



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

The Company had on 18 April 2005 announced the acquisition of 2 ordinary shares of RM1.00 each in the capital of Fresh Rewards Sdn Bhd ("Fresh Rewards") and Biostone Tech Sdn Bhd ("Biostone"). Consequently, Fresh Rewards and Biostone became the wholly- owned subsidiaries of the Company.

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 RM48,940,128 for the first quarter and profit before income tax of RM2,572,450 whilst in preceding year's corresponding quarter, the Group's revenue was RM43,791,884, with profit before income tax of RM8,032,926. The increase in revenue was mainly attributed to higher selling price and volume. However, due to higher cost of raw material compared to preceding year's corresponding quarter, profit before income tax was substantially reduced.

14 Variation of results against preceding quarter

For the quarter under review, the Group recorded a profit before tax of RM2,572,450 compared to RM2,279,875 in the preceding quarter mainly due to higher revenue.

15 Current year prospects

The directors expect the performance of the Group for the current financial year to be maintained.

16 Profit forecast

Not applicable as no profit forecast was published.

17 Tax expense

	3 MONTHS ENDED		3 MONTHS ENDED	
	31 MARCH		31 MARCH	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Current tax expense				
Malaysian - Current period	720	900	720	900
- Prior years	-	269	-	269
	720	1,169	720	1,169
Deferred tax expense				
Malaysian - Current period	(313)	375	(313)	375
- Prior years	285	247	285	247
	(28)	622	(28)	622
	692	1,791	692	1,791

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.