

## Notes

### 1. Accounting Policies & Methods

This quarterly financial report prepared in accordance with Financial Reporting Standard (“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 30 June 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 is 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

For the financial year ending 31 December 2009, an interim tax exempt dividend of 2.5% (2008: 1<sup>st</sup> interim 7.5%) is approved and will be payable on 11 September 2009 to depositors registered in the Record of Depositors at the close of business on 21 August 2009.

### 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 30/06/09 RM'000	Current year-to-date 30/06/09 RM'000
Current income taxation	(12)	(57)
Deferred taxation	4,223	17,251
	4,211	17,194

(b) Reconciliation of income tax expense:

	Current year quarter 30/06/09 RM'000	Current year-to-date 30/06/09 RM'000
Loss before taxation	16,886	95,344
Tax calculated at tax rate of 25%	4,232	23,833
Tax expense on share of results of associated company	188	243
Expenses not deductible for tax purposes	1,111	(1,291)
Utilisation of reinvestment allowances	5	5
Over provision in prior financial year	(3)	(353)
Current year tax losses not recognised	(1,144)	(5,130)
Others	(178)	(113)
	4,211	17,194

**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 2009:

	RM'000
At cost	6,586
Provision for diminution in value of investments	(5,798)
At book value	788
<b>At market value</b>	<b>1,508</b>

**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 30 June 2009 are unsecured short-term borrowings amounting to RM649 million.

(b) Included in the above are US Dollars borrowings amounting to RM119 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 30/06/09 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	38,625
Hong Bee Group	Enterprises that are indirectly controlled by a Director of a subsidiary	29,801
Cheah Hong Inn Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	22,852
Kim Company Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	5,328
Chin Well Holdings Berhad Group	Enterprises that has a Director in common with the Company	1,034
Associated company	Enterprises in which the Company has significant influence	
- Steel Industries (Sabah) Sdn. Bhd.		47,465
Purchase of goods from:		
NatSteel Trade International Pte. Ltd.	Enterprise controlled by a major shareholder of the Company	139,671

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

The Group revenue for the quarter under review was RM488.4 million, compared to RM977.5 million in the preceding year corresponding quarter. The drop in revenue was in line with the contraction in steel demand and lower prices experienced since second half of 2008. With the lower volume and margin, the Group incurred a loss before taxation (“LBT”) of RM16.9 million, as compared to a profit before taxation of RM225.6 million registered in the preceding year corresponding quarter.

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

The Group's revenue for the current quarter increased to RM488.4 million from RM393.6 million in the immediate preceding quarter. This quarter's lower LBT of RM16.9 million as compared to the immediate preceding quarter LBT of RM78.5 million was helped by a modest recovery in both volume and margin during the quarter.

## 23. Prospect

The worst in this economy downturn appears to be over and there are some signs of recovery in China through its massive fiscal stimulation. In Malaysia, although the positive impact from the various stimulus packages have yet to be fully felt, inventory correction is completed and steel prices are generally on a recovery trend. As such, the Board is cautiously optimistic that the performance of the Group will continue 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 RM12.675 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 RM78.150 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)	12,675	78,150
Weighted average number of ordinary shares in issue during the current quarter/year ('000)	419,417	419,417
Basic loss per ordinary share (sen)	3	19

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.