

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 2004.

The accounting policies and methods of computation are consistent with those adopted for the annual financial statements for the year ended 31 December 2004.

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 three months' period ended 31 March 2005, RM14,145,439 nominal amount of ICULS were converted into 13,733,435 ordinary shares of RM1.00 each.

7. Dividends

There was no dividend paid or declared for the current year to date. A final tax exempt dividend of 5% for the financial year ended 31 December 2004 (Year ended 31 December 2003: 5% tax exempt) was approved in the annual general meeting held on 9 May 2005 and will be payable on 30 June 2005.

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.

12. Changes in Contingent Liabilities or Contingent Assets

There were no material contingent liabilities or assets since the last annual balance sheet date.

13. Tax Charge

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31.3.05	31.3.04	31.3.05	31.3.04
	RM'000	RM'000	RM'000	RM'000
Current	926	356	926	356
Deferred	(575)	10,996	(575)	10,996
	351	11,352	351	11,352
Under provision in prior years – Deferred taxation	69	1,440	69	1,440
Associated companies	(1,492)	271	(1,492)	271
	(1,072)	13,063	(1,072)	13,063

The Group's current year to date's effective tax rate is higher than the statutory tax rate mainly due to certain expenses which were not allowed for tax deduction and non-availability of Group relief for loss incurred by a subsidiary company.

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 March 2005:

	RM'000
At cost	7,224
Provision for diminution in value of investments	(6,045)
At book value	1,179
At market value	3,304

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 issued up to the previous quarter. An additional one has been issued during this reporting quarter, leaving the last one, which comprises lot 6047, 6048 and 6049 has yet to be issued. The Securities Commission has granted an extension of time for compliance to October 31, 2005.

17. Group Borrowings

(a) The total Group borrowings as at 31 March 2005 are unsecured and as follows:

	RM'000
Long Term Borrowings	317,472
Short Term Borrowings (Including overdraft of RM17,090,000)	729,888
	1,047,360

(b) Included in the above are US Dollars borrowing amounting to RM357.2million.

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:

		3 months ended 31/3/05 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	23,091
Hong Bee Group	Enterprises that are indirectly controlled by a Director of a subsidiary	19,764
Cheah Hong Inn Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	11,343

		3 months ended 31/3/05 RM'000
Kim Company Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	3,760
Chin Well Holdings Berhad Group	Enterprises that has a Director in common with the Company	24,408
NatSteel Ltd. Group*	Enterprises controlled by the same enterprise which exercises significant influence over the Company	230
Associated companies	Enterprises in which the Company has significant influence	36,750
Purchase of goods from :		
NatSteel Ltd. Group*	Enterprises controlled by the same enterprise which exercises significant influence over the Company	2,245
Associated company	Enterprise in which the Company has significant influence	89,528
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	1,053

* NatSteel Limited ceased to be a major shareholder of the Company with effect from 15 February 2005. However, the disclosure of the transactions are made in line with the definition of major shareholder under Paragraph 10.02(f) of the Listing Requirements which include those major shareholder within the preceding 12 months.

21. Review of Performance

The Group's revenue in the current quarter increased from last year's corresponding quarter's RM553.2 million to RM585.9 million due to higher average selling price for steel products despite lower volume. The profit before taxation for the current quarter of RM3.1 million is lower as compared to RM30.1 million (excluding RM14mil insurance claim) in last year's corresponding quarter mainly due to higher material costs and a weak construction market locally. Export volume especially that of billet is also lower due to a weaker international market.

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

The Group's revenue in the current quarter increased from immediate preceding quarter's RM556.0 million to RM585.9 million. The Group recorded a lower profit before tax of RM3.1 million as compared to RM14.5 million in the immediate preceding quarter mainly due to lower selling prices.

23. **Prospects**

In the international scene, China will remain the key determinant of how the steel industry would perform over the next few years. On 1st April 2005, the Chinese government removed its 13% rebate on export of steel billet, and reduced its rebate on bars and rods from 13% to 10%. This has helped to stabilize the steel prices in the region.

The local construction market has remained soft. In the second half year, the recently announced RM2.4 billion infrastructure projects will improve the local construction activities. The Group non-construction grade products are expected to continue to contribute positively.

We expect the remaining quarters to perform better than the 1st quarter.

24. **Earnings Per Share**

Basic earnings per ordinary share

The calculation of basic earnings per ordinary share for the current quarter and year-to-date is based on the net profit attributable to ordinary shareholders of RM4,295,000 and the weighted average number of ordinary shares outstanding during the quarter of 323,635,224.

	Current Quarter and Year to Date RM'000
Net profit attributable to shareholders	4,295
Issued ordinary shares at beginning of the quarter/year	318,700
Effect of ordinary shares issued during the quarter/year	4,935
Weighted average number of ordinary shares	323,635
Basic earnings per ordinary share (sen)	1.3

Diluted earnings per share

The calculation of diluted earnings per ordinary share for the current quarter and year-to-date is based on the net profit attributable to ordinary shareholders (diluted) of RM4,562,000 and weighted average number of the ordinary shares (diluted) outstanding during the quarter of 419,417,549.

	Current Quarter and Year to Date
	RM'000
Net profit attributable to shareholders	4,562
Weighted average number of ordinary shares in issue during the current quarter/year	323,635
Adjustment for conversion of ICULS	95,782
Weighted average number of ordinary shares (Diluted)	419,417
Fully diluted earnings per ordinary share (sen)	1.1