

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:

During the year up to the maturity date of ICULS on 31 July 2008, RM15,599,437 nominal amount of ICULS was converted into 15,144,757 ordinary shares of RM1.00 each.

7. Dividends

The first interim tax exempt dividend of 7.5% (2007:2.5%) for year ended 31 December 2008 was declared on 18 August 2008 and paid on 6 October 2008. The second interim tax exempt dividend of 5% (2007:5%) for year ended 31 December 2008 was declared on 7 November 2008 and paid on 26 December 2008. The total dividends for the financial year ended 31 December 2008 amounted to 12.5% (2007:7.5%).

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 31/12/08 RM'000	Current year-to-date 31/12/08 RM'000
Current income taxation	27,645	(20,419)
Deferred taxation	9,074	16,458
	36,719	(3,961)

(b) Reconciliation of income tax expense:

	Current year quarter 31/12/08 RM'000	Current year-to-date 31/12/08 RM'000
(Loss)/ Profit before taxation	(299,974)	106,538
Tax calculated at tax rate of 26%	77,416	(27,570)
Tax calculated at tax rate of 20%	444	(100)
Tax expense on share of results of associated company	(676)	593
Change in tax rate	(594)	(441)
Expenses not deductible for tax purposes	182	(10,678)
Utilisation of reinvestment allowances	(32,716)	25,554
Over provision in prior financial year	374	10,203
Current year tax losses not recognised	(8,442)	(3,092)
Others	731	1,570
	36,719	(3,961)

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 December 2008:

At cost	6,586
Provision for diminution in value of investments	(5,798)
At book value	788
At market value	1,508

16. Status of Corporate Proposals

The Group has obtained six out of the seven certificates of fitness for occupation (CFs) of properties required 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 31 December 2008 are unsecured short-term borrowings amounting to RM903 million.

(b) Included in the above are US Dollars borrowings amounting to RM193 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:

		12 months ended 31/12/08 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	110,013
Hong Bee Group	Enterprises that are indirectly controlled by a Director of a subsidiary	75,080
Cheah Hong Inn Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	64,022
Kim Company Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	16,216
Chin Well Holdings Berhad Group	Enterprises that has a Director in common with the Company	149,158
Associated company	Enterprises in which the Company has significant influence	
- Steel Industries (Sabah) Sdn. Bhd.		125,974
Purchase of goods from:		
NatSteel Trade International Pte. Ltd.	Enterprise controlled by a major shareholder of the Company	1,217,670

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 RM488.7 million, as compared to RM688.9 million in the preceding year corresponding quarter. The Group recorded a loss before taxation (“LBT”) of RM299.9 million, as compared to a profit before taxation (“PBT”) of RM82.8 million registered in the preceding year’s corresponding quarter. Included in the results of the quarter under review was a diminution in value of inventories amounting to RM 254.9 million.

On the year to date basis, the Group’s PBT was RM106.5 million, as compared to the preceding year’s PBT of RM 195.1 million. The lower profit was largely due to a poor market condition in the 2nd half of the financial year, and the diminution in value of inventories as mentioned.

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

The Group’s revenue for the current quarter reduced to RM488.7 million from RM918.4 million in the immediate preceding quarter. This quarter’s LBT was RM299.9 million as compared to last quarter’s PBT of RM73.2 million due to higher diminution in value of inventories.

23. Prospects

The domino effect of the financial crisis has dragged the world into a recession. The steel sector is probably one of the worst affected in terms of the drop in demand and prices.

The global economy will remain uncertain. The real impact of the stimulus packages announced by governments of various countries in the world has yet to be felt. Therefore, the Board does not expect a quick recovery and expects this new financial year to be a challenging one.

24. Earnings Per Share

Basic earnings per ordinary share

The calculation of basic loss per ordinary share for the current quarter is based on the net loss attributable to ordinary shareholders of RM259.847 million and the weighted average number of ordinary shares 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 RM104.689 million and the weighted average number of ordinary shares outstanding during the quarter of 419,417,208.

	Current Quarter	Current Year to Date
Net (loss)/ profit attributable to shareholders (RM'000)	(259,847)	104,689
Weighted average number of ordinary shares in issue during the current quarter/year ('000)	419,417	411,024
Adjustment for conversion of ICULS ('000)	-	8,393
Weighted average number of ordinary shares ('000)	<u>419,417</u>	<u>419,417</u>
Basic (loss)/ profit per ordinary share (sen)	(62)	25