

ANNUAL REPORT 2001



**LEADER STEEL
HOLDINGS BERHAD**

267209-K



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CORPORATE INFORMATION



CORPORATE INFORMATION

BOARD OF DIRECTORS

Dato' Mohd Desa bin Pachi - Chairman
Goh Cheng Huat - Managing Director
Tan Sri Dato' Soong Siew Hoong
Tan Pak Say
Lim Leng Han
Goh Kee Seng
Mohd Nizam bin Zainordin

SECRETARY

Lam Voon Kean (MIA 4793)

AUDIT COMMITTEE

Tan Sri Dato' Soong Siew Hoong - Chairman
Goh Cheng Huat
Lim Leng Han

REGISTERED OFFICE

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

REGISTRARS

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

AUDITORS

KPMG, Penang

BANKERS

RHB Bank Berhad
Hong Leong Bank Berhad
HSBC Bank Malaysia Berhad



NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the NINTH 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 Tuesday, 28 May 2002 at 10:00 a.m. for the following purposes :-

1. To receive and adopt the audited Financial Statements for the year ended 31 December 2001. **Ordinary Resolution 1**
- 2a. To re-elect the following Directors who retire pursuant to Article 102 of the Company's Articles of Association :-
 - i) Mr Goh Cheng Huat **Ordinary Resolution 2**
 - ii) Mr Lim Leng Han **Ordinary Resolution 3**
- 2b. To re-elect Tan Sri Dato' Soong Siew Hoong who retires pursuant to Section 129 of the Companies Act, 1965. **Ordinary Resolution 4**
3. To approve Directors' fees totalling RM21,000/= for the year ended 31 December 2001. **Ordinary Resolution 5**
4. To re-appoint Messrs. KPMG as Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 6**
5. As Special Business
To consider and if thought fit, to pass the following Resolution :-

"That subject always to the Companies Act, 1965, the Articles of Association of the Company and approvals from the relevant governmental and/or regulatory bodies where such approvals shall be necessary, authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965, from time to time to issue and allot ordinary shares from the unissued capital of the Company upon such terms and conditions and at such times as may be determined by the Directors of the Company to be in the interest of the Company provided always that the aggregate number of shares to be issued pursuant to this Resolution does not exceed 10% of the issued capital for the time being of the Company AND THAT the Directors be also empowered to obtain the approval for the listing of and quotation for the additional shares so issued on the Kuala Lumpur Stock Exchange 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 7
6. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

BY ORDER OF THE BOARD

LAM VOON KEAN (MIA 4793)
Company Secretary

Penang, 6 May 2002

NOTICE OF ANNUAL GENERAL MEETING cont'd



Notes :

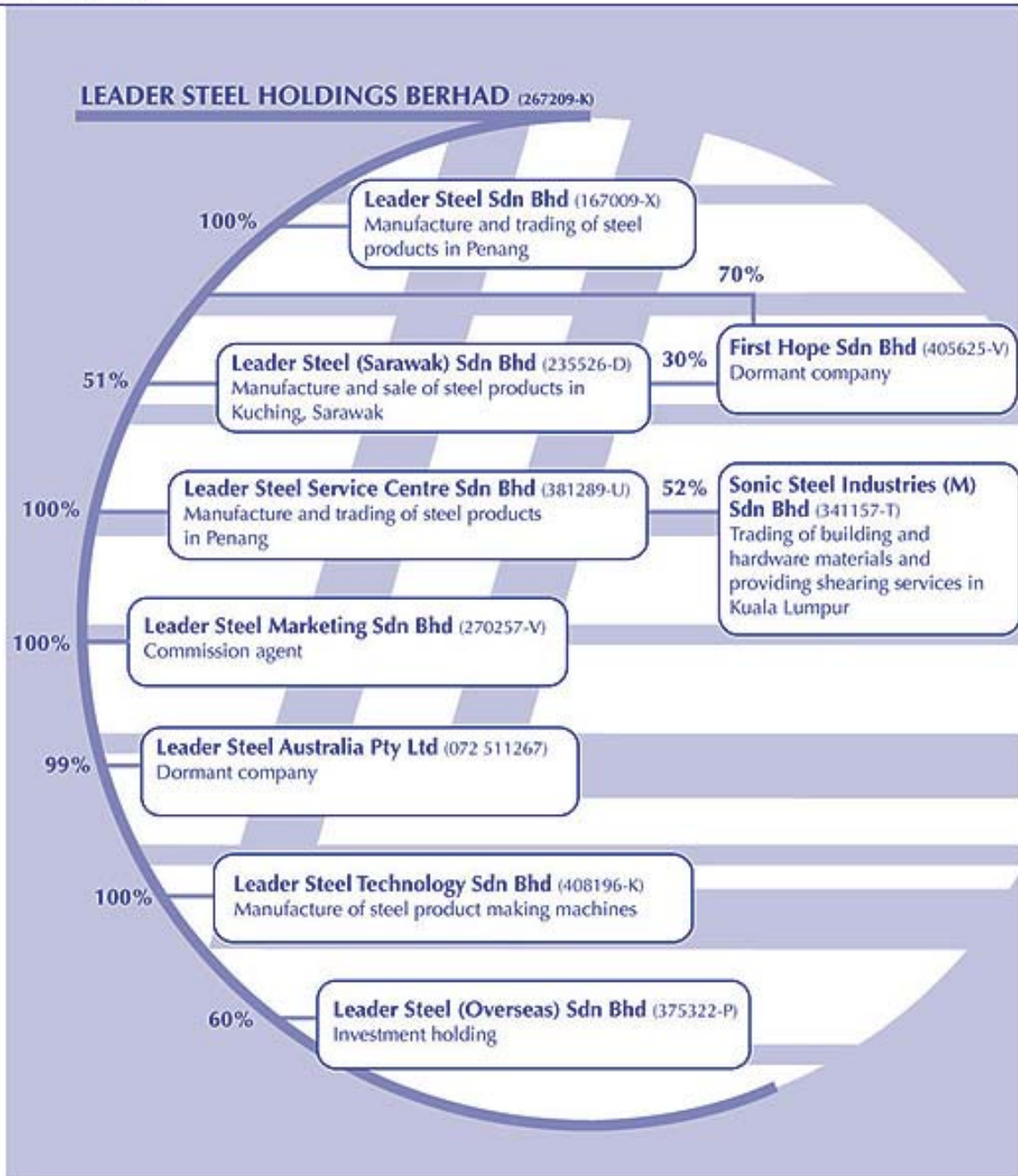
1. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) of the Act shall not apply to the Company. Where a member appoints more than (1) proxy the appointment shall be invalid unless he specifies 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.

Explanatory Note on Special Business :

4. The proposed Resolution 7, 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.



GROUP STRUCTURE AND PRINCIPAL ACTIVITIES



FINANCIAL HIGHLIGHTS

	12 months to 1997	12 months to 30.4.98	8 months to 31.12.98	1999	2000	2001
Turnover (RM Million)	167.1	167.4	72.1	106.0	89.1	63.3
Profit/(Loss) before Taxation (RM Thousand)	11,195	(3,296)	(11,320)	10,214	1,701	(1,500)



CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

On behalf of the Board of Directors of Leader Steel Holdings Berhad, I wish to present the Annual Report and Audited Financial Statements of the Group and the Company for the year ended 31st December 2001.

Brief Description of Industry Trends & Development

Generally, the year 2001 was a challenging one for the steel industry as it faced various issues concerning over capacity, low demand and volatility of raw materials cost. One positive aspect however, is the recovery in the construction sector, in particular residential sub-sector as a result of the Government fiscal stimulus programs.

Since the second half of year 2000, the Group has been concentrating in the production of steel pipes and tubes, mainly for the steel furniture industry. Whilst raw materials may be imported, they are subjected to import license and administrative hassles which are further complicated by the often-volatile raw materials' cost and intense competition.

Analysis of Group Performance and Material Factors

For the financial year ended 31st December 2001, the Group obtained a revenue of RM63.3 million compared to RM89.1 million in the preceding year.

The lower revenue resulted in the Group registering a modest profit after minority interest of RM15,000 compared to the year 2000 when the Group recorded a profit of RM2.2 million.

Several factors contributed to the decline in revenue and profitability. Domestic policies which restrict the importation of Hot Rolled Coils, which is an important source of raw materials for flat bars, were strictly imposed by the authorities. These, amongst others, necessitated the Group to shift to production of steel pipes and tubes, which are mainly used for the steel furniture industry. Being a new player in this sector of the steel industry, the Group expects to face stiff competition from existing manufacturers. In addition, the weakening of the global economies, especially that of United States of America in the year 2001 has resulted in local steel furniture facing low demand for their products, which in turn lead to a contraction in their demand for steel pipes and tubes.

Outlook

On 15th March 2002, the steel industry was again subject to a new ruling when the authorities announced a more comprehensive list of steel items for protection by way of requirement of import license and imposition of 50% import duty on the items concerned. The Group's core materials, the Cold Rolled Coils are included in this list. On a positive note, the Group foresees that it will record improved results in the short term. However, over the longer period, it is likely that the Group has to endure trying times if the current policy continues to be reinforced.

Dividend

No dividend is recommended by the Directors for the year under review.

Appreciation

On behalf of the Board of Directors, I would like to express my sincere appreciation to the Management and staff of the Group for their continued commitment and dedication. My appreciation and thanks are also extended to our shareholders, bankers and business associates whose continuous support to and confidence in us throughout the year has been a source of motivation.

Dato Mohd Desa bin Pachi
Chairman



DIRECTORS' PROFILE

DATO' MOHD DESA BIN PACHI, DSPN, KMN, aged 68, was appointed to the Board of Directors of Leader Steel Holdings Berhad ("LSH") on 10 August 1995. He is a Non-Executive Director and holds the position of Chairman in LSH. Dato Desa is a Chartered Accountant and is a Fellow of the Institute of Chartered Accountants in Australia.

He gained vast experience working as Chartered Accountant. He did his articleship with Messrs Young & Outhwaite in Melbourne, Australia from 1955 to 1961. After completing his articleship, he joined the Shell Group of Companies in 1962. From 1962 to 1970, he held several positions in the Shell Group including Section Accountant, Financial Controller, Chief Accountant and Company Secretary. He remained as the Company Secretary of Shell Group until 1975 on a professional basis.

In 1970, he set up his own professional practice under the name of Mohd Desa, Yap & Co. and later Desa Megat Co., which merged with Peat Marwick & Mitchell. He left the professional practice in 1976 to join the commercial circle. He was the first General Manager and Chief Executive Officer of PNB and Amanah Saham Nasional Berhad, and later became the Executive Chairman/Chief Executive Officer of Malaysia Mining Corporation Berhad, Executive Chairman of Fleet Group and of The New Straits Times Press (M) Berhad. He also held directorship in various private and public companies.

His current directorships in public companies, other than LSH are with Commerce Asset-Holding Berhad, Lay Hong Berhad, Ya Horng Electronic (M) Berhad, Petaling Garden Berhad, Landmarks Berhad, Saujana Consolidated Berhad, Xian Leng Holdings Berhad, Amanah Saham Nasional Berhad, Perbadanan Nasional Berhad and Tracoma Holdings Berhad.

MR. GOH CHENG HUAT, aged 41, was appointed to the Board of Directors of LSH on 10 August 1995. He is the Non-Independent Group Managing Director of LSH.

Mr. Goh has extensive experience and knowledge in the processing of iron and steel products, having worked for more than 15 years in the industry after completing his early years of education. He has accumulated invaluable experience, which includes foundry works, elevator, installations, fabrication of machines etc. It was through the foresight of Mr. Goh that LSSB was formed in 1987 to capitalize on the local demand of mild steel flat bars as a result of robust construction activities in Malaysia. LSSB's growth and development can be attributed to his vision and business acumen.

Due to his success in the steel industry, Mr. Goh was awarded the 1990 Young Entrepreneur Award by the Ministry of Youth and Sports.

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

TAN SRI DATO' SOONG SIEW HOONG, PSM, KMN, SMS, DPMS, JSM, aged 76, was appointed to the Board of Directors of LSH on 25 July 1994. He was conferred 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 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 and holds various other honorary positions such as Chairmanship in the Malaysian Iron and Steel Industry Federation, South East Asia Iron & Steel Institute and Expertise Resource Association. He is also the Vice-President of Asian Iron & Steel Industry Federation and a council member of Federation of Malaysian Manufacturers.

In addition, Tan Sri Dato' Soong is also the director of Small and Medium Industries Development Corporation, council member of the Malaysian Business Council, member of the Industrial Co-ordinating Council under the Second Industrial Master Plan and member of the National Economic Action.

His current directorship in public companies is Chairman of Pacific & Orient Insurance Co., Berhad and Unico Desa Plantations Berhad.



DIRECTORS' PROFILE cont'd

MADAM TAN PAK SAY, aged 40, joined Leader Steel Sdn Bhd ("LSSB") on 17 December 1987 and was appointed to the Board of Directors of LSH on 10 August 1995. She is a Non-Independent and Non-Executive Director.

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 and establishment.

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

MR. LIM LENG HAN, aged 41, was appointed to the Board of Directors of LSH on 25 July 1994. He graduated in 1985 with a degree in Bachelor of Law (L.L.B) (Hon) from University of Malaya. He was subsequently admitted as Advocate and Solicitor by the High Court of Malaya on 8 February 1986 and a member of the Bar Council of Malaya.

Mr. Lim has been active in the legal profession for 16 years and gained wide experience in the 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 Lim Clan Association of Penang, Butterworth Buddhist Association, Tang Hsiang Temple, Bayan Lepas and various others.

His current directorship in public companies is only with LSH. Mr. Lim Leng Han also sits in the Audit Committee and is an Independent Non-Executive Director.

MR. GOH KEE SENG, aged 46, was appointed to the Board of Directors of LSH on 10 July 1996. He is a trained agricultural chemist from the National Taiwan University.

With his basic training in food science coupled with more than 20 years of experiences, he has gained invaluable knowledge of the food industry. His concentration has been primarily in the processing of palm oil into finished products such as animal feed, shortening and margarine as well as the whole range of downstream oleo-chemicals products including emulsifier, surfactant, detergent and lubricants.

His current directorship in public companies is only LSH.

EN. MOHD NIZAM BIN ZAINORDIN, aged 38, was appointed to the Board of Directors of LSH on 10 July 1996. He is a Fellow of the Institute of Chartered Certified Accountants, United Kingdom and is a member of the Malaysian Institute of Accountants. He is a Non-Independent and Non-Executive Director.

From 1989 to January 1994, En. Nizam joined the Sime Darby Group where he held several positions such as Management Trainee, Assistant Accountant and Accountant before joining Permodalan Nasional Berhad as the Senior Manager, Finance Department. He held this post between 1994 - 2001 before assuming his current position as Senior Manager, Operations Department in January 2002.

His current directorships in public companies, other than LSH, is with I-Berhad.

Notes :

- 1) All the Directors are Malaysian.
- 2) All the Directors do not have any conflict of interest with the Group other than as disclosed in the Notes to the Financial Statements under Note 27.
- 3) All the Directors have not been convicted for any offences within the past ten years other than for traffic offences, if any.
- 4) All the Directors have no family relationship with any other director or major shareholder of the Group with the exception of Mr. Goh Cheng Huat, Madam Tan Pak Say and Mr. Goh Kee Seng. Mr. Goh Cheng Huat and Madam Tan Pak Say are husband and wife and Mr. Goh Kee Seng is the brother of Mr. Goh Cheng Huat.
- 5) The Directors' shareholdings are as disclosed in page 53 of this report.



STATEMENT ON CORPORATE GOVERNANCE

The Board of Directors recognizes the importance of adopting high standards of corporate governance within the Group. The Board views corporate governance in the light of three key concepts, namely transparency, accountability and corporate performance.

Consequently, the Board strives to adopt the substance and spirit behind corporate governance prescriptions and not merely the form. The Board is thus fully committed to the maintenance of high standards of corporate governance by supporting and implementing the prescriptions of the principles and best practices set out in Parts 1 and 2 of the Malaysian Code on Corporate Governance respectively.

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 following 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 fulfill this role, the Board is responsible for the overall corporate governance of the Group, including the strategic direction, establishing goals for the management and monitoring the achievement of these goals. The meetings are normally held at the factory sites.

Meetings

The Board meets 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 year ended 31 December 2001, the Board met on six (6) occasions, where it deliberated upon and considered a variety of matters including the Group's financial results, major investments, strategic decisions and the direction of the Group. All the Board meetings during the financial year ended were held at Wisma Leader Steel, Plot 85, Lorong Perusahaan Utama, Kawasan Perindustrian Bukit Tengah, 14000 Bukit Tengah, Seberang Perai Tengah.

The details of date and time of the meetings are as follows :

Date	Time
i) 27 February 2001	11:15 a.m.
ii) 25 May 2001	12:25 p.m.
iii) 12 July 2001	11:30 a.m.
iv) 27 August 2001	11:00 a.m.
v) 11 October 2001	11:30 a.m.
vi) 29 November 2001	11:00 a.m.

The Board receives documents on matters requiring its consideration prior to and in advance of each meeting. All proceedings from the Board meetings are recorded and the minutes thereof signed by the Chairman of the meeting.

Details of each existing Director's meeting attendances during the financial year ended 31 December 2001 are as follows:

	Name of Director	Attendance
Executive Director	Goh Cheng Huat	5 / 6
Non-Executive Directors	Dato' Mohd Desa bin Pachi	5 / 6
	Tan Sri Dato' Soong Siew Hoong	2 / 6
	Mohd Nizam bin Zainordin	6 / 6
	Tan Pak Say	0 / 6
	Goh Kee Seng	5 / 6
Independent Non-Executive Director	Lim Leng Han	6 / 6

STATEMENT ON CORPORATE GOVERNANCE cont'd



Board Committees

The Board of Directors delegates certain responsibilities to the Audit Committee, in order to enhance business and operational efficiency as well as efficacy.

The Audit Committee has written terms of reference and operating procedures and the Board receives reports of its proceedings and deliberations. The Chairman of the Audit Committee will report to the Board the outcome of the Committee meetings and such reports are incorporated in the minutes of the full Board meeting.

Board Balance

As at the date of this Statement, the Board consists of seven (7) members, comprising an Independent Non-Executive Director, five (5) Non-Executive Directors and an Executive Director. 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, marketing and operations. A profile of each Director is presented on pages 6 and 7 of this annual report.

The concept of independence adopted by the Board is in tandem with the definition of an independent Director in Section 1.01 of the Listing Requirements of the Kuala Lumpur Stock Exchange. The key elements for fulfilling the criteria are the appointment of an independent Director who is not a member of management (a non-executive Director) and who is free of any relationship which could interfere with the exercise of independent judgment or the ability to act in the best interests of the Company. The Board has yet to comply with paragraph 15.02 of the Listing Requirements, which requires that at least two (2) Directors or one-third of the Board of the Company, whichever is the higher, are independent Directors. Nevertheless, the Board will be responding appropriately to ensure this requirement is met by 30 June 2002, being the revised deadline set by the KLSE for compliance.

The Directors, with their different background and specialization, collectively bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, marketing and operations. The Managing Director in particular is responsible for implementing the policies and decisions of the Board, overseeing the operations as well as coordinating the development and implementation of business and corporate strategies. The independent non-executive Director bring to bear objective and independent judgment to the decision making of the Board and provide a capable check and balance for the Managing Director. The non-executive Directors contribute significantly in areas such as policy and strategy, performance monitoring, allocation of resources as well as improving governance and controls. Together with the Managing Director who has an intimate knowledge of the business, the Board is constituted of individuals who are committed to business integrity and professionalism in all its activities.

There is a clear division of responsibilities at the head of the Company to ensure a balance of authority and power. The Board is led by Dato' Mohd Desa bin Pachi as the non-executive Chairman and the executive management of the Company is led by Mr Goh Cheng Huat, the Group Managing Director. Although the roles of the Chairman and the Group Managing Director are not formally defined with their individual position descriptions, the Chairman is responsible for running the Board and he ensures that all Directors receive sufficient relevant information on financial and non-financial matters to enable them to participate actively in Board decisions. The Group Managing Director is responsible for the day-to-day management of the business as well as the implementation of Board's policies and decisions.

The Board is satisfied that its current composition fairly reflects the investment of minority shareholders in the Company.

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 also 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.

Prior to the meetings of the Board and the Audit Committee, appropriate documents, which include the agenda and reports relevant to the issues of the meetings covering the areas of strategic, financial, operational and regulatory compliance matters, are circulated to all the Directors concerned, to enable them to obtain further explanation, where necessary, in order to be properly briefed before the meeting.



STATEMENT ON CORPORATE GOVERNANCE cont'd

The Directors meet, review and approve all corporate announcements, including the announcement of the quarterly financial reports, prior to releasing them to the Kuala Lumpur Stock Exchange.

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.

Directors' training

The Board, as a whole, ensures that it recruits to the Board only individuals of sufficient calibre, knowledge and experience to fulfill the duties of a Director appropriately. There is no formal training or orientation programme for Directors. However, at the date of this Statement, all Directors except for Madam Tan Pak Say have attended and successfully completed the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysts Malaysia (RIIAM). Madam Tan is expected to complete the MAP programme by July 2002. The Directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge where relevant.

Re-election

The Articles of Association provide that an election of Directors shall take place each year and at the Annual General Meeting, one-third of the Directors for the time being or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third, shall retire from office. All the Directors shall retire from office once at least in three (3) years but shall be eligible for re-election.

Directors over seventy (70) years of age are required to submit themselves for re-appointment annually in accordance with Section 129 (6) of the Companies Act 1965.

The Company Secretary will ensure that all the necessary information is obtained, as well as all legal and regulatory obligations are met before the appointments are made.

B. Director's remuneration

The Company pays its Directors annual fee, which is approved annually by the shareholders.

The Board as a whole determines the remuneration of the Directors with the Directors concerned abstaining from the decision in respect of their remuneration.

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	Basic salary RM	Other emoluments RM
Executive			
Goh Cheng Huat	3,000	360,000	32,500
Independent Non-Executive			
Lim Leng Han	3,000	-	3,000
Non-executive			
Dato' Mohd Desa bin Pachi	3,000	-	20,500
Tan Sri Dato' Soong Siew Hoong	3,000	-	1,000
Mohd Nizam bin Zainordin	3,000	-	3,000
Tan Pak Say	3,000	-	-
Goh Kee Seng	3,000	-	2,500

The remuneration paid/payable to Directors, analyzed into bands of RM50,000 for the year ended 31 December 2001, are summarized as follows:

STATEMENT ON CORPORATE GOVERNANCE cont'd



Range of remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	-	6
RM50,001 to RM100,000	-	-
RM100,000 to RM150,000	-	-
RM150,001 to RM200,000	-	-
RM200,001 to RM250,000	-	-
RM250,001 to RM300,000	-	-
RM300,001 to RM350,000	-	-
RM350,001 to RM400,000	1	-

C. Shareholders

The Company recognizes the importance of communicating with its shareholders and does this through the annual report, Annual General Meetings (AGM) and Extraordinary General Meetings. It has been the Company's practice to send the Notice of the AGM and related papers to shareholders at least fourteen (14) or twenty-one (21) working days, as appropriate, before the meeting. At the AGM, the shareholders are encouraged to ask questions both about the resolutions being proposed or about the Group's operations in general.

In addition, the Company makes various announcements through the KLSE, in particular, the timely release of the quarterly results within two months from the close of a particular quarter. Summaries of the interim and the full year's results and copies of the full announcement are supplied to the shareholders and members of the public upon request. Members of the public can also obtain the full financial results and the Company's announcement from the KLSE's website.

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, quarterly announcement of the results to shareholders as well as the Chairman's statement 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 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 cashflows 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.

State of internal controls

The Directors recognize their ultimate responsibility for the Group's system of internal controls and the need to review its effectiveness regularly in order to safeguard the Group's assets and therefore shareholders' investments in the Group. This system, by its nature, can only provide reasonable but not absolute assurance against misstatement, fraud or loss.

At this juncture, the Board is of the view that the current system of internal control in place throughout the Group is sufficient to safeguard the Group's interest



STATEMENT ON CORPORATE GOVERNANCE cont'd

Relationship with the Auditors

Key features underlying the relationship of the Audit Committee with the internal and external auditors are included in the Audit Committee's terms of reference as detailed on pages 14 to 16 of the 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 page 13 of the annual report.

Compliance Statement

The Group has complied, throughout the financial year ended 31 December 2001, with all the best practices of corporate governance set out in Part 2 of the Code except for the following:

- 1 Appointment of a senior independent non-executive director to whom concerns may be conveyed has not been made, as there is presently only one independent non-executive Director. Moreover, the Chairman normally encourages full participation by all Directors during Board meetings. Nevertheless, the Board is actively looking into this matter and will consider the relevant steps to comply with this practice.
- 2 A Remuneration Committee has not been established yet. The remuneration of Directors currently comes under the purview of the entire Board with the relevant Directors abstaining from discussion. The Board will, however, consider the appointment of such a committee in due course.
- 3 A Nominating Committee has not been formed yet. There was no review done on the present Directors as the Board considers the mix of experience and expertise of the current number of Directors, both in the Board and the Audit Committee, to be sufficient and optimum in addressing the issues affecting the Group. In addition, a brief profile of all Directors is disclosed in the annual report.
- 4 The Board does not have a formal schedule of matters specifically reserved to it for decision. However, it has been the practice for the Board to deliberate on matters that involve overall Group strategy and direction, acquisition and divestment policy, approval of major capital expenditure, consideration of significant financial matters and the review of the financial and operating performance of the Group.
- 5 The Board, together with the Group Managing Director, has not developed formal position descriptions for the Board and the Managing Director. This is mainly due to the current set-up of the Board and the Audit Committee that is in place to facilitate the smooth functioning of the Group. Nevertheless, in order to enhance the existing corporate governance practice of the Company, the Board will consider adopting a Board Charter which delineates the role and function of the Board as well as the differing roles of the executive Director and non-executive Directors.
- 6 The Board, through the Audit Committee and Group Managing Director, has been able to identify business risks and ensure the implementation of appropriate measures to manage these risks. Nevertheless, the Board is of the view that a more structured risk management process would need to be established to better identify, monitor and manage the business risks affecting the Group. In view of this, the Board has appointed an external consultant in December 2001 to carry out an Enterprise Risk Management assignment on the Group. This assignment will enable the Board to identify the principal business risks of the Group on a more objective and structured manner so that relevant and appropriate measures can be implemented to manage the risks.
- 7 The Board currently does not have an agreed procedure for Directors, whether as a full Board or in their individual capacity, in furtherance of their duties, to take independent professional advice at the Company's expense. When such a need for independent professional advice arises, it is normally brought before the whole Board for deliberation and decision.
- 8 Independent non-executive Directors do not make up one-third of the Board. There is only one independent non-executive Director whilst the requirement for the current Board is two (2). The Board is aware of this and will take concerted actions to comply with the requirement by 30 June 2002, being the revised deadline set by the KLSE for compliance.
- 9 The current Audit Committee comprises 3 Directors but only one of them is an independent non-executive Director. As the Best Practice Provision BB 1 requires a majority of the Audit Committee members to be independent non-executive, the Board will address this matter by 30 June 2002, being the revised deadline set by the KLSE for compliance.



AUDIT COMMITTEE REPORT

Membership

The present members of the Committee comprise:-

Tan Sri Dato' Soong Siew Hoong	- Chairman, Non-Executive Director
Lim Leng Han	- Independent Non-Executive Director
Goh Cheng Huat	- Executive Director

Terms of reference

The Audit Committee (the "Committee") was established on 14 August 1995 to act as a Committee of the Board of Directors, with the terms of reference as set out on pages 14 to 16 of the annual report.

At the date of this report, the terms of reference of the Audit Committee have been revised to conform with the Listing Requirements of the KLSE.

Meetings

The Audit Committee convened four (4) meetings during the financial year. Details of attendance of each member are as follows:

Member	Attendance
Tan Sri Dato' Soong Siew Hoong	1/4
Lim Leng Han	4/4
Goh Cheng Huat	4/4

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

The Company Secretary was present by invitation in all the meetings. Representatives of the external auditors, Messrs KPMG as well as the Senior Manager of Finance and Administration also attended the meetings, where appropriate, upon invitation.

Summary of activities during the financial year

The Audit 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 the external auditors' scope of work and audit plans;
- Reviewed with the external auditors the results of the audit, the audit report and the management letter;
- Reviewed the effectiveness of management information and system of internal controls within the Company and Group;
- Reviewed the annual financial statements of the Group and Company with the external auditors, prior to submission to the Board for their consideration and approval;
- Reviewed the Company's compliance, in particular, the quarterly and year-end financial statements with the Listing Requirements of the KLSE, Malaysian Accounting Standards Board and other relevant legal and regulatory requirements; and
- Reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval. The review and discussions were conducted with the Senior Manager of Finance and Administration.



TERMS OF REFERENCE OF THE AUDIT COMMITTEE

Objectives

The primary function of the Audit Committee is to assist the Board of Directors in fulfilling the following oversight objectives on the Group 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 their 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 or she is not a member of MIA, he must have at least three (3) years of working experience and:-
 - he or she must have passed the examinations specified in Part I of the 1st Schedule of the Accountants Act 1967; or
 - he or 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 below three (3), the Board shall within three (3) months of the event appoint such number of new members as may 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 as a member of the Committee.

The Board shall review the terms of each of its members at least once (1) every three (3) years.

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 to attend the meetings.

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



TERMS OF REFERENCE OF THE AUDIT COMMITTEE cont'd

Quorum and Committee's procedures (cont'd)

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.

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.

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 KLSE Listing Requirements, the Committee shall promptly report such matter to the KLSE.

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 the Internal Audit Charter, budget and staffing of the internal audit department.



TERMS OF REFERENCE OF THE AUDIT COMMITTEE cont'd

- 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 the approval by the Board focussing 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, KLSE 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.
- Any other activities, as authorised by the Board.



DIRECTORS' REPORT

FOR THE YEAR ENDED 31 DECEMBER 2001

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2001.

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

RESULTS

	GROUP RM	COMPANY RM
Net profit after tax for the year	<u>14,970</u>	<u>1,869,338</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.

DIVIDEND

No dividend was paid since the end of the previous financial year and the directors do not recommend any dividend to be paid for the year under review.

DIRECTORS OF THE COMPANY

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

Dato' Mohd Desa bin Pachi
Goh Cheng Huat
Tan Sri Dato' Soong Siew Hoong
Tan Pak Say
Lim Leng Han
Goh Kee Seng
Mohd Nizam bin Zainordin

The direct holdings in the ordinary shares of the Company of those who were directors at year end as recorded in the Register of Directors' Shareholdings are as follows :-

Name of Director	Balance at 1.1.2001	Number of ordinary shares of RM1 each		Balance at 31.12.2001
		Bonus Issue	Bought/ (Sold)	
Goh Cheng Huat	1,695,099	1,695,099	-	3,390,198
Tan Sri Dato' Soong Siew Hoong	25,000	25,000	-	50,000
Tan Pak Say	1	1	-	2
Lim Leng Han	3,000	3,000	-	6,000

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

Name of Director	Balance at 1.1.2001	Number of ordinary shares of RM1 each		Balance at 31.12.2001
		Bonus Issue	Bought/ (Sold)	
Goh Cheng Huat	9,005,979	9,005,979	-	18,011,958
Tan Pak Say	10,701,077	10,701,077	-	21,402,154

By virtue of their 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.

Tan Sri Dato' Soong Siew Hoong had a direct and deemed interests of 2 ordinary shares of RM1 each and 100,000 ordinary shares of RM1 each in a subsidiary, Leader Steel (Overseas) Sdn Bhd as at 1 January 2001 and 31 December 2001 respectively. There were no changes in his interest during the year.

None of the other directors holding office at 31 December 2001 had any interest in the ordinary shares of the Company and of its related companies during the year.



DIRECTORS' REPORT cont'd FOR THE YEAR ENDED 31 DECEMBER 2001

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;
- ii) Professional fees paid by a subsidiary in the ordinary course of business to a firm of which the director is a member.

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.

ISSUE OF SHARES

During the financial year, the authorised share capital of the Company was increased from RM25,000,000 to RM100,000,000 by the creation of an additional 75,000,000 ordinary share of RM1 each.

The issued and paid-up share capital of the Company was increased from 19,998,000 ordinary shares of RM1 each to 39,996,000 ordinary shares of RM1 each by way of a bonus issue of 19,998,000 new ordinary shares of RM1 each on the basis of one (1) new ordinary share for every one (1) existing share held in the Company.

OPTIONS GRANTED OVER UNISSUED SHARES AND DEBENTURES

No options were granted to any person to take up unissued shares or debentures of the Company during the year.

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.



DIRECTORS' REPORT cont'd FOR THE YEAR ENDED 31 DECEMBER 2001

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 2001 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 :

.....
Director
DATO' MOHD DESA BIN PACHI

.....
Director
GOH CHENG HUAT

Penang,

Date : 22 April 2002



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 22 to 51, are drawn up in accordance with 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 2001 and of the results of their operations and cash flows for the year ended on that date.

Signed in accordance with a resolution of the directors :

.....
Director
DATO' MOHD DESA BIN PACHI

.....
Director
GOH CHENG HUAT

Penang,

Date : 22 April 2002

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 22 to 51, 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 GOH CHENG HUAT at)
Georgetown in the State of Penang)
on 22 April 2002.)

BEFORE ME :

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

REPORT OF THE AUDITORS TO THE MEMBERS OF LEADER STEEL HOLDINGS BERHAD



We have audited the financial statements set out on pages 22 to 51. The preparation of the financial statements is the responsibility of the Company's directors. Our responsibility is to express an opinion on the financial statements based on our audit.

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 2001 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 nor included any comment made under sub-section (3) of Section 174 of the Act.

KPMG

Firm No : AF : 0758
Chartered Accountants

NG SWEE WENG

Partner
Approval No : 1414/03/04 (J/PH)

Penang,

Date : 22 April 2002



CONSOLIDATED BALANCE SHEET

AT 31 DECEMBER 2001

	NOTE	2001 RM	2000 RM
PROPERTY, PLANT AND EQUIPMENT	2	67,807,569	69,687,214
INVESTMENT IN ASSOCIATE	4	157,500	157,500
OTHER INVESTMENT	5	2,314,876	2,314,876
GOODWILL ON CONSOLIDATION	6	239,659	251,642
CURRENT ASSETS			
Inventories	7	18,665,938	24,626,752
Trade and other receivables	8	9,318,462	12,472,784
Cash and cash equivalents	9	1,313,100	1,155,006
		29,297,500	38,254,542
CURRENT LIABILITIES			
Trade and other payables	10	4,063,028	7,764,393
Bank borrowings	11	32,648,713	38,708,322
Taxation		546,422	488,732
		37,258,163	46,961,447
NET CURRENT LIABILITIES		(7,960,663)	(8,706,905)
		62,558,941	63,704,327
Financed by :			
SHARE CAPITAL	13	39,996,000	19,998,000
RESERVES	14	8,248,825	28,231,855
SHAREHOLDERS' FUNDS		48,244,825	48,229,855
MINORITY INTERESTS		2,864,915	4,861,488
TERM LOANS	15	6,945,201	6,298,280
HIRE PURCHASE OBLIGATIONS	16	-	15,623
LONG TERM LIABILITY	17	-	97,081
DEFERRED TAXATION		4,504,000	4,202,000
		62,558,941	63,704,327

The notes set out on pages 31 to 51 form an integral part of, and, should be read in conjunction with, these financial statements.



CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2001

	NOTE	2001 RM	2000 RM
Revenue	18	63,254,335	89,108,133
Changes in manufactured inventories and work-in-progress		(1,930,896)	1,537,800
Raw materials and trading inventories used		(44,190,739)	(68,379,986)
Staff costs	19	(4,168,773)	(5,196,367)
Depreciation and amortisation expenses		(4,462,622)	(4,602,902)
Operating expenses		(7,736,648)	(7,138,261)
Other operating income		913,140	726,573
Operating profit	20	<u>1,677,797</u>	<u>6,054,990</u>
Exceptional items	21	-	(250,000)
Financing costs	22	(3,177,632)	(4,104,031)
(Loss)/Profit before tax		<u>(1,499,835)</u>	<u>1,700,959</u>
Tax expense	23	(481,769)	139,260
(Loss)/Profit after tax		<u>(1,981,604)</u>	<u>1,840,219</u>
Minority interest		1,996,574	335,113
Net profit after tax for the year		<u>14,970</u>	<u>2,175,332</u>
Basic earnings per ordinary share (sen)	24	<u>0.04</u>	<u>5.44</u>

The notes set out on pages 31 to 51 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 2001

	Share Capital RM	Share Premium RM	Capital Reserve RM	Exchange Fluctuation Reserve RM	Retained Profits RM	Total RM
At 1 January 2000	19,998,000	3,660,003	283,606	356,389	21,802,582	46,100,580
Net loss not recognised in the consolidated income statement	-	-	-	(46,057)	-	(46,057)
Net profit after tax for the year	-	-	-	-	2,175,332	2,175,332
At 31 December 2000	19,998,000	3,660,003	283,606	310,332	23,977,914	48,229,855
Net profit after tax for the year	-	-	-	-	14,970	14,970
Bonus issue	19,998,000	-	-	-	(19,998,000)	-
At 31 December 2001	39,996,000	3,660,003	283,606	310,332	3,994,884	48,244,825
	Note 13	←	←	Note 14	→	→

The notes set out on pages 31 to 51 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 2001

	2001 RM	2000 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
(Loss)/Profit before tax	(1,499,835)	1,700,959
Adjustments for :		
Amortisation of goodwill	11,983	11,983
Depreciation	4,450,639	4,590,919
Gain on disposal of property, plant and equipment	(315,686)	(14,248)
Plant and equipment written off	-	10,794
Expenditure carried forward written off	-	6,467
Allowance for diminution in value of investment	-	250,000
Interest expense	3,177,632	4,104,031
Interest income	(14,853)	(85,050)
Operating profit before working capital changes	<u>5,809,880</u>	<u>10,575,855</u>
Decrease/(Increase) in :		
Inventories	5,960,814	(11,067)
Trade and other receivables	3,154,322	4,494,183
Decrease in :		
Trade and other payables	(3,695,132)	(1,871,716)
Cash generated from operating activities	<u>11,229,884</u>	<u>13,187,255</u>
Real property gain tax paid	(82,237)	-
Income tax paid	(39,842)	(95,614)
Interest paid	(3,177,632)	(4,104,031)
Net cash generated from operating activities	<u>7,930,173</u>	<u>8,987,610</u>
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	14,853	85,050
Proceeds from disposal of property, plant and equipment	3,142,227	1,060,796
Purchase of property, plant and equipment	(5,397,535)	(2,534,225)
Proceeds from liquidation of subsidiaries (Note A)	-	22,143
Net cash used in investing activities	<u>(2,240,455)</u>	<u>(1,366,236)</u>



CONSOLIDATED CASH FLOW STATEMENT cont'd

FOR THE YEAR ENDED 31 DECEMBER 2001

	2001 RM	2000 RM
CASH FLOWS FROM FINANCING ACTIVITIES		
Drawdown of term loans	5,358,237	–
Repayment of term loans and short term advances	(5,828,565)	(5,332,601)
Repayment of hire purchase obligations	(21,855)	(277,287)
Drawdown/(Repayment) of bank borrowings, net	1,076,012	(11,297,985)
Repayment of long term liability	(97,081)	–
Net cash generated from/(used in) financing activities	486,748	(16,907,873)
Effects of exchange differences on retranslation of foreign subsidiary	–	(46,057)
Net increase/(decrease) in cash and cash equivalents	<u>6,176,466</u>	<u>(9,332,556)</u>
Cash and cash equivalents at beginning of year	(13,587,262)	(4,254,706)
Cash and cash equivalents at end of year (Note B)	<u>(7,410,796)</u>	<u>(13,587,262)</u>

NOTES TO CONSOLIDATED CASH FLOW STATEMENT

A. Liquidation of Subsidiaries

The fair value of assets liquidated and liabilities relieved are as follows :

	2001 RM	2000 RM
Expenditure carried forward	–	19,676
Receivables	–	3,017
Payables	–	(550)
Cash flows on liquidation of subsidiaries, net of cash	<u>–</u>	<u>22,143</u>

B. Cash and Cash Equivalents

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

	2001 RM	2000 RM
Short term deposits with licensed banks	177,015	195,455
Cash and bank balances	1,136,085	959,551
Bank overdrafts	(8,723,896)	(14,742,268)
	<u>(7,410,796)</u>	<u>(13,587,262)</u>

The notes set out on pages 31 to 51 form an integral part of, and, should be read in conjunction with, these financial statements.



BALANCE SHEETS

AT 31 DECEMBER 2001

	NOTE	2001 RM	2000 RM
INVESTMENT IN SUBSIDIARIES	3	23,349,600	23,349,600
OTHER INVESTMENT	5	2,314,876	2,314,876
CURRENT ASSETS			
Other receivables	8	18,985,505	16,573,404
Cash and cash equivalents	9	17,447	11,764
		19,002,952	16,585,168
CURRENT LIABILITIES			
Other payables	10	580,438	31,992
		580,438	31,992
NET CURRENT ASSETS			
		18,422,514	16,553,176
		44,086,990	42,217,652
Financed by :			
SHARE CAPITAL	13	39,996,000	19,998,000
RESERVES	14	4,090,990	22,219,652
SHAREHOLDERS' FUNDS			
		44,086,990	42,217,652

The notes set out on pages 31 to 51 form an integral part of, and, should be read in conjunction with, these financial statements.



INCOME STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

	NOTE	2001 RM	2000 RM
Revenue	18	2,000,000	2,112,128
Operating expenses		(130,662)	(292,064)
Other operating income		14,259	-
Operating profit	20	<u>1,883,597</u>	<u>1,820,064</u>
Exceptional items	21	-	(700,000)
Financing costs	22	(14,259)	-
Profit before tax		<u>1,869,338</u>	<u>1,120,064</u>
Tax expense	23	-	-
Net profit after tax for the year		<u><u>1,869,338</u></u>	<u><u>1,120,064</u></u>



STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2001

	Share Capital RM	Share Premium RM	Retained Profits RM	Total RM
At 1 January 2000	19,998,000	3,660,003	17,439,585	41,097,588
Net profit after tax for the year	-	-	1,120,064	1,120,064
At 31 December 2000	19,998,000	3,660,003	18,559,649	42,217,652
Net profit after tax for the year	-	-	1,869,338	1,869,338
Bonus issue	19,998,000	-	(19,998,000)	-
At 31 December 2001	39,996,000	3,660,003	430,987	44,086,990
	Note 13	←	Note 14	→

The notes set out on pages 31 to 51 form an integral part of, and, should be read in conjunction with, these financial statements.



CASH FLOW STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2001

	2001 RM	2000 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	1,869,338	1,120,064
Adjustments for :		
Interest expense	14,259	-
Interest income	(14,259)	-
Loss on liquidation of subsidiaries (Note A)	-	29,200
Allowance for diminution in value of investments	-	700,000
Dividend income	(2,000,000)	(2,112,128)
Operating loss before working capital changes	(130,662)	(262,864)
Increase in other receivables	(2,412,101)	(1,921,572)
Increase/(Decrease) in other payables	548,446	(7,250)
Cash used in operating activities	(1,994,317)	(2,191,686)
Income tax paid	-	(255)
Interest paid	(14,259)	-
Dividend received	2,000,000	2,112,128
Net cash used in operating activities	(8,576)	(79,813)
CASH FLOWS FROM INVESTING ACTIVITIES		
Interest received	14,259	-
Proceeds from liquidation of subsidiaries (Note A)	-	70,800
Net cash generated from investing activities	14,259	70,800
Net increase/(decrease) in cash and cash equivalents	5,683	(9,013)
Cash and cash equivalents at beginning of year	11,764	20,777
Cash and cash equivalents at end of year (Note B)	17,447	11,764

NOTES TO CASH FLOW STATEMENT

A. Liquidation of Subsidiaries

The value of assets liquidated is as follows :

	2001 RM	2000 RM
Cost of investment	-	100,000
Loss on liquidation of subsidiaries	-	(29,200)
Cash flows on liquidation of subsidiaries	-	70,800

B. Cash and cash equivalents

Cash and cash equivalents comprise of cash and bank balances as shown in the balance sheet.

The notes set out on pages 31 to 51 form an integral part of, and, should be read in conjunction with, these financial statements.



NOTES TO THE FINANCIAL STATEMENTS

31 DECEMBER 2001

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.

1.1 Basis of Accounting

The financial statements of the Group and of the Company are prepared in compliance with applicable approved accounting standards in Malaysia.

1.2 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. and Leader Steel Marketing Sdn. Bhd. which are consolidated using the merger method of accounting.

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 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 reserve on consolidation as appropriate.

Under the merger method of accounting, the difference between the nominal value of the share capital issued as purchase consideration and the nominal value of the share capital of the subsidiaries acquired is taken to merger reserve. Any merger debit arising on consolidation is written off against the capital reserves and retained profits.

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.

1.3 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 Company then and was not intended to affect 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. 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 2001.

Surpluses arising from revaluation are dealt with in the revaluation reserve account. Property, plant and equipment retired from active use and held for disposal are stated at the lower of net book value and net realisable value. 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.



NOTES TO THE FINANCIAL STATEMENTS cont'd

31 DECEMBER 2001

1.3 Property, Plant and Equipment (cont'd)

Property, plant and equipment retired from active use and held for disposal are stated at the lower of net book value and net realisable value.

The carrying amounts of property, plant and equipment are reviewed at each balance sheet date to determine whether there is any indication of impairment. If such an indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an item of property, plant and equipment exceeds its recoverable amount. In determining the recoverable amount of property, plant and equipment, expected future cash flows are discounted to their present values. The impairment loss is charged to the income statement unless it reverses a previous revaluation in which case it is charged to equity. Any subsequent increase in recoverable amount is reduced by the amount that would have been recognised as depreciation had the write-down or write-off not occurred. Such subsequent increase in recoverable amount is recognised in the income statement unless it reverses an impairment loss on a revalued asset, in which case it is taken to equity.

1.4 Depreciation

Leasehold land is amortised in equal instalments over the period of the lease of 60 years. 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 annual rates :

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

1.5 Investments

Investments are held on a long term basis and are 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.

1.6 Associates

Associates are those enterprises in which the Group has significant influence but not control, over the financial and operating policies.

The Group's investment in associates is accounted for under the equity method of accounting. Under this method of accounting, the Group's share of the post-acquisition results of the associates is included in the consolidated income statement based on their latest audited financial statements or unaudited management financial statements available to the Group. In the consolidated balance sheet, the Group's interest in associates is stated at cost plus the Group's share of the post-acquisition reserves less losses.

1.7 Goodwill

Goodwill on consolidated is stated at cost less accumulated amortisation and accumulated impairment losses. Goodwill is amortised from the date of initial recognition over its estimated useful life of 25 years. An impairment loss is also recognised when the directors are of the view that there is a diminutive in its value which is other than temporary.



NOTES TO THE FINANCIAL STATEMENTS cont'd

31 DECEMBER 2001

1.8 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.

The cost of manufactured inventories and work-in-progress includes cost of materials, direct labour and an appropriate allocation of manufacturing fixed and variable production overheads.

1.9 Capitalisation of Borrowing Cost

Interest on borrowings obtained for the purpose of financing the acquisition and installation of property, plant and equipment is capitalised up to the date the property, plant and equipment are ready to be commissioned for operations. Interest on such borrowings incurred thereafter is charged to the income statement.

1.10 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.

1.11 Revenue

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.

1.12 Foreign Currency

i) 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.



NOTES TO THE FINANCIAL STATEMENTS cont'd

31 DECEMBER 2001

1.12 Foreign Currency (cont'd)

ii) Financial statements of foreign operations

The Group's foreign operations are not considered an integral part of the Company's operations. Accordingly, the assets and liabilities of foreign operations, including goodwill and fair value adjustments arising on consolidation, are translated to Ringgit Malaysia at exchange rates ruling at the balance sheet date. The revenues and expenses of foreign operations are translated to Ringgit Malaysia at average rates applicable throughout the year. Foreign exchange differences arising on translation are recognised directly in equity.

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

	2001 RM	2000 RM
USD 1	3.80	3.80
AUD 1	2.28	2.10

1.13 Taxation

The tax expense in the income statement represents taxation at current tax rates based on profit earned during the year.

Deferred taxation is provided on the liability method for all timing differences except where no liability is expected to arise in the foreseeable future and there are no indications the timing differences will reverse thereafter. In arriving at the calculation of deferred taxation, future income tax benefits arising from unutilised reinvestment allowances have also been accounted for. Deferred tax benefits are only recognised when there is a reasonable expectation of realisation in the near future.

1.14 Financing Costs

All interest and other costs incurred in connection with borrowings are expensed as incurred except for borrowing costs incurred on capital expenditure in-progress of a subsidiary which are capitalised. Capitalisation of borrowing costs ceases when the assets are ready for their intended use.

1.15 Hire Purchase

Assets acquired under hire purchase instalment plans are capitalised as property, plant and equipment and the corresponding obligations are treated as liabilities. Financing charges are allocated to the income statement over the hire purchase period using the sum-of-digits method to give a constant periodical rate of interest on the outstanding hire purchase liabilities at the end of each accounting period.

NOTES TO THE FINANCIAL STATEMENTS cont'd
31 DECEMBER 2001



2. PROPERTY, PLANT AND EQUIPMENT - GROUP

	At 1.1.2001 RM	Additions RM	Disposals RM	At 31.12.2001 RM
Valuation/Cost				
At Valuation				
Long term leasehold land	4,295,000	-	-	4,295,000
Factory buildings	3,805,000	-	-	3,805,000
	<u>8,100,000</u>	<u>-</u>	<u>-</u>	<u>8,100,000</u>
At Cost				
Long term leasehold land	3,267,767	-	-	3,267,767
Factory buildings	14,954,514	526,637	-	15,481,151
Staff quarters	243,876	-	-	243,876
Plant and machinery	60,093,208	3,495,183	(3,426,676)	60,161,715
Furniture, fittings and equipment	2,432,374	99,645	(5,636)	2,526,383
Electrical and other installations	2,885,367	6,960	-	2,892,327
Tools and equipment	2,110,946	3,110	-	2,114,056
Renovation	110,482	-	-	110,482
Motor vehicles	2,116,102	-	-	2,116,102
Capital expenditure-in-progress	1,594,378	1,266,000	-	2,860,378
	<u>97,909,014</u>	<u>5,397,535</u>	<u>(3,432,312)</u>	<u>99,874,237</u>
Accumulated Depreciation				
At Valuation				
Long term leasehold land	468,237	74,052	-	542,289
Factory buildings	474,283	76,100	-	550,383
	<u>942,520</u>	<u>150,152</u>	<u>-</u>	<u>1,092,672</u>
At Cost				
Long term leasehold land	153,121	54,701	-	207,822
Factory buildings	1,322,959	300,365	-	1,623,324
Staff quarters	22,762	4,877	-	27,639
Plant and machinery	20,085,141	3,250,356	(600,135)	22,735,362
Furniture, fittings and equipment	1,093,750	217,023	(5,636)	1,305,137
Electrical and other installations	1,363,933	160,664	-	1,524,597
Tools and equipment	1,555,235	112,461	-	1,667,696
Renovation	53,787	11,048	-	64,835
Motor vehicles	1,628,592	188,992	-	1,817,584
	<u>28,221,800</u>	<u>4,450,639</u>	<u>(605,771)</u>	<u>32,066,668</u>



NOTES TO THE FINANCIAL STATEMENTS cont'd

31 DECEMBER 2001

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

	Net Book Value		Depreciation for the year ended 31.12.2000 RM
	At 31.12.2001 RM	At 31.12.2000 RM	
At Valuation			
Long term leasehold land	3,752,711	3,826,763	74,052
Factory buildings	3,254,617	3,330,717	76,100
	7,007,328	7,157,480	150,152
At Cost			
Long term leasehold land	3,059,945	3,114,646	54,700
Factory buildings	13,857,827	13,631,555	299,135
Staff quarters	216,237	221,114	4,878
Plant and machinery	37,426,353	40,008,067	3,310,432
Furniture, fittings and equipment	1,221,246	1,338,624	206,636
Electrical and other installations	1,367,730	1,521,434	185,569
Tools and equipment	446,360	555,711	136,730
Renovation	45,647	56,695	11,048
Motor vehicles	298,518	487,510	231,639
Capital expenditure-in-progress	2,860,378	1,594,378	-
	67,807,569	69,687,214	4,590,919

The long 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.

Included in the net book value of property, plant and equipment are the following items acquired under hire purchase arrangements :

	2001 RM	2000 RM
Plant and machinery	-	38,712
Motor vehicles	37,454	44,857

NOTES TO THE FINANCIAL STATEMENTS cont'd

31 DECEMBER 2001



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

The title deed to a piece of leasehold land with a net book value of RM895,133 (2000 : RM912,509) belonging to a subsidiary has yet to be issued by the relevant authority pending the settlement of the land premium.

The title deed to another piece of leasehold land with a net book value of RM2,164,812 (2000 : RM2,202,137) belonging to a subsidiary is in the process of being issued by the relevant authorities.

The net book value of those revalued assets stated at their original costs less accumulated depreciation are as follows:

	Cost RM	Accumulated Net Book RM	Depreciation Value RM
2001			
Long term leasehold land	2,916,669	479,628	2,437,041
Factory buildings	2,152,495	346,057	1,806,438
	<u>5,069,164</u>	<u>825,685</u>	<u>4,243,479</u>
2000			
Long term leasehold land	2,916,669	431,017	2,485,652
Factory buildings	2,152,495	303,007	1,849,488
	<u>5,069,164</u>	<u>734,024</u>	<u>4,335,140</u>

Deferred tax in respect of the revaluation of properties of the Group of RM773,878 (2000 : RM790,255) have not been provided for as the properties are held for long term use.

3. INVESTMENT IN SUBSIDIARIES

	COMPANY	
	2001 RM	2000 RM
Unquoted shares, at cost	24,799,600	24,799,600
Less : Allowance for diminution in value	(1,450,000)	(1,450,000)
	<u>23,349,600</u>	<u>23,349,600</u>



NOTES TO THE FINANCIAL STATEMENTS cont'd

31 DECEMBER 2001

3. INVESTMENT IN SUBSIDIARIES (cont'd)

Details of the subsidiaries are as follows :

Name of Subsidiary	Principal Activities	Effective interest held by the Group	
		2001	2000
<u>Held by the Company</u>			
Leader Steel Sdn. Bhd.	Manufacture and trading of steel products	100%	100%
Leader Steel Marketing Sdn. Bhd.	Commission agent	100%	100%
Leader Steel (Sarawak) Sdn. Bhd.	Manufacture and sale of steel products	51%	51%
Leader Steel (Overseas) Sdn. Bhd.	Investment holding	60%	60%
Leader Steel Service Centre Sdn. Bhd.	Manufacture and trading of steel products	100%	100%
Leader Steel Australia Pty Ltd *	Trading and distribution of steel products	99%	99%
Leader Steel Technology Sdn. Bhd.	Manufacture and sale of steel product making machinery	100%	100%
Leader Steel Copper Wire Sdn. Bhd.	Dormant	100%	100%
First Hope Sdn. Bhd.	Dormant	85%	85%
<u>Held by Subsidiary</u>			
Sonic Steel Industries (M) Sdn. Bhd.	Trading of building and hardware materials and providing shearing services	52%	52%

* Management financial statements were used for consolidation as the audited financial statements were not available yet and the subsidiary is dormant throughout the financial year ended 31 December 2001.

All the above subsidiaries are incorporated in Malaysia except for Leader Steel Australia Pty Ltd which is incorporated in Australia.

On 27 December 2001, the subsidiary, Leader Steel Service Centre Sdn. Bhd. entered into a Conditional Sale and Purchase Agreement to dispose of its entire equity interest in Sonic Steel Industries (M) Sdn. Bhd. comprising 516,666 ordinary shares of RM1 each for a total consideration of RM516,666.

4. INVESTMENT IN ASSOCIATE

	GROUP	
	2001 RM	2000 RM
Unquoted shares, at cost	<u>157,500</u>	<u>157,500</u>

Details of the associate, held by a subsidiary, are as follows :

Name of Company	Principal Activities	Percentage of Equity Held		Place of Incorporation
		2001	2000	
Sonic Profiles (M) Sdn. Bhd.	Trading of building and hardware materials	50%	50%	Malaysia

The financial year end of the associate is 31 December.

NOTES TO THE FINANCIAL STATEMENTS cont'd
31 DECEMBER 2001



5. OTHER INVESTMENT

	GROUP/COMPANY	
	2001	2000
	RM	RM
Unquoted shares, at cost	2,564,876	2,564,876
Less : Allowance for diminution in value	(250,000)	(250,000)
	<u>2,314,876</u>	<u>2,314,876</u>

6. GOODWILL ON CONSOLIDATION

	GROUP	
	2001	2000
	RM	RM
Balance at beginning of year	251,642	263,625
Less : Amortisation for the year (Note 20)	(11,983)	(11,983)
Balance at end of year	<u>239,659</u>	<u>251,642</u>

7. INVENTORIES

	GROUP	
	2001	2000
	RM	RM
Raw materials	10,426,156	12,825,203
Work-in-progress	1,100,250	3,576,809
Manufactured inventories	6,577,056	6,031,393
Trading inventories	550,253	2,167,085
Consumables	12,223	26,262
	<u>18,665,938</u>	<u>24,626,752</u>



NOTES TO THE FINANCIAL STATEMENTS cont'd

31 DECEMBER 2001

8. TRADE AND OTHER RECEIVABLES

	GROUP		COMPANY	
	2001 RM	2000 RM	2001 RM	2000 RM
Trade receivables				
Others	9,577,641	11,920,366	-	-
Less : Allowance for doubtful debts	(1,203,552)	(1,298,767)	-	-
Amount due from companies in which certain directors have substantial financial interests	51,544	-	-	-
	<u>8,425,633</u>	<u>10,621,599</u>	<u>-</u>	<u>-</u>
Other receivables				
Amount due from subsidiaries	-	-	19,164,250	16,753,149
Less : Allowance for doubtful debts	-	-	(180,000)	(180,000)
	-	-	18,984,250	16,573,149
Amount due from companies in which certain directors have substantial financial interests	-	272,523	-	-
Other receivables, deposits and prepayments	892,574	1,578,407	1,000	-
Tax refundable	255	255	255	255
	<u>9,318,462</u>	<u>12,472,784</u>	<u>18,985,505</u>	<u>16,573,404</u>

9. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	2001 RM	2000 RM	2001 RM	2000 RM
Short term deposits with licensed banks	177,015	195,455	-	-
Cash and bank balances	1,136,085	959,551	17,447	11,764
	<u>1,313,100</u>	<u>1,155,006</u>	<u>17,447</u>	<u>11,764</u>

NOTES TO THE FINANCIAL STATEMENTS cont'd
31 DECEMBER 2001



10. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	2001 RM	2000 RM	2001 RM	2000 RM
Trade payables	1,850,779	4,022,441	-	-
Associate	-	31,918	-	-
	<u>1,850,779</u>	<u>4,054,359</u>	<u>-</u>	<u>-</u>
Amount due to subsidiaries	-	-	543,447	-
Amount due to a director	660,500	-	-	-
Other payables	1,551,749	3,710,034	36,991	31,992
	<u>4,063,028</u>	<u>7,764,393</u>	<u>580,438</u>	<u>31,992</u>

11. BANK BORROWINGS

	GROUP	
	2001 RM	2000 RM
Bank overdrafts	8,723,896	14,742,268
Other borrowings		
Trust receipts	-	1,965,228
Bankers' acceptances	11,672,000	8,463,027
Revolving credits	7,151,738	7,319,471
Term loans (Note 15)	5,101,079	6,218,328
	<u>23,924,817</u>	<u>23,966,054</u>
	<u>32,648,713</u>	<u>38,708,322</u>

The bank borrowings are unsecured but are guaranteed by the Company.

Interest on the above borrowings is charged at rates ranging from 3.15% to 9.5% (2000 : 3% to 9.5%) per annum.



NOTES TO THE FINANCIAL STATEMENTS cont'd

31 DECEMBER 2001

12. EXPENDITURE CARRIED FORWARD

- At cost less amount written off

	GROUP	
	2001 RM	2000 RM
Preliminary expenses	-	5,500
Pre-operating expenses	-	20,643
	<u>-</u>	<u>26,143</u>
Less : Amount written off to income statement (Note 20)	-	(6,467)
Subsidiaries liquidated	-	(19,676)
	<u>-</u>	<u>-</u>
	<u><u>-</u></u>	<u><u>-</u></u>

13. SHARE CAPITAL

	GROUP/COMPANY	
	2001 RM	2000 RM
Ordinary shares of RM1 each		
Authorised		
Balance at beginning of year	25,000,000	25,000,000
Increase during the year	75,000,000	-
Balance at end of year	<u>100,000,000</u>	<u>25,000,000</u>
Issued and fully paid		
Balance at beginning of year	19,998,000	19,998,000
Bonus issue on the basis of one (1) new ordinary share for every one (1) existing share held	19,998,000	-
Balance at end of year	<u>39,996,000</u>	<u>19,998,000</u>

NOTES TO THE FINANCIAL STATEMENTS cont'd
31 DECEMBER 2001



14. RESERVES

	GROUP		COMPANY	
	2001 RM	2000 RM	2001 RM	2000 RM
Non-distributable				
Share premium	3,660,003	3,660,003	3,660,003	3,660,003
Exchange fluctuation reserve	310,332	310,332	-	-
	3,970,335	3,970,335	3,660,003	3,660,003
Distributable				
Capital reserve	283,606	283,606	-	-
Retained profits	3,994,884	23,977,914	430,987	18,559,649
	4,278,490	24,261,520	430,987	18,559,649
	<u>8,248,825</u>	<u>28,231,855</u>	<u>4,090,990</u>	<u>22,219,652</u>

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

15. TERM LOANS

	GROUP	
	2001 RM	2000 RM
Analysis of repayments :		
Within 1 year	5,101,079	6,218,328
From 1-2 years	4,490,501	5,338,933
From 2-5 years	2,433,111	916,852
After 5 years	21,589	42,495
	12,046,280	12,516,608
Less : Amount repayable within 1 year included in bank borrowings (Note 11)	(5,101,079)	(6,218,328)
	<u>6,945,201</u>	<u>6,298,280</u>

The term loans are unsecured but are guaranteed by the Company. Interest is charged at rates ranging from 4.8% to 9.5% (2000 : 4.8% to 9.5%) per annum.



NOTES TO THE FINANCIAL STATEMENTS cont'd

31 DECEMBER 2001

16. HIRE PURCHASE OBLIGATIONS

	GROUP	
	2001 RM	2000 RM
Gross amount payable	16,544	41,438
Less : Unexpired interest	(921)	(3,960)
	15,623	37,478
Less :Amount repayable within 1 year included in other payables	(15,623)	(21,855)
Amount repayable after 1 year	-	15,623

Interest is payable at rates ranging from 6% to 6.8% (2000 : 6% to 6.8%) per annum flat on the principal sum financed over the period of the hire purchase.

17. LONG TERM LIABILITY - GROUP

This relates to premium payable to the Land and Survey Department by a subsidiary for the purchase of land payable in annual instalments of RM NIL (2000 : RM97,083).

18. REVENUE

Revenue comprises the following :

	GROUP		COMPANY	
	2001 RM	2000 RM	2001 RM	2000 RM
Manufacturing	62,871,473	88,651,278	-	-
Services	382,862	456,855	-	-
Dividends	-	-	2,000,000	2,112,128
	63,254,335	89,108,133	2,000,000	2,112,128

19. EMPLOYEE INFORMATION

	GROUP		COMPANY	
	2001 RM	2000 RM	2001 RM	2000 RM
Staff costs	4,168,773	5,196,367	-	-

The number of employees of the Group and of the Company (including directors) at the end of the year was 171 (2000 : 184) and NIL (2000 : NIL) respectively.

NOTES TO THE FINANCIAL STATEMENTS cont'd
31 DECEMBER 2001



20. OPERATING PROFIT

Operating profit is arrived at after charging :

	GROUP		COMPANY	
	2001 RM	2000 RM	2001 RM	2000 RM
Amortisation of goodwill (Note 6)	11,983	11,983	-	-
Auditors' remuneration				
- current year	49,000	64,620	5,000	5,000
- prior year	1,500	4,500	-	-
Bad debts written off	-	350	-	-
Depreciation (Note 2)	4,450,639	4,590,919	-	-
Directors' emoluments				
- Directors of the Company				
- fees	21,000	21,000	21,000	21,000
- others	451,560	626,020	14,500	14,500
- Other directors				
- others	380,895	495,104	-	-
Expenditure carried forward written off (Note 12)	-	6,467	-	-
Plant and equipment written off	-	10,794	-	-
Hire of equipment	210	5,294	-	-
Allowance for doubtful debts	-	561,313	-	180,000
Rental of premises	216,000	216,000	-	-
Loss on foreign exchange (realised)	-	50,606	-	-
and crediting :				
Interest income	14,853	85,050	14,259	-
Gain on disposal of plant and equipment	315,686	14,248	-	-
Dividend income (gross) from investment in a subsidiary	-	-	2,000,000	2,112,128
Gain on foreign exchange (realised)	11,092	-	-	-
Allowance for doubtful debts written back	-	14,487	-	-



NOTES TO THE FINANCIAL STATEMENTS cont'd

31 DECEMBER 2001

21. EXCEPTIONAL ITEMS

	GROUP		COMPANY	
	2001 RM	2000 RM	2001 RM	2000 RM
Allowance for diminution in value of investment in				
- a subsidiary	-	-	-	450,000
- others	-	250,000	-	250,000
	-	250,000	-	700,000
	-	250,000	-	700,000

22. FINANCING COSTS

	GROUP		COMPANY	
	2001 RM	2000 RM	2001 RM	2000 RM
Interest expense on :				
Term loans	1,153,931	950,460	-	-
Bank overdrafts	873,186	873,271	-	-
Hire purchase	3,039	28,443	-	-
Other borrowings	1,147,476	2,251,857	14,259	-
	3,177,632	4,104,031	14,259	-
	3,177,632	4,104,031	14,259	-

23. TAX EXPENSE

	GROUP		COMPANY	
	2001 RM	2000 RM	2001 RM	2000 RM
Current tax expense				
- Current year	97,532	174,200	-	-
- Prior year	-	19,263	-	-
	97,532	193,463	-	-
	97,532	193,463	-	-
Deferred tax expense				
- Current year	355,000	(69,000)	-	-
- Prior year	(53,000)	(258,500)	-	-
	302,000	(327,500)	-	-
	302,000	(327,500)	-	-
Real property gain tax				
- Prior year	82,237	(5,223)	-	-
	82,237	(5,223)	-	-
	82,237	(5,223)	-	-
	481,769	(139,260)	-	-
	481,769	(139,260)	-	-



NOTES TO THE FINANCIAL STATEMENTS cont'd

31 DECEMBER 2001

23. TAX EXPENSE (Cont'd)

The Group effective tax rate is higher than the prima facie tax rate as the profits of certain subsidiaries cannot be set off against losses of other subsidiaries for tax purposes as group relief is not available.

There is no current taxation in relation to the results of the Company for the year mainly due to tax exempt dividend received.

Subject to agreement with the Inland Revenue Board, the Company has sufficient tax exempt income and Section 108 tax credit to distribute/frank its entire distributable reserves at 31 December 2001 if paid out as dividends.

Subject to agreement with the Inland Revenue Board, the Group has potential deferred tax benefits not taken up in the financial statements under the liability method in respect of the following items :

	2001 RM'000	2000 RM'000
Unutilised tax losses	(6,289)	(3,038)
Other timing differences	2,927	89
	<u>(3,362)</u>	<u>(2,949)</u>

24. BASIC EARNINGS PER ORDINARY SHARE - GROUP

The calculation of basic earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM14,970 (2000 : RM2,175,332) and the weighted average number of ordinary shares outstanding during the year of 39,996,000 (2000 : 39,996,000) calculated as follows:

	2001	(Restated) 2000
Issued ordinary shares at beginning of year	19,998,000	19,998,000
Effect of bonus issue in December 2001	19,998,000	19,998,000
Weighted average number of ordinary shares	<u>39,996,000</u>	<u>39,996,000</u>

25. CONTINGENT LIABILITIES, unsecured

	GROUP	
	2001 RM'000	2000 RM'000
i) Corporate guarantees		
Amount of corporate guarantees given to licensed banks for credit facilities granted to certain subsidiaries	<u>164,642</u>	<u>193,628</u>

The amount of credit facilities utilised as at balance sheet date was RM40.08 million (2000 : RM44.83 million).

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



NOTES TO THE FINANCIAL STATEMENTS cont'd

31 DECEMBER 2001

26. CAPITAL COMMITMENT

	GROUP	
	2001 RM'000	2000 RM'000
Property, plant and equipment		
Contracted but not provided for in the financial statements	-	906

27. RELATED PARTIES

27.1 Related Party Relationships

- i) Subsidiaries and associate of the Company as disclosed in the financial statements.
- ii) Companies in which certain directors, namely Messrs Goh Cheng Huat and Tan Pak Say, are deemed to have substantial financial interests :
 - Eonmetall Corporation Sdn. Bhd. ("ECSB") and its subsidiaries
 - GCH Property (Australia) Pty Ltd
 - Victory Aura Sdn. Bhd.
 - Foremost Score Sdn. Bhd.
 - Sonic Profiles (M) Sdn. Bhd.
 - G. P. Jaya Sdn. Bhd.
- iii) Company in which a Director, namely Tan Sri Dato' Soong Siew Hoong, is deemed to have substantial financial interests :-
 - Wirawasah Sdn. Bhd.
- iv) Companies in which a director of a subsidiary (Leader Steel (Sarawak) Sdn. Bhd.), namely Mr. Goh Kim Sin, is deemed to have substantial financial interest :-
 - Sin Chyan Seng Hardware Sdn. Bhd.
 - Victory Aura Sdn. Bhd.
- v) Company in which a director of a subsidiary (Leader Steel (Sarawak) Sdn. Bhd.), namely Mr. Tiong Yong Kuang, is deemed to have substantial financial interest :-
 - Hung Guan Trading Sdn. Bhd.
- vi) Company in which a director of a subsidiary (Leader Steel (Sarawak) Sdn. Bhd.), namely Mr. Yii Hie Mei, is deemed to have substantial financial interest :-
 - Syarikat Moh Huat Sdn. Bhd.

NOTES TO THE FINANCIAL STATEMENTS cont'd
31 DECEMBER 2001



27. RELATED PARTIES (Cont'd)

27.1 Related Party Relationships (Cont'd)

vi) Key management personnel of the Group :-

- Mr. Goh Cheng Huat
- Madam Tan Pak Say
- Mr. Goh Kim Sin
- Mr. Pregalathan a/l Veerasamy
- Mr. Lim Hong Sun @ Lim Hong Siang
- Mr. Lee Tian Soon
- Mr. Low Tze Heng
- Mr. Yeoh Cheng Chye
- Ms. Bong Siew Kiaw

27.2 Transactions with Related Parties

i) Transactions by the Group with Eonmetall Industries Sdn. Bhd., a subsidiary of ECSB :-

	2001 RM'000	2000 RM'000
- Sales	-	560
- Purchases	-	50
- Services rendered	-	8
	<u> </u>	<u> </u>

ii) Transactions by the Group with Eonmetall Technology Sdn. Bhd., a subsidiary of ECSB :-

	2001 RM'000	2000 RM'000
- Sales	-	10
- Sale of plant and equipment	-	179
	<u> </u>	<u> </u>

iii) Transactions by the Group with Eonmetall Storage System Sdn. Bhd., a subsidiary of ECSB :-

	2001 RM'000	2000 RM'000
- Sales	-	11
	<u> </u>	<u> </u>

iv) Transactions by the Group with Syarikat Moh Huat Sdn. Bhd. :-

	2001 RM'000	2000 RM'000
- Sales	270	713
	<u> </u>	<u> </u>

v) Transactions by the Group with Sin Chyan Seng Hardware Sdn. Bhd. :-

	2001 RM'000	2000 RM'000
- Sales	169	435
	<u> </u>	<u> </u>



NOTES TO THE FINANCIAL STATEMENTS cont'd

31 DECEMBER 2001

27. RELATED PARTIES (Cont'd)

27.2 Transactions with Related Parties (Cont'd)

vi) Transactions by the Group with Hung Guan Trading Sdn. Bhd. :-

	2001 RM'000	2000 RM'000
- Sales	<u>128</u>	<u>502</u>

vii) Transactions by the Group with Foremost Score Sdn. Bhd. :-

	2001 RM'000	2000 RM'000
- Sales	<u>139</u>	<u>177</u>

viii) Transactions by the Group with Sonic Profiles (M) Sdn. Bhd. :-

	2001 RM'000	2000 RM'000
- Sales	-	83
- Purchases	<u>-</u>	<u>115</u>

ix) Transactions by the Group with G.P. Jaya Sdn. Bhd. :-

	2001 RM'000	2000 RM'000
- Sales	<u>596</u>	<u>-</u>

x) There were no transactions with the key management personnel other than the remuneration package paid to them in accordance with the terms and conditions of their appointment.

27.3 Balances with related parties

Outstanding balances arising from transactions other than normal trade transactions with related parties :

	2001 RM'000	2000 RM'000
Amount due to		
Eonmetall Industries Sdn Bhd	<u>-</u>	<u>32,891</u>

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

31 DECEMBER 2001

28. SEGMENT REPORTING - GROUP

Analysis by geographical location

	Revenue RM	Profit/(Loss) Before Tax RM	Assets Employed RM
2001			
Malaysia	63,254,335	(1,319,884)	99,567,992
Australia	-	(179,951)	249,112
	<u>63,254,335</u>	<u>(1,499,835)</u>	<u>99,817,104</u>
2000			
Malaysia	87,474,689	1,819,880	110,230,367
Australia	1,633,444	(118,921)	435,407
	<u>89,108,133</u>	<u>1,700,959</u>	<u>110,665,774</u>

No analysis by activities has been prepared as the Group is principally involved in the manufacturing sector.

29. SIGNIFICANT EVENTS DURING THE YEAR

- i) On 12 July 2001, the Company announced its proposed bonus issue of 19,998,000 new ordinary shares of RM1 each on the basis of one new ordinary share for every one existing shares held in the Company. The bonus issue was effected by the capitalisation from retained profits of the Company. The new bonus shares issued will rank pari passu in all respects with the existing issued shares of the Company.

The bonus issue exercise of the Company was completed on 10 December 2001.

- ii) On 27 December 2001, one of its subsidiaries, Leader Steel Service Centre Sdn. Bhd. entered into a Conditional Sale and Purchase Agreement to dispose of its entire equity interest in Sonic Steel Industries (M) Sdn. Bhd. ("SSI") comprising 516,666 ordinary shares of RM1 each for a total consideration of RM516,666 to Mr. Pregalathan a/l Veerasamy for cash. Mr. Pregalathan a/l Veerasamy is the Managing Director of SSI and he holds 483,334 shares, representing 48.33% of the share capital in SSI.
- iii) On 27 December 2001, the Company proposed the establishment of an employee share option scheme ("Proposed ESOS") for the benefit of the eligible Executive Directors and employees of the Group. The proposed ESOS is pending approval from the Securities Commission and Kuala Lumpur Stock Exchange.

30. EVENTS SUBSEQUENT TO BALANCE SHEET DATE

COMPANY

On 2 January 2002, the Company entered into a Conditional Sale and Purchase Agreement to dispose of 2 ordinary shares of RM1 each, representing 100% of the total issued and paid-up capital in Leader Steel Copper Wire Sdn. Bhd. for a total consideration of RM2.



LIST OF PROPERTIES OWNED BY THE GROUP

<u>Location</u>	<u>Tenure</u>	<u>Approximate Age of Building</u>	<u>Area (Square metres)</u>	<u>Description</u>	<u>Net book Value at 31 December 2001</u> RM'000
Leader Steel Sdn Bhd					
Plot 85 Lorong Perusahaan Utama Kawasan Perusahaan Bukit Tengah 14000 Bukit Tengah Pulau Pinang, Malaysia	Leasehold	9 years	34,000	Factory	13,688
6 Lorong Limau Manis 1 Taman Limau Manis 14000 Bukit Tengah Pulau Pinang, Malaysia	Freehold Double storey terrace house	7 years	111	Residential premise for factory workers	108
8 Lorong Limau Manis 1 Taman Limau Manis 14000 Bukit Tengah Pulau Pinang, Malaysia	Freehold Double storey terrace house	7 years	111	Residential premise for factory workers	108
Leader Steel (Sarawak) Sdn Bhd					
Lot 841 Block 7 MTLD Sejingkat Industrial Park 93050 Kuching Sarawak, Malaysia	Leasehold 60 years, expiring 10.11.2053	9 years	33,600	Factory	8,072
Leader Steel Copper Wire Sdn Bhd					
Plot 525, Zone 12 Pasir Gudang Industrial Area Jalan Keluli 9, Mukim Plentong Pasir Gudang Johor, Malaysia	Leasehold 60 years, expiring 27.8.2057		12,156	Vacant Land	2,165



SUBSTANTIAL SHAREHOLDERS

AS AT 2 APRIL 2002

<u>Name</u>	<u>Ordinary shares of RM1 each</u>		<u>Percentage %</u>
	<u>No. of Shares</u>		
	<u>Direct Interest</u>	<u>Deemed Interest</u>	
1. Goh Cheng Huat	3,390,198	18,011,958	53.51
2. Tan Pak Say	2	21,402,154	53.51
3. Bischart Sdn Bhd	18,011,956	-	45.03
4. Amanah Raya Berhad - Skim Amanah Saham Bumiputera	9,188,000	-	22.97

DIRECTORS' SHAREHOLDINGS

AS AT 2 APRIL 2002

<u>Name of Director</u>	<u>Ordinary shares of RM1 each</u>	
	<u>Direct Interest</u>	<u>Deemed Interest</u>
	<u>Balance at 21.01.2002</u>	<u>Balance at 21.01.2002</u>
1. Goh Cheng Huat	3,390,198	18,011,958
2. Tan Sri Dato' Soong Siew Hoong	50,000	-
3. Tan Pak Say	2	21,402,154
4. Lim Leng Han	6,000	-
5. Dato' Mohd Desa bin Pachi	-	-
6. Goh Kee Seng	-	-
7. Mohd Nizam bin Zainordin	-	-

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

Tan Sri Dato' Soong Siew Hoong had a direct and deemed interests of 2 ordinary shares of RM1 each and 100,000 ordinary shares of RM1 each in a subsidiary, Leader Steel (Overseas) Sdn Bhd as at 1 January 2001 and 31 December 2001 respectively. There were no changes in his interest during the year.

None of the other Directors holding office at 31 December 2001 had any interest in the ordinary shares of the Company and of its related companies during the year.

SHAREHOLDING STATISTICS

AS AT 2 APRIL 2002

AUTHORISED SHARE CAPITAL	:	RM100,000,000
ISSUED AND FULLY PAID-UP CAPITAL	:	RM39,996,000
CLASS OF SHARE	:	Ordinary shares of RM1 each fully paid
VOTING RIGHT	:	1 vote per ordinary share

Breakdown of shareholdings

<u>Size of Shareholdings</u>		<u>No. of Shareholders</u>	<u>No. of Shares</u>	<u>% of Issued Share Capital</u>
1	- 999	3	302	0.001
1,000	- 10,000	1,320	4,430,704	11.078
10,001	- 100,000	145	3,801,840	9.506
100,001	- 1,999,799	11	3,127,104	7.819
1,999,800	- 39,996,000	3	28,636,050	71.597
		1,482	39,996,000	100.000



THIRTY LARGEST SHAREHOLDERS

AS AT 02.04.2002

<u>Name</u>	<u>No. of Shares</u>	<u>% of Issued Share Capital</u>
1 Southern Nominees (Tempatan) Sdn Bhd - Bischart Sdn Bhd	17,337,956	43.3492
2 Amanah Raya Nominees (Tempatan) Sdn Bhd - Skim Amanah Saham Bumiputra	9,188,000	22.9723
3 Southern Nominees (Tempatan) Sdn Bhd - Goh Cheng Huat	2,110,094	5.2758
4 Goh Cheng Huat	1,280,104	3.2006
5 Bischart Sdn Bhd	674,000	1.6852
6 Toh Hee Chooy	242,000	0.6051
7 Kueh Song Joo	140,000	0.3500
8 PRB Nominees (Tempatan) Sdn Bhd - Rubber Industry Smallholders Development Authority	130,000	0.3250
9 Chan Mei Cheng	118,000	0.2950
10 Husnah Binti Abdul Latiff	112,000	0.2800
11 Sim Choh Sang @ Sim Choh Shan	112,000	0.2800
12 Ng Swee Yoot	112,000	0.2800
13 Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Tee Cheng Teok	105,000	0.2625
14 Kenanga Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Goh Kim Sin	102,000	0.2550
15 Citicorp Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Ng Geok Lian	94,000	0.2350
16 Tan Yew Teong	82,000	0.2050
17 Bong Chong Hang	80,000	0.2000
18 Mak Ngia Ngia @ Mak Yoke Lum	77,000	0.1925
19 Loh Loon Keng	76,000	0.1900
20 Goh Li Li	69,000	0.1725
21 Goh Ming Hui	64,000	0.1600
22 TA Nominees (Tempatan) Sdn Bhd - Pledged Securities Account For Sin Hock	62,000	0.1550
23 Lim Siew See	60,000	0.1500
24 Tay Boon Seng	53,000	0.1325
25 Ng Hoi Cheu	52,000	0.1300
26 Tan Phaik Hoon	52,000	0.1300
27 Lim Soon Leong @ Lim Shoon Leong	50,000	0.1250
28 Soong @ Soong Siew Hoong	50,000	0.1250
29 Loh Ah Heoh	50,000	0.1250
30 Cheah Suan Lee	50,000	0.1250
Total	32,784,154	81.9682



I/We, _____
of _____
being a member/members of the abovenamed Company, hereby appoint _____
of _____
or failing him _____
of _____

as my/our proxy, to vote for me/us and on my/our behalf at the **NINTH 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 Tuesday, 28 May 2002 at 10:00 a.m. and at any adjournment thereof.

NO.	ORDINARY RESOLUTIONS		FOR	AGAINST
1.	To receive and adopt the audited Financial Statements.	Resolution 1		
2a.	To re-elect Directors who retire pursuant to Article 102 :- i) Mr Goh Cheng Huat	Resolution 2		
	ii) Mr Lim Leng Han	Resolution 3		
2b.	To re-elect Tan Sri Dato' Soong Siew Hoong who retires pursuant to Section 129.	Resolution 4		
3.	To approve the Directors' fees.	Resolution 5		
4.	To re-appoint Messrs. KPMG as Auditors.	Resolution 6		
5.	Authority to issue shares pursuant to Section 132D of the Companies Act, 1965.	Resolution 7		

(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, 2002.

No. of Ordinary Shares Held

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.

Fold along this line



Affix
Postage
Here

The Company Secretary
M & C SERVICES SDN BHD

Suite 2-1, 2nd Floor
Menara Penang Garden
42A Jalan Sultan Ahmad Shah
10050 Penang

Fold along this line

LEADER STEEL HOLDINGS BERHAD

267209-K

Wisma Leader Steel
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Pulau Pinang, Malaysia.
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