

EXPLANATORY NOTES:**A1 Accounting policies and basis of preparation**

The Quarterly Report is unaudited and has been prepared in accordance with the Financial Reporting Standard (“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. The report should be read in conjunction with the Group’s audited financial statements for the financial period ended 30 June 2007.

The explanatory notes attached to the unaudited 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 the unaudited 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 revised FRSs 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 revised FRSs and IC Interpretation are expected to have no significant impact on the financial statements of the Group.

A2 Audit qualification

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

A3 Seasonality or cyclicity 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 except for the fair value loss of RM51.3 million (net of tax) on a financial asset which is marked-to-market in accordance with the Group’s accounting policy on financial assets.

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 financial period ended 31 March 2008, 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 was no repurchase of own shares during the financial period ended 31 March 2008.

(iii) Conversion of warrants to ordinary shares

There was no conversion of warrants to ordinary shares during the financial period ended 31 March 2008.

EXPLANATORY NOTES:
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	461,009	10,765	-	471,774
Inter-segment sales	258,211	17,737	(275,948)	-
Total Revenue	<u>719,220</u>	<u>28,502</u>	<u>(275,948)</u>	<u>471,774</u>

Segment Results

Profit/(loss) from operations	<u>28,978</u>	<u>(67,982)</u>	<u>(10,365)</u>	<u>(49,369)</u>
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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

- (i) Gindalbie Metals Ltd ("Gindalbie") shares pledged with Opes Prime Stockbroking Ltd ("OPSL")
 - (a) The Company's wholly owned subsidiary companies, Melewar Steel Ventures Ltd ("MSV") and M - Power TT Ltd. own 40,087,009 shares and 34,000,000 shares respectively in Gindalbie, representing a combined equity interest of 14.46% in Gindalbie.
 - (b) MSV had been granted an Equity Finance Facility in October 2007 from OPSL of AUD24.0 million, which is equivalent to RM69.3 million (based on the exchange rate of 2.889 as at 31 March 2008).
 - (c) MSV was informed on 28 March 2008 that OPSL had appointed a voluntary administrator to look into the affairs of OPSL. Following the appointment of the voluntary administrator, a secured creditor, ANZ Banking Group Ltd ("ANZ"), appointed receivers and managers in respect of the OPSL Group.
 - (d) As at 31 March 2008, MSV has pledged 35,087,009 Gindalbie shares against an outstanding loan of AUD11.1 million which is equivalent to RM32.1 million.
 - (e) Out of the 35,087,009 Gindalbie shares pledged with OPSL, the secured lender of OPSL has claimed ownership over 32,000,000 Gindalbie shares and the remaining 3,087,009 Gindalbie shares are currently held by Green Frog Nominees Pty Limited ("Green Frog"), a subsidiary of OPSL.

EXPLANATORY NOTES:
A10 Subsequent material events (continued)

- (i) Gindalbie Metals Ltd ("Gindalbie") shares pledged with Opes Prime Stockbroking Ltd ("OPSL") (continued)
- (f) On 2 April 2008, MSV has successfully obtained a temporary court injunction to restrain ANZ from selling any of the Gindalbie shares pledged with OPSL by MSV. The injunction was however, dissolved by the court subsequently.
- (g) MSV has since filed a claim against ANZ, on 13 May 2008, for the return of the Gindalbie shares to MSV (refer to Note B11 for details).
- (h) In the event that MSV is unsuccessful in its claim to recover the 32,000,000 Gindalbie shares, the potential loss amounts to approximately RM 16.4 million after taking into consideration the AUD11.1 million loan owing to OPSL. The difference between RM16.4 million and the potential loss as announced in the Company's announcement to Bursa Malaysia dated 2 April 2008 of RM38.0 million is analysed as follows:

Potential loss as announced in the Company's announcement to Bursa Malaysia dated 2 April 2008	38.0
Marked-to-market ("MTM") loss recognised on the 32,000,000 Gindalbie shares as at 31 March 2008 in accordance with the accounting policy of the Group on financial assets (being the after tax effect of part of the RM73.3 million 'fair value loss on financial asset at fair value through profit or loss' as included in the Income Statement on page 1 of this report)	21.6
Potential loss net of tax based on the market value of 32,000,000 Gindalbie shares @ 31 March 2008, after taking into consideration the AUD11.1 million loan owing to OPSL in the event that MSV is unsuccessful in its share recovery efforts	16.4

- (i) On the 3,087,009 Gindalbie shares currently held by Green Frog, the potential loss to the Group is approximately RM4.7 million in the event MSV is unable to recover the shares from Green Frog.
- (j) On the basis that MSV is unable to recover the combined 35,087,009 shares in Gindalbie, the total potential loss to the Group amounts to approximately RM21.1 million.
- (ii) Marked-to-market ("MTM") value of Gindalbie shares

The 74,087,009 Gindalbie shares held by the Group as at 31 March 2008 have been MTM at AUD0.71 per share in accordance with the Group's accounting policy on financial assets. As at 21 May 2008 (the latest practicable date which shall not be earlier than 7 days from the date of issue of the quarterly report), the share price of Gindalbie is significantly higher at AUD1.30 per share. This represents an unrealised gain net of tax of approximately RM93.8 million if the 74,087,009 Gindalbie shares were to be MTM on that date. Nevertheless, the unrealised gain would be reduced by RM44.4 million if the 35,087,009 Gindalbie shares as mentioned in Section (i)(j) of this Note, are unable to be recovered by the Group.

Save as disclosed above, there were no other material events occurring between 31 March 2008 and the date of this announcement that had not been reflected in the financial statements for the financial period ended 31 March 2008.

EXPLANATORY NOTES:

A11 Changes in the composition of the Group

There were no significant changes in the composition of the Group during the financial quarter ended 31 March 2008.

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 March 2008 are as follows:

	RM'000
Property, plant and equipment	21,950

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 March 2008, the Group recorded a total revenue of RM179.7 million, representing a 17% increase as compared to the preceding year's corresponding quarter of RM153.2 million. This improvement is mainly attributable to a higher sales volume and better selling price.

Notwithstanding the increase in total revenue, the Group's registered a loss after taxation of RM49.4 million in the current quarter as compared to the preceding year's corresponding quarter's profit after tax of RM6.1 million. The decline of RM55.5 million is primarily attributed to a fair value loss of RM51.3 million (net of tax) on a financial asset which is marked-to-market in accordance with the Group's accounting policy on financial assets.

For the quarter ended 31 March 2008, the Company's principal subsidiary, Mycron Steel Berhad, recorded a profit before tax of RM6.7 million, more than double the RM2.7 million achieved in the previous year's corresponding quarter, on the back of a 20% increase in revenue from the previous year's corresponding quarter of RM89.6 million to RM107.6 million registered in the quarter under review. The significantly improved performance is due principally to a higher sales volume and improved margin.

B2 Material change in the profit before tax as compared with the immediate preceding quarter

The Group registered a loss before tax of RM68.2 million in the current quarter as compared to a profit before tax of RM4.2 million in the immediate preceding quarter. The drop of RM72.4 million is principally due to a fair value loss of RM73.3 million arising from the marked-to-market of a financial asset of the Group in accordance with the Group's accounting policy on financial assets. Excluding this fair value loss of RM73.3 million, the profit before tax of the Group improved to RM5.0 million, representing a 19% increase from the immediate preceding quarter.

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 31/03/08 RM'000	Current Year To Date 31/03/08 RM'000
Income tax		
- current year	(2,581)	(5,329)
- prior year	(36)	(36)
Deferred tax		
- current year	21,422	26,968
	18,805	21,603

The effective tax rate of the Group for the current quarter and current year to date is higher than the statutory tax rate due to the reversal of deferred tax liability (at a rate higher than the statutory tax rate) on the fair value loss suffered on a financial asset at fair value through profit or loss. The effect of the reversal is partly offset by losses of subsidiaries not available for group relief and non-deductibility of certain expenses 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 March 2008.

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 March 2008:

	RM'000
Total investments cost	21,413
Total investments at book value	151,967
Total investments at current market value	151,967

In the event that the 35,087,009 shares in Gindalbie as mentioned in Note A10(i) is not recoverable, the potential net loss to the Group amounts to approximately RM21.1 million as explained in Note A10(i)(j).

B8 Status of corporate proposals

(i) On 30 December 2005, the Company through its wholly-owned subsidiary, Mperial Power Ltd. (“Mperial”), entered into a share sale and purchase agreement with E Power Pte. Ltd. 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”). The Proposed Acquisition was completed on 13 May 2008.

(ii) The Company together with its wholly owned subsidiary, Mperial, had on 15 May 2008 entered into a Shareholders’ Agreement with Sojitz Corporation and SIPCO.

EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENTS – PART A OF APPENDIX 9B)
B9 Group borrowings and debt securities

The Group's borrowings as at 31 March 2008 are as follows:

	<u>RM'000</u>
<u>Short-term borrowings:</u>	
Unsecured	151,910
Secured	<u>235,999</u>
	387,909
<u>Long-term borrowings:</u>	
Secured	<u>84,498</u>
Total borrowings	<u>472,407</u>

The Group's foreign currency exposure of borrowings as at 31 March 2008 is as follows:

	<u>RM'000</u>
- Ringgit Malaysia	264,156
- US Dollar	137,335
- Australian Dollar	32,802
- Euro	<u>38,114</u>
Total borrowings	<u>472,407</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 except for the following:

Melewar Steel Ventures Ltd vs ANZ Banking Group Ltd
Supreme Court of NSW No. 2149/2008

- (i) Melewar Steel Ventures Ltd ("MSV"), a wholly owned subsidiary of the Company had applied a court injunction ("the Court Injunction") against ANZ Banking Group Ltd ("ANZ"), the secured lender of Opes Prime Stockbroking Ltd ("OPSL") vide Supreme Court of NSW No. 2149/2008 to restrain ANZ from selling any of the 35,087,009 Gindalbie Metals Ltd ("Gindalbie") shares pledged with OPSL by MSV against an outstanding loan of AUD11.1 million which was granted on 2 April 2008. However, the injunction was subsequently dissolved by the Court of Appeal in Sydney, Australia on 18 April 2008.
- (ii) MSV had proceeded to file a claim against ANZ and OPSL and their respective nominees for, inter-alia, the recovery of the 35,087,009 Gindalbie shares.
- (iii) On 16 May 2008, the Expedition List judge of the Supreme Court of NSW had directed the parties to file the pleadings for the legal proceedings and stood over the proceedings to 1 August 2008.

B12 Dividends

The Company did not declare any interim dividend for the third quarter ended 31 March 2008.



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 31/03/08 RM'000	Current year to date 31/03/08 RM'000
Loss attributable to shareholders	(51,403)	(43,184)
Weighted average no. of ordinary shares in issue ('000)	225,673	225,638
Basic loss per share (sen)	(22.78)	(19.14)

(ii) Diluted earnings per ordinary share

	Current year quarter 31/03/08 RM'000	Current year to date 31/03/08 RM'000
Loss attributable to shareholders	(51,403)	(43,184)
Adjusted weighted average no. of ordinary shares in issue ('000)	227,026	231,551
Diluted loss per share (sen)	(22.64)	(18.65)

By order of the Board

LILY YIN KAM MAY (MAICSA 0878038)

SOON LEH HONG (MIA 4704)

Secretaries

Kuala Lumpur

27 May 2008