

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

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EXPLANATORY NOTES:

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 (“MTM”) gain/(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 30/06/09	Current Year To Date 30/06/09
Number of Gindalbie shares held by the Group:		
At beginning of the quarter/year	74,087,009	74,087,009
Less: Shares deemed disposed as explained in Note B7	(32,000,000)	(32,000,000)
At end of the quarter/year	42,087,009	42,087,009
Gindalbie share price as at:		
30 June 2009	2.155	2.155
31 March 2009	1.438	
30 June 2008		4.484
Share price differential	0.717	(2.329)
MTM gain/(loss)	RM30.2 million	(RM98.0 million)

- (ii) a deemed disposal of 32,000,000 Gindalbie shares pursuant to a settlement scheme as explained in Note B7;
- (iii) an impairment loss of RM39.2 million on an associate; and
- (iv) the impairment loss recognised on inventories as tabled below:

Division	Current Year Quarter 30/06/09	Current Year To Date 30/06/09
Cold rolling mill	-	RM44.2 million
Steel tube	-	RM16.2 million
Steel mill	-	RM4.2 million
	-	RM64.6 million

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) 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 year ended 30 June 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.

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	596,691	-	3,515	-	600,206
Inter-segment sales	-	-	5,648	(5,648)	-
Total revenue	596,691	-	9,163	(5,648)	600,206
Segment results	(45,151)	(4,939)	(118,060)	(55,729)	(223,879)
Finance cost					(19,258)
Share of results of associates					(3,132)
					(246,269)

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.

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EXPLANATORY NOTES:

A10 Subsequent material events

Impact of the movement of Gindalbie Metals Ltd (“Gindalbie”) share price to the Group’s financial performance

The 42,087,009 Gindalbie shares held by the Group as at 30 June 2009 have been marked-to-market (“MTM”) at AUD0.770 per share in accordance with the Group’s accounting policy on financial assets. As at 26 August 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 AUD0.830 per share. This translates into an increase in unrealised gain of approximately RM9.8 million, if the 42,087,009 Gindalbie shares were to be MTM on that date.

Save as disclosed above, there were no other material events occurring between 30 June 2009 and the date of this announcement that had not been reflected in the financial statements for the financial quarter ended 30 June 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 30 June 2009 except for the disclosure of the material litigation made in Note B11.

A13 Capital Commitments

The details of capital commitment as at 30 June 2009 are as follows:

	RM’000
Property, plant and equipment	820,265

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 RM126.9 million for the 4th quarter ended 30 June 2009, a decrease of 45% over the preceding year's corresponding quarter of RM231.6 million. The lower revenue attained is due to lower sales volume and lower selling price.

The Group registered a profit before tax of RM9.2 million for the quarter under review. This represents a decline of RM107.0 million as compared to RM116.2 million for the same quarter of the preceding year. The lower profit is principally due to the combination of the following:

- A decrease in fair value gain of RM150.0 million on a financial asset (Gindalbie shares);
- An impairment loss recognised on an associate of RM39.2 million;
- A RM60.4 million allowance made for shares under litigation in the same quarter of the preceding year; and
- In the current quarter, there was a net gain of RM13.5 million on deemed disposal of Gindalbie shares as explained in Note B7.

For the current quarter under review, the Company's principal subsidiary, Mycron Steel Berhad, posted a loss before tax of RM1.2 million, compared to a profit before tax of RM3.9 million achieved in the corresponding quarter of the preceding year. The reduced profit in the current quarter is primarily caused by a lower sales volume.

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

The Group registered a profit before tax of RM9.2 million in the current quarter compared to a loss before tax of RM36.0 million in the immediate preceding quarter. The improved results are mainly due to the combination of the following:

- An increase in fair value gain of RM26.3 million on a financial asset (Gindalbie shares);
- There is no impairment loss on inventories in the current quarter while a loss of RM26.0 million was recognised in the immediate preceding quarter;
- In the current quarter, there was a net gain of RM13.5 million on deemed disposal of Gindalbie shares as explained in Note B7; and
- An impairment loss recognised on an associate of RM39.2 million in the current quarter.

B3 Prospects

The international steel prices and demand for steel products have stabilised this quarter and is expected to firm up in the next quarter due to the prevailing tight supply. Although the market has stabilised, the Group do not anticipate that there will be any significant increase in price and demand in the near term. The Group will continue to adopt a conservative approach in inventory management and remain stringent in credit control. With an improving global economic outlook and a strengthening equity market, the Group expects to achieve satisfactory results for the financial year ending 30 June 2010.

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 30/06/09 RM'000	Current Year To Date 30/06/09 RM'000
Income tax		
- current year	(2,441)	(2,916)
- under provision in prior year	(3)	(3)
Deferred tax		
- current year	13,827	74,738
	11,383	71,819

The tax income for the current quarter is mainly attributable to the write back of provision for deferred tax on fair value gain recognised on a financial asset.

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) During the current financial quarter, pursuant to the settlement scheme mentioned in Note B11, there was a deemed disposal of 32,000,000 Gindalbie shares as follows:

	Current Year Quarter RM'000	Current Year To Date RM'000
Outstanding loan owing to Opes Prime Stockbroking Ltd (AUD11.2 million)	35,756	35,756
Settlement sum (AUD5.1 million)	14,223	14,223
Total proceeds from deemed disposal	49,979	49,979
Less: Carrying value of the shares as at 30 June 2008	(143,483)	(143,483)
Add: Reversal of marked-to-market loss previously recognised on the shares	97,453	-
Gain/(loss) on deemed disposal	3,949	(93,504)
Add: Write back of allowance for shares under litigation	9,585	60,380
Net gain/(loss) on deemed disposal	13,534	(33,124)

- (ii) Investment in quoted securities as at 30 June 2009:

	RM'000
Total investments cost	12,164
Total investments at book value	90,707
Total investments at current market value	90,707

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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 26 August 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 30 June 2009 are as follows:

	<u>RM'000</u>
<u>Short-term borrowings:</u>	
Unsecured	119,357
Secured	<u>168,161</u>
	287,518
<u>Long-term borrowings:</u>	
Secured	<u>202,322</u>
Total borrowings	<u>489,840</u>

The Group's currency exposure of borrowings as at 30 June 2009 is as follows:

	<u>RM'000</u>
- Ringgit Malaysia	211,013
- US Dollar	133,188
- Euro	35,956
- Thai Baht	<u>109,683</u>
Total borrowings	<u>489,840</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 RM67.2 million (based on the exchange rate as at 30 June 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 RM31.1 million (based on the exchange rate as at 30 June 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 (“Greenfrog”), 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 to 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 a scheme creditor, MSV filed a monetary claim on AUD13.8 million or RM38.6 million being the net proceeds from the deemed disposal of the 32,000,000 Gindalbie shares and a proprietary claim on the 3,087,009 Gindalbie shares held by Greenfrog. On 24 July 2009, the creditors of OPSL voted in favor of the settlement scheme. Subsequently, on 4 August 2009, the Federal Court approved the settlement scheme. Under the final approved settlement scheme, the creditors will be given a return of AUD0.37 to the dollar whereby MSV will receive approximately AUD5.1 million or RM14.2 million, being the full and final settlement sum, and MSV will have no further liability to OPSL.

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

B12 Dividends

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

B13 Earnings per share

(i) Basic earnings per ordinary share

	Current year quarter 30/06/09 RM'000	Current year to date 30/06/09 RM'000
Profit/(loss) attributable to shareholders	20,525	(157,113)
Weighted average no. of ordinary shares in issue ('000)	225,512	225,579
Basic earnings/(loss) per share (sen)	9.10	(69.65)

(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

28 August 2009