

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 except for the adoption of the following FRS and IC Interpretation:

- FRS 107 Cash Flow Statements
- FRS 111 Construction Contracts
- FRS 112 Income Taxes
- FRS 118 Revenue
- FRS 119 Employee Benefits
- FRS 134 Interim Financial Reporting
- FRS 137 Provisions, Contingent Liabilities and Contingent Assets
- IC Interpretation 8 Scope of FRS 2

The above FRS and IC Interpretation are expected to have no significant impact on the financial statements of the Group.

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.

EXPLANATORY NOTES: (AS PER FRS 134 – PARAGRAPH 16)
A5 Changes in estimates

Not applicable to the Group.

A6 Issuances and repayment of debts and equity securities
(i) Employees' Share Option Scheme ("ESOS")

During the current financial quarter, a total of 6,000 ordinary shares of RM1.00 each were issued pursuant to the Company's ESOS at an exercise price of RM1.46 per ordinary share.

For the financial period ended 31 December 2007, a total of 518,000 ordinary shares of RM1.00 each were issued 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 31 December 2007, there was no conversion of warrants to ordinary shares.

A7 Dividends paid

A first and final tax exempt dividend of 6% amounting to RM13,540,405 for the financial period ended 30 June 2007 was paid on 30 November 2007.

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	285,771	6,252	-	292,023
Inter-segment sales	160,691	9,234	(169,925)	-
Total Revenue	<u>446,462</u>	<u>15,486</u>	<u>(169,925)</u>	<u>292,023</u>
Segment Results				
Profit from operations	<u>15,717</u>	<u>6,747</u>	<u>(7,906)</u>	<u>14,558</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 31 December 2007 and the date of this announcement that had not been reflected in the financial statements for the financial quarter ended 31 December 2007.

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

A11 Changes in the composition of the Group

There were no changes in the composition of the Group during the financial quarter ended 31 December 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 31 December 2007 are as follows:

	RM'000
Property, plant and equipment	40,522

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 31 December 2007, the Group recorded a total revenue of RM153.1 million, representing a 17% increase as compared to the preceding year's corresponding quarter of RM130.5 million. This improvement is mainly attributable to a higher sales volume.

Notwithstanding the increase in total revenue, the Group's profit after taxation for the quarter under review improved by RM0.1 million or 5% to RM2.1 million as compared to the preceding year's corresponding quarter of RM2.0 million. The marginal increase in profit after tax for the current quarter is mainly caused by higher raw material prices and a decline in other operating income.

For the quarter ended 31 December 2007, the Company's principal subsidiary, Mycron Steel Berhad, posted a total revenue of RM94.8 million and a profit before tax of RM3.3 million, as compared to RM82.0 million and RM1.6 million respectively in the corresponding quarter of the preceding year. The better performance attained is due to a higher sales volume.

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

The Group's revenue of RM153.1 million for the current quarter shows a growth of 10% as compared to the preceding quarter of RM138.9 million, due to higher sales volume.

The Group registered a profit from operations of RM8.1 million in the current quarter as compared to RM6.5 million in the preceding quarter, reflecting an increase of 25%. The increase in profit from operations for the current quarter is mainly caused by the growth in revenue due to higher sales volume, partially offset by a decline in other operating income.

B3 Prospects for the current financial year

The Directors are of the opinion that international steel prices and demand for steel products are expected to strengthen in the rest of the current financial year. Provided there are no adverse developments, the Group should continue to achieve satisfactory results for the remaining part 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 31/12/07 RM'000	Current Year To Date 31/12/07 RM'000
Income tax		
- current year	(1,226)	(2,748)
Deferred tax		
- current year	(869)	5,546
	<u>(2,095)</u>	<u>2,798</u>

The effective tax rate of the Group for the current quarter is higher than the statutory tax rate due to certain expenses incurred but disallowed for tax purposes.

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 31 December 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 31 December 2007:

	RM'000
Total investments cost	21,413
Total investments at book value	225,236
Total investments at current market value	262,446

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 31 December 2007 are as follows:

	<u>RM'000</u>
<u>Short-term borrowings:</u>	
Unsecured	113,610
Secured	<u>208,763</u>
	322,373
<u>Long-term borrowings:</u>	
Secured	<u>94,706</u>
Total borrowings	<u>417,079</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

The Company did not declare any interim dividend for the second quarter ended 31 December 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 31/12/07 RM'000	Current year to date 31/12/07 RM'000
Profit attributable to shareholders	40	8,220
Weighted average no. of ordinary shares in issue ('000)	225,621	225,621
Basic earnings per share (sen)	0.02	3.64

 (ii) Diluted earnings per ordinary share

	Current year quarter 31/12/07 RM'000	Current year to date 31/12/07 RM'000
Profit attributable to shareholders	40	8,220
Adjusted weighted average no. of ordinary shares in issue ('000)	233,331	233,331
Basic earnings per share (sen)	0.02	3.52

By order of the Board

LILY YIN KAM MAY (MAICSA 0878038)

SOON LEH HONG (MIA 4704)

Secretaries

Kuala Lumpur

29 February 2008