

**EXPLANATORY NOTES: (AS PER FRS 134 – PARAGRAPH 16)**

**A1 Accounting policies and basis of preparation**

The Quarterly Report has been prepared in accordance with the reporting requirements outlined in the Financial Reporting Standards (“FRS”) 134 - Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 and Appendix 9B of the Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Listing Requirements, and should be read in conjunction with the Group’s annual audited financial statements for the financial period ended 30 June 2007.

The explanatory notes attached to the interim financial statements 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 financial period ended 30 June 2007.

The accounting policies and method of computation adopted in this interim financial statements are consistent with those adopted for the audited financial statements for the financial period ended 30 June 2007.

**A2 Declaration of audit qualification**

The audit report of the Company in respect of the annual financial statements for the financial period ended 30 June 2007 was not subject to any audit qualification.

**A3 Seasonality or cyclical nature of operations**

The business of the Group is generally neither cyclical nor seasonal except for decreased activities during the Ramadan and Lunar New Year festive months.

**A4 Unusual items**

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

**A5 Changes in estimates**

Not applicable to the Group.

**A6 Issuances and repayment of debts and equity securities**

(i) Employees’ Share Option Scheme (“ESOS”)

For the current financial quarter ended 30 September 2007, the Company issued 512,000 ordinary shares of RM1.00 each pursuant to the Company’s ESOS at an exercise price of RM1.46 per ordinary share.

(ii) Share buy-back

There were no repurchase of own shares in the current financial quarter.

(iii) Conversion of warrants to ordinary shares

For the current financial quarter ended 30 September 2007, there was no conversion of warrants to ordinary shares.

**A7 Dividends paid**

No dividend was paid during the current financial quarter.

**EXPLANATORY NOTES: (AS PER FRS 134 – PARAGRAPH 16)**

**A8 Segmental reporting**

Segmental information in respect of the Group’s business segments is as follows:

	<u>Steel</u> <u>Manufacturing</u> RM’000	<u>Others</u> RM’000	<u>Elimination</u> RM’000	<u>Total</u> RM’000
External revenue	137,341	1,560	-	138,901
Inter-segment sales	80,306	9,152	(89,458)	-
Total Revenue	<u>217,647</u>	<u>10,712</u>	<u>(89,458)</u>	<u>138,901</u>
 Segment Results				
Profit from operations	<u>5,778</u>	<u>2,289</u>	<u>(1,575)</u>	<u>6,492</u>

**A9 Valuation of property, plant and equipment**

The valuation of property, plant and equipment has been brought forward, without amendment from the audited financial statements for the financial period ended 30 June 2007.

**A10 Subsequent material events**

There were no material events occurring between 30 September 2007 and the date of this announcement that had not been reflected in the financial statements for the financial quarter ended 30 September 2007.

**A11 Changes in the composition of the Group**

There were no changes in the composition of the Group during the financial quarter ended 30 September 2007.

**A12 Contingent liabilities or contingent assets**

There were no contingent liabilities or contingent assets as at the end of the reporting quarter.

**A13 Capital commitments**

The details of the commitments as at 30 September 2007 are as follows:

	RM’000
Property, plant and equipment	51,469

**EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENTS – PART A OF APPENDIX 9B)**
**B1 Review of the performance of the Company and its principal subsidiaries**

For the quarter ended 30 September 2007, the Group recorded a total revenue of RM138.9 million which is comparable with that of the corresponding quarter of the preceding year.

The Group achieved a profit after tax of RM8.9 million for the quarter under review. This represents an improvement of 16% over the RM7.7 million registered in the corresponding quarter of the preceding year. The better performance achieved is due to the Group's share of profits from its associated companies which contributed RM2.2 million for the quarter under review and the reversal of deferred tax liability.

For the quarter ended 30 September 2007, the Company's principal subsidiary, Mycron Steel Berhad posted a total revenue of RM79.8 million and a profit before tax of RM2.8 million, as compared to RM90.6 million and RM9.1 million respectively in the corresponding quarter of the preceding year. This is mainly attributable to a lower sales volume.

**B2 Material changes in the quarterly results compared to the results of the immediate preceding quarter**

The Group's revenue of RM138.9 million for the current quarter shows a decline of 12% as compared to RM158.0 million for the preceding quarter due to lower sales volume and lower selling price.

The Group's profit from operations decreased by RM131.0 million compared to the preceding quarter due to the fair value gain of RM128.8 million recognised on other financial asset at fair value through profit or loss, in the preceding quarter.

**B3 Prospects for the current financial year**

The Directors are of the opinion that the Group will continue to achieve satisfactory results for the remaining period of the financial year ending 30 June 2008.

**B4 Variance of actual profit from forecast profit**

The Group did not issue any profit forecast or profit guarantee.

**B5 Taxation**

	Current Year Quarter 30/09/07 RM'000	Current Year To Date 30/09/07 RM'000
Income tax		
- current year	(1,522)	(1,522)
Deferred tax		
- current year	6,415	6,415
	4,893	4,893

The effective tax rates of the Group for the current quarter and for the current year to date are lower than the statutory tax rate due to the reversal of deferred tax liability arising from the controlled transfer of plant and equipment from the Company to a subsidiary as part of the Group's business rationalisation programme.

**EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENTS – PART A OF APPENDIX 9B)**
**B6 Profit on sale of unquoted investments and / or properties**

This is not applicable to the Group for the financial quarter ended 30 September 2007.

**B7 Purchase or disposal of quoted securities**

(i) There was no purchase or disposal of quoted securities during the reporting quarter.

(ii) Investment in quoted securities as at 30 September 2007:

	RM'000
Total investments cost	21,413
Total investments at book value	225,236
Total investments at current market value	225,236

**B8 Status of corporate proposals**

On 30 December 2005, Melewar Industrial Group Berhad (“MIG”) through its wholly-owned subsidiary, Mperial Power Ltd. (“Mperial”), entered into a share sale and purchase agreement with E Power Pte. Ltd. (“the Vendor”) for the acquisition of a 70% equity interest in Siam Power Generation Public Company Limited (formerly known as Siam Power Generation Co. Ltd.) (“SIPCO”) for a cash consideration of USD23.0 million or RM87.4 million (“Proposed Acquisition”).

Both the Vendor and Mperial have mutually agreed to extend the completion of the Proposed Acquisition to 30 June 2008, as there is a condition precedent pertaining to the power offtake, yet to be fulfilled.

**B9 Group borrowings and debt securities**

The Group’s borrowings as at 30 September 2007 are as follows:

	<u>RM'000</u>
<u>Short-term borrowings:</u>	
Unsecured	121,370
Secured	<u>137,372</u>
	258,742
<u>Long-term borrowings:</u>	
Secured	<u>85,222</u>
Total borrowings	<u>343,964</u>

**B10 Off balance sheet financial instruments**

There were no financial instruments with off balance sheet risks as at the date of this announcement.

**B11 Material litigation**

There is no material litigation pending as at the date of this announcement.

**B12 Dividends**

At the Annual General Meeting held on 31 October 2007, the shareholders approved a first and final tax exempt dividend of 6% in respect of the financial period ended 30 June 2007, which is paid on 30 November 2007.

**EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENTS – PART A OF APPENDIX 9B)**
**B13 Earnings per share**

 (i) Basic earnings per ordinary share

	Current year quarter 30/09/07 RM'000	Current year to date 30/09/07 RM'000
Profit attributable to shareholders	8,180	8,180
Weighted average no. of ordinary shares in issue ('000)	225,642	225,642
Basic earnings per share (sen)	3.63	3.63

 (ii) Diluted earnings per ordinary share

	Current year quarter 30/09/07 RM'000	Current year to date 30/09/07 RM'000
Profit attributable to shareholders	8,180	8,180
Adjusted weighted average no. of ordinary shares in issue ('000)	233,985	233,985
Basic earnings per share (sen)	3.50	3.50

By order of the Board

LILY YIN KAM MAY (MAICSA 0878038)

SOON LEH HONG (MIA 4704)

Secretaries

Kuala Lumpur

30 November 2007