

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 2008.

The accounting policies and methods of computation are consistent with those adopted for the annual financial statements for the year ended 31 December 2008.

As at 31 March 2009, the following FRSs and Issues Committee (“IC”) Interpretations were in issue but not yet effective and have not been applied by the Group:

FRS 7	Financial Instruments: Disclosures
FRS 8	Operating Segments
FRS 139	Financial Instruments: Recognition and Measurement
IC Interpretation 9	Reassessment of Embedded Derivatives
IC Interpretation 10	Interim Financial Reporting and Impairment

The Group are exempted from disclosing the possible impact, if any, to the financial statements upon the initial application of the above mentioned FRS and IC Interpretation.

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.

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 31/03/09 RM'000	Current year-to-date 31/03/09 RM'000
Current income taxation	(45)	(45)
Deferred taxation	13,028	13,028
	12,983	12,983

(b) Reconciliation of income tax expense:

	Current year quarter 31/03/09 RM'000	Current year-to-date 31/03/09 RM'000
(Loss)/ Profit before taxation	(78,458)	(78,458)
Tax calculated at tax rate of 25%	19,543	19,543
Tax calculated at tax rate of 20%	57	57
Tax expense on share of results of associated company	56	56
Change in tax rate	-	-
Expenses not deductible for tax purposes	(2,402)	(2,402)
Utilisation of reinvestment allowances	-	-
Over provision in prior financial year	(350)	(350)
Current year tax losses not recognised	(3,986)	(3,986)
Others	65	65
	12,983	12,983

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 2009:

	RM'000
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 March 2009 are unsecured short-term borrowings amounting to RM758 million.

(b) Included in the above are US Dollars borrowings amounting to RM175 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 31/03/09 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	18,444
Hong Bee Group	Enterprises that are indirectly controlled by a Director of a subsidiary	11,483
Cheah Hong Inn Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	11,952
Kim Company Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	3,025
Chin Well Holdings Berhad Group	Enterprises that has a Director in common with the Company	977
Associated company	Enterprises in which the Company has significant influence	
- Steel Industries (Sabah) Sdn. Bhd.		19,817
Purchase of goods from:		
NatSteel Trade International Pte. Ltd.	Enterprise controlled by a major shareholder of the Company	59,270

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 RM393.6 million, as compared to RM838.0 million in the preceding year corresponding quarter. The drop in revenue was mainly due to the sharp contraction in steel demand and prices. This contributed to the severe margin squeeze which resulted in the Group incurring a loss before taxation (“LBT”) of RM78.5 million, as compared to a profit before taxation of RM107.6 million registered in the 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 reduced to RM393.6 million from RM488.7 million in the immediate preceding quarter. This quarter’s LBT of RM78.5 million was mainly due to continued low utilization of plant capacity. The immediate preceding quarter’s LBT of RM299.9 million had a diminution in value of inventories amounted to RM 254.9 million.

23. Prospects

The global economy continues to suffer from the severe economic downturn. However, there are some tentative signs of demand picking up in both domestic and global market. The Board expects the performance to improve for the rest of the financial year.

24. Loss Per Share

Basic loss 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 RM65.475 million and the weighted average number of ordinary shares outstanding during the quarter of 419,417,208.

The calculation of basic loss per ordinary share for the current year to date is based on the net loss attributable to ordinary shareholders of RM65.475 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 attributable to shareholders (RM'000)	65,475	65,475
Weighted average number of ordinary shares in issue during the current quarter/year ('000)	419,417	419,417
Basic loss per ordinary share (sen)	16	16

Diluted loss per share

The Group has no dilution in its loss per ordinary share in the current quarter/ year to date as there are no potential ordinary shares.