



**LEADER STEEL HOLDINGS BERHAD**

(Company No. 267209 - K)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME  
FOR THE PERIOD ENDED 30 JUNE 2011**

	NOTE	CURRENT 3 MONTHS ENDED 30 JUNE		CUMULATIVE 6 MONTHS ENDED 30 JUNE	
		2011 RM'000 (Unaudited)	2010 RM'000 (Unaudited)	2011 RM'000 (Unaudited)	2010 RM'000 (audited)
Revenue		88,861	51,349	149,153	120,302
Operating expenses		(86,294)	(50,670)	(150,378)	(115,178)
Operating income		707	(58)	6,847	(105)
<b>Operating profit/(loss)</b>		<b>3,274</b>	<b>620</b>	<b>5,622</b>	<b>5,020</b>
Interest expense		(1,328)	(540)	(2,357)	(1,113)
Interest income		0	12	0	39
<b>(Loss)/Profit before tax</b>		<b>1,946</b>	<b>92</b>	<b>3,265</b>	<b>3,946</b>
Tax expense	17	(445)	41	(560)	(600)
<b>(Loss)/Profit for the year</b>		<b>1,501</b>	<b>133</b>	<b>2,705</b>	<b>3,346</b>
<b>Attributable to:</b>					
Equity holders of the Company		1,501	133	2,667	3,384
Minority interests		0	0	38	(38)
<b>(Loss)/Profit for the year</b>		<b>1,501</b>	<b>133</b>	<b>2,705</b>	<b>3,346</b>
Basic earnings per ordinary share (sen)	24	1.17	0.02	2.14	2.61
Diluted earnings per ordinary share (sen)	24	N.A.	N.A.	N.A.	N.A.

The condensed consolidated statement of comprehensive income should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements and the audited financial statements for the year ended 31 December 2010



**LEADER STEEL HOLDINGS BERHAD**

(Company No. 267209 - K)  
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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION  
AS AT 30 JUNE 2011**

	NOTE	UNAUDITED 30 JUN 2011 RM'000	AUDITED 31 DECEMBER 2010 RM'000
<b>ASSETS</b>			
Property, plant and equipment		95,239	85,352
Prepaid lease payments		4,192	3,825
Investment property		0	417
Other investments	19	330	400
Goodwill		1,164	1,164
<b>TOTAL NON-CURRENT ASSETS</b>		<b>100,926</b>	<b>91,158</b>
Inventories		74,024	80,671
Trade and other receivables		75,934	48,487
Assets held for sale		0	208
Current tax assets		796	630
Cash and cash equivalents		1,848	3,495
<b>TOTAL CURRENT ASSETS</b>		<b>152,603</b>	<b>133,490</b>
<b>TOTAL ASSETS</b>		<b>253,528</b>	<b>224,648</b>
<b>EQUITY</b>			
Share capital		64,016	64,016
Reserves		37,542	35,066
<b>TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY</b>		<b>101,558</b>	<b>99,082</b>
Minority interest		0	0
<b>TOTAL EQUITY</b>		<b>101,558</b>	<b>99,082</b>
<b>LIABILITIES</b>			
Borrowings	21	6,427	7,516
Deferred tax liabilities		7,305	7,305
<b>TOTAL NON-CURRENT LIABILITIES</b>		<b>13,732</b>	<b>14,821</b>
Trade and other payables		44,566	15,951
Borrowings	21	93,273	94,711
Current tax liabilities		399	84
<b>TOTAL CURRENT LIABILITIES</b>		<b>138,238</b>	<b>110,746</b>
<b>TOTAL LIABILITIES</b>		<b>151,970</b>	<b>125,567</b>
<b>TOTAL EQUITY AND LIABILITIES</b>		<b>253,528</b>	<b>224,648</b>
<b>Net Assets Per Share (Sen)</b>		<b>79</b>	<b>77</b>

The condensed consolidated statement of financial position should be read in conjunction with the accompanying explanatory notes attached to the interim financial statements and the audited financial statements for the year ended 31 December 2010



**LEADER STEEL HOLDINGS BERHAD**

(Company No. 267209 - K)

(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME  
FOR THE YEAR ENDED 30 JUNE 2011**

	INDIVIDUAL QUARTER 3 MONTHS ENDED 30 JUNE		CUMULATIVE QUARTER 6 MONTHS ENDED 30 JUNE	
	2011 RM'000 (Unaudited)	2010 RM'000 (Unaudited)	2011 RM'000 (Unaudited)	2010 RM'000 (Unaudited)
<b>Profit for the period</b>	<b>1,501</b>	<b>133</b>	<b>2,705</b>	<b>3,346</b>
Other comprehensive income for the period				
- Gain on fair value in financial assets available-for-sale	-	(108)	-	(44)
<b>Total comprehensive income for the period</b>	<b>1,501</b>	<b>25</b>	<b>2,705</b>	<b>3,302</b>
<b>Attributable to:</b>				
Equity holders of the Company	1,501	25	2,743	3,340
Minority interests	-		(38)	(38)
	<b>1,501</b>	<b>25</b>	<b>2,705</b>	<b>3,302</b>





**LEADER STEEL HOLDINGS BERHAD**  
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE PERIOD ENDED 30 JUNE 2011**

	UNAUDITED 30 JUNE 2011 RM'000	UNAUDITED 30 JUNE 2010 RM'000
<b>Profit before tax</b>	3,265	2,891
Adjustments for :-		
Non-cash items	4,162	3,324
Non-operating items	2,357	964
<b>Operating profit before changes in working capital</b>	9,784	7,179
Changes in working capital		
- Net changes in current assets	(20,801)	15,510
- Net changes in current liabilities	28,616	(5,345)
- Tax paid	(359)	(677)
- Interest paid	(2,357)	-
<b>Net cash (outflow)/inflow from operating activities</b>	14,883	16,667
<b>Investing Activities</b>		
- Capital expenditure	(2,853)	(4,934)
- Other investments	(10,916)	
- Others		46
- Issue of share to minority interest		49
<b>Net cash outflow from investing activities</b>	(13,770)	(4,839)
<b>Financing Activities</b>		
- Bank borrowings, net	(4,503)	(9,352)
- Issue of share capital		
- Dividend paid		(1,009)
- Others	-	
<b>Net cash inflow from financing activities</b>	(4,503)	(10,361)
<b>Net decrease in cash and cash equivalents</b>	(3,390)	1,467
<b>Cash and cash equivalents at 1 January</b>	(983)	2,869
<b>Cash and cash equivalents at 31 December</b>	(4,373)	4,336
<b>Cash and cash equivalents consist of :-</b>		
Deposits with a licenced bank	1	6,000
Cash and bank balances	1,848	3,547
Bank Overdraft	(6,221)	(5,211)
	(4,373)	4,336

The condensed consolidated statement of cash flows should be read in conjunction with the accompanying explanatory note attached to the interim financial statements and the audited financial statements for the year ended 31 December 2010



## **LEADER STEEL HOLDINGS BERHAD**

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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 audited financial statements of the Group for the year ended 31 December 2010. These explanatory notes attached to the interim financial report provide an explanation of events and transactions that are significant to the understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2010.

The significant accounting policies adopted for the interim financial statements are consistent with those adopted for the Group's annual Audited Financial Statements for the year ended 31 December 2010, except for the adoption of the following new/revised Financial Reporting Standards (FRSs):-

##### **Effective for financial periods beginning on or after 1 March 2010:-**

- Amendments to FRS 132, Financial Instrument: Presentation – Classification of Right Issues

##### **Effective for financial periods beginning on or after 1 July 2010:-**

- FRS 1, First-time Adoption of Financial Reporting Standards (revised)
- FRS 3, Business Combinations (Revised)
- FRS 127, Consolidated and Separate Financial Statements (Revised)
- Amendments to FRS 2, Share-based Payments
- Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 138, Intangible Assets
- IC Interpretation 12, Service Concession Agreements
- IC Interpretation 16, Hedges of a Net Investment in a Foreign Operation
- IC Interpretation 17, Distributions of Non-cash Assets to Owners
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives

##### **Effective for financial periods beginning on or after 1 January 2011:-**

- Amendments to FRS 1 Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- Amendments to FRS 1 Additional Exemptions for First-time Adopters
- Amendments to FRS 2 Group Cash-settle Share based Payment Transactions



**Effective for financial periods beginning on or after 1 January 2011:-**

- Amendments to FRS 1, First Time adoption of Financial Reporting Standards
- Limited Exemption from Comparative FRS 7 Disclosures for First-time Adopters
- Additional Exemption for First-time Adopters
- Amendments to FRS 2, Group Cash-settled Share Based Payment Transactions
- Amendments to FRS 7, Financial Instruments: Disclosures – Improving Disclosures
- IC Interpretation 4, Determining whether an arrangement contains a Lease
- IC Interpretation 18, Transfer of Assets from Customers
- Improvements to FRSs (2010)

**Effective for financial periods beginning on or after 1 July 2011:-**

- IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments
- Amendments to IC Interpretation 14, Prepayments of a Minimum Funding Requirement.

**Effective for financial periods beginning on or after 1 January 2012:-**

- FRS 124, Related Party Disclosures (revised)
- IC Interpretation 15, Agreements for the Construction of Real Estate

The adoption of the above new/revised FRSs does not have significant financial impact on the interim financial statements of the Group.

## **2. Audit Report**

The audit report of the preceding annual financial statements ended 31 December 2010 was qualified and the details of the qualification are as described below:-

*“Basis for Qualified Opinion*

***Recoverability of deposits outstanding for more than one year***

*As disclosed in Note 9 to the financial statement, the Group has deposits paid to suppliers which have been outstanding without any transactions for more than one year amounting to RM2,764,994. We have not been able to obtain sufficient appropriate audit evidence in support of the recoverability of these deposits in the absence of purchases from these suppliers for the past one year.*

***Payment of outstanding taxes and penalty***

*As disclosed in Note 24 to the financial statements, the Group has received notices from Inland Revenue Board requesting settlement of the outstanding taxes and penalty amounting to RM4,810,933. However, this amount has not been provided for in the financial statements as at 31 December 2010 as the Directors are of the opinion that they have a reasonable ground to appeal the claim and succeed in its appeal.*



### ***Qualified Opinion***

*In our opinion, except for the possible effects of the matters described in the Basis for Qualified Opinion paragraph, the financial statements have been properly drawn up in accordance with Financial Reporting Standards and the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of the Company as of 31 December 2010 and of their financial performance and cash flows for the year then ended. ”*

As of date of this announcement, we have collected RM1,293,151 out of the said debt of RM2,764,994 . We are actively continuing to pursue this debt recovery exercise and see no foreseeable problems in collection.

As at the date of this announcement, the directors have obtained further legal opinion from our legal counsel who has expressed their opinion that the company has a strong ground to appeal against the assessment. Thus, the directors are of the opinion that no write down is necessary for the current quarter under review.

### **3. Seasonal or cyclical factors**

The business of the Group was not 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 cancellation 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

There is no change in the events subsequent to the balance sheet date.

## 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

	<b>30 June 2011</b> <b>RM'000</b>
Amount of corporate guarantees given to licensed banks for credit facilities to subsidiaries	230,527

## 13. Review of the performance

The Group recorded total revenue of RM 88.9 million for the current quarter under review, an increase of 73.3% from RM51.3 million in the preceding year's corresponding quarter. Profit before tax recorded for the current quarter of RM1.9 million was higher than RM 0.092 million recorded in the preceding year's corresponding quarter. Increase in profit before tax for the current quarter was mainly due to increase in trading sales volume.



#### 14. Variation of results against preceding quarter

During the current quarter under review, the Group recorded total revenue of RM88.9 million, an increase of RM28.6 million or 47.4% with RM60.3 million recorded in the preceding quarter. Profit before tax for current quarter recorded at RM1.9 million. The increase in profit was mainly due to higher trading sales volume in current quarter.

#### 15. Prospects

The directors are optimistic that the Group's 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 Jun		Cumulative Quarter 6 months ended 30 Jun	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
<b>Malaysian tax</b>				
- Current	75	41	75	600
- Prior year	370		485	
<b>Total tax expense/(reversal)</b>	<b>445</b>	<b>41</b>	<b>560</b>	<b>600</b>

#### 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 2011 is as below:

<b>Movement</b>	<b>RM'000</b>
Balance at 1 January 2011	400
Less: Fair value changes	70
Balance at 30 June 2011	<u>330</u>

	<b>As at 30 June 2011 RM'000</b>
Cost	1,160
Carrying value	330
Market value	330

## 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

	<b>As at 30 June 2011 RM'000</b>
Short term borrowings	
Secured	2,382
Unsecured	90,891
	<u>93,273</u>
Long term borrowings	
Secured	<u>6,427</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. Realized and Unrealized Profits/Losses

The following analysis of realized and unrealized retained profits/(accumulated losses) is prepared pursuant to Paragraphs 2.06 and 2.23 of Bursa Malaysia Securities Berhad Listing Requirements and in accordance with the Guidance on Special Matter No. 1 - Determination of Realized and Unrealized Profits or Losses as issued by the Malaysian Institute of Accountants. This disclosure is based on the format prescribed by Bursa Malaysia Securities Berhad.

	<b>As at 30 Jun 2011 RM'000</b>	<b>As at 31 Dec 2010 RM'000</b>
Total retained profits of Leader Steel Holdings Berhad and its subsidiaries:	40,525	37,819
- Realized		
- Unrealized	(7,305)	(7,305)
Less: Consolidation adjustments	2,038	2,038
Total group retained profits as per consolidation accounts	<u>35,258</u>	<u>32,552</u>

## 24. Earnings per ordinary share

### *Basic earnings per ordinary share*

	<b>Current Quarter</b>	<b>Cumulative Quarter</b>
<b>Net profit attributable to ordinary equity holders of the Company (RM'000)</b>	<u>1,501</u>	<u>2,743</u>
<b>Weighted average number of ordinary shares ('000)</b>	<u>128,032</u>	<u>128,032</u>
<b>Basic earnings per share (sen)</b>	<u>1.17</u>	<u>2.14</u>



### *Diluted earnings per ordinary share*

For current quarter ended 30 June 2011, diluted earnings per ordinary share was not computed and presented as the effect of the Employees' Share Option is anti-dilutive

## **25. Capital Management**

Under the requirement of Bursa Malaysia Practice Note No. 17/2005, the Company is required to maintain a consolidated shareholder's equity equal to or not less than the 25 percent of the issued and paid up capital and such shareholder's equity is not less than RM40 million. The Company has complied with this requirement.

## **26. Related party transactions**

		<b>6 months ended 30 June 2011 RM'000</b>
<b>Eonmetall Group Berhad and its subsidiaries</b>	Companies in which certain directors have substantial financial interests	
Sales of goods		1,114
Purchase of goods		25,107
Purchase of machinery parts		236
Rental expense		258

By the order of the Board

Lam Voon Kean (MIA 4793)  
Company Secretary  
Penang  
19 Aug 2011