



LEADER STEEL HOLDINGS BERHAD

(Company No. 267209 - K)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF PROFIT OR LOSS AND OTHER COMPREHENSIVE INCOME
FOR THE FINANCIAL PERIOD ENDED 31 DEC 2011**

	NOTE	CURRENT 3 MONTHS ENDED 31 DEC		CUMULATIVE 12 MONTHS ENDED 31 DEC	
		2011 RM'000 (Unaudited)	2010 RM'000 (Unaudited)	2011 RM'000 (Unaudited)	2010 RM'000 (Audited)
Continuing operations					
Revenue		44,301	62,024	273,448	216,713
Operating expenses		(42,622)	(58,914)	(267,650)	(211,140)
Operating income		(956)	(954)	2,257	1,290
Operating profit/(loss)		724	2,156	8,054	6,862
Finance costs		(1,370)	(1,658)	(5,277)	(2,750)
Finance Income		-	(39)	-	-
Profit before tax		(647)	459	2,777	4,113
Tax expense	18	(3,653)	(50)	(4,251)	1,152
Net (Loss)/Profit from continuing operations		(4,300)	410	(1,474)	5,265
Other comprehensive income / (expense)					
Loss on fair value changes of quoted investment available for sale		(84)	-	(84)	-
Foreign currency translation differences of foreign subsidiary		-	-	-	41
Total comprehensive income / (expense) for the financial period		(4,384)	410	(1,558)	5,306
Net (Loss) / Profit attributable to:					
Equity holders of the Company		(4,300)	410	(1,474)	5,227
Non-controlling interests		-	-	-	38
Total comprehensive income / (expense) for the period attributable to:		(4,300)	410	(1,474)	5,265
Equity holders of the Company		(4,384)	410	(1,558)	5,344
Non-controlling interests		-	-	-	(38)
Total comprehensive income / (expense) for the period attributable to:		(4,384)	410	(1,558)	5,306
Basic earnings per ordinary share (sen)	25	(3.36)	0.32	(1.15)	4.14
Diluted earnings per ordinary share (sen)	25	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 2011



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

CONDENSED CONSOLIDATED STATEMENT OF FINANCIAL POSITION
AS AT 31 DEC 2011

	NOTE	UNAUDITED 31 DEC 2011 RM'000	AUDITED 31 DEC 2010 RM'000
ASSETS			
Property, plant and equipment		97,027	85,352
Prepaid lease payments		3,734	3,825
Investment property		-	417
Other investments	19	316	400
Goodwill		-	1,164
TOTAL NON-CURRENT ASSETS		101,077	91,158
Inventories		53,950	80,671
Trade and other receivables		72,548	48,487
Assets held for sale		-	208
Current tax assets		511	630
Cash and cash equivalents		1,567	3,495
TOTAL CURRENT ASSETS		128,577	133,490
TOTAL ASSETS		229,654	224,648
EQUITY			
Share capital		64,016	64,016
Reserves		31,066	35,066
TOTAL EQUITY ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY		95,082	99,082
Minority interest		-	-
TOTAL EQUITY		95,082	99,082
LIABILITIES			
Borrowings	22	5,297	7,516
Deferred tax liabilities		6,725	7,305
TOTAL NON-CURRENT LIABILITIES		12,022	14,821
Trade and other payables		21,929	15,951
Borrowings	22	100,599	94,711
Current tax liabilities		21	84
TOTAL CURRENT LIABILITIES		122,550	110,746
TOTAL LIABILITIES		134,572	125,567
TOTAL EQUITY AND LIABILITIES		229,654	224,648
Net Assets Per Share (Sen)		74	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 2011



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

**CONDENSED CONSOLIDATED STATEMENT OF CHANGE IN EQUITY
FOR THE FINANCIAL PERIOD ENDED 31 DEC 2011**

	← Attributable to equity holders of the Company →									
	Share Capital RM'000	Share Premium RM'000	Share option reserve RM'000	Currency Translation Reserve RM'000	Foreign Reserve RM'000	Distributable Capital reserve RM'000	Distributable Retained earnings RM'000	Total RM'000	Minority interest RM'000	Total equity 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	-	-	-		(41)	-	(1,558)	(1,599)	-	(1,599)
Dividend	-	-	-		-	-	(2,401)	(2,401)	-	(2,401)
At 31 December 2011	<u>64,016</u>	<u>4</u>	<u>2,185</u>		<u>-</u>	<u>284</u>	<u>28,593</u>	<u>95,082</u>	<u>-</u>	<u>95,082</u>
At 1 January 2010	64,016	4	2,185		-	284	27,249	93,738	38	93,776
Total comprehensive income /(Expense) for the period	-	-	-		41	-	5,303	5,344	(38)	5,306
At 31 December 2010	<u>64,016</u>	<u>4</u>	<u>2,185</u>		<u>41</u>	<u>284</u>	<u>32,552</u>	<u>99,082</u>	<u>-</u>	<u>99,082</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

(Company No. 267209 - K)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS
FOR THE FINANCIAL PERIOD ENDED 31 DEC 2011**

<i>In thousands of RM</i>	NOTE	31-Dec-11 RM	31-Dec-10 RM
Cash flows from operating activities			
Profit before tax from continuing operations		2,693	4,113
Adjustments for:-			
Amortisation of prepaid lease payments		-	114
Amortisation of goodwill		-	-
Provision of doubtful debts		2,505	-
Depreciation		-	-
- property, plant and equipment		8,421	8,192
- investment properties		-	10
(Gain)/Loss on disposal :		-	-
- property, plant and equipment		(1)	(244)
- prepaid lease payments		-	(201)
- assets held for sale		-	(20)
Plant and equipment written off		173	-
Impairment loss/(Reversal) of impairment loss on other investments		84	116
Interest expense		5,277	2,750
Interest income		-	(39)
Others		-	-
Operating profit before working capital changes		19,151	14,791
Changes in working capital:			
Inventories		26,721	(27,754)
Trade and other receivables		(24,062)	(2,308)
Trade and other payables		5,978	(7,698)
Cash used in operating activities		27,789	(22,969)
Income tax paid		(5,370)	(716)
Interest paid		(5,277)	(2,750)
Interest received		-	39
Net cash (used in) / operating activities		17,141	(26,396)
CASH FLOWS FROM INVESTING ACTIVITIES			
Acquisition of property, plant and equipment		(19,891)	(13,468)
Additions to prepaid lease payments		-	-
Proceeds from disposal of property, plant and equipment		186	2,649
Proceeds from disposal of prepaid lease payments		-	2,176
Proceeds from disposal of assets held for sale		-	320
Acquisition of a subsidiary, net of cash acquired		-	84
Investment for acquisition of a subsidiary		-	-
Issue of shares to minority interests		-	-
Net cash used in investing activities		(19,705)	(8,240)
CASH FLOWS FROM FINANCING ACTIVITIES			
Repayment of term loans		(1,465)	(2,320)
Drawdown of term loans		-	6,498
Repayment of hire purchase and lease obligations		(1,377)	(1,662)
Refinancing of machinery		-	-
Dividends paid		(2,401)	-
Bank borrowings, net		7,422	22,839
Net cash generated from financing activities		2,179	25,356
Net (decrease)/increase in cash and cash equivalents		(384)	(9,280)
Effect of exchange rate fluctuation on cash held		(41)	(3)
Cash and cash equivalents at 1 January		(983)	8,301
Cash and cash equivalents 31 December		(1,408)	(983)

(A) Cash and cash equivalents

Cash and cash equivalents included in the condensed consolidated statement of cash flows comprise:

<i>In thousands of RM</i>	31-Dec-11 RM	31-Dec-10 RM
Fixed deposit with a licensed bank	1	-
Cash and bank balances	1,566	3,495
Bank overdrafts	(2,975)	(4,478)
	(1,408)	(983)



LEADER STEEL HOLDINGS BERHAD

(Company No.267209-K)

(Incorporated in Malaysia)

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), Amendments to FRSs and Interpretations applicable to the Group with effect from 1 January 2011

FRSs, Interpretation and amendments effective for annual periods beginning on or after 1 July 2010

- FRS 1, First-time Adoption of Financial Reporting Standards (revised)
- Amendments to FRS 5, Non-current Assets Held for Sale and Discontinued Operations
- Amendments to FRS 138, Intangible Assets
- Amendments to IC Interpretation 9, Reassessment of Embedded Derivatives

FRSs, Interpretations and amendments effective for annual 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
 - Disclosure for First-time Adopters
 - Additional Exemptions for First-time Adopters
- Amendments to FRS 7, Financial Instruments: Disclosures – improving Disclosures about Financial Instruments
- IC Interpretation 4, Determining whether an Arrangement contains a Lease
- Improvements to FRSs (2010)

The adoption of the above FRSs and Amendments to FRSs, did not result in any significant changes in the accounting policies and presentation of the financial result of the Group



The following revised FRSs, new IC interpretations and Amendments to FRSs applicable to the Group have been issued by the MASB and are effective for annual periods commencing on or after 1 July 2011 and 1 January 2012, and have yet to be adopted by the Group.

Interpretations effective for annual periods beginning on or after 1 July 2011

- IC Interpretation 19, Extinguishing Financial Liabilities with Equity Instruments

FRSs, Interpretations and amendments effective for annual periods beginning on or after 1 January 2012

- FRS 124, Related Party Disclosures (revised)
- Amendments to FRS 1, Severe Hyperinflation and Removal of Fixed Dates for First-time Adopters
- Amendments to FRS 7, Disclosures – Transfers of Financial Assets
- Amendments to FRS 112, Deferred tax: Recovery of Underlying Assets

Amendments effective for annual periods beginning on or after 1 July 2012

- Amendments to FRS 101, Presentation of Items of Other Comprehensive Income

FRSs effective for annual periods beginning on or after 1 July 2013

- FRS 9, Financial Instruments (IFRS 9 issued by IASB in November 2009)
- FRS 9, Financial Instruments (IFRS 9 issued by IASB in October 2010)
- FRS 10, Consolidated Financial Statements
- FRS 11, Joint Arrangements
- FRS 12, Disclosure of Interests in Other Entities
- FRS 13, Fair Value Measurement
- FRS 119 (2011), Employee Benefits
- FRS 127 (2011), Separate Financial Statements
- FRS 128 (2011), Investment in Associates and Joint Ventures

The initial application of the above FRSs and amendments to FRSs and Interpretation is not expected to have any significant impact on the Group.

Convergence of the FRSs with the International Financial Reporting Standards

On 19 November 2011, the MASB issued the new Malaysia Financial Reporting Standards (“MFRS”) framework, consisting of accounting standards which are in line with the International Financial Reporting Standards (“IFRS”) issued by the International Accounting Standards Board (“IASB”).

This MFRS framework is effective for annual periods beginning on or after 1 January 2012. As at 31 December 2011, all the FRSs issued under the existing FRS framework are the same as the MFRSs issued under the MFRS framework, except for differences in relation to the



transitional provisions as well as differences in effective dates contained in certain of the existing FRSSs.

Upon the adoption of the MRFS framework, the financial statements of the Group will be equivalent to the financial statements prepared by other jurisdictions, which adopt IFRSs.

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 RM1,489,220 out of the said debt of RM2,764,994 . For prudence basis, the remaining balance has been fully provided for. Besides, we are actively continuing to pursue this debt recovery exercise.

As at the date of this announcement, pending the outcome of the appeal against the assessment the company has conditionally agreed to settle the disputed tax liabilities of RM4,684,152.30 including penalty of RM1,600,381.82 by 6 monthly equal installment commenced on 30 January 2012. The total tax liabilities have been fully provided into the financial statement 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. Profit for the period

	Current Quarter 31/12/2011 RM'000	Year Ended 31/12/2011 RM'000
Profit before tax is arrived at after charging / (crediting)		
Depreciation of property, plant and equipment	2,063	8,421
Interest expense	1,370	5,277
Gain on disposal of property, plant and equipment	(1)	(1)
Provision for / written off of receivables	2,505	2,505
Gain/ (loss) on disposal of quoted / unquoted investment or properties	898	1,620
Foreign exchange gain or loss	864	538
Tax penalty in respect of prior year disputed tax liabilities	1,600	1,600



9. Segment information

	Trading & Processing Of Iron Ore RM'000	Manufacturing & Trading of Steel Pipe RM'000	Eliminations RM'000	Consolidated RM'000
Revenue				
- External	32,915	240,533	-	273,448
- Inter-segment	13,775	27,184	(40,959)	
Total Revenue	46,690	267,717	(40,959)	273,448
Results				
Operating profit/(loss)				8,054
Finance cost				(5,277)
Tax expense				(4,251)
				<u>(1,474)</u>
Loss for the interim financial period				(1,474)

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

12. Changes in the composition of the Group

a) Incorporation of a wholly owned subsidiary in the United States of America

On 28 October 2011, the Company announced the incorporation of a wholly owned subsidiary in the state of California, United of America under the name Ferro Minerals, Inc (“Ferro”).

Ferro (Entity Ref. C3418181) was incorporated on 19 October 2011 with only one class of shares of stock designated “common stock” and the total number of shares which Ferro is authorized to issue is 100,000. Ferro has issued only 1 share for United States Dollar One (USD 1) Only in the name of Lsteel.



b) Disposal of 100% Social Capital of a sub-subsidiary – Padma Yesshe S. De R.L. De C.V. (“Padma Yesshe”) held in-directly through two wholly owned subsidiaries; 60% via Leader Steel Sdn. Bud. (“LSSB”) and 40% via Leader Minerals Corporation Sdn. Bud. (“LMCSB”), to Hengxing Industry (HK) Co., Limited for a total cash consideration of RM200,000

On 28 December 2011, the Board of Directors announced that its two wholly owned subsidiaries, LSSB and LMCSB had, on 28 December 2011, disposed to Hengxing Industry (HK) Co., Limited, a company incorporated in Hong Kong SAR, their entire respective interest in Padma Yesshe S.De. R.L De C.V. for a total cash consideration of RM200,000.

Accordingly, Padma Yesshe ceased to be a sub-subsidiary of Lsteel.

13. Changes in contingent liabilities

**31 Dec 2011
RM'000**

Amount of corporate guarantees given to licensed banks for credit facilities to subsidiaries	230,527
--	---------

14. Review of the performance

The Group achieved total revenue of RM44 million for current quarter under review, a decrease of 29% or RM18 million from RM62 million recorded in the preceding year's corresponding quarter.

The decline in Group revenue during the current quarter was mainly attributed by the decline in the Iron Ore revenue, which saw a drop by 39.85% as a result of lower sales for the Iron Ore division. Similarly, the Steel division also registered a drop by 23.5% in its revenue.

Our group profit before tax reduce by 241.3% from RM 0.46 million profit to RM 0.65 million loss. This was mainly due to provision for disputed tax penalty liability.

15. Variation of results against preceding quarter

During the current quarter under review, the Group recorded total revenue of RM44 million as compared to RM80 million recorded in the preceding quarter.

Revenue from Iron Ore segment fell 78.4% or RM 41.8 million from RM 53.3 million to RM 11.5 million. Revenue from Steel division registered an increase of 18.6% from RM 26.7 million to RM 32.8 million in its revenue.



Despite the decline in group revenue we still able to maintain a profitable margin when compare to preceding quarter. The group profit before tax for current quarter was recorded at a loss of RM 0.65 million as compared to RM 0.075 million profit in preceding quarter. The decrease in profit was mainly due to provision for disputed tax liability for current quarter under review.

16. Prospects

Despite to be challenging in view of the ongoing uncertainty of the global economy, volatility of foreign currency and level of steel price conditions, we expect the business environment for the manufacturing of steel products segment is remain constant and stable.

In minerals trade and processing segment, the demand remains encouraging and vibrant, management is positive that this segment will contribute promising results in the coming year.

Barring unforeseen circumstances, the Board is optimistic that the performance for the group for the year ahead will be satisfactory.

17. Profit forecast

Not applicable as no profits forecast was issued.

18. Tax expense

	Current Quarter 3 months ended 31 Dec		Cumulative Quarter 12 months ended 31 Dec	
	2011 RM'000	2010 RM'000	2011 RM'000	2010 RM'000
Malaysian tax				
- Current	3,653	50	3,882	600
- Prior year	-	-	369	-
Total tax expense/(reversal)	3,653	50	4,251	600

19. Unquoted investment and properties

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



20. 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 December 2011 is as below:

Movement	RM'000
Balance at 1 January 2011	400
Less: Fair value changes	84
Balance at 31 Dec 2011	<u>316</u>

	As at 31 Dec 2011 RM'000
Cost	1,160
Carrying value	316
Market value	316

21. Status of corporate proposal announced

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

22. Borrowings

	As at 31 Dec 2011 RM'000
Short term borrowings	
Secured	2,574
Unsecured	98,025
	<u>100,599</u>
Long term borrowings	
Secured	<u>5,297</u>

All borrowings are denominated in Ringgit Malaysia.

23. Changes in material litigation

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



24. 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 Dec 2011 RM'000	As at 31 Dec 2010 RM'000
Total retained profits of Leader Steel Holdings Berhad and its subsidiaries:		
- Realized	28,222	37,819
- Unrealized	(501)	(7,305)
Less: Consolidation adjustments	873	2,038
Total group retained profits as per consolidation accounts	<u>28,594</u>	<u>32,552</u>

25. Earnings per ordinary share

Basic earnings per ordinary share

	Current Quarter	Cumulative Quarter
Net loss attributable to ordinary equity holders of the Company (RM'000)	<u>(4,300)</u>	<u>(1,474)</u>
Weighted average number of ordinary shares ('000)	<u>128,032</u>	<u>128,032</u>
Basic earnings per share (sen)	<u>(3.36)</u>	<u>(1.15)</u>

Diluted earnings per ordinary share

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



26. 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.

27. Related party transactions

Companies in which certain directors are deemed to have substantial financial interests	12 months ended 31 Dec 2011 RM'000
Eonmetall Group Berhad and its subsidiaries	
Sales of goods	3,143
Purchase of goods	56,223
Purchase of machinery parts	427
Rental expense	516

By the order of the Board

Datin Tan Pak Say
Managing Director
Penang
29 Feb 2012