

Quarterly report on consolidated results for the fourth financial quarter ended 30 June 2010

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.

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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 recognised on a financial asset (shares in Gindalbie Metals Ltd (“Gindalbie”), a company listed on the Australian Stock Exchange (“ASX”)) as tabled below:

	Current Year Quarter 30/06/10	Current Year To Date 30/06/10
Number of Gindalbie shares held by the Group:		
At beginning of the quarter/year	40,669,009	74,087,009
Less: Shares deemed disposed as per Note A4 (ii)	-	(32,000,000)
Less: Shares disposed as per Note B7 (i)	(1,669,009)	(3,087,009)
At end of the quarter/year	39,000,000	39,000,000
	RM	RM
Gindalbie share price as at:		
30 June 2010	2.832	2.832
31 March 2010	3.695	-
30 June 2009	-	2.155
Share price differential	(0.863)	0.677
	RM million	RM million
MTM (loss)/gain on shares held at end of the quarter/year	(33.7)	26.4
Add: MTM gain on shares disposed as per Note B7 (i)	-	4.1
Total MTM (loss)/gain	(33.7)	30.5

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

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.

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EXPLANATORY NOTES:

A6 Issuances and repayment of debts and equity securities (continued)

(ii) Exercise of Warrants 2005/2010

During the current financial quarter, pursuant to the exercise of Warrants 2005/2010, the Company has issued 10,397 new ordinary shares of RM1.00 each for cash at RM1.125 per share. The total cash proceeds received from the exercise of Warrants 2005/2010 is RM11,697.

As a result of the exercise of Warrants 2005/2010, the total number of issued and paid up shares of RM1.00 each of the Company has increased from 226,745,011 to 226,755,408. The new ordinary shares issued shall rank pari passu in all respect with the existing ordinary shares of the Company.

The Warrants 2005/2010 have expired on 14 June 2010. As at 14 June 2010, the total number of Warrants 2005/2010 which remained unexercised is 30,901,131.

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 Tube</u> <u>Manufacturing</u> RM'000	<u>Cold</u> <u>Rolling</u> RM'000	<u>Power</u> <u>Generation</u> RM'000	<u>Investment</u> <u>Holdings</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>Revenue</u>						
Total revenue	250,572	464,923	-	65	27,965	743,525
Inter segment	(1,245)	(35,226)	-	-	(94)	(36,565)
External revenue	<u>249,327</u>	<u>429,697</u>	<u>-</u>	<u>65</u>	<u>27,871</u>	<u>706,960</u>
Segment results	<u>21,221</u>	<u>36,278</u>	<u>18,939</u>	<u>24,986</u>	<u>(9,459)</u>	<u>91,965</u>
Segment assets	<u>201,903</u>	<u>456,917</u>	<u>795,436</u>	<u>252,293</u>	<u>35,362</u>	<u>1,741,911</u>

A reconciliation of segment results to profit before tax is as follows:

	RM'000
Segment results	91,965
Share of results of associates	1,948
Profit before tax	<u>93,913</u>

A reconciliation of segment assets to total assets is as follows:

	RM'000
Segment assets	1,741,911
Associates	9,147
Deferred tax assets	217
Tax recoverable	1,107
	<u>1,752,382</u>

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EXPLANATORY NOTES:

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, except for the property, plant and equipment of a subsidiary as there is indication of impairment. A full valuation has been carried out by an independent external valuer. As at the date of this announcement, the valuation report has not been finalised.

A10 Subsequent material events

(i) Disposal of 23,500,000 Gindalbie shares

Subsequent to 30 June 2010, the Group's disposal of Gindalbie shares is as follows:

Date of disposal	Number of Gindalbie shares disposed	Average selling price AUD	Net proceeds		Carrying value RM'000	Gain/(loss) on disposal RM'000
			AUD'000	RM'000		
9 July 2010 to 27 July 2010	3,400,000	1.00	3,417	9,569	9,628	(59)
10 August 2010 to 18 August 2010	20,100,000	0.96	19,208	54,112	56,918	(2,806)
	23,500,000		22,625	63,681	66,546	(2,865)

Following the above disposals, the Group's shareholding in Gindalbie was reduced from 39,000,000 shares to 15,500,000 shares.

(ii) Disposal of 28,249,678 shares in M3nergy Berhad

On 17 May 2010, Adamus Avenue Sdn Bhd ("AASB") had through Kenanga Investment Bank Berhad served the Notice of Conditional Take-Over Offer on the Board of Directors of M3nergy Berhad ("M3") notifying M3 of AASB's intention to undertake a conditional take-over offer to acquire all the existing shares not already owned or held by AASB and new shares to be allotted by M3 to eligible employees and directors pursuant to their ESOS Options ("the Offer").

The Board of Directors of the Company having deliberated on the terms and conditions of the Offer made by AASB had on 15 June 2010, approved to dispose the Group's total shareholdings of 28,249,678 M3 shares, representing 22.30% equity interest in M3 to AASB pursuant to the acceptance of the Offer, for a total consideration of RM52.3 million ("the Consideration"), or RM1.85 per share.

On 3 August 2010, AASB announced that it has received valid acceptances under the Offer, which in aggregate is not less than 90% of the voting shares of M3. Therefore, on this date, the Offer becomes unconditional as to the level of acceptances. The Group received the Consideration on 24 August 2010.

Save as disclosed above, there were no other material events occurring between 30 June 2010 and the date of this announcement that had not been reflected in the financial statements for the financial quarter ended 30 June 2010.

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EXPLANATORY NOTES:

A11 Changes in the composition of the Group

Save as disclosed in the general announcement dated 17 May 2010, there were no changes 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 2010.

A13 Capital Commitments

The details of capital commitment as at 30 June 2010 are as follows:

	RM'000
Property, plant and equipment	384,487

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 RM199.5 million for the 4th quarter ended 30 June 2010, an increase of 58% over the preceding year's corresponding quarter of RM126.2 million. The higher revenue attained is due to a higher sales volume and a better selling price.

The Group's operating profit has improved by RM11.2 million, from RM10.0 million to RM21.2 million, as a result of a higher gross profit.

Despite an increase in operating profit, the Group registered a loss before tax of RM18.9 million in the quarter under review as compared to a profit before tax of RM8.8 million for the same quarter of the preceding year. The decline in profitability is principally due to a drastic swing from a fair value gain of RM53.1 million to a fair value loss of RM33.7 million on a financial asset (Gindalbie shares), which is partially set off by the decrease of RM39.2 million in impairment loss on associates and the absence of a provision for litigation amounting to RM9.4 million made in the preceding year's corresponding quarter.

For the quarter under review, the Company's principal subsidiary, Mycron Steel Berhad, achieved a profit before tax of RM5.5 million, compared to a loss before tax of RM2.0 million in the corresponding quarter of the preceding year. The better performance in the current quarter is primarily due to an improved sales volume.

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

Notwithstanding an increase of RM11.4 million in revenue and the gross profit remaining the same, the Group registered a loss before tax of RM18.9 million in the current quarter as compared to a profit before tax of RM47.7 million in the immediate preceding quarter. The decline in profitability is mainly due to a movement of RM53.0 million in the fair value of a financial asset (Gindalbie shares) from a gain to a loss, the impairment loss on an associate as well as the impairment loss on certain property, plant and equipment.

B3 Prospects

In the beginning of the year, the steel industry was facing periods of rising raw material prices. However, towards the end of the current quarter under review, steel demand and prices have begun to soften. This soft market condition is expected to remain due to weak market demand and the availability of cheap imports.

The Group expects demand and prices to improve as traders are expected to re-stock their depleting inventories. With the announcement of encouraging domestic and regional economic growth numbers, the Group believes that the steel industry will show improved demand towards the end of the year 2010. With this expected improvement, the Group is cautiously optimistic that its performance will remain satisfactory for remaining of the calendar year 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 30/06/10 RM'000	Current Year To Date 30/06/10 RM'000
Income tax		
- current year	(1,765)	(16,142)
- under provision in prior year	-	(102)
Deferred tax		
- current year	(2,435)	3,881
	<u>(4,200)</u>	<u>(12,363)</u>

For the current quarter, the effective tax rate for the Group is higher than the statutory tax rate mainly because of:

- the non- deductibility of the fair value loss arising from a financial asset for tax purposes; and
- certain expenses are not deductible for tax purposes.

For the current year to date, the effective tax rate for the Group is lower than the statutory tax rate mainly because of:

- 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; and
- the tax effects of income not taxable for tax purposes.

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) The details of Gindalbie shares disposed in the current financial quarter and current financial year to date are as follows:

	Current Year Quarter 30/06/10	Current Year To Date 30/06/10
Number of Gindalbie shares disposed	1,669,009	3,087,009
Total cash consideration	RM'000 6,548	RM'000 11,531
Less: Carrying value of the shares	(6,167)	(10,732)
Gain on disposal	381	799

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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) 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.

Out of the settlement sum of AUD5.1 million (approximately RM14.2 million), the Group has received a total interim payment of AUD4.5 million (approximately RM12.7 million) as at 30 June 2010 and a further interim payment of AUD0.3 million (approximately RM1.0 million) in July 2010. In the event the Group is unable to recover in full the settlement sum, based on the interim payment received and receivable, the calculation for the deemed disposal of 32,000,000 Gindalbie shares as at 30 June 2010 is as follows:

	RM'000
Outstanding loan owed to OPSL which forms part of proceeds from deemed disposal (AUD11.2 million)	35,756
Add: Interim payment of settlement sum received (AUD4.5 million)	12,685
	48,441
Add: Interim payment of settlement sum receivable in July 2010 (AUD0.3 million)	961
Proceeds from deemed disposal	49,402
Less: Carrying value of the shares	(68,967)
Potential loss on deemed disposal of shares	(19,565)
Add: Set-off against provision for litigation	18,988
Potential loss on deemed disposal of shares not provided for	(577)
Add: Provision for litigation in current year	577
	-
	-
The movement of provision for litigation is as follows:	
At beginning of current quarter	2,019
Less: Write back of over provision in current quarter	(1,442)
At end of current quarter/ year	577

- (iii) Investment in quoted securities as at 30 June 2010:

	RM'000
Total investments cost	11,272
Total investments at book value	110,439
Total investments at current market value	110,439

B8 Status of corporate proposals

There were no corporate proposals announced but not completed as at the date of this announcement.

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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 30 June 2010 are as follows:

	<u>RM'000</u>
<u>Short-term borrowings:</u>	
Unsecured	124,005
Secured	<u>174,746</u>
	298,751
<u>Long-term borrowings:</u>	
Secured	<u>652,106</u>
Total borrowings	<u>950,857</u>

The Group's currency exposure of borrowings as at 30 June 2010 is as follows:

	<u>RM'000</u>
- Ringgit Malaysia	256,693
- US Dollar	82,302
- Euro	26,585
- Thai Baht	<u>585,277</u>
Total borrowings	<u>950,857</u>

The net borrowings of the Group totaling RM854.1 million (after taking into consideration of the cash available amounting to RM96.8 million) translates to a gearing ratio of 1.63 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.

B12 Dividends

The Board of Directors recommends a first and final dividend of 2.0 sen per share less 25% income tax for the current financial year ended 30 June 2010 (2009: nil). This 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 30/06/10 RM'000	Current Year To Date 30/06/10 RM'000
(Loss)/ profit attributable to shareholders	(24,428)	70,087
Weighted average no. of ordinary shares in issue ('000)	225,516	225,513
Basic earnings per share (sen)	(10.83)	31.08

(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

26 August 2010