

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 six months' period ended 30 June 2005, RM32,729,330 nominal amount of ICULS were converted into 31,776,042 ordinary shares of RM1.00 each.

7. Dividends

The final tax exempt dividend of 5% for the financial year ended 31 December 2004 was paid on 30 June 2005. For the financial year ending 31 December 2005, an interim tax exempt dividend of 2.5% (2004: 5% tax exempt) is approved and will be payable on 30 September 2005 to depositors registered in the Record of Depositors at the close of business on 7 September 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
	30.6.05 RM'000	30.6.04 RM'000	30.6.05 RM'000	30.6.04 RM'000
Current	1,131	2,123	2,117	2,123
Deferred	1,539	11,230	1,330	22,582
	<u>2,670</u>	<u>13,353</u>	<u>3,447</u>	<u>24,705</u>
Under/(Over) provision in prior period:				
-Current	60	-	-	-
-Deferred	378	32	81	1,472
Associated companies	107	108	(1,385)	379
	<u>3,215</u>	<u>13,493</u>	<u>2,143</u>	<u>26,556</u>

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 30 June 2005:

	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>3,062</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 for occupation (CFs) of properties owned by the Group to be obtained pursuant to the Company's ICULS issue completed in August 2003, six have been issued up to the previous quarter. The last CF, for Lots 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 30 June 2005 are unsecured and as follows:

	RM'000
Long Term Borrowings	293,115
Short Term Borrowings (Including overdraft of RM28,104,000)	797,189
	1,090,304

(b) Included in the above are US Dollars borrowings amounting to RM417.1million.

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:

		6 months ended 30/6/05 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	47,083
Hong Bee Group	Enterprises that are indirectly controlled by a Director of a subsidiary	35,778
Cheah Hong Inn Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	23,035

		6 months ended 30/6/05 RM'000
Kim Company Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	7,413
Chin Well Holdings Berhad Group	Enterprises that has a Director in common with the Company	54,586
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	
- NatSteel Trade International Pte. Ltd.		43,274
- Steel Industries (Sabah) Sdn. Bhd.		32,049
Purchase of goods from :		
NatSteel Ltd. Group*	Enterprises controlled by the same enterprise which exercises significant influence over the Company	6,402
Associated company	Enterprise in which the Company has significant influence	
- NatSteel Trade International Pte. Ltd.		281,424
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	1,437

* NatSteel Limited ceased to be a major shareholder of the Company with effect from 15 February 2005. However, the disclosure of the transactions is made pursuant to Paragraph 10.02(f) of the Listing Requirements which includes those major shareholders 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 RM565.2 million to RM668.4 million due to higher sales volume. However, the profit before taxation for the current quarter of RM3.3 million is lower as compared to RM44.9 million in last year's corresponding quarter mainly due to higher material costs and lower selling prices.

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

The Group's revenue in the current quarter has increased from the immediate preceding quarter's RM585.9 million to RM668.4 million. However, the Group's profit before tax of RM3.3 million is comparable to the RM3.1 million of the immediate preceding quarter.

23. Prospects

The market is expected to remain sluggish due to reduced activities in the local construction sector which has recently been dependent on private residential projects. The announced RM2.4 billion government projects will only materialize early next year.

The price of domestic hot-rolled coil has continued to increase as the international price dropped. Current domestic price is now more than 50% higher than international price. Consequently, this has put tremendous pressure on one of our subsidiaries which is dependent on local supply of hot rolled coil.

In the international scene, there is some positive price movement in steel products. However, the quantum of price increase has been modest.

The Group's performance is not expected to improve until the fourth quarter of the financial year.

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 RM553,000 and the weighted average number of ordinary shares outstanding during the quarter of 340,977,170.

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 RM4,848,000 and the weighted average number of ordinary shares outstanding during the quarter of 332,354,103.

	Current Quarter	Current Year to Date
Net profit attributable to shareholders (RM'000)	553	4,848
Weighted average number of ordinary shares ('000)	340,977	332,354
Basic earnings per ordinary share (sen)	0.2	1.5

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 RM736,000 and weighted average number of the ordinary shares (diluted) outstanding during the quarter of 419,417,549.

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 RM5,273,000 and weighted average number of the ordinary shares (diluted) outstanding during the quarter of 419,417,549.

	Current Quarter	Current Year To Date
Net profit attributable to shareholders (RM'000)	736	5,273
Weighted average number of ordinary shares in issue during the current quarter/year ('000)	340,977	332,354
Adjustment for conversion of ICULS('000)	78,440	87,063
Weighted average number of ordinary shares (Diluted) ('000)	419,417	419,417
Fully diluted earnings per ordinary share (sen)	0.2	1.3