



**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 year under review.

**13 Review of the performance**

The Group recorded revenue of RM28,833,834 for the fourth quarter and loss before tax of RM4,084,969 whilst in preceding year's corresponding quarter, the Group's revenue was RM48,227,848 with profit before tax of RM2,279,875. The decrease in revenue was mainly attributed to a lower demand, coupled with higher cost of raw materials and lower selling price which attributed to the losses.

**14 Variation of results against preceding quarter**

For the quarter under review, the Group recorded a loss before tax of RM4,084,969 compared to the loss before tax of RM684,358 in the preceding quarter mainly due to lower margin of which the phenomenal prevailing in the steel industries during the period. In addition, there was a provision for impairment of assets amounting to RM798,778 recorded in this quarter.

**15 Current year prospects**

Based on the current upwards trend of the selling price, the directors expect the performances of the Group for the next financial quarter will improve.

**16 Profit forecast**

Not applicable as no profit forecast was published.

**17 Tax expense**

	3 MONTHS ENDED		12 MONTHS ENDED	
	31 DECEMBER		31 DECEMBER	
	2005	2004	2005	2004
	RM'000	RM'000	RM'000	RM'000
Current tax expense				
Malaysian - Current period/year	(121)	173	220	1,811
- Prior years	39	(54)	39	(54)
	(82)	119	259	1,757
Deferred tax expense				
Malaysian - Current period/year	369	(385)	217	707
- Prior years	592	20	699	(43)
	961	(365)	916	664
	<u>879</u>	<u>(246)</u>	<u>1,175</u>	<u>2,421</u>

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.