



LEADER STEEL HOLDINGS BERHAD
(Company No. 267209 - K)
(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME
FOR THE PERIOD ENDED 31 MARCH 2011**

	NOTE	CURRENT 3 MONTHS ENDED 31 MARCH		CUMULATIVE 3 MONTHS ENDED 31 MARCH	
		2011 RM'000 (Unaudited)	2010 RM'000 (Unaudited)	2011 RM'000 (Unaudited)	2010 RM'000 (audited)
Revenue		60,292	68,953	60,292	68,953
Operating expenses		(64,084)	(64,506)	(64,084)	(64,506)
Operating income		<u>6,140</u>	<u>(47)</u>	<u>6,140</u>	<u>(47)</u>
Operating profit/(loss)		2,348	4,400	2,348	4,400
Interest expense		(1,029)	(573)	(1,029)	(573)
Interest income		<u>0</u>	<u>27</u>	<u>0</u>	<u>27</u>
(Loss)/Profit before tax		1,319	3,854	1,319	3,854
Tax expense	16	<u>(115)</u>	<u>(641)</u>	<u>(115)</u>	<u>(641)</u>
(Loss)/Profit for the year		<u>1,204</u>	<u>3,213</u>	<u>1,204</u>	<u>3,213</u>
Attributable to:					
Equity holders of the Company		1,166	3,251	1,166	3,251
Minority interests		<u>38</u>	<u>(38)</u>	<u>38</u>	<u>(38)</u>
(Loss)/Profit for the year		<u>1,204</u>	<u>3,213</u>	<u>1,204</u>	<u>3,213</u>
Basic earnings per ordinary share (sen)	23	<u>0.97</u>	<u>2.59</u>	<u>0.97</u>	<u>2.59</u>
Diluted earnings per ordinary share (sen)	23	<u>N.A.</u>	<u>N.A.</u>	<u>N.A.</u>	<u>N.A.</u>

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

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**CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 MARCH 2011**

	NOTE	UNAUDITED 31 MARCH 2011 RM'000	AUDITED 31 DECEMBER 2010 RM'000
ASSETS			
Property, plant and equipment		85,562	85,352
Prepaid lease payments		3,802	3,825
Investment property		2,358	417
Other investments	18	392	400
Goodwill		1,164	1,164
TOTAL NON-CURRENT ASSETS		93,278	91,158
Inventories		72,452	80,671
Trade and other receivables		52,610	48,487
Assets held for sale		204	208
Current tax assets		796	630
Cash and cash equivalents		648	3,495
TOTAL CURRENT ASSETS		126,710	133,490
TOTAL ASSETS		219,989	224,648
EQUITY			
Share capital		64,016	64,016
Reserves		36,041	35,066
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		100,057	99,082
Minority interest		0	0
TOTAL EQUITY		100,057	99,082
LIABILITIES			
Borrowings	20	6,787	7,516
Deferred tax liabilities		7,305	7,305
TOTAL NON-CURRENT LIABILITIES		14,092	14,821
Trade and other payables		29,059	15,951
Borrowings	20	76,669	94,711
Current tax liabilities		111	84
TOTAL CURRENT LIABILITIES		105,839	110,746
TOTAL LIABILITIES		119,932	125,567
TOTAL EQUITY AND LIABILITIES		219,989	224,648
Net Assets Per Share (Sen)		78	77

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



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**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 31 MARCH 2011**

	← Attributable to equity holders of the Company →							Minority interest RM'000	Total equity RM'000
	Share Capital RM'000	Share Premium RM'000	Share option reserve RM'000	Foreign Currency Translation reserve RM'000	Distributable Capital reserve RM'000	Distributable Retained earnings RM'000	Total RM'000		
At 1 January 2011	64,016	4	2,185	41	284	32,552	99,082	-	99,082
Total comprehensive income /(Expense) for the period		-	-	(229)		1,204	975		975
At 31 March 2011	<u>64,016</u>	<u>4</u>	<u>2,185</u>	<u>(188)</u>	<u>284</u>	<u>33,756</u>	<u>100,057</u>	<u>-</u>	<u>100,057</u>
	Share Capital RM'000	Share Premium RM'000	Share option reserve RM'000	Available-For-Sale reserve	Capital reserve RM'000	Retained earnings RM'000	Total RM'000	Minority interest RM'000	Total equity RM'000
At 1 January 2010	64,016	4	2,185	-	283	27,250	93,738	38	93,776
Total comprehensive income /(Expense) for the period	-	-	-	64	-	3,251	3,315	(38)	3,277
At 31 March 2010	<u>64,016</u>	<u>4</u>	<u>2,185</u>	<u>64</u>	<u>283</u>	<u>30,501</u>	<u>97,053</u>	<u>-</u>	<u>97,053</u>

The condensed consolidated statement of changes in equity 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
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**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE PERIOD ENDED 31 MARCH 2011**

	UNAUDITED 31 MAR 2011 RM'000	UNAUDITED 31 MAR 2010 RM'000
Profit before tax	1,319	3,854
Adjustments for :-		
Non-cash items	1,967	1,978
Non-operating items	1,029	610
Operating profit before changes in working capital	4,315	6,442
Changes in working capital		
- Net changes in current assets	4,095	1,009
- Net changes in current liabilities	13,108	(522)
- Tax paid	(315)	(169)
- Interest paid	(1,029)	-
Net cash (outflow)/inflow from operating activities	20,174	6,760
Investing Activities		
- Capital expenditure	(2,309)	(2,249)
- Other investments	(1,941)	26
Net cash outflow from investing activities	(4,251)	(2,223)
Financing Activities		
- Bank borrowings, net	(20,628)	(4,665)
- Issue of share capital		
- Dividend paid		
- Others	-	(573)
Net cash inflow from financing activities	(20,628)	(5,238)
Net decrease in cash and cash equivalents	(4,704)	(701)
Cash and cash equivalents at 1 January	(983)	8,301
Cash and cash equivalents at 31 December	(5,687)	7,600
Cash and cash equivalents consist of :-		
Deposits with a licenced bank	1	6,090
Cash and bank balances	647	4,010
Bank Overdraft	(6,336)	(2,500)
	(5,687)	7,600

The condensed consolidated statement of cash flows 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

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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 were 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 at the date of this announcement, the management have made serious attempts of collecting back the deposits and we have strong indication that major part of the amount will be collecting back from the suppliers in the near future. Thus, the directors are of the opinion that no write down is necessary for the current quarter under review.

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 reasonable ground to appeal and succeed in the claim of its outstanding taxes and penalty. 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

	31 March 2011 RM'000
Amount of corporate guarantees given to licensed banks for credit facilities to subsidiaries	236,638

13. Review of the performance

The Group recorded total revenue of RM 62.7 million for the current quarter under review, a decreased of 9.1% from RM68.9 million profit in the preceding year's corresponding quarter. Profit before tax recorded for the current quarter of RM1.3 million was lower than RM3.8 million recorded in the preceding year's corresponding quarter. Decrease in profit before tax for the current quarter was mainly due to decrease in trading sales volume.



14. Variation of results against preceding quarter

During the current quarter under review, the Group recorded total revenue of RM62.7 million, about same level with RM62.8 million recorded in the preceding quarter. However, the current quarter profit before tax has increased to RM1.3 million, which is higher than RM0.4 million recorded in the preceding quarter. The increase in profit was mainly due to higher trading sales volume in current quarter.

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 31 Mar		Cumulative Quarter 3 months ended 31 Mar	
	2011 RM'000	2010 RM'000	2011 RM'000	20 RM'000
Malaysian tax				
- Current	115	641	115	641
- Prior year				
Total tax expense/(reversal)	115	641	115	641

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 31 March 2011 is as below:

Movement	RM'000
Balance at 1 January 2011	400
Less: Fair value changes	8
Balance at 31 Mar 2011	<u>392</u>

	As at 31 Mar 2011 RM'000
Cost	1,160
Carrying value	392
Market value	392

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 31 Mar 2011 RM'000
Short term borrowings	
Secured	2,532
Unsecured	74,137
	<u>76,669</u>
Long term borrowings	
Secured	<u>6,787</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.

	As at 31 Mar 2011 RM'000	As at 31 Dec 2010 RM'000
Total retained profits of Leader Steel Holdings Berhad and its subsidiaries:	39,025	37,819
- Realized		
- Unrealized	(7,305)	(7,305)
Less: Consolidation adjustments	2,037	2,038
Total group retained profits as per consolidation accounts	<u>33,757</u>	<u>32,552</u>

24. 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>1,242</u>	<u>1,242</u>
Weighted average number of ordinary shares ('000)	<u>128,032</u>	<u>128,032</u>
Basic earnings per share (sen)	<u>0.97</u>	<u>0.97</u>



Diluted earnings per ordinary share

For current quarter ended 31 Mar 2011, diluted earnings per ordinary share was not computed and presented as the effect of the Employees' Share Option is anti-dilutive

25. Capital commitments

There were no capital commitments during the period under review.

26. Related party transactions

		3 months ended 31 March 2011 RM'000
Eonmetall Group Berhad and its subsidiaries	Companies in which certain directors have substantial financial interests	
Sales of goods		570
Purchase of goods		7,833
Purchase of machinery parts		226
Rental expense		129

By the order of the Board

Lam Voon Kean (MIA 4793)
Company Secretary
Penang
27 May 2011