



**LEADER STEEL HOLDINGS BERHAD**

(Company No. 267209 - K)

(Incorporated in Malaysia)

**CONDENSED CONSOLIDATED BALANCE SHEET  
AT 30 SEPTEMBER 2005**

	NOTE	UNAUDITED 30 SEPTEMBER 2005 RM'000	AUDITED 31 DECEMBER 2004 RM'000
<b>PROPERTY, PLANT AND EQUIPMENT</b>	<b>9</b>	<b>66,659</b>	63,655
<b>OTHER INVESTMENT</b>		<b>160</b>	1,496
<b>DEFERRED TAX ASSETS</b>		<b>-</b>	325
<b>CURRENT ASSETS</b>			
Inventories	<b>26</b>	<b>56,476</b>	48,277
Trade and other receivables		<b>28,458</b>	19,857
Cash and cash equivalents		<b>868</b>	6,219
		<b>85,802</b>	74,353
<b>CURRENT LIABILITIES</b>			
Trade and other payables		<b>6,334</b>	4,755
Borrowings		<b>47,882</b>	39,300
Taxation		<b>272</b>	524
		<b>54,488</b>	44,579
<b>NET CURRENT ASSETS</b>		<b>31,314</b>	29,774
		<b>98,133</b>	95,250
Financed by:			
<b>SHARE CAPITAL</b>		<b>62,961</b>	62,961
<b>RESERVES</b>		<b>21,522</b>	20,334
<b>SHAREHOLDERS' FUNDS</b>		<b>84,483</b>	83,295
<b>LONG TERM AND DEFERRED LIABILITIES</b>			
Borrowings		<b>6,431</b>	4,366
Deferred Tax Liabilities		<b>7,219</b>	7,589
		<b>98,133</b>	95,250
<b>Net Tangible Assets Per Share (Sen)</b>		<b>67.09</b>	66.15

The condensed consolidated balance sheet should be read in conjunction with the most recent annual financial statement as at 31 December 2004.



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**CONDENSED CONSOLIDATED INCOME STATEMENT  
FOR THE PERIOD ENDED 30 SEPTEMBER 2005  
(THE FIGURES HAVE NOT BEEN AUDITED)**

	CURRENT 3 MONTHS ENDED 30 SEPTEMBER		CUMULATIVE 9 MONTHS ENDED 30 SEPTEMBER	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Revenue	31,906	52,223	132,082	124,691
Operating expenses	(32,228)	(48,107)	(127,862)	(107,508)
Operating income	218	251	1,049	1,003
<b>Operating (loss)/profit</b>	<b>(104)</b>	<b>4,367</b>	<b>5,269</b>	<b>18,186</b>
Interest expense	(582)	(573)	(1,555)	(1,258)
Interest income	2	24	36	52
<b>(Loss)/Profit before tax</b>	<b>(684)</b>	<b>3,818</b>	<b>3,750</b>	<b>16,980</b>
Tax expense	385	(607)	(296)	(2,667)
<b>(Loss)/Profit after tax</b>	<b>(299)</b>	<b>3,211</b>	<b>3,454</b>	<b>14,313</b>
Minority interests	-	-	-	-
<b>Net (loss)/profit for the period</b>	<b>(299)</b>	<b>3,211</b>	<b>3,454</b>	<b>14,313</b>
Basic (loss)/earnings per ordinary share (sen)	<u>(0.24)</u>	<u>2.56</u>	<u>2.74</u>	<u>11.47</u>
Diluted (loss)/earnings per ordinary share (sen)	<u>(0.24)</u>	<u>2.53</u>	<u>2.63</u>	<u>11.32</u>

The condensed consolidated income statement should be read in conjunction with the most recent annual financial statement as at 31 December 2004.



**LEADER STEEL HOLDINGS BERHAD**  
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**CONDENSED CONSOLIDATED CASH FLOW STATEMENT  
FOR THE PERIOD ENDED 30 SEPTEMBER 2005**

	<b>UNAUDITED 30 SEPTEMBER 2005 RM'000</b>	<b>UNAUDITED 30 SEPTEMBER 2004 RM'000</b>
<b>Profit before tax</b>	3,750	16,980
Adjustment for :-		
Non-cash items	4,387	3,706
Non-operating items	(233)	(1,171)
<b>Operating profit before changes in working capital</b>	<b>7,904</b>	19,515
Changes in working capital		
Net changes in current assets	(17,160)	(37,358)
Net changes in current liabilities	1,579	3,470
<b>Net cash outflow from operating activities</b>	<b>(7,677)</b>	(14,373)
<b>Investing Activities</b>		
- Other investments	(6,054)	(9,020)
<b>Net cash outflow from investing activities</b>	<b>(6,054)</b>	(9,020)
<b>Financing Activities</b>		
- Bank borrowings, net	3,029	24,005
- Increased in share capital	-	898
- Dividend paid	(2,267)	(2,084)
<b>Net cash inflow from financing activities</b>	<b>762</b>	22,819
<b>Net decrease in cash and cash equivalents</b>	<b>(12,969)</b>	(574)
<b>Cash and cash equivalents at beginning of year</b>	<b>6,219</b>	3,336
<b>Cash and cash equivalents at end of year</b>	<b>(6,750)</b>	2,762
<b>Cash and cash equivalents consist of :-</b>		
Cash and bank balances	868	2,762
Bank overdrafts	(7,618)	-
	<b>(6,750)</b>	2,762

The condensed consolidated cash flow statement should be read in conjunction with the most recent annual financial statement as at 31 December 2004.



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**CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE PERIOD ENDED 30 SEPTEMBER 2005**

	Share Capital RM'000	Non- distributable Reserves RM'000	Distributable Capital reserve RM'000	Distributable Retained profits RM'000	Total RM'000
At 1 January 2005	62,961	-	283	20,051	83,295
Net profit for the nine months period	-	-	-	3,454	3,454
Dividend	-	-	-	(2,266)	(2,266)
At 30 September 2005	<u>62,961</u>	<u>-</u>	<u>283</u>	<u>21,239</u>	<u>84,483</u>
At 1 January 2004	40,824	3,660	283	22,623	67,390
Issues of shares	898	-	-	-	898
Net profit for the nine months period	-	-	-	14,313	14,313
Dividend	-	-	-	(2,084)	(2,084)
At 30 September 2004	<u>41,722</u>	<u>3,660</u>	<u>283</u>	<u>34,852</u>	<u>80,517</u>

The condensed consolidated statement of changes in equity should be read in conjunction with the most recent annual financial statement as at 31 December 2004.



## LEADER STEEL HOLDINGS BERHAD

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### NOTES TO THE INTERIM FINANCIAL REPORT

#### **1 Basis of preparation**

The interim financial report is unaudited and has been prepared in compliance with FRS 134, Interim Financial Reporting and the additional disclosure requirements as in Part A of Appendix 9B of the Revised Listing Requirements.

The interim financial report should be read in conjunction with the most recent annual audited financial statements of the Group for the year ended 31 December 2004.

The accounting policies and methods of computation adopted by the Group in this interim financial report are consistent with those adopted in the financial statements for the year ended 31 December 2004.

#### **2 Audit report**

The audit report of the preceding annual financial statements ended 31 December 2004 was not subject to any qualification.

#### **3 Seasonal or cyclical factors**

The business of the Group was not affected by any significant seasonal or cyclical factors in the third quarter ended 30 September 2005.

#### **4 Extraordinary or exceptional items**

There were no extraordinary/exceptional items for the financial period ended 30 September 2005.

#### **5 Changes in estimates**

There were no material changes in the estimates used for the preparation of this interim financial report.

#### **6 Debts and equity or securities**

There were no issuance and repayment of debt and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial period.

#### **7 Dividend paid**

No dividend was paid for the financial period under review.

#### **8 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.

#### **9 Property, plant and equipment**

The valuations of land and buildings have been brought forward, without amendment from the previous annual report.

#### **10 Events subsequent to the balance sheet date**

There were no material events subsequent to the period under review.



**LEADER STEEL HOLDINGS BERHAD**

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**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	2004	2005	2004
	RM'000	RM'000	RM'000	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.



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**NOTES TO THE INTERIM FINANCIAL REPORT**

**18 Unquoted investments and properties**

There were no disposals of unquoted investments and properties during the period under review.

**19 Quoted investments**

There were no material purchases or disposal of quoted shares for the period under review.

Investment in quoted securities as at 30 September 2005

	At Cost RM'000	At Book Value RM'000	At Market Value RM'000
Total Quoted Shares	<u>160</u>	<u>160</u>	<u>113</u>

**20 Status of corporate proposal announced**

There were no corporate proposal for the current quarter.

**21 Borrowing and Debt Securities**

There were no debt securities for the current financial period to date.

	<b>30 SEPTEMBER 2005</b> RM'000
Current	
Secured	931
Unsecured	<u>46,951</u>
	<u>47,882</u>
Non-current	
Secured	3,662
Unsecured	<u>2,768</u>
	<u>6,431</u>

All borrowings are denominated in Ringgit Malaysia.

**22 Off balance sheet financial instruments**

During the financial period to date, the Group did not enter into any contracts involving off balance sheet financial instruments.

**23 Changes in material litigation**

The Group was not engaged in any material litigation for the current financial period to date.

**24 Dividend**

No dividend has been recommended for this quarter.



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**NOTES TO THE INTERIM FINANCIAL REPORT**

**25 (Loss)/Earnings per share**

*Basic (loss)/earnings per share*

The calculation of basic (loss)/earnings per share for the current quarter and current period to date based on the net (loss)/profit attributable to ordinary shareholders of (RM299,358) and RM3,454,576 and the weighted average number of ordinary shares outstanding are calculated as follows:

*Weighted average number of ordinary shares*

	<b>Current Quarter</b> <b>'000</b>	<b>Current year to date</b> <b>'000</b>
Issued ordinary shares at beginning of the period	125,922	125,922
Effect of shares issued during the period	-	-
Weighted average number of ordinary shares	<u>125,922</u>	<u>125,922</u>

*Diluted (loss)/earnings per share*

The calculation of diluted (loss)/earnings per share for the current quarter and current period to date based on the net (loss)/profit attributable to ordinary shareholders of (RM299,358) and RM3,454,576 and the weighted average number of ordinary shares outstanding are calculated as follows:

*Weighted average number of ordinary shares (diluted)*

	<b>Current Quarter</b> <b>'000</b>	<b>Current year to date</b> <b>'000</b>
Weighted average number of ordinary shares	125,922	125,922
Effect of share options	1,442	5,281
Weighted average number of ordinary shares (diluted)	<u>127,364</u>	<u>131,203</u>

**26 Inventories**

No write-down of inventories during the three months period ended 30 September 2005.

**27 Capital commitments**

There were no capital commitments during the period under review.

**28 Related party transactions**

There were no related party transactions during the period under review.

**BY THE ORDER OF THE BOARD**

LAM VOON KEAN (MIA 4793)  
Company Secretary  
Dated this 29th day of October, 2005.