

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 RM3.8 million 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 items of unusual 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 other than as mentioned below:

For the year ended 31 December 2006, RM277,500 nominal amount of ICULS were converted into 269,417 ordinary shares of RM1.00 each.

7. Dividends

A final dividend of 5% tax exempt (2005: Nil) has been recommended subject to shareholders' approval which will be paid on a date to be determined later.

8. Primary Segment Revenue and Results

The Group's primary business segment is steel. 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

Subsequent to the balance sheet date, the proposed disposal of the overseas associates has been completed with approvals obtained from all the relevant authorities. The financial impact is disclosed in paragraph 12. There were no other 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 except for the disposal of certain associated companies disclosed in paragraph 12.

12. Non-current Assets Classified as Held For Sale

The disposal of overseas associates classified as “Non-current assets held for sale” since 30 September 2006 was completed subsequent to the balance sheet date on 24 January 2007. The gain on disposal arising from this transaction amounted to RM2.6 million for the Group and RM19.8 million for the Company.

13. Changes in Contingent Liabilities or Contingent Assets

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

14. Tax Charge / (Credit)

	INDIVIDUAL QUARTER		CUMULATIVE QUARTER	
	Current Year Quarter	Preceding Year Corresponding Quarter	Current Year To Date	Preceding Year Corresponding Period
	31/12/06	31/12/05	31/12/06	31/12/05
	RM'000	RM'000	RM'000	RM'000
Current	(7)	(900)	316	1,233
Deferred	(36,018)	(3,882)	(31,475)	(3,235)
	(36,025)	(4,782)	(31,159)	(2,002)
Under/(Over) provision in prior period:				
-Current	(764)	39	(712)	(222)
-Deferred	35,883	(677)	10,468	2
-Real Property Gains Tax	(55)	-	(55)	(100)
	(961)	(5,420)	(21,458)	(2,322)

The write back of deferred taxation is due to tax credit claimed under the “Income Tax (Exemption) (No.17) Order 2005 for Significant Increase in Exports” for years of assessment 2003 and 2004.

15. Sale of Unquoted Investments and/or Properties

There were neither sales of unquoted investments nor properties for the current financial year to date.

16. Quoted Securities

(a) There were neither purchases nor disposals of quoted securities for the current financial year to date other than the disposal of shares held in a corporation quoted in Singapore as follows:

	Current Year Quarter	Current Year To Date
	31.12.06	31.12.06
	RM '000	RM '000
Sale proceeds	761	761
Less: Carrying Amount	(319)	(319)
Gain on disposals	442	442

(b) Investments in quoted securities as at 31 December 2006:

	RM'000
At cost	6,586
Provision for diminution in value of investments	(5,726)
At book value	<u>860</u>
At market value	<u>2,283</u>

17. Status of Corporate Proposals

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 approved the extension of time for compliance to October 31, 2008.

18. Group Borrowings

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

	RM'000
Long Term Borrowings	179,163
Short Term Borrowings (Including overdraft of RM 30,177,000)	687,563
	<u>866,726</u>

(b) Included in the above are US Dollars borrowings amounting to RM 316 million.

19. Off Balance Sheet Financial Instruments

Forward foreign currency exchange contracts are entered into by the Group to manage exposures to fluctuations in foreign currency exchange rate on specific transactions.

(a) The forward foreign currency exchange contract which was entered into by the Group to limit its exposure on cash flows generated from anticipated transactions denominated in foreign currency is as follows:

<u>Currency</u>	<u>Contracted amount</u> <u>'000</u>	<u>RM'000</u> <u>Equivalent</u>	<u>Nature</u>
S\$	26,100	59,888	Proceeds for proposed disposals of associated companies

The contracts mature within 1 month with option to renew.

Transactions in foreign currencies hedged by forward foreign exchange contracts are converted into Ringgit Malaysia at the rates specified in such forward contracts. Monetary assets and liabilities denominated in foreign currencies covered by forward exchange contracts are translated into Ringgit Malaysia at rates specified in those contracts.

(b) Credit Risk

The above forward foreign exchange contracts are executed with a credit worthy financial institution in Malaysia. The Directors are of the view that the possibility of non-performance by the financial institutions concerned is remote on the basis of their financial strength.

There were no other material financial instruments with off balance sheet risk as at the date of issue of this quarterly report.

20. Changes in Material Litigation

Since the date of the last annual balance sheet date, there has not arisen any material litigation up to the date of issue of this report.

21. Related Party Transactions

Significant transactions with related parties are as follows:

		12 months ended 31/12/06 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	63,724
Hong Bee Group	Enterprises that are indirectly controlled by a Director of a subsidiary	115,441
Cheah Hong Inn Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	57,080
Kim Company Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	14,555
Chin Well Holdings Berhad Group	Enterprises that has a Director in common with the Company	135,870
Associated company - Steel Industries (Sabah) Sdn. Bhd.	Enterprises in which the Company has significant influence	69,981
Purchase of goods from :		
Associated company	Enterprise in which the Company has significant influence	

- NatSteel Trade International
Pte. Ltd.

627,921

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

1,060

22. Review of Performance

In the quarter under review, the Group's revenue was RM586 million as compared with RM548 million of the corresponding period last year mainly due to higher selling prices. The profit before taxation was RM14.8 million as compared with a loss of RM25 million last year. This improvement in operating results included a translation gain of foreign currency loans.

For the financial year ended December 2006, the Group registered a profit before taxation of RM63.3 million as compared to a loss of RM37.2 million in the previous year. The improvement was mainly due to better selling prices and margin. Profit after taxation was higher at RM84.7 million, mainly contributed by additional claims of prior year's export incentive in the current year.

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

The Group's revenue of RM586 million in the quarter under review was lower compared to RM633 million in the immediate preceding quarter due to weaker prices and seasonally lower volume. Consequently, this quarter's profit before tax of RM14.8 million was lower than last quarter's RM31.6 million.

24. Prospects

The Board expects the projects under the 9th Malaysian Plan to be awarded in the near future and therefore, the performance of the Group will be satisfactory.

25. 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 RM15,961,000 and the weighted average number of ordinary shares (after conversion of mandatorily convertible instrument) outstanding during the quarter of 419,417,542.

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 RM84,518,000 and the weighted average number of ordinary shares (after conversion of mandatorily convertible instrument) outstanding during the quarter of 419,417,542.

	Current Quarter	Current Year to Date
Net profit attributable to shareholders (RM'000)	15,961	84,518
Weighted average number of ordinary shares in issue during the current quarter/year ('000)	362,258	362,258
Adjustment for conversion of ICULS ('000)	57,160	57,160
Weighted average number of ordinary shares ('000)	<u>419,418</u>	<u>419,418</u>
Basic profit per ordinary share (sen)	3.8	20.2

Diluted earnings per ordinary share

The calculation of diluted earnings per ordinary share is the same as the calculation of basic earnings per ordinary share as FRS 133 requires all mandatorily convertible instruments such as ICULS to be included in the basic earnings per ordinary share from the date the contract is entered into.