

Quarterly report on consolidated results for the fourth financial quarter ended 30 June 2008

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 during the financial year ended 30 June 2008 except for:

- (i) Fair value gain of RM75.6 million (net of tax) recognized on a financial asset which is marked-to-market in accordance with the Group’s accounting policy on financial assets.
- (ii) Provision for shares under litigation of RM38.4 million for which the details are explained in Note B11.

A5 Changes in estimates

Not applicable to the Group.

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EXPLANATORY NOTES:

A6 Issuances and repayment of debts and equity securities

(i) Employees' Share Option Scheme ("ESOS")

For the financial year ended 30 June 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 year ended 30 June 2008.

(iii) Conversion of warrants to ordinary shares

There was no conversion of warrants to ordinary shares during the financial year ended 30 June 2008.

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>	<u>Others</u>	<u>Elimination</u>	<u>Total</u>
	RM'000	RM'000	RM'000	RM'000
External revenue	685,723	17,622	-	703,345
Inter-segment sales	361,503	21,476	(382,979)	-
	<u>1,047,226</u>	<u>39,098</u>	<u>(382,979)</u>	<u>703,345</u>
Segment Results				
Profit from operations	<u>48,552</u>	<u>74,702</u>	<u>(50,967)</u>	<u>72,287</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.

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EXPLANATORY NOTES:

A10 Subsequent material events

- (i) Acquisition of additional equity interest in Siam Power Generation Public Company Limited (“SIPCO”)

Mperial Power Ltd (“Mperial”), a wholly-owned subsidiary of Melewar Steel Engineering Sdn Bhd, who in turn is a wholly-owned subsidiary of the Company, entered into a share sale and purchase agreement (“SSPA”) on 9 July 2008 to acquire an additional equity interest of 25.03% in SIPCO for a cash consideration of USD11.3 million or RM36.16 million.

The acquisition is not subject to the approval of the shareholders of the Company and the relevant authorities.

- (ii) Marked-to-market (“MTM”) value of Gindalbie Metals Ltd (“Gindalbie”) shares

The 74,087,009 Gindalbie shares held by the Group as at 30 June 2008 have been MTM at AUD1.445 per share in accordance with the Group’s accounting policy on financial assets. As at 19 August 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 was stated at AUD0.84 per share. This represents an unrealised loss, net of tax of approximately RM109.8 million if the 74,087,009 Gindalbie shares were to be MTM on that date.

Save as disclosed above, there were no other material events occurring between 30 June 2008 and the date of this announcement that had not been reflected in the financial statements for the financial year ended 30 June 2008.

A11 Changes in the composition of the Group

There were no significant changes in the composition of the Group during the financial year ended 30 June 2008 except for the following:

On 13 May 2008, Mperial Power Ltd. (“Mperial”), a wholly-owned subsidiary of the Company completed the acquisition of the 70% equity interest in SIPCO for a total cash consideration of USD23.0 million (RM83.5 million).

As SIPCO is currently at the pre-operating stage of developing a power plant in Thailand, the effect of the acquisition on the financial results of Group for the financial year under review is immaterial.

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EXPLANATORY NOTES:

A11 Changes in the composition of the Group (Cont'd)

The fair value of the net assets acquired and cash flow arising from the acquisition are as follows:

	Carrying value (prior to acquisition) RM'000	Fair value (upon acquisition) RM'000
Property, plant and equipment	123,562	123,562
Intangible asset	-	51,551
Trade and other receivables	19,118	19,118
Cash at bank pledged as collateral	5,338	5,338
Cash and cash equivalents	2,853	2,853
Trade and other payables	(83,129)	(83,129)
	67,742	119,293
Minority interest		(35,788)
Purchase consideration		83,505
Less: Deposit paid in the previous year		(83,505)
Net consideration paid during the financial year		-
Less: Cash and cash equivalents of subsidiary acquired		2,853
Net cash inflow on acquisition of subsidiary during the financial year		2,853

A12 Contingent liabilities or contingent assets

There were no contingent liabilities or contingent assets as at the end of the financial year ended 30 June 2008 except for the disclosure of the material litigation made in Note B11.

A13 Capital commitments

The details of the commitments as at 30 June 2008 are as follows:

	RM'000
Property, plant and equipment	874,797

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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

The Group recorded a total revenue of RM231.6 million for the 4th quarter ended 30 June 2008, a significant increase of 47% over the preceding year's corresponding quarter of RM158.0 million on the back of a 36% increase in the sales volume of steel related products.

On a net basis, net profit attributable to shareholders for the quarter under review increased to RM88.0 million, up from RM67.8 million in the previous corresponding period attributable mainly to the fair value gain on a financial asset of RM127.1 million (net of tax) and the deferred tax asset recognised on a subsidiary's reinvestment allowance of approximately RM20.5 million which were partly off-set by a provision for shares under litigation of RM38.4 million (net of tax).

On a full year basis, the net profit attributable to shareholders for the current financial year of RM44.9 million is less than the previous corresponding period's RM104.8 million mainly because the previous corresponding period comprises 17 months results and recorded a higher fair value gain on a financial asset.

For the current quarter under review, the Company's principal subsidiary, Mycron Steel Berhad ("MSB"), recorded a net profit after tax of RM20.8 million, significantly higher than the RM1.5 million achieved in the previous year's corresponding quarter due mainly to a 34% increase in revenue from the previous year's corresponding quarter of RM92.5 million to RM123.9 million registered in the quarter under review as well as the recognition of a deferred tax asset of RM20.5 million on reinvestment allowance of its subsidiary company, Mycron Steel CRC Sdn Bhd. For the full financial year, MSB achieved a net profit of RM30.2 million, a 96% increase against previous corresponding period annualized results of RM15.4 million.

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

The Group registered a profit before tax of RM116.5 million in the current quarter as compared to a loss before tax of RM68.2 million in the immediate preceding quarter. The turnaround in profit before tax is attributable mainly to the fair value loss on a financial asset of RM73.3 million recognised in the immediate preceding quarter as compared to a fair value gain of RM180.2 million recognised during the current quarter under review.

B3 Prospects

The Directors are of the opinion that international steel prices and demand for steel products are expected to soften slightly in the 1st half of the new financial year and probably stabilize in the 2nd half of the financial year. In view of the above, the Group will adopt a more cautious approach in inventory management and also be more stringent in credit control. Provided there are no adverse developments in steel and equities markets, the Group hopes to achieve satisfactory results for the financial year ending 30 June 2009.

B4 Variance of actual profit from forecast profit

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

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EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENTS – PART A OF APPENDIX 9B)

B5 Taxation

	Current Year Quarter 30/06/08 RM'000	Current Year To Date 30/06/08 RM'000
Income tax		
- current year	217	(5,112)
- prior year	96	60
Deferred tax		
- current year	(22,641)	4,327
	<u>(22,328)</u>	<u>(725)</u>

The effective tax rate of the Group for the current quarter and current year to date is lower than the statutory tax rate due mainly to the recognition of deferred tax asset on reinvestment allowance of a subsidiary and offset by the non-deductibility of certain expenses for tax purposes.

B6 Profit on sale of unquoted investments and / or properties

This is not applicable to the Group for the current quarter and financial year ended 30 June 2008.

B7 Purchase or disposal of quoted securities

(i) There was no purchase or disposal of quoted securities during the current quarter and the financial year ended 30 June 2008.

(ii) Investment in quoted securities as at 30 June 2008:

	RM'000
Total investments cost	21,413
Total investments at book value	332,194
Total investments at current market value	332,194

On the basis that the 35,087,009 shares in Gindalbie are not recoverable as mentioned in Note B11, the investment in quoted securities as at 30 June 2008 would have been as follows:

	RM'000
Total investments cost	11,272
Total investments at book value	174,870
Total investments at current market value	174,870

The Group has made adequate provision for the 35,087,009 shares in Gindalbie which is disclosed in Note A4 and Note B11.

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EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENTS – PART A OF APPENDIX 9B)

B8 Status of corporate proposals

There were no corporate proposals announced but not completed as at 19 August 2008 (the latest practicable date which shall not be earlier than 7 days from the date of issue of the quarterly report).

B9 Group borrowings and debt securities

The Group's borrowings as at 30 June 2008 are as follows:

	<u>RM'000</u>
<u>Short-term borrowings:</u>	
Unsecured	142,810
Secured	<u>235,133</u>
	377,943
<u>Long-term borrowings:</u>	
Secured	<u>95,795</u>
Total borrowings	<u>473,738</u>

The Group's currency exposure of borrowings as at 30 June 2008 is as follows:

	<u>RM'000</u>
- Ringgit Malaysia	274,038
- US Dollar	123,572
- Australian Dollar	35,290
- Euro	<u>40,838</u>
Total borrowings	<u>473,738</u>

B10 Off balance sheet financial instruments

There were no financial instruments with off balance sheet risks as at 19 August 2008.

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

- (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 by Opes Prime Stockbroking Ltd ("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.

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EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENTS – PART A OF APPENDIX 9B)

B11 Material litigation (Cont'd)

- (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.
- (f) MSV had applied a court injunction (“the Court Injunction”) against ANZ, the secured lender of OPSL vide Supreme Court of NSW No. 2149/2008 to restrain ANZ from selling any of the 35,087,009 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.
- (g) 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.
- (h) On 16 May 2008, the Expedition List judge of the Supreme Court of NSW (the “Court”) had directed the parties to file the pleadings for the legal proceedings and stood over the proceedings to 1 August 2008.
- (i) MSV had on 5 June amended its Statement of Claim to include Merrill Lynch International (Australia) (“Merrill Lynch”) as one of the Defendants.
- (j) Subsequently, MSV filed in a motion to amend its Statement of Claim while Merrill Lynch also filed in a motion to strike out MSV’s Statement of Claim. Both motions were heard on 4 August 2008 and the Court then fixed 26 September 2008 as the next hearing date.
- (k) The potential financial impact to the Group should MSV be unable to recover the 35,087,009 Gindalbie shares amounts to approximately RM38.4 million, being the MTM value of the shares as at 30 June 2008, net of tax and after taking into consideration the AUD11.5 million loan inclusive of accrued interest owing to OPSL as well as the provision for shares under litigation of RM38.4 million as mentioned in Note A4 above.

B12 Dividends

The Board of Directors recommends a first and final dividend of 4.0 sen per share less 26% income tax for the current financial year ended 30 June 2008 (17 months financial period ended 30 June 2007: 6 sen tax exempt). The proposed dividend is subject to shareholders' approval at the forthcoming Annual General Meeting.

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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 30/06/08 RM'000	Current year to date 30/06/08 RM'000
Profit attributable to shareholders	88,039	44,854
Weighted average no. of ordinary shares in issue ('000)	225,673	225,647
Basic earnings per share (sen)	39.01	19.88

(ii) Diluted earnings per ordinary share

	Current year quarter 30/06/08 RM'000	Current year to date 30/06/08 RM'000
Profit attributable to shareholders	88,039	44,854
Adjusted weighted average no. of ordinary shares in issue ('000)	225,673	229,137
Diluted earnings per share (sen)	39.01	19.58

By order of the Board

LILY YIN KAM MAY (MAICSA 0878038)

SOON LEH HONG (MIA 4704)

Secretaries

Kuala Lumpur

26 August 2008