



LEADER STEEL HOLDINGS BERHAD

(Company No. 267209 - K)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED BALANCE SHEET
AS AT 30 JUNE 2010**

	NOTE	UNAUDITED 30 JUNE 2010 RM'000	AUDITED 31 DECEMBER 2009 RM'000
ASSETS			
Property, plant and equipment		82,237	81,081
Prepaid lease payments		3,486	5,915
Other investments	19	472	516
Investment property		632	634
TOTAL NON-CURRENT ASSETS		86,827	89,146
Inventories		41,275	51,859
Trade and other receivables		54,156	40,143
Assets held for sale		4,365	300
Current tax assets		403	426
Cash and cash equivalents		766	8,301
TOTAL CURRENT ASSETS		100,965	101,029
TOTAL ASSETS		187,792	189,175
EQUITY			
Share capital		64,016	64,016
Reserves		33,062	29,722
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		97,078	93,738
Minority interest		0	38
TOTAL EQUITY		97,078	93,776
LIABILITIES			
Borrowings	21	2,759	3,787
Deferred tax liabilities		7,468	7,468
TOTAL NON-CURRENT LIABILITIES		10,227	11,255
Trade and other payables		33,157	15,258
Borrowings	21	45,511	67,300
Current tax liabilities		1,819	1,586
TOTAL CURRENT LIABILITIES		80,487	84,144
TOTAL LIABILITIES		90,714	95,399
TOTAL EQUITY AND LIABILITIES		187,792	189,175
Net Assets Per Share (Sen)		75.82	73.21

The condensed consolidated balance sheet should be read in conjunction with the most recent annual financial statements as at 31 December 2009.



LEADER STEEL HOLDINGS BERHAD
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**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

	NOTE	CURRENT 3 MONTHS ENDED 30 JUNE		CUMULATIVE 6 MONTHS ENDED 30 JUNE	
		2010 RM'000 (Unaudited)	2009 RM'000 (Unaudited)	2010 RM'000 (Unaudited)	2009 RM'000 (Unaudited)
Revenue		51,349	80,902	120,302	154,610
Operating expenses		(50,670)	(78,426)	(115,178)	(151,217)
Operating income		(58)	120	(105)	462
Operating profit/(loss)		620	2,596	5,020	3,855
Interest expense		(540)	(285)	(1,113)	(1,011)
Interest income		12	28	39	47
(Loss)/Profit before tax		92	2,339	3,946	2,891
Tax expense	17	41	(200)	(600)	(200)
(Loss)/Profit for the year		133	2,139	3,346	2,691
Attributable to:					
Equity holders of the Company		133	2,141	3,383	2,693
Minority interests		0	(2)	(38)	(2)
(Loss)/Profit for the year		133	2,139	3,346	2,691
Basic earnings per ordinary share (sen)	24	<u>0.02</u>	<u>1.67</u>	<u>2.61</u>	<u>2.10</u>
Diluted earnings per ordinary share (sen)	24	<u>0.02</u>	<u>1.67</u>	<u>2.61</u>	<u>2.10</u>

The condensed consolidated income statement should be read in conjunction with the most recent annual financial statements as at 31 December 2009.



LEADER STEEL HOLDINGS BERHAD
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**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 30 JUNE 2010**

	INDIVIDUAL QUARTER 3 MONTHS ENDED 30 JUNE		CUMULATIVE QUARTER 6 MONTHS ENDED 30 JUNE	
	2010 RM'000 (Unaudited)	2009 RM'000 (Unaudited)	2010 RM'000 (Unaudited)	2009 RM'000 (Unaudited)
Profit for the period	133	2,139	3,346	2,691
Other comprehensive income for the period				
- Gain on fair value in financial assets available-for-sale	(108)	-	(44)	-
Total comprehensive income for the period	<u>25</u>	<u>2,139</u>	<u>3,302</u>	<u>2,691</u>
Attributable to:				
Equity holders of the Company	25	2,141	3,340	2,693
Minority interests	<u>-</u>	<u>(2)</u>	<u>(38)</u>	<u>(2)</u>
	<u>25</u>	<u>2,139</u>	<u>3,302</u>	<u>2,691</u>



LEADER STEEL HOLDINGS BERHAD
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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

	← Attributable to equity holders of the Company →							Minority interest RM'000	Total equity RM'000
	Share Capital RM'000	Share Premium RM'000	Non-Distributable Share option reserve RM'000	Available For Sale reserve RM'000	Distributable Capital reserve RM'000	Distributable Retained earnings RM'000	Total RM'000		
Balance as at 1 January 2010	64,016	4	2,185		283	27,250	93,738	38	93,776
Total comprehensive income for the period	-	-	-	(44)	-	2,057	2,013	(38)	1,975
Balance as at 30 June 2010	<u>64,016</u>	<u>4</u>	<u>2,185</u>	<u>(44)</u>	<u>283</u>	<u>29,307</u>	<u>95,751</u>	-	<u>95,751</u>
Balance as at 1 January 2009	64,016	4	2,135	-	283	21,397	87,835	-	87,835
Total comprehensive income for the period	-	-	-	-	-	2,693	2,693	(2)	2,691
Equity settled share-based transactions	-	-	25		-	-	25	-	25
Issues of shares	-	-	-		-	-	-	49	49
Balance as at 30 June 2009	<u>64,016</u>	<u>4</u>	<u>2,160</u>	<u>-</u>	<u>283</u>	<u>24,090</u>	<u>90,553</u>	<u>47</u>	<u>90,600</u>

The condensed consolidated statement of changes in equity should be read in conjunction with the most recent annual financial statements as at 31 December 2009



LEADER STEEL HOLDINGS BERHAD
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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2010**

	UNAUDITED 30 JUNE 2010 RM'000	UNAUDITED 30 JUNE 2009 RM'000
Profit before tax	3,946	2,891
Adjustments for :-		
Non-cash items	4,116	3,324
Non-operating items	1,075	964
Operating profit before changes in working capital	9,137	7,179
Changes in working capital		
- Net changes in current assets	(3,430)	15,510
- Net changes in current liabilities	17,899	(5,345)
- Tax paid	(344)	(677)
- Interest received	39	-
- Interest paid	(1,113)	-
- Dividend received	-	-
Net cash (outflow)/inflow from operating activities	23,188	16,667
Investing Activities		
- Capital expenditure	(6,906)	(4,934)
- Other investments	-	-
- Others	-	46
	49	49
Net cash outflow from investing activities	(6,906)	(4,839)
Financing Activities		
- Bank borrowings, net	(28,856)	(9,352)
- Issue of share capital	-	-
- Dividend paid	-	-
- Others	-	(1,009)
Net cash inflow from financing activities	(28,856)	(10,361)
Net decrease in cash and cash equivalents	(13,574)	1,467
Cash and cash equivalents at 1 January	8,301	2,869
Cash and cash equivalents at 31 December	(5,273)	4,336
Cash and cash equivalents consist of :-		
Deposits with a licenced bank	-	6,000
Cash and bank balances	766	3,547
Bank Overdraft	(6,039)	(5,211)
	(5,273)	4,336

The condensed consolidated cash flow statement should be read in conjunction with the most recent annual financial statements as at 31 December 2009



LEADER STEEL HOLDINGS BERHAD

(Company No.267209-K)

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NOTES TO THE INTERIM FINANCIAL REPORT

1. Basis of Preparation

The interim financial report is unaudited and has been prepared in compliance with FRS 134, Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad and should be read in conjunction with the most recent annual audited financial statements of the Group for the year ended 31 December 2009. These explanatory notes provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2009.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with the most recent annual audited financial statements for the year ended 31 December 2009, except for the adoption of the following new/revised Financial Reporting Standards (“FRS”) effective 1 January 2010 as follows:

- FRS 7, Financial Instruments: Disclosures
- FRS 8, Operating Segments
- FRS 101, Presentation of Financial Statements (revised)
- FRS 139, Financial Instruments: Recognition and Measurement
- Amendments to FRS 1, First-time Adoption of Financial Reporting Standards
- Amendments to FRS 2, Share-based Payment: Vesting Conditions and Cancellations
- Amendments to FRS 127, Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate
- Improvements to FRSs (2009)
- IC Interpretation 9, Reassessment of Embedded Derivatives
- IC Interpretation 10, Interim Financial Reporting and Impairment

The initial applications of the other standards, amendments and interpretations are not expected to have any material impact on the financial statements of the Group, except as disclosed below:

(a) FRS 8, *Operating Segments*

FRS 8 replaces FRS 114₂₀₀₄, Segment Reporting and requires the identification and reporting of operating segments based on internal reports that are regularly reviewed by the entity’s chief operating decision maker in order to allocate resources to the segment and to assess its performance. The adoption of FRS 8 will not have any significant impact on the financial statements of the Group other than expanded disclosure requirements, if any.



1. Basis of Preparation (Cont'd)

(b) FRS 101, Presentation of Financial Statements (revised)

The Group adopts FRS 101, Presentation of Financial Statements (revised) which became effective as of 1 January 2010. FRS 101 (revised) requires the Group to present in statement of changes in equity all owner changes in equity, whereas all non-owner changes in equity are presented in the statement of comprehensive income. Comparative information has been re-presented in order to conform with the revised standard. FRS 101 (revised) impacts presentation of financial information, and does not have any impact on the Group's financial position or results.

(c) FRS 139 Financial Instruments: Recognition and Measurement

(i) Financial assets

Financial assets are classified either as fair value through profit and loss, financial assets held-to-maturity, loans and receivables or financial assets available-for-sale.

Financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest method, less any impairment losses.

Prior to 1 January 2010, the Group classified its investment in quoted securities as non-current investments which are stated at cost less allowance for diminution in value. With the adoption of FRS 139, these investments are now classified as financial assets available-for-sale and measured at fair value. Subsequent changes to the fair value of these quoted securities have been recognised directly in the Consolidated Statement of Comprehensive Income.

(ii) Financial liabilities

Financial liabilities are classified as either financial liabilities at fair value through profit and loss or other financial liabilities at amortised cost using the effective interest method.

2. Audit Report

The audit report of the preceding annual financial statements ended 31 December 2009 was not subject to any qualification.

3. Seasonal or cyclical factors

The business of the Group was not be affected by any significant seasonal or cyclical factors.



4. Unusual items

There were no items of unusual nature, size or incidence which affect assets, liabilities, equity, net income or cash flows during the current period under review.

5. Changes in estimates

There were no changes in estimates of amounts reported in prior year that have a material effect in the current period under review.

6. Debts and equity or securities

There were no issuance and repayment of debts and equity securities, share buy-backs, share cancellations held as treasury shares and resale of treasury shares for the current period under review.

7. Dividend

No dividend was paid or declared for the current quarter under review.

8. Segment information

No segment information by business activities has been prepared as the Group's activities involved are primarily in one sector of operations only.

9. Property, plant and equipment

The valuations of land and buildings have been brought forward, without amendment from the previous annual report.

10. Events subsequent to the balance sheet date

On 23 April 2010, a wholly-owned subsidiary of the Company, GCH Metal Service Centre Sdn. Bhd. entered into a Sale and Purchase Agreement ("S & P Agreement") with Chin Well Fasteners Co. Sdn. Bhd. to dispose of a piece of leasehold land together with the structure to be erected thereon according to the approved building plan for a total consideration of RM4,950,000.00. The proposed disposal is expected to be completed within six months from the date of the S & P Agreement.

On 8 July 2010, The Board of Directors of the Company approved the acquisition of 40% and 60% owned social capital of PADMA YESSHE S. DE R.L. DE C.V ("Padma Yesshe"), a company incorporated in Mexico by its two (2) wholly-owned subsidiaries, Leader Steel Sdn. Bhd. and Leader Steel Minerals Corporation Sdn. Bhd. for a total cash consideration of 20,000 Peso and 30,000 Peso respectively or approximately RM5,120 and RM7,680 respectively.



11. Changes in the composition of the Group

There were no changes in the composition of the Group for the current quarter under review.

12. Changes in contingent liabilities

30 June 2010
RM' 000

Amount of corporate guarantees given to licensed banks for credit facilities granted to subsidiaries	358,050
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13. Review of the performance

The Group achieved revenue of RM120.30 million for the six months ended 30 June 2010, a decrease of 22.19% as compared to RM154.61 million in the preceding year's corresponding period. Despite lower revenue, profit before tax increased by RM1.05 million or 36.47% to RM3.95 million. The increase in profit before tax was mainly due to higher selling prices of our steel products during current quarter under review.

14. Variation of results against preceding quarter

During the current quarter under review, the Group recorded revenue of RM51.35 million, a decrease of RM17.6 million or 25.53% compared to RM68.95 million in the preceding quarter. The current quarter profit before tax is RM0.09 million as compared to profit before tax of RM3.85 million in the preceding quarter. Decrease in profit was due to lower profit margin of steel products and iron ore during the quarter under review.

15. Prospects

The directors are optimistic that the Groups performance for the coming quarter will continue to be profitable.

16. Profit forecast

Not applicable as no profits forecast was issued.



17. Tax expense

	Current Quarter 3 months ended 30 June		Cumulative Quarter 6 months ended 30 June	
	2010 RM'000	2009 RM'000	2010 RM'000	2009 RM'000
Malaysian tax				
- Current	(41)	200	600	200
- Prior year		-	-	-
Total tax expense	(41)	200	600	200

The Group's effective tax rate for the current quarter was lower than the statutory tax rate mainly due to tax incentives available to certain subsidiaries.

18. Unquoted investment and properties

There were no disposals of unquoted investment and properties during the current quarter under review.

19. Investment in quoted securities (Financial assets available-for-sale)

There are no purchases or disposals of quoted securities for the current quarter under review.

Movement and balances of investment in quoted securities as at 30 June 2010 is as below:

Movement	RM'000
Balance at 1 January 2010	516
Less: Fair value changes	44
Balance at 30 June 2010	<u>472</u>

	As at 30 June 2010 RM'000
Cost	1,160
Carrying value	472
Market value	472

20. Status of corporate proposal announced

There were no corporate proposals announced but not completed as at the date of issue of this announcement.



21. Borrowings

	As at 30 June 2010 RM'000
Short term borrowings	
Secured	2,876
Unsecured	42,635
	<u>45,511</u>
Long term borrowings	
Secured	<u>2,759</u>

All borrowings are denominated in Ringgit Malaysia.

22. Changes in material litigation

There were no outstanding material litigations as at the date of this announcement.

23. Earnings per ordinary share

Basic earnings per ordinary share

	Current Quarter	Cumulative Quarter
Net profit attributable to ordinary equity holders of the Company (RM'000)	<u>25</u>	<u>3,340</u>
Weighted average number of ordinary shares ('000)	<u>128,032</u>	<u>128,032</u>
Basic earnings per share (sen)	<u>0.02</u>	<u>2.61</u>

Diluted earnings per ordinary share

	Current Quarter	Cumulative Quarter
Net profit attributable to ordinary equity holders of the Company (RM'000)	<u>25</u>	<u>3,340</u>
Weighted average number of ordinary shares ('000)	128,032	128,032
Effect of share options ('000)	-	-
Weighted average number of ordinary shares (diluted) ('000)	<u>128,032</u>	<u>128,032</u>
Diluted earnings per share (sen)	<u>0.02</u>	<u>2.61</u>



24. Capital commitments

There were no capital commitments during the period under review.

25. Related party transactions

		6 months ended 30 June 2010 RM'000
Eonmetall Group Berhad and its subsidiaries	Companies in which certain directors are deemed to have substantial financial interests	
Sales of goods		1,648
Purchase of goods		1 9,491
Purchase of machinery parts		620
Rental expense		210

By the order of the Board

Lam Voon Kean (MIA 4793)
Company Secretary
Penang
24 August 2010