



LEADER STEEL HOLDINGS BERHAD

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

NOTES TO THE INTERIM FINANCIAL REPORT

9 Segment information

No segment information by business activities has been prepared as the Group's activities involved is primarily in one sector of operations only.

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 were no material events subsequent to the period under review.

12 Changes in the composition of the Group

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

13 Changes in contingent liabilities

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

14 Review of the performance

The Group recorded revenue of RM32,267,746 for the first quarter and profit before tax of RM444,825 whilst in preceding year's corresponding quarter, the Group's revenue was RM48,940,128 with profit before tax of RM2,572,450. The decrease in revenue and profit before taxation was mainly attributed to a lower demand, coupled with lower profit margin.

15 Variation of results against preceding quarter

For the quarter under review, the Group recorded a profit before tax of RM444,825 compared to the loss before tax of RM4,084,969 in the preceding quarter mainly due to higher demand, market shortages and lower cost of raw material during the current quarter. In addition, there was a provision for impairment of assets amounting to RM795,784 and lower margin recorded in the last quarter.

16 Current year prospects

The directors expect the performance of the Group for the next quarter to be improved on the expectation of a stronger demand.

17 Profit forecast

Not applicable as no profit forecast was published.

18 Tax expense

	3 MONTHS ENDED		3 MONTHS ENDED	
	31 MARCH		31 MARCH	
	2006 RM'000	2005 RM'000	2006 RM'000	2005 RM'000
Current tax expense				
Malaysian - Current period	18	720	18	720
- Prior years	-	-	-	-
	18	720	18	720
Deferred tax expense				
Malaysian - Current period	124	(313)	124	(313)
- Prior years	(69)	285	(69)	285
	55	(28)	55	(28)
	<u>73</u>	<u>692</u>	<u>73</u>	<u>692</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.