



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

**CONDENSED CONSOLIDATED INCOME STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2006
(THE FIGURES HAVE NOT BEEN AUDITED)**

	CURRENT 3 MONTHS ENDED 30 JUNE		CUMULATIVE 6 MONTHS ENDED 30 JUNE	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Revenue	65,909	51,236	98,177	100,176
Operating expenses	(62,028)	(49,186)	(93,298)	(95,634)
Operating income	385	323	568	831
Operating profit	4,266	2,373	5,448	5,373
Interest expense	(520)	(519)	(1,256)	(973)
Interest income	9	8	9	35
Profit before tax	3,755	1,862	4,200	4,435
Tax expense	(1,022)	11	(1,094)	(681)
Net profit for the period	<u>2,734</u>	<u>1,873</u>	<u>3,106</u>	<u>3,754</u>
Attributable to:				
Shareholders of the Company	2,734	1,873	3,106	3,754
Minority interests	-	-	-	-
Net profit for the period	<u>2,734</u>	<u>1,873</u>	<u>3,106</u>	<u>3,754</u>
Basic earnings per ordinary share (sen)	<u>2.17</u>	<u>1.49</u>	<u>2.47</u>	<u>2.98</u>
Diluted earnings per ordinary share (sen)	<u>2.17</u>	<u>1.43</u>	<u>2.47</u>	<u>2.83</u>

The condensed consolidated income statement should be read in conjunction with the most recent annual financial statement as at 31 December 2005.



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**CONDENSED CONSOLIDATED BALANCE SHEET
AT 30 JUNE 2006**

	NOTE	UNAUDITED 30 JUNE 2006 RM'000	RESTATED 31 DECEMBER 2005 RM'000
ASSETS			
Property, plant and equipment	9	59,417	60,539
Leasehold land held for own use under an operating lease		4,236	4,282
Other investment		169	49
TOTAL NON-CURRENT ASSETS		63,822	64,870
Inventories	26	39,427	47,919
Trade and other receivables		55,100	21,706
Tax recoverable		301	597
Cash and cash equivalents		2,550	347
TOTAL CURRENT ASSETS		97,378	70,568
TOTAL ASSETS		161,200	135,438
EQUITY			
Share capital		62,961	62,961
Reserves		18,924	16,551
Total equity attributable to shareholders of the Company		81,885	79,512
Minority interests		-	-
TOTAL EQUITY		81,885	79,512
LIABILITIES			
Borrowings		5,666	6,326
Deferred Tax Liabilities		7,933	8,180
TOTAL NON-CURRENT LIABILITIES		13,599	14,506
Trade and other payables		30,618	10,237
Borrowings		33,149	31,100
Dividend payables		1,133	-
Taxation		816	83
TOTAL CURRENT LIABILITIES		65,716	41,420
TOTAL LIABILITIES		79,315	55,926
TOTAL EQUITY AND LIABILITIES		161,200	135,438
Net Assets Per Share (Sen)		65.03	63.14

The condensed consolidated balance sheet should be read in conjunction with the most recent annual financial statement as at 31 December 2005.



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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE PERIOD ENDED 30 JUNE 2006**

	Share Capital RM'000	Non-Distributable Capital reserve RM'000	Distributable Retained profits RM'000	Total RM'000
At 1 January 2006	62,961	283	16,268	79,512
Net profit for the six months period	-	-	3,105	3,105
Equity settled share-based transaction	-	401	-	401
Dividend	-	-	(1,133)	(1,133)
	<hr/>			
At 30 June 2006	<u>62,961</u>	<u>684</u>	<u>18,240</u>	<u>81,885</u>
	<hr/>			
At 1 January 2005	62,961	283	20,051	83,295
Net profit for the six months period	-	-	3,754	3,754
Dividend	-	-	(2,266)	(2,266)
	<hr/>			
At 30 June 2005	<u>62,961</u>	<u>283</u>	<u>21,539</u>	<u>84,783</u>

The condensed consolidated statement of changes in equity should be read in conjunction with the most recent annual financial statement as at 31 December 2005.



LEADER STEEL HOLDINGS BERHAD
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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT
FOR THE PERIOD ENDED 30 JUNE 2006**

	UNAUDITED 30 JUNE 2006 RM'000	UNAUDITED 30 JUNE 2005 RM'000
Profit before tax	4,200	4,435
Adjustment for :-		
Non-cash items	2,988	2,994
Non-operating items	905	938
Operating profit before changes in working capital	8,093	8,367
Changes in working capital		
Net changes in current assets	(24,901)	(28,641)
Net changes in current liabilities	20,381	2,211
(Tax paid)/Tax refund	(312)	(702)
Net cash inflow/(outflow) from operating activities	3,261	(18,765)
Investing Activities		
- Other investments	(1,553)	(5,092)
Net cash outflow from investing activities	(1,553)	(5,092)
Financing Activities		
- Bank borrowings, net	7,582	19,857
- Dividend paid	-	(2,267)
Net cash inflow from financing activities	7,582	17,590
Net increase/(decrease) in cash and cash equivalents	9,290	(6,267)
Cash and cash equivalents at beginning of period	(6,739)	6,219
Cash and cash equivalents at end of period	2,550	(48)
Cash and cash equivalents consist of :-		
Cash and bank balances	2,550	604
Bank overdrafts	-	(652)
	2,550	(48)

The condensed consolidated cash flow statement should be read in conjunction with the most recent annual financial statement as at 31 December 2005.



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 the additional disclosure requirements as in Part A of Appendix 9B of the Revised Listing Requirements.

The interim financial report should be read in conjunction with the most recent annual audited financial statements of the Group for the year ended 31 December 2005.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2005 except for the accounting policy changes that are expected to be reflected in the 2006 annual financial statements. Details of these changes in accounting policies are set out in Note 2.

2 Changes in accounting policies

The Malaysian Accounting Standards Board ("MASB") has issued a number of new and revised Financial Reporting Standards (FRSs, which term collectively includes the MASB's Issues Committee's Interpretations) that are effective for accounting periods beginning on or after 1 January 2006.

In 2006, the MASB issued another two revised FRSs which are effective for annual periods beginning on or after 1 October 2006.

The board of directors has determined the accounting policies to be adopted in the preparation of the Group's annual financial statements for the year ending 31 December 2006 including early adopting the two FRSs issued by the MASB in 2006, on the basis of FRSs currently in issue.

The following sets out further information on the changes in accounting policies for the annual accounting period beginning on 1 January 2006 which have been reflected in this interim financial report.

(a) Impact on the results

There was no significant impact to the net profit for the 6 months period ended 30 June 2006 as a result of the adoption of the new and revised FRSs.

(b) Leasehold land held for own use

With the adoption of FRS 117 as from 1 January 2006, the leasehold interest in the land held for own use is accounted for as being held under an operating lease. Such leasehold land will no longer be revalued. Where the leasehold land had been previously revalued, the Group retained the unamortised revalued amount as the surrogate carrying amount of prepaid lease payments as allowed by FRS 117.67A. Such prepaid lease payments are amortised on a straight line basis over the remaining lease term of the land.

(c) Employee share option scheme (FRS 2, Share-based Payment)

In prior years, no amounts were recognised when employees (which term includes directors) were granted share options over shares in the Company. If the employees chose to exercise the options, the nominal amount of share capital and share premium were credited only to the extent of the option's exercise price receivable.

With effect from 1 January 2006, in order to comply with FRS 2, the Group recognises the fair value of such share options as an expense in the income statement, or as an asset, if the cost qualifies for recognition as an asset under the Group's accounting policies. A corresponding increase is recognised in a capital reserve within equity.

Where the employees are required to meet vesting conditions before they become entitled to the options, the Group recognises the fair value of the options granted over the vesting period. Otherwise, the Group recognises the fair value in the period in which the options are granted.

If an employee chooses to exercise options, the related capital reserve is transferred to share capital and share premium, together with the exercise price. If the options lapse unexercised, the related capital reserves transferred directly to retained earnings.

The new accounting policy has been applied retrospectively with comparatives restated in accordance with FRS 2, except that the Group has taken advantage of the transitional provisions set out in paragraph 53 of FRS 2 under which the new recognition and measurement policies have not been applied to the following grants of options:

- (i) all options granted to employees on or before 31 December 2004; and
- (ii) all options granted to employees on after 31 December 2004 but which had vested before 1 January 2006.

The amount charged to the income statement as a result of the change of policy impact in income statement for current quarter on 30 June 2006 by RM342,515, with the corresponding amounts credited to the capital reserve.

Details of the employee share option scheme can be found in the Company's annual report for the year ended 31 December 2005.

3 Audit report

The audit report of the preceding annual financial statements ended 31 December 2005 was not subject to any qualification.

4 Seasonal or cyclical factors

The business of the Group was not affected by any significant seasonal or cyclical factors in the second quarter ended 30 June 2006.

5 Extraordinary or exceptional items

There were no extraordinary/exceptional items for the financial period ended 30 June 2006.

6 Changes in estimates

There were no material changes in the estimates used for the preparation of this interim financial report.

7 Debts and equity or securities

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

8 Dividend paid

A first and final dividend of 2.5% less 28% tax totalling RM1,133,298 in respect of the year ended 31 December 2005, was paid on 3 July 2006.



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NOTES TO THE INTERIM FINANCIAL REPORT

9 Segment information

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

10 Property, plant and equipment

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

11 Events subsequent to the balance sheet date

There were no material events subsequent to the period under review.

12 Changes in the composition of the Group

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

13 Changes in contingent liabilities

There were no changes in the contingent liabilities during the period under review.

14 Review of the performance

The Group recorded revenue of RM65,909,406 for the second quarter and profit before tax of RM3,755,104 whilst in preceding year's corresponding quarter, the Group's revenue was RM51,235,972 with profit before tax of RM1,862,484. The increase in revenue and profit before taxation was mainly attributed to higher volume of sale and trading activities, coupled with higher profit margin.

15 Variation of results against preceding quarter

For the quarter under review, the Group recorded a profit before tax of RM3,755,104 compared to the profit before tax of RM444,825 in the preceding quarter mainly due to higher demand, higher selling price during the current quarter.

16 Current year prospects

The directors expect the performance of the Group for the remaining financial period to be maintained at the current level.

17 Profit forecast

Not applicable as no profit forecast was published.

18 Tax expense

	3 MONTHS ENDED		6 MONTHS ENDED	
	30 JUNE		30 JUNE	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Current tax expense				
Malaysian - Current period	1,324	284	1,341	1,004
- Prior years	-	-	-	-
	1,324	284	1,341	1,004
Deferred tax expense				
Malaysian - Current period	(368)	30	(244)	(283)
- Prior years	66	(325)	(3)	(40)
	(302)	(295)	(247)	(323)
	1,022	(11)	1,094	681

The Group's effective tax rate was lower than the prima facie tax rate is mainly due to the utilisation of unabsorbed tax losses brought forward and reinvestment allowance available to certain subsidiaries.



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NOTES TO THE INTERIM FINANCIAL REPORT

19 Unquoted investments and properties

There were no disposals of unquoted investments and properties during the period under review.

20 Quoted investments

There were no material purchases or disposal of quoted shares for the period under review.

Investment in quoted securities as at 30 June 2006

	At Cost RM'000	At Book Value RM'000	At Market Value RM'000
Total Quoted Shares	245	169	169

21 Status of corporate proposal announced

There were no corporate proposal for the current quarter.

22 Borrowing and Debt Securities

There were no debt securities for the current financial period to date.

	30 JUNE 2006 RM'000
Current	
Secured	892
Unsecured	32,257
	<u>33,149</u>
Non-current	
Secured	3,020
Unsecured	2,646
	<u>5,666</u>

All borrowings are denominated in Ringgit Malaysia.

23 Off balance sheet financial instruments

During the financial period to date, the Group did not enter into any contracts involving off balance sheet financial instruments.

24 Changes in material litigation

The Group was not engaged in any material litigation for the current financial period to date.

25 Dividend

No dividend is recommended for the financial period ended 30 June 2006.



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NOTES TO THE INTERIM FINANCIAL REPORT

26 Earnings per share

Basic and Diluted earnings per share

The calculation of basic and diluted earning per share for the current quarter and current period to date based on the net profit attributable to ordinary shareholders of RM2,733,064 and RM3,105,889 and the number of ordinary shares outstanding of 125,922,000.

27 Inventories

No write-down of inventories during the three months period ended 30 June 2006.

28 Capital commitments

There were no capital commitments during the period under review.

29 Related party transactions

There were no related party transactions during the period under review.

BY THE ORDER OF THE BOARD

LAM VOON KEAN (MIA 4793)

Company Secretary

Dated this 24th August 2006