



LEADER STEEL HOLDINGS BERHAD

(Company No.267209-K)
(Incorporated in Malaysia)

A. NOTES TO THE INTERIM FINANCIAL REPORT

A1. Basis of Preparation

The interim financial report are unaudited and have been prepared in accordance with Malaysia Financial Reporting Standards 134 (MFRS134): “Interim Financial Reporting” and paragraph 9.22 of the Listing requirements of Bursa Malaysia Securities Berhad. The interim financial statements also comply with IAS 34, Interim Financial Reporting issued by the International Accounting Standards Board.

The interim financial report should be read in conjunction with the audited financial statements for the year ended 31 December 2012.

The following MFRSs and Amendments to MFRSs applicable to the Group have been adopted with effect from 1 January 2013.

MFRS 10	Consolidated Financial Statements
MFRS 11	Joint Arrangements
MFRS 12	Disclosure of Interests in Other Entities
MFRS 13	Fair Value Measurement
MFRS 119	Employee Benefits (2011)
MFRS 127	Separate Financial Statements (2011)
MFRS 128	Investment in Associates and Joint Ventures (2011)
Amendments to MFRS 7	Financial Instruments: Disclosures - Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 1	First-time Adoption of Malaysian Financial Reporting Standards (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 101	Presentation of Financial Statements (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 116	Amendments to MFRS 116, Property, Plant and Equipment (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 132	Financial Instruments: Presentation (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 134	Interim Financial Reporting (Annual Improvements 2009-2011 Cycle)
Amendments to MFRS 10	Consolidated Financial Statements: Transition Guidance
Amendments to MFRS 11	Joint Arrangements: Transition Guidance
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Transition Guidance

The adoption of the above standards and amendments are not expected to have any material financial impact to the current and prior periods financial statements of the Group.



A1. Basis of Preparation (Cont'd)

The following revised MFRSs and Amendments to MFRSs applicable to the Group have been issued by the MASB and are not yet effective for adoption by the Group.

Amendments effective for annual periods beginning on or after 1 January 2014

Amendments to MFRS 10	Consolidated Financial Statements: Investment Entities
Amendments to MFRS 12	Disclosure of Interests in Other Entities: Investment Entities
Amendments to MFRS 127	Separate Financial Statements (2011): Investment Entities
Amendments to MFRS 132	Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities

MFRSs and Amendments effective for annual periods beginning on or after 1 January 2015

MFRS 9	Financial Instruments (2009)
MFRS 9	Financial Instruments (2010)
Amendments to MFRS 7	Financial Instruments: Disclosures - Mandatory Effective Date of MFRS 9 and Transition Disclosures

The adoption of the above standards and amendments are not expected to have any material financial impact to the Group upon their first adoption.

A2. Seasonal or Cyclical Factors

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

A3. 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.

A4. Changes in Accounting Estimates

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

A5. Debts and Equity or Securities

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities for the current quarter under review save for the following:

The shareholders of the Company, by a resolution passed at the Annual General Meeting held on 21 June 2012, approved the Company's plan to purchase its own shares. The Company had obtained its renewal of authority to buy back its own shares at the Annual General Meeting held on 27 May 2013.

During the quarter under review, the Company purchased a total of 50,000 ordinary shares of its issued share capital from the open market at an average cost of RM0.29 per share. The total consideration paid for the shares bought back, including transaction costs during the current quarter amounted to RM14,500 and was financed by internally generated funds. The repurchased shares are held as treasury shares in accordance with the requirements of Section 67A of the Companies Act, 1965. None of the treasury shares held were resold or cancelled during the current financial quarter. As at 31 Dec 2013, the total number of treasury shares held was 184,200 ordinary shares.



A6. Dividend

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

A7. (Loss)/ Profit for The Period

	Current Quarter		Cumulative period ended	
	31-Dec	31-Dec	31-Dec	31-Dec
	2013	2012	2013	2012
	RM'000	RM'000	RM'000	RM'000
Profit before tax is arrived at after charging / (crediting)				
Depreciation of property, plant and equipment	3,299	2,220	10,503	9,715
Interest expense	(1,407)	1,081	5,813	6,044
Foreign exchange gain	(197)	(250)	(612)	119

A8. Segment Information

Segmental reporting for the cumulative period ended 31 Dec 2013:

	Trading & Processing Of Iron Ore	Manufacturing & Trading of Steel Pipe	Eliminations	Consolidated
	RM'000	RM'000	RM'000	RM'000
Revenue				
- External	134,905	138,385	0	273,290
- Inter-segment	0	0	(14,631)	(14,631)
Total Revenue	134,905	138,385	(14,631)	258,659
Results				
Operating profit	6,768	1,493	0	8,261
Finance cost	(2,957)	(2,856)	0	(5,813)
Tax expense	(2,832)	893	0	(1,939)
Segment profit	979	(470)	0	509

A9. Events after the Interim Period

There is no event subsequent to the interim period.



A10. Changes In The Composition of The Group

There were no changes in the composition of the Group during the financial period-to-date save for the followings:

- 1) Wholly owned subsidiaries of the Group, Leader Steel Technology Sdn Bhd (“LST”) and Leader Integrated Steel Mills Sdn Bhd (“LISM”) has on 22 July 2013 commenced winding up proceedings. LST and LISM are wholly owned subsidiaries of the Company.

The members’ voluntary liquidation of LST and LISM will not have any material impact on the earnings, net assets and gearing, on consolidated basis, of the Company for the current financial year ending 31 December 2013. It will also not have any effect on the share capital and substantial shareholders’ shareholding of the Company.

- 2) A wholly owned subsidiary of the Group, Acme Steel Works Sdn Bhd had on 30 December 2012 submitted an application to Suruhanjaya Syarikat Malaysia (“SSM”) to strike off the name of Acme pursuant to Section 308 of the Companies Act, 1965. Following the publication of the notice of striking off pursuant to Section 308(4) of the Companies Act, 1965 dated 18 October 2013 by SSM which was received by Acme on 12 February 2014, Acme is hereby dissolved.

A11. Changes In Contingent Liabilities

The is no contingent liabilities for current quarter.

A12. Related Party Transactions

Companies in which certain directors are deemed to have substantial financial interests	12 months ended 31 Dec 2013
Eonmetall Group Berhad and its subsidiaries	RM'000
Sales of goods	604
Purchase of goods	3,448
Purchase of machinery parts	393
Rental Expenses	466
	4,911

B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIRMENTS OF BURSA MALAYSIA SECURITIES BERHAD

B1. Current quarter compared to the corresponding quarter of last year

The Group achieved total revenue of RM47 million for current quarter under review, a decrease of RM36.5 million or 43.7% from RM83.5 million recorded in the preceding year’s corresponding quarter.



It was mainly attributed by the decrease in the trading and processing of iron ore segment which registered a decrease of RM29.9 million or 67.2% from RM44.5 million to RM14.6 million in its revenue.

Revenue from manufacturing and trading of steel pipe segment for current quarter compared to preceding year corresponding quarter had recorded a decrease of RM6.56 million or 16.8% from RM38.96 million to RM32.4 million.

For the current quarter ended 31 Dec 2013, the group posted a lower loss before taxation of RM0.48 million as compared to the preceding year's corresponding loss before taxation of RM12.7 million, representing a decrease of RM12.22 million or 96.2% loss before tax. It was mainly due to higher profit margin in both segments.

B2. Current quarter versus the preceding quarter

For the quarter under review, the Group recorded total revenue of RM47 million as compared to RM90.6 millions in the preceding quarter.

The group revenue during the current quarter decreased by RM43.6 million or 48.1%. It was mainly attributed by the decrease in trading and processing of iron ore segment for current quarter compared to preceding quarter had recorded a decrease of RM44.9 million or 75.5% from RM59.5 million to RM14.6 million.

Revenue from manufacturing and trading of steel pipe segment, which registered an increase of RM1.3 million or 4.2% from RM31.1 million to RM32.4 million in its revenue.

Despite the decrease in revenue, our group loss before tax reduced by RM1.62 million or 77.14% from RM2.1 million loss to RM0.48 million loss in current quarter. The reduction loss before tax primarily due to the higher profit margin in both manufacturing and trading of steel pipe and trading and processing of iron ore segment.

B3. Prospects

Inspite of the challenging environment arising from the ongoing uncertainty of the global economy, volatility of foreign currency and steel prices, we expect the business environment for the manufacturing and trading of steel products to remain stable.

The demand for minerals and iron ore remain encouraging and vibrant, hence the management is positive that the trading and processing of iron ore segment will contribute promising results. On the assumption that this environment will persist, the Board is optimistic of maintaining the performance of the Group for the quarter ahead.

B4. Profit Forecast

Not applicable as no profit forecast was issued.



B5. Tax Expense

	Current Quarter 3 months ended 31 Dec		Cumulative Quarter 12 months ended 31 Dec	
	2013 RM'000	2012 RM'000	2013 RM'000	2012 RM'000
Malaysian tax				
- Current tax	(2,874)	1,392	(2,874)	1,392
- Prior year tax	3	0	(165)	(151)
- Deferred tax	1,100	(654)	1,100	(696)
	(1,771)	738	(1,939)	545

Income tax is calculated at the Malaysia statutory tax rate of 25% of the estimated assessable profit for the year.

The effective tax rate is lower than the statutory tax rate due to the tax incentive of certain subsidiaries.

B6. Audit Report

The audited report of the preceding annual financial statements ended 31 December 2012 was not subject to any qualification.

B7. Status of Corporate Proposal Announced

Other than the below, there are no other corporate proposals announced but not completed as at the date of issue of this announcement:-

At the Extraordinary General Meeting of the Company held on 28 December 2012, the shareholders of the Company had approved the acquisition by Leader Steel Sdn Bhd (“LSSB”), a wholly owned subsidiary of the Company from Eonmetall Systems Sdn Bhd (“ESSB”), of a parcel of industrial land together with an almost completed single-storey detached factory with an office erected thereon held under Title No. GM 77765, Lot No. 1596, Mukim 12, Daerah Seberang Perai Selatan, Pulau Pinang, for a cash consideration of RM12,100,000.00 (“Acquisition”).

The Company had on 5 April 2013 announced that LSSB had on even date, reached an understanding with ESSB, to further extend the Extended Completion Period for the Acquisition by three (3) months commencing from the expiry of the Extended Completion Date of 27 April 2013, subject to LSSB paying an interest at the rate of 6% per annum on the unpaid balance purchase price calculated on a daily basis which was further extended to by another three (3) months to 27 October 2013

Further to the above, LSSB had on 25 October 2013, reached an understanding with ESSB, to further extend the Extended Completion Period for the Acquisition by an additional one (1) month commencing from the Extended Completion Date of 28 October 2013 to 27 November 2013, subject to the Company paying an interest at the rate of 6% per annum on the unpaid balance purchase price calculated on a daily basis.



However, where ESSB takes more than fourteen (14) business days from the date of request by the Company's Solicitors to deliver the redemption statement and letter of undertaking to the Company's Solicitors and / or where ESSB takes more than fourteen (14) business days from the date of receipt of the redemption amount to deliver to the Company or the Company's Solicitors the Issue Document of Title, duly executed discharge of charge and all other relevant documents, the Company shall be entitled to such extension of time which corresponds with any delay in time on the part of ESSB in delivering the above said documents free of interest.

On 25 November 2013, the balance sale price and the late payment interest had been received by ESSB. Hence, the Disposal was deemed completed on the even date.

B8. Borrowings

	31-Dec-13
	RM'000
Short term borrowings	
Secured	8,000
Unsecured	97,221
Finance lease liabilities	358
	<u>105,579</u>
Long term borrowings	
Secured	15,957
Finance lease liabilities	274
	<u>16,231</u>
Total Borrowings	<u>121,810</u>

B9. Changes in Material Litigation

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

B10. 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.



	31-Dec-13	31-Dec-12
	RM'000	RM'000
Total retained profits of Leader Steel Holdings Berhad and its subsidiaries:		
- Realized	19,466	24,646
- Unrealized	(996)	(5,959)
Add: Consolidation adjustments	3,064	1,983
Total group retained profits as per consolidation accounts	21,534	20,670

B11. Earnings Per Ordinary Share

	Quarter Ended		Cumulative Period Ended	
	31- Dec		31- Dec	
	2013	2012	2013	2012
	(RM'000)	(RM'000)	(RM'000)	(RM'000)
Net earnings attributable to ordinary equity holders of the Company (RM'000)	(1,978)	(11,717)	864	(10,377)
Weighted average number of ordinary shares ('000)	128,032	128,032	128,032	128,032
Basic earnings per share (sen)	(1.54)	(9.15)	0.68	(8.11)

By the order of the Board

Datin Tan Pak Say
 Managing Director
 Penang
 27 Feb 2014