



LEADER STEEL HOLDINGS BERHAD

(Company No. 267209 - K)

(Incorporated in Malaysia)

NOTES TO THE INTERIM FINANCIAL REPORT

11 Changes in the composition of the Group

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

12 Changes in contingent liabilities

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

13 Review of the performance

The Group recorded revenue of RM31,905,965 for the third quarter and loss before tax of RM684,358 whilst in preceding year's corresponding quarter, the Group's revenue was RM52,223,444 with profit before tax of RM3,818,164. The decrease in revenue was mainly attributed to a lower demand and intense market competition, coupled with higher cost of raw materials which together attributed to the losses.

14 Variation of results against preceding quarter

For the quarter under review, the Group recorded a loss before tax of RM684,358 compared to the profit before tax of RM1,862,484 in the preceding quarter mainly due to lower revenue and lower profit margin.

15 Current year prospects

The directors expect the performance of the Group from the operation of the remaining financial period to marginally improve from the current level.

16 Profit forecast

Not applicable as no profit forecast was published.

17 Tax expense

	3 MONTHS ENDED		9 MONTHS ENDED	
	30 SEPTEMBER		30 SEPTEMBER	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Current tax expense				
Malaysian - Current period	(663)	263	341	1,638
- Prior years	-	-	-	-
	(663)	263	341	1,638
Deferred tax expense				
Malaysian - Current period	131	344	(152)	1,092
- Prior years	147	-	107	(63)
	278	344	(45)	1,029
	<u>(385)</u>	<u>607</u>	<u>296</u>	<u>2,667</u>

The Group's effective tax rate is 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.