

## 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 audited financial statements for the 18 months' period ended 30 June 2011.

The accounting policies and methods of computation are consistent with those adopted for the annual financial statements for the period ended 30 June 2011 except for the adoption of the relevant new FRSs, amendments to FRSs and IC Interpretations that are effective for annual periods beginning on or after 1 July 2010, 1 January 2011 and 1 July 2011. The adoption of the new FRSs, amendments to FRSs and IC Interpretations does not have any material impact on the financial position and results of the Group.

### 2. Audit Report

The preceding financial period'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 period.

### 6. Debt and Equity Securities

There were no issuance, cancellations, repurchases, resale and repayment of debt and equity securities for the current financial period to date.

### 7. Dividends

For the financial year ending 30<sup>th</sup> June 2012, an interim tax exempt dividend of 5% (2011: 1st interim 5%) is approved and will be payable on 15 December 2011 to depositors registered in the Record of Depositors at the close of business on 2 December 2011.

### 8. Valuation of Lands and Buildings

Lands and buildings are stated at cost less accumulated depreciation.

### 9. Material Subsequent Events

There were no material subsequent events that have not been reflected at the date of issue of this announcement.

### 10. Changes in the Composition of the Group

There were no changes in the composition of the Group for the current financial period-to-date.

### 11. Changes in Contingent Liabilities or Contingent Assets

There were no material changes in contingent liabilities or assets since the last annual Statement of Financial Position date.

### 12. Tax (Charge) / Credit

(a) Taxation comprises the following:

|                         | Current quarter<br>30/09/11<br>RM'000 | Current period-to-date<br>30/09/11<br>RM'000 |
|-------------------------|---------------------------------------|----------------------------------------------|
| Current income taxation | (2,290)                               | (2,290)                                      |
| Deferred taxation       | 541                                   | 541                                          |
|                         | <u>(1,749)</u>                        | <u>(1,749)</u>                               |

(b) Reconciliation of income tax expense:

|                                          | Current quarter<br>30/09/11<br>RM'000 | Current period-to-date<br>30/09/11<br>RM'000 |
|------------------------------------------|---------------------------------------|----------------------------------------------|
| Profit before taxation                   | 17,326                                | 17,326                                       |
| Tax calculated at tax rate of 25%        | (4,331)                               | (4,331)                                      |
| Expenses not deductible for tax purpose  | 463                                   | 463                                          |
| Utilisation of reinvestment allowances   | 2,374                                 | 2,374                                        |
| Current period tax losses not recognised | (257)                                 | (257)                                        |
| Others                                   | 2                                     | 2                                            |
|                                          | (1,749)                               | (1,749)                                      |

**13. Sale of Unquoted Investments and/or Properties**

There were no sales of unquoted investments and/or properties for the quarter under review.

**14. Quoted Securities (classified as Available-for-sale Investments)**

(a) There were no disposals of quoted securities for the current quarter and financial period to date. Purchases of quoted securities is as below:-

|                               | Current quarter<br>30/09/11<br>RM'000 | Current period-to-date<br>30/09/11<br>RM'000 |
|-------------------------------|---------------------------------------|----------------------------------------------|
| Purchase of quoted securities | 33,895                                | 33,895                                       |

(b) Investments in quoted securities as at 30 September 2011 are as follows:

|               |                  |
|---------------|------------------|
| At Fair Value | RM'000<br>28,261 |
|---------------|------------------|

**15. Status of Corporate Proposal**

There were no corporate proposals announced but not completed as at the date of issue of this announcement.

**16. Group Borrowings**

(a) The Group borrowings as at 30 September 2011 comprised of unsecured short-term borrowings amounting to RM1,060 million.

(b) Included in the above are US Dollars borrowings amounting to RM195.2 million.

**17. Derivatives**

|                           | Contract/ Notional<br>Value<br>RM'000 | Fair Value<br>RM'000 | Fair Value Gain<br>RM'000 |
|---------------------------|---------------------------------------|----------------------|---------------------------|
| Foreign Exchange Forwards |                                       |                      |                           |
| Contract                  |                                       |                      |                           |
| - Less than 1 year        | 271,258                               | 271,650              | 392                       |

Forward foreign currency exchange contracts are entered into by the Group to manage the exposures to fluctuation in foreign currency exchange rate on specific transactions only. As these contracts were executed with established financial institutions, the risk of default is low.

# 18. Changes in Material Litigation

Since the date of the last annual Statement of Financial Position date, there has not arisen any material litigation up to the date of issue of this report.

# 19. Related Party Transactions

Significant transactions with related parties are as follows:

|                                                            |                                                                                                                                   | 3 months<br>period ended<br>30/09/11<br>RM'000 |
|------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------|------------------------------------------------|
| <i>Sales of goods to :</i>                                 |                                                                                                                                   |                                                |
| Hong Leong Company (Malaysia) Berhad Group                 | Enterprises controlled by the same enterprise which exercises significant influence over the Company                              | 37,914                                         |
| Hong Bee Group                                             | Enterprises that are indirectly controlled by a Director of a subsidiary                                                          | 28,253                                         |
| Cheah Hong Inn Sdn. Bhd.                                   | Enterprise in which a Director of a subsidiary has significant influence                                                          | 8,000                                          |
| Kim Company Sdn. Bhd.                                      | Enterprise in which a Director of a subsidiary has significant influence                                                          | 3,993                                          |
| Associated company<br>- Steel Industries (Sabah) Sdn. Bhd. | Enterprises in which the Company has significant influence                                                                        | 25,049                                         |
| <i>Purchase of goods from :</i>                            |                                                                                                                                   |                                                |
| Hong Bee Group                                             | Enterprises that are indirectly controlled by a Director of a subsidiary                                                          | 489                                            |
| <i>Service rendered by :</i>                               |                                                                                                                                   |                                                |
| Su Hock Group                                              | Enterprises in which substantial interest is owned indirectly by a Director, who is also a substantial shareholder of the Company | 31                                             |
| <i>Receipt of services :</i>                               |                                                                                                                                   |                                                |
| Hong Leong Company (Malaysia) Berhad Group                 | Enterprises controlled by the same enterprise which exercises significant influence over the Company                              | 60                                             |

# 20. Review of Performance

For the quarter under review, the Group recorded revenue of RM734.0 million and profit before taxation ("PBT") of RM17.3 million for the first quarter ended 30 September 2011. There are no comparative figures for the preceding period's corresponding quarter as the Group changed its financial year end from 31 December 2010 to 30 June 2011.

## 21. Material Change in Profit Before Taxation Compared to Immediate Preceding Quarter

The Group's current quarter's PBT of RM17.3 million was lower than immediate preceding quarter's RM43.8 million mainly due to the drop in sales volume.

## 22. Prospects

Global economic outlook has turned for the worse following the Euro zone financial crisis and China's credit tightening. Demand and prices for commodity, including steel, started to soften. However, the Board expects the Group's performance to be satisfactory for the financial year.

## 23. 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 RM16.050 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 period to date is based on the net profit attributable to ordinary shareholders of RM16.050 million and the weighted average number of ordinary shares outstanding during the quarter of 419,417,208.

|                                                                                              | Current<br>Quarter | Current<br>3 months<br>period to Date |
|----------------------------------------------------------------------------------------------|--------------------|---------------------------------------|
| Net profit attributable to shareholders (RM'000)                                             | 16,050             | 16,050                                |
| Weighted average number of ordinary shares in issue during the current quarter/period ('000) | 419,417            | 419,417                               |
| Basic earnings per ordinary share (sen)                                                      | 3.8                | 3.8                                   |

Diluted earnings per share

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

## 24. Segmental Information

The segment revenue, segment results and segment assets for the financial period ended 30 September 2011 were as follows:

|                                 | Steel<br>products<br>RM'000 | Investment<br>holding and<br>others<br>RM'000 | Elimination<br>of inter-<br>segment<br>RM'000 | Total<br>RM'000 |
|---------------------------------|-----------------------------|-----------------------------------------------|-----------------------------------------------|-----------------|
| <b>Revenue</b>                  |                             |                                               |                                               |                 |
| External sales                  | 734,004                     | 0                                             | 0                                             | 734,004         |
| Inter-segment                   | 252,609                     | 84                                            | (252,693)                                     | 0               |
| Total sales                     | 986,613                     | 84                                            | (252,693)                                     | 734,004         |
| <b>Results</b>                  |                             |                                               |                                               |                 |
| Segment results                 | 17,304                      | 20                                            | (44)                                          | 17,280          |
| Share of profit of an associate |                             |                                               |                                               | 46              |
| Consolidated profit before tax  |                             |                                               |                                               | 17,326          |
| <b>Assets</b>                   |                             |                                               |                                               |                 |
|                                 | 2,589,816                   | 149,308                                       | (527,102)                                     | 2,212,022       |

## 25. Realised and Unrealised Profits/Losses Disclosure

The retained profits as at 30 Sep 2011 is analysed as follows:

|                                                                       | Current Quarter<br>30/09/11<br>RM'000 |
|-----------------------------------------------------------------------|---------------------------------------|
| Total retained profits of the Company and the subsidiaries:           |                                       |
| - Realised                                                            | 542,471                               |
| - Unrealised                                                          | (41,948)                              |
|                                                                       | <hr/> 500,523                         |
| Total share of retained profit from associated company:               |                                       |
| - Realised                                                            | 2,179                                 |
| - Unrealised                                                          | -                                     |
| Less: Consolidated adjustments                                        | (82,967)                              |
| Total group retained profits as per consolidated financial statements | <hr/> 419,735                         |