



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

Further to the Company's announcement made on 21 March 2003, it wishes to announce that its 100% owned subsidiary, Leader Steel Marketing Sdn. Bhd. (In Member's Voluntary Liquidation) will be dissolved on 12 October 2005.

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 RM51,235,972 for the second quarter and profit before income tax of RM1,862,484 whilst in preceding year's corresponding quarter, the Group's revenue was RM28,676,314, with profit before income tax of RM5,128,773. The increase in revenue was mainly attributed to higher selling price, volume of sales and trading activities. 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 RM1,862,484 compared to RM2,572,450 in the preceding quarter mainly due to lower profit margin.

15 Current year prospects

The directors expect the performance of the Group for the remaining financial period to be maintained at the current level.

16 Profit forecast

Not applicable as no profit forecast was published.

17 Tax expense

	3 MONTHS ENDED		6 MONTHS ENDED	
	30 JUNE		30 JUNE	
	2005 RM'000	2004 RM'000	2005 RM'000	2004 RM'000
Current tax expense				
Malaysian - Current period	284	475	1,004	1,375
- Prior years	-	(269)	-	-
	284	206	1,004	1,375
Deferred tax expense				
Malaysian - Current period	30	373	(283)	748
- Prior years	(325)	(310)	(40)	(63)
	(295)	63	(323)	685
	<u>(11)</u>	<u>269</u>	<u>681</u>	<u>2,060</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.