

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.

Effect of new accounting standard effective 1 July 2007

FRS 112 on Income Taxes has recently been amended to allow recognition of deferred tax asset in respect of reinvestment allowance. The amended FRS 112 is effective for financial period commencing on or after 1 July 2007. However, the Group decided to continue with the existing method of recognizing such tax benefit in the income statement when such allowance was utilized for income tax purposes. As the existing method is also allowed under the amended FRS 112, the amendment has no financial impact on the Group. As at 30 September 2007, the Group has unutilized reinvestment allowance amounting to RM375 million of which no deferred tax asset has been recognized.

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 and last 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 the 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 nine months' period ended 30 September 2007, RM29,180,033 nominal amount of ICULS were converted into 28,330,127 ordinary shares of RM1.00 each.

7. Dividends

For the financial year ending 31 December 2007, a first interim tax exempt dividend of 2.5% (2006: Nil) was approved and paid on 5 October 2007 to depositors registered in the Record of Depositors at the close of business on 10 September 2007. A second interim tax exempt dividend of 5.0% (2006: Nil) is approved and will be payable on 4 January 2008 to depositors registered in the Record of Depositors at the close of business on 7 December 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)

(a) Taxation comprises the following:

	Current year quarter 30/09/07 RM'000	Current year-to-date 30/09/07 RM'000
Current income taxation	251	2,235
Deferred taxation	(4,998)	(2,808)
	(4,747)	(573)

(b) Reconciliation of income tax expense:

	Current year quarter 30/09/07 RM'000	Current year-to-date 30/09/07 RM'000
Profit before taxation	54,824	112,331
Tax calculated at tax rate of 27%	(14,802)	(30,392)
Tax calculated at tax rate of 20%	(3)	46
Tax expense on share of results of associated company	25	537
Change in tax rate	58	426
Expenses not deductible for tax purposes	(760)	(808)
Utilisation of reinvestment allowance	10,462	22,686
Over/(under) provision in prior financial year	202	6,413
Current year tax losses not recognised	5	293
Others	66	226
	<u>(4,747)</u>	<u>(573)</u>

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 September 2007:

	RM'000
At cost	6,586
Provision for diminution in value of investments	<u>(5,726)</u>
At book value	860
At market value	<u>4,293</u>

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 September 2007 are unsecured and as follows:

	RM'000
Long Term Borrowings	131,150
Short Term Borrowings	<u>675,895</u>
	<u>807,045</u>

(b) Included in the above are US Dollars borrowings amounting to RM 207 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:

		9 months ended 30/09/07 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	62,375
Hong Bee Group	Enterprises that are indirectly controlled by a Director of a subsidiary	75,447
Cheah Hong Inn Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	44,662
Kim Company Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	10,130
Chin Well Holdings Berhad Group	Enterprises that has a Director in common with the Company	119,415
Associated company	Enterprises in which the Company has significant influence	
- Steel Industries (Sabah) Sdn. Bhd.		105,829
Purchase of goods from:		
NatSteel Trade International Pte. Ltd.	Enterprise controlled by a major shareholder of the Company	620,959
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	317

21. Review of Performance

The Group's revenue of RM885 million for the quarter under review was higher than the RM633 million in the corresponding quarter in the preceding year, mainly due to higher volume. The increased volume contributed to the significant improvement in profit before taxation ("PBT") of RM54.8 million, compared to RM31.6 million in the corresponding quarter of last year.

On a year to date basis, the Group registered a PBT of RM112.3 million for the current financial year to date as compared to RM48.5 million in the corresponding period of last year. The improvement was mainly due to improved turnover and margin.

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

The Group's revenue of RM885 million in the current quarter was higher compared to RM678 million in the immediate preceding quarter due to higher sales volume. Consequently, this quarter's PBT of RM54.8 million was higher than last quarter's RM44.9 million.

23. Prospects

Demand in the local construction market is expected to remain low due to the year-end festive season. The impact of construction projects under the 9th Malaysian Plan has yet to be felt. However, the international price of scrap and steel has stayed firm with strong construction demand in the Asian region. A change in the export duty structure of Chinese steel products in July 2007 has also contributed to strengthen world steel prices which indirectly helped to push up local prices. As such, the Board expects the performance of the Group to remain satisfactory.

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 RM50,104,000 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 RM111,708,000 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)	50,104	111,708
Weighted average number of ordinary shares in issue during the current quarter/year ('000)	390,776	376,200
Adjustment for conversion of ICULS ('000)	28,642	43,218
Weighted average number of ordinary shares ('000)	<u>419,418</u>	<u>419,418</u>
Basic profit per ordinary share (sen)	11.9	26.6

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.