

## 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 six months' period ended 30 June 2008, RM1,208,791 nominal amount of ICULS was converted into 1,173,577 ordinary shares of RM1.00 each.

### 7. Dividends

For the financial year ending 31 December 2008, a first interim tax exempt dividend of 7.5% (2007: 2.5%) is approved and will be payable on 6 October 2008 to depositors registered in the Record of Depositors at the close of business on 8 September 2008.

### 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 30/06/08 RM'000	Current year-to-date 30/06/08 RM'000
Current income taxation	(25,280)	(34,741)
Deferred taxation	3,427	1,928
	<u>(21,853)</u>	<u>(32,813)</u>

(b) Reconciliation of income tax expense:

	Current year quarter 30/06/08 RM'000	Current year-to-date 30/06/08 RM'000
Profit before taxation	<u>225,632</u>	<u>333,279</u>
Tax calculated at tax rate of 26%	(58,285)	(86,135)
Tax calculated at tax rate of 20%	(292)	(398)
Tax expense on share of results of associated company	846	1,174
Change in tax rate	1,163	(143)
Expenses not deductible for tax purposes	(2,024)	(1,980)
Utilisation of reinvestment allowances	35,169	52,683
Under provision in prior financial year	-	(11)
Current year tax losses not recognised	1,984	2,548
Others	(414)	(551)
	<u>(21,853)</u>	<u>(32,813)</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 June 2008:

	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>4,555</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 2008 are unsecured and as follows:

	RM'000
Long Term Borrowings	44,825
Short Term Borrowings	791,920
	<u>836,745</u>

(b) Included in the above are US Dollars borrowings amounting to RM360 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 30/06/08 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	50,609
Hong Bee Group	Enterprises that are indirectly controlled by a Director of a subsidiary	40,074
Cheah Hong Inn Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	46,974
Kim Company Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	10,477
Chin Well Holdings Berhad Group	Enterprises that has a Director in common with the Company	95,248
Associated company	Enterprises in which the Company has significant influence	
- Steel Industries (Sabah) Sdn. Bhd.		71,687
Purchase of goods from:		
NatSteel Trade International Pte. Ltd.	Enterprise controlled by a major shareholder of the Company	698,148

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

377

## 21. Review of Performance

The Group revenue of RM978 million for the quarter under review was 44% higher than the RM678 million in the preceding year's corresponding quarter mainly due to higher selling prices in both the domestic and international markets and better cost efficiency. Profit before taxation ("PBT") for the quarter closed at RM226 million as compared with RM45 million registered in the preceding year's corresponding quarter.

For the first half of the current year, the Group recorded PBT of RM333 million, as compared to the preceding year first half PBT of RM 58 million. This improvement was due to the improved margin in all sectors of our business.

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

The Group's revenue for the current quarter rose to RM978 million from RM838 million in the immediate preceding quarter due to higher selling prices in both the domestic and international markets. This quarter's PBT of RM226 million was higher than last quarter's PBT of RM108 million due to improved margin for all the companies in the Group.

## 23. Prospects

Although international scrap price climbed above US\$700/Mt level in the second quarter, it has started to show sign of weakness in the third quarter. Nonetheless, scrap price is expected to remain firm in the medium term due to the substantial price increases concluded in the yearly iron ore and coking coal supply contracts among major suppliers and users. In the domestic market, the liberalization in steel billets & bars announced by the Government in May this year has helped to ease the supply uncertainty and move prices to the level prevailing in the international market. However, rising fuel price has triggered cost pushed inflationary pressure across the world. As such, threat of projects slow down and stagflation are of major concerns.

Barring any unforeseen circumstances, the Group expects the performance for the rest of the year to be 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 RM202,466 and the weighted average number of ordinary shares (after conversion of mandatory convertible instrument) outstanding during the quarter of 419,417,530.

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 RM298,839 and the weighted average number of ordinary shares (after conversion of mandatory convertible instrument) outstanding during the quarter of 419,417,530.

	Current Quarter	Current Year to Date
Net profit attributable to shareholders (RM'000)	202,466	298,839
Weighted average number of ordinary shares in issue during the current quarter/year ('000)	405,111	404,912
Adjustment for conversion of ICULS ('000)	14,307	14,506
Weighted average number of ordinary shares ('000)	<u>419,418</u>	<u>419,418</u>
Basic profit per ordinary share (sen)	48	71

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.