Notes To The Financial Statements (cont'd)

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (cont'd)

i. Income recognition

i. Goods and services rendered

Revenue from sale of goods is measured at the fair value of the consideration receivable and is recognised in the income statement when the significant risks and rewards of ownership have been transferred to the buyer.

Revenue from services rendered is recognised in the income statement upon the rendering of services.

ii. Dividend income

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

iii. Interest income

Interest income is recognised in the income statement as it accrues, taking into account the effective yield on the asset.

m. Financing costs

All interest and other costs incurred in connection with borrowings are expensed as incurred.

n. Income tax

Tax on the profit or loss for the year comprises current and deferred tax. Income tax is recognised in the income statement except to the extent that it relates to items recognised directly in equity, in which case it is recognised in equity.

Current tax expense is the expected tax payable on the taxable income for the year, using tax rates enacted or substantially enacted at the balance sheet date, and any adjustment to tax payable in respect of previous years.

Deferred tax is provided, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the financial statements. Temporary differences are not recognised for the initial recognition of assets or liabilities that at the time of the transaction affects neither accounting nor taxable profit. The amount of deferred tax provided is based on the expected manner of realisation or settlement of the carrying amount of assets and liabilities, using tax rates enacted or substantially enacted at the balance sheet date.

A deferred tax asset is recognised only to the extent that it is probable that future taxable profits will be available against which the asset can be utilised.



Notes To The Financial Statements (cont'd)

o. Foreign currency transactions

Transactions in foreign currencies are translated to Ringgit Malaysia at rates of exchange ruling at the date of the transactions. Monetary assets and liabilities denominated in foreign currencies at the balance sheet date are translated to Ringgit Malaysia at the foreign exchange rates ruling at that date. Foreign exchange differences arising on translation are recognised in the income statement. Non-monetary assets and liabilities denominated in foreign currencies which are stated at historical cost, are translated to Ringgit Malaysia at the foreign exchange rates ruling at the date of the transactions.

The closing rates used in the translation of foreign currency monetary assets and liabilities are as follows:

	2004	2003
	RM	RM
USD 1	3.80	3.80
SGD 1	2.31	2.17

p. Employee benefits

i. Short term employee benefits

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

ii. Defined contribution plans

Obligations for contributions to defined contribution plans are recognised as an expense in the income statement as incurred.

iii. Equity and equity-related compensation benefits

The share option programme allows Group employees to acquire shares of the Company. When the options are exercised, equity is increased by the amount of the proceeds received.

2. PROPERTY, PLANT AND EQUIPMENT - GROUP

	Land and buildings RM	Plant and machinery RM	Furniture, fittings and office equipment RM	Electrical and other installations RM	Tools and equipment RM	Motor vehicles RM	Capital work-in-progress RM	Total RM
Valuation/Cost								
At 1 January 2004	24,910,861	61,811,208	2,566,017	2,892,327	2,079,921	1,615,446	2,073,178	97,948,958
Additions	7,405,312	2,272,469	119,824	-	-	537,323	-	10,334,928
Disposals	-	(2,500,458)	(2,985)	-	-	(242,400)	-	(2,745,843)
Reclassification	-	480,000	-	-	-	-	(480,000)	-
At 31 December 2004	32,316,173	62,063,219	2,682,856	2,892,327	2,079,921	1,910,369	1,593,178	105,538,043
Depreciation								
At 1 January 2004								
- Accumulated depreciation	3,843,099	27,934,208	1,622,000	1,755,418	1,819,007	1,538,303	-	38,512,035
- Accumulated impairment losses	-	-	-	-	-	-	598,594	598,594
Depreciation charge for the year	3,843,099	27,934,208	1,622,000	1,755,418	1,819,007	1,538,303	598,594	39,110,629
Impairment loss for the year	483,205	4,131,023	217,443	44,014	65,906	34,415	-	4,976,006
Disposals	-	(2,158,488)	(2,363)	(8,418)	-	(234,816)	200,000	(2,404,085)
At 31 December 2004								
- Accumulated depreciation	4,326,304	29,906,743	1,837,080	1,791,014	1,884,913	1,337,902	-	41,083,956
- Accumulated impairment losses	-	-	-	-	-	-	798,594	798,594
At 31 December 2004	4,326,304	29,906,743	1,837,080	1,791,014	1,884,913	1,337,902	798,594	41,882,550
Net Book Value								
At 31 December 2004	27,989,869	32,156,476	845,776	1,101,313	195,008	572,467	794,584	63,655,493
At 31 December 2003	21,067,762	33,877,000	944,017	1,136,909	260,914	77,143	1,474,584	58,838,329
For the year ended 31 December 2003								
- Depreciation charge	483,110	3,362,939	212,687	106,776	82,938	72,978	-	4,321,428
- Impairment losses	-	-	-	-	-	-	200,000	200,000



Notes To The Financial Statements (cont'd)

2. PROPERTY, PLANT AND EQUIPMENT - GROUP (Cont'd)

Land and buildings comprise:

	Valuation/Cost		Net Book Value	
	2004 RM	2003 RM	2004 RM	2003 RM
At valuation				
Short term leasehold land	4,295,000	4,295,000	3,530,555	3,604,607
Factory buildings	3,805,000	3,805,000	3,026,317	3,102,417
At cost				
Freehold land	7,362,975	-	7,362,975	-
Short term leasehold land	1,028,306	1,028,306	843,005	860,381
Factory buildings	15,581,016	15,538,679	13,025,414	13,293,876
Staff quarters	243,876	243,876	201,603	206,481
	32,316,173	24,910,861	27,989,869	21,067,762

Security

Certain property, plant and equipment of the Group with the net book value of RM18,694,075 (2003: RM10,038,114) are charged to bankers as securities for term loan facilities (refer Note 11).

Revaluation

The short term leasehold land and factory buildings are shown at Directors' valuation based on a valuation exercise carried out in 1995 by a firm of professional valuers on an open market value basis, modified by Government valuers as approved by the Securities Commission. Subsequent additions are shown at cost while deletions are at valuation or cost as appropriate.

Had the land and buildings been carried at historical cost less accumulated depreciation, the carrying amount of revalued assets that would have been included in the financial statements at the end of the year would be as follows:

	Cost RM	Accumulated depreciation RM	Net book value RM
2004			
Short term leasehold land	2,916,669	625,461	2,291,208
Factory buildings	2,152,495	475,207	1,677,288
	5,069,164	1,100,668	3,968,496
2003			
Short term leasehold land	2,916,669	576,850	2,339,819
Factory buildings	2,152,495	432,157	1,720,338
	5,069,164	1,009,007	4,060,157

The title deed to a piece of leasehold land with a net book value of RM843,005 (2003: RM860,381) belonging to a subsidiary has yet to be issued by the relevant authority pending the settlement of the land premium.

Notes To The Financial Statements (cont'd)

3. INVESTMENT IN SUBSIDIARIES

	Company	
	2004 RM	2003 RM
Unquoted shares, at cost	22,656,875	22,656,873
Less: Impairment losses	(100)	(100)
	<u>22,656,775</u>	<u>22,656,773</u>

Details of the subsidiaries are as follows:

Name of Subsidiary	Principal Activities	Effective interest held	
		2004	2003
Leader Steel Sdn. Bhd.	Manufacture and trading of steel products	100%	100%
Leader Steel Tubes Sdn. Bhd.	Manufacture and sale of steel products	100%	100%
Leader Steel Service Centre Sdn. Bhd.	Manufacture and trading of steel products	100%	100%
Leader Steel Technology Sdn. Bhd.	Manufacture and sale of steel product making machinery	100%	100%
Leader Steel Asia Sdn. Bhd.	Dormant	100%	100%
Leader Steel Marketing Sdn. Bhd.	Members' voluntary winding up	100%	100%
Nippon Star Sdn. Bhd.@	Dormant	100%	-

All the above subsidiaries are incorporated in Malaysia.

@ No audited financial statements were prepared as the subsidiary was incorporated in December 2004.

4. OTHER INVESTMENTS

	Group/Company	
	2004 RM	2003 RM
Quoted shares, at cost	160,000	-
Unquoted shares, at cost	2,564,876	2,564,876
Less: Allowance for diminution in value	(1,228,719)	(828,719)
	<u>1,336,157</u>	<u>1,736,157</u>
	<u>1,496,157</u>	<u>1,736,157</u>
Market value - Quoted shares	<u>210,000</u>	<u>-</u>



Notes To The Financial Statements (cont'd)

5. GOODWILL ON CONSOLIDATION

	Group	
	2004 RM	2003 RM
Cost	225,244	225,244
Less: Accumulated amortisation and impairment losses	(225,244)	(225,244)
Net book value	-	-

6. DEFERRED TAX ASSETS/(LIABILITIES) - GROUP

	2004 RM	2003 RM
Deferred tax assets	325,000	-
Deferred tax liabilities	7,588,960	6,599,960

The recognised deferred tax (assets)/liabilities are as follows:

	2004 RM	2003 RM
Deferred tax assets		
Unutilised tax losses	(381,000)	-
Other taxable temporary differences	56,000	-
	(325,000)	-
Deferred tax liabilities		
Property, plant and equipment		
- capital allowances	6,779,000	5,790,000
- revaluation	809,960	809,960
	7,588,960	6,599,960

No deferred tax has been recognised for the following items:

	2004 RM	2003 RM
Taxable temporary differences	-	231,000
Unutilised tax losses	-	(6,066,000)
Unabsorbed capital allowances	-	(4,039,000)
	-	(9,874,000)

The comparative figures have been restated to reflect the revised unutilised tax losses and unabsorbed capital allowances available to the Group.

Notes To The Financial Statements (cont'd)

7. INVENTORIES - GROUP

	2004 RM	2003 RM
Raw materials	31,290,161	22,746,354
Work-in-progress	504,304	537,959
Manufactured inventories	12,356,797	4,675,870
Trading inventories	4,125,490	424,810
	<u>48,276,752</u>	<u>28,384,993</u>

The following inventories are carried at net realisable value:

	2004 RM	2003 RM
Raw materials	64,477	270,893
Work-in-progress	88,032	186,461
Manufactured inventories	53,653	256,275
Trading inventories	-	186,106
	<u>206,162</u>	<u>899,735</u>

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Trade receivables				
Amount due from companies in which certain Directors have substantial financial interests	4,268	2,005	-	-
Others	16,024,626	13,624,466	-	-
	<u>16,028,894</u>	<u>13,626,471</u>	-	-
Other receivables				
Amount due from subsidiaries	-	-	49,324,969	41,422,847
Other receivables, deposits and prepayments	3,291,038	1,141,343	-	1,000
	<u>19,319,932</u>	<u>14,767,814</u>	<u>49,324,969</u>	<u>41,423,847</u>



Notes To The Financial Statements (cont'd)

9. CASH AND CASH EQUIVALENTS

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Short term deposits with a licensed bank	2,400,000	2,050,000	-	-
Cash and bank balances	3,818,865	1,286,371	30,416	14,220
	6,218,865	3,336,371	30,416	14,220

10. TRADE AND OTHER PAYABLES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Trade payables	3,264,190	5,140,903	-	-
Amount due to subsidiaries	-	-	9,671,334	2,560,391
Other payables and accrued expenses	1,490,501	1,678,838	239,883	242,927
	4,754,691	6,819,741	9,911,217	2,803,318

The amount due to subsidiaries is unsecured, interest-free and has no fixed terms of repayment.

11. BORROWINGS - GROUP

	2004 RM	2003 RM
Current:		
Term loans - secured	899,819	199,819
Term loan - unsecured	16,467	16,467
Bankers' acceptances - unsecured	37,834,000	24,664,000
Revolving credits - unsecured	550,000	1,150,000
	39,300,286	26,030,286
Non-current:		
Term loans - secured	4,355,480	783,532
Term loan - unsecured	10,803	38,700
	4,366,283	822,232
	43,666,569	26,852,518

Term and debt repayment schedule

The above unsecured bank borrowings are subject to interest rates ranging from 2.85% to 8.50% (2003: 3.72% to 8.10%) per annum. These borrowings are guaranteed by the Company.

Notes To The Financial Statements (cont'd)

11. BORROWINGS - GROUP (cont'd)

One of the secured term loans is subject to interest at 7% (2003: 7%) per annum whilst the other secured term loan is subject to interest rates as follows:

First year	-	4.25% per annum
Second year	-	5.50% per annum
Third year onwards	-	8.00% per annum

The term loans facility are secured against first fixed charge over certain property, plant and machinery (see Note 2) of the Group by way of debenture and a corporate guarantee executed by the Company.

	Total RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
Term loans					
2004					
- secured	5,255,299	899,819	899,819	1,762,369	1,693,292
- unsecured	27,270	16,467	10,803	-	-
2003					
- secured	983,351	199,819	199,819	583,713	-
- unsecured	55,167	16,467	16,468	22,232	-

12. SHARE CAPITAL

	No. of share	Par value RM	RM
Ordinary shares			
Authorised:			
Balance at 1 January 2003 and 31 December 2003	100,000,000	1.00	100,000,000
Balance at 1 January 2004	100,000,000	1.00	100,000,000
Share split	100,000,000	-	-
	200,000,000	0.50	100,000,000
Increase in authorised share capital	800,000,000	0.50	400,000,000
Balance at 31 December 2004	1,000,000,000	0.50	500,000,000
Issued and fully paid:			
Balance at 1 January 2003	40,001,000	1.00	40,001,000
Exercise of ESOS	823,000	1.00	823,000
Balance at 31 December 2003	40,824,000	1.00	40,824,000
Balance at 1 January 2004	40,824,000	1.00	40,824,000
Exercise of ESOS	1,150,000	1.00	1,150,000
	41,974,000	1.00	41,974,000
Share split	41,974,000	-	-
	83,948,000	0.50	41,974,000
Bonus issue (1 for 2)	41,974,000	0.50	20,987,000
Balance at 31 December 2004	125,922,000	0.50	62,961,000



Notes To The Financial Statements (cont'd)

13. RESERVES

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Non-distributable				
Share premium	-	3,660,003	-	3,660,003
Distributable				
Capital reserve	283,606	283,606	-	-
Retained profits	20,050,462	22,622,580	659,741	18,563,622
	20,334,068	22,906,186	659,741	18,563,622
	20,334,068	26,566,189	659,741	22,223,625

Capital reserve of the Group represents gain on disposal of freehold land by a subsidiary.

14. EMPLOYEE BENEFITS - GROUP/COMPANY

Equity compensation benefits

Share option plan

The Group offers vested share options over ordinary shares to Executive Directors and other senior employees with more than one year service. Movements in the number of share options held by employees are as follows:

	2004	2003
Outstanding at 1 January	2,387,000	3,267,000
Exercised	(1,150,000)	(823,000)
Lapsed due to resignation	(51,000)	(57,000)
Share split	1,186,000	-
Bonus issue	1,186,000	-
Outstanding at 31 December	3,558,000	2,387,000

Details of share options exercised during the year:

Expiry date	11 August 2012
Exercise price per ordinary share (RM)	0.50
Aggregate issue proceeds	1,150,000
Fair value at date of issue	3,255,760

Terms of the options outstanding at 31 December:

Expiry date	Exercise price RM	Number
11 August 2012	0.50 *	3,558,000

* The option price has been adjusted as a result of the share split and bonus issue.

Notes To The Financial Statements (cont'd)

15. REVENUE

Revenue comprises the following:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Manufacturing	172,919,490	100,382,702	-	-
Dividends	-	-	2,683,333	20,077,777
	<u>172,919,490</u>	<u>100,382,702</u>	<u>2,683,333</u>	<u>20,077,777</u>

16. EMPLOYEE INFORMATION

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Staff costs	<u>3,550,995</u>	<u>2,949,999</u>	-	-

The number of employees of the Group and of the Company (including Executive Directors) at the end of the year was 124 (2003: 126) and NIL (2003: NIL) respectively.

Staff costs of the Group include contributions to the Employees' Provident Fund of RM349,603 (2003: RM315,106).



Notes To The Financial Statements (cont'd)

17. OPERATING PROFIT

Operating profit is arrived at after charging:

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Auditors' remuneration				
- current year	43,500	44,500	8,000	8,000
- prior year	4,000	3,000	-	3,000
Depreciation (Note 2)	4,976,006	4,321,428	-	-
Impairment loss on plant and equipment	200,000	200,000	-	-
Directors' emoluments				
- Directors of the Company				
- fees	166,667	135,000	166,667	135,000
- others	713,200	646,028	16,000	12,500
- Other Directors				
- others	76,411	145,870	-	-
Allowance for diminution in value of other investment	400,000	-	400,000	-
Loss on foreign exchange (realised)	5,874	4,660	-	-
Rental of premises	60,340	-	-	-
and crediting:				
Reversal of impairment loss on plant and equipment	-	3,500,000	-	-
Interest income	86,312	31,974	-	-
Gain on disposal of plant and equipment	1,378	-	-	-
Dividend income (gross) from subsidiaries	-	-	2,683,333	20,077,777
Reversal of write down of inventories	-	467,939	-	-
Gain on liquidation/ disposal of subsidiaries	-	132,154	-	-

18. FINANCING COSTS - GROUP

	2004 RM	2003 RM
Interest expense on:		
Term loans	214,327	165,109
Bank overdrafts	16,619	75,684
Other borrowings	1,275,090	597,616
	1,506,036	838,409

Notes To The Financial Statements (cont'd)

19. TAX EXPENSE

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Current tax expense				
- Current	1,811,377	1,010,843	571,310	4,260,444
- Prior years	(54,218)	(423,713)	8,478	(2,358)
	1,757,159	587,130	579,788	4,258,086
Deferred tax expense				
- Origination and reversal of temporary differences	707,000	1,177,226	-	-
- Prior years	(43,000)	109,774	-	-
	664,000	1,287,000	-	-
	2,421,159	1,874,130	579,788	4,258,086

Reconciliation of effective tax expense

	Group		Company	
	2004 RM	2003 RM	2004 RM	2003 RM
Profit before tax	19,259,738	14,180,111	2,086,604	19,858,177
Income tax using Malaysian tax rate	5,354,623	3,970,431	584,249	5,560,290
Non-deductible expenses	394,283	197,905	255,861	44,416
Income not subject to tax	(100,800)	-	(100,800)	-
Tax exempt income	-	-	(168,000)	(1,344,000)
Tax incentives	(468,643)	(2,017,884)	-	-
Utilisation of previously unrecognised deferred tax assets	(2,764,570)	-	-	-
Losses not available for set off	108,326	133,062	-	-
Other items	(4,842)	(95,445)	-	(262)
	2,518,377	2,188,069	571,310	4,260,444
(Over)/Under provision in prior years	(97,218)	(313,939)	8,478	(2,358)
Tax expense	2,421,159	1,874,130	579,788	4,258,086

Subject to agreement by the Inland Revenue Board, the Company has sufficient Section 108 tax credit and tax exempt income to frank/distribute its entire distributable reserves at 31 December 2004 if paid out as dividends.



Notes To The Financial Statements (cont'd)

20. EARNINGS PER SHARE - GROUP

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM16,838,579 (2003: RM12,305,981) and the weighted average number of ordinary shares outstanding during the year of 125,454,000 (2003: 121,945,000) calculated as follows:

	2004 '000	2003 '000
Issued ordinary shares at beginning of year	40,824	40,001
Effect of shares issued	682	296
Effect of shares split	41,974	40,824
Effect of bonus issue	41,974	40,824
Weighted average number of ordinary shares	<u>125,454</u>	<u>121,945</u>

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM16,838,579 (2003: RM12,305,981) and the weighted average number of ordinary shares outstanding during the year of 126,927,000 (2003: 122,623,000) calculated as follows:

	2004 '000	2003 '000
Weighted average number of ordinary shares	125,454	121,945
Effect of share options	1,473	678
Weighted average number of ordinary shares (diluted)	<u>126,927</u>	<u>122,623</u>

21. DIVIDENDS - GROUP/COMPANY

	2004 RM	2003 RM
Interim dividend paid: - 5 sen (2003: 5 sen) per share tax exempt	<u>2,083,700</u>	<u>2,004,000</u>

The net dividends per ordinary share as disclosed in the income statement takes into account the second interim dividend in respect of the financial year ended 31 December 2004.

Notes To The Financial Statements (cont'd)

22. CONTINGENT LIABILITIES, UNSECURED - COMPANY

	2004 RM'000	2003 RM'000
i. Corporate guarantees		
Amount of corporate guarantees given to licensed banks for credit facilities granted to certain subsidiaries	<u>163,080</u>	<u>113,620</u>

The amount of credit facilities utilised as at balance sheet date was RM46.42 million (2003 : RM25.32 million).

- ii. The Company has undertaken to provide financial support to certain subsidiaries to enable them to continue operating as a going concern.

23. RELATED PARTIES

23.1 Related party relationships

- i. Subsidiaries as disclosed in Note 3
- ii. Companies in which a Director, Mr. Goh Cheng Huat is deemed to have substantial financial interests:
- Eonmetall Corporation Sdn. Bhd. and its subsidiaries
 - G. P. Jaya Sdn. Bhd.
- iii. Key management personnel of the Group:
- Mr. Goh Cheng Huat
 - Mr. Tan Yew Teong
 - Mr. Lee Tian Soon
 - Mr. Low Tze Heng

23.2 Transactions with related parties

- i. Transactions by the Group with G.P. Jaya Sdn. Bhd.

	2004 RM'000	2003 RM'000
- Sales	<u>560,639</u>	<u>-</u>

- ii. There were no transactions with the key management personnel and Directors other than the following:

- a. advisory fees paid by a subsidiary to a Director in the ordinary course of business .
- b. the remuneration package paid in accordance with the terms and conditions of their appointment.

The transactions with related parties were entered into in the normal course of business and have been established under negotiated terms.



Notes To The Financial Statements (cont'd)

24. CAPITAL COMMITMENTS - GROUP

	2004 RM'000	2003 RM'000
Property, plant and equipment Contracted but not provided for in the financial statements	-	6,214

25. SEGMENTAL INFORMATION - GROUP

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure. Inter-segment pricing is determined based on negotiated terms.

Segment results, assets and liabilities include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Unallocated items mainly comprise interest-earning assets and revenue, interest-bearing loans, borrowings and expenses, and corporate assets and expenses.

Segment capital expenditure is the total cost incurred during the period to acquire segment assets that are expected to be used for more than one period.

Business segments

The Group is principally engaged in the manufacture and sale of steel products. Business segmental information has not been prepared as the Group's revenue, operating profit, assets employed, capital expenditure, depreciation and amortisation and non cash expenses are mainly confined to one industry segment.

Geographical segments

In presenting information on the basis of geographical segments, segment revenue is based on the geographical location of customers. Segment assets are also based on the geographical location of assets.

	Revenue from external customers by location of customers RM	By location of assets	
		Segment assets RM	Capital expenditure RM
2004			
Malaysia	130,124,443	138,967,199	10,334,928
Vietnam	17,150,594	-	-
Others	25,644,453	-	-
Total	<u>172,919,490</u>	<u>138,967,199</u>	<u>10,334,928</u>
2003			
Malaysia	94,627,431	107,063,664	2,099,337
Vietnam	1,694,073	-	-
Others	4,061,198	-	-
Total	<u>100,382,702</u>	<u>107,063,664</u>	<u>2,099,337</u>

26. FINANCIAL INSTRUMENTS

Financial risk management objectives and policies

Exposure to credit, interest rate and currency risk arises in the normal course of the Group's business. The Board reviews and agrees policies for managing each of these risks and they are summarised below:

Credit risk

Management monitors the credit risk on an ongoing basis. Credit evaluations are performed on all customers where sales are transacted on credit terms.

The carrying amount of financial assets recorded in the financial statements represents the Group's maximum exposure to credit risk.

Interest rate risk

In the current low interest rate scenario, the Group borrows for operations at variable rates using their bankers' acceptances, overdrafts and revolving credit facilities to finance the working capital and term loan facilities at fixed rates to finance capital expenditure.

Liquidity risk

In the management of liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows.

Foreign currency risk

The Group incurs foreign currency risk on sales and purchases that are denominated in a currency other than Ringgit Malaysia. The currency giving rise to this risk is primarily the US dollars.

The Group regards the foreign currency risk as minimal as the Ringgit Malaysia is presently pegged to USD at RM3.80 per 1 USD.

Effective interest rates and repricing analysis

In respect of interest-earning financial assets and interest-bearing financial liabilities, the following table indicates their effective interest rates at the balance sheet date and the periods in which they reprice or mature, whichever is earlier.



Notes To The Financial Statements (cont'd)

26. FINANCIAL INSTRUMENTS (cont'd)

2004	Effective interest rate %	Total RM	Within 1 year RM	1 - 5 years RM	Over 5 years RM
Group					
Financial asset					
Short term deposits with a licensed bank	2.35	2,400,000	2,400,000	-	-
Financial liabilities					
Unsecured bankers' acceptances	3.41	37,834,000	37,834,000	-	-
Unsecured revolving credits	6.41	550,000	550,000	-	-
Unsecured term loan	8.50	27,270	27,270	-	-
Secured fixed rate term loan	7.00	762,007	199,819	562,188	-
Secured long term loan (Islamic banking principles)	4.25	4,493,292	700,000	2,100,000	1,693,292
2003					
Financial asset					
Short term deposits with a licensed bank	2.35	2,050,000	2,050,000	-	-
Financial liabilities					
Unsecured bankers' acceptances	4.04	24,664,000	24,664,000	-	-
Unsecured revolving credits	6.41	1,150,000	1,150,000	-	-
Unsecured term loan	8.10	55,167	55,167	-	-
Secured fixed rate term loan	7.00	983,351	199,819	783,532	-

Fair values

The carrying amount of cash and cash equivalents, trade and other receivables, trade and other payables, long term and short term borrowings approximate fair value.

The aggregate fair values of the other financial assets and liabilities carried on the balance sheet as at 31 December are represented in the following table.

Notes To The Financial Statements (cont'd)

26. FINANCIAL INSTRUMENTS (cont'd)

Group	2004		2003	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Financial assets				
Unquoted investments	1,336,157	*	1,736,157	*
Quoted investment	160,000	210,000	-	-
Financial liabilities				
Secured term loans				
- fixed rate loan	762,007	#	983,351	#
- long term loan (Islamic bank principles)	4,493,292	@	-	-

The fair value of the term loans is estimated based on the borrowing rates currently available to the Group for bank loans with similar terms and average maturities.

* It was not practicable to estimate the fair value of the unquoted shares due to the lack of quoted market prices and the inability to estimate the fair value without incurring excessive costs.

It was not practicable to estimate the fair value of the secured fixed rate term loans due to the lack of information on discount rate and the inability to estimate the fair value without incurring excessive costs. However, the Directors believe that there is no significant difference between the fair value and the book value of the term loan.

@ There is no disclosure of fair value for long term loan procured under Islamic banking principles as MASB 24, Financial Instruments: Disclosure and Presentation does not apply to the recognition, measurement and disclosure of transactions and events conducted on the basis of Islamic banking principles.



Notes To The Financial Statements (cont'd)

27. SIGNIFICANT EVENTS DURING THE YEAR

During the financial year, the Company completed the following events:

- a. Subdivision of the par value for every existing ordinary shares in the Company from RM1.00 to RM0.50 ("LSH Shares"). The share split was completed on 6 December 2004.
- b. Bonus issue of 41,974,000 new LSH Shares credited as fully paid-up on the basis of 1 new LSH Shares for every 2 existing LSH Shares held. The bonus issue was completed on 6 December 2004.
- c. The listing and quotation of the entire issued and paid-up share capital of the Company comprising 125,922,000 ordinary shares of RM0.50 each have been transferred from Second Board to the Main Board of the Bursa Malaysia Securities Berhad on 15 December 2004.
- d. On 28 December 2004, the Company acquired 2 ordinary shares of RM1.00 each in the capital of Nippon Star Sdn. Bhd. ("Nippon") for a total cash consideration of RM2.00. Consequently, Nippon became the wholly-owned subsidiary of the Company.

28. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

Subsequent to balance sheet date, the Company acquired 2 ordinary shares of RM1.00 each in the capital of Fresh Rewards Sdn. Bhd. ("Fresh Rewards") and Biostone Tech Sdn. Bhd. ("Biostone"), for a total cash consideration of RM2.00 each respectively. Consequently, Fresh Rewards and Biostone became the wholly-owned subsidiaries of the Company.

List of Properties Own by The Group

Location	Date of *Revaluation/ Acquisition	Tenure	Approximate Age of Building	Area (Square metres)	Description	Net book Value at 31 December 2004 RM'000
LEADER STEEL SDN BHD						
Plot 85 Lorong Perusahaan Utama Kawasan Perusahaan Bukit Tengah Pulau Pinang, Malaysia	*8.7.94	Leasehold 60 years, expiring 21.12.2052	12 years	34,000	Factory	12,880
6 Lorong Limau Manis 1 Taman Limau Manis 14000 Bukit Tengah Pulau Pinang, Malaysia	17.2.95	Freehold Double storey terrace house	10 years	111	Residential premise for factory workers	101
8 Lorong Limau Manis 1 Taman Limau Manis 14000 Bukit Tengah Pulau Pinang, Malaysia	17.2.95	Freehold Double storey terrace house	10 years	111	Residential premise for factory workers	101
Lot 841 Block 7 MTL Sejingkat Industrial Park 93050 Kuching Sarawak, Malaysia	11.11.93	Leasehold 60 years, expiring 10.11.2053	12 years	33,600	Factory	7,545
LEADER STEEL SERVICE CENTRE SDN BHD						
Geran 43145, Lot No. 6483 Kapar, Klang Selangor Darul Ehsan	15.1.04	Freehold	-	52,483	-	7,363



Shareholdings Statistics

as at 8 April 2005

Authorised Capital	:	RM500,000,000
Issued and Fully Paid-Up Capital	:	RM62,961,000
Class of share	:	Ordinary shares of RM0.50 each
Voting Right	:	On show of hands one vote for every shareholder On a poll one vote for every ordinary share held

ANALYSIS OF SIZE OF SHAREHOLDINGS AS AT 8 APRIL 2005

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares Held	% of Issued Share Capital
Less than 100	3	0.139	108	0.0001
100 - 1,000	167	7.735	155,304	0.1233
1,001 - 10,000	1,315	60.908	6,644,800	5.2769
10,001 - 100,000	594	27.513	15,652,820	12.4306
100,001 - 6,296,099	77	3.566	26,030,488	20.6719
6,296,100 - 125,922,000	3	0.139	77,438,480	61.4972
TOTAL	2,159	100	125,922,000	100

DIRECTORS SHAREHOLDINGS

No. Name	Direct Interest		Deemed Interest	
	No. of Shares	%	No. of Shares	%
1 Tan Sri Dato' Mohd Desa bin Pachi	-	-	-	-
2 *Goh Cheng Huat	10,530,594	8.36	54,035,874	42.91
1 Tan Pak Say	6	-	64,566,462	51.27
3 Tan Sri Dato' Soong Siew Hoong	150,000	0.12	-	-
4 Lim Leng Han	18,000	0.01	-	-
5 Mohd Arif bin Mastol	-	-	-	-
6 Datuk Abdullah bin Kuntom	-	-	-	-

By virtue of their interests in the shares of the Company, Mr Goh Cheng Huat and Madam Tan Pak Say are also deemed to have interests in the shares of all the subsidiaries to the extent the Company has an interest.

* Option to subscribe for 480,000 shares in the Company pursuant to Employee Share Option Scheme 2002.

Shareholdings Statistics (cont'd)

as at 8 April 2005

SUBSTANTIAL SHAREHOLDERS

No.	Name	Direct Interest		Deemed Interest	
		No. of Shares	%	No. of Shares	%
1	Goh Cheng Huat	10,530,594	8.36	54,035,874	42.91
	Tan Pak Say	6	0.00	64,566,462	51.27
2	Bischart Sdn. Bhd.	54,035,868	42.91	-	-
3	Amanah Raya Berhad	18,224,300	14.47	-	-
	- Skim Amanah Saham Bumiputera				

LIST OF TOP 30 SHAREHOLDERS

No.	Name	No. Of Shares	% Of Issued Share Capital
1	Southern Nominees (Tempatan) Sdn Bhd Bischart Sdn Bhd	52,013,868	41.306
2	Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Bumiputera	18,224,300	14.472
3	Goh Cheng Huat	7,200,312	5.718
4	Southern Nominees (Tempatan) Sdn Bhd Goh Cheng Huat	3,330,282	2.644
5	Amanah Raya Nominees (Tempatan) Sdn Bhd Public Smallcap Fund	3,210,000	2.549
6	Bischart Sdn. Bhd.	2,022,000	1.605
7	JB Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Kock Nai Suan	946,700	0.751
8	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Berhad For Public Industry Fund	774,500	0.615
9	Mayban Nominees (Tempatan) Sdn Bhd Mayban Trustees Bhd For Amanah Saham Wanita	768,000	0.609
10	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tee Cheng Teok	645,300	0.512
11	Tan Yew Teong	606,000	0.481
12	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Atlas Gain Sdn Bhd	591,000	0.469
13	Husnah Binti Abdul Latiff	501,000	0.397
14	Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Green Place Sdn Bhd	427,400	0.339
15	Kueh Song Joo	420,000	0.333
16	Goh Li Li	414,000	0.328
17	PRB Nominees (Tempatan) Sdn. Bhd. Rubber Industry Smallholders Development Authority	390,000	0.309



LIST OF TOP 30 SHAREHOLDERS

Name	No. Of Shares	% Of Issued Share Capital
18 Ong Geok Ean	348,400	0.276
19 Sim Choh Sang @ Sim Choh Shan	336,000	0.266
20 Cheah Suan Lee	330,000	0.262
21 Chan Mei Yee	316,600	0.251
22 Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Goh Kim Sin	306,000	0.243
23 Citicorp Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Yeap Soon Thong	291,900	0.231
24 Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Bong Siew Kiaw	270,000	0.214
25 Tang Sew Ching	266,000	0.211
26 Affin Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Low Leh Kian	250,000	0.198
27 Citicorp Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan King Tai @ Tan Khoo Hai	235,200	0.186
28 Kenanga Nominees (Tempatan) Sdn Bhd Pledged Securities Account For Tan Zhong Cheng	234,900	0.186
29 Citicorp Nominees (Asing) Sdn Bhd UBS AG Singapore For Valencia Assets Group Ltd	230,000	0.182
30 Goh Choon Kim	220,000	0.174
	96,119,662	76.332

NO. OF ORDINARY SHARES HELD



LEADER STEEL HOLDINGS BERHAD
(267209K)

proxy form

I/We, of
 (Address)
 being a member / members of Leader Steel Holdings Berhad hereby appoint
 of
 (Address)
 or failing him the CHAIRMAN OF THE MEETING as my/our proxy, to vote for me/us and on my/our behalf at the TWELFTH ANNUAL GENERAL MEETING of the Company to be held at 2nd Floor, Wisma Leader Steel, Plot 85, Lorong Perusahaan Utama, Kawasan Perusahaan Bukit Tengah, 14000 Bukit Tengah, Seberang Prai Tengah, Penang on Monday, 30 May 2005 at 11:00 a.m. and at any adjournment thereof.

NO.	ORDINARY RESOLUTIONS		FOR	AGAINST
1.	To receive and adopt the audited Financial Statements and Reports of the Directors and Auditors thereon.	Resolution 1		
2a.	To re-elect Mr. Goh Cheng Huat who retires pursuant to Article 102 of the Company's Articles of Association.	Resolution 2		
2b.	To re-elect Madam Tan Pak Say who retires pursuant to Article 109 of the Company's Articles of Association.	Resolution 3		
2c.	To re-elect the following Directors who retire pursuant to Section 129 of the Companies Act, 1965: i) Tan Sri Dato' Mohd Desa bin Pachi ii) Tan Sri Dato' Soong Siew Hoong	Resolution 4 Resolution 5		
3.	To approve the Directors' fees.	Resolution 6		
4.	To re-appoint Messrs. KPMG as Auditors.	Resolution 7		
5.	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.	Resolution 8		
6.	Proposed Share Options to Mr. Goh Cheng Huat.	Resolution 9		

(Please indicate with "X" how you wish your vote to be cast. If no specific direction as to voting is given, the proxy will vote or abstain at his discretion).

Signed this day of May, 2005.
 Signature of Shareholder

- Notes:
1. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. Where a member appoints more than (1) proxy the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act, it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
 2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation, either under the corporation's seal or under the hand of an officer or attorney duly authorised.
 3. To be valid, the proxy form must be deposited at the Company's Registered Office at Suite 2-1, 2nd Floor, Menara Penang Garden, 42A Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty eight (48) hours before the time appointed for holding the meeting.

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fold alone this line

Postage

The Company Secretary

LEADER STEEL HOLDINGS BERHAD (267209-K)

Suite 2-1, 2nd Floor

Menara Penang Garden

42A Jalan Sultan Ahmad Shah

10050 Penang, Malaysia.

fold alone this line

LEADER STEEL HOLDINGS BERHAD (267209-K)

Wisma Leader Steel, Plot 85, Lorong Perusahaan Utama, Kawasan Perusahaan Bukit Tengah,
14000 Bukit Tengah, Seberang Perai Tengah, Pulau Pinang, Malaysia
Tel:604-507 1515 (Hunting Line) Fax: 604-507 9527