



## 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 2013.

The accounting policies and methods of computation adopted for the interim financial statements are consistent with those adopted for the audited consolidated financial statements of the Group for the financial year ended 31 December 2013, except for the adoption of Amendments to Standards and Issue Committee (IC) Interpretations effective as of 1 January 2014.

#### Adoption of Amendments to Standards and IC Interpretations

The Group had adopted the following Amendments to Standards and IC Interpretations, with a date of initial application of 1 January 2014.

Amendments to MFRS 10	<i>Consolidated Financial Statements: Investment Entities</i>
Amendments to MFRS 12	<i>Disclosure of Interests in Other Entities: Investment Entities</i>
Amendments to MFRS 127	<i>Separate Financial Statements: Investment Entities</i>
Amendments to MFRS 132	<i>Financial Instruments: Presentation - Offsetting Financial Assets and Financial Liabilities</i>
Amendments to MFRS 136	<i>Impairment of Assets - Recoverable Amount Disclosures for Non-Financial Assets</i>
Amendments to MFRS 139	<i>Novation of Derivatives and Continuation of Hedge Accounting</i>
IC Interpretation 21	<i>Levies</i>

The adoption of the above pronouncements did not have any impact on the financial statements of the Group.



## Standards issued but not yet effective

At the date of authorisation of the Condensed Report, the following Standards were issued but not yet effective and have not been adopted by the Group.

Description	Effective for financial periods beginning on or after
MFRS 14	<i>Regulatory Deferral Accounts</i> 1 January 2016
MFRS 15	<i>Revenue from Contracts with Customers</i> 1 January 2017
MFRS 9	<i>Financial Instruments (IFRS 9 as issued by International Accounting Standards Board ("IASB") in July 2014)</i> 1 January 2018
Amendments to MFRS 119	<i>Defined Benefits Plans: Employee Contributions</i> 1 July 2014
Amendments to MFRS 10 And MFRS 128	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i> 1 January 2016
Amendments to MFRS 11	<i>Accounting for Acquisitions of Interests in Joint Operations</i> 1 January 2016
Amendments to MFRS 116 and MFRS 138	<i>Clarification of Acceptable Methods of Depreciation and Amortisation</i> 1 January 2016
Amendments to MFRS 116 and MFRS 141	<i>Agriculture: Bearer Plants</i> 1 January 2016
Amendments to MFRS 127	<i>Equity Method in Separate Financial Statements</i> 1 January 2016
Annual Improvements to MFRSs 2010 – 2012 Cycle	1 July 2014
Annual Improvements to MFRSs 2011 – 2013 Cycle	1 July 2014
Annual Improvements to MFRSs 2012 – 2014 Cycle	1 January 2016

The Group will adopt the above pronouncements when they become effective in the respective financial periods. These pronouncements are not expected to have any material impact to the financial statements of the Group upon their initial application.

### 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 had purchased a total of 155,300 ordinary shares of its issued share capital from the open market at an average cost of RM0.30 per share. The total consideration paid for the shares bought back, including transaction costs during the current quarter amounted to RM 45,366.74 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 2014, the total number of treasury shares held was 1,025,000 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
2014	2013	2014	2013
RM'000	RM'000	RM'000	RM'000

**(Loss)/ Profit before tax is arrived at after charging:-**

Auditors' Remuneration:-

- Current year	8	36	132	109
- Prior year	-	-	10	(15)

Directors' remuneration:-

- Fees	44	44	175	175
- Other emoluments	270	416	1,305	1,248
Fees expense for financial instruments not at fair value through profit or loss	196	193	642	662
Impairment loss on available-for-sale financial assets	40	96	26	114
Impairment loss on loans and receivables	2,279	597	2,279	597
Inventories written-off	907	-	907	-
Interest expense for financial liabilities not at fair value through profit or loss	1,459	1,407	5,977	5,813
Loss on disposal of property, plant and equipment	-	1,240	-	1,240
Unrealised loss on foreign exchange	88	88	88	88
Property, plant and equipment written off	2	92	434	92
Rental of equipment	1	2	16	11
Rental of premises	140	135	347	606

**and crediting:-**

Gain on disposal of property, plant and equipment	-	-	61	-
Realised gain on foreign exchange	249	293	68	710
Rental of premises	30	30	120	120



## A8. Segment Information

Segmental reporting for the cumulative period ended 31 Dec 2014:

	<b>Trading &amp; Processing Of Iron Ore RM'000</b>	<b>Manufacturing &amp; Trading of Steel Pipe RM'000</b>	<b>Eliminations RM'000</b>	<b>Consolidated RM'000</b>
<b>Revenue</b>				
- External	111,777	126,648	0	238,425
- Inter-segment	0	0	(3,745)	(3,745)
<b>Total Revenue</b>	<b>111,777</b>	<b>126,648</b>	<b>(3,745)</b>	<b>234,680</b>
<b>Results</b>				
Operating (loss)/ profit	(277)	(12,986)	4,577	(8,686)
Finance cost	(1,773)	(4,204)	0	(5,977)
Tax expense	394	2,261	0	2,655
<b>Segment (loss)/ profit</b>	<b>(1,656)</b>	<b>(14,929)</b>	<b>4,577</b>	<b>(12,008)</b>

## 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.

## A11. Capital Commitment

There is no commitments in respect of capital expenditure on property, plant and equipment as of 31 December 2014.

## A12. Changes In Contingent Liabilities

There is no contingent liabilities for current quarter.



### A13. Related Party Transactions

---

**Companies in which certain directors are deemed to have substantial financial interests**      **12 months ended 31 Dec 2014**

---

<b>Eonmetall Group Berhad and its subsidiaries</b>	<b>RM'000</b>
Sales of goods	296
Purchase of goods	8,200
Purchase of machinery parts	36
Rental expense	150
	<hr/>
	<b>8,682</b>

---



## **B. EXPLANATORY NOTES PURSUANT TO APPENDIX 9B OF THE LISTING REQUIREMENTS OF BURSA MALAYSIA SECURITIES BERHAD**

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

The Group achieved a total revenue of RM51.8 million for the current quarter under review representing an increase of RM4.8 million or 10.2% from RM47 million recorded in the preceding year's corresponding quarter.

It was mainly attributed by the increase of revenue in the trading and processing of iron ore segment which registered an increase in revenue of RM1.0 million or 6.8% from RM14.6 million to RM15.6 million in its revenue.

Revenue from manufacturing and trading of steel pipe segment for the current quarter compared to preceding year corresponding quarter had also recorded an increase of RM3.8 million or 11.7% from RM32.4 million to RM36.2 million.

For the current quarter ended 31 December 2014, the Group posted a loss before taxation of RM10.8million as compared to the preceding year's corresponding loss before taxation of RM0.48 million, representing an increase of RM10.32 million in loss before tax. The increase in loss before tax was mainly due to the impairment losses of RM3.2 million attributed to stock valuation and impairment loss on receivables while the decrease in profit margin for both segments was due to high cost and depress selling price.

### **B2. Current quarter versus the preceding quarter**

For the quarter under review, the Group recorded a total revenue of RM51.8 million as compared to RM50.6 million in the preceding quarter.

The Group's revenue during the current quarter had increased by RM1.2 million or 2.38%. It was mainly attributed by the increase in manufacturing and trading of steel pipe segment for current quarter compared to preceding quarter which had recorded an increase of RM6.8 million or 23.13% from RM29.4 million to RM36.2 million in its revenue.

Revenue from trading and processing of iron ore segment registered a decrease of RM5.6 million or 26.42% from RM21.2 million to RM15.6 million.

Our Group's loss before tax had increased by RM7.2 million from RM3.6million loss to RM10.8 million loss in current quarter. The increase in loss before tax was mainly due to the impairment losses of RM3.2 million attributed to stock valuation and impairment loss on receivables while the decrease in profit margin for both segments was due to high cost and depress selling price.



### B3. Prospects

In view 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 will remain challenging.

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 positive results. On the assumption that this environment will persist, the Board is optimistic of achieving a slight improvement in the performance of the Group for the quarter ahead. However, in view of the pricing pressure, the Group does not expect to record exceptional results.

### 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	
	2014 RM'000	2013 RM'000	2014 RM'000	2013 RM'000
<b>Malaysian tax</b>				
- Current tax	(460)	0	(462)	0
- Prior year tax	(13)	(1,771)	384	(1,939)
- Deferred tax	2,733	0	2,733	0
<b>Total tax expense</b>	<b>2,260</b>	<b>(1,771)</b>	<b>2,655</b>	<b>(1,939)</b>

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.

The Budget 2014 announced on October 25, 2013 reduces the corporate income tax rate from 25% to 24% with effect from year of assessment 2016. The real property gains tax ("RPGT") is also revised to 30% for disposal within the first three years, 20% within the fourth year, 15% within the fifth year and 5% from sixth year onwards, on gains from the disposal of real property effective January 1, 2014. Following these, the applicable tax rates to be used for the measurement of any applicable deferred tax will be the respective expected rates.

### B6. Audit Report

The audited report of the preceding annual financial statements ended 31 December 2013 was not subject to any qualification.





**B7. Status of Corporate Proposal Announced**

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

**B8. Borrowings**

	<b>31-Dec-14</b>
	<b>RM'000</b>
<b>Short term borrowings</b>	
Secured	8,001
Unsecured	88,300
Finance lease liabilities	343
	<u><b>96,644</b></u>
<b>Long term borrowings</b>	
Secured	9,817
Finance lease liabilities	543
	<u><b>10,360</b></u>

**B9. Changes in Material Litigation**

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

**B10. Realised and Unrealised Profits/Losses**

The following analysis of realised and unrealised 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 Realised and Unrealised 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>31-Dec-14</b>	<b>31-Dec-13</b>
	<b>RM'000</b>	<b>RM'000</b>
<b>Total retained profits of Leader Steel Holdings Berhad and its subsidiaries:</b>		
- Realised	6,201	22,785
- Unrealised	(4,804)	(4,804)
Add: Consolidation adjustments	7,280	3,552
Total group retained profits as per consolidation accounts	<u><b>8,677</b></u>	<u><b>21,533</b></u>



## B11. Earnings Per Ordinary Share

	Quarter Ended		Cumulative Period Ended	
	31-Dec		31-Dec	
	2014 (RM'000)	2013 (RM'000)	2014 (RM'000)	2013 (RM'000)
Net loss /earnings attributable to ordinary equity holders of the Company (RM'000)	(9,376)	(1,978)	(12,856)	863
Weighted average number of ordinary shares ('000)	128,032	128,032	128,032	128,032
<b>Basic (loss) /earnings per share (sen)</b>	<b>(7.32)</b>	<b>(1.55)</b>	<b>(10.04)</b>	<b>0.67</b>

By the order of the Board

Datin Tan Pak Say  
Managing Director  
Penang

27 February 2015