

## 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 31 December 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 as well as festive seasons.

### 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

- The Board does not recommend any final dividend for the financial year ended 31 December 2009 (2008: Nil).
- For the financial year-to-date, total gross tax exempt interim dividends of 5.0% have been declared (2008: 12.5%).

### 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 31/12/09 RM'000	Current year-to-date 31/12/09 RM'000
Current income taxation	(2,243)	(1,185)
Deferred taxation	(1,305)	8,590
	<u>(3,548)</u>	<u>7,405</u>

(b) Reconciliation of income tax expense:

	Current year quarter 31/12/09 RM'000	Current year-to-date 31/12/09 RM'000
Profit before taxation	<u>63,287</u>	<u>8,803</u>
Tax calculated at tax rate of 25%	(15,822)	(2,201)
Tax expense on share of results of associated company	68	492
Expenses not deductible for tax purposes	121	(818)
Utilisation of reinvestment allowances	4,282	4,320
Over provision in prior financial year	6,561	8,688
Current year tax losses not recognised	564	(3,565)
Others	678	489
	<u>(3,548)</u>	<u>7,405</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 31 December 2009:

At cost	6,586
Provision for diminution in value of investments	<u>(5,798)</u>
At book value	<u>788</u>
<b>At market value</b>	<b><u>1,508</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 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 2009 comprised of unsecured short-term borrowings amounting to RM762 million.

(b) Included in the above are US Dollars borrowings amounting to RM69 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 31/12/09 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	90,765
Hong Bee Group	Enterprises that are indirectly controlled by a Director of a subsidiary	64,953
Cheah Hong Inn Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	54,318
Kim Company Sdn. Bhd.	Enterprise in which a Director of a subsidiary has significant influence	14,011
Chin Well Holdings Berhad Group	Enterprises that has a Director in common with the Company	1,034
Associated company - Steel Industries (Sabah) Sdn. Bhd.	Enterprises in which the Company has significant influence	115,425
Purchase of goods from:		
NatSteel Trade International Pte. Ltd.	Enterprise controlled by a major shareholder of the Company	440,945

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

22

## 21. Review of Performance

The Group's revenue for the quarter under review was RM588.6 million, compared to RM488.4 million in the preceding year corresponding quarter. The increased revenue was due to higher demands as the market recovered. The Group thus recorded a profit before taxation ("PBT") of RM63.3 million in the current quarter, as compared to a loss before taxation of RM300.0 million in the preceding year corresponding quarter.

For the financial year ended 31 December 2009, the Group registered a profit before taxation of RM8.8 million as compared to RM106.5 million in the previous year. For the year as a whole, 2009 became progressively better as the steel industry recovered from the financial crisis.

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

The Group's revenue increased to RM588.6 million from RM561.9 million in the immediate preceding quarter. This quarter's PBT of RM63.3 million as compared to the immediate preceding quarter's RM40.9 million was in line with the recovery noted in the steel market.

## 23. Prospect

The Board expects the performance for the year 2010 to depend on the stability of the economy.

## 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 RM59.739 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 RM16.208 million and the weighted average number of ordinary shares outstanding during the quarter of 419,417,208.

	Current Quarter	Current Year to Date
Net profit attributable to shareholders (RM'000)	59,739	16,208
Weighted average number of ordinary shares in issue during the current quarter/year ('000)	419,417	419,417
Basic earnings per ordinary share (sen)	14.2	3.9

Diluted earnings per share

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