

## 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 <sub>2004</sub>	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.

### 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 six months' period ended 30 June 2007, RM29,180,033 nominal amount of ICULS were converted into 28,330,127 ordinary shares of RM1.00 each.

### 7. Dividends

The final dividend of 5% tax exempt (2005: Nil) in respect of the financial year ended 31 December 2006 was paid on 15 June 2007. For the financial year ending 31 December 2007, an interim tax exempt dividend of 2.5% (2006: Nil) is approved and will be payable on 5 October 2007 to depositors registered in the Record of Depositors at the close of business on 10 September 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.

**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
	30/06/07 RM'000	30/06/06 RM'000	30/06/07 RM'000	30/06/06 RM'000
Current	12	265	15	417
Deferred	3,009	6,846	2,022	3,834
	<u>3,021</u>	<u>7,111</u>	<u>2,037</u>	<u>4,251</u>
Under/(Over) provision in prior period:				
-Current	(2,000)	-	(2,000)	-
-Deferred	(4,273)	19	(4,211)	366
	<u>(3,252)</u>	<u>7,130</u>	<u>(4,174)</u>	<u>4,617</u>

The Group's effective tax rate is lower than the statutory tax rate mainly due to unabsorbed reinvestment allowance utilized.

The over provision in taxes for the prior period was mainly due to export incentives claimed by two subsidiary companies under the "Income Tax (Exemption) (No.17) Order 2005 for Significant Increase in Exports" for year of assessment 2004.

**14. Sale of Unquoted Investments and/or Properties**

There were neither sale 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 2007:

	RM'000
At cost	6,586
Provision for diminution in value of investments	<u>(5,726)</u>
At book value	<u>860</u>
<b>At market value</b>	<b><u>3,827</u></b>

**16. 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.

## 17. Group Borrowings

(a) The total Group borrowings as at 30 June 2007 are unsecured and as follows:

	RM'000
Long Term Borrowings	134,981
Short Term Borrowings (Including overdraft of RM 26,194,000)	828,370
	963,351

(b) Included in the above are US Dollars borrowings amounting to RM 208 million.

## 18. 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.

## 19. 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.

## 20. Related Party Transactions

Significant transactions with related parties are as follows:

		6 months ended 30/06/07 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	36,695
Hong Bee Group	Enterprises that are indirectly controlled by a Director of a subsidiary	46,877
Cheah Hong Inn Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	28,917
Kim Company Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	6,602
Chin Well Holdings Berhad Group	Enterprises that has a Director in common with the Company	77,545
Associated company - Steel Industries (Sabah) Sdn. Bhd.	Enterprise in which the Company has significant influence	44,855
Purchase of goods from :		
Associated company - NatSteel Trade International Pte. Ltd.	Enterprise in which the Company has significant influence	353,597

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

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## 21. Review of Performance

The Group revenue of RM678 million for the quarter under review was 10% higher than the RM612 million in the preceding year's corresponding quarter mainly due to higher selling prices. The better margin contributed to the significant improvement in profit before taxation ("PBT") of RM44.9 million as compared to the corresponding quarter's PBT of RM24.4 million. The higher profit after taxation of RM48.2 million in the current quarter was mainly due to write back in prior year's taxes as explained in paragraph 13.

On a year to date basis, the Group registered PBT of RM57.5 million for the current financial year to date as compared to RM16.8 million in the corresponding period of last year. The improvement was mainly due to improved margin.

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

The Group's revenue of RM678 million in the current quarter was higher compared to RM560 million in the immediate preceding quarter due to both higher sales volume and selling prices. Consequently, this quarter's PBT of RM44.9 million was higher than last quarter's RM12.6 million.

## 23. Prospects

Local construction market is still sluggish, as has been the case in the last few quarters. The high inventory level of the steel mills and uncertainties over the government controlled ceiling price of bar and billets also resulted in further softening of the market towards the end of June 2007. However, the introduction of export duties by the Chinese Government on billets, bar, wire rod, pipes and wire products should help to stabilize international prices which would also be favorable for the Malaysian steel industry. The Board expects the performance of the Group to remain satisfactory with projects under the 9<sup>th</sup> Malaysian Plan coming on stream, as can be seen by the strong activity noted in the pile and concrete sub-segments.

## 24. 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 RM48,159,000 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 RM61,604,000 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)	48,159	61,604
Weighted average number of ordinary shares in issue during the current quarter/year ('000)	375,065	368,791
Adjustment for conversion of ICULS ('000)	44,353	50,627
Weighted average number of ordinary shares ('000)	419,418	419,418
Basic profit per ordinary share (sen)	11.5	14.7

#### 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.