

**METAL RECLAMATION BHD** (424773-V)

(Incorporated in Malaysia)

**Unaudited Condensed Consolidated Balance Sheet****As at 30 September 2006**

	As at 30 September 2006 (RM'000)	As at 30 June 2006 (RM'000) (Restated)
<b>ASSETS</b>		
<b>NON-CURRENT ASSETS</b>		
Property, Plant and Equipment	85,758	86,787
Investment in an Associate Company	34,693	35,267
Deferred Tax Assets	1,640	1,640
	<u>122,091</u>	<u>123,694</u>
<b>CURRENT ASSETS</b>		
Inventories	16,412	19,004
Trade receivables	27,008	36,715
Tax Refundable	1,063	1,063
Cash in Hand and at Banks	4,147	263
Other Debtors, Deposits and Prepayments	1,925	2,027
	<u>50,555</u>	<u>59,072</u>
<b>TOTAL ASSET</b>	<u>172,646</u>	<u>182,766</u>
<b>EQUITY AND LIABILITIES</b>		
Share Capital	47,760	47,760
Share Premium	514	514
Capital Reserve		2,674
Foreign Exchange Translation Reserves	1,263	907
Retained Profit / Accumulated Losses	(996)	(3,939)
<b>TOTAL EQUITY</b>	<u>48,541</u>	<u>47,916</u>
<b>NON-CURRENT AND DEFERRED LIABILITIES</b>		
Long Term Borrowings	16,932	18,160
<b>CURRENT LIABILITIES</b>		
Trade payables	17,354	26,464
Other payables and accruals	17,058	14,630
Amount owing to Directors	679	656
Short term borrowings	71,478	74,313
Hire purchase payables	604	625
	<u>107,173</u>	<u>116,689</u>
<b>TOTAL LIABILITIES</b>	124,105	134,849
<b>TOTAL EQUITY AND LIABILITIES</b>	<u>172,646</u>	<u>182,766</u>
Net assets per share based on number of shares in issue (RM)	1.02	1.00

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Financial Report for financial year ended 30 June 2006.)

(Incorporated in Malaysia)  
**Unaudited Condensed Consolidated Income Statements**  
**For the quarter ended 30 September 2006**

	FYE 2007 Current quarter ended 30-Sep-06 (RM'000)	FYE 2006 Comparative quarter ended 30-Sep-05 (RM'000) (Restated)	FYE 2007 Current cumulative 30-Sep-06 (RM'000)	FYE 2006 Comparative cumulative 30-Sep-05 (RM'000) (Restated)
Revenue	29,843	52,105	29,843	52,105
Cost of Sales	(27,800)	(48,721)	(27,800)	(48,721)
Gross Profit	2,044	3,384	2,044	3,384
Other income	19	38	19	38
Selling and distribution expenses	(45)	(290)	(45)	(290)
Administrative Expenses	(956)	(858)	(956)	(858)
Other operating expenses	-	-	-	-
Finance cost	(2,325)	(1,497)	(2,325)	(1,497)
Share of profit of associate	1,916	995	1,916	995
Profit before taxation	653	1,771	653	1,771
Taxation	(383)	(199)	(383)	(199)
Profit/(Loss) for the period	270	1,572	270	1,572
Basic earnings per ordinary share (RM)	0.0057	0.0329	0.0057	0.0329
Diluted earnings per ordinary share (sen)	Not Applicable	Not Applicable	Not Applicable	Not Applicable

(The Condensed Consolidated Income Statements should be read in conjunction with the Financial Report for financial year ended 30 June 2006.)

**METAL RECLAMATION BHD (424773-V)**

(Incorporated in Malaysia)

**Unaudited Condensed Consolidated Cash Flow Statement****For the quarter ended 30 September 2006**

	<b>FYE 2007 Cumulative Current period ended 30-Sep-06 (RM'000)</b>	<b>FYE 2006 Cumulative comparative period ended 30-Sep-05 (RM'000)</b>
<b>Cash Flow from operating activities</b>		
Net Profit/(Loss) After Tax	270	1,572
Adjustments for non-cash flow:-		
Depreciation	1,327	1,225
Tax provision	383	199
Interest expense	2,325	1,504
Share of Profits from Associated Company	(1,916)	(995)
Reversal of scheduled waste treatment provision	-	(82)
Operating Profit/(Loss) before changes in working capital	2,389	3,423
Changes in working capital		
(Increase)/Decrease in Inventories	2,592	70
Net change in other current assets	9,808	3,422
Net change in other current liabilities	(6,681)	(11)
Cash For Operations	8,107	6,904
Interest expense	(2,325)	(1,504)
Net Cash Flows From Operating Activities	5,782	5,400
<b>Cash Flows From Investing Activities</b>		
Purchase of plant and equipment	(298)	(1,065)
Dividends received	2,463	-
Net Cash From Investing Activities	2,165	(1,065)
<b>Cash Flows From Financing Activities</b>		
Increase/(decrease) in bankers' acceptance / trust receipts	(1,990)	(1,266)
Additional/(repayment of) hire purchase obligations	(22)	(74)
Advances from / (Repayment to) Directors	23	11
Additional/(Repayment of) term loans	(1,229)	(2,939)
Net Cash From Financing Activities	(3,217)	(4,268)
<b>Net Increase In Cash And Cash Equivalents</b>	4,730	67
<b>Cash And Cash Equivalents at Beginning Of The Financial Period</b>	(6,833)	(3,353)
<b>Cash And Cash Equivalents at End Of The Financial Period</b>	(2,103)	(3,287)
<b>Cash and Cash Equivalent (as per Balance Sheet)</b>		
Cash and bank balances	4,147	2,841
Overdraft (note B9)	(6,250)	(6,128)
	(2,103)	(3,287)

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Financial Report for financial year ended 30 June 2006.)

**METAL RECLAMATION BHD (424773-V)**

(Incorporated in Malaysia)

**Unaudited Condensed Consolidated Statement of Changes in Equity  
For the quarter ended 30 September 2006**

	Share Capital RM'000	Share Premium RM'000	Negative Goodwill RM'000	Foreign Exchange Translation Reserve RM'000	Retained Profits RM'000	Dividend Proposed RM'000	Total RM'000
<b>Current period ended 30 September 2006</b>							
Balance as at 30 June 2006	47,760	514	2,674	907	(3,940)	-	47,915
Adoption of FRS3			(2,674)		2,674		-
Adjusted Balance	47,760	514	-	907	(1,266)	-	47,915
Movements during the period/year	-	-	-	356	270	-	626
Dividend	-	-	-	-	-	-	-
Balance at end of period	47,760	514	-	1,263	(996)	-	48,541
<b>Comparative period ended 30 September 2005</b>							
Balance at beginning of year	47,760	514	2,674	95	(12,415)	-	38,628
Movements during the period/year	-	-	-	125	1,572	-	1,698
Dividend	-	-	-	-	-	-	-
Balance at end of period	47,760	514	2,674	221	(10,843)	-	40,326

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Financial Report for financial year ended 30 June 2006.)

## **1 Basis of preparation**

The interim financial statements are unaudited and have been prepared in compliance with FRS 134 - Interim Financial Reporting and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad.

The interim financial statements should be read in conjunction with the audited financial statements for the financial year ended 30 June 2006. The explanatory notes attached to the 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 2006.

The accounting policies and methods of computation adopted in this quarterly financial statements of the Group are consistent with those adopted for the annual financial statements of the Group for the financial year ended 30 June 2006, save for the changes in accounting policies arising from the adoption of the new/revised Financial Reporting Standards (“FRS”) as disclosed in paragraph 2 below.

## **2. Adoption of revised financial reporting standards**

The significant accounting policies adopted are consistent with those of the audited financial statements for the financial year ended 30 June 2006 except for the adoption of the following new/revised FRS effective for financial statements commencing 1 July 2006:

FRS 3	Business Combinations
FRS 101	Presentation of Financial Statements
FRS 102	Inventories
FRS 108	Accounting Policies, Changes in Accounting Estimates and Errors
FRS 110	Events after the Balance Sheet Date
FRS 116	Property, Plant and Equipment
FRS 121	The Effects of Changes in Foreign Exchange Rates
FRS 127	Consolidated and Separate Financial Statements
FRS 128	Investments in Associates
FRS 132	Financial Instruments: Disclosure and Presentation
FRS 133	Earnings per Share
FRS 136	Impairment of Assets

The adoption of the FRS mentioned above does not have any financial impact to the Group except the adoption of FRS 3 resulted in the de-recognition of the negative goodwill of RM2,674,000 to the opening retained profits.

## **3. Qualification of Accounts**

There were no qualifications in the audited financial statements for the period ended 30 June 2006.

## **4 Seasonal or cyclical factors**

The Group’s operations in manufacturing and sale of lead and lead alloys are not materially affected by any seasonal or cyclical factors.

The principal activities of the associate, Nutek Pte. Ltd., incorporated in Singapore, have been those relating to the design, fabrication and sales of industrial machinery and equipment. Its revenue is directly or indirectly related to capital expenditure of the electronics and

semiconductor industries that may be affected by general economic conditions and industry patterns.

**5 Unusual items affecting assets, liabilities, equity, net income or cash flows**

There were no unusual items affecting assets, liabilities, equity, net income or cash flows.

**6 Change in estimates**

There were no changes in estimates reported in previous financial year, which would have a material effect in the current financial year to-date.

**7 Debt and equity securities**

There were no issuances or repayment of debts and equity securities, share buy-backs, share cancellations, shares held as treasury shares and resale of treasury shares for the current financial period.

**8 Dividend paid**

No dividend was paid in the current financial period.

**9 Segment information**

*Business Segments*

	Lead and Lead Alloys (RM'000)	Industrial Machinery And Equipment (RM'000)	Total (RM'000)
Revenue	29,843		29,843
Profit/(Loss) Before Tax	(1,263)	1,916	653

*Geographical Segment*

	Malaysia (RM'000)	Singapore (RM'000)	Total (RM'000)
Turnover	29,843	-	29,843
Profit/(Loss) Before Tax	(1,263)	1,916	653

**10 Valuations of Property, Plant and Equipment**

The Group has not brought forward valuation of its property, plant and equipment.

**11 Material subsequent events**

There were no material events subsequent to the end of the current financial quarter that has not been reflected in the financial statements for the said period.

**12 Changes in composition of the Group**

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

**13 Changes in contingent liabilities**

There were no contingent liabilities as at 26 November 2006, the latest practical date that is not earlier than seven days from the date of issue of this interim financial report.

#### **14 Review of performance for the quarter**

- a) The lead price per tonne quoted at the London Metal Exchange (LME) in the current September 2006 quarter averaged US\$1,189.63, which represented an increase of 8.11% when compared with the average of US\$1,100.38 recorded in the June 2006 quarter. In Ringgit terms, the increase was RM321.45, moving the average lead price to RM4,368.80 from RM4,047.35 per tonne.
- b) The average price of US\$1,189.63 per tonne in the current September quarter was 11.11% higher than the average of US\$1,070.70 recorded in the previous financial year ended 30 June 2006.
- c) The average price per tonne in the September 2006 quarter was 33.44% (or US\$298.11) higher than the average of US\$891.52 recorded in the previous September 2005 quarter. In Ringgit terms, after taking into account its strengthened foreign exchange rate, the average price of RM4,368.80 per tonne in the current September 2006 quarter was 28.82% (or RM977.46) higher than the RM3,391.33 recorded in the September 2005 quarter.
- d) The increase in lead price is both a boon and a bane to the Group. It is a boon because the Group will receive a higher price for its refined lead. However, it is also a bane because the working capital required to produce a given quantity has risen almost fourfold from the low of US\$420 per tonne, which greatly increases the working capital cost of conducting a lead refining operation. One implication of the increased lead prices bearing on the Group's working capital has been a resultant need to scale back the Group's refinery production to affordable levels.
- e) Similarly, increased lead prices have also impinged on the Group's trading activities, which is basically buying judiciously commodity lead with the object of reselling it later at profit. In the past, such trading activities have contributed strongly to and constituted some 50% of the Group's turnover. On the one hand, the substantially higher working capital requirement has reduced the Group's trading capacity. On the other hand, with lead prices at hovering at record highs, the Group has not found it prudent to maintain or expand its trading volume. The resultant reduction in trading activities has reflected itself in the marked decline in the Group's turnover year on year.
- f) The Group recorded a lower turnover of RM29.8 million for the September 2006 quarter compared with the RM52.1 million recorded in the September 2005 quarter.
- g) The current September 2006 quarter recorded a Profits Before Tax and Profits After Tax of RM653,000.00 and RM270,000.00 respectively.

#### **15 Variance of results against preceding quarter**

The current quarter recorded a Profits After Tax of RM270,000.00 compared to RM3.6 million recorded in the June 2006 quarter.

#### **16 Current year prospects**

Barring any unforeseen circumstances, the Management is hopeful for the Group's performance to improve in the next financial quarter.

#### **17 Profit forecast**

Not applicable as no profit forecast was published.

## 18 Tax expense

There were no provisions for taxation for the Group's core business of manufacturing and trading of lead and lead alloy in the current financial period.

The Group has made a tax provision of RM383,000 on the share of profits from its associate company.

## 19 Unquoted investments and properties

<b>Investment in Nutek Pte. Ltd., Singapore</b>		<b>RM'000</b>
Cost of Investment in Associated Company	(a)	25,504
Shares of post-acquisition profits b/f		8,856
Current period share of net profits		1,533
Dividend received		(2,463)
Shares of post-acquisition profits c/f	(b)	7,926
Foreign Exchange Translation Reserve	(c)	1,263
Total	(a) + (b) + (c)	<u>34,693</u>
Represented by:		
Share of net assets of the associated company		22,951
Goodwill on acquisition		11,741
		<u>34,693</u>

## 20 Quoted investments

There were no purchases or disposals of quoted securities in the current financial period.

## 21 Status of corporate proposal announced

On 12 December 2005, the Company proposed to undertake a private placement of up to 4,776,000 of its new shares ("Private Placement") representing not more than 10% of its issued and paid-up share capital as at 15 November 2005.

On 21 December 2005, the Company was granted the approval for the proposed private placement by the Securities Commission. On 20 January 2006, the company obtained the approval of Bursa Malaysia Securities Berhad for the listing of the proposed Placement Shares. The approvals lapsed on 20 June 2006 and the Management will be reapplying for the proposed private placement.

## 22 Borrowings

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
<b>Short Term borrowings</b>			
Bankers' Acceptance	29,367	26,822	56,189
Trust Receipts	-	-	-
Bank Overdrafts	2,872	3,378	6,250
Revolving Credit	-	2,000	2,000
Term Loans payable within 12 months	4,489	2,550	7,039
Hire Purchase payable within 12 months	604	-	604
	<u>37,331</u>	<u>34,750</u>	<u>72,081</u>
<b>Long Term borrowings</b>			
Term loans	16,506	-	16,506
Hire purchase payables	426	-	426
	<u>16,932</u>	<u>-</u>	<u>16,932</u>



**23 Off balance sheet financial instruments**

There were no off balance sheet financial instruments as at 26 November 2006, the latest practical date that is not earlier than seven days from the date of issue of this interim financial report.

**24 Changes in material litigation**

There were no significant developments in material litigation since the quarterly report for the period ended 30 June 2006.

**25 Dividend**

The Board of Directors does not recommend any dividend payment for the current financial period.

**26 Basic earnings per share**

	<u>Current quarter</u>	<u>Year to-date</u>
Basic Earnings per share (RM)	0.006	0.006

The Company does not have any dilution of its earnings per share. Accordingly, no diluted earnings per share are presented.

On behalf of the Board

LIM SHENG SEAW @ LIM CHENG FIE  
*30 November 2006*