

Quarterly report on consolidated results for the third financial quarter ended 31 March 2011

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 |

Quarterly report on consolidated results for the third financial quarter ended 31 March 2011

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.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2011

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 or loss 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 31/03/2011	Current Year To Date 31/03/2011
Number of Gindalbie shares held by the Group:		
At beginning of the quarter/period	2,345,000	39,000,000
Less: Shares disposed as per Note A4(ii)	(345,000)	(37,000,000)
At end of the quarter/period	2,000,000	2,000,000
Gindalbie share price as at:	RM	RM
31 March 2011 (AUD1.135)	3.495	3.495
31 December 2010 (AUD1.390)	4.315	-
30 June 2010 (AUD1.035)	-	2.832
Share price differential	(0.820)	0.663
MTM (loss)/gain on shares held at end of the quarter/period	RM million (1.6)	RM million 1.3
Less: MTM loss on shares disposed as per Note B7(i)	-	(1.2)
Total MTM (loss)/gain	(1.6)	0.1

- (ii) the disposal of Gindalbie shares as disclosed in Note B7(i).
- (iii) the disposal of 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.

A7 Dividends paid

A first and final dividend of 2.0 sen per share, less 25% income tax, for the financial year ended 30 June 2010 was paid on 30 December 2010.



Quarterly report on consolidated results for the third financial quarter ended 31 March 2011

EXPLANATORY NOTES:

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	158,813	308,897	80,927	138	9,583	558,358
Inter segment	(656)	(19,154)	-	-	-	(19,810)
External revenue	158,157	289,743	80,927	138	9,583	538,548
Segment results	5,248	6,194	7,559	(1,267)	(735)	16,999
Segment assets	195,428	418,521	933,495	77,194	15,478	1,640,116

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

	RM'000
Segment assets	1,640,116
Associates	9,147
Deferred tax assets	367
Tax recoverable	995
	<u>1,650,625</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.

A10 Subsequent material events

There were no other material events occurring between 31 March 2011 and the date of this announcement that had not been reflected in the financial statements for the financial quarter ended 31 March 2011.

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 2011.

A13 Capital Commitments

As at 31 March 2011, there were no capital commitments as the construction of the 160MW power plant in Thailand has been completed.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2011

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 RM235.5 million for the 3rd quarter ended 31 March 2011, an increase of 25% over the preceding year's corresponding quarter of RM188.1 million. The increase in revenue mainly came from the power generation segment as the power plant held under a subsidiary in Thailand has commenced operations. However, the revenue contributed by the steel tube manufacturing and cold rolling segments has decreased, mainly because of lower sales volume.

Despite an increase in gross profit, the Group's operating profit has reduced by RM11.6 million in the current quarter. The higher operating profit registered in the preceding year's corresponding quarter was primarily due to the write back of provisions no longer required and foreign exchange gains.

The Group registered a profit before tax of RM13.9 million in the quarter under review as compared to a profit before tax of RM47.7 million for the same quarter of the preceding year. Apart from a lower operating profit, the decline in profitability is also due to a drastic swing from a fair value gain of RM19.3 million to a fair value loss of RM1.6 million on a financial asset (Gindalbie shares).

For the quarter under review, the Company's principal subsidiary, Mycron Steel Berhad, registered a loss before tax of RM1.7 million, compared to a profit before tax of RM15.0 million in the corresponding quarter of the preceding year. The loss position is primarily contributed by a decreased sales volume, a lower margin as well as the absence of high foreign exchange gains in the current quarter.

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

The Group's revenue has increased by 62% to RM235.5 million in the current quarter as compared to RM145.1 million in the immediate preceding quarter. The higher revenue contributed by the steel tube manufacturing segment arose mainly from higher sales volume while the power generation segment has started to generate revenue in the current quarter as the power plant held under a subsidiary in Thailand has commenced operations.

The Group registered a profit before tax of RM13.9 million in the current quarter. This represents an increase of RM4.4 million as compared to a profit before tax of RM9.5 million in the immediate preceding quarter. The improved results is attributed mainly to higher operating profit partially offset by the absence of the gain on disposal of Gindalbie shares amounting to RM11.0 million.

B3 Prospects

Steel Tube Manufacturing and Cold Rolling Segments

Many steel mills have sounded their intention to try and increase prices due to high iron ore and coking coal prices which has pushed up production cost. However, market sentiment is still weak, with customers buying only to meet their minimum requirements, although their inventory levels are very low. The situation may be further aggravated by the presence of cheaper imports coming into the country. Therefore, the Directors expect the coming quarter to be a challenging one as it would be difficult to pass on the higher production cost to our customers in the prevailing soft market conditions.

Power Generation Segment

The power generation segment has started to contribute revenue in the current quarter and its performance is expected to remain stable for the rest of the financial year.

B4 Variance of actual profit from forecast profit

The Group did not issue any profit forecast or profit guarantee.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2011

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

B5 Taxation

	Current Year Quarter 31/03/2011 RM'000	Current Year To Date 31/03/2011 RM'000
Income tax		
- current year	(887)	(1,551)
- under provision in prior year	(56)	(44)
Deferred tax		
- current year	759	(186)
	<u>(184)</u>	<u>(1,781)</u>

For the current financial quarter and current financial year to date, the effective tax rate for the Group is lower than the statutory tax rate mainly because of 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 the disposal of quoted securities in the current financial quarter and current financial year to date are as follows:

Disposal of Gindalbie shares

	Current Year Quarter 31/03/2011 RM'000	Current Year To Date 31/03/2011 RM'000
Number of Gindalbie shares disposed	345,000	37,000,000
Total cash consideration	1,465	111,741
Less: Carrying value of the shares	(1,488)	(103,557)
(Loss)/ gain on disposal	(23)	8,184

Disposal of M3nergy shares

	Current Year Quarter 31/03/2011 RM'000	Current Year To Date 31/03/2011 RM'000
Number of M3nergy shares disposed	-	28,249,678
Total cash consideration	-	52,262
Less: Carrying value of the shares	-	(50,419)
Gain on disposal	-	1,843

Quarterly report on consolidated results for the third financial quarter ended 31 March 2011

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 March 2011:

	RM'000
Total investments at cost	578
Total investments at book value	6,989
Total investments at current market value	6,989

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 31 March 2011 are as follows:

	<u>RM'000</u>
<u>Short-term borrowings:</u>	
Unsecured	85,586
Secured	<u>170,612</u>
	256,198
<u>Long-term borrowings:</u>	
Secured	<u>591,197</u>
Total borrowings	<u>847,395</u>

The Group's currency exposure of borrowings as at 31 March 2011 is as follows:

	<u>RM'000</u>
- Ringgit Malaysia	215,612
- US Dollar	34,269
- Euro	25,368
- Thai Baht	<u>572,146</u>
Total borrowings	<u>847,395</u>

The net borrowings of the Group totaling RM761.8 million (after taking into consideration of the cash available amounting to RM85.6 million) translates to a gearing ratio of 1.44 times which is deemed to be within the norms of the steel industry.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2011

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

B10 Outstanding Derivatives

The Group has entered into an Interest Rate Swap (“IRS”) contract to manage the exposure of its borrowings to interest rate risk. With the IRS contract, the Group receives interest at a floating rate based on 3-month Thai Baht floating-rate fix (“3mTHBFIX”) and pays interest at a fixed rate on the agreed notional principal amount. During the current financial quarter, the Group did not enter into any new IRS contracts.

The Group has also entered into forward foreign currency exchange contracts to manage the exposure to foreign exchange risk arising from future repayment of borrowings and the purchase of raw materials, denominated in foreign currencies. During the current financial quarter, the Group has entered into forward foreign currency contracts on 7 January 2011 and 29 March 2011 with notional values of EUR0.9 million and USD1.3 million respectively.

As at 31 March 2011, the values and maturity analysis of the outstanding derivatives of the Group are as follows: -

	Contract/ Notional Value RM'000	Fair Value RM'000
<u>IRS Contract</u>		
THB	572,009	
- Less than 1 year		(654)
- 1 year to 3 years		4,472
<u>Forward Foreign Currency Exchange Contracts</u>		
EUR	7,124	
- Less than 1 year		415
USD	2,839	
- Less than 1 year		(1)

(i) Risk associated with the derivatives

Market risk

Market risk arises on changes in market interest rates and foreign currency rates. The Group entered into IRS contract and forward foreign currency exchange contracts to hedge the fluctuations in 3mTHBFIX, and EUR/RM and USD/RM exchange rates. However, if the market interest rates and foreign currency rates move below the contracted rates, the Group is exposed to fair value risk and the losses shall be recognised in the income statement.

(ii) Cash requirements of the derivatives

There is no cash movement from the Group to the counterparties when the IRS contract and the forward foreign currency exchange contracts are executed as the fees/costs associated with these derivatives are incorporated into the fixed interest rate and the contracted exchange rates.

Quarterly report on consolidated results for the third financial quarter ended 31 March 2011

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

B10 Outstanding Derivatives

- (iii) Policies in place for mitigating or controlling the risk associated with the derivatives

The Group monitors the fluctuations in interest and foreign currency exchange rates closely with an objective to minimise potential adverse effects on the financial performance of the Group. The Group uses derivative financial instruments to hedge designated risk exposures of the underlying hedge items and does not enter into derivative financial instruments for speculative purposes. The Board of Directors regularly reviews the risk and approves the policy for managing the risk.

B11 Off balance sheet financial instruments

There were no off balance sheet financial instruments as at the date of this announcement.

B12 Realised and unrealised profits/losses disclosure

	As at 31/03/2011 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	272,509
- Unrealised	<u>(6,761)</u>
	<u>265,748</u>
Total share of retained profits from associated company:	
- Realised	43
- Unrealised	<u>-</u>
	<u>43</u>
Less: Consolidation adjustments	<u>(40,524)</u>
Total group retained profits as per consolidated accounts	<u>225,267</u>

Quarterly report on consolidated results for the third financial quarter ended 31 March 2011

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

B13 Material litigation

Mycron Steel Berhad v Multi Resources Holdings Sdn Bhd
(Kuala Lumpur High Court Suit No. D-22NCC-304-2010)

On 18 February 2010, the Company’s subsidiary, Mycron Steel Berhad (“MSB”) commenced legal action against Multi Resources Holdings Sdn Bhd (“Defendant”) to recoup their cost of investment of RM17.0 million in PMP Galvanizers Sdn Bhd (“PMPG”) as a result of non compliance of certain conditions by the Defendant pursuant to a shareholders’ agreement entered in 2005. The Writ Summons and Statement of Claim were served on the Defendant by MSB’s solicitors on 3 May 2010.

On 21 May 2010, the Defendant filed with the Kuala Lumpur High Court (“the Court”) for a change in the jurisdiction for the case to be heard in Kuching and it was successful. Subsequently, MSB’s solicitor submitted an appeal to the Judge for the case to be heard in the Court in Kuala Lumpur. The Court had on 25 October 2010 dismissed MSB’s appeal and MSB was given a liberty to file afresh the suit in the High Court of Sabah and Sarawak. MSB appointed a solicitor from Sarawak to file afresh the suit. On 27 April 2011, the solicitor filed in the Statement of Claim to the High Court of Sabah and Sarawak. The next mention date is 30 June 2011.

MSB’s solicitor is of the opinion that MSB has a good case against the Defendant. The amount of the claim is RM17.0 million.

Save as disclosed above, there was no material litigation pending as at the date of this announcement.

B14 Dividends

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

B15 Earnings per share

(i) Basic earnings per ordinary share

	Current Year Quarter 31/03/2011 RM’000	Current Year To Date 31/03/2011 RM’000
Earnings attributable to owners of the Company	13,731	15,676
Weighted average no. of ordinary shares in issue (‘000)	225,523	225,523
Basic earnings per share (sen)	6.09	6.95

(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
27 May 2011