

## **Quarterly report on consolidated results for the first financial quarter ended 30 September 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 2010.

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 2010.

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 2010 except for the adoption of the following FRS, Amendments to FRSs and Interpretations which are applicable to the Group:

#### **FRS, Amendments to FRSs and Interpretations**

- |                        |  |
|------------------------|--|
| • FRS 7                | Financial Instruments: Disclosures                           |
| • Revised FRS 3        | Business Combinations  |
| • Revised FRS 101      | Presentation of Financial Statements                         |
| • Revised FRS 123      | Borrowing Costs  |
| • Amendment to FRS 1   | First-time Adoption of Financial Reporting Standards         |
| • Amendment to FRS 5   | Non-current Assets Held for Sale and Discontinued Operations |
| • Amendment to FRS 107 | Statement of Cash Flows                                      |
| • Amendment to FRS 110 | Events After the Balance Sheet Date                          |
| • Amendment to FRS 116 | Property, Plant and Equipment                                |
| • Amendment to FRS 117 | Leases   |
| • Amendment to FRS 118 | Revenue  |
| • Amendment to FRS 119 | Employee Benefits  |
| • Amendment to FRS 127 | Consolidated and Separate Financial Statements               |
| • Amendment to FRS 128 | Investments in Associates                                    |
| • Amendment to FRS 131 | Interests in Joint Ventures                                  |
| • Amendment to FRS 132 | Financial Instruments: Presentation                          |
| • Amendment to FRS 134 | Interim Financial Reporting                                  |
| • Amendment to FRS 136 | Impairment of Assets   |
| • Amendment to FRS 138 | Intangible Assets  |
| • Amendment to FRS 139 | Eligible Hedged Items  |
| • Amendment to FRS 139 | Reclassification of Financial Assets                         |
| • Amendment to FRS 140 | Investment Property  |
| • IC Interpretation 9  | Reassessment of Embedded Derivatives                         |
| • IC Interpretation 10 | Interim Financial Reporting and Impairment                   |
| • IC Interpretation 11 | FRS 2 Group and Treasury Share Transactions                  |

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**EXPLANATORY NOTES:**

**A1 Accounting policies and basis of preparation (continued)**

The adoption of the above FRS, Amendments to FRSs and Interpretations does not have any impact on the financial statements of the Group except for the following:

Revised FRS 101 Presentation of Financial Statements

The revised standard prohibits the presentation of items of income and expense (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from 'owner changes in equity'. All 'non-owner changes in equity' are required to be shown in a statement of comprehensive income which can be presented as a single statement or two statements (comprising the income statement and statement of comprehensive income). The Group has applied this standard retrospectively and has elected to present the statement of comprehensive income in two statements. In addition, the adoption of this standard has resulted in the balance sheet and cash flow statement now being renamed as statement of financial position and statement of cash flows respectively.

The adoption of this standard only impacted the form and content of the presentation of the Group's financial statements.

Amendment to FRS 117 Leases

Amendment to FRS 117 clarifies on the classification of leases of land and buildings. Leasehold land is classified as a finance lease if the Group has substantially all the risks and rewards incidental to ownership. Previously, leasehold land was classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term. Following the amendment to FRS 117, the classification of leasehold land has been changed from operating to finance lease. Accordingly, the Group has reclassified its leasehold land to property, plant and equipment rather than being separately classified under prepaid lease rental on the consolidated balance sheet. This change in classification has no effect on the results of the Group. The reclassification has been accounted for retrospectively in accordance with the transitional provision and certain comparative balances have been restated as follows:

30 June 2010	As previously reported RM'000	Effect of adopting Amendment to FRS 117 RM'000	As restated RM'000
Property, plant and equipment	1,037,713	33,987	1,071,700
Prepaid lease rental	33,987	(33,987)	-

**A2 Audit qualification**

The audit report of the Group in respect of the financial statements for the financial year ended 30 June 2010 was not subject to any audit qualification.

**A3 Seasonality or cyclical 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) as tabled below:

	Current Year Quarter 30/09/10	Current Year To Date 30/09/10
Number of Gindalbie shares held by the Group:		
At beginning of the quarter/period	39,000,000	39,000,000
Less: Shares disposed as per Note A4(ii)	(23,600,000)	(23,600,000)
At end of the quarter/period	15,400,000	15,400,000
	RM	RM
Gindalbie share price as at:		
30 September 2010 (AUD0.915)	2.699	2.699
30 June 2010 (AUD1.035)	2.832	2.832
Share price differential	(0.133)	(0.133)
	RM million	RM million
MTM loss on shares held at end of the quarter/period	(2.0)	(2.0)

- (ii) the disposal of 23,600,000 Gindalbie shares as disclosed in Note B7(i).
- (iii) the disposal of 28,249,678 shares in M3nergy Berhad (“M3nergy”) as disclosed in Note B7(i).

**A5 Changes in estimates**

Not applicable to the Group.

**A6 Debts and equity securities**

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities during the current financial quarter.



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**EXPLANATORY NOTES:**

**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 Manufacturing</u> RM'000	<u>Cold Rolling</u> RM'000	<u>Power Generation</u> RM'000	<u>Investment Holding</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>Revenue</u>						
Total revenue	55,485	105,673	-	47	3,242	164,447
Inter segment	(167)	(6,347)	-	-	-	(6,514)
External revenue	55,318	99,326	-	47	3,242	157,933
Segment results	1,007	5,478	(2,948)	(9,778)	(153)	(6,394)
Segment assets	172,270	421,464	819,903	154,507	22,693	1,590,837

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

	RM'000
Segment assets	1,590,837
Associates	9,147
Deferred tax assets	367
Tax recoverable	927
	<u>1,601,278</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 year ended 30 June 2010.

**Quarterly report on consolidated results for the first financial quarter ended 30 September 2010**

**EXPLANATORY NOTES:**

**A10 Subsequent material events**

Disposal of 8,200,000 Gindalbie shares

Subsequent to 30 September 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 mil	Gain on disposal RM mil
			AUD mil	RM mil		
1 October 2010 to 31 October 2010	4,400,000	1.03	4.5	13.8	11.9	1.9
1 November 2010 to 22 November 2010	3,800,000	1.12	4.3	13.1	10.2	2.9
	8,200,000		8.8	26.9	22.1	4.8

Following the above disposals, the Group's shareholding in Gindalbie was reduced from 15,400,000 shares to 7,200,000 shares.

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

**A11 Changes in the composition of the Group**

On 23 September 2010, Mperial Power Ltd, a wholly-owned subsidiary of the Company, has subscribed for an additional 1.07% equity interest in Siam Power Generation Public Company Ltd ("Siam Power") for a cash consideration of THB297.1 million (approximately RM29.8 million), thereby increasing its total equity interest in Siam Power from 95.03% to 96.10%.

**A12 Contingent liabilities or contingent assets**

There were no contingent liabilities or contingent assets as at the end of the financial quarter ended 30 September 2010.

**A13 Capital Commitments**

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

	RM'000
Property, plant and equipment	353,228

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

The financing for the above capital commitment has been secured.

**Quarterly report on consolidated results for the first financial quarter ended 30 September 2010**

**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 RM157.9 million for the 1st quarter ended 30 September 2010, an increase of 16% over the preceding year's corresponding quarter of RM135.8 million. The higher revenue attained is due to a higher sales volume and a better selling price.

The Group's operating profit has decreased by RM8.9 million, from RM9.6 million to RM0.7 million, mainly as a result of foreign exchange losses and the absence of the fair value gain on foreign currency forward contracts recognised in the preceding year's corresponding quarter.

The Group registered a loss before tax of RM6.4 million in the quarter under review as compared to a profit before tax of RM22.8 million for the same quarter of the preceding year. The decline in profitability is principally due to a lower operating profit and a movement of RM20.0 million in the fair value of a financial asset (Gindalbie shares) from a gain to a loss.

For the quarter under review, the Company's principal subsidiary, Mycron Steel Berhad, registered a profit before tax of RM5.3 million, compared to a loss before tax of RM3.7 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 higher selling price.

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

The decrease of RM41.6 million in the Group's revenue, from RM199.5 million in the immediate preceding quarter to RM157.9 million in the current quarter, is triggered mainly by a lower sales volume. The Group's operating profit has decreased by RM20.4 million, from RM21.1 million to RM0.7 million, mainly as a result of a lower gross profit and foreign exchange losses. Despite a lower operating profit, the Group's loss before tax has reduced by RM12.5 million, from RM18.9 million in the immediate preceding quarter to RM6.4 million in the current quarter. The reduction in losses is attributed mainly to the sharp increase of RM31.6 million in the fair value of a financial asset (Gindalbie shares).

**B3 Prospects**

The expected improvement in demand and prices in the third quarter of the calendar year did not materialise as the steel industry remained sluggish for the most part of the quarter. Inventory of steel products among stockists was high with no visible signs of uptake in demand. The late delivery of raw materials such as hot rolled coils had also aggravated the situation, thus resulting in an overall lower production volume for the current quarter under review.

The Group expects demand for steel products to remain weak in the short term and that business prospects for the rest of the financial year to be challenging.

**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 30/09/10 RM'000	Current Year To Date 30/09/10 RM'000
Income tax		
- current year	(380)	(380)
- over provision in prior year	12	12
Deferred tax		
- current year	(1,028)	(1,028)
	<u>(1,396)</u>	<u>(1,396)</u>

For the current quarter and current year to date, 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 and the loss on disposal arising from a financial asset for tax purposes; and
- certain expenses are not deductible 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 the disposal of quoted securities in the current financial quarter are as follows:

Disposal of 23,600,000 Gindalbie shares

Total cash consideration	RM'000 63,958
Less: Carrying value of the shares	(66,830)
Loss on disposal	(2,872)

Disposal of 28,249,678 M3nergy shares

Total cash consideration	RM'000 52,262
Less: Carrying value of the shares	(50,419)
Gain on disposal	1,843

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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 30 September 2010:

	RM'000
Total investments at cost	4,451
Total investments at book value	41,568
Total investments at current market value	41,568

**B8 Status of corporate proposals**

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

**B9 Group borrowings and debt securities**

The Group's borrowings as at 30 September 2010 are as follows:

	<u>RM'000</u>
<u>Short-term borrowings:</u>	
Unsecured	75,536
Secured	<u>159,094</u>
	234,630
<u>Long-term borrowings:</u>	
Secured	<u>610,438</u>
Total borrowings	<u>845,068</u>

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

	<u>RM'000</u>
- Ringgit Malaysia	197,609
- US Dollar	41,439
- Euro	28,062
- Thai Baht	<u>577,958</u>
Total borrowings	<u>845,068</u>

The net borrowings of the Group totaling RM717.7 million (after taking into consideration of the cash available amounting to RM127.4 million) translates to a gearing ratio of 1.40 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 had on 26 August 2010, recommended a first and final dividend of 2 sen per share less 25% tax for the financial year ended 30 June 2010. The proposed dividend is subject to shareholders' approval at the forthcoming Annual General Meeting, which is to be held on 30 November 2010.



**Quarterly report on consolidated results for the first financial quarter ended 30 September 2010**

**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 30/09/10 RM'000	Current Year To Date 30/09/10 RM'000
Loss attributable to owners of the Company	(7,458)	(7,458)
Weighted average no. of ordinary shares in issue ('000)	225,523	225,523
Basic loss per share (sen)	(3.31)	(3.31)

(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 November 2010