Quarterly report on consolidated results for the first financial quarter ended 30 September 2012

EXPLANATORY NOTES:

A1 **Accounting policies and basis of preparation**

The Quarterly Report is unaudited and has been prepared in accordance with the Malaysian Financial Reporting Standard ("MFRS") 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 2012 which was prepared in accordance with the Financial Reporting Standard (FRS).

On November 19, 2011, MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework ("MFRS Framework") in conjunction with its planned convergence of FRSs with International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") on 1 January 2012.

The MFRS Framework is a fully IFRS-compliant framework, equivalent to IFRSs which is mandatory for adoption by all Entities Other than Private Entities for annual periods beginning on or after January 1, 2012, with the exception for Transitioning Entities. Transitioning Entities, being entities which are subject to the application of MFRS 141 Agriculture and/or Issues Committee Interpretation 15 Agreements for the Construction of Real Estate are given an option to defer adoption of the MFRS Framework for an additional one year. Transitioning Entities also includes those entities that consolidates, equity accounts or proportionately consolidates an entity that has chosen to continue to apply the FRS Framework for annual periods beginning on or after 1 January 2012.

Accordingly, the Group which is not Transitioning Entities will be required to and hereby apply MFRS 1 First-time Adoption of Malaysian Financial Reporting Standards (MFRS 1) effective from 1 July 2012.

In addition, the financial statements comply with IFRS as issued by IASB.

The adoption of the MFRSs does not have significant financial impact on the interim financial statements of the Group except for the following:

MFRS 116: Property, Plant and Equipment

The Group has adopted FRS 116's revaluation model on its Property, Plant and Equipment (specifically land and buildings, plant and machinery) since financial year 2006 where net changes in valuation are taken-up as separate reserve in equity.

Upon transition to MFRS, the Group elected to apply the option to use its property, plant, and equipment's closing valuation for financial year ended 30 June 2012 as its deemed cost on 1 July 2012 of the financial year 2013. As such, the asset revaluation reserve (net corresponding deferred tax liabilities if any) as reported in the previous financial close at RM108.1 million was adjusted into retained earnings on the MFRS transition date.

The following comparative figures have been restated due to the adoption of the new MFRSs:

Reconciliation of Equity as at 1 July 2012

	---------------------------- Adjustments-------------------------		
		MFRS 116	
	At 30/06/2012	(NoteA2(a))	At 01/7/2012
	RM'000	RM'000	RM'000
Asset revaluation reserve	108,146	(108,146)	-
Retained earnings	78,640	108,146	186,786

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EXPLANATORY NOTES:

A2 **Audit qualification**
The audit report of the Group in respect of the financial statements for the financial year ended 30 June 2012 was not subject to any audit qualification.

A3 **Seasonality or cyclicality 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 the fair value gain or loss on derivatives as disclosed in Note B11(b).

A5 **Changes in estimates**
In the current financial quarter, there were no changes in estimates that had a material effect on the financial results.

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**
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:

	Steel Tube Manufacturing	Cold Rolling	Power Generation	Investment Holding	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue						
Total revenue	64,385	125,233	64,705	371	3,711	258,405
Inter segment	(254)	(4,572)	-	-	-	(4,826)
External revenue	64,131	120,661	64,705	371	3,711	253,579
Segment results	(136)	662	(8,589)	460	120	(7,483)
Segment assets	224,187	444,338	835,538	29,632	5,520	1,539,215

Reconciliation of segment assets to total assets is as follows:

	RM'000
Segment assets	1,539,215
Deferred tax asset	3,578
Derivative assets	913
Tax recoverable	777
	1,544,483

Quarterly report on consolidated results for the first financial quarter ended 30 September 2012

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 2012.

A10 **Subsequent material events**

There were no other material events occurring between 1 September 2012 and the date of this announcement that had not been reflected in the financial statements for the financial quarter ended 30 September 2012.

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

There were no changes in the composition of the Group during the current financial quarter.

A12 **Contingent liabilities or contingent assets**

The Group had in the financial year 2009, made a claim amounting to RM17,000,000 against a vendor as a result of non-compliance of certain conditions set out in the shareholders' agreement entered into with the said vendor. This amount was fully impaired over the last three financial years as the Directors were not virtually certain on its recoverability. Given that there is some progress in the litigation (see paragraph B14), the Directors are of the view that the Group has a reasonable chance of partial recovery against the vendor. As such, this is disclosed as a contingent asset not recognised in the financial statement as at the end of this reporting quarter.

A13 **Capital Commitments**

There were no capital commitments as at the end of the reporting quarter.

Quarterly report on consolidated results for the first financial quarter ended 30 September 2012

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**

For the quarter ended 30 September 2012, the Group recorded total revenue of RM254 million as compared to RM218 million in the preceding year's corresponding quarter, representing an increase of 16%. The significant increase in revenue is mainly contributed by higher sales volume achieved by the steel tube manufacturing and cold rolling segments.

The Group recorded a lower operating profit of RM3 million for the quarter ended 30 September 2012 (down by RM3.5 million compared to the preceding year's corresponding figure) due to sharp decline in revenue and gross margin contribution from its power generation segment. However, the Group registered a lower loss before tax by RM9 million as compared to the preceding year's corresponding quarter loss of RM 16.4 million, mainly due to the absence of impairment loss on trade receivables and fair value loss as recorded in the preceding year's corresponding quarter at RM4 million and RM6 million respectively.

For the current quarter, the power division registered a loss before tax of RM8.6 million due to the temporary suspension of electricity supply to a customer and the impairment loss on "available for sale" quoted shares issued by the said customer in a debt-to-equity conversion settlement in the previous financial year.

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

The Group's revenue has decreased by 8% to RM254 million in the current quarter as compared to RM277 million in the immediate preceding quarter. This is mainly due to a significant reduction in contribution by the power generation division (down by 14%) as a result of the temporary suspension of electricity supply to a customer in Thailand. In addition, the Hari Raya festive season during the current financial quarter has also affected contribution from the cold rolling division (down by 8%) and the steel tube division (down by 3%) respectively as compared to the preceding quarter.

The Group registered a lower loss before tax by RM77 million as compared to preceding year's corresponding quarter loss of RM85 million, primarily due to the absence of impairment losses on intangible assets, property, plant and equipment, trade and other receivables as recorded in the preceding quarter at RM41 million, RM8 million, RM21 million and RM14 million respectively.

B3 **Prospects**

Whilst the business outlook for the steel division remains stable, it is imperative that Mycron Steel Berhad, a subsidiary of the Company, continues to receive import duty exemption for commercially viable iron ore based HRC.

However, given the significant impact of the power division's performance on the Group's results, the financial performance of the Group for the coming quarters will hinge largely on the power division's ability to operate at or above breakeven capacity. This can be attained if its current endeavor to obtain the regulatory approval to sell its excess power capacity to the Electricity Generating Authority of Thailand is successful or the ongoing restructuring of the said customer is completed and they resume the off-take of power.

In view of the above, the Directors are of the opinion that the performance of the Group for the rest of the financial year ending 30 June 2013 will remain challenging.

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 first financial quarter ended 30 September 2012

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

B5 **(Loss)/profit before tax**

The following (expenses)/income have been (charged)/credited in arriving at (loss)/profit before tax:

	Current year quarter 30/09/2012 RM'000	Preceding year corresponding quarter 30/09/2011 RM'000	Current year to date 30/09/2012 RM'000	Preceding year corresponding period 30/09/2011 RM'000
Depreciation and amortisation	(12,464)	(13,121)	(12,464)	(13,121)
Foreign exchange loss	(479)	(62)	(479)	(62)

B6 **Taxation**

	Current Year Quarter 30.06.12 RM'000	Current Year To Date 30.06.12 RM'000
Income tax		
– Current year	(290)	(290)
Deferred tax		
– Current year	370	370
	80	80

For the current financial quarter and year to date, the effective tax rate for the Group is higher than the statutory tax rate mainly because of:

- business losses of a subsidiary is not allowed to offset against future earnings; and
- certain expenses are not deductible for tax purposes.

B7 **Profit on sale of unquoted investments and / or properties**

In the current quarter, the Group has disposed its entire 100% equity interest in Maybach Logistics Sdn Bhd ("Maybach") and registered a gain on disposal of RM7,000. The gain represents the disposal proceeds as the cost of investment in Maybach has been fully impaired since financial year ended 30 June 2011.

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

B8 **Purchase or disposal of quoted securities**

There is no disposal of quoted securities in the current financial quarter and current financial year to date:

B9 **Status of corporate proposals**

Corporate Exercise

On 31 January 2012, the Company announced the followings:

(i) a proposed share capital reduction via cancellation of RM0.75 of the par value of every existing ordinary share of RM1.00 each in the issued and paid-up capital of the Company;

(ii) a proposed renounceable rights issue of 150,348,539 new ordinary shares of RM0.25 at an indicative issue price of RM0.40 per Right Share on the basis of two (2) Right Shares for every three (3) existing shares of the Company.

Due to the drop in the Company's share price since the announcement and in view of the prevailing negative market sentiments towards the steel sector generally, the above corporate exercise is not feasible at this point of time. Therefore, the Company is aborting the above mentioned exercise.

B10 **Group borrowings and debt securities**

The Group's borrowings as at 30 September 2012 are as follows:

	RM'000
Short-term borrowings:	
Unsecured	85,840
Secured	708,327
	794,167
Long-term borrowings:	
Unsecured	-
Secured	13,349
	13,349
Total borrowings	807,516

The Group's currency exposure of borrowings as at 30 September 2012 is as follows:

	RM'000
- Ringgit Malaysia	235,593
- US Dollar	15,439
- Euro	14,688
- Thai Baht	541,796
Total borrowings	807,516

As at 30 September 2012, the Group via its subsidiary Siam Power Generation Public Company Ltd has an outstanding term loan amounting to RM542 million. Under the terms of the loan agreement, the subsidiary is required to service the interest on a quarterly basis and repay the principal on a bi-annual basis. As reported, the Group has sought indulgence to defer the principal repayments due on 31 March 2012 and 30 September 2012 amounting to RM36.2 million. The lenders had granted an indulgence to defer the principal repayments to 30 November 2012. The subsidiary has sought a further extension of time for the said principal repayments from the lenders.

<u>Quarterly report on consolidated results for the first financial quarter ended 30 September 2012</u>

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

B11 **Outstanding Derivatives**

(a) Disclosure of 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 contract to manage the exposure to foreign exchange risk arising from future repayment of borrowings denominated in foreign currency. During the current financial quarter, the Group has entered into forward foreign currency contracts with a notional value of EUR0.8 million and USD4.5 million respectively. The fair value of the forward foreign currency exchange contracts amounting to RM37,000 is determined using mark-to-market rates for the same notional amounts as at 30 September 2012.

As at 30 September 2012, 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	567,854	
- Less than 1 year		876
<u>Forward Foreign Currency Exchange Contracts</u>		
USD	13,892	
- Less than 1 year		44
EURO	3,295	
- Less than 1 year		(7)

(i) Risk associated with the derivatives

<u>Market risk</u>
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 USD/RM exchange rate. 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 first financial quarter ended 30 September 2012

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

B11 **Outstanding Derivatives** (continued)

(a) Disclosure of Derivatives (continued)

(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.

(b) Fair value change of a financial liability

The details of fair value change of a financial liability for the current financial year ended 30 September 2012 is as follows:

Type of financial liability	Current quarter fair value gain RM'000	Current financial year-to-date fair value (loss)/gain RM'000	Basis of fair value measurement	Reasons for the loss
Interest rate swap	1,774	1,774	Interest rates differential between fixed and floating rates	The interest rates differential between fixed and floating rates from the last measurement date of 30 June 2012 up to the respective maturity dates of the swap has moved favourably against the Group.
Forward foreign currency exchange contract	37	37	Foreign exchange differential between the contracted rate and the market forward rate	The foreign exchange rates differential between the contracted rate and the market forward rate from the last measurement date or contract date up to the respective maturity dates of the forward contracts have moved favourably for the Group.
	1,811	1,811		

Quarterly report on consolidated results for the first financial quarter ended 30 September 2012

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

B12 **Off balance sheet financial instruments**

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

B13 **Realised and unrealised profits/losses disclosure**

	As at 30/09/2012 RM'000	As at 30/06/2012 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	(4,219)	16,624
- Unrealised	92,437	(17,450)
	88,218	(826)
Add: Consolidation adjustments	91,152	79,466
Total group retained profits as per consolidated accounts	179,370	78,640

B14 **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.

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, MSB's solicitor filed in the Writ of Summons and Statement of Claim to the High Court of Sabah and Sarawak. On 25 May 2011, the Defendant's solicitor filed in their defence with the High Court of Sabah and Sarawak. On 2 August 2011, MSB's solicitor filed in the reply to the Defendant's defence with the High Court of Sabah and Sarawak. A rejoinder has been filed by the Defendant with the High Court of Sabah and Sarawak on 25 August 2011. On 3 October 2011, the High Court of Sabah and Sarawak had fixed 5 to 9 March 2012 for hearing. On 15 December 2011, the High Court of Sabah and Sarawak had rescheduled the hearing to 18 to 22 June 2012. On 18 June 2012, the High Court of Sabah and Sarawak had rescheduled the trial to 19 to 23 November 2012. On 19 November 2012, MSB's solicitor was notified by the Defendant's solicitor that they have been instructed by the Defendant to make an offer for an amicable out-of-court settlement with MSB. MSB is to reply whether to accept the offer not later than 3 December 2012, before 4.00 p.m., failing which the offer for an amicable out-of-court settlement shall lapse. The case is fixed for mention on 4 January 2013, whilst the trial date has been adjourned to 16 January 2013.

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.

Quarterly report on consolidated results for the first financial quarter ended 30 September 2012

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

B15 **Dividends**

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

B16 **Loss per share**

(i) Basic loss per ordinary share

	Current Year Quarter 30/09/2012 RM'000	Current Year To Date 30/09/2012 RM'000
Loss attributable to owners of the Company	(7,289)	(7,289)
Weighted average no. of ordinary shares in issue ('000)	225,523	225,523
Basic loss per share (sen)	(3.23)	(3.23)

(ii) Diluted loss 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 November 2012