

Notes

1. Accounting Policies & Methods

This quarterly financial report prepared in accordance with Financial Reporting Standards (“FRS”) 134 “Interim Financial Reporting” and paragraph 9.22 of Bursa Malaysia Securities Berhad Listing Requirements should be read in conjunction with the Group's financial statements for the year ended 31 December 2006.

The accounting policies and methods of computation are consistent with those adopted for the annual financial statements for the year ended 31 December 2006.

In the current period, the Group has adopted the following FRS, which are relevant to its operations.

FRS 117	Leases
FRS 119 ₂₀₀₄	Employee Benefits
FRS 124	Related Party Disclosures

The adoption of the above FRS does not have significant financial impact on the Group.

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 except for the RM2.6 million gain on disposal of associated companies disclosed in paragraph 12.

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 the current financial year to date other than as mentioned below:

For the three months' period ended 31 March 2007, RM15,759 nominal amount of ICULS were converted into 15,300 ordinary shares of RM1.00 each.

7. Dividends

A final dividend of 5% tax exempt (2005: Nil) has been proposed for the financial year ended 31 December 2006 and will be paid on 15 June 2007 to depositors registered in the Record of Depositors at the close of business on 28 May 2007.

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

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 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 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
	31/03/07 RM'000	31/03/06 RM'000	31/03/07 RM'000	31/03/06 RM'000
Current	3	152	3	152
Deferred	(987)	(3,012)	(987)	(3,012)
	(984)	(2,860)	(984)	(2,860)
Under/(Over) provision in prior period:				
-Current	-	-	-	-
-Deferred	62	347	62	347
	(922)	(2,513)	(922)	(2,513)

The Group's effective tax rate is lower than the statutory tax rate mainly due to unabsorbed reinvestment allowance utilized and unrealized foreign exchange gain not subject to income tax.

15. Sale of Unquoted Investments and/or Properties

There were neither sale 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.

(b) Investments in quoted securities as at 31 March 2007:

	RM'000
At cost	6,586
Provision for diminution in value of investments	(5,726)
At book value	860
At market value	3,442

17. Status of Corporate Proposals

The Group has obtained six out of the seven certificates of fitness for occupation (CFs) of properties required to be obtained pursuant to the Company's ICULS issue completed in August 2003. The remaining Cf for Lots 6047, 6048 and 6049, has yet to be issued. The Securities Commission has extended the time for compliance to October 31, 2008.

18. Group Borrowings

(a) The total Group borrowings as at 31 March 2007 are unsecured and as follows:

	RM'000
Long Term Borrowings	171,956
Short Term Borrowings (Including overdraft of RM 11,146,000)	745,874
	917,830

(b) Included in the above are US Dollars borrowings amounting to RM 238 million.

19. Off Balance Sheet Financial Instruments

There were no financial instruments with material 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:

		3 months ended 31/03/07 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	15,896
Hong Bee Group	Enterprises that are indirectly controlled by a Director of a subsidiary	21,077
Cheah Hong Inn Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	14,989
Kim Company Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	3,510
Chin Well Holdings Berhad Group	Enterprises that has a Director in common with the Company	38,375
Associated company	Enterprises in which the Company has significant influence	
- Steel Industries (Sabah) Sdn. Bhd.		9,171

Purchase of goods from :		
Associated company	Enterprise in which the Company has significant influence	
- NatSteel Trade International Pte. Ltd.		201,177
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	107

22. Review of Performance

The Group's revenue improved from RM523 million in last year's corresponding period to RM560 million for the current quarter under review mainly due to higher prices. With better margin, results of the Group also improved from the corresponding quarter's loss of RM7.6 million to the current quarter's profit before taxation of RM12.6 million.

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

The Group recorded a lower profit before taxation ("PBT") of RM12.6 million in the current quarter compared to RM14.8 million mainly due to lower translation gain of RM4.4 million (Quarter 31.12.06: RM13.7 million) on foreign currency loans. Operational results have improved in the current quarter due to better market conditions.

24. Prospects

International price of steel products is expected to stabilize following the Chinese government's withdrawal of export rebate effective April 2007. The Malaysian government's approval to increase the controlled price ceiling of bar and billets would also help to ease off the pressure of the increase in raw material costs. As such, the Board expects the performance of the Group to improve as more projects under the 9th Malaysian Plan come on stream.

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 RM13,445,000 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 RM13,445,000 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)	13,445	13,445
Weighted average number of ordinary shares in issue during the current quarter/year ('000)	362,447	362,447
Adjustment for conversion of ICULS ('000)	56,971	56,971
Weighted average number of ordinary shares ('000)	<u>419,418</u>	<u>419,418</u>
Basic profit per ordinary share (sen)	3.2	3.2

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.