

## Notes

### 1. Accounting Policies & Methods

This quarterly financial report is prepared in accordance with FRS 134 “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 2005.

The accounting policies and methods of computation are consistent with those adopted for the annual financial statements for the year ended 31 December 2005 and in line with the new Financial Reporting Statements (FRS) adopted by Malaysia Accounting Standard Board effective 1 January 2006. With the adoption of FRS 3 “Business Combination”, goodwill on consolidation is no longer required to be amortized. Previously, a yearly amortization of RM3.8m was charged to income statement.

### 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.

### 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.

### 7. Dividends

There was no dividend paid for the current year to date.

### 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 / (Credit)**

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31.3.06	31.3.05	31.3.06	31.3.05
	RM'000	RM'000	RM'000	RM'000
Current	152	926	152	926
Deferred	(3,012)	(575)	(3,012)	(575)
	(2,860)	351	(2,860)	351
Under/(Over) provision in prior period:				
-Deferred	347	-	347	-
-Real Property Gains Tax	-	69	-	69
	(2,513)	420	(2,513)	420

The Group's current year to date's effective tax rate is higher than the statutory tax rate mainly attributable to certain disallowed expenses.

**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 2006:

	RM'000
At cost	7,224
Provision for diminution in value of investments	(6,045)
At book value	1,179
At market value	1,987

## 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, 2006.

## 17. Group Borrowings

(a) The total Group borrowings as at 31 March 2006 are unsecured and as follows:

	RM'000
Long Term Borrowings	253,110
Short Term Borrowings (Including overdraft of RM4,986,000)	640,554
	893,664

(b) Included in the above are US Dollars borrowings amounting to RM381million.

## 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 31/3/06 RM'000
<b>Sales of goods to :</b>		
Hong Leong Company (Malaysia) Berhad Group	Enterprises controlled by the same enterprise which exercises significant influence over the Company	14,309
Hong Bee Group	Enterprises that are indirectly controlled by a Director of a subsidiary	22,239
Cheah Hong Inn Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	10,093

		3 months ended 31/3/06 RM'000
Kim Company Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	3,820
Chin Well Holdings Berhad Group	Enterprises that has a Director in common with the Company	30,797
Associated company	Enterprise in which the Company has significant influence	
- Steel Industries (Sabah) Sdn. Bhd.		14,517
<b>Purchase of goods from :</b>		
NatSteel Ltd. Group*	Enterprises controlled by the same enterprise which exercises significant influence over the Company	1,324
Associated company	Enterprise in which the Company has significant influence	
- NatSteel Trade International Pte. Ltd.		95,432
<b>Service rendered by :</b>		
Su Hock Group	Enterprises in which substantial interest is owned indirectly by a Director, who is also a substantial shareholder of the Company	111

\* 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 RM586 million in last year's corresponding quarter's to RM523 million in the current quarter due to lower selling prices. The material cost moved higher further squeezing margin. The loss before taxation of RM8 million included an unrealized exchange gain of RM10 million on the US\$ denominated loan, as compared to profit before taxation of RM5 million in the corresponding quarter of last year.

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

The Group's revenue has decreased from RM548 million in the immediate preceding quarter to RM523 million in the current quarter. The Group's loss before taxation of RM8 million in current quarter is lower than the RM25 million in the immediate preceding quarter. The lower loss was attributable to improved operating results, lower losses from associated companies and unrealized exchange gain.

## 23. Prospects

Inventory adjustments appear to have been completed in the steel market. In the international market, shortages have started to drive up prices of steel raw materials and products, especially those of scrap and billets.

With the rising raw material prices and low inventory level in the local market, the price war since Q305 has subsided. With the various cost cutting measures and reorganizations introduced in 2005, the Board expects the 2<sup>nd</sup> quarter to be profitable and performance to remain satisfactory for the rest of the year.

## 24. Loss Per Share

Basic loss per ordinary share

The calculation of basic loss per ordinary share for the current quarter is based on the net loss attributable to ordinary shareholders of RM4,732,000 and the weighted average number of ordinary shares outstanding during the quarter of 362,175,804.

The calculation of basic loss per ordinary share for the current year to date is based on the net loss attributable to ordinary shareholders of RM4,732,000 and the weighted average number of ordinary shares outstanding during the quarter of 362,175,804.

	Current Quarter	Current Year to Date
Net loss attributable to shareholders (RM'000)	4,732	4,732
Weighted average number of ordinary shares ('000)	362,176	362,176
Basic loss per ordinary share (sen)	1.3	1.3

Diluted loss per share

The calculation of diluted loss per ordinary share for the current quarter is based on the net loss attributable to ordinary shareholders (diluted) of RM4,623,000 and weighted average number of the ordinary shares (diluted) outstanding during the quarter of 419,417,549.

The calculation of diluted loss per ordinary share for the current year to date is based on the net loss attributable to ordinary shareholders (diluted) of RM4,623,000 and weighted average number of the ordinary shares (diluted) outstanding during the quarter of 419,417,549.

	Current Quarter	Current Year To Date
Net loss attributable to shareholders (RM'000)	4,623	4,623
Weighted average number of ordinary shares in issue during the current quarter/year ('000)	362,176	362,176
Adjustment for conversion of ICULS('000)	57,242	57,242
Weighted average number of ordinary shares (Diluted) ('000)	419,418	419,418
Fully diluted loss per ordinary share (sen)	1.1	1.1