

## 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

In the quarter under review, there was a provision for diminution in value of inventories amounting to RM104 million.

### 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:

During the quarter under review, RM14,348,346 nominal amount of ICULS was converted into 13,930,112 ordinary shares of RM1.00 each on the maturity date of 31 July 2008. For the nine months' period ended 30 September 2008, RM15,599,437 nominal amount of ICULS was converted into 15,144,757 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%) was approved and paid on 6 October 2008. A second interim tax exempt dividend of 5.0% (2007:5.0%) is now approved and will be payable on 26 December 2008 to depositors registered in the Record of Depositors at the close of business on 28 November 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 30/09/08 RM'000	Current year-to-date 30/09/08 RM'000
Current income taxation	(13,272)	(48,064)
Deferred taxation	5,405	7,384
	<u>(7,867)</u>	<u>(40,680)</u>

(b) Reconciliation of income tax expense:

	Current year quarter 30/09/08 RM'000	Current year-to-date 30/09/08 RM'000
Profit before taxation	<u>73,233</u>	<u>406,512</u>
Tax calculated at tax rate of 26%	(18,851)	(104,986)
Tax calculated at tax rate of 20%	(146)	(544)
Tax expense on share of results of associated company	95	1,269
Change in tax rate	296	153
Expenses not deductible for tax purposes	(8,880)	(10,860)
Utilisation of reinvestment allowances	5,587	58,270
Over provision in prior financial year	9,840	9,829
Current year tax losses not recognised	2,802	5,350
Others	1,390	839
	<u>(7,867)</u>	<u>(40,680)</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 2008:

	RM'000
At cost	6,586
Provision for diminution in value of investments	<u>(5,726)</u>
At book value	860
<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, 2010.

**17. Group Borrowings**

(a) The Group borrowings as at 30 September 2008 are unsecured short-term borrowings amounting to RM994 million.

(b) Included in the above are US Dollars borrowings amounting to RM459 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 30/09/08
		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	92,865
Hong Bee Group	Enterprises that are indirectly controlled by a Director of a subsidiary	64,135
Cheah Hong Inn Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	57,923
Kim Company Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	13,307
Chin Well Holdings Berhad Group	Enterprises that has a Director in common with the Company	148,781
Associated company	Enterprises in which the Company has significant influence	
- Steel Industries (Sabah) Sdn. Bhd.		108,451
Purchase of goods from:		
NatSteel Trade International Pte. Ltd.	Enterprise controlled by a major shareholder of the Company	1,130,201

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 for the quarter under review was RM919 million, as compared to RM885 million in the preceding year's corresponding quarter. The Group recorded a profit before taxation of RM73 million, as compared to RM54 million registered in the preceding year's corresponding quarter. Included in the results was a provision for diminution in value of inventories amounting to RM 104 million.

On the year to date basis, the Group's PBT was RM406 million, as compared to the preceding year's PBT of RM 112 million. This improvement was largely due to a better set of results in the first half of the financial year.

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

The Group's revenue for the current quarter reduced to RM919 million from RM978 million in the immediate preceding quarter. This quarter's PBT of RM73 million was lower than last quarter's PBT of RM226 million as a result of the provision in diminution in value of inventories.

## 23. Prospects

The domino effect triggered by the collapse of the financial institutions emanated from the U.S.A. has dragged the world into a crisis. Demand and prices of a broad range of commodities commenced on a downward move. This has also brought down the selling prices of steel for both international and domestic markets.

The global economy is likely to remain uncertain. The Group does not expect a quick recovery of the steel market in the near future. However, on overall basis, performance for the year would still be satisfactory in view of stronger results recorded earlier.

## 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 RM65.697 million and the weighted average number of ordinary shares (after conversion of mandatory convertible instrument) outstanding during the quarter of 419,417,208.

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 RM364.536 million and the weighted average number of ordinary shares (after conversion of mandatory convertible instrument) outstanding during the quarter of 419,417,208.

	Current Quarter	Current Year to Date
Net profit attributable to shareholders (RM'000)	65,697	364,536
Weighted average number of ordinary shares in issue during the current quarter/year ('000)	414,722	408,206
Adjustment for conversion of ICULS ('000)	4,695	11,211
Weighted average number of ordinary shares ('000)	<u>419,417</u>	<u>419,417</u>
Basic profit per ordinary share (sen)	16	87