

Quarterly report on consolidated results for the second financial quarter ended 31 December 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 2009.

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 2009.

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 2009 except for the adoption of FRS 8 Operating Segments, which does not have significant financial impact to the Group’s financial statements.

A2 Audit qualification

The audit report of the Group in respect of the financial statements for the financial year ended 30 June 2009 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 (“MTM”) gain recognised on a financial asset (shares in Gindalbie Metals Ltd, a company listed on the Australian Stock Exchange) as tabled below:

	Current Year Quarter 31/12/09	Current Year To Date 31/12/09
Number of Gindalbie shares held by the Group:		
At beginning of the quarter/period	42,087,009	74,087,009
Less: Shares deemed disposed as per Note A4 (ii)	-	(32,000,000)
At end of the quarter/period	42,087,009	42,087,009
Gindalbie share price as at:		
31 December 2009	3.219	3.219
30 September 2009	2.581	-
30 June 2009	-	2.155
Share price differential	0.638	1.064
MTM gain	RM26.9 million	RM44.8 million

- (ii) a deemed disposal of 32,000,000 Gindalbie shares as disclosed in Note B7.

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EXPLANATORY NOTES:

A5 Changes in estimates

Not applicable to the Group.

A6 Issuances and repayment of debts and equity securities

(i) Share buy-back

There was no share buy-back during the current financial quarter.

(ii) Conversion of warrants to ordinary shares

There was no conversion of warrants to ordinary shares during the current financial quarter.

A7 Dividends paid

There was no dividend paid in the current financial quarter.

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>	<u>Total</u> RM'000
External revenue	316,037	-	3,283	-	319,320
Inter-segment sales	-	-	-	-	-
Total revenue	316,037	-	3,283	-	319,320
Segment results	30,495	(2,337)	(665)	-	27,493
Unallocated income					46,727
Finance cost					(10,023)
Share of results of associates					903
					65,100

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 2009.

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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 31 December 2009 have been marked-to-market (“MTM”) at AUD1.065 per share in accordance with the Group’s accounting policy on financial assets. As at 18 February 2010 (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 AUD1.025 per share. The fair value gain on Gindalbie shares will be reduced by approximately RM5.7 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 31 December 2009 and the date of this announcement that had not been reflected in the financial statements for the financial quarter ended 31 December 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 December 2009.

A13 Capital Commitments

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

	RM’000
Property, plant and equipment	451,607

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 RM183.5 million for the 2nd quarter ended 31 December 2009, an increase of 26% over the preceding year's corresponding quarter of RM145.4 million. The higher revenue attained is mainly due to a higher sales volume.

The Group registered a profit before tax of RM42.3 million in the quarter under review as compared to a loss before tax of RM84.5 million for the same quarter of the preceding year. The return to profitability is principally due to:

- an improved operating profit as a result of a higher revenue and the absence of a write down of inventories amounting to RM38.6 million made in the preceding year's corresponding quarter; and
- the turnaround from a fair value loss of RM35.8 million on a financial asset (Gindalbie shares) to a fair value gain of RM26.9 million.

For the current quarter under review, the Company's principal subsidiary, Mycron Steel Berhad, achieved a profit before tax of RM15.5 million, compared to a loss before tax of RM22.9 million in the corresponding quarter of the preceding year. The better performance in the current quarter is primarily due to an improved sales volume and the absence of a write down of inventories amounting to RM21.1 million made in the preceding year's corresponding quarter.

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

The Group registered a profit before tax of RM42.3 million in the current quarter. This represents an increase of RM19.5 million as compared to a profit before tax of RM22.8 million in the immediate preceding quarter. The improved results are mainly due to a higher operating profit contributed by a higher sales volume and an increase in fair value gain on a financial asset (Gindalbie shares).

B3 Prospects

The Group continued to experience the trend of moderate growth in sales and profit during the current quarter. For steel products, the market sentiment towards the end of the quarter has shown slight improvements in demand and prices. However, the Group also takes cognizance of the liberalization based on the Common Effective Preferential Tariff ("CEPT") scheme for the ASEAN Free Trade Area ("AFTA") as well as relevant Free Trade Agreements ("FTAs") effective 1 January 2010 that may result in increased competition within the domestic steel industry. Nevertheless, as economies globally and regionally continue to improve, the Group is cautiously optimistic of achieving 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 31/12/09 RM'000	Current Year To Date 31/12/09 RM'000
Income tax		
- current year	(709)	(13,069)
- under provision in prior year	-	(102)
Deferred tax		
- current year	(3,535)	8,148
	<u>(4,244)</u>	<u>(5,023)</u>

The effective tax rate for the Group for the current quarter and current year to date is lower than the statutory tax rate mainly because no deferred tax is recognised on the fair value gain arising from a financial asset as it is not taxable under a foreign tax regime.

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.

However, during the current financial year to date, as a result of a settlement scheme voted in favour by the creditors of Opes Prime Stockbroking Ltd (“OPSL”) and subsequently approved by the Federal Court in Australia, the 32,000,000 Gindalbie shares pledged by the Group for an equity finance facility granted by OPSL, were deemed disposed in August 2009.

As at 31 December 2009, the Group has received AUD4.1 million (approximately RM12.2 million) being the interim payment for the settlement sum of AUD5.1 million (approximately RM14.2 million). In the event the Group is unable to recover in full the settlement sum, based on the interim payment received, the calculation for the deemed disposal of 32,000,000 Gindalbie shares is as follows:

	RM'000
Outstanding loan owing to OPSL (AUD11.2 million)	35,756
Add: Interim payment of settlement sum (AUD4.1 million)	12,204
Proceeds from deemed disposal	47,960
Less: Carrying value of the shares	(68,967)
Potential loss on deemed disposal of shares	(21,007)
Add: Set-off against provision for litigation	18,988
Potential loss on deemed disposal of shares not provided for	(2,019)
Add: Provision for litigation in current year	2,019
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EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENTS – PART A OF APPENDIX 9B)

B7 Purchase or disposal of quoted securities (continued)

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

	RM'000
Total investments cost	12,164
Total investments at book value	135,499
Total investments at current market value	135,499

B8 Status of corporate proposals

There were no corporate proposals announced but not completed as at 18 February 2010 (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 December 2009 are as follows:

	<u>RM'000</u>
<u>Short-term borrowings:</u>	
Unsecured	123,190
Secured	<u>178,661</u>
	301,851
<u>Long-term borrowings:</u>	
Secured	<u>586,778</u>
Total borrowings	<u>888,629</u>

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

	<u>RM'000</u>
- Ringgit Malaysia	257,348
- US Dollar	110,863
- Euro	36,429
- Thai Baht	<u>483,989</u>
Total borrowings	<u>888,629</u>

The net borrowings of the Group totaling RM762.8 million (after taking into consideration of the cash available amounting to RM125.8 million) translates to a gearing ratio of 1.49 times which is deemed to be within the norms of the steel industry.

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 was no material litigation pending as at the date of this announcement.

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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 31/12/09 RM'000	Current Year To Date 31/12/09 RM'000
Profit attributable to shareholders	32,452	55,650
Weighted average no. of ordinary shares in issue ('000)	225,512	225,512
Basic earnings per share (sen)	14.39	24.68

(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

25 February 2010