

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 2007.

The accounting policies and methods of computation are consistent with those adopted for the annual financial statements for the year ended 31 December 2007.

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

FRS 107	Cash Flow Statements
FRS 112	Income Taxes
FRS 118	Revenue
FRS 134	Interim Financial Reporting
FRS 137	Provisions, Contingent Liabilities and Contingent Assets

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 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 three months' period ended 31 March 2008, RM616,849 nominal amount of ICULS was converted into 598,879 ordinary shares of RM1.00 each.

7. Dividends

There was no dividend declared for the current financial year to date.

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 Lands and Buildings

Lands and buildings are stated at cost less accumulated depreciation.

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 31/03/08 RM'000	Current year-to-date 31/03/08 RM'000
Current income taxation	(9,461)	(9,461)
Deferred taxation	(1,499)	(1,499)
	(10,960)	(10,960)

(b) Reconciliation of income tax expense:

	Current year quarter 31/03/08 RM'000	Current year-to-date 31/03/08 RM'000
Profit before taxation	107,647	107,647
Tax calculated at tax rate of 26%	(27,850)	(27,850)
Tax calculated at tax rate of 20%	(106)	(106)
Tax expense on share of results of associated company	328	328
Change in tax rate	(1,306)	(1,306)
Expenses not deductible for tax purposes	44	44
Utilisation of reinvestment allowances	17,514	17,514
Under provision in prior financial year	(11)	(11)
Current year tax losses not recognised	564	564
Others	(137)	(137)
	(10,960)	(10,960)

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 31 March 2008:

	RM'000
At cost	6,586
Provision for diminution in value of investments	(5,726)
At book value	860
At market value	4,555

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 31 March 2008 are unsecured and as follows:

	RM'000
Long Term Borrowings	84,535
Short Term Borrowings	574,952
	<u>659,487</u>

(b) Included in the above are US Dollars borrowings amounting to RM159 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:

		3 months ended 31/03/08 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	20,800
Hong Bee Group	Enterprises that are indirectly controlled by a Director of a subsidiary	17,697
Cheah Hong Inn Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	17,380
Kim Company Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	4,072
Chin Well Holdings Berhad Group	Enterprises that has a Director in common with the Company	38,667
Associated company	Enterprises in which the Company has significant influence	
- Steel Industries (Sabah) Sdn. Bhd.		44,379
Purchase of goods from:		
NatSteel Trade International Pte. Ltd.	Enterprise controlled by a major shareholder of the Company	163,179

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

21. Review of Performance

In the period under review, international steel prices continued its unabated upward trend. As a result, the Group's revenue increased by 49.7% from RM560 million in the first quarter of 2007 to RM838 million for the quarter under review. Profit before taxation ("PBT") of RM107.6 million was higher than the RM12.6 million recorded in preceding year's corresponding quarter.

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

The Group's revenue for the current quarter rose to RM838 million from RM689 million in the immediate preceding quarter due to higher selling prices. This quarter's PBT of RM107.6 million was higher than last quarter's RM72.0 million due to higher volume and margin.

23. Prospects

There appears to be continued material supply shortages and price pressure despite the threat of a major U. S. recession. In the domestic market, possible slowdown in some major project implementation may pose some concern. These pose uncertainties and challenges in assessing the direction of the market. Barring any unforeseen circumstances, the Board expects the results of the current financial year to be further improved.

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 RM96,373,000 and the weighted average number of ordinary shares (after conversion of mandatory 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 RM96,373,000 and the weighted average number of ordinary shares (after conversion of mandatory convertible instrument) outstanding during the quarter of 419,417,542.

	Current Quarter	Current Year to Date
Net profit attributable to shareholders (RM'000)	96,373	96,373
Weighted average number of ordinary shares in issue during the current quarter/year ('000)	404,709	404,709
Adjustment for conversion of ICULS ('000)	14,709	14,709
Weighted average number of ordinary shares ('000)	<u>419,418</u>	<u>419,418</u>
Basic profit per ordinary share (sen)	23	23

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 mandatory convertible instruments such as ICULS to be included in the basic earnings per ordinary share from the date the contract is entered into.