NOTES TO THE FINANCIAL STATEMENTS:-

1 *Basis of Preparation*

The interim financial report has been prepared in accordance with Financial Reporting Standard (FRS) 134, *Interim Financial Reporting,* issued by the Malaysian Accounting Standards Board ("MASB") and paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad ("Bursa").

The interim financial statements should be read in conjunction with the audited financial statements as at and for the year ended 31 December 2009. These explanatory notes attached to the interim financial statement provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the year ended 31 December 2009.

2 *Changes in Accounting Policies*

The significant accounting policies adopted in the interim financial report are consistent with those adopted in the most recent available annual audited financial statements for the year ended 31 December 2009 and in the previous quarter except for the adoption of the following standards, amendments and interpretations which are effective for annual periods beginning on and after 1 January 2010:

- FRS 7, *Financial Instruments: Disclosures*
- FRS 8, *Operating Segments*
- FRS 101, *Presentation of Financial Statements* (revised)
- FRS 123, *Borrowing Costs* (revised)
- FRS 139, *Financial Instruments: Recognition and Measurement*
- Amendments to FRS 7, *Financial Instruments: Disclosures*
- Amendments to FRS 127, *Consolidated and Separate Financial Statements, Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate*
- Amendments to FRS 139, *Financial Instruments: Recognition and Measurement, Reclassification of Financial Assets*
- Improvements to FRSs (2009)
- IC Interpretation 10, *Interim Financial Reporting and Impairment*

The adoption of FRS 139 has resulted in changes to accounting policies relating to recognition and measurement of financial instruments and the new accounting policies are as follows:

- ***Investments in equity securities***
  Prior to the adoption of FRS 139, investments in non-current equity securities, other than investments in subsidiaries, were stated at cost less allowance for diminution in value which is other than temporary. With the adoption of FRS 139, quoted investments in non-current equity securities, other than investments in subsidiaries, are now categorised and measured as fair value through profit or loss, or as available-for sale investments.

NOTES TO THE FINANCIAL STATEMENTS:-

- ***Derivatives***
  Prior to the adoption of FRS 139, derivative contracts were recognized in the financial statements on settlement date. With the adoption of FRS 139, derivative contracts are now categorized as fair value through profit or loss and measured at their fair values with the gain or loss recognised in profit or loss.

- ***Impairment of trade and other receivables***
  Prior to the adoption of FRS 139, an allowance for doubtful debts was made when a receivable was considered irrecoverable by the management. With the adoption of FRS 139, an impairment loss is recognized for trade and other receivables and is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the asset's original effective interest rate.

- ***Financial liabilities***
  Prior to the adoption of FRS 139, payables were stated initially and subsequently at cost. With the adoption of FRS 139, all payables are measured at fair value on initial recognition. Other than financial liabilities at fair value through profit or loss, payables are now measured subsequently at amortised cost.

The Board of Directors has assessed the impact of the adoption of FRS 139 and concluded that the fair value adjustments arising from remeasurement of financial instruments are immaterial to the financial statements. Thus no adjustment has been made to the opening balances of reserves.

FRS 7, FRS 8 and FRS 101 only impact presentation and disclosure aspects of the financial statements.

FRS 123 (revised) requires an entity to capitalise borrowing costs directly attributable to the acquisition, construction or production of a qualifying asset as part of the cost of that asset and removes the option of immediately recognising the borrowing costs as an expense. The adoption of FRS 123 (revised) does not have a material impact on the Group.

IC Interpretation 10 prohibits the reversal of an impairment loss recognised in an interim period during the financial year in respect of goodwill, an investment in an equity instrument or a financial asset carried at cost. IC Interpretation 10 applies prospectively from the date the measurement criteria of FRS 136, *Impairment of Assets* and FRS 139 respectively were first applied. The adoption of IC Interpretation 10 does not have any impact to the financial statements of the Group as no reversal of such impairment loss has been made in the current or previous periods.

Improvements to FRSs (2009) contain various amendments that result in changes for presentation, recognition, measurement and/or disclosure. These amendments do not have a material impact to the Group.

NOTES TO THE FINANCIAL STATEMENTS:-

3 ***Declaration of audit qualification***

The annual financial statements of the Group for the year ended 31 December 2009 were reported on without any qualification.

4 ***Seasonality or Cyclicality of interim operations***

The Group's operations are not subject to seasonal or cyclical factors.

5 ***Nature and amount of items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size or incidence***

There were no items affecting assets, liabilities, equity, net income, or cash flows that are unusual because of their nature, size and incidence.

6 ***Nature and amount of changes in estimates of amounts reported in prior interim periods of the current financial year, which give a material effect in the current interim period***

There were no changes in estimates that have had material effect in the current quarter's results.

7 ***Issuances, cancellations, repurchases, resale and repayments of debt and equity securities***

There was no issuance, cancellation, repurchase, resale and repayments of debt and equity securities during the interim period under review.

8 ***Dividends***

There was no dividend paid in the quarter under review.

9 ***Segmental reporting***

Segmental reporting is not necessary as the Group is principally involved in manufacturing and sale of steel related products in Malaysia.

10 ***Valuation of property, plant and equipment***

The valuation of land and buildings was brought forward without amendment from the previous annual report.

11 ***Material events subsequent to the end of the interim period***

There were no material events subsequent to the end of the interim period.

NOTES TO THE FINANCIAL STATEMENTS:-

12 ***Changes in composition of the Group***

There was no change in the composition of the Group for the current quarter under review.

13 ***Changes in contingent liabilities or contingent assets***

There are no contingent liabilities or assets for the current financial year to date.

14 ***Review of performance***

The Group's total revenue for the quarter under review improved by 26% or RM24.5 million to RM119.1 million as compared to RM94.6 million in the corresponding period of the preceding year. The Group reported a pretax loss of RM1.0 million as compared to RM9.6 million reported in the corresponding period of the previous year. The increase in revenue was due to better demand for steel products, whereas higher raw material cost and lower selling price of steel products have resulted the lower profit being reported for the quarter under review.

15 ***Variation of results against preceding quarter***

For the quarter under review, the Group recorded a pretax loss of RM1.0 million as compared to a profit before tax of RM2.60 million reported in the previous quarter. The decline in profitability was mainly due to higher input costs incurred in the current quarter under review.

16 ***Current year prospects***

(a) The unclear direction of the steel price movement, which is definitely a potential threat to the industry, has brought about weaker result for the quarter under review. The impact of the current diversion of prices between our raw material, Hot Rolled Coil ("HRC") and our finished products is still affecting our operating result which will continue into the early part of 2011. The reversal of the situation shall slowly be effected when the market is able to accept the increased cost of the production to be passed on to customers. In the meantime, the management shall mitigate further in deciding the procurement of HRC, which is in the upward trend, with discretion in order to achieve positive financial result for the coming year.

(b) There were no announcements or disclosures published in a public document of any revenue or profit estimate, forecast, projection or internal targets as at the date of this announcement.

17 ***Statement of the Board of Directors' opinion on achievement of forecast***

Not applicable to the Group as no announcements or disclosures were published in a public document of any revenue or profit estimate, forecast, projection or internal targets as at the date of this announcement.

NOTES TO THE FINANCIAL STATEMENTS:-

18 ***Profit forecast***

Not applicable as no profit forecast was published.

19 ***Income tax expense***

The taxation is derived as below:	Current Quarter RM'000	Financial Year-To-Date RM'000
Current tax expense		
- current year	(38)	1,613
- prior years	(37)	(37)
Deferred tax expense		
- current year	(71)	2,970
- prior years	203	203
Total	57	4,749

The Group's effective tax rate in the current year to date was higher than the statutory tax rate applicable for the current financial year due to non-allowable expenses.

20 ***Unquoted investments and properties***

There were no sales of unquoted investments and properties during the period under review.

21 ***Quoted investments***

There were no purchases or sales of quoted investments during the quarter under review.

Investment in quoted securities as at 31 December 2010:

	RM
Total investments at cost	42,200
Total investments measured at fair value at end of reporting period	23,515

22 ***Status of corporate proposal announced***

(a) There was no corporate proposal announced and pending completion.

(b) There were no proceeds raised from any corporate proposal during the quarter under review.

NOTES TO THE FINANCIAL STATEMENTS:-

23 ***Borrowing and debt securities***

As at 31 December 2010	Short Term Borrowing RM'000	Long Term Borrowing RM'000
Denominated in Ringgit Malaysia		
Secured	50,379	37,560
Unsecured	160,446	48,172
Denominated in US Dollar		
Unsecured	8,292	-
Total	219,117	85,732

24 ***Financial derivative instruments***

There was no outstanding financial derivative as at the end of the current quarter under review.

25 ***Changes in material litigation***

There are no material litigations during the period under review.

26 ***Proposed dividend***

The Board of Directors has proposed a first and final dividend of 1.25 sen per ordinary share tax exempt, in respect of the year ended 31 December 2010, if approved by the shareholders at the forthcoming Annual General Meeting, to be payable on 31 May 2011 to depositors whose names appear in the Record of Depositors on 20 May 2011.

The Board of Directors has also proposed a first and final dividend of 1.375 sen per RCPS tax exempt, in respect of the year ended 31 December 2010, if approved by the shareholders at the forthcoming Annual General Meeting, to be payable on 31 May 2011.

NOTES TO THE FINANCIAL STATEMENTS:-

27 *Earnings per share*

	Quarter ended 31 Dec		Period ended 31 Dec	
	2010 ('000)	2009 ('000)	2010 ('000)	2009 ('000)
Basic earnings per ordinary share				
Profit attributable to ordinary shareholders (RM'000)	(2,332)	6,810	9,557	9,938
Weighted average number of ordinary shares issued as at beginning and end of period	195,534.9	195,534.9	195,534.9	195,534.9
Basic earnings per ordinary share (sen)	(1.19)	5.08	4.89	3.48

	Quarter ended 31 Dec		Period ended 31 Dec	
	2010 ('000)	2009 ('000)	2010 ('000)	2009 ('000)
Diluted earnings per share				
Profit attributable to ordinary shareholder (RM'000)	(2,332)	6,810	9,557	9,938
Weighted average number of ordinary shares in issue	195,534.9	195,534.9	195,534.9	195,534.9
Effect of outstanding warrants	5,849.8	-	3,020.8	-
Adjusted weighted average number of ordinary shares for calculating diluted earnings per ordinary share	201,384.7	195,534.9	198,555.7	195,534.9
Diluted earnings per ordinary share (sen)	(1.16)	5.08	4.81	3.48