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Notice Of Annual General Meeting

NOTICE IS HEREBY GIVEN that the TENTH 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 Saturday, 31 May 2003 at 2:30 p.m. for the following purposes: -

1. To receive and adopt the audited Financial Statements for the year ended 31 December 2002. **Ordinary Resolution 1**
- 2a. To re-elect Encik Mohd Nizam bin Zainordin who retires pursuant to Article 102 of the Company's Articles of Association. **Ordinary Resolution 2**
- 2b. To re-elect the following Directors who retire pursuant to Article 109 of the Company's Articles of Association:-
 - i) Encik Mohd. Arif bin Mastol **Ordinary Resolution 3**
 - ii) Madam Tan Pak Say **Ordinary Resolution 4**
- 2c. To re-elect Tan Sri Dato' Soong Siew Hoong who retires pursuant to Section 129 of the Companies Act, 1965. **Ordinary Resolution 5**
3. To approve Directors' fees totalling RM 146,667 for the year ended 31 December 2002. **Ordinary Resolution 6**
4. To declare a first and final tax exempt dividend of 5 sen per share for the year ended 31 December 2002. **Ordinary Resolution 7**
5. To re-appoint Messrs. KPMG as Auditors for the ensuing year and to authorise the Directors to fix their remuneration. **Ordinary Resolution 8**
6. 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 9
7. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965.

Notice Of Annual General Meeting cont'd

NOTICE OF DIVIDEND ENTITLEMENT

NOTICE IS ALSO HEREBY GIVEN that a depositor shall qualify for entitlement to the dividend only in respect of:-

- a. Shares transferred into the depositor's securities account before 4:00 p.m.on 18 July 2003 in respect of ordinary transfers; and
- b. Shares bought on the Kuala Lumpur Stock Exchange on a cum entitlement basis according to the Rules of the Kuala Lumpur Stock Exchange.

The dividend,if approved will be paid on 8 August 2003 to depositors registered in the Record of Depositors at the close of business on 18 July 2003.

BY ORDER OF THE BOARD

LAM VOON KEAN (MIA 4793)

Company Secretary

Penang,9 May 2003

Notes:

1. A proxy may but need not be a member of the Company and a member may appoint any person to be his proxy without limitation and the provisions of Section 149(1)(b) of the Act shall not apply to the Company.Where a member appoints more than (1) proxy the appointment shall be invalid unless he specifies the proportions of his holdings to be represented by each proxy. Where a member of the Company is an authorised nominee as defined under the Central Depositories Act,it may appoint at least one (1) proxy in respect of each securities account it holds with ordinary shares of the Company standing to the credit of the said securities account.
2. The instrument appointing a proxy shall be in writing under the hand of the appointor or of his attorney duly authorised in writing or, if the appointor is a corporation,either under the corporation's seal or under the hand of an officer or attorney duly authorised.
3. To be valid,the proxy form must be deposited at the Company's Registered Office at Suite 2-1,2nd Floor, Menara Penang Garden,42A Jalan Sultan Ahmad Shah,10050 Penang,not less than forty eight (48) hours before the time appointed for holding the meeting.
4. The details of the Directors standing for re-election as in Agenda 2 are as more particularly disclosed in Pages 7 to 9 of the Annual Report of the Company.

Explanatory Note on Special Business:

5. The proposed Resolution 9,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.

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
Mohd Nizam bin Zainordin
Mohd Arif bin Mastol
Goh Kee Seng - *Alternate to Tan Pak Say*

Company Secretary

Lam Voon Kean (MIA 4793)

Audit Committee

Lim Leng Han - *Chairman*
Mohd Arif bin Mastol - *Member*
Goh Cheng Huat - *Member*

Nominating Committee

Dato' Mohd Desa bin Pachi - *Chairman*
Lim Leng Han - *Member*
Mohd Arif bin Mastol - *Member*

Remuneration Committee

Dato' Mohd Desa bin Pachi - *Chairman*
Goh Cheng Huat - *Member*
Lim Leng Han - *Member*

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

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

Auditors

KPMG, Penang

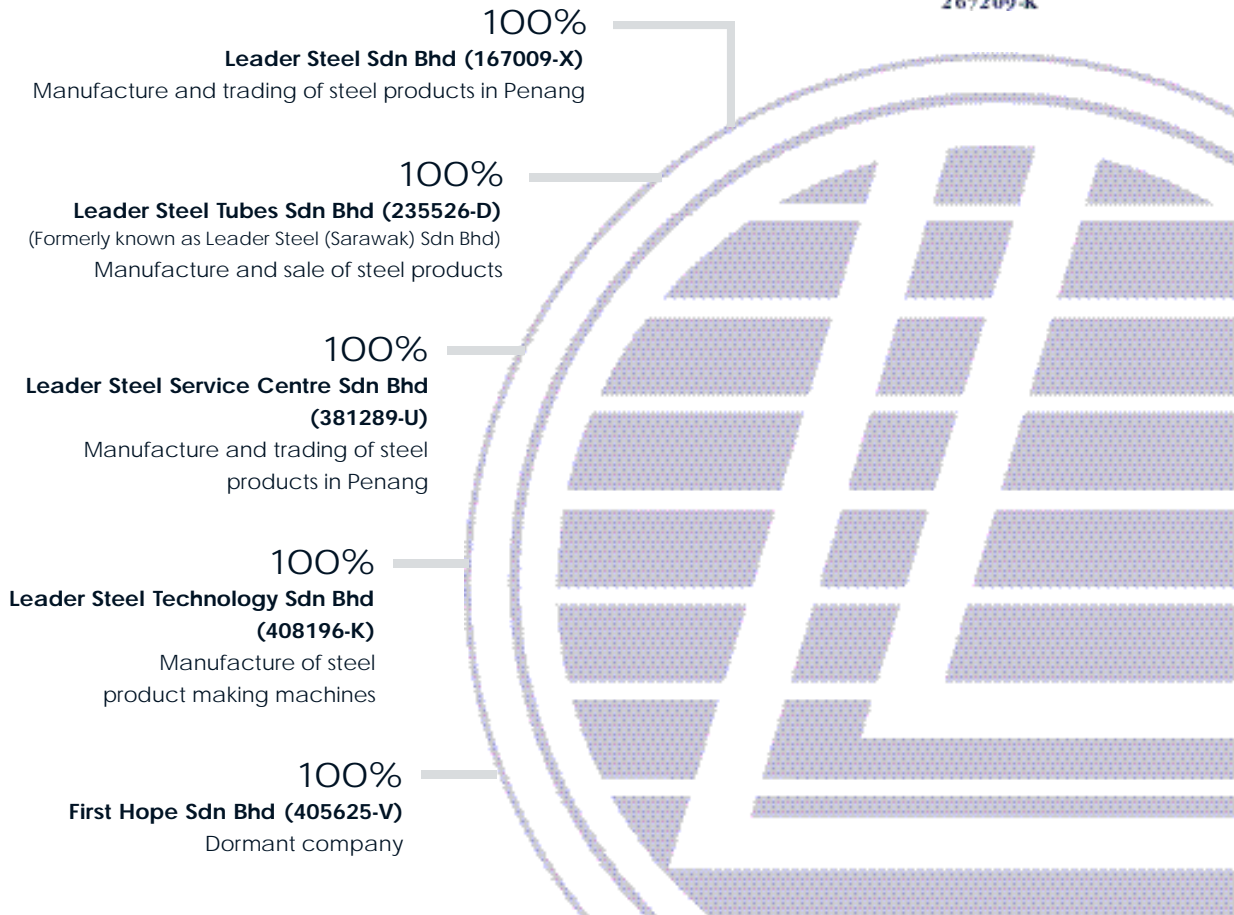
Major Bankers

Hong Leong Bank Berhad
Malayan Banking Berhad
HSBC Bank Malaysia Berhad
EON Bank Berhad
Alliance Bank Malaysia Berhad
RHB Bank Berhad

Group Structure And Principal Activities



**LEADER STEEL
HOLDINGS BERHAD**
267209-K



Financial Highlights

	12 months to 8 months to		1999	2000	2001	2002
	30.4.98	31.12.98				
Turnover (RM Million)	167.4	72.1	106.0	89.1	63.3	87.9
Profit/(Loss) before Taxation (RM Thousand)	(3,296)	(11,320)	10,214	1,701	(1,500)	11,142

Chairman's Statement

Dear Valued Shareholders,

On behalf of the Board of Directors of Leader Steel Holdings Berhad ("LSH"), I am pleased to present the Annual Report and Audited Financial Statements of the Group and Company for the year ended 31 December 2002.

BRIEF DESCRIPTION OF INDUSTRY TRENDS AND DEVELOPMENT

Fiscal year 2002 has been a challenging one for the local steel industry. Market sentiments were relatively soft due to the weakening of the global economy, especially that of the United States of America ("US") in the aftermath of the September 11, 2001 event. Prevailing prices of Cold Rolled Coils, the main raw materials of the Group, were depressed due to the soft market during the first quarter of 2002. However, several events that took place during the year augured well for the local steel industry. Firstly, the improved demand for steel from China to meet its pace of development contributed to the increase in steel prices.

Secondly, the Malaysian Government on 15 March 2002 announced an imposition of import duty on various steel products, including Cold Rolled Coils. This led the market to anticipate an increase in the selling price of steel products consequential to the costlier material cost.

Since the second quarter, the cost of Cold Rolled Coils continued to rise in tandem with higher international prices and additional import duties, culminating in an increase in the selling price of steel products. The increase in Group sales, in particular Cold Rolled Steel Pipes and Tubes, continued unfazed mainly as a result of higher market demand and the expansion of product range and sizes made available by the Group.

OUTLOOK

The local steel market sentiments are invariably influenced by global events and the policy of the Malaysian Government. Barring any unforeseen circumstances or changes in the current steel scenario, the Group expects to maintain its performance for the current year as that of 2002.

ANALYSIS OF GROUP PERFORMANCE AND MATERIAL FACTORS

The Group recorded a profit after tax and minority interest of RM9.1 million for the financial year ended 31 December 2002 compared to RM15,000 in the preceding year on the back of a turnover of RM87.9 million and RM63.3 million respectively.

The Group's improved performance was largely attributed to higher margins realized, resulting from higher selling prices and the cost of materials that was maintained due to the timing of purchases and import duty exemption on certain imported materials. In tandem with the performance improvement, the Group's earnings per share was significantly enhanced from 0.04 sen in 2001 to 22.84 sen in 2002.

DIVIDEND

A first and final tax exempt dividend of 5 sen per share is recommended by the Directors for the financial year ended 31 December 2002.

APPRECIATION

On behalf of the Board of Directors, I would like to express my gratitude and sincere appreciation to the Management and staff of the Group for their continued commitment and dedication. My appreciation and thanks are also extended to our shareholders, bankers and business associates for their unwavering loyalty, patience and continuing support to the Group.

Dato'Mohd Desa bin Pachi

Chairman

Dato' Mohd Desa bin Pachi

Chairman, Non-Independent Non-Executive Director

DATO' MOHD DESA BIN PACHI, *DSPN, KMN*, aged 69, Malaysian, was appointed to the Board of Directors of LSH on 10 August 1995. He is the Chairman of the Board of Directors, and also acts as Chairman of the Remuneration Committee and Nominating Committee. He is a Chartered Accountant by profession and is a Fellow of the Institute of Chartered Accountants in Australia. He joined Shell Group of Companies in 1962 and served in various capacities in the Finance Administration. From 1970 to 1976, he was in public practice as a Chartered Accountant and was a partner of Desa Megat & Co and KPMG Peat Marwick. Subsequently, he was appointed as the first CEO of Permodalan Nasional Berhad (PNB) and later served as Chairman/ CEO of Malaysia Mining Corporation Bhd, Executive Chairman of Fleet Group Sdn. Bhd., Chairman/MD of The New Straits Times Press (Malaysia) Berhad and Chairman of Sistem Televisyen Malaysia Berhad (TV3).

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

Lay Hong Berhad, YA Horng Electronic (M) Berhad, Petaling Garden Berhad, Commerce Asset-Holding Berhad (Chairman), Landmarks Berhad, Saujana Consolidated Berhad, Xian Leng Holdings Berhad (Chairman), Amanah Saham Nasional Berhad, Perbadanan Nasional Berhad (Chairman) and Tracoma Holdings Berhad (Chairman).

Mr. Goh Cheng Huat

Managing Director

MR. GOH CHENG HUAT, aged 42, Malaysian, was appointed to the Board of Directors of LSH on 10 August 1995. He is a member of the Remuneration Committee and Audit Committee of LSH.

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

Apart from Leader Steel Holdings Berhad, he does not hold any other directorship in public companies.

Tan Sri Dato' Soong Siew Hoong

Non-Independent Non-Executive Director

TAN SRI DATO' SOONG SIEW HOONG *PSM, KMN, SMS, DPMS, JSM*, aged 77, Malaysian, 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 (SIRIM) and the Human Resource Development Council. He was also a director in Telekom Malaysia Berhad from Oct 1988 to May 1996.

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

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

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

Non-Independent Non-Executive Director

MADAM TAN PAK SAY, aged 41, Malaysian, was appointed to the Board of Directors of LSH on 10 August 1995. She resigned as a Director on 26 December 2002 but was subsequently re-appointed back to the Board on 14 March 2002.

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.

She is the spouse of Mr. Goh Cheng Huat and the sister-in-law to Mr. Goh Kee Seng.

Mr. Lim Leng Han

Senior Independent Non-Executive Director

MR. LIM LENG HAN, aged 42, Malaysian, was appointed to the Board of Directors of LSH on 25 July 1994. He is the Chairman of the Audit Committee in LSH and also acts as a member of the Remuneration Committee and Nominating Committee. Graduated in 1985 with a degree in Bachelor of Law (LL.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 became a member of the Bar Council of Malaya.

Mr. Lim has been active in the legal profession for 18 years and gained wide experience in 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 to date. 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. Besides being the local director of Rohwedder Asia Pacific Sdn. Bhd., a German based multinational company in Penang.

Mr. Goh Kee Seng

Alternate to Tan Pak Say

MR. GOH KEE SENG, aged 47, Malaysian, was appointed to the Board of Directors of LSH on 10 July 1996 and resigned as Director on 25 October 2002. Between the period of 25 October 2002 to 26 December 2002, he acted as an Alternate Director to Madam Tan Pak Say. On 14 March 2002, he was re-appointed as an Alternate Director again for Madam Tan Pak Say.

Mr. Goh Kee Seng 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.

He is the brother of Mr. Goh Cheng Huat and brother-in-law to Madam Tan Pak Say.

En. Mohd. Nizam bin Zainordin*Non-Independent Non-Executive Director*

EN.MOHD. NIZAM BIN ZAINORDIN,aged 39,Malaysian, was appointed to the Board of Directors of LSH on 10 July 1996.He is a Fellow of the Association of Chartered Certified Accountants, United Kingdom and is a member of the Malaysian Institute of Accountants.

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 its Senior Manager, Finance Department.He held this post from 1994 to 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.

En. Mohd Arif bin Mastol*Independent Non-Executive Director*

EN.MOHD ARIF BIN MASTOL,aged 48,Malaysian, was appointed to the Board of Directors of LSH on 28 June 2002. He also sits in the Nominating Committee and Audit Committee of LSH as a member. En.Mohd Arif is a member of the Malaysian Institute of Accountants.

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

His current directorship in public companies, other than LSH,is with SKB Shutters Corporation Berhad.

Notes:

1. All the Directors do not have any conflict of interest with the Group.
2. All the Directors have not been convicted for any offences within the past ten years other than for traffic offences, if any.
3. 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.
4. The Directors' shareholdings are as disclosed in page 61 of this report.

Statement On Corporate Governance

The Board of Directors fully recognises the importance of adopting high standards of corporate governance practices within the Group and views corporate governance analogously with three key concepts, namely transparency, accountability and integrity.

The Board continuously evaluates the status of the Group's governance practices and procedures with a view to adopt and apply, where practicable, the Principles and Best Practices enshrined in Parts 1 and 2 respectively of the Malaysian Code on Corporate Governance (the "Code") in its quest to enhance shareholder value.

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

PRINCIPLES STATEMENT

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

A. BOARD OF DIRECTORS

Board responsibilities

The Group acknowledges the pivotal role played by the Board 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 Management, monitoring the achievement of these goals and ensuring that the Group's internal controls and reporting procedures are adequate.

The Board delegates the day-to-day operations of the Group to the Group Managing Director, who has vast experience in the business of the Group.

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 financial year ended 31 December 2002, the Board met on four (4) occasions, where it deliberated upon and considered a variety of matters including the Group's financial results, major investments, strategic decisions and direction of the Group, including the review of the Group's corporate governance status.

Details of Director's attendance at Board meetings during the financial year ended 31 December 2002 are as follows:

		Attendance
Executive Director	Goh Cheng Huat, <i>Managing Director</i>	4 / 4
Non-Executive Directors	Dato' Mohd Desa bin Pachi	4 / 4
	Tan Sri Dato' Soong Siew Hoong	3 / 4
	Mohd Nizam bin Zainordin	4 / 4
	Tan Pak Say (<i>Resigned on 26.10.2002 and re-appointed on 14.3.2003</i>)	1 / 4
	Goh Kee Seng (<i>Resigned as Director on 25.10.2002, appointed as Alternate Director to Tan Pak Say on 25.10.2002; resigned as Alternate Director on 26.12.2002 and re-appointed as Alternate Director to Tan Pak Say on 14.3.2003</i>)	2 / 3
Independent Non-Executive Directors	Lim Leng Han	4 / 4
	Mohd. Arif bin Mastol (<i>Appointed on 28.6.2002</i>)	1 / 2

All the Directors are provided with an agenda on matters requiring their consideration and a set of Board papers before a Board meeting. The Chairman, with the assistance of the Company Secretary, undertakes the primary responsibility for organizing information necessary for the Board to deal with the agenda and for providing this information to the Directors on a timely basis.

During the meetings, the Board is briefed by the Managing Director on matters dealt in the agenda and, where appropriate, additional information is made available to Directors. All proceedings of the Board meetings are duly recorded and the minutes thereof signed by the Chairman of the meeting.

Board Committees

The Board delegates certain responsibilities to Board Committees, namely an Audit Committee, a Nominating Committee and a Remuneration Committee in order to enhance business and operational efficiency as well as efficacy. All the Board Committees have written terms of reference and operating procedures and the Board receives reports of their proceedings and deliberations. The Chairmen of the Committees 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 two (2) Independent Non-Executive Directors within the meaning of Section 1.01 of the Listing Requirements ("Listing Requirements") of the Kuala Lumpur Stock Exchange ("KLSE"), four (4) Non-Executive Directors and an Executive Director. The Board has complied with Paragraph 15.02 of the Listing Requirements that stipulates at least two (2) Directors or one third of the Board of the Company, whichever is the higher, are independent Directors

The Directors, with their different backgrounds and specialization, collectively bring with them a wide range of experience and expertise in areas such as finance, corporate affairs, legal, marketing and operations. With this mix of expertise, the Company is essentially led and guided by an experienced and competent Board. 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 Non-Executive Directors provide significant contribution towards the formulation of policies and strategies, performance monitoring, allocation of resources as well as improving governance and controls. The presence of Independent Non-Executive Directors is essential as they provide an unbiased and independent view, advice and judgment to the decision-making of the Board and provide a capable check and balance for the Executive Director, thereby ensuring that no one individual or group dominates the Board's decision-making process.

A brief profile of each Director is presented on pages 7 to 9 of this Annual Report.

There is a clear division of responsibilities between the Chairman and the Managing Director to ensure that there is a balance of power and authority. Although the roles of the Chairman and the Managing Director are not formally defined with their individual position description, the Chairman is responsible for ensuring Board effectiveness and conduct whilst the Managing Director has overall responsibilities over the operating units, organizational effectiveness and implementation of Board's policies and decisions.

The Board recognises the importance of the Code's recommendation on the identification of a Senior Independent Non-Executive Director to whom concerns may be conveyed and has, accordingly, on 26 August 2002 identified Mr. Lim Leng Han as the Senior Independent Non-Executive Director.

During the year, the Board reviewed and deliberated on the existing Board size, the mix of skills, experience and other qualities of Directors and is of the view that the current Board size is optimal and the composition of Board members is adequate to enable the Board discharge its responsibilities effectively. The Board believes that the current Board composition fairly reflects the investment of minority shareholders in the Company.

Supply of information

The Chairman ensures that Directors have full and timely access to information with Board papers distributed in advance of meetings. Prior to the meetings of the Board and Board Committees, Board papers, which include the

agenda and reports relevant to the issues of the meetings covering areas of strategy, finance, operations and regulatory compliance matters, are circulated to all the Directors concerned. These Board papers are issued with adequate notice in advance to enable the Directors obtain further explanation, where necessary, in order to be properly briefed before the meetings.

Every Director has unhindered access to the advice and services of the Company Secretary. The Board believes that the current Company Secretary is capable of carrying out her duties to ensure the effective functioning of the Board. The Articles of Association provide that the removal of the Company Secretary is a matter for the Board as a whole.

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

From time to time, the Board determines, whether as a full board or in their individual capacity, to take independent professional advice, where necessary and in appropriate circumstances, in furtherance of their duties, at the Group's expense.

Appointments to the Board

Nominating Committee

The Board established a Nominating Committee on 26 August 2002 and presently consists of the following members:

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

The Committee consists entirely of non-executive Directors, a majority of whom are independent in accordance with the Best Practice of the Code.

The Nominating Committee is empowered by the Board and its terms of reference are to bring to the Board recommendations as to the appointment of new Directors. Under the terms of reference, the Committee also keeps under review the Board structure, size and composition and systematically assesses the effectiveness of the Board, its Committees and the contribution of each individual Director on an annual basis.

The Committee meets at least once every year. Additional meetings are convened whenever the need arises. During the financial year, the Committee did not meet but its inaugural meeting was held on 27 February 2003 to review and recommend to the Board the Directors who retire at the forthcoming Annual General Meeting for re-election. Besides this, the Committee also assessed and recommended for the Board's approval the appointment of an additional Director in February 2003.

Directors' training

The Board, as a whole, recruits only individuals of sufficient calibre, knowledge and experience to fulfill the duties of a Director appropriately. There is no formal training programme for Directors. However all the Directors have attended and completed the Mandatory Accreditation Programme (MAP) conducted by the Research Institute of Investment Analysts Malaysia (RIIAM). The Directors will continue to undergo other relevant training programmes to further enhance their skills and knowledge as appropriate.

Re-election

The Articles of Association provide that an election of Directors shall take place each year and at the Annual General Meeting ("AGM"), one-third of the Directors for the time being, or if the number is not three (3) or a multiple of three (3), the number nearest to one-third, shall retire from office. All the Directors shall retire from office once at least in every three (3) years but shall be eligible for re-election. These provide an opportunity for shareholders to renew their mandate. The election of each Director is voted separately. To assist shareholders in their decision, sufficient information such as personal profile, meeting attendance and the shareholdings in the Group of each Director standing for election are furnished in the Annual Report accompanying the Notice of AGM.

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 appointments are properly made and that all information necessary for the appointments is obtained, as well as all legal and regulatory obligations are met.

B. DIRECTORS' REMUNERATION

The Company pays its Directors fees that are approved annually by shareholders at AGM. In addition, members of the Board are paid meeting allowances for each meeting they attend.

In line with the Best Practice of the Code, the Board established a Remuneration Committee on 26 August 2002, the members of which comprise:

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

The Remuneration Committee is responsible for recommending a remuneration framework for Directors as well as the remuneration package of the Executive Director of the Company. The determination of remuneration packages for Directors is a matter for the Board as a whole, with individual Directors abstaining from decision in respect of their individual 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:

	Fees RM	Basic salary RM	Other emoluments RM
Executive Director	20,000	360,000	62,000
Non-Executive Directors	96,667	-	120,928
Independent Non-Executive Directors	30,000	-	2,500

The remuneration of Directors, analysed into bands of RM50,000 each for the year ended 31 December 2002, are summarised as follows: -

Range of remuneration	Number of Directors	
	Executive	Non-Executive
Below RM50,000	-	5
RM50,001 to RM100,000	-	2
RM100,001 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 recognises the importance of communicating with its shareholders and does this principally through the Annual Report, Annual General Meeting ("AGM") and Extraordinary General Meetings. Timely release of quarterly financial results to the KLSE and other information and corporate exercise undertaken by the Group that warrant an announcement to KLSE under the Listing Requirements provide shareholder with an updated overview of the Group's performance and strategies.

Whilst the Annual Report gives the shareholders a quick run through of the financial and operational performance of the Group, the Annual General Meeting and Extraordinary General Meeting provide a platform to the shareholders to seek more information on the audited financial statements, operational and other matters. It has been the Company's practice to send the notice of AGM and related papers to shareholders at least twenty-one (21) working days before the meeting. At the AGM, the Chairman encourages the shareholders to ask questions both about the resolutions being proposed or about the Group's operations in general.

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

D. ACCOUNTABILITY AND AUDIT

Financial reporting

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

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

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

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

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

State of internal controls

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

Relationship with the Auditors

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

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

COMPLIANCE STATEMENT

The Group has complied, throughout the financial year ended 31 December 2002, with all the Best Practices of corporate governance set out in Part 2 of the Code except for the following:

- Identification of the Senior Independent Non-Executive Directors to whom the concerns of fellow Directors may be conveyed was made on 26 August 2002. Mr Lim Leng Han was identified by the Board to assume this role;
- The Nominating and Remuneration Committees were formed on 26 August 2002. Both the Committees were empowered by the Board with specific terms of reference. Before the establishment of these Committees, the Board as a whole assumed their responsibilities, which are mentioned in the Principles Statement;
- The Board has not developed position descriptions for the Board and the Managing Director nor has any formal schedule of matters specifically reserved to the Board for decision been drawn up. This is mainly due to the current set-up of the Board and Audit Committee that is in place to facilitate the smooth functioning of the Group. Moreover, it is also the practice of the Group for the Board to deliberate on matters that involve overall Group strategy and direction, acquisition and divestment policy, major capital expenditure, consideration of significant financial matters and review of the financial and operating performance of the Group. Nevertheless, the Board recognizes the need for proper identification of the roles and limits of Management as well as a formal schedule on matters that require multiple Board signatures and/or Board decision and is in the process of enacting a Board Charter to delineate the roles and responsibilities of Executive and Non-Executive Directors;
- The Board does not have any 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. Any need for professional advice normally comes under the purview of the Board who will deliberate on a consensual basis;
- The Board, through the Audit Committee and the Managing Director, has been able to identify principal business risks and ensure the implementation of appropriate controls to manage these risks. Nevertheless the Board believes that the establishment of a formalized and structured framework to identify, evaluate and control business risks would better enhance the operations of the Group in preparing itself for the challenges ahead. In this respect, the Board appointed a firm of consultants to carry out an Enterprise Risk Management review of the Group. As at the date of this statement, the review has been completed and would assist the Board in identifying and evaluating principal risks on a more objective and structured method, so that appropriate controls can be implemented to manage the risks effectively;
- The Board outsourced its internal audit function to a firm of consultants to carry out internal audit review of the Group using a risk-based approach. During the financial year, the internal audit function had yet to be mobilised but at the date of this statement, the internal auditors have commenced with cycle 1 of the risk-based internal audit of the Group based on an Internal Audit Plan approved by the Audit Committee.

Other Information

1. Share Buybacks

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

2. Options, Warrants or Convertible Securities

During the financial year, 5,000 new ordinary shares of RM1 each were issued by the Company for cash by virtue of the exercise of options pursuant to the Company's Employee Share Option Scheme 2002.

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

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

4. Sanctions and Penalties

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

5. Non-audit fees

During the financial year, a total of RM40,000 was payable to KPMG for non-audit services rendered.

6. Variation in Results

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

7. Profit Guarantee

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

8. Material Contracts

On 9 December 2002, the Company acquired the remaining 49% shareholding in Leader Steel Tubes Sdn.Bhd. [formerly known as Leader Steel (Sarawak) Sdn.Bhd.] ("LST") at RM0.10 per share (representing the net tangible asset value of LST) from the following persons:-

Name	No.of Shares	Consideration (RM)
Goh Kim Sin	2,500,000	250,000
Tiong Yong Kuang	1,200,000	120,000
Yii Hie Mei	1,200,000	120,000
Total	4,900,000	490,000

Mr. Goh Kim Sin, Mr. Tiong Yong Kuang and Mr. Yii Hie Mei are Directors of LST who subsequently resigned on 11 December 2002.

9. Revaluation Policy

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

Audit Committee Report

MEMBERSHIP

The present members of the Audit Committee (the "Committee") comprise:

Mr. Lim Leng Han - Chairman, Independent Non-Executive Director

Mr. Mohd. Arif bin Mastol - Member, Independent Non-Executive Director
(Member of Malaysian Institute of Accountants)

Mr. Goh Cheng Huat - Member, Managing Director

TERMS OF REFERENCE

The Audit Committee was established on 14 August 1995 to act as a Committee of the Board of Directors, with terms of reference set out on pages 19 to 20 of the Annual Report. During the year, the terms of reference of the Committee were revised to conform to the Listing Requirements of the Kuala Lumpur Stock Exchange ("KLSE").

MEETINGS

During the financial year ended 31 December 2002, the Committee met four (4) times to discuss matters relating to the accounting and reporting practices of the Company and its subsidiary companies. Details of attendance of each Audit Committee member are as follows:

Member	Attendance
Tan Sri Dato' Soong Siew Hoong (Resigned as Chairman on 25.10.2002)	2 / 3
Mr. Lim Leng Han (Appointed as Chairman on 25.10.2002)	4 / 4
En. Mohd. Arif bin Mastol (Appointed as member on 28.6.2002)	1 / 2
Mr. Goh Cheng Huat	4 / 4

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

The Company Secretary was present by invitation in all the meetings. Representatives of external auditors, Messrs KPMG, Senior Manager of Finance and Administration as well as representatives from the firm of consultants on Enterprise Risk Management assignment also attended the meeting, where appropriate, upon invitation.

SUMMARY OF ACTIVITIES DURING THE FINANCIAL YEAR

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

- Reviewed with the external auditors, the scope of their audit work and audit plan;
- Reviewed with the external auditors the results and findings of the audit, the audit report and management letter;
- Reviewed the annual financial statements of the Group and Company with the external auditors, prior to submission to the Board for its consideration and approval;
- Reviewed the quarterly unaudited financial results announcements before recommending them for the Board's approval. The Senior Manager of Finance and Administration was invited to attend the meetings and rendered the relevant explanations on questions raised during the review;

- Reviewed the Company's compliance, in particular, the quarterly and year end financial statements, with the Listing Requirements of the KLSE, approved accounting standards of the Malaysian Accounting Standards Board and other relevant legal and statutory requirements;
- Reviewed the status and progress of the Enterprise Risk Management assignment carried out by external consultants; and
- Reviewed pertinent issues, which had significant impact on the results of the Group, including bank borrowings, investments and divestments and strategic operations of subsidiaries.

INTERNAL AUDIT FUNCTION

The Company engaged the services of a firm of consultants to carry out the internal audit function of the Group in order to assist the Committee in discharging its duties and responsibilities. As at the end of the financial year ended 31 December 2002, the internal audit function had yet to carry out the internal audit review. Nevertheless, at the date of this statement, the internal audit function has commenced with cycle 1 of the risk-based internal audit review based on an Internal Audit Plan approved by the Audit Committee.

Terms Of Reference Of The Audit Committee

OBJECTIVES

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

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

COMPOSITION

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

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

- a member of the Malaysian Institute of Accountants ("MIA"); or
- if he 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 1 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 to below three (3), the Board shall within three (3) months of the event appoint such number of new members as may be required to fill the vacancy.

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

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, including external and internal auditors, to attend the meetings.

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

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

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

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 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 restriction on the scope of activities or access to required information;
- Review the independence and the 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.
- 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 focusing particularly on:
 - changes in or implementation of major accounting policy changes;
 - significant or unusual events; and
 - compliance with accounting standards and other legal requirements;
- Review procedures in place to ensure that the Group is in compliance with the Companies Act 1965, 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 summarizing the work performed in fulfilling the Committee's primary responsibilities; and
- Any other activities, as authorized by the Board.

Statement On Internal Control

Paragraph 15.27(b) of the Kuala Lumpur Stock Exchange ("KLSE") Listing Requirements requires the Board of Directors of public listed companies to include in its annual report a "statement about the state of internal control of the listed issuer as a group". The Board is committed to maintaining a sound system of internal control in the Group and is pleased to provide the following statement, which outlines the nature and scope of internal control of the Group during the financial year.

BOARD RESPONSIBILITY

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

RISK MANAGEMENT FRAMEWORK

The Board fully supports the content of the publication on "Statement on Internal Control - A Guidance to Directors of Public Listed Companies" and, accordingly, appointed a firm of consultants to carry out an Enterprise Risk Management ("ERM") review of the Group. The main objective of this review is to formalise and embed a risk management process across the Group in order to sensitise all employees within the Group more strongly to risk identification, evaluation, control, ongoing monitoring and reporting. The ERM review, which was in progress as at 31 December 2002 but completed in February 2003, involved the following initiatives:

- holding of risk awareness sessions for all operational managers/officers of the various business units within the Group to inculcate an understanding of risks as they related to the business of the Group;
- the issuance of a Risk Register, which is a result of the compilation of principal business risks and controls of the Group in a database. This compilation was obtained through risks' workshops and interviews conducted with the Group Managing Director and operational managers/executives from the major business units in the Group. Key risks of the Group were identified and scored for likelihood of the risk occurring and the magnitude of impact;
- the development of a consolidated risk profile for the Group, which highlighted the top, risk areas and summarised key findings; and
- the issuance of risk management policy and procedure document, which outlines the risk framework for the Group and offers practical guidance to all employees on risk assessment and their upward reporting.

The next steps in the Group's risk management process include, inter-alia, the following:

- To consider the residual risk treatment options and prepare the action plans, with implementation time scales to address the risk and control issues;
- To establish a Group Risk Management Committee, with the responsibility to identify and communicate to the Board, on an ongoing basis, the critical risks the Group faces, their changes and the management action plans to manage risks;
- To appoint a dedicated Risk Officer, or outsource to consultants, to update the risk profile of the Group according to the risk management policy and procedure document;
- To establish and formalise the risk management reporting framework, including submission of periodic risk management reports to the Group Risk Management Committee; and
- To execute risk-based internal audit by external consultants and formalise quarterly review by the Board, with the assistance of the Audit Committee, on the adequacy and integrity of the system of internal control.

INTERNAL AUDIT FUNCTION

The Board outsourced its internal audit function to a firm of consultants to carry out internal audit review of the Group using a risk-based approach. During the financial year, the internal audit function had yet to be mobilised pending completion of the Enterprise Risk Management review. However, at the date of this statement, the internal auditors have commenced with cycle 1 of the risk-based internal audit of the processes in the Group based on an Internal Audit Plan approved by the Audit Committee.

INTERNAL CONTROL PROCESS

In the absence of the internal audit function during the financial year, the Board as a whole reviewed the adequacy and integrity of the system of internal control. The Board is of the view that the following procedures and processes, which were in place in the Group throughout the financial year ended 31 December 2002, are pertinent enough to provide a certain degree of assurance to the Board as to the operation and validity of the system on internal control in the Group:

- Rigorous review of the quarterly financial results and reports and evaluating the reasons for unusual variances noted thereof by the Board and Audit Committee;
- The Managing Director was closely involved in the running of the business and operations of the Group. The Managing Director reports to the Board on significant changes in the business and external environment, which affect the operations of the Group at large; and
- The Board has in place an organizational structure with formally defined lines of responsibility and delegation of authority. A process of hierarchical reporting has been established, which provides for a documented and auditable trail of accountability. The procedures include the establishment of limits of authority and policies on various operation areas. These procedures are relevant across the Group to provide for continuous assurance to be given at increasingly higher levels of management and, finally to the Board.

WEAKNESSES IN INTERNAL CONTROLS THAT RESULT IN MATERIAL LOSSES

During the financial year ended 31 December 2002, a write-down, amounting to RM1.1 million in the carrying value of inventory, was made in the consolidated financial statements to reflect the net realisable value of slow-moving inventory carried by the Group. The Group also made a charge of RM3.9 million in the consolidated financial statements for the year ended 31 December 2002 as impairment loss on certain property, plant and equipment, which have largely been retired from active use.

The Directors are of the view that the above write-down and impairment loss were not due to weaknesses in internal control but largely due to external economic factors beyond the control of the Board.

There were no material losses incurred during the current financial year as a result of weaknesses in internal control. The Board, together with Management, continues to take measures to strengthen the control environment.

This statement is issued in accordance with a resolution of the Directors dated 28 April 2003.

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Directors' Report

For The Year Ended 31 December 2002

The directors have pleasure in submitting their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2002.

PRINCIPAL ACTIVITIES

The Company is an investment holding company.

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

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

RESULTS

	Group RM	Company RM
Net profit after tax for the year	9,135,675	4,536,544

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

A first and final tax exempt dividend of 5 sen per share in respect of the financial year ended 31 December 2002 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

No dividend was paid since the end of the previous financial year.

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
Lim Leng Han
Mohd Nizam bin Zainordin
Mohd Arif bin Mastol
Tan Pak Say
Goh Kee Seng

(Appointed on 28.6.2002)
(Resigned on 26.12.2002 and re-appointed on 14.3.2003)
(Resigned as Director on 25.10.2002; appointed as Alternate Director to Tan Pak Say on 25.10.2002; resigned as Alternate Director on 26.12.2002 and re-appointed as Alternate Director to Tan Pak Say on 14.3.2003)

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

The Company Name of Director	<u>Ordinary shares of RM1 each</u>					
	← Direct Interest →			← Deemed Interest →		
	Balance at 1.1.2002	Bought	(Sold)	Balance at 31.12.2002	Balance at 1.1.2002	Balance at 31.12.2002
Goh Cheng Huat	3,390,198	5,000	-	3,395,198	18,011,958	18,011,958
Tan Sri Dato' Soong Siew Hoong	50,000	-	-	50,000	-	-
Lim Leng Han	6,000	-	-	6,000	-	-

The Company Name of Director	<u>Number of options over ordinary shares of RM1 each at an option price of RM1 each</u>				
	← Direct Interest →			← Deemed Interest →	
	Balance at 1.1.2002	Granted	Exercised	Lapsed due to resignation	Balance at 31.12.2002
Goh Cheng Huat	-	400,000	(5,000)	-	395,000

By virtue of their interests of more than 15% in the shares of the Company, Mr Goh Cheng Huat is also deemed to have interests in the shares of all the subsidiaries to the extent the Company has an interest.

None of the other directors holding office at 31 December 2002 had any interest in the ordinary shares of the Company and of its related companies during the financial year.

DIRECTORS' BENEFITS

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

- i) Certain directors who may be deemed to derive benefits from those transactions entered in the ordinary course of business between certain subsidiaries and companies in which they have substantial financial interests;
- ii) Professional fees paid by certain subsidiaries to a firm of which certain directors are member in the ordinary course of business.

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

ISSUE OF SHARES AND DEBENTURES

During the financial year, the issued and paid-up share capital of the Company was increased from RM39,996,000 ordinary shares of RM1 each to RM40,001,000 ordinary shares of RM1 each by way of the issue of 5,000 ordinary shares of RM1 each at option price of RM1.00 per share exercised by the eligible employees pursuant to the ESOS.

There were no other changes in the issued and paid-up capital of the Company during the financial year.

OPTIONS GRANTED OVER UNISSUED SHARES

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

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

The salient features of ESOS are summarised as follows :

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

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

Date of offer	<u>Number of Options over Ordinary Shares of RM1 each</u>			
	Granted	Exercised	Lapsed due to resignation	Balance at 31.12.2002
20 June 2002	3,267,000	(5,000)	(10,000)	3,252,000

OPTIONS GRANTED OVER UNISSUED SHARES (Cont'd)

The Company applied to the Companies Commission of Malaysia for the exemption of Section 169(11) of the Companies Act, 1965. Approval has been granted from the authority to exclude the disclosure of details of the employees to whom the option has been granted, other than the details of the employees who have been granted more than 100,000 ordinary shares. The details are as follows:

Name	<u>Number of Options over Ordinary Shares of RM1 each</u>			
	Granted	Exercised	Lapsed due to resignation	Balance at 31.12.2002
Goh Cheng Huat	400,000	(5,000)	-	395,000
Tan Yew Teong	200,000	-	-	200,000
Low Tze Heng	200,000	-	-	200,000
Lee Tian Soon	200,000	-	-	200,000

The external auditors have verified the allocation of options granted during the financial 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 of misleading, or
- iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate, or
- iv) not otherwise dealt with in this report or the financial statements that would render any amount stated in the financial statements of the Group and of the Company misleading.

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

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

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

In the opinion of the directors, the results of the operations of the Group and of the Company for the financial year ended 31 December 2002 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:

DATO' MOHD DESA BIN PACHI

Director

GOH CHENG HUAT

Director

Penang,

Date: 22 April 2003

Statement By Directors

Pursuant To Section 169(15) Of The Companies Act,1965

In the opinion of the directors, the financial statements set out on pages 31 to 59,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 2002 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:

DATO' MOHD DESA BIN PACHI

Director

GOH CHENG HUAT

Director

Penang,

Date: 22 April 2003

Statutory Declaration

Pursuant To Section 169(16) Of The Companies Act,1965

I, GOH CHENG HUAT, the director primarily responsible for the financial management of LEADER STEEL HOLDINGS BERHAD, do solemnly and sincerely declare that the financial statements set out on pages 31 to 59,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 2003.)

BEFORE ME :

CHAI CHOON KIAT, PJM

(No. P073)

COMMISSIONER FOR OATHS

Report Of The Auditors To The Members

Of Leader Steel Holdings Berhad (Company No.267209 - K)

(Incorporated in Malaysia)

We have audited the financial statements set out on pages 31 to 59. 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 2002 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.

The subsidiary of which we have not acted as auditors is identified in Note 3 to the financial statements and we have considered its financial statements and the auditors' report thereon.

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 2003

Consolidated Balance Sheet

At 31 December 2002

	NOTE	2002 RM	2001 RM
PROPERTY, PLANT AND EQUIPMENT	2	57,822,645	67,807,569
INVESTMENT IN ASSOCIATE	4	-	157,500
OTHER INVESTMENT	5	1,736,157	2,314,876
GOODWILL ON CONSOLIDATION	6	-	239,659
CURRENT ASSETS			
Inventories	7	22,457,971	18,665,938
Trade and other receivables	8	7,267,641	9,318,462
Cash and bank balances	9	1,159,813	1,313,100
		30,885,425	29,297,500
CURRENT LIABILITIES			
Trade and other payables	10	3,381,832	4,063,028
Borrowings	11	21,593,105	32,648,713
Taxation		2,461,572	546,422
		27,436,509	37,258,163
NET CURRENT ASSETS/(LIABILITIES)		3,448,916	(7,960,663)
		63,007,718	62,558,941
Financed by:			
SHARE CAPITAL	12	40,001,000	39,996,000
RESERVES	13	17,384,500	8,248,825
SHAREHOLDERS' FUNDS		57,385,500	48,244,825
MINORITY INTERESTS		-	2,864,915
BORROWINGS	11	1,119,218	6,945,201
DEFERRED TAXATION		4,503,000	4,504,000
		63,007,718	62,558,941

The financial statements were approved and authorised for issue by the Board of Directors on 22 April 2003.

The notes set out on pages 40 to 59 form an integral part of, and, should be read in conjunction with, these financial statements.

Consolidated Income Statement

For The Year Ended 31 December 2002

	NOTE	2002 RM	2001 RM
Revenue	15	87,894,116	63,254,335
Changes in manufactured inventories and work-in-progress		1,881,740	(1,930,896)
Raw materials and trading inventories used		(59,861,167)	(44,190,739)
Staff costs	16	(4,066,618)	(4,168,773)
Depreciation and amortisation expenses		(4,053,540)	(4,462,622)
Operating expenses		(10,983,798)	(7,736,648)
Other operating income		2,148,622	913,140
Operating profit	17	12,959,355	1,677,797
Financing costs	18	(1,817,484)	(3,177,632)
Profit/(Loss) before tax		11,141,871	(1,499,835)
Tax expense	19	(4,539,425)	(481,769)
Net profit/(loss) after tax		6,602,446	(1,981,604)
Minority interest		2,533,229	1,996,574
Net profit after tax for the year		9,135,675	14,970
Basic earnings per ordinary share (sen)	20	22.84	0.04
Diluted earnings per ordinary share (sen)	20	22.77	0.04
Dividend per ordinary share (sen) net	21	5	-

The notes set out on pages 40 to 59 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 2002

	← Non-distributable →			← Distributable →		Total RM
	Share Capital RM	Share Premium RM	Exchange Fluctuation Reserve RM	Capital Reserve RM	Retained Profits RM	
At 1 January 2001	19,998,000	3,660,003	310,332	283,606	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	310,332	283,606	3,994,884	48,244,825
Issue of shares	5,000	-	-	-	-	5,000
Net profit after tax for the year	-	-	-	-	9,135,675	9,135,675
At 31 December 2002	40,001,000	3,660,003	310,332	283,606	13,130,559	57,385,500

The notes set out on pages 40 to 59 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 2002

	2002 RM	2001 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit/(Loss) before tax	11,141,871	(1,499,835)
Adjustments for:		
Amortisation of goodwill	11,983	11,983
Goodwill written off	225,244	-
Gain on disposal of subsidiaries	(797,284)	-
Depreciation	4,041,557	4,450,639
Impairment losses on plant and equipment	3,898,594	-
Allowance for diminution in value of other investment	578,719	-
Gain on disposal of plant and equipment	(87,819)	(315,686)
Interest expense	1,817,484	3,177,632
Interest income	(62,156)	(14,853)
Operating profit before working capital changes	20,768,193	5,809,880
(Increase)/Decrease in:		
Inventories	(3,906,046)	5,960,814
Trade and other receivables	49,545	3,154,322
Increase/(Decrease) in:		
Trade and other payables	2,549,995	(3,695,132)
Cash generated from operating activities	19,461,687	11,229,884
Income tax paid	(2,245,726)	(39,842)
Real property gains tax	-	(82,237)
Interest paid	(1,817,484)	(3,177,632)
Net cash generated from operating activities	15,398,477	7,930,173
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(1,080,874)	(5,397,535)
Proceeds from disposal of plant and equipment	400,438	3,142,227
Increase in equity interest in an existing subsidiary	(490,000)	-
Proceeds from disposal of subsidiaries (Note A)	559,992	-
Interest received	62,156	14,853
Net cash used in investing activities	(548,288)	(2,240,455)
CASH FLOWS FROM FINANCING ACTIVITIES		
(Repayment)/Drawdown of bank borrowings, net	(5,892,002)	1,076,012
Drawdown of term loans	1,189,787	5,358,237
Repayment of term loans	(6,443,327)	(5,828,565)
Repayment of hire purchase obligations	-	(21,855)
Repayment of long term liability	-	(97,081)
Proceeds from issue of shares	5,000	-
Net cash (used in)/generated from financing activities	(11,140,542)	486,748
Net increase in cash and cash equivalents	3,709,647	6,176,466
Cash and cash equivalents at beginning of year	(7,410,796)	(13,587,262)
Cash and cash equivalents at end of year (Note B)	(3,701,149)	(7,410,796)

Consolidated Cash Flow Statement cont'd

For The Year Ended 31 December 2002

NOTES TO CONSOLIDATED CASH FLOW STATEMENT

A. Analysis of disposal/liquidation of subsidiaries

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

	2002	2001
	RM	RM
Goodwill on consolidation	227,676	-
Property, plant and equipment	2,813,028	-
Investment in associate	157,500	-
Inventories	114,013	-
Trade and other receivables	2,001,276	-
Fixed deposits with a licensed bank	179,827	-
Cash and bank balances	18,731	-
Other payables and accruals	(3,231,191)	-
Minority interest	(66,930)	-
Term loan	(1,873,115)	-
Bank overdraft	(141,481)	-
Taxation	(379,549)	-
	(180,215)	-
Net liabilities		
Group gain on disposal	797,284	-
	617,069	-
Consideration received		
Cash and cash equivalents	(57,077)	-
	559,992	-
Cash flow on disposal, net of cash disposed	559,992	-

B. Cash and Cash Equivalents

Cash and cash equivalents included in the consolidated cash flow statement comprise the followings:

	2002	2001
	RM	RM
Short term deposits with licensed banks	-	177,015
Cash and bank balances	1,159,813	1,136,085
Bank overdrafts	(4,860,962)	(8,723,896)
	(3,701,149)	(7,410,796)
	(3,701,149)	(7,410,796)

The notes set out on pages 40 to 59 form an integral part of, and, should be read in conjunction with, these financial statements.

Balance Sheet

At 31 December 2002

	NOTE	2002 RM	2001 RM
INVESTMENT IN SUBSIDIARIES	3	22,656,773	23,349,600
OTHER INVESTMENT	5	1,736,157	2,314,876
CURRENT ASSETS			
Other receivables	8	24,937,706	18,985,505
Cash and cash equivalents	9	262	17,447
		24,937,968	19,002,952
CURRENT LIABILITIES			
Other payables	10	702,364	580,438
		702,364	580,438
NET CURRENT ASSETS		24,235,604	18,422,514
		48,628,534	44,086,990
Financed by:			
SHARE CAPITAL	12	40,001,000	39,996,000
RESERVES	13	8,627,534	4,090,990
SHAREHOLDERS' FUNDS		48,628,534	44,086,990

The notes set out on pages 40 to 59 form an integral part of, and, should be read in conjunction with, these financial statements.

Income Statement

For The Year Ended 31 December 2002

	NOTE	2002 RM	2001 RM
Revenue	15	7,558,000	2,000,000
Operating expenses		(2,627,216)	(130,662)
Other operating income		-	14,259
Operating profit	17	4,930,784	1,883,597
Financing costs	18	-	(14,259)
Profit before tax		4,930,784	1,869,338
Tax expense	19	(394,240)	-
Net profit after tax for the year		4,536,544	1,869,338
Dividend per ordinary share (sen) net	21	5	-

The notes set out on pages 40 to 59 form an integral part of, and, should be read in conjunction with, these financial statements.

Statement Of Changes In Equity

For The Year Ended 31 December 2002

	Share Capital RM	Distributable Share Premium RM	Non- Distributable Retained Profits RM	Total RM
At 1 January 2001	19,998,000	3,660,003	18,559,649	42,217,652
Bonus issue	19,998,000	-	(19,998,000)	-
Net profit after tax for the year	-	-	1,869,338	1,869,338
At 31 December 2001	39,996,000	3,660,003	430,987	44,086,990
Issue of shares	5,000	-		5,000
Net profit after tax for the year	-	-	4,536,544	4,536,544
At 31 December 2002	40,001,000	3,660,003	4,967,531	48,628,534

The notes set out on pages 40 to 59 form an integral part of, and, should be read in conjunction with, these financial statements.

Cash Flow Statement

For The Year Ended 31 December 2002

	2002 RM	2001 RM
CASH FLOWS FROM OPERATING ACTIVITIES		
Profit before tax	4,930,784	1,869,338
Adjustments for:		
Interest expense	-	14,259
Interest income	-	(14,259)
Loss on liquidation of a subsidiary	199,570	-
Allowance for diminution in value of investments	1,461,544	-
Dividend income	(7,558,000)	(2,000,000)
Operating loss before working capital changes	(966,102)	(130,662)
Increase in other receivables	(5,952,201)	(2,412,101)
Increase in other payables	121,926	548,446
Cash used in operating activities	(6,796,377)	(1,994,317)
Interest paid	-	(14,259)
Dividend received	7,163,760	2,000,000
Net cash generated from/(used in) operating activities	367,383	(8,576)
CASH FLOWS FROM INVESTING ACTIVITIES		
Increase in equity interest in an existing subsidiary	(490,000)	-
Interest received	-	14,259
Proceeds from liquidation of subsidiaries	100,430	-
Proceeds from disposal of subsidiary	2	-
Net cash (used in)/generated from investing activities	(389,568)	14,259
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from issue of shares	5,000	-
Net (decrease)/increase in cash and cash equivalents	(17,185)	5,683
Cash and cash equivalents at beginning of year	17,447	11,764
Cash and cash equivalents at end of year	262	17,447

NOTES

Cash and Cash Equivalents

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

The notes set out on pages 40 to 59 form an integral part of, and, should be read in conjunction with, these financial statements.

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The following accounting policies are adopted by the Group and the Company and are consistent with those adopted in previous years except for the adoption of the following:

- i) MASB 20, Provisions, Contingent Liabilities and Contingent Assets and MASB 21 Business Combination which are applied retrospectively. Comparative figures have not been restated and no prior year adjustment is shown as it has no material impact on the financial statements.
- ii) MASB 23, Impairment of Assets which is applied prospectively. The restatement of comparative figures and prior year adjustments are therefore not presented.

The effect of the adoption was a reduction in the current year Group's profit after tax by RM4,123,838 (see Note 17).

- iii) MASB 24, Financial Instruments: Disclosure and Presentation which has been adopted prospectively.

Apart from the inclusion of the new policies and extended disclosures as required by the standards, the adoption of these standards has not had an effect on the financial statements.

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. Merger method of accounting for the consolidation of Leader Steel Sdn.Bhd. and Leader Steel Marketing Sdn. Bhd. is continued to be applied in line with the transition provision of MASB 21 Business Combination which allows the Group to apply the standard prospectively.

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

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed 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 effect a change in accounting policy to one of revaluation of properties.

1.3 Property, Plant and Equipment (Cont'd)

Hence, in accordance with International Accounting Standards No.16 (Revised) on the transitional provisions issued by Malaysian Accounting Standards Board ("MASB") upon adoption of "Property, Plant and Equipment", the valuation of these properties has not been updated and they continue to be stated at their existing carrying amounts less accumulated depreciation and impairment losses. The directors are of the opinion that the current market values of the revalued properties are not less than their net book values as at 31 December 2002.

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

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

1.4 Impairment

The carrying amount of the Group's assets, other than inventories and financial assets, are reviewed at each balance sheet date to determine whether there is any indication of impairment. If any such indication exists, the asset's recoverable amount is estimated. An impairment loss is recognised whenever the carrying amount of an asset or the cash-generating unit to which it belongs exceeds its recoverable amount. Impairment losses are recognised in the income statement. Any subsequent increase in recoverable amount is recognised in the income statement. Impairment losses are recognised in the income statement.

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

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

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

1.5 Investments

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

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

1.6 Associates

Associates are those enterprises in which the Group has significant influence, but no control, over the financial and operating policies.

The consolidated financial statements include the total recognized gains and losses of associates on an equity accounted basis from the date that significant influence effectively commences until the date that significant influence effectively ceases.

Unrealised profits arising on transactions between the Group and its associates which are included in the carrying amount of the related assets and liabilities are eliminated partially to the extent of the Group's interests in the associates. Unrealised losses on such transactions are also eliminated partially unless cost cannot be recovered.

1.7 Goodwill

Goodwill represents the excess of the cost of the acquisition over the fair values of the net identifiable assets acquired.

Goodwill 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.

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 fixed and variable production overheads.

1.9 Cash and Cash Equivalents

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

1.10 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.

1.11 Financing Costs

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

1.12 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.

1.13 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.

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:

	2002	2001
	RM	RM
	<hr/>	
USD 1	3.80	3.80
AUD 1	2.12	2.28
SGD 1	2.16	2.20

1.14 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.

1.15 Trade and Other Receivables

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

1.16 Provisions

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

1.17 Liabilities

Borrowings and trade and other payables are stated at cost.

2. PROPERTY, PLANT AND EQUIPMENT - GROUP

Valuation/Cost	Land and buildings RM	Plant and machinery RM	Furniture, fittings and equipment RM	Electrical and other installations RM	Tools and equipment RM	Renovation RM	Motor vehicles RM	Capital expenditure-in-progress RM	Total RM
At 1 January 2002	27,092,794	60,168,977	2,519,121	2,892,327	2,114,056	110,482	2,116,102	2,860,378	99,874,237
Additions	57,528	2,095,274	194,072	-	-	-	-	(1,266,000)	1,080,874
Disposals	-	(336,879)	(25,100)	-	-	-	(264,503)	-	(626,482)
Disposal of subsidiaries	(2,239,461)	(1,590,056)	(154,190)	-	(39,335)	(110,482)	(278,153)	-	(4,411,677)
At 31 December 2002	24,910,861	60,337,316	2,533,903	2,892,327	2,074,721	-	1,573,446	1,594,378	95,916,952
Accumulated Depreciation and Impairment									
At 1 January 2002	2,951,457	22,738,327	1,302,172	1,524,597	1,667,696	64,835	1,817,584	-	32,066,668
Charge for the year	492,492	2,954,174	228,784	124,045	91,039	11,048	139,975	-	4,041,557
Impairment losses	-	3,500,000	-	-	-	-	-	398,594	3,898,594
Disposals	-	(25,831)	(23,529)	-	-	-	(264,503)	-	(313,863)
Disposal of subsidiaries	(83,960)	(1,090,295)	(98,114)	-	(22,666)	(75,883)	(227,731)	-	(1,598,649)
Accumulated depreciation	3,359,989	24,576,375	1,409,313	1,648,642	1,736,069	-	1,465,325	-	34,195,713
Accumulated impairment losses	-	3,500,000	-	-	-	-	-	398,594	3,898,594
At 31 December 2002	3,359,989	28,076,375	1,409,313	1,648,642	1,736,069	-	1,465,325	398,594	38,094,307
Net Book Value									
At 31 December 2002	21,550,872	32,260,941	1,124,590	1,243,685	338,652	-	108,121	1,195,784	57,822,645
At 31 December 2001	24,141,337	37,430,650	1,216,949	1,367,730	446,360	45,647	298,518	2,860,378	67,807,569
Depreciation charge for the year ended 31 December 2001	510,095	3,250,356	217,023	160,664	112,461	11,048	188,992	-	4,450,639

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

Land and buildings comprise:

	Valuation / Cost		Net Book Value	
	2002 RM	2001 RM	2002 RM	2001 RM
At Valuation				
Long term leasehold land	4,295,000	4,295,000	3,678,659	3,752,711
Factory buildings	3,805,000	3,805,000	3,178,517	3,254,617
At Cost				
Long term leasehold land	1,028,306	3,267,767	877,757	3,059,945
Factory buildings	15,538,679	15,481,151	13,604,580	13,857,827
Staff quarters	234,876	243,876	211,359	216,237
	24,910,861	27,092,764	21,550,872	24,141,337

Asset under hire purchase

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

	2002 RM	2001 RM
Motor vehicles	-	37,454

Security

Certain plant and machinery of the Group with the net book value of RM9,768,405 (2001 : RM NIL) are charged to a bank as security for term loan facility (refer Note 11).

Revaluation

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.

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

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

	Cost RM	Accumulated Depreciation RM	Net Book Value RM
2002			
Long term leasehold land	2,916,669	528,239	2,388,430
Factory buildings	2,152,495	389,107	1,763,388
	5,069,164	917,346	4,151,818
2001			
Long term leasehold land	2,916,669	479,628	2,437,041
Factory buildings	2,152,495	346,057	1,806,438
	5,069,164	825,685	4,243,479

Deferred tax in respect of the revaluation of properties of the Group of RM810,000 (2001 : RM827,000) have not been provided for as the properties are held for long term use.

The title deed to a piece of leasehold land with a net book value of RM877,757 (2001 : RM895,133) 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 RM NIL (2001 : RM2,164,812) belonging to a subsidiary is in the process of being issued by the relevant authorities.

Included in property, plant and equipment is an amount of RM10,560,986 (2001 : RM14,060,986) which represents the net book value of assets retired from active use and held for disposal.

3. INVESTMENT IN SUBSIDIARIES

	Company	
	2002 RM	2001 RM
Unquoted shares, at cost	24,989,598	24,799,600
Less : Allowance for diminution in value	(2,332,825)	(1,450,000)
	22,656,773	23,349,600

Details of the subsidiaries are as follows:

Name of Subsidiary	Principal Activities	Effective interest held by the Group	
		2002	2001
Held by the Company			
Leader Steel Sdn.Bhd.	Manufacture and trading of steel products	100%	100%
Leader Steel Marketing Sdn.Bhd.	Commission agent	100%	100%
Leader Steel Tubes Sdn.Bhd. (Formerly known as Leader Steel (Sarawak) Sdn.Bhd.)	Manufacture and sale of steel products	100%	51%

3. INVESTMENT IN SUBSIDIARIES (Cont'd)

Name of Subsidiary	Principal Activities	Effective interest held by the Group	
		2002	2001
Held by the Company			
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%
First Hope Sdn.Bhd.	Dormant	100%	85%
Held by Leader Steel Service Centre Sdn. Bhd.			
Sonic Steel Industries (M) Sdn.Bhd. *	Trading of building and hardware materials and providing shearing services	-	52%

* Management financial statements was used for consolidation as the audited financial statements was not available.

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

Acquisition

On 31 December 2002, the Group acquired the remaining 49% shareholding of Leader Steel Tubes Sdn. Bhd. (formerly known as Leader Steel (Sarawak) Sdn.Bhd.) from the minority shareholders for a cash consideration of RM490,000. The acquisition was accounted for using the acquisition method of accounting.

Disposal

On 31 December 2002, the Group disposed of :

- i) Sonic Steel Industries (M) Sdn.Bhd. for RM516,666. It contributed a loss of RM518,000 to the consolidated results for the year ended 31 December 2002 and a loss of RM504,000 for the year ended 31 December 2001.
- ii) Leader Steel Copper Wire Sdn.Bhd. for RM2. It contributed a loss of RM4,000 to the consolidated results for the year ended 31 December 2002 and a loss of RM167,000 for the year ended 31 December 2001.

Liquidation

On 25 June 2002, one of its subsidiaries, Leader Steel (Overseas) Sdn. Bhd., has been placed under members' voluntary winding up. There was no contribution from the subsidiary during the year. It contributed a loss of RM5,000 to the consolidated results for the year ended 31 December 2001.

4. INVESTMENT IN ASSOCIATE

	Group	
	2002 RM	2001 RM
Unquoted shares, at cost	-	157,500

Details of the associate, held by Sonic Steel Industries (M) Sdn.Bhd. a subsidiary, are as follows:

Name of Company	Principal Activities	Percentage of Equity Held		Place of Incorporation
		2002	2001	
Sonic Profiles (M) Sdn.Bhd.	Trading of building and hardware materials	-	50%	Malaysia

The financial year end of the associate is 31 December.

5. OTHER INVESTMENT

	Group/Company	
	2002 RM	2001 RM
Unquoted shares, at cost	2,564,876	2,564,876
Less: Allowance for diminution in value	(828,719)	(250,000)
	1,736,157	2,314,876

6. GOODWILL ON CONSOLIDATION

	Group	
	2002 RM	2001 RM
Cost		
Balance at 1 January	299,574	299,574
Acquisition of a subsidiary	225,244	-
Balance at 31 December	524,818	299,574
Less:		
Amortisation		
Balance at 1 January	59,915	47,932
Amortisation charge for the year	11,983	11,983
Balance at 31 December	71,898	59,915
Disposal of a subsidiary	227,676	-
Impairment	225,244	-
Net book value at 31 December	-	239,659

7. INVENTORIES

	Group	
	2002 RM	2001 RM
Raw materials	16,336,992	10,426,156
Work-in-progress	357,565	1,100,250
Manufactured inventories	5,438,001	6,577,056
Trading inventories	323,630	550,253
Consumables	1,783	12,223
	22,457,971	18,665,938

The following inventories are carried at net realisable value:

	2002	2001
	RM	RM
Raw material	353,920	-
Work-in-progress	86,416	-
Manufactured inventories	57,142	-
Trading inventories	1,955	-
	499,433	-

8. TRADE AND OTHER RECEIVABLES

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Trade receivables	6,738,393	8,374,089	-	-
Amount due from companies in which certain directors have substantial financial interests	4,886	51,544	-	-
	6,743,279	8,425,633	-	-
Other receivables				
Amount due from subsidiaries	-	-	24,936,451	18,984,250
Other receivables, deposits and prepayments	524,107	892,574	1,000	1,000
Tax refundable	255	255	255	255
	7,267,641	9,318,462	24,937,706	18,985,505

9. CASH AND CASH EQUIVALENTS

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Short term deposits with licensed banks	-	177,015	-	-
Cash and bank balances	1,159,813	1,136,085	262	17,447
	1,159,813	1,313,100	262	17,447

10. TRADE AND OTHER PAYABLES

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Trade payables	2,091,977	1,850,779	-	-
Amount due to subsidiaries	-	-	670,373	543,447
Amount due to a director	-	660,500	-	-
Other payables	1,289,855	1,551,749	31,991	36,991
	3,381,832	4,063,028	702,364	580,438

The amount due to a director is unsecured, interest free and has no fixed term of repayment.

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

11. BORROWINGS

	Group	
	2002 RM	2001 RM
Current :		
Bank overdrafts - unsecured	4,860,962	8,723,896
Other borrowings		
Term loans - secured	199,819	-
Term loans - unsecured	3,600,588	5,101,079
Bankers' acceptances	11,182,000	11,672,000
Revolving credits	1,749,736	7,151,738
	16,732,143	23,924,817
	21,593,105	32,648,713
Non-current :		
Term loans - secured	989,968	-
Term loans - unsecured	129,250	6,945,201
	1,119,218	6,945,201
	22,712,323	39,593,914

Term and debt repayment schedule

The above unsecured bank borrowings, except for secured term loans are subject to interest rate ranging from 3.65 % to 8.90 % (2001 : 4.8% to 9.5%) per annum. These borrowings are guaranteed by the Company.

The secured term loan is subject to interest at 7% (2001 : NIL) per annum and is repayable in equal instalments for a period of 6 years. The term loan facility is secured against first fixed charge over certain plant and machineries (see Note 2) of the Group by way of debenture and a corporate guarantee executed by the Company

	Total RM	Under 1 year RM	1 - 2 years RM	2 - 5 years RM	Over 5 years RM
Term loan					
2002					
- secured	1,189,787	199,819	199,819	599,458	190,691
- unsecured	3,729,838	3,600,588	81,490	47,760	-
2001					
- unsecured	12,046,280	5,101,079	4,490,501	2,433,111	21,589

12. SHARE CAPITAL

	Group	
	2002 RM	2001 RM
Ordinary shares of RM1 each		
Authorised		
Balance at beginning of year	100,000,000	25,000,000
Increase during the year	-	75,000,000
Balance at end of year	100,000,000	100,000,000
Issued and fully paid		
Balance at beginning of year	39,996,000	19,998,000
Bonus issue on the basis of one (1) new ordinary share for every one (1) existing shares held	-	19,998,000
Exercise of ESOS	5,000	-
Balance at end of year	40,001,000	39,996,000

At 31 December 2002, there were 3,252,000 unissued ordinary shares under option at an exercise price of RM1 per share

13. RESERVES

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 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	13,130,559	3,994,884	4,967,531	430,987
	13,414,165	4,278,490	4,967,531	430,987
	17,384,500	8,248,825	8,627,534	4,090,990

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

14. HIRE PURCHASE OBLIGATIONS

	Group	
	2002 RM	2001 RM
Gross amount payable	-	16,544
Less: Unexpired interest	-	(921)
	-	15,623
Less: Amount repayable within 1 year included in other payables	-	(15,623)
Amount repayable after 1 year	-	-

Interest is payable at rates ranging from NIL (2001 : 6% to 6.8%) per annum flat on the principal sum financed over the period of the hire purchase.

15. REVENUE

Revenue comprises the following:

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Manufacturing	87,894,116	62,871,473	-	-
Services	-	382,862	-	-
Dividends	-	-	7,558,000	2,000,000
	87,894,116	63,254,335	7,558,000	2,000,000

16. EMPLOYEE INFORMATION

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Staff costs	4,066,618	4,168,773	-	-

The number of employees of the Group and of the Company (including directors) at the end of the year was 107 (2001 : 171) and NIL (2001 : NIL) respectively.

17. OPERATING PROFIT

Operating profit is arrived at after charging:

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Goodwill amortisation	11,983	11,983	-	-
Impairment loss	225,244	-	-	-
Auditors' remuneration				
- current year	49,000	49,000	5,000	5,000
- prior year	-	1,500	-	-
Bad debts written off	725,941	-	725,941	-
Depreciation (Note 2)	4,041,557	4,450,639	-	-
Impairment losses on plant and equipment	3,898,594	-	-	-
Directors' emoluments				
- Directors of the Company				
- fees	146,667	21,000	146,667	21,000
- others	595,828	451,560	11,500	14,500
- Other directors				
- others	275,925	380,895	-	-
Hire of equipment	-	210	-	-
Inventory written down	1,148,485	-	-	-
Allowance for diminution in value for investment				
- subsidiaries	-	-	882,825	-
- other	578,719	-	578,719	-
Loss on liquidation of a subsidiary	-	-	199,570	-
Loss on foreign exchange (realised)	31,396	-	-	-
Rental of premises	-	216,000	-	-
and crediting :				
Interest income	62,156	14,853	-	14,259
Gain on disposal of plant and equipment	87,819	315,686	-	-
Dividend income (gross) from investment in a subsidiary	-	-	7,558,000	2,000,000
Gain on foreign exchange (realised)	-	11,092	-	-
Gain on disposal of subsidiaries	797,284	-	-	-

18. FINANCING COSTS

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Interest expense on :				
Term loans	818,290	1,153,931	-	-
Bank overdrafts	428,728	873,186	-	-
Hire purchase	-	3,039	-	-
Other borrowings	570,466	1,147,476	-	14,259
	1,817,484	3,177,632	-	14,259

19. TAX EXPENSE

	Group		Company	
	2002 RM	2001 RM	2002 RM	2001 RM
Current tax expense				
– Current year	4,542,181	97,532	394,240	–
– Prior year	(1,756)	–	–	–
	4,540,425	97,532	394,240	–
Deferred tax expense				
– Current year	(14,000)	355,000	–	–
– Prior year	13,000	(53,000)	–	–
	(1,000)	302,000	–	–
Real property gains tax				
– Prior year	–	82,237	–	–
	4,539,425	481,769	394,240	–

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.

The effective tax rate of the Company is lower than the prima facie tax rate is due to certain tax exempt dividend income received during the year.

Subject to agreement with the Inland Revenue Board, the Company has sufficient:

- i) Section 108 tax credit to frank approximately RM3,594,000 of its distributable reserves; and
- ii) tax exempt income to distribute of its entire distributable reserves

at 31 December 2002 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:

	2002 RM'000	2001 RM'000
Unutilised tax losses	(3,789)	(6,289)
Other timing differences	–	2,927
	(3,789)	(3,362)

20. EARNINGS PER ORDINARY SHARE - Group

Basic earnings per share

The calculation of basic earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM9,135,675 (2001 : RM14,970) and the weighted average number of ordinary shares outstanding during the year of 39,997,000 (2001 : 39,996,000) calculated as follows:

	2002 '000	2001 '000
Issued ordinary shares at beginning of year	39,996	19,998
Effect of bonus issue in December 2001	-	19,998
Effect of shares issued in September 2002	1	-
	39,997	39,996

Diluted earnings per share

The calculation of diluted earnings per ordinary share is based on the net profit attributable to ordinary shareholders of RM9,135,675 (2001 : RM14,970) and the weighted average number of ordinary shares outstanding during the year of 40,123,000 (2001 : 39,996,000) calculated as follows:

	2002 '000	2001 '000
Weighted average number of ordinary shares	39,997	39,996
Effect of share options	126	-
	40,123	39,996

21. DIVIDEND - Group/Company

A first and final tax exempt dividend of 5 sen per share in respect of the financial year ended 31 December 2002 will be proposed for shareholders' approval at the forthcoming Annual General Meeting.

These financial statements do not reflect the final dividend which, when approved by shareholders, will be accounted for as an appropriation of retained profits from the shareholders' equity in the subsequent financial year.

22. CONTINGENT LIABILITIES, unsecured

Group

	2002 RM'000	2001 RM'000
Bills discounted	29	46
	29	46

Company

	RM'000	RM'000
i) Corporate guarantees		
Amount of corporate guarantees given to licensed banks for credit facilities granted to certain subsidiaries	147,040	164,642

The amount of credit facilities utilised as at balance sheet date was RM23.89 million (2001 : RM40.08 million).

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

23. RELATED PARTIES**23.1 Related Party Relationships**

- i) Companies controlled by the Company (subsidiaries) and that where the Group is in a position to exercise significant influence over its financial and operating policies (associate) are disclosed in Notes 3 and 4 respectively.
- ii) Companies in which a director, namely Mr. Goh Cheng Huat is 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.
 - G. P.Jaya Sdn.Bhd.
- iii) Companies in which a past director of a subsidiary Leader Steel Tubes Sdn. Bhd. (formerly known as Leader Steel (Sarawak) Sdn. Bhd.) namely Mr. Goh Kim Sin, is deemed to have substantial financial interests:-
- Sin Chyan Seng Hardware Sdn.Bhd.
 - Victory Aura Sdn.Bhd.
- iv) Company in which a past director of a subsidiary Leader Steel Tubes Sdn. Bhd. (formerly known as Leader Steel (Sarawak) Sdn. Bhd.) namely Mr. Tiong Yong Kuang, is deemed to have substantial financial interests:-
- Hung Guan Trading Sdn.Bhd.
- v) Company in which a past director of a subsidiary Leader Steel Tubes Sdn. Bhd. (formerly known as Leader Steel (Sarawak) Sdn. Bhd.) namely Mr. Yii Hie Mei, is deemed to have substantial financial interests:-
- Syarikat Moh Huat Sdn.Bhd.
- vi) Key management personnel of the Group:-
- Mr. Goh Cheng Huat
 - Mr. Goh Kim Sin
 - Mr. Pregalathan a/l Veerasamy
 - Mr. Lee Tian Soon
 - Mr. Low Tze Heng
 - Ms. Bong Siew Kiaw

23.2 Transactions with Related Parties

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

	2002 RM'000	2001 RM'000
- Sales	133	270

23. RELATED PARTIES (Cont'd)

23.2 Transactions with Related Parties (Cont'd)

ii) Transactions by the Group with Sin Chyan Seng Hardware Sdn.Bhd.:-	2002	2001
	RM'000	RM'000
- Sales	86	169
iii) Transactions by the Group with Hung Guan Trading Sdn.Bhd.:-	2002	2001
	RM'000	RM'000
- Sales	87	128
iv) Transactions by the Group with Foremost Score Sdn.Bhd.:-	2002	2001
	RM'000	RM'000
- Sales	61	139
v) Transactions by the Group with G.P.Jaya Sdn.Bhd.:-	2002	2001
	RM'000	RM'000
- Sales	679	596
vi) 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.		

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

24. SEGMENTAL INFORMATION - Group

Segment information is presented in respect of the Group's business and geographical segments. The primary format, business segments, is based on the Group's management and internal reporting structure.

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

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

Business segments

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

24. SEGMENTAL INFORMATION - Group (Cont'd)**Geographical Segments**

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

	Revenue from external customers by location of customers RM	Location of assets	
		Segment assets RM	Capital expenditure RM
2002			
Malaysia	85,381,318	90,443,972	1,080,874
Others	2,512,798	-	-
Total	87,894,116	90,443,972	1,080,874
2001			
Malaysia	61,550,862	99,816,849	5,397,535
Others	1,703,473	-	-
Total	63,254,335	99,816,849	5,397,535

25. FINANCIAL INSTRUMENTS**Financial risk management objectives and policies**

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

Credit risk

Management has a credit policy in place and the exposure to credit risk is monitored on an ongoing basis. Credit evaluations are performed on all customers where sales are transacted on credit terms.

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

Interest rate risk

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

Liquidity risk

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

25. FINANCIAL INSTRUMENTS (Cont'd)

Foreign currency risk

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

Approximately 30% of the Group's purchases are priced in US dollars. The Group does not hedge these exposures by purchasing forward currency contract at present given the Government's "peg". However, the Board keeps this policy under review.

Effective interest rates and repricing analysis

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

Group	Effective interest rate RM	Total RM	Within 1 year RM	1 - 5 years RM	After 5 years RM
Financial liabilities					
Unsecured overdraft	7.90 - 8.40	4,860,962	4,860,962	-	-
Unsecured bankers' acceptances	3.99 - 5.55	11,182,000	11,182,000	-	-
Unsecured revolving credits	6.40	1,749,736	1,749,736	-	-
Unsecured term loans	7.00 - 8.90	3,729,838	3,729,838	-	-
Secured term loans	7.00	1,189,787	199,819	599,458	190,691

Fair values

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

It is not practical to estimate the fair value of unquoted investments due to the lack of quoted market prices and the inability to estimate fair values without incurring excessive costs. However, the directors believe that the carrying amount recorded at balance sheet date approximate the corresponding fair values.

The aggregate fair values of the other financial assets and liabilities carried on the balance sheet as at 31 December 2002 are represented in the following table.

	Carrying amount RM	Fair value RM
Secured term loans - fixed rate loans	1,189,787	1,189,787

There are no comparative figures for Note 25 on Financial Instruments as this is the first year of adoption of MASB 24 as disclosed in Note 1 (iii).

List Of Properties Own By The Group

Location	Date of *Revaluation/ Acquisition	Tenure	Approximate Age of Building	Area (Square metres)	Description	Net book Value at 31 December 2002 RM'000
Leader Steel Sdn Bhd						
Plot 85 Lorong Perusahaan Utama Kawasan Perusahaan Bukit Tengah 14000 Bukit Tengah Pulau Pinang, Malaysia	*8.7.94	Leasehold 60 years, expiring 21.12.2052	10 years	34,000	Factory	13,443
6 Lorong Limau Manis 1 Taman Limau Manis 14000 Bukit Tengah Pulau Pinang, Malaysia	17.2.95	Freehold Double storey Terrace house	8 years	111	Residential premise for factory workers	106
8 Lorong Limau Manis 1 Taman Limau Manis 14000 Bukit Tengah Pulau Pinang, Malaysia	17.2.95	Freehold Double storey Terrace house	8 years	111	Residential premise for factory workers	106
Leader Steel Tubes Sdn Bhd <i>(formerly known as Leader Steel (Sarawak) Sdn Bhd)</i>						
Lot 841 Block 7 MTL D Sejingkat Industrial Park 93050 Kuching Sarawak, Malaysia	11.11.93	Leasehold 60 years, expiring 10.11.2053	10 years	33,600	Factory	7,642

Shareholding Statistics

As At 2 April 2003

AUTHORISED SHARE CAPITAL	:	RM100,000,000
ISSUED AND FULLY PAID-UP CAPITAL	:	RM40,001,000
CLASS OF SHARE	:	Ordinary shares of RM1 each fully paid
VOTING RIGHT	:	On a show of hands one vote for every shareholder On a poll one vote for every ordinary share held

ANALYSIS BY SIZE OF HOLDINGS

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Share Capital
1 - 999	4	0.278	1,002	0.003
1,000 - 10,000	1,269	88.125	4,208,004	10.520
10,001 - 100,000	153	10.625	4,041,840	10.104
100,001 - 2,000,049	11	0.764	3,114,104	7.785
2,000,050 - 40,001,000	3	0.208	28,636,050	71.588
Total	1,440	100.000	40,001,000	100.000

DIRECTORS' SHAREHOLDINGS

No	Name	Direct Interest		Deemed Interest	
		No of Shares	%	No of Shares	%
1.	Dato' Mohd Desa bin Pachi	-	-	-	-
2.	Goh Cheng Huat*	3,375,198	8.438	18,011,958	45.029
3.	Tan Sri Dato' Soong Siew Hoong	50,000	0.125	-	-
4.	Tan Pak Say	2	0.000	21,387,154	53.517
5.	Lim Leng Han	6,000	0.015	-	-
6.	Mohd Nizam bin Zainordin	-	-	-	-
7.	Mohd Arif bin Mastol*	-	-	-	-
8.	Goh Kee Seng (Alternate to Tan Pak Say)	-	-	-	-

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

* Option to subscribe for 395,000 Shares in LSH's Employee Share Option Scheme 2002.

SUBSTANTIAL SHAREHOLDERS

No	Name	Direct Interest		Deemed Interest	
		No of Shares	%	No of Shares	%
1.	Goh Cheng Huat	3,375,198	8.438	18,011,958	45.029
2.	Tan Pak Say	2	0.000	21,387,154	53.517
3.	Bischart Sdn.Bhd.	18,011,956	45.029	-	-
4.	Amanah Raya Berhad - Skim Amanah Saham Bumiputera	9,188,000	22.964	-	-

Thirty Largest Shareholders

As At 2 April 2003

	Name	No. of Shares	% of Issued Share Capital
1	Southern Nominees (Tempatan) Sdn.Bhd. – Bischart Sdn.Bhd.	17,337,956	43.3438
2	Amanah Raya Nominees (Tempatan) Sdn.Bhd. – Skim Amanah Saham Bumiputra	9,188,000	22.9694
3	Southern Nominees (Tempatan) Sdn.Bhd. – Goh Cheng Huat	2,110,094	5.2751
4	Goh Cheng Huat	1,265,104	3.1627
5	Bischart Sdn.Bhd.	674,000	1.6850
6	Toh Hee Chooy	242,000	0.6050
7	Kueh Song Joo	140,000	0.3500
8	PRB Nominees (Tempatan) Sdn.Bhd. – Rubber Industry Smallholders Development Authority	130,000	0.3250
9	Ke-Zan Nominees (Tempatan) Sdn.Bhd. – Chan Mei Cheng (DT)	118,000	0.2950
10	Husnah Binti Abdul Latiff	114,000	0.2850
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 (472592)	94,000	0.2350
16	Tan Yew Teong	82,000	0.2050
17	Bong Chong Hang	80,000	0.2000
18	Loh Loon Keng	76,000	0.1900
19	TA Nominees (Tempatan) Sdn.Bhd. – Pledged Securities Account for Mak Ngia Ngia @ Mak Yoke Lu	75,000	0.1875
20	Goh Li Li	69,000	0.1725
21	Goh Ming Hui	64,000	0.1600
22	Lim Siew See	60,000	0.1500
23	TA Nominees (Tempatan) Sdn.Bhd. – Pledged Securities Account for Sin Hock	60,000	0.1500
24	Ng Hoi Cheu	52,000	0.1300
25	Tay Boon Seng	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	Chew Seok Ching	50,000	0.1250
30	Loh Ah Heoh	50,000	0.1250
	Total	32,766,154	81.9133

NO. OF ORDINARY SHARES HELD

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 TENTH 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 Saturday, 31 May 2003 at 2:30 p.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 Encik Mohd Nizam bin Zainordin who retires pursuant to Article 102 of the Company's Articles of Association.	Resolution 2		
2b.	To re-elect Directors who retire pursuant to Article 109 of the Company's Articles of Association:-			
	i) Encik Mohd.Arif bin Mastol	Resolution 3		
	ii) Madam Tan Pak Say	Resolution 4		
2c.	To re-elect Tan Sri Dato' Soong Siew Hoong who retires pursuant to Section 129 of the Companies Act,1965.	Resolution 5		
3.	To approve the Directors' fees.	Resolution 6		
4.	To declare a first and final tax exempt dividend of 5 sen per share.	Resolution 7		
5.	To re-appoint Messrs. KPMG as Auditors.	Resolution 8		
6.	Authority to issue shares pursuant to Section 132D of the Companies Act,1965.	Resolution 9		

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

Signed this _____ day of May, 2003.

Signature of Shareholder**NOTES:**

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

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POSTAGE

The Company Secretary
LEADER STEEL HOLDINGS BERHAD (267209-K)
Suite 2-1, 2nd Floor
Menara Penang Garden
42A Jalan Sultan Ahmad Shah
10050 Penang, Malaysia

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