

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 except for the write down of inventory to net realisable values by certain subsidiaries and an associated company amounting to RM6.6 million.

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 nine months' period ended 30 September 2005, RM44,780,330 nominal amount of ICULS were converted into 43,476,042 ordinary shares of RM1.00 each.

7. Dividends

The interim tax exempt dividend of 2.5% (2004: 5% tax exempt) in respect of the current financial year was paid on 30 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 changes in 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
	30.9.05 RM'000	30.9.04 RM'000	30.9.05 RM'000	30.9.04 RM'000
Current	16	2,740	2,133	4,863
Deferred	(683)	7,570	647	30,152
	(667)	10,310	2,780	35,015
Under/(Over) provision in prior period:				
-Current	(261)	-	(261)	-
-Deferred	598	(5,299)	679	(3,827)
-Real Property Gains Tax	(100)	-	(100)	-
Associated companies	(539)	393	(1,924)	772
	(969)	5,404	1,174	31,960

The Group's current year to date taxation charge is mainly attributable to certain disallowed expenses and non-availability of Group tax relief for losses incurred by 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 30 September 2005:

	RM'000
At cost	7,224
Provision for diminution in value of investments	(6,045)
At book value	1,179
At market value	2,292

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 Group is currently seeking the approval of the Securities Commission to grant an extension of time for compliance with the deadline imposed to obtain the remaining CF.

17. Group Borrowings

(a) The total Group borrowings as at 30 September 2005 are unsecured and as follows:

	RM'000
Long Term Borrowings	286,535
Short Term Borrowings (Including overdraft of RM9,594,000)	664,501
	951,036

(b) Included in the above are US Dollars borrowings amounting to RM426.8million.

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:

		9 months ended 30/9/05 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	65,151
Hong Bee Group	Enterprises that are indirectly controlled by a Director of a subsidiary	58,863
Cheah Hong Inn Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	32,671

		9 months ended 30/9/05 RM'000
Kim Company Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	11,017
Chin Well Holdings Berhad Group	Enterprises that has a Director in common with the Company	79,309
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.		62,190
- Steel Industries (Sabah) Sdn. Bhd.		51,805
Purchase of goods from :		
NatSteel Ltd. Group*	Enterprises controlled by the same enterprise which exercises significant influence over the Company	8,709
Associated company	Enterprise in which the Company has significant influence	
- NatSteel Trade International Pte. Ltd.		350,396
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	1,900

* 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 decreased from RM724.4 million in last year's corresponding quarter to RM628.2 million in the current quarter due to lower sales volume and selling prices. The margin of all products have been eroded by higher material costs and lower selling prices. The Group posted a loss before taxation for the current quarter of RM20.5 million as compared to profit before taxation of RM34.7 million in the preceding year's corresponding quarter. Included in this quarter's loss was a write down of inventory to net realisable value amounting to RM6.6 million. The pipe making subsidiary suffered heavy losses due to the unreasonable price of domestic supplied raw material.

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

The Group's revenue decreased from the immediate preceding quarter's RM668.4 million to RM628.2 million in the current quarter. The Group recorded loss before taxation of RM20.5 million in the current quarter as compared to profit before taxation of RM3.3 million in the immediate preceding quarter due to lower contribution from most companies. The biggest loss was posted by the pipe subsidiary company that had to purchase raw material from a monopolistic local supplier.

23. Prospects

Coinciding with the wet season and festive holidays, the local market continues to be weak in the fourth quarter, with price war continuing. The recently announced Malaysian Budget 2006 is also not expected to have much impact until the 2nd half of 2006. Internationally, the trend of the steel market remains uncertain, with finished products prices remaining weak.

For the final quarter of the year, it is unlikely that performance will improve from that of the 3rd quarter.

24. Earnings/(Loss) Per Share

Basic earnings/(loss) per ordinary share

The calculation of basic earnings/(loss) per ordinary share for the current quarter is based on the net loss attributable to ordinary shareholders of RM17,419,000 and the weighted average number of ordinary shares outstanding during the quarter of 355,618,661.

The calculation of basic earnings/(loss) per ordinary share for the current year to date is based on the net loss attributable to ordinary shareholders of RM12,571,000 and the weighted average number of ordinary shares outstanding during the quarter of 340,175,335.

	Current Quarter	Current Year to Date
Net profit/(loss) attributable to shareholders (RM'000)	(17,419)	(12,571)
Weighted average number of ordinary shares ('000)	355,619	340,175
Basic earnings/(loss) per ordinary share (sen)	(4.9)	(3.7)

Diluted earnings/(loss) per share

The calculation of diluted earnings/(loss) per ordinary share for the current quarter is based on the net loss attributable to ordinary shareholders (diluted) of RM17,285,000 and weighted average number of the ordinary shares (diluted) outstanding during the quarter of 419,417,549.

The calculation of diluted earnings/(loss) per ordinary share for the current year to date is based on the net loss attributable to ordinary shareholders (diluted) of RM12,025,000 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/(loss) attributable to shareholders (RM'000)	(17,285)	(12,025)
Weighted average number of ordinary shares in issue during the current quarter/year ('000)	355,619	340,175
Adjustment for conversion of ICULS('000)	63,799	79,243
Weighted average number of ordinary shares (Diluted) ('000)	419,418	419,418
Fully diluted earnings/(loss) per ordinary share (sen)	(4.1)	(2.9)