

## Notes

### 1. Accounting Policies & Methods

This quarterly financial report is prepared in accordance with Financial Reporting Standards (“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 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
	30.6.06	30.6.05	30.6.06	30.6.05
	RM'000	RM'000	RM'000	RM'000
Current	265	1,131	417	2,117
Deferred	6,846	1,539	3,834	1,330
	<u>7,111</u>	<u>2,670</u>	<u>4,251</u>	<u>3,447</u>
Under/(Over) provision in prior period:				
-Current	0	60	0	0
-Deferred	19	378	366	81
	<u>7,130</u>	<u>3,108</u>	<u>4,617</u>	<u>3,528</u>

The Group's current year to date's effective tax rate is lower than the statutory tax rate mainly attributable to utilization of reinvestment allowance and certain income not subject to tax.

### 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 2006:

	RM'000
At cost	7,224
Provision for diminution in value of investments	<u>(6,045)</u>
At book value	<u>1,179</u>
<b>At market value</b>	<b><u>1,707</u></b>

## 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 30 June 2006 are unsecured and as follows:

	RM'000
Long Term Borrowings	221,521
Short Term Borrowings (Including overdraft of RM 13,837,000)	597,556
	819,077

(b) Included in the above are US Dollars borrowings amounting to RM 357 million.

## 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 30/6/06 RM'000
Sales of goods to :	
Hong Leong Company (Malaysia) Berhad Group	29,713
Hong Bee Group	59,162
Cheah Hong Inn Sdn. Bhd.	27,209

6 months ended  
30/6/06

RM'000

Kim Company Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	7,379
Chin Well Holdings Berhad Group	Enterprises that has a Director in common with the Company	66,403
Associated company	Enterprises in which the Company has significant influence	
- Steel Industries (Sabah) Sdn. Bhd.		14,517
Purchase of goods from :		
Associated company	Enterprise in which the Company has significant influence	
- NatSteel Trade International Pte. Ltd.		178,453
Service rendered by :		
Su Hock Group	Enterprises in which substantial interest is owned indirectly by a Director, who is also a substantial shareholder of the Company	918

## 21. Review of Performance

The Group recorded lower revenue of RM612 million as compared to last year's corresponding quarter of RM668 million mainly due to lower selling prices. However, the lower material cost contributed to higher profit margin. As a result, the Group recorded higher profit before taxation of RM24 million as compared to RM3 million in the corresponding quarter.

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

The Group's revenue increased from RM523 million in the immediate preceding quarter to RM612 million in the current quarter mainly due to higher volume and stronger selling prices. The Group's higher profit of RM24 million was a significant improvement if compared to loss before taxation of RM8 million in the immediate preceding quarter as the later included unrealized gain on foreign exchange of RM10 million.

## 23. Prospects

The strong prices recorded in the past few months have shown some sign of weakness. It is not likely the 9<sup>th</sup> Malaysian Plan will have a major impact this year. However, the Board expects the 2<sup>nd</sup> half performance to be better than the 1<sup>st</sup> half of the financial year.

## 24. Earnings/(Loss) 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 RM 16,883,000 and the weighted average number of ordinary shares outstanding during the quarter of 362,175,804.

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 RM 12,152,000 and the weighted average number of ordinary shares outstanding during the quarter of 362,175,804.

	Current Quarter	Current Year to Date
Net profit attributable to shareholders (RM'000)	16,883	12,152
Weighted average number of ordinary shares ('000)	362,176	362,176
Basic profit per ordinary share (sen)	4.7	3.4

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 RM 16,982,000 and weighted average number of the ordinary shares (diluted) outstanding during the quarter of 419,417,542.

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 RM 12,360,000 and weighted average number of the ordinary shares (diluted) outstanding during the quarter of 419,417,542.

	Current Quarter	Current Year To Date
Net profit attributable to shareholders (RM'000)	16,982	12,360
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 profit per ordinary share (sen)	4.0	2.9