



Quarterly report on consolidated results for the third financial quarter ended 31 March 2009

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 year ended 30 June 2008.

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 year ended 30 June 2008.

The accounting policies and methods of computation adopted in the unaudited interim financial statements are consistent with those adopted for the audited financial statements for the financial year ended 30 June 2008.

A2 Audit qualification

The audit report of the Group in respect of the financial statements for the financial year ended 30 June 2008 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:

- (i) the marked-to-market loss recognised on a financial asset (shares in Gindalbie Metals Ltd, a company listed on the Australian Stock Exchange) as tabled below:

	Current Year Quarter 31/03/09	Current Year To Date 31/03/09
Number of Gindalbie shares held by the Group	74,087,009	74,087,009
Gindalbie share price as at:		
31 March 2009 (AUD0.590)	RM1.438	RM1.438
31 December 2008 (AUD0.590)	RM1.387	-
30 June 2008 (AUD1.445)	-	RM4.484
Share price differential	RM0.051	(RM3.046)
Marked-to-market gain/(loss)	RM3.8 million	(RM225.6 million)

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EXPLANATORY NOTES:

A4 Unusual items (cont'd)

- (ii) the impairment loss recognised on inventories as tabled below:

Division	Current Year Quarter 31/03/09	Current Year To Date 31/03/09
Cold rolling mill	RM23.1 million	RM44.2 million
Steel tube	RM2.6 million	RM16.2 million
Steel mill	RM0.3 million	RM4.2 million
	RM26.0 million	RM64.6 million

A5 Changes in estimates

Not applicable to the Group.

A6 Issuances and repayment of debts and equity securities

- (i) Employee Share Option Scheme (“ESOS”)
There was no issuance of shares pursuant to the Company’s ESOS during the current financial quarter.
- (ii) Share buy-back
There was no share buy-back during the current financial quarter. For the financial period ended 31 March 2009, the Company has repurchased a total of 161,000 of its issued ordinary shares from the open market at an average price of RM0.55 per share. The shares repurchased are held as treasury shares.
- (iii) Conversion of warrants to ordinary shares
There was no conversion of warrants to ordinary shares during the current financial quarter.

A7 Dividends paid

A first and final dividend of 4.0 sen per share, less 25% income tax, for the financial year ended 30 June 2008 was paid on 30 December 2008.

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EXPLANATORY NOTES:

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>Energy</u> RM'000	<u>Others</u> RM'000	<u>Elimination</u> RM'000	<u>Total</u> RM'000
External revenue	470,890	-	2,427	-	473,317
Inter-segment sales	-	-	6,066	(6,066)	-
Total Revenue	470,890	-	8,493	(6,066)	473,317
 Segment Results					
Gain/ (loss) from operations	(45,115)	496	(162,494)	(22,439)	(229,552)

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 year ended 30 June 2008.

A10 Subsequent material events

Impact of the movement of Gindalbie Metals Ltd ("Gindalbie") share price to the Group's financial performance

The 74,087,009 Gindalbie shares held by the Group as at 31 March 2009 have been marked-to-market ("MTM") at AUD0.590 per share in accordance with the Group's accounting policy on financial assets. As at 25 May 2009 (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 quoted at AUD0.700 per share. This translates into an increase in unrealised gain of approximately RM19.5 million (net of tax), if the 74,087,009 Gindalbie shares were to be MTM on that date, after taking into account the increase in the allowance for shares under litigation of RM3.7 million (net of tax).

Save as disclosed above, there were no other material events occurring between 31 March 2009 and the date of this announcement that had not been reflected in the financial statements for the financial quarter ended 31 March 2009.

A11 Changes in the composition of the Group

There was no change in the composition of the Group during the current financial quarter.

A12 Contingent liabilities or contingent assets

There were no contingent liabilities or contingent assets as at the end of the financial quarter ended 31 March 2009 except for the disclosure of the material litigation made in Note B11.

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EXPLANATORY NOTES:

A13 Capital Commitments

The details of capital commitment as at 31 March 2009 are as follows:

	RM'000
Property, plant and equipment	868,026

All of the above capital commitment is for the construction of a 160MW power plant in Thailand under a subsidiary, Siam Power Generation Public Company Ltd.

The financing for the above capital commitment has been secured.

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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 RM107.0 million for the 3rd quarter ended 31 March 2009, a decrease of 40% over the preceding year's corresponding quarter of RM179.7 million. The lower revenue attained is mainly due to a lower sales volume.

The Group registered a loss before tax of RM36.0 million for the quarter under review compared to a loss before tax of RM68.2 million in the same quarter of the preceding year. The lower loss of RM32.2 million is principally due to:

- a turnaround from a fair value loss of RM73.3 million on a financial asset (Gindalbie shares) to a fair value gain of RM3.8 million; and
- the Group recognising an impairment loss on inventories of RM26.0 million in response to the drastic drop in global steel prices

For the current quarter under review, the Company's principal subsidiary, Mycron Steel Berhad, posted a loss before tax of RM28.2 million, compared to a profit before tax of RM6.7 million achieved in the corresponding quarter of the preceding year. The reduced profit in the current quarter is primarily caused by the impairment loss on inventories of RM23.1 million.

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

The Group registered a loss before tax of RM36.0 million in the current quarter compared to a loss before tax of RM84.5 million in the immediate preceding quarter. The reduced loss of RM48.5 million is primarily due to:

- a turnaround from a fair value loss of RM35.8 million on a financial asset (Gindalbie shares) to a fair value gain of RM3.8 million; and
- a lower impairment loss on inventories of RM12.5 million

B3 Prospects

The international steel prices and demand for steel products will continue to remain unpredictable in the next quarter. Although there are signs that steel prices are beginning to stabilise, there is still a lack of a clear direction at this moment. The Group will continue to adopt a conservative approach in inventory management and remain stringent in our credit control. The Group anticipates that the challenging times ahead for the steel industry amid a bleak global economic outlook, coupled with the drastic equities market downturn, will have a negative impact on the results of the Group 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 31/03/09 RM'000	Current Year To Date 31/03/09 RM'000
Income tax		
- current year	798	(475)
Deferred tax		
- current year	3,544	60,911
	4,342	60,436
	4,342	60,436

The effective tax rate of the Group for the current quarter is lower than the statutory tax rate mainly because losses of subsidiaries not available for group relief, non-deductibility of certain expenses for tax purposes and tax losses of subsidiaries of which the related deferred tax assets have not been recognised.

B6 Profit on sale of unquoted investments and / or properties

There was no sale of unquoted investments and/or properties in the current financial quarter.

B7 Purchase or disposal of quoted securities

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

(ii) Investment in quoted securities as at 31 March 2009:

	RM'000
Total investments cost	21,413
Total investments at book value	106,568
Total investments at current market value	106,568

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 31 March 2009 would have been as follows:

	RM'000
Total investments cost	11,272
Total investments at book value	56,098
Total investments at current market value	56,098

The Group has made adequate allowance for the 35,087,009 shares in Gindalbie which is disclosed in 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 25 May 2009 (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 31 March 2009 are as follows:

	<u>RM'000</u>
<u>Short-term borrowings:</u>	
Unsecured	263,758
Secured	<u>124,036</u>
	387,794
<u>Long-term borrowings:</u>	
Secured	<u>170,832</u>
Total borrowings	<u>558,626</u>

The Group's currency exposure of borrowings as at 31 March 2009 is as follows:

	<u>RM'000</u>
- Ringgit Malaysia	257,456
- US Dollar	147,008
- Australian Dollar	28,243
- Euro	34,909
- Thai Baht	<u>91,010</u>
Total borrowings	<u>558,626</u>

B10 Off balance sheet financial instruments

There were no off balance sheet financial instruments 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) The Company's wholly owned subsidiary companies, Melewar Steel Ventures Ltd ("MSV") and M-Power TT Ltd own 40,087,009 and 34,000,000 ordinary shares in Gindalbie respectively, representing a combined equity interest of 14.46% in Gindalbie.
- (ii) MSV had been granted an Equity Finance Facility of AUD24.0 million, which is equivalent to RM61.2 million (based on the exchange rate as at 31 March 2009) in October 2007 from Opes Prime Stockbroking Ltd ("OPSL").
- (iii) 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)

- (iv) As at 31 March 2008, MSV had pledged 35,087,009 Gindalbie shares against an outstanding loan of AUD11.1 million which is equivalent to RM28.3 million (based on the exchange rate as at 31 March 2009).
- (v) 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, a subsidiary of OPSL.
- (vi) MSV applied for a court injunction (“the Court Injunction”) against ANZ, the secured lender of OPSL, vide a Supreme Court of NSW No. 2149/2008 order to restrain ANZ from selling any of the 35,087,009 Gindalbie shares pledged with OPSL by MSV, which was granted on 2 April 2008. However, the Court Injunction was subsequently dissolved by the Court of Appeal in Sydney, Australia on 18 April 2008.
- (vii) MSV proceeded to file a claim against ANZ and OPSL and their respective nominees for the recovery of the 35,087,009 Gindalbie shares. MSV had on 5 June 2008 amended its Statement of Claim to include Merrill Lynch International (Australia) (“Merrill Lynch”) as one of the defendants.
- (viii) Subsequently, MSV filed a motion to amend its Statement of Claim while Merrill Lynch also filed a motion to strike out MSV’s Statement of Claim.
- (ix) The motion was finally heard on 26 September 2008 where both Merrill Lynch and ANZ (the “Banks”) presented their application to strike out MSV’s claim. MSV countered the application on the basis that the conduct of OPSL was fraudulent and there is a breach of fiduciary duty on the part of the Banks to ascertain that the shares were not fraudulently transferred to them. The case has been fixed for further hearing on 6 July 2009.
- (x) Meanwhile, ANZ and the liquidators of OPSL have made a joint proposal to settle out of court with all the creditors of OPSL on the basis that the settlement will give a return of about AUD0.40 in the dollar to each creditor. The settlement proposal has been submitted to the Court for approval and it will be heard on 11 June 2009. The settlement proposal will require the approval of 75% of the creditors of OPSL in terms of value, in order for the settlement scheme to be accepted.
- (xi) As at 31 March 2009, an allowance for shares under litigation of RM3.3 million (net of tax) has been made. The additional financial impact should MSV be unable to recover the 35,087,009 Gindalbie shares amounts to approximately RM3.3 million (net of tax), being the marked-to-market value of the shares as at 31 March 2009 and after taking into consideration the AUD12.3 million loan, which is inclusive of accrued interest owing to OPSL.

B12 Dividends

The Company did not declare any interim dividend in the current financial quarter.

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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 31/03/09 RM'000	Current year to date 31/03/09 RM'000
Loss attributable to shareholders	(21,530)	(177,638)
Weighted average no. of ordinary shares in issue ('000)	225,512	225,602
Basic loss per share (sen)	(9.55)	(78.74)

(ii) Diluted earnings per ordinary share

This is not applicable to the Group.

By order of the Board

LILY YIN KAM MAY (MAICSA 0878038)

SOON LEH HONG (MIA 4704)

Secretaries

Kuala Lumpur

29 May 2009