



## CORPORATE INFORMATION

- BOARD OF DIRECTORS** : Dato' Mohd Desa bin Pachi - Chairman  
Goh Cheng Huat - Managing Director  
Tan Sri Dato' Soong Siew Hoong  
Tan Pak Say  
Lim Leng Han  
Goh Kee Seng  
Mohd Nizam bin Zainordin
- SECRETARY** : Lam Voon Kean (MIA 4793)
- AUDIT COMMITTEE** : Tan Sri Dato' Soong Siew Hoong - Chairman  
Goh Cheng Huat  
Lim Leng Han
- REGISTERED OFFICE** : 1st Floor (Room 102)  
Wisma Penang Garden  
42, Jalan Sultan Ahmad Shah  
10050 Penang  
Tel: 04-229 4390  
Fax: 04-226 5860
- REGISTRARS** : M & C Services Sdn Bhd  
1st Floor (Room 102)  
Wisma Penang Garden  
42, Jalan Sultan Ahmad Shah  
10050 Penang  
Tel: 04-229 4390  
Fax: 04-226 5860
- AUDITORS** : KPMG, Penang
- BANKERS** : Hong Leong Bank Berhad  
HSBC Bank Malaysia Berhad  
RHB Bank Berhad



## NOTICE OF ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the EIGHTH 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 Friday, 25 May 2001 at 10:00 a.m. for the following purposes :-

1. To receive and adopt the Financial Statements for the year ended 31 December 2000. *Ordinary Resolution 1*
- 2a. To re-elect the following Directors who retire pursuant to Article 102 of the Company's Articles of Association :-
  - i) Dato' Mohd Desa bin Pachi *Ordinary Resolution 2*
  - ii) Mdm Tan Pak Say *Ordinary Resolution 3*
- 2b. To re-elect Tan Sri Dato' Soong Siew Hoong who retires pursuant to Section 129 of the Companies Act, 1965. *Ordinary Resolution 4*
3. To approve Directors' fees totalling RM21,000/= for the year ended 31 December 2000. *Ordinary Resolution 5*
4. To re-appoint Messrs. KPMG as Auditors for the ensuing year and to authorise the Directors to fix their remuneration. *Ordinary Resolution 6*
5. As Special Business

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

- i) "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 in any one financial year shall 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." *Ordinary Resolution 7*
  - ii) Proposed Amendments to the Articles of Association.  

"That the alterations, modifications or additions to the Articles of Association of the Company contained in Appendix I be and are hereby approved."
6. To transact any other business of which due notice shall have been given in accordance with the Companies Act, 1965. *Special Resolution 1*

BY ORDER OF THE BOARD

LAM VOON KEAN (MIA 4793)  
Company Secretary

Penang, 30 April 2001



*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.
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 1st Floor (Room 102), Wisma Penang Garden, 42 Jalan Sultan Ahmad Shah, 10050 Penang, not less than forty eight (48) hours before the time appointed for holding the meeting.

*Explanatory Notes on Special Business :*

4. The Ordinary Resolution 7, if passed, will give authority to the Board of Directors to issue and allot ordinary shares from the unissued capital of the Company at any time in their absolute discretion and that such authority, unless revoked or varied at a general meeting, will expire at the next Annual General Meeting of the Company.
5. The Special Resolution 1, if passed, will amend the Company's Articles of Association to be consistent with the provisions as set out in Chapter 7 of the revamped Listing Requirements of the Kuala Lumpur Stock Exchange.



## SPECIAL RESOLUTION NO. 1 PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION

THAT the Articles of Association of the Company be amended in the following manner :-

1. (a) *Existing Article 5(b)*

the holders of preference shares shall have the same rights as the holders of ordinary shares as regards receiving notices, reports and audited accounts and attending general meetings of the Company but shall only have right to vote at any meeting convened for the purpose of reducing the capital, or winding up, or sanctioning a sale of the undertaking of the Company or where the proposition to be submitted to the meeting directly affects their rights and privileges, or when the dividend on such shares is in arrears for more than six (6) months; and

(b) *The existing Article 5(b) be deleted in its entirety and to substitute in lieu thereof with the following provision :-*

"the holders of preference shares shall have the same rights as the holders of ordinary shares as regards receiving notices, reports and audited accounts and attending general meetings of the Company but shall only have right to vote at any general meeting convened for the following purposes :-

(i) when the dividend or part of the dividend on the share is in arrears for more than 6 months;

(ii) on a proposal to reduce the Company's share capital;

(iii) on a proposal for the disposal of the whole of the Company's property, business and undertaking;

(iv) on a proposal that affects rights attached to the share;

(v) on a proposal to wind up the Company; and

(vi) during the winding up of the Company.

; and"

2. That the following new Article 5A be inserted immediately after Article 5 :-

The new Article 5A will be read as follows:-

"The holder of a preference share must be entitled to a return of capital in preference to holders of ordinary shares when the Company is wound up."

3. (a) *Existing Article 11*

Subject to any direction to the contrary that may be given by the Company in general meeting, any original shares for the time being unissued and not allotted and any new shares from time to time to be created shall before they are issued be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion, as nearly as the circumstances admit, to the amount of the existing share to which they are entitled. The offer shall be made by notice specifying the number of shares offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares offered, the Directors may dispose of those shares in such manner as they think most beneficial to the Company. The Directors may likewise so dispose of any new shares which (by reason of the ratio which the new shares bear to shares held by persons entitled to an offer of new shares) cannot, in the opinion of the Directors, be conveniently offered under this Article.

- (b) *The existing Article 11 be deleted in its entirety and to substitute in lieu thereof with the following provision :-*

"Subject to any direction to the contrary that may be given by the Company in general meeting, all new shares or other convertible securities shall, before issue, be offered to such persons as at the date of the offer are entitled to receive notices from the Company of general meetings in proportion as nearly as the circumstances admit, to the amount of the existing shares or securities to which they are entitled. The offer shall be made by notice specifying the number of shares or securities offered, and limiting a time within which the offer, if not accepted, will be deemed to be declined, and, after the expiration of that time, or on the receipt of an intimation from the person to whom the offer is made that he declines to accept the shares or securities offered, the Directors may dispose of those share or securities in such manner as they think most beneficial to the Company. The Directors may likewise also dispose of any new share or security which (by reason of the ratio which the new shares or securities bear to shares or securities held by persons entitled to an offer of new shares or securities) cannot, in the opinion of the Directors, be conveniently offered under this Article."

4. That the Article 12 be deleted in its entirety.

5. (a) *Existing Article 13*

No person shall exercise any rights of a member until his name shall have been entered in the Register and he shall have paid all calls and other moneys for the time being due and payable on any share held by him whether alone or jointly with any other person.

- (b) *That the existing Article 13 be amended by deleting the words "whether alone or jointly with any other person" in the last line of the Article to read as follows :-*

"No person shall exercise any rights of a member until his name shall have been entered in the Register and he shall have paid all calls and other moneys for the time being due and payable on any share held by him."

6. That the Articles 16, 17, 18 and 25 be deleted in their entirety.

7. (a) *Existing Article 39*

The Company shall have a first and paramount lien on every share (not being fully paid share) for all money called or payable at a fixed time in respect of the particular share and the Company shall also have a first and paramount lien on all shares (other than fully paid shares) registered in the name of a member (whether solely or jointly with other) for all moneys payable by him or his estate either alone or jointly with any other person, to the Company, but the Directors may at any time declare any share to be wholly or in part exempt from the provisions of this Article. The Company's lien, if any, on a share shall extend to all dividends payable thereon and to such amounts as the Company may be called upon by law to pay in respect of the shares of the member or deceased member.

- (b) *That the existing Article 39 be amended by deleting the words "(whether solely or jointly with other)" in line 4 and the words "either alone or jointly with any other person," in line 5 of the Article to read as follows :-*

"The Company shall have a first and paramount lien on every share (not being fully paid share) for all money called or payable at a fixed time in respect of the particular share and the Company shall also have a first and paramount lien on all shares (other than fully paid shares) registered in the name of a member for all moneys payable by him or his estate to the Company, but the Directors may at any time declare any share to be wholly or in part exempt from the provisions of this Article. The Company's lien, if any, on a share shall extend to all dividends payable thereon and to such amounts as the Company may be called upon by law to pay in respect of the shares of the member or deceased member."



8. That the following new Article 42A(1) and 42A(2) be inserted immediately after Article 42 :-

The new Article 42A(1) and 42A(2) will be read as follows:-

"(1) Where :-

- (a) the securities of a company are listed on an Approved Market Place; and
- (b) such company is exempted from compliance with section 14 of the Securities Industry (Central Depositories) Act 1991 or section 29 of the Securities Industry (Central Depositories) (Amendment) Act 1998, as the case may be, under the Rules of the Central Depository in respect of such securities,

such company shall, upon request of a securities holder, permit a transmission of securities held by such securities holder from the register of holders maintained by the registrar of the Company in the jurisdiction of the Approved Market Place (hereinafter referred to as "the Foreign Register"), to the register of holders maintained by the registrar of the Company in Malaysia (hereinafter referred to as "the Malaysian Register") provided that there shall be no change in the ownership of such securities.

- (2) For the avoidance of doubt, no company which fulfils the requirements of subparagraphs (1)(a) and (b) above shall allow any transmission of securities from the Malaysian Register into the Foreign Register."

9. (a) *Existing Article 47*

The registration of transfers may be suspended at such time and for such period as the Directors may from time to time determine, provided always that such registration shall not be suspended for more than thirty (30) days in any year. At least eighteen (18) Market Days' notice of such closure shall be given to the Exchange stating the period and the purpose or purposes of such closure. At least three (3) market days prior notice shall be given to the Central Depository to enable the Central Depository to prepare the appropriate Record of Depositors.

- (b) *That the existing Article 47 be deleted in its entirety and to substitute in lieu thereof with the following provision :-*

"The Company must ensure that the period between the making of its announcement of the books closing date is not less than twelve (12) clear Market Days. At least three (3) market days prior notice shall be given to the Central Depository to enable the Central Depository to prepare the appropriate Record of Depositors."

10. (a) *Existing Article 51*

In the case of death of a member, the survivor or survivors where the deceased was a joint- holder, and the legal personal representatives of the deceased where he was a sole-holder, shall be the only persons recognised by the Company as having any title to his interest in the shares; but nothing herein contained shall release the estate of a deceased share holder (whether sole or joint holder) from any liability in respect of any share which had been held by him alone or jointly with some other person.

- (b) *That the existing Article 51 be deleted in its entirety and to substitute in lieu thereof with the following provision :-*

"In the case of death of a member, the survivor, and the legal personal representative of the deceased, shall be the only person recognised by the Company as having any title to his interest in the shares; but nothing herein contained shall release the estate of a deceased share holder from any liability in respect of any share which had been held by him."

11. (a) *Existing Article 54*

A person entitled to shares in consequence of the death or bankruptcy of a member shall be entitled upon the production of such evidence as may from time to time be properly required by the Directors in that behalf to receive and may give a discharge for all dividends and other moneys payable in respect of the shares, but he shall not be entitled to receive notice of or to attend or vote at any meeting, or, save as aforesaid, to exercise any of the rights and privileges of a member, unless and until he shall have become a member in respect of the share. Where two or more person are jointly entitled to any share in consequence of the death of the registered holder they shall, for the purposes of the Articles, be deemed to be the joint holders of the share.

- (b) *That the existing Article 54 be amended by deleting the words "Where two or more person are jointly entitled to any share in consequence of the death of the registered holder they shall, for the purposes of the Articles, be deemed to be the joint holders of the share." in the last three lines of the Article to read as follows :-*

"A person entitled to shares in consequence of the death or bankruptcy of a member shall be entitled upon the production of such evidence as may from time to time be properly required by the Directors in that behalf to receive and may give a discharge for all dividends and other moneys payable in respect of the shares, but he shall not be entitled to receive notice of or to attend or vote at any meeting, or, save as aforesaid, to exercise any of the rights and privileges of a member, unless and until he shall have become a member in respect of the share."

12. That Article 55 be deleted in its entirety.

13. (a) *Existing Article 67*

Subject to the provisions of the Act relating to the convening of meetings to pass special resolution and agreements for shorter notice, at least fourteen (14) clear days' notice (which period shall include not less than ten (10) Market Days) before the meetings shall be given to all members (other than those whose under the provisions of these Articles or the terms of issue of the shares held by them are not entitled to receive notices of general meetings of the Company) and to the auditors for the time being of the Company. The notice shall be exclusive of the day on which it is served or deemed to be served and of the day for which it is given and shall specify the place, the day and the hour of the meeting and, in the case of special business shall also specify the general nature of that business and shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business. At least fourteen (14) days' (which period shall include not less that ten (10) Market Days) notice of every such meeting shall also be given by advertisement in the daily press and in writing to the Exchange Provided that in respect of Deposited Securities, the Company shall by written request made in duplicate in the prescribed form, request the Central Depository at least three (3) Market Days prior to and not including the date of notice of the general meeting to prepare the Record of Depositors to whom notices of general meeting shall be given by the Company.

- (b) *That the existing Article 67 be deleted in its entirety and to substitute in lieu thereof with the following provision :-*

"Any general meeting at which it is proposed to pass a special resolution or (save as provided by the Act) where it is an annual general meeting shall be called by twenty-one (21) days notice in writing at the least, and any other general meeting by fourteen (14) days notice in writing at the least (exclusive in either case of the day on which it is served or deemed to be served and of the day for which it is given) shall be given by advertisement in the daily press and in writing to the Auditors, the Exchange and to all members other than such as under the provisions of these Articles are not entitled to receive such notices from the Company. Every notice calling a general meeting shall specify the place, the day and the hour of the meeting. Any notice of a meeting called to consider special business shall be accompanied by a statement regarding the effect of any proposed resolution in respect of such special business."



14. That the following new Articles 67A to 67C be inserted immediately after Article 67 :-

*The new Article 67A will be read as follows:-*

"The Company shall request the Central Depository in accordance with the Rules, to issue a Record of Depositors to whom notices of general meetings shall be given by the Company."

*The new Article 67B will be read as follows:-*

"The Company shall also request the Central Depository in accordance with the Rules, to issue a Record of Depositors, as at a date not less than three (3) market days before the general meeting (hereinafter referred to as "the General Meeting Record of Depositors")."

*The new Article 67C will be read as follows:-*

"Subject to the Securities Industry (Central Depositories) (Foreign Ownership) Regulations 1996 (where applicable), a depositor shall not be regarded as a member entitled to attend any general meeting and to speak and vote thereat unless his name appears in the General Meeting Record of Depositors."

15. That Article 91 be deleted in its entirety.
16. That the following new Article 96A be inserted immediately after Article 96 :-

*The new Article 96A will be read as follows:-*

"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."

17. (a) *Existing Article 102(1)*

Subject always to Article 141 at the first annual general meeting of the Company all the Directors shall retire from office, and at the annual general meeting in every subsequent year one-third of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third, shall retire from office. PROVIDED ALWAYS that all the Directors except the Chief Executive Officer and the Managing Director shall retire from office once at least in each three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires."

- (b) *That the existing Article 102 be deleted in its entirety and to substitute in lieu thereof with the following provision :-*

"An election of Directors shall take place each year and at the annual general meeting one-third of the Directors for the time being, or, if their number is not three (3) or a multiple of three (3), then the number nearest to one-third, shall retire from office. All the Directors shall retire from office once at least in each three (3) years but shall be eligible for re-election. A retiring Director shall retain office until the close of the meeting at which he retires."

18. (a) *Existing Article 112(d)*

if he shall have absented himself (such absence not being absence with leave or by arrangement with the Directors) from meetings of the Directors for six (6) months in succession and his alternate Director (if any) shall not during such period have attended in his stead;

- (b) *That the existing Article 112(d) be deleted in its entirety and to substitute in lieu thereof with the following provision :-*

"if he is absent from more than 50% of the total Board meetings held during a financial year;"



19. (a) *Existing Article 141*

The Chief Executive Officer and the Managing Director shall not, while they continue to hold such offices be subject to retirement by rotation, and they shall not be reckoned as Directors for the purpose of determining the rotation or retirement of Directors or in fixing the number of Directors to retire, but they shall, subject to provisions of any contract between them and the Company, be subject to the same provisions as to resignation and removal as the other Directors of the Company and if they cease to hold the office of Director from any cause shall ipso facto and immediately cease to be Chief Executive Officer or Managing Director, as the case may be.

(b) *That the existing Article 141 be deleted in its entirety and to substitute in lieu thereof with the following provision :-*

"The Chief Executive Officer and the Managing Director shall be subject to the same provisions as to resignation and removal as the other Directors of the Company and if they cease to hold the office of Director from any cause shall ipso facto and immediately cease to be Chief Executive Officer or Managing Director, as the case may be."

20. That Article 158 be deleted in its entirety.

21. (a) *Existing Article 159*

Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant and sent through the post directed to the registered address of the holder or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the Register or to such person and to such address as the holder or joint holders may in writing direct or, if several persons are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons or to such person and to such address as such persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or joint holders or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and the payment of any such cheque or warrant shall operate as a good discharge to the Company in respect of the dividend represented thereby. Every such cheque or warrant shall be sent at the risk of the person entitled to the money thereby represented.

(b) *That the existing Article 159 be amended by deleting the words "or, in the case of joint holders, to the registered address of that one of the joint holders who is first named on the Register " in lines 3 and 4 and by deleting the words "or joint holders" in lines 4 and 8 of the Article to read as follows :-*

"Any dividend, interest or other money payable in cash in respect of shares may be paid by cheque or warrant and sent through the post directed to the registered address of the holder or to such person and to such address as the holder may in writing direct or, if several persons are entitled thereto in consequence of the death or bankruptcy of the holder, to any one of such persons or to such person and to such address as such persons may by writing direct. Every such cheque or warrant shall be made payable to the order of the person to whom it is sent or to such person as the holder or person or persons entitled to the share in consequence of the death or bankruptcy of the holder may direct and the payment of any such cheque or warrant shall operate as a good discharge to the Company in respect of the dividend represented thereby. Every such cheque or warrant shall be sent at the risk of the person entitled to the money thereby represented."



22. (a) *Existing Article 164*

The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and report as are referred to in the section. The interval between the close of a financial year of the Company and the issue of accounts relating to it shall not exceed six (6) months. A copy of each such documents shall not less than fourteen (14) days before the date of the meeting be sent to every member of, and to every holder of debentures of the Company under the provisions of the Act or of these Articles. The requisite number of copies of each such documents as may be required by the Exchange shall at the same time be likewise sent to the Exchange: Provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware or to more than one of joint holders but any member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office.

- (b) *That the Article 164 be amended by deleting the words "accounts relating to it shall not exceed six (6) months" and replacing the phrase "the annual audited accounts, the Directors' and auditors' reports shall not exceed four (4) months" in line 4 of the existing Article and by replacing the word "fourteen (14)" with "twenty one (21)" to read as follows :-*

"The Directors shall from time to time in accordance with Section 169 of the Act cause to be prepared and laid before the Company in general meeting such profit and loss accounts, balance sheets and report as are referred to in the section. The interval between the close of a financial year of the Company and the issue of the annual audited accounts, the Directors' and auditors' reports shall not exceed four (4) months. A copy of each such documents shall not less than twenty one (21) days before the date of the meeting be sent to every member of, and to every holder of debentures of the Company under the provisions of the Act or of these Articles. The requisite number of copies of each such documents as may be required by the Exchange shall at the same time be likewise sent to the Exchange: Provided that this Article shall not require a copy of these documents to be sent to any person of whose address the Company is not aware or to more than one of joint holders but any member to whom a copy of these documents has not been sent shall be entitled to receive a copy free of charge on application at the Office."

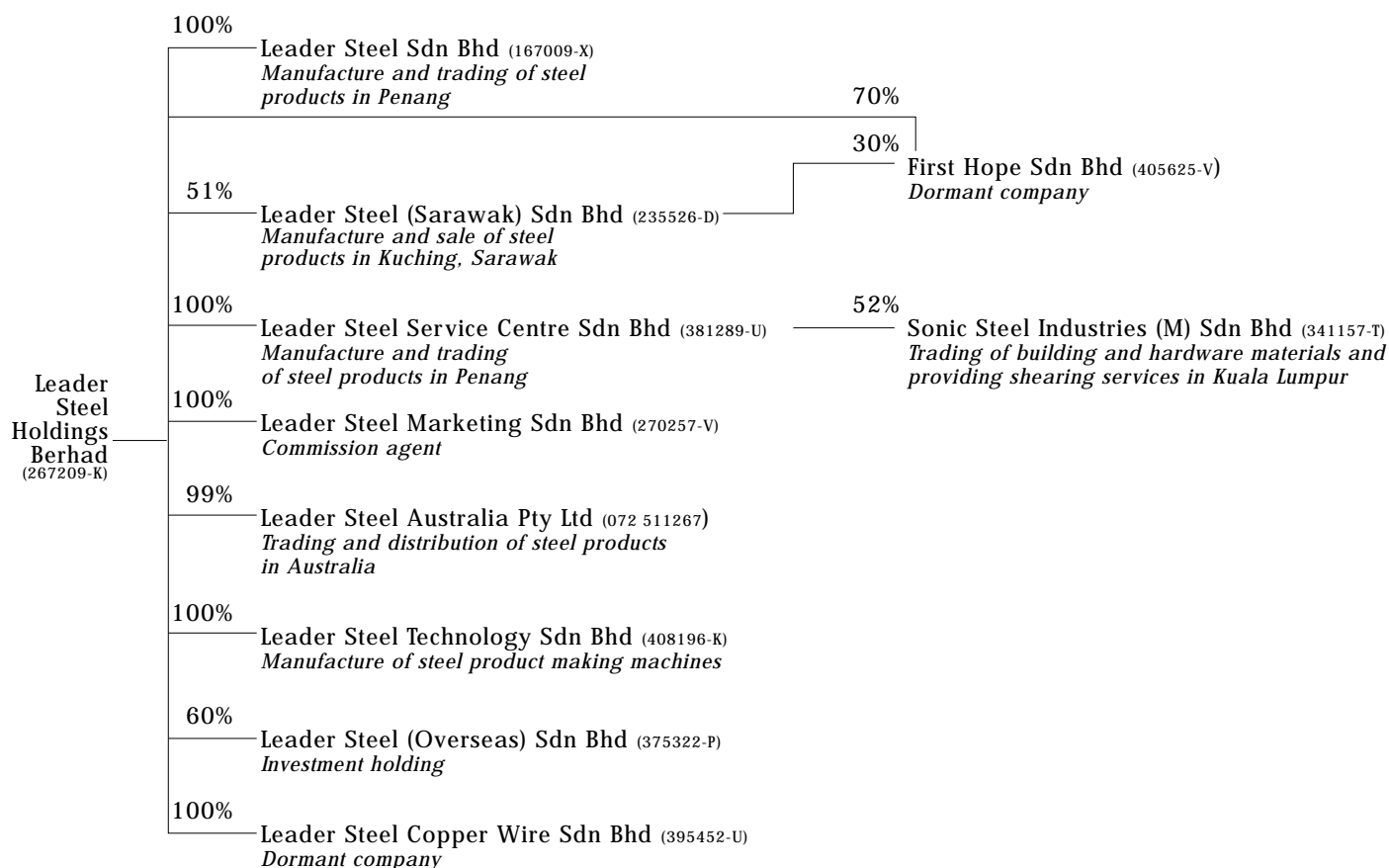
23. That Article 174 be deleted in its entirety.

24. That the following new Article 185(1) to 185(7) be inserted immediately after Article 184 under the heading of "EFFECT OF THE LISTING REQUIREMENTS" :-

The new Article 185(1) to 185(7) will be read as follows:-

- "(1) Notwithstanding anything contained in these Articles, if the Listing Requirements prohibit an act being done, the act shall not be done.
- (2) Notwithstanding contained in these Articles prevents an act being done that the Listing Requirements require to be done.
- (3) If the Listing Requirements require an act to be done or not to be done, authority is given for that act to be done or not to be done (as the case may be).
- (4) If the Listing Requirements require these Articles to contain a provision and they do not contain such a provision, these Articles are deemed to contain that provision.
- (5) If the Listing Requirements require these Articles no to contain a provision and they contain such a provision, these Articles are deemed not to contain that provision.
- (6) If any provision of these Articles is or becomes inconsistent with the Listing Requirements, these Articles are deemed not to contain that provision to the extent of the inconsistency.
- (7) For the purpose of this Articles, unless the context otherwise requires, "Listing Requirements" means the Listing Requirements of Kuala Lumpur Stock Exchange including any amendments to the Listing Requirements that may be made from time to time."

## GROUP STRUCTURE AND PRINCIPAL ACTIVITIES



## FINANCIAL HIGHLIGHTS

	<u>1996</u>	<u>1997</u>	<u>12 months to 30.4.98</u>	<u>8 months to 31.12.98</u>	<u>1999</u>	<u>2000</u>
Turnover (RM Million)	107.2	167.1	167.4	72.1	106.0	89.1
Profit/(Loss) Before Taxation (RM Thousand)	9,547	11,195	(3,296)	(11,320)	10,214	1,701



## CHAIRMAN'S STATEMENT

Dear Valued Shareholders,

On behalf of the Board of Leader Steel Holdings Berhad, I am pleased to present the Annual Report and Financial Statements of the Group and the Company for the Financial year ended 31st December 2000.

### Financial Results

For the financial year ended 31st December 2000, the Group reported a net profit after tax RM1.8 million compared to RM8.2 million recorded in the previous year.

Due to the soft market which prevailed during the financial year and coupled with the government's ban on the importation of hot rolled coils/plates which were the essential raw materials for the Group, the revenue of the Group declined from RM 106.1 million in 1999 to RM 89.1 million in 2000. The decline resulted mainly from a shift which the Group had to make to alternative types of raw materials, which in turn necessitated for a change in product lines and in tandem with the drop in revenue, the results for the year under review were affected. The group's earnings per share for the year 2000 was 10.88 sen as against 40.54 sen in 1999, however the net tangible assets per share of the Group improved from 229.2 sen in 1999 to 239.9 sen in 2000.

### Prospects

Barring unforeseen circumstances, the Group expects to maintain its performance in the next financial year at the same current level.

### Dividend

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

### Appreciation

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

Dato' Mohd Desa bin Pachi  
*Chairman*



## AUDIT COMMITTEE

Members of the Committee - appointed on 14 August 1995

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

### TERMS OF REFERENCE

#### Objectives

The principal objective of the Audit Committee is to assist the Board of Directors in discharging its duties and responsibilities in the area of corporate governance and business, and public accountability of the Company and its subsidiaries.

#### Size and Composition

The Board of Directors shall appoint at least three Directors from amongst its members to form an Audit Committee, the majority of whom should be independent Directors. The Chairman elected from amongst the members shall be an Independent Non-Executive Director.

#### Meetings

The Audit Committee shall hold at least two regular meetings per year and such additional meetings the Chairman shall decide in order to fulfill its duties. The quorum of all meetings shall be two members.

#### Duties and Responsibilities

- i) Review the effectiveness of management information and system of internal controls within the Company and the Group;
- ii) Review management's compliance with established policies, plans, procedures, laws and regulations;
- iii) Review with the External Auditors the scope of their audit plan, their evaluation of the system of internal controls and the audit report on the financial statements;
- iv) Review the interim and annual financial statements with the External Auditors and management prior to submission to the Board of Directors for approval; and
- v) Other functions as may be agreed by the Audit Committee and Board of Directors hereafter.



LEADER STEEL HOLDINGS BERHAD (267209K)  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**DIRECTORS' REPORT FOR THE YEAR ENDED**  
**31 DECEMBER 2000**

The directors hereby submit their report and the audited financial statements of the Group and of the Company for the year ended 31 December 2000.

**PRINCIPAL ACTIVITIES**

The Company is an investment holding company.

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

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

**RESULTS**

	GROUP RM	COMPANY RM
Net profit after tax for the year	2,175,332	1,120,064

**RESERVES AND PROVISIONS**

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

**DIVIDEND**

No dividend was paid during the year and the directors do not recommend any dividend to be paid for the year under review.

**DIRECTORS OF THE COMPANY**

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

Dato' Mohd Desa bin Pachi

Goh Cheng Huat

Tan Sri Dato' Soong Siew Hoong

Tan Pak Say

Lim Leng Han

Goh Kee Seng

Mohd Nizam bin Zainordin

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

Name of Director	Number of ordinary shares of RM1 each			Balance at 31.12.2000
	Balance at 1.1.2000	Bought	(Sold)	
Goh Cheng Huat	2,499,099	-	(804,000)	1,695,099
Tan Sri Dato' Soong Siew Hoong	30,000	-	(5,000)	25,000
Tan Pak Say	1	-	-	1
Lim Leng Han	3,000	-	-	3,000

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

Name of Director	Number of ordinary shares of RM1 each			Balance at 31.12.2000
	Balance at 1.1.2000	Bought	(Sold)	
Goh Cheng Huat	9,005,979	-	-	9,005,979
Tan Pak Say	11,505,077	-	(804,000)	10,701,077

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

#### DIRECTORS' BENEFITS

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

- i) Certain directors who may be deemed to derive benefits from those transactions entered in the ordinary course of business between certain subsidiaries and companies in which they have substantial financial interests;
- ii) Professional fees paid by a subsidiary in the ordinary course of business to a director of the Company;
- iii) Disposal of plant and equipment of RM179,000 by a subsidiary to a company in which certain directors have substantial financial interests.

There were no arrangements during and at the end of the year which had the object of enabling directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

#### ISSUE OF SHARES

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

#### OPTIONS GRANTED OVER UNISSUED SHARES AND DEBENTURES

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

#### OTHER STATUTORY INFORMATION

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

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

At the date of this report, the directors of the Company 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 financial statements of the Group and of the Company misleading, or
- iii) which have arisen which would 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 in 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 2000 have not been substantially affected by any item, transaction or event of a material and unusual nature other than the exceptional items as disclosed in Note 21 to the financial statements 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 :

Chairman  
DATO' MOHD DESA BIN PACHI

Managing Director  
GOH CHENG HUAT

Penang,

Date : 6 April 2001





**STATEMENT BY DIRECTORS**  
PURSUANT TO SECTION 169(15)  
OF THE COMPANIES ACT, 1965

We, DATO' MOHD DESA BIN PACHI and GOH CHENG HUAT, two of the directors of Leader Steel Holdings Berhad, state that, in the opinion of the directors, the financial statements set out on pages 19 to 47, 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 2000 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 :

Chairman  
DATO' MOHD DESA BIN PACHI

Managing Director  
GOH CHENG HUAT

Penang,

Date : 6 April 2001

LEADER STEEL HOLDINGS BERHAD (267209K)  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

**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 19 to 47, 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 )  
above-named GOH CHENG HUAT at )  
Georgetown in the State of Penang )  
on 6 April 2001. )

BEFORE ME:

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



LEADER STEEL HOLDINGS BERHAD (267209K)  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

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

We have audited the financial statements set out on pages 19 to 47. 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 2000 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  
Public Accountants

NG SWEE WENG  
Partner  
Approval No : 1414/03/02 (J/PH)

Penang,

Date : 6 April 2001



CONSOLIDATED BALANCE SHEET  
at 31 DECEMBER 2000

	NOTE	RM	1999 RM
PROPERTY, PLANT AND EQUIPMENT	2	69,687,214	72,801,250
INVESTMENT IN AN ASSOCIATED COMPANY	4	157,500	157,500
OTHER INVESTMENT	5	2,314,876	2,564,876
GOODWILL ON CONSOLIDATION	6	251,642	263,625
<b>CURRENT ASSETS</b>			
Inventories	7	24,626,752	24,615,685
Trade and other receivables	8	12,472,529	16,969,729
Cash and cash equivalents	9	1,155,006	4,333,136
		38,254,287	45,918,550
<b>CURRENT LIABILITIES</b>			
Trade and other payables	10	7,764,393	9,795,341
Bank borrowings	11	38,708,322	48,166,180
Provision for taxation		488,477	395,851
		46,961,192	58,357,372
NET CURRENT LIABILITIES		(8,706,905)	(12,438,822)
EXPENDITURE CARRIED FORWARD	12	-	26,143
		63,704,327	63,374,572
<b>Financed by :</b>			
SHARE CAPITAL	13	19,998,000	19,998,000
RESERVES	14	28,231,855	26,102,580
SHAREHOLDERS' FUNDS		48,229,855	46,100,580
MINORITY INTERESTS		4,861,488	5,196,601
TERM LOANS	15	6,298,280	7,316,582
HIRE PURCHASE OBLIGATIONS	16	15,623	37,145
LONG TERM LIABILITY	17	97,081	194,164
DEFERRED TAXATION		4,202,000	4,529,500
		63,704,327	63,374,572

The notes set out on pages 29 to 47 form an integral part of, and should be read in conjunction with, these financial statements.



LEADER STEEL



LEADER STEEL HOLDINGS BERHAD (267209K)  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

CONSOLIDATED INCOME STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2000

	NOTE	RM	1999 RM
Revenue	18	89,108,133	106,026,078
Changes in inventories of finished goods and work-in-progress		1,537,800	(1,662,636)
Raw materials and trading inventories used		(68,379,986)	(68,880,510)
Staff costs	19	(5,196,367)	(5,814,997)
Depreciation and amortisation expenses		(4,602,902)	(4,697,132)
Operating expenses		(7,138,261)	(10,062,652)
Other operating income		726,573	1,270,891
Operating profit	20	6,054,990	16,179,042
Exceptional items	21	(250,000)	-
		5,804,990	16,179,042
Financing costs	22	(4,104,031)	(5,964,827)
Profit before tax		1,700,959	10,214,215
Tax expense	23	139,260	(1,974,386)
Profit after tax		1,840,219	8,239,829
Minority interest		335,113	(132,002)
Net profit after tax for the year		2,175,332	8,107,827
Basic earnings per ordinary share (sen)	24	10.88	40.54

The notes set out on pages 29 to 47 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 2000

	Share Capital RM	Share Premium RM	Capital Reserve RM	Exchange Fluctuation Reserve RM	Retained Profits RM	Total RM
At 1 January 1999	19,998,000	3,660,003	283,606	(14,727)	13,694,755	37,621,637
Net gain not recognised in the income statement	-	-	-	371,116	-	371,116
Net profit after tax for the year	-	-	-	-	8,107,827	8,107,827
At 31 December 1999	19,998,000	3,660,003	283,606	356,389	21,802,582	46,100,580
Net loss not recognised in the income statement	-	-	-	(46,057)	-	(46,057)
Net profit after tax for the year	-	-	-	-	2,175,332	2,175,332
At 31 December 2000	19,998,000	3,660,003	283,606	310,332	23,977,914	48,229,855

The notes set out on pages 29 to 47 form an integral part of, and should be read in conjunction with, these financial statements.



LEADER STEEL HOLDINGS BERHAD (267209K)  
(Incorporated in Malaysia)  
AND ITS SUBSIDIARIES

CONSOLIDATED CASH FLOW STATEMENT  
FOR THE YEAR ENDED 31 DECEMBER 2000

	RM	1999 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	1,700,959	10,214,215
Adjustments for :		
Amortisation of goodwill	11,983	11,983
Depreciation	4,590,919	4,685,149
(Gain)/Loss on disposal of property, plant and equipment	(14,248)	720,350
Plant and equipment written off	10,794	-
Expenditure carried forward written off	6,467	21,319
Provision for diminution in value of investment	250,000	-
Interest expense	4,104,031	5,964,827
Interest income	(85,050)	(14,512)
Loss on liquidation of investment in associated companies	-	27,695
	10,575,855	21,631,026
(Increase)/Decrease in :		
Inventories	(11,067)	(5,022,699)
Receivables	4,494,183	3,919,569
Increase/(Decrease) in :		
Payables	(1,871,716)	2,247,607
	13,187,255	22,775,503
<i>Cash generated from operating activities</i>		
Income tax paid	(95,614)	(162,340)
Interest paid	(4,104,031)	(6,053,376)
	8,987,610	16,559,787
<i>Net cash generated from operating activities</i>		
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Additions to expenditure carried forward	-	(3,028)
Interest received	85,050	14,512
Proceeds from disposal of property, plant and equipment	1,060,796	6,181,157
Proceeds from liquidation of subsidiaries (Note A)	22,143	3
Purchase of plant and equipment (Note B)	(2,534,225)	(2,684,474)
Proceeds from liquidation of investment in associated companies	-	684,236
	(1,366,236)	4,192,406
<i>Net cash (used in)/generated from investing activities</i>		

**CONSOLIDATED CASH FLOW STATEMENT (Cont'd)**

	RM	RM
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of term loans and short term advances	(5,332,601)	(6,519,006)
Repayment of hire purchase obligations	(277,287)	(365,669)
Repayment of revolving credit	(301,606)	(6,178,923)
(Repayment)/Draw down of bank borrowings, net	(10,996,379)	4,438,652
<i>Net cash used in financing activities</i>	(16,907,873)	(8,624,946)
Effects of exchange differences on retranslation of foreign subsidiary	(46,057)	371,116
Net (decrease)/increase in cash and cash equivalents	(9,332,556)	12,498,363
Cash and cash equivalents at beginning of year	(4,254,706)	(16,753,069)
<i>Cash and cash equivalents at end of year (Note D)</i>	(13,587,262)	(4,254,706)

**NOTES TO CONSOLIDATED CASH FLOW STATEMENT**
**A. Liquidation of Subsidiaries**

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

	RM	1999 RM
Expenditure carried forward	19,676	14,825
Receivables	3,017	-
Payables	(550)	(14,822)
<i>Cash flows on liquidation of subsidiaries, net of cash</i>	22,143	3

**B. Plant and Equipment**

During the year, the Group acquired plant and equipment with an aggregate cost of RM2,534,225 (1999 : RM2,729,374) of which RM NIL (1999 : RM44,900) was acquired by means of hire purchase. The balance of RM2,534,225 (1999 : RM2,684,474) was made by cash payments.

**C. Term Loans/Bank Borrowings**

During the year, an amount of RM5,000,000 (1999 : RM1,781,678) in respect of a subsidiary and outstanding since the last financial year, was converted from bank borrowings to term loans.

**D. Cash and Cash Equivalents**

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

	RM	1999 RM
Cash and bank balances	959,551	1,944,015
Bank overdrafts	(14,742,268)	(8,587,842)
Short term deposits with licensed banks	195,455	2,389,121
	(13,587,262)	(4,254,706)

The notes set out on pages 29 to 47 form an integral part of, and should be read in conjunction with, these financial statements.



LEADER STEEL



LEADER STEEL HOLDINGS BERHAD (267209K)  
(Incorporated in Malaysia)

**BALANCE SHEET**  
AT 31 DECEMBER 2000

	NOTE	RM	1999 RM
INTEREST IN SUBSIDIARIES	3	39,922,749	38,551,177
OTHER INVESTMENT	5	2,314,876	2,564,876
<b>CURRENT ASSETS</b>			
Tax refundable		255	-
Cash and cash equivalents	9	11,764	20,777
		12,019	20,777
<b>CURRENT LIABILITIES</b>			
Sundry payables	10	31,992	39,242
		31,992	39,242
<b>NET CURRENT LIABILITIES</b>		(19,973)	(18,465)
		<u>42,217,652</u>	<u>41,097,588</u>
<b>Financed by :</b>			
SHARE CAPITAL	13	19,998,000	19,998,000
RESERVES	14	22,219,652	21,099,588
		<u>42,217,652</u>	<u>41,097,588</u>

The notes set out on pages 29 to 47 form an integral part of, and should be read in conjunction with, these financial statements.





**INCOME STATEMENT**  
FOR THE YEAR ENDED 31 DECEMBER 2000

	NOTE	RM	1999 RM
Revenue	18	2,112,128	7,990,882
Operating expenses		(292,064)	(95,261)
Other operating income		-	71,752
Operating profit	20	1,820,064	7,967,373
Exceptional items	21	(700,000)	(1,000,000)
		<u>1,120,064</u>	<u>6,967,373</u>
Financing costs	22	-	(71,752)
Profit before tax		<u>1,120,064</u>	<u>6,895,621</u>
Tax expense	23	-	(976,413)
Net profit after tax for the year		<u>1,120,064</u>	<u>5,919,208</u>

The notes set out on pages 29 to 47 form an integral part of, and should be read in conjunction with, these financial statements.



LEADER STEEL HOLDINGS BERHAD (267209K)  
(Incorporated in Malaysia)

STATEMENT OF CHANGES IN EQUITY  
FOR THE YEAR ENDED 31 DECEMBER 2000

	Share Capital RM	Share Premium RM	Retained Profits RM	Total RM
At 1 January 1999	19,998,000	3,660,003	11,520,377	35,178,380
Net profit after tax for the year	-	-	5,919,208	5,919,208
At 31 December 1999	19,998,000	3,660,003	17,439,585	41,097,588
Net profit after tax for the year	-	-	1,120,064	1,120,064
At 31 December 2000	19,998,000	3,660,003	18,559,649	42,217,652

The notes set out on pages 29 to 47 form an integral part of, and should be read in conjunction with, these financial statements.

**CASH FLOW STATEMENT**  
FOR THE YEAR ENDED 31 DECEMBER 2000



	RM	1999 RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	1,120,064	6,895,621
Adjustments for :		
Interest expense	-	71,752
Interest income	-	(71,752)
Loss on liquidation of subsidiaries (Note A)	29,200	5
Provision for diminution in value of investments	700,000	1,000,000
Dividend income	(2,122,128)	(7,990,882)
	<hr/>	<hr/>
Operating loss before working capital changes	(272,864)	(95,256)
Increase in subsidiaries	(1,921,572)	(6,106,257)
Decrease in payables	(7,250)	(68,384)
	<hr/>	<hr/>
Cash used in operating activities	(2,201,686)	(6,269,897)
Income tax paid	(255)	(610)
Interest paid	-	(71,752)
	<hr/>	<hr/>
Net cash used in operating activities	(2,201,941)	(6,342,259)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Interest received	-	71,752
Dividend received	2,122,128	7,015,079
Proceeds from liquidation of investment in associated companies	-	500,000
Proceeds from liquidation of subsidiaries (Note A)	70,800	-
Net cash generated from investing activities	2,192,928	7,586,831
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Repayment of bank borrowings	-	(1,250,000)
Net cash used in financing activities	-	(1,250,000)
	<hr/>	<hr/>
Net decrease in cash and cash equivalents	(9,013)	(5,428)
Cash and cash equivalents at beginning of year	20,777	26,205
	<hr/>	<hr/>
Cash and cash equivalents at end of year (Note B)	11,764	20,777



CASH FLOW STATEMENT (Cont'd)

NOTES TO CASH FLOW STATEMENT

A. Loss on liquidation of subsidiaries

The value of assets liquidated are as follows :

	RM	1999 RM
Cost of investment	100,000	5
Loss on liquidation of subsidiaries	(29,200)	(5)
Cash flows on liquidation of subsidiaries	<u>70,800</u>	<u>-</u>

B. 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 29 to 47 form an integral part of, and should be read in conjunction with, these financial statements.



## NOTES TO THE FINANCIAL STATEMENTS 31 DECEMBER 2000

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### 1.1 Basis of Accounting

The financial statements of the Group and of the Company are prepared under the historical cost convention as modified by the revaluation of certain property, plant and equipment and in compliance with applicable approved accounting standards in Malaysia.

#### 1.2 Basis of Consolidation

Subsidiaries are those enterprises controlled by the Company. Control exists when the Company has the power, directly or indirectly to govern the financial and operating policies of an enterprise so as to obtain benefits from its activities. The financial statements of subsidiaries are included in the consolidated financial statements from the date that control effectively commences until the date that control effectively ceases. Subsidiaries are consolidated using the acquisition method of accounting except for Leader Steel Sdn. Bhd. and Leader Steel Marketing Sdn. Bhd. which are consolidated using the merger method of accounting.

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

Under the acquisition method of accounting, the results of subsidiaries acquired or disposed during the year are included from the date of acquisition or up to the date of disposal. At the date of acquisition, the fair values of the subsidiaries' net assets are determined and these values are reflected in the Group financial statements. The difference between the acquisition cost and the fair values of the subsidiaries' net assets is reflected as goodwill or reserve on consolidation as appropriate. Goodwill or reserve on consolidation is amortised in equal instalments to the income statement over twenty-five (25) years.

Under the merger method of accounting, the difference between the cost of acquisition and the nominal value of the share capital and reserves of the subsidiaries is taken to merger reserve. Any merger debit arising is written off against 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.

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.

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. Hence, in accordance with the transitional provisions on the application of International Accounting Standard 16 : Property, Plant and Equipment issued by the Malaysian Accounting Standards Board, the valuation has not been updated. Surpluses arising from the above revaluation were dealt with in the revaluation reserve account.

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

### 1.4 Depreciation

Leasehold land is amortised in equal instalments over the period of the lease of 60 years. On other property, plant and equipment, depreciation is calculated to write off the cost or valuation of the assets concerned on a straight line basis over their expected useful lives at the following annual rates :

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

### 1.5 Investments

Investments are held on a long term basis and are stated at cost. A provision is made when the directors are of the view that there is a permanent diminution in their value.

### 1.6 Associated Company

The Group treats as associated company that company in which a long term equity interest of between 20% and 50% is held and where the Group is in a position to exercise a significant influence over the financial and operating policies of this company.

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

#### 1.7 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 finished goods and work-in-progress includes cost of raw materials, indirect materials, direct labour and an appropriate allocation of manufacturing overheads. The cost of raw materials, trading inventories and consumables comprises the original purchase price plus incidentals in bringing these inventories to their present location and condition.

#### 1.8 Expenditure Carried Forward

Preliminary and pre-operating expenses incurred by the Group prior to commencement of operations of the companies in the Group were deferred and carried forward in the balance sheet at cost. During the year ended 31 December 2000, preliminary and pre-operating expenses were written off in full to the income statement following a re-assessment of their carrying value by the directors.

#### 1.9 Capitalisation of Borrowing Cost

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

#### 1.10 Cash and Cash Equivalents

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

#### 1.11 Revenue

##### i) Goods and services rendered

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

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

##### ii) Dividend income

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

##### iii) Interest income

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



## 1.12 Foreign Currency

### i) Foreign currency transactions

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

### 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 :

USD	RM3.80
AUD	RM2.10

## 1.13 Taxation

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

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

## 1.14 Financing Costs

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

## 1.15 Hire Purchase

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



## 2. PROPERTY, PLANT AND EQUIPMENT - GROUP

	At 1.1.2000 RM	Additions RM	Disposals RM	Write-off RM	At 31.12.2000 RM
<b>Valuation/Cost</b>					
<b>At Valuation</b>					
Long term leasehold land	4,295,000	-	-	-	4,295,000
Factory buildings	3,805,000	-	-	-	3,805,000
	<u>8,100,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>8,100,000</u>
<b>At Cost</b>					
Long term leasehold land	3,267,767	-	-	-	3,267,767
Factory buildings	14,951,141	3,373	-	-	14,954,514
Staff quarters	243,876	-	-	-	243,876
Plant and machinery	60,358,165	2,227,557	(2,492,514)	-	60,093,208
Furniture, fittings and equipment	2,181,080	253,774	(2,480)	-	2,432,374
Electrical and other installations	2,885,367	-	-	-	2,885,367
Tools and equipment	2,110,446	500	-	-	2,110,946
Renovation	110,482	-	-	-	110,482
Motor vehicles	2,171,581	49,021	(104,500)	-	2,116,102
Capital expenditure-in-progress	1,605,172	-	-	(10,794)	1,594,378
	<u>97,985,077</u>	<u>2,534,225</u>	<u>(2,599,494)</u>	<u>(10,794)</u>	<u>97,909,014</u>
		At 1.1.2000 RM	Charge for the year RM	Disposals RM	At 31.12.2000 RM
<b>Accumulated Depreciation</b>					
<b>At Valuation</b>					
Long term leasehold land		394,185	74,052	-	468,237
Factory buildings		398,183	76,100	-	474,283
		<u>792,368</u>	<u>150,152</u>	<u>-</u>	<u>942,520</u>
<b>At Cost</b>					
Long term leasehold land		98,421	54,700	-	153,121
Factory buildings		1,023,824	299,135	-	1,322,959
Staff quarters		17,884	4,878	-	22,762
Plant and machinery		18,292,332	3,310,432	(1,517,623)	20,085,141
Furniture, fittings and equipment		889,346	206,636	(2,232)	1,093,750
Electrical and other installations		1,178,364	185,569	-	1,363,933
Tools and equipment		1,418,505	136,730	-	1,555,235
Renovation		42,739	11,048	-	53,787
Motor vehicles		1,430,044	231,639	(33,091)	1,628,592
		<u>25,183,827</u>	<u>4,590,919</u>	<u>(1,552,946)</u>	<u>28,221,800</u>



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

	Net Book Value		Depreciation for the year ended 31.12.1999 RM
	At 31.12.2000 RM	At 31.12.1999 RM	
<b>At Valuation</b>			
Long term leasehold land	3,826,763	3,900,815	82,760
Factory buildings	3,330,717	3,406,817	100,725
	<u>7,157,480</u>	<u>7,307,632</u>	<u>183,485</u>
<b>At Cost</b>			
Long term leasehold land	3,114,646	3,169,346	17,376
Factory buildings	13,631,555	13,927,317	293,394
Staff quarters	221,114	225,992	4,877
Plant and machinery	40,008,067	42,065,833	3,393,115
Furniture, fittings and equipment	1,338,624	1,291,734	200,767
Electrical and other installations	1,521,434	1,707,003	189,279
Tools and equipment	555,711	691,941	142,183
Renovation	56,695	67,743	11,048
Motor vehicles	487,510	741,537	249,625
Capital expenditure-in-progress	1,594,378	1,605,172	-
	<u>69,687,214</u>	<u>72,801,250</u>	<u>4,685,149</u>

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

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

	RM	1999 RM
Plant and machinery	140,400	1,379,693
Motor vehicles	52,877	114,802
	<u>193,277</u>	<u>1,494,495</u>

One of the subsidiaries has ceased producing a type of finished goods since the last quarter of 1999. The affected plant and machinery with a net book value of RM15,219,445 have consequently been retired from active use and are maintained in serviceable condition. These assets have, accordingly, not been depreciated during the financial year.

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

The title deed to a piece of leasehold land with a net book value of RM912,509 (1999 : RM929,885) belonging to a subsidiary has yet to be issued by the relevant authority pending full settlement of the land premium.

The title deed to another piece of leasehold land with a net book value of RM2,202,137 (1999 : RM2,239,461) belonging to a subsidiary is in the process of being issued by the relevant authorities.

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

	Cost RM	Accumulated Depreciation RM	Net Book Value RM
2000			
Long term leasehold land	2,916,669	431,017	2,485,652
Factory buildings	2,152,495	303,007	1,849,488
	<u>5,069,164</u>	<u>734,024</u>	<u>4,335,140</u>
1999			
Long term leasehold land	2,916,669	372,684	2,543,985
Factory buildings	2,152,495	259,957	1,892,538
	<u>5,069,164</u>	<u>632,641</u>	<u>4,436,523</u>

The comparative figures in respect of factory buildings have been restated to conform with the current year's presentation.

## 3. INTEREST IN SUBSIDIARIES

	COMPANY	
	RM	1999 RM
Unquoted shares, at cost	24,799,600	24,899,600
Less : Provision for diminution in value	<u>(1,450,000)</u>	<u>(1,000,000)</u>
	23,349,600	23,899,600
Amount due from subsidiaries	<u>16,753,149</u>	<u>14,651,577</u>
Less : Provision for doubtful debts	<u>(180,000)</u>	<u>-</u>
	16,573,149	14,651,577
	<u>39,922,749</u>	<u>38,551,177</u>



3. INTEREST IN SUBSIDIARIES (Cont'd)

Details of the subsidiaries are as follows :

<u>Name of Subsidiary</u>	<u>Principal Activities</u>	<u>Effective interest held by the Group</u>	
		1999	
<u>Held by the Company</u>			
Leader Steel Sdn. Bhd.	Manufacture and trading of steel products	100%	100%
Leader Steel Marketing Sdn. Bhd.	Commission agent	100%	100%
Leader Steel (Sarawak) Sdn. Bhd.	Manufacture and sale of steel products	51%	51%
Leader Steel (Overseas) Sdn. Bhd.	Investment holding	60%	60%
Leader Steel Service Centre Sdn. Bhd.	Manufacture and trading of steel products	100%	100%
*Leader Steel Australia Pty Ltd	Trading and distribution of steel products	99%	99%
Leader Steel Technology Sdn. Bhd.	Manufacture and sale of steel product making machinery	100%	100%
Leader Steel Copper Wire Sdn. Bhd.	Dormant	100%	100%
Nation Quantity Sdn. Bhd.	Dormant	-	100%
First Hope Sdn. Bhd.	Dormant	85%	85%
<u>Held by Subsidiary</u>			
Sonic Steel Industries (M) Sdn. Bhd.	Trading of building and hardware material and providing shearing services	52%	52%

\*Subsidiary audited by the Australian associates of KPMG.

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

During the year, Nation Quantity Sdn. Bhd. was voluntarily liquidated.

4. INVESTMENT IN AN ASSOCIATED COMPANY

	GROUP	
	RM	1999 RM
Unquoted shares, at cost	<u>157,500</u>	<u>157,500</u>

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

<u>Name of Company</u>	<u>Principal Activities</u>	<u>Percentage of Equity Held</u>		<u>Place of Incorporation</u>
			1999	
Sonic Profiles (M) Sdn. Bhd.	Trading of building and hardware materials	50%	50%	Malaysia

The financial year end of the associated company is 31 December.

#### 5. OTHER INVESTMENT

	GROUP/COMPANY	
	1999	1999
	RM	RM
Unquoted shares, at cost	2,564,876	2,564,876
Less : Provision for diminution in value	(250,000)	-
	<u>2,314,876</u>	<u>2,564,876</u>

#### 6. GOODWILL ON CONSOLIDATION

	GROUP	
	1999	1999
	RM	RM
Balance at beginning of year	263,625	275,608
Less : Amortisation for the year	(11,983)	(11,983)
Balance at end of year	<u>251,642</u>	<u>263,625</u>

#### 7. INVENTORIES

	GROUP	
	1999	1999
	RM	RM
Raw materials	12,825,203	15,728,156
Work-in-progress	3,576,809	970,714
Finished goods	6,031,393	7,099,688
Trading inventories	2,167,085	787,856
Consumables	26,262	29,271
	<u>24,626,752</u>	<u>24,615,685</u>

The trading inventories in 1999 were carried at net realisable value. These inventories were completely disposed of in 2000.

#### 8. TRADE AND OTHER RECEIVABLES

	GROUP	
	1999	1999
	RM	RM
Trade receivables	11,920,366	14,211,962
Less : Provision for doubtful debts	(1,298,767)	(777,356)
	<u>10,621,599</u>	<u>13,434,606</u>
Amount due from companies in which certain directors have substantial financial interests	272,523	2,070,812
Amount due from an associated company	-	82,753
Other receivables	1,578,407	1,381,558
	<u>12,472,529</u>	<u>16,969,729</u>



9. CASH AND CASH EQUIVALENTS

	GROUP		COMPANY	
	RM	1999 RM	RM	1999 RM
Short term deposits with licensed banks	195,455	2,389,121	-	-
Cash and bank balances	959,551	1,944,015	11,764	20,777
	<u>1,155,006</u>	<u>4,333,136</u>	<u>11,764</u>	<u>20,777</u>

10. TRADE AND OTHER PAYABLES

	GROUP		COMPANY	
	RM	1999 RM	RM	1999 RM
Trade payables	4,022,441	3,381,373	-	-
Amount due to companies in which certain directors have substantial financial interests	-	2,892	-	-
Associated company	31,918	-	-	-
	<u>4,054,359</u>	<u>3,384,265</u>	<u>-</u>	<u>-</u>
Other payables	3,710,034	6,411,076	31,992	39,242
	<u>7,764,393</u>	<u>9,795,341</u>	<u>31,992</u>	<u>39,242</u>

## 11. BANK BORROWINGS

	GROUP	
	RM	1999 RM
Bank overdrafts	14,742,268	8,587,842
Other borrowings		
Trust receipts	1,965,228	5,041,634
Bankers' acceptances	8,463,027	21,383,000
Revolving credits	7,319,471	7,621,077
Term loans (Note 15)	6,218,328	5,291,513
Short-term advances	-	241,114
	<u>23,966,054</u>	<u>39,578,338</u>
	<u>38,708,322</u>	<u>48,166,180</u>

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

Interest on the above borrowings is charged at rates ranging from 3% to 9.5% (1999 : 4.75% to 10.30%) per annum.

## 12. EXPENDITURE CARRIED FORWARD

- At cost less amount written off

	GROUP	
	RM	1999 RM
Preliminary expenses	5,500	14,000
Pre-operating expenses	20,643	45,259
	<u>26,143</u>	<u>59,259</u>
Add : Additions	-	3,028
Less : Amount written off to income statement	(6,467)	(21,319)
Subsidiaries liquidated	(19,676)	(14,825)
	<u>-</u>	<u>26,143</u>
Additions during the year include :		
Auditors' remuneration	-	600



### 13. SHARE CAPITAL

	GROUP/COMPANY	
	RM	1999 RM
Ordinary shares of RM1 each Authorised	<u>25,000,000</u>	<u>25,000,000</u>
Issued and fully paid	<u>19,998,000</u>	<u>19,998,000</u>

### 14. RESERVES

	GROUP		COMPANY	
	RM	1999 RM	RM	1999 RM
<b>Non-distributable</b>				
Share premium	3,660,003	3,660,003	3,660,003	3,660,003
Exchange fluctuation reserve	310,332	356,389	-	-
	3,970,335	4,016,392	3,660,003	3,660,003
<b>Distributable</b>				
Capital reserve	283,606	283,606	-	-
Retained profits	23,977,914	21,802,582	18,559,649	17,439,585
	24,261,520	22,086,188	18,559,649	17,439,585
	<u>28,231,855</u>	<u>26,102,580</u>	<u>22,219,652</u>	<u>21,099,588</u>

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

### 15. TERM LOANS

	GROUP	
	RM	1999 RM
<b>Analysis of repayments :</b>		
Within 1 year	6,218,328	5,291,513
From 1-2 years	5,338,933	5,522,978
From 2-5 years	916,852	1,660,648
After 5 years	42,495	132,956
	<u>12,516,608</u>	<u>12,608,095</u>
Less : Amount repayable within 1 year included in bank borrowings (Note 11)	(6,218,328)	(5,291,513)
	<u>6,298,280</u>	<u>7,316,582</u>

The term loans are unsecured but are guaranteed by the Company. Interest is charged at rates ranging from 4.8% to 9.5% (1999 :8.25% to 10.55%) per annum.



#### 16. HIRE PURCHASE OBLIGATIONS

	GROUP	
	RM	1999 RM
Gross amount payable	41,438	348,072
Less : Unexpired interest	(3,960)	(33,307)
	<u>37,478</u>	<u>314,765</u>
Less : Amount repayable within 1 year included in other payables	(21,855)	(277,620)
Amount repayable after 1 year	<u>15,623</u>	<u>37,145</u>

Interest is payable at rates ranging from 6% to 6.8% (1999 : 6% to 6.8%) per annum flat on the principal sum financed over the period of the hire purchase.

#### 17. LONG TERM LIABILITY - GROUP

This relates to premium payable to the Land and Survey Department by a subsidiary for the purchase of land payable in annual instalments of RM97,083(1999 : RM97,083).

#### 18. REVENUE

Revenue comprises the following :

##### GROUP

Invoiced value of goods sold (less discounts allowed and returns) and income from the provision of maintenance services and shearing services rendered.

##### COMPANY

Gross dividend income received from subsidiaries.

#### 19. EMPLOYEES INFORMATION

	GROUP		COMPANY	
	RM	1999 RM	RM	1999 RM
Staff costs	<u>5,196,367</u>	<u>5,814,997</u>	-	-

The number of employees of the Group and of the Company (including directors) at the end of the year was 184 (1999 : 222) and NIL (1999 : NIL) respectively.

#### 20. OPERATING PROFIT

Operating profit is arrived at after charging :

	GROUP		COMPANY	
	RM	1999 RM	RM	1999 RM
Amortisation of goodwill (Note 6)	11,983	11,983	-	-
Auditors' remuneration				
- current year	64,620	61,053	5,000	5,000
- prior year	4,500	-	-	-



20. OPERATING PROFIT(Cont'd)

Operating profit is arrived at after charging :

	GROUP		COMPANY	
	RM	1999 RM	RM	1999 RM
Bad debts written off	350	450	-	17,664
Depreciation (Note 2)	4,590,919	4,685,149	-	-
Directors' emoluments				
- Directors of the Company				
- fees	21,000	27,000	21,000	21,000
- others	626,020	616,437	14,500	12,500
- Other directors				
- others	495,104	666,319	-	-
Expenditure carried forward written off (Note 12)	6,467	21,319	-	-
Plant and equipment written off	10,794	-	-	-
Hire of equipment	5,294	151,590	-	-
Loss on disposal of property, plant and equipment	-	720,350	-	-
Loss on liquidation of investment in associated companies	-	27,695	-	-
Professional fees payable to a firm of which a director is a member	-	16,778	-	-
Provision for doubtful debts	546,826	-	180,000	-
Provision for inventory obsolescence	-	30,642	-	-
Rental of premises	216,000	219,500	-	-
Loss on foreign exchange(realised)	50,606	-	-	-
and crediting :				
Interest income	85,050	14,512	-	71,752
Gain on disposal of plant and equipment	14,248	-	-	-
Dividend income (gross) from investment in a subsidiary	-	-	2,122,128	7,990,882
Gain on foreign exchange (realised)	-	225,901	-	-
Provision for doubtful debts written back	-	70,158	-	-

21. EXCEPTIONAL ITEMS

	GROUP		COMPANY	
	RM	1999 RM	RM	1999 RM
Provision for diminution in value of investment in:				
- a subsidiary	-	-	450,000	1,000,000
- others	250,000	-	250,000	-
	<u>250,000</u>	<u>-</u>	<u>700,000</u>	<u>1,000,000</u>

## 22. FINANCING COSTS

	GROUP		COMPANY	
	RM	1999 RM	RM	1999 RM
Interest expense :				
Term loans	950,460	1,369,173	-	-
Bank overdrafts	873,271	1,275,002	-	-
Hire purchase	28,443	65,613	-	-
Other borrowings	2,251,857	3,255,039	-	71,752
	<u>4,104,031</u>	<u>5,964,827</u>	<u>-</u>	<u>71,752</u>

## 23. TAX EXPENSE

	GROUP		COMPANY	
	RM	1999 RM	RM	1999 RM
Current tax expense				
- Current year	174,200	-	-	975,803
- Prior year	19,263	(12,614)	-	610
	193,463	(12,614)	-	976,413
Deferred tax expense				
- Current year	(69,000)	1,923,000	-	-
- Prior year	(258,500)	64,000	-	-
	(327,500)	1,987,000	-	-
Real property gains tax				
- Prior year	(5,223)	-	-	-
	<u>(139,260)</u>	<u>1,974,386</u>	<u>-</u>	<u>976,413</u>

The disproportionate tax charge in relation to the results of the Group for the financial year ended 31 December 2000 is mainly due to availability of certain tax incentives to a subsidiary.

The disproportionate tax charge in relation to the results of the Company for the financial year ended 31 December 2000 is mainly due to tax exempt dividend received.

Subject to agreement with the Inland Revenue Board, the Company has sufficient tax exempt income and Section 108 tax credit to distribute/frank RM13,771,000 (1999 : RM11,727,000) and RM2,581,000 (1999 : RM2,581,000) respectively of its distributable reserves at 31 December 2000 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 :

	1999 RM'000	1999 RM'000
Unutilised tax losses	(3,038)	(3,013)
Other timing differences	89	(864)
	<u>(2,949)</u>	<u>(3,877)</u>



24. EARNINGS PER SHARE - GROUP

The earnings per share has been calculated based on the profit attributable to shareholders of RM2,175,332 (1999 : RM8,107,827) and on 19,998,000 (1999 : 19,998,000) ordinary shares in issue.

25. CONTINGENT LIABILITIES, unsecured

	GROUP	
	RM'000	1999 RM'000
Bills discounted	<u>506</u>	<u>-</u>

	COMPANY	
	RM'000	1999 RM'000

i) Corporate guarantees

Amount of corporate guarantees given to licensed banks for credit facilities granted to certain subsidiaries	<u>193,628</u>	<u>209,628</u>
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The amount of credit facilities utilised as at balance sheet date was RM44.833 million (1999 : RM47.790 million).

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

26. CONTINGENT LOSS - GROUP

As stated in Note 2, a subsidiary has retired the plant and machinery, previously employed in the production of a type of finished goods, from active use and is seeking buyer(s) therefor. Given the present economic climate, the subsidiary may ultimately fetch a price for the affected plant and machinery lower than their net book value. No provision for any impairment loss has however been made in the financial statements due to lack of information on the realisable value of the plant and machinery.

27. CAPITAL COMMITMENT

	GROUP	
	RM'000	1999 RM'000
Property, plant and equipment Contracted but not provided for	<u>906</u>	<u>-</u>

28. RELATED PARTIES

28.1 Related Party Relationships

i) Companies controlled by the Company (subsidiaries) and that where the Group is in a position to exercise a significant influence over its financial and operating policies (associated company) are disclosed in Notes 3 and 4 respectively.

ii) Companies in which certain directors, namely Messrs Goh Cheng Huat and Tan Pak Say, are deemed to have substantial financial interests :

- Eonmetall Corporation Sdn. Bhd. ("ECSB")  
(Formerly known as Eontarr Corporation Sdn. Bhd.) and its subsidiaries
- GCH Property (Australia) Pty Ltd
- Victory Aura Sdn. Bhd.
- Foremost Score Sdn. Bhd.
- Sonic Profiles (M) Sdn. Bhd.
- GP Jaya Sdn. Bhd.

## 28. RELATED PARTIES (Cont'd)

- iii) Companies in which a director of a subsidiary (Leader Steel (Sarawak) Sdn. Bhd.), namely Messrs. 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 director of a subsidiary (Leader Steel (Sarawak) Sdn. Bhd.), namely Messrs. Tiong Yong Kuang, is deemed to have substantial financial interests :-
- Hung Guan Trading Sdn. Bhd.
- v) Company in which a director of a subsidiary (Leader Steel (Sarawak) Sdn. Bhd.), namely Messrs. Yii Hie Mei, is deemed to have substantial financial interests :-
- Syarikat Moh Huat Sdn. Bhd.
- vi) Company in which close family members of Messrs. Goh Cheng Huat and Tan Pak Say are deemed to have substantial financial interests :-
- GP Jaya Sdn. Bhd.
- vii) Key management personnel of the Group :-
- Mr. Goh Cheng Huat
  - Madam Tan Pak Say
  - Mr. Goh Kim Sin
  - Mr. Pregalathan a/l Veerasamy
  - Mr. Lim Hong Sun @ Lim Hong Siang
  - Mr. Tan Yew Teong
  - Mr. Lee Tian Soon
  - Mr. Low Tze Heng
  - Mr. Yeoh Cheng Chye
  - Ms. Bong Siew Kiaw

### 28.2 Transactions with Related Parties

- i) Transactions by the Group with Eonmetall Industries Sdn. Bhd. (Formerly known as Eontarr Metal Industries Sdn. Bhd.), a subsidiary of ECSB :-

	RM'000	1999 RM'000
- Sales	453	4,794
- Purchases	50	1,964
- Sale of machinery	-	364
- Purchase of machinery	-	125
- Services rendered	108	-
	<hr/>	<hr/>

- ii) Transactions by the Group with Eonmetall Technology Sdn. Bhd. (Formerly known as Eontarr Tecnology Sdn. Bhd.), a subsidiary of ECSB :-

	RM'000	1999 RM'000
- Sales	10	1,170
- Sale of plant and equipment	179	-
	<hr/>	<hr/>

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

	RM'000	1999 RM'000
- Sales	11	98
- Purchases	-	321
	<hr/>	<hr/>

28. RELATED PARTIES (Cont'd)

iv) Transactions by the Group with GCH Metal Industries Sdn. Bhd., a subsidiary of ECSB :-

	RM'000	1999 RM'000
- Rental receivable	-	2

v) Transactions by the Group with GCH Property (Australia) Pty Ltd. :-

	RM'000	1999 RM'000
- Management fee receivable	19	-
- Rental payable	-	142

vi) Transactions by the Group with Eontarr Resources Sdn. Bhd., a subsidiary of ECSB :-

	RM'000	1999 RM'000
- Sales	-	12

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

	RM'000	1999 RM'000
- Sales	713	857

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

	RM'000	1999 RM'000
- Sales	435	493

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

	RM'000	1999 RM'000
- Sales	502	298

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

	RM'000	1999 RM'000
- Sales	177	-

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

	RM'000	1999 RM'000
- Sales	83	-
- Purchases	115	-
- Rental payable	-	6

xii) Transactions by the Group with GP Jaya Sdn. Bhd. :-

	RM'000	1999 RM'000
- Sales	840	208
- Purchases	138	-

28. RELATED PARTIES (Cont'd)

28.2 Transactions with Related Parties (Cont'd)

xiii) 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.

28.3 Balances with related parties

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

	RM	1999 RM
Amount due to		
Victory Aura Sdn. Bhd.	-	447,255
Eonmetall Industries Sdn Bhd	32,891	36,233
	<u>32,891</u>	<u>36,233</u>

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

29. SEGMENT REPORTING - GROUP

Analysis by geographical location

	Revenue RM	Profit/(Loss) Before Tax RM	Assets Employed RM
<b>2000</b>			
Malaysia	87,474,689	1,819,880	110,230,112
Australia	1,633,444	(118,921)	435,407
	<u>89,108,133</u>	<u>1,700,959</u>	<u>110,665,519</u>
<b>1999</b>			
Malaysia	100,967,180	10,873,549	119,686,912
Australia	5,092,551	(659,334)	2,045,032
	<u>106,059,731</u>	<u>10,214,215</u>	<u>121,731,944</u>

No analysis by activities has been prepared as the Group is principally involved in only one sector of operations.

30. COMPARATIVES

Following the adoption of the Standards of the Malaysian Accounting Standards Board in the preparation of this set of financial statements, the presentation and classification of certain items in the financial statements have been amended.

Accordingly, comparative amounts for those items have been reclassified to ensure comparability with the current financial year.



## LIST OF PROPERTIES OWNED BY THE GROUP

<u>Location</u>	<u>Tenure</u>	<u>Approximate Age of Building</u>	<u>Area (Square metres)</u>	<u>Description</u>	<u>Net book Value at 31 December 2000</u> RM'000
Leader Steel Sdn Bhd Plot 85 Lorong Perusahaan Utama Kawasan Perusahaan Bukit Tengah 14000 Bukit Tengah Pulau Pinang, Malaysia	Leasehold  60 years, expiring 21.12.2052	8 years	34,000	Factory	13,454
6 Lorong Limau Manis 1 Taman Limau Manis 14000 Bukit Tengah Pulau Pinang, Malaysia	Freehold Double storey terrace house	6 years	111	Residential premise for factory workers	111
8 Lorong Limau Manis 1 Taman Limau Manis 14000 Bukit Tengah Pulau Pinang, Malaysia	Freehold Double storey terrace house	6 years	111	Residential premise for factory workers	111
Leader Steel (Sarawak ) Sdn Bhd Lot 841 Block 7 MTLD Sejangkat Industrial Park 93050 Kuching Sarawak, Malaysia	Leasehold  60 years, expiring 10.11.2053	8 years	33,600	Factory	8,247
Leader Steel Copper Wire Sdn Bhd Plot 525, Zone 12 Pasir Gudang Industrial Area Jalan Keluli 9, Mukim Plentong Pasir Gudang Johor, Malaysia	Leasehold  60 years, expiring 27.8.2057		12,156	Vacant Land	2,202





## SUBSTANTIAL SHAREHOLDERS AS PER REGISTER

AS AT 4 APRIL 2001

Name	Ordinary shares of RM1 each No. of Shares		Percentage
	Direct Interest	Deemed Interest	%
1. Goh Cheng Huat	1,695,099	9,005,979	53.51
2. Tan Pak Say	1	10,701,077	53.51
3. Bischart Sdn Bhd	9,005,978	-	45.03
4. Amanah Raya Berhad - Skim Amanah Saham Bumiputera	4,594,000	-	22.97

## DIRECTORS' SHAREHOLDINGS

AS AT 21 JANUARY 2001

Name of Director	Ordinary shares of RM1 each	
	Direct Interest	Deemed Interest
	Balance at 21.01.2001	Balance at 21.01.2001
1. Goh Cheng Huat	1,695,099	9,005,979
2. Tan Sri Dato' Soong Siew Hoong	25,000	-
3. Tan Pak Say	1	10,701,077
4. Lim Leng Han	3,000	-
5. Dato' Mohd Desa bin Pachi	-	-
6. Goh Kee Seng	-	-
7. Mohd Nizam bin Zainordin	-	-

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

## STATISTICS OF SHAREHOLDINGS

AS AT 4 APRIL 2001

AUTHORISED SHARE CAPITAL	: RM25,000,000
ISSUED AND FULLY PAID-UP CAPITAL	: RM19,998,000
CLASS OF SHARE	: Ordinary shares of RM1 each fully paid
VOTING RIGHT	: 1 vote per ordinary share

### Breakdown of shareholdings

	Size of Shareholdings	No. of Shareholders	No. of Shares	% of Issued Share Capital
	1 - 999	1	1	0.00
	1,000 - 10,000	1,257	2,723,002	13.62
	10,001 - 100,00	75	1,736,920	8.68
	100,001 - 999,949	4	1,220,052	6.10
	999,950 - 19,998,000	3	14,318,025	71.60
		<u>1,340</u>	<u>19,998,000</u>	<u>100.00</u>



## THIRTY LARGEST SHAREHOLDERS

<u>Name</u>	<u>No. of Shares</u>	<u>% of Issued Share Capital</u>
1. Southern Nominees (Tempatan) Sdn Bhd Bischart Sdn Bhd	8,668,978	43.35
2. Amanah Raya Nominees (Tempatan) Sdn Bhd Skim Amanah Saham Bumiputera	4,594,000	22.97
3. Southern Nominees (Tempatan) Sdn Bhd Goh Cheng Huat	1,055,047	5.28
4. Goh Cheng Huat	640,052	3.20
5. Bischart Sdn Bhd	337,000	1.68
6. Ng Swee Yoot	123,000	0.62
7. Toh Hee Chooy	120,000	0.60
8. Kueh Song Joo	70,000	0.35
9. PRB Nominees (Tempatan) Sdn Bhd Rubber Industry Smallholders Development Authority	65,000	0.32
10. Sim Choh Sang @ Sim Choh Shan	56,000	0.28
11. Husnah Binti Abdul Latiff	54,000	0.27
12. Satria Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Goh Kim Sin	51,000	0.26
13. Citicorp Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Ng Geok Lian	47,000	0.24
14. Chua Siew Lan	46,000	0.23
15. Tan Yew Teong	41,000	0.20
16. Bong Chong Hang	40,000	0.20
17. Peninsula Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tee Cheng Teok	40,000	0.20
18. Loh Loon Keng	38,000	0.19
19. Goh Li Li	36,000	0.18
20. Chan Mei Yee	36,000	0.18
21. Goh Ming Hui	32,000	0.16
22. Lim Siew See	30,000	0.15
23. Eng Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Tan Heng Loon	27,000	0.14
24. TA Nominees (Tempatan) Sdn Bhd Pledged Securities Account for Lin Loy Fook	27,000	0.14
25. Ng Hoi Cheu	26,000	0.13
26. Tay Boon Seng	26,000	0.13
27. Tan Phaik Hoon	26,000	0.13
28. Lim Soon Leong @ Lim Shoon Leong	25,000	0.12
29. Soong @ Soong Siew Hoong	25,000	0.12
30. Yeoh Cheng Han	25,000	0.12
<b>TOTAL</b>	<u>16,427,077</u>	<u>82.14</u>

# PROXY FORM

## LEADER STEEL HOLDINGS BERHAD (267209K)

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 EIGHTH 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 Friday, 25 May 2001 at 10:00 a.m. and at any adjournment thereof.

NO.	ORDINARY RESOLUTIONS	FOR	AGAINST
1.	To receive and adopt the Financial Statements. -Resolution 1		
2a.	To re-elect Directors who retire pursuant to Article 102 :- i) Dato' Mohd Desa bin Pachi -Resolution 2		
	ii) Mdm Tan Pak Say -Resolution 3		
2b.	To re-elect Tan Sri Dato' Soong Siew Hoong who retires pursuant to Section 129. -Resolution 4		
3.	To approve the Directors' fees. -Resolution 5		
4.	To re-appoint Messrs. KPMG as Auditors. -Resolution 6		
5.	i) Authority to issue shares pursuant to Section 132D of the Companies Act, 1965. -Resolution 7		
	<b>SPECIAL RESOLUTION</b>		
	ii) Proposed Amendments to the Articles of Association. -Resolution 1		

(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, 2001.

\_\_\_\_\_  
Signature of Shareholder

No. of Ordinary Shares Held

### Notes:

- 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.
- 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.
- To be valid, the proxy form must be deposited at the Company's Registered Office at 1st Floor (Room 102), Wisma Penang Garden, 42 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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**To: M & C SERVICES SDN BHD**  
**1st Floor (Room 102)**  
**Wisma Penang Garden**  
**42, Jalan Sultan Ahmad Shah**  
**10050 Penang.**

