

Notes

1. Accounting Policies & Methods

This quarterly financial report is prepared in accordance with MASB 26 "Interim Financial Reporting" and paragraph 9.22 of Bursa Malaysia Securities Berhad Listing Requirements and should be read in conjunction with the Group's financial statements for the year ended 31 December 2003.

The accounting policies and methods of computation are consistent with those adopted for the annual financial statements for the year ended 31 December 2003.

2. Audit Report

The preceding financial year's audit report was not qualified.

3. Seasonal or Cyclical Factors

The business operations of the Group are affected by both cyclical factors in the construction industry over the years and seasonal fluctuations such as festivities in the first quarter of each year.

4. Unusual Items

There were no unusual items in terms of nature, size, or incidence which affect assets, liabilities, equity, net income or cash flows for the current financial quarter.

5. Changes in estimates

There have been no changes in estimates of amounts reported in prior financial year.

6. Debt and Equity Securities

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities for current financial year to date other than as mentioned below:-

For the twelve months' period ended 31 December 2004, RM32,176,380 nominal amount of ICULS were converted into 31,239,194 ordinary shares of RM1.00 each.

7. Dividends

The interim dividend of 5 % tax exempt in respect of the current financial year was paid on 30 December 2004.

The Board of Directors have yet to decide on the amount of proposed final dividend for the current financial year.

8. Primary Segment Revenue and Results

The group's primary business segment, including its overseas associated companies, is that of the steel business. As such, the segment revenue and results are as disclosed in the condensed consolidated income statement.

9. Valuation of Property, Plant and Equipment

Valuations of property, plant and equipment have been brought forward, without amendment from the previous annual financial statements.

10. Material Subsequent Events

There were no material subsequent events that have not been reflected at the date of issue of this announcement.

11. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current financial year to date except for the disposal of the three dormant subsidiaries and the acquisition of additional shares in an existing associated company, Southern NatSteel (Xiamen) Ltd as disclosed in the preceding quarter.

12. Changes in Contingent Liabilities or Contingent Assets

There were no material contingent liabilities or assets since the last annual balance sheet date except for the insurance claim for loss of profit received and disclosed in the quarter ended 31 March 2004.

13. Tax Charge

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31.12.04 RM'000	31.12.03 RM'000	31.12.04 RM'000	31.12.03 RM'000
Current	1,217	255	6,080	1,447
Deferred	330	1,939	30,482	18,881
	<u>1,547</u>	<u>2,194</u>	<u>36,562</u>	<u>20,328</u>
Under/(Over) provision in prior years	4,259	6	432	6
Real Property Gains Tax	366	-	366	-
Associated companies	786	(779)	1558	503
	<u>6,958</u>	<u>1,421</u>	<u>38,918</u>	<u>20,837</u>

The Group's current year's effective tax rate is lower than the statutory tax rate mainly due to the utilisation of reinvestment allowances and unabsorbed tax losses to reduce the taxable profits of certain subsidiary companies.

14. Sale of Unquoted Investments and/or Properties

There were neither sales of unquoted investments nor properties for the current financial year to date.

15. Quoted Securities

(a) There were neither purchases nor disposals of quoted securities for the current financial year to date.

(b) Investments in quoted securities as at 31 December 2004:

	RM'000
At cost	7,224
Provision for diminution in value of investments	(6,045)
At book value	<u>1,179</u>
At market value	<u>4,263</u>

16. Status of Corporate Proposals

There was no corporate proposal announced that was not completed at the date of this announcement. Out of the total seven certificates of fitness (CFs) of properties owned by the Group to be obtained pursuant to the Company's ICULS issue completed in August 2003, five have been duly issued. The Securities Commission has granted an extension of time for compliance with the deadline imposed to obtain the remaining two CFs as follows:-

a) Lot 2728 to 2732 – by April 30, 2005.

b) Lots 6047, 6048 and 6049 – by October 31, 2005.

17. Group Borrowings

(a) The total Group borrowings as at 31 December 2004 are unsecured and as follows:

	RM'000
Long Term Borrowings	326,333
Short Term Borrowings (Including overdraft of RM4,484,000)	721,045
	<u>1,047,378</u>

(b) Included in the above are US Dollars borrowing amounting to RM361million.

18. Off Balance Sheet Financial Instruments

There were no material financial instruments with off balance sheet risk as at the date of issue of this quarterly report.

19. Changes in Material Litigation

Since the date of last annual balance sheet date, there has not arisen any material litigation up to the date of issue of this report.

20. Related Party Transactions

Significant transactions with related parties are as follows:

		12 months ended 31/12/04 RM'000
Sales of goods to :		
Hong Leong Company (Malaysia) Berhad Group	Enterprises controlled by the same enterprise which exercises significant influence over the Company	82,124
Hong Bee Group	Enterprises that are indirectly controlled by a Director of a subsidiary	66,203
Cheah Hong Inn Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	47,578
Kim Company Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	13,148
Chin Well Holdings Berhad Group	Enterprises that has a Director in common with the Company	128,770
NatSteel Ltd. Group	Enterprises controlled by the same enterprise which exercises significant influence over the Company	4,188
Associated companies	Enterprises in which the Company has significant influence	255,830
Purchase of goods from :		
NatSteel Ltd. Group	Enterprises controlled by the same enterprise which exercises significant influence over the Company	13,087
Associated company	Enterprise in which the Company has significant influence	652,627
Service rendered by :		

Su Hock Group	Enterprise in which substantial interest is owned indirectly by a Director, who is also a substantial shareholder of the Company	1,463
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21. Review of Performance

The current quarter's Group revenue increased to RM556.0 million from last year's corresponding quarter of RM494.9 million due to overall higher international and local selling prices. The current quarter's profit before taxation of RM14.5 million is higher as compared to RM10.0 million (excluding RM13 million insurance claim for loss of operating profit) in last year's corresponding quarter.

22. Material Change in Profit/(Loss) Before Taxation Compared to Immediate Preceding Quarter

The current quarter's Group revenue decreased to RM556.0 million from immediate preceding quarter of RM724.4 million due to weaker market demand. The Group recorded a lower profit before tax of RM14.5 million as compared to RM34.7 million in the immediate preceding quarter. This was mainly due to lower demand and price instability in the weak local construction market and festive season.

23. Prospects

We expect a tougher 2005 as compared to 2004. China will likely continue to be the main factor in the Asia steel market, influencing both the international scrap and steel prices, in view of its huge level of consumption and production. Its effort to control excessive investment has led to dumping of construction grade steel products in the world market since the 4th quarter last year. This reversal from import to export has dampened international construction grade steel prices. This will continue as long as the controls in spending are in place, though there is some tentative sign of a modest firming of the market.

On the domestic front, no new major projects have been launched by the Government for nearly one year to control budget deficit. As a result, demand for construction products have been declining over the last few months as existing projects come to completion. This difficult trading condition is likely to prevail in the seasonally low 1st quarter, causing further slide in results.

However, the Government has recently announced a major RM28 billion construction spending initiative for 2005. Its positive impact would progressively be seen during the course of the year.

The Group will continue to enhance its range of higher grade products in the non-construction sector and overseas market in an attempt to sustain its profitability for 2005.

24. Earnings Per Share

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the current quarter is based on the net profit attributable to ordinary shareholders of RM7,299,000 and the weighted average number of ordinary shares outstanding during the quarter of 301,853,990.

The calculation of basic earnings per ordinary share for the current year-to-date is based on the net profit attributable to ordinary shareholders of RM98,076,000 and the weighted average number of ordinary shares outstanding during the quarter of 301,853,990.

	Current Quarter RM'000	Current Year to Date RM'000
Net profit attributable to shareholders	7,299	98,076
Issued ordinary shares at beginning of the quarter/year	298,731	287,461
Effect of ordinary shares issued during the quarter/year	3,123	14,393
Weighted average number of ordinary shares	301,854	301,854
Basic earnings per ordinary share (sen)	2.4	32.5

Diluted earnings per share

The calculation of diluted earnings per ordinary share for the current quarter is based on the net profit attributable to ordinary shareholders (diluted) of RM7,576,000 and weighted average number of the ordinary shares (diluted) outstanding during the quarter of 419,417,560.

The calculation of diluted earnings per ordinary share for the current year-to-date is based on the net profit attributable to ordinary shareholders (diluted) of RM99,402,000 and weighted average number of the ordinary shares (diluted) outstanding during the quarter of 419,417,560.

	Current Quarter RM'000	Current Year To Date RM'000
Net profit attributable to shareholders	7,576	99,402
Issued ordinary shares at beginning of the year	287,461	287,461
Effect of ICULS	131,957	131,957
Weighted average number of ordinary shares (Diluted)	419,418	419,418
Fully diluted earnings per ordinary share (sen)	1.8	23.7