

METAL RECLAMATION BHD (424773-V)

(Incorporated in Malaysia)

Unaudited Condensed Consolidated Balance Sheet**As at 31 December 2007**

| | As at 31 December 2007 (RM'000) | As at 30 June 2007 (RM'000) |
|--|---------------------------------------|--------------------------------|
| ASSETS | | |
| NON-CURRENT ASSETS | | |
| Property, Plant and Equipment | 74,974 | 75,923 |
| Prepaid Lease Rental | 10,944 | 11,000 |
| Investment in an Associate Company | 35,812 | 35,639 |
| Deferred Tax Assets | 1,384 | 1,384 |
| | <u>123,114</u> | <u>123,946</u> |
| CURRENT ASSETS | | |
| Inventories | 8,051 | 10,252 |
| Trade receivables | 16,284 | 19,090 |
| Tax Refundable | 1,062 | 1,062 |
| Cash in Hand and at Banks | 643 | 445 |
| Other Debtors, Deposits and Prepayments | 4,655 | 2,282 |
| | <u>30,694</u> | <u>33,130</u> |
| TOTAL ASSETS | <u>153,808</u> | <u>157,075</u> |
| EQUITY AND LIABILITIES | | |
| Share Capital | 47,760 | 47,760 |
| Share Premium | 514 | 514 |
| Capital Reserve | 659 | 659 |
| Foreign Exchange Translation Reserves | 1,206 | 191 |
| Retained Profit / Accumulated Losses | (10,546) | (9,646) |
| TOTAL EQUITY | <u>39,593</u> | <u>39,477</u> |
| NON-CURRENT AND DEFERRED LIABILITIES | | |
| Long Term Borrowings | 17,126 | 17,132 |
| CURRENT LIABILITIES | | |
| Trade payables | 14,100 | 14,090 |
| Other payables and accruals | 15,465 | 15,404 |
| Amount owing to Directors | 21 | 192 |
| Short term borrowings | 67,156 | 70,431 |
| Hire purchase payables | 348 | 350 |
| | <u>97,089</u> | <u>100,466</u> |
| TOTAL LIABILITIES | 114,216 | 117,598 |
| TOTAL EQUITY AND LIABILITIES | <u>153,808</u> | <u>157,075</u> |
| Net assets per share based on number of shares in issue (RM) | 0.8290 | 0.8266 |

(The Condensed Consolidated Balance Sheet should be read in conjunction with the Financial Report for financial year ended 30 June 2007.)

METAL RECLAMATION BHD (424773-V)

(Incorporated in Malaysia)

**Unaudited Condensed Consolidated Income Statements
For the quarter ended 31 December 2007**

| | FYE 2008 Current quarter ended 31-Dec-07 (RM'000) | FYE 2007 Comparative quarter ended 31-Dec-06 (RM'000) | FYE 2008 Current cumulative 31-Dec-07 (RM'000) | FYE 2007 Comparative cumulative 31-Dec-06 (RM'000) |
|---|--|--|---|---|
| Revenue | <u>27,517</u> | <u>22,707</u> | <u>41,987</u> | <u>52,551</u> |
| Cost of Sales | <u>(24,041)</u> | <u>(23,787)</u> | <u>(38,805)</u> | <u>(51,587)</u> |
| Gross Profit/(Loss) | 3,476 | (1,079) | 3,182 | 964 |
| Other income | 8 | 75 | 25 | 95 |
| Selling and distribution expenses | (138) | (86) | (149) | (131) |
| Administrative Expenses | (1,150) | (878) | (2,101) | (1,834) |
| Other operating expenses | (3) | - | (3) | - |
| Finance cost | (1,848) | (2,189) | (4,189) | (4,514) |
| Share of profit of associate | 1,242 | 831 | 2,927 | 2,747 |
| Profit/(Loss) before taxation | <u>1,588</u> | <u>(3,326)</u> | <u>(308)</u> | <u>(2,672)</u> |
| Taxation | (248) | (166) | (585) | (549) |
| Profit/(Loss) for the period | <u>1,339</u> | <u>(3,492)</u> | <u>(894)</u> | <u>(3,222)</u> |
| Basic earnings per ordinary share (RM) | <u>0.0280</u> | <u>(0.0731)</u> | <u>(0.0187)</u> | <u>(0.0675)</u> |
| 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 2007.)

METAL RECLAMATION BHD (424773-V)

(Incorporated in Malaysia)

Unaudited Condensed Consolidated Cash Flow Statement

For the quarter ended 31 December 2007

| | FYE 2008 Cumulative Current period ended 31-Dec-07 (RM'000) | FYE 2007 Cumulative comparative period ended 31-Dec-06 (RM'000) |
|---|--|--|
| Cash Flow from operating activities | | |
| Net Profit/(Loss) After Tax | (894) | (3,222) |
| Adjustments for non-cash flow:- | | |
| Depreciation | 2,294 | 2,659 |
| Tax provision | 585 | 549 |
| Interest expense | 4,461 | 4,514 |
| Share of Profits from Associated Company | (2,926) | (2,747) |
| Reversal of assets impairment | - | - |
| Operating Profit/(Loss) before changes in working capital | 3,521 | 1,753 |
| Changes in working capital | | |
| (Increase)/Decrease in Inventories | 2,200 | 1,878 |
| Net change in other current assets | 134 | 15,418 |
| Net change in other current liabilities | 363 | (4,648) |
| Cash For Operations | 6,218 | 14,401 |
| Interest expense | (4,461) | (4,514) |
| Net Cash Flows From Operating Activities | 1,757 | 9,887 |
| Cash Flows From Investing Activities | | |
| Purchase of plant and equipment | (1,290) | (1,747) |
| Dividends received | 3,183 | 2,463 |
| Net Cash From Investing Activities | 1,893 | 716 |
| Cash Flows From Financing Activities | | |
| Increase/(decrease) in bankers' acceptance / trust receipts | (2,041) | (1,606) |
| Additional/(repayment of) hire purchase obligations | (212) | (180) |
| Advances from / (Repayment to) Directors | (170) | 23 |
| Additional/(Repayment of) term loans | 326 | (3,108) |
| Net Cash From Financing Activities | (2,096) | (4,872) |
| Net Increase In Cash And Cash Equivalents | 1,555 | 5,731 |
| Cash And Cash Equivalents at Beginning Of The Financial Period | (5,067) | (6,833) |
| Cash And Cash Equivalents at End Of The Financial Period | (3,512) | (1,102) |
| Cash and Cash Equivalent (as per Balance Sheet) | | |
| Cash and bank balances | 643 | 5,850 |
| Overdraft (Note 22) | (4,155) | (6,952) |
| | (3,512) | (1,102) |

(The Condensed Consolidated Cash Flow Statements should be read in conjunction with the Financial Report for financial year ended 30 June 2007.)

METAL RECLAMATION BHD (424773-V)

(Incorporated in Malaysia)

**Unaudited Condensed Consolidated Statement of Changes in Equity
For the quarter ended 31 December 2007**

| | Share Capital RM'000 | Share Premium RM'000 | Revaluation Reserves RM'000 | Negative Goodwill RM'000 | Foreign Exchange Translation Reserve RM'000 | Retained Profits RM'000 | Dividend Proposed RM'000 | Total RM'000 |
|--|-------------------------|-------------------------|-----------------------------------|--------------------------------|---|-------------------------------|--------------------------------|-----------------|
| Current period ended 31 December 2007 | | | | | | | | |
| Balance as at 30 June 2007 | 47,760 | 514 | 658 | - | 190 | (9,649) | - | 39,473 |
| Adoption of FRS3 | | | | - | | - | | - |
| Adjusted Balance | 47,760 | 514 | 658 | - | 190 | (9,649) | - | 39,473 |
| Movements during the period/year | - | - | - | - | 1,016 | (896) | - | 120 |
| Dividend | - | - | - | - | - | - | - | - |
| Balance at end of period | 47,760 | 514 | 658 | - | 1,206 | (10,545) | - | 39,593 |
| Comparative period ended 31 December 2006 | | | | | | | | |
| 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 | - | - | - | - | 338 | (3,222) | - | (2,884) |
| Dividend | - | - | - | - | - | - | - | - |
| Balance at end of period | 47,760 | 514 | - | - | 1,245 | (4,488) | - | 45,031 |

(The Condensed Consolidated Statement of Changes in Equity should be read in conjunction with the Financial Report for financial year ended 30 June 2007.)

Metal Reclamation Bhd (424773-V)
(Incorporated in Malaysia)

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 2007. 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 2007.

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 2007.

2. Qualification of Accounts

There were no qualifications in the audited financial statements for the period ended 30 June 2007.

3 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.

4 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.

5 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.

6 Debt and equity securities

There were no issuance 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.

7 Dividend paid

No dividend was paid in the current financial period.

8 Segment information

Business Segments

| | Lead and Lead Alloys (RM'000) | Industrial Machinery And Equipment (RM'000) | Total (RM'000) |
|--------------------------|----------------------------------|--|-------------------|
| Revenue | 41,987 | | 41,987 |
| Profit/(Loss) Before Tax | (3,235) | 2,927 | (308) |

Geographical Segment

| | Malaysia (RM'000) | Singapore (RM'000) | Total (RM'000) |
|--------------------------|----------------------|-----------------------|-------------------|
| Turnover | 41,987 | | 41,987 |
| Profit/(Loss) Before Tax | (3,235) | 2,927 | (308) |

9 Valuations of Property, Plant and Equipment

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

10 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.

11 Changes in composition of the Group

The Company incorporated a wholly owned subsidiary, Metal Reclamation Labuan ("MRL") under the Offshore Companies Act, 1990, Malaysia on 14 September 2007. The authorized and paid-up capital of MRL is US\$12,000.00 and US\$1.00 respectively.

12 Changes in contingent liabilities

There were no contingent liabilities as at 19 February 2008, the latest practical date that is not earlier than seven days from the date of issue of this interim financial report.

13 Review of performance for the quarter

- The lead price per tonne quoted at the London Metal Exchange (LME) in the December 2007 quarter averaged US\$3,214.64, which represented an increase of 2.27% when compared with the average of US\$3,143.18 recorded in the September 2007 quarter. However, the Ringgit strengthens by 3% in the same quarter resulting in a decrease of 1% or RM88.74 in the lead price in terms of Ringgit.
- The average price of US\$3,214.64 per tonne in the current December quarter was 89.71% higher than the average price of US\$1,694.46 recorded for the previous financial year ended 30 June 2007.
- The average price per tonne in the December 2007 quarter was 97.57% (or US\$1,587.59) higher than the average price of US\$1,627.053 recorded in the previous December 2006 quarter. In Ringgit terms, after taking into account the strengthened foreign exchange rate, the average price of RM10,906.83 per tonne in the current December 2007 quarter was 83.85% (or RM4,974.49) higher than the average price of RM5,932.34 recorded in the December 2006 quarter.
- The Group recorded a Turnover of RM27.5 million for the current quarter, and reverted to profitability by recording a Gross Profit of RM3.4 million in the current quarter after deducting the Cost of Sales of RM24.0 million. As a result the Group's core business of

manufacturing and sale of lead and lead alloy recorded a profit before tax of RM346,000 for the December 2007 quarter after deducting selling, administration and finance costs.

- e) The Group's associate company in Singapore, Nutek Pte Ltd, contributed pre-tax and post-tax profits of RM1.2 million and RM1.0 million respectively to the current December quarter.
- f) Overall, the Group generated a profit of RM1.3 million for the current quarter.

14 Variance of results against preceding quarter

The current quarter recorded a Profit after tax of RM1.3 million compared to a Loss After Tax of RM2.2 million in the September 2007 quarter.

15 Current year prospects

The Management is hopeful to increase its output to cater for the expected higher demand of the Group's products, which currently is being undersupplied.

16 Profit forecast

Not applicable as no profit forecast was published.

17 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 quarter.

The Group has made a tax provision of RM248,000.00 on the share of profits from its associate company in the current quarter.

18 Unquoted investments and properties

| Investment in Nutek Pte. Ltd., Singapore | RM'000 |
|---|-------------------------------|
| Cost of Investment in Associated Company | (a) 25,504 |
| Shares of post-acquisition profits b/f | 9,944 |
| Current period share of net profits | 2,341 |
| Dividend received (net) | (3,183) |
| Shares of post-acquisition profits c/f | (b) 9,102 |
| Foreign Exchange Translation Reserve | (c) 1,206 |
| Total | (a) + (b) + (c) <u>35,812</u> |
| Represented by: | |
| Share of net assets of the associate company | 24,070 |
| Goodwill on acquisition | <u>11,741</u> |
| | <u>35,812</u> |

19 Quoted investments

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

20 Status of corporate proposal announced

On 23 March 2007, CIMB Investment Bank Berhad (“CIMB”) on behalf of the Board of Company announced that MRB is proposing to undertake the following proposals:

- (i) Proposed private placement of up to 10% of MRB’s issued and paid-up share capital (“Proposed Placement”); and
- (ii) Proposed issuance of up to 25,000,000 Warrants by the Company to the South East Asian Strategic Assets Fund L.P. (“SEASAF”) in conjunction with the provision of credit facility of up to RM50 million (equivalent in US\$) by SEASAF to a company to be set-up and wholly-owned by MRB (“Proposed Warrants Issuance”)

collectively referred to as the “Proposals”).

On 26 September 2007, CIMB on behalf of MRB announced that in conjunction with the Proposed Warrants Issuance, a Facility Agreement was entered into by Metal Reclamation Labuan Ltd (“MRL”), MRB, SEASAF, South East Asian Strategic Assets (General Partner) Limited, CIMB Bank (L) Limited and CIMB, whereby SEASAF shall provide a credit facility of up to RM50 million (equivalent in US\$) to MRL. On the same date, it was also announced that the exercise price of the Warrants be revised from RM1.26 per Share (as announced on 23 March 2007) to RM1.06 per Share.

On 5 November 2007, CIMB on behalf of MRB announced that Bank Negara Malaysia (Controller of Foreign Exchange) had, via its letter dated 31 October 2007, approved the issuance of up to 25,000,000 Warrants to SEASAF under the Proposed Warrants Issuance.

On 14 November 2007, CIMB on behalf of MRB announced that the Securities Commission (“SC”) and the SC (Equity Compliance Unit) under the Guideline on the Acquisition of Interests, Mergers and Take-Overs by Local and Foreign Interests issued by the Foreign Investment Committee (“FIC Guidelines”) had, via its letter dated 13 November 2007, approved the Proposals and the listing of and quotation for the new ordinary shares of RM1.00 each in MRB to be issued pursuant to the Proposed Placement (“Placement Shares”) (“Shares”) on the Second Board of Bursa Malaysia Securities Berhad (“Bursa Securities”), subject to the following conditions:

- (i) MRB/CIMB to fully comply with the relevant provisions in Guidance Note 8C and other relevant requirements of the Policies and Guidelines on Issue/Offer of Securities issued by the SC in implementing the Proposed Placement and Proposed Warrants Issuance;
- (ii) MRB is to increase its Bumiputera equity to 30% (representing 9,090,000 new Shares) within two (2) years from the date of implementation of the issuance of the Warrants under the Proposed Warrants Issuance. The Shares to be offered to Bumiputera investors for the purpose of complying with the condition should be approved by the MITI; and
- (iii) MRB/CIMB should inform the SC upon completion of the Proposals.

On 7 December 2007, CIMB on behalf of MRB announced that Ministry of International Trade and Industry had, via its letter dated 6 December 2007, approved the Proposals, subject to the Company complying with the conditions as set out by the SC and the SC (Equity Compliance Unit) under the FIC Guidelines, via its approval letter dated 13 November 2007.

On 15 February 2008, CIMB on behalf of MRB announced that at the Extraordinary General Meeting (“EGM”) of shareholders of the Company held on 15 February 2008, the shareholders of MRB have approved the resolution in relation to the Proposed Warrants Issuance as set out in the Notice of EGM of shareholders dated 22 January 2008.

21 Borrowings

| | Secured | Unsecured | Total |
|--|---------------|---------------|---------------|
| | RM'000 | RM'000 | RM'000 |
| Short Term borrowings | | | |
| Bankers' Acceptance | 28,944 | 27,420 | 56,364 |
| Trust Receipts | - | - | - |
| Bank Overdrafts | 2,903 | 1,252 | 4,155 |
| Revolving Credit | - | 1,999 | 1,999 |
| Term Loans payable within 12 months | 4,489 | 148 | 4,637 |
| Hire Purchase payable within 12 months | 348 | - | 348 |
| | <u>36,684</u> | <u>30,820</u> | <u>67,503</u> |
| Long Term borrowings | | | |
| Term loans | 17,072 | - | 17,072 |
| Hire purchase payables | 55 | - | 55 |
| | <u>17,126</u> | <u>-</u> | <u>17,126</u> |

22 Off balance sheet financial instruments

There were no off balance sheet financial instruments as at 19 February 2008, the latest practical date that is not earlier than seven days from the date of issue of this interim financial report.

23 Material litigation

Save as disclosed below, as at 19 February 2008 neither the Company nor any of its subsidiaries is engaged in any other material litigation, either as plaintiff or defendant, and the Board is not aware of any proceedings pending or threatened against the Company or any of its subsidiaries or of any facts likely to give rise to any proceedings which might materially affect the financial position and business of the Company or any of its subsidiaries:

- (i) Ipoh High Court Suit No : 22-164-2005
Plaintiff : MRI
Defendants : Heracell Battery Sdn Bhd (“**Heracell**”) and Lee Wan Hyung

MRI has filed a Writ of Summons against Heracell and Lee Wan Hyung as the guarantor for the sum of RM675,326.98 owing and due for the claim of goods sold and delivered by MRI to Heracell.

A Judgment in Default was entered against the 1st and 2nd defendant dated 24 November 2005. A statutory notice pursuant to Section 218 of the Act (“**Section 218 Notice**”) was issued against Heracell. On 14 February 2007, a fresh Section 218 Notice was served on Heracell as the first Section 218 Notice was defective.

MRI has instructed the solicitors to initiate the winding-up proceeding against Heracell as Heracell has yet to settle the judgment sum obtained in the High Court of Ipoh in respect of goods sold and delivered to Heracell after the service of Section 218 Notice on them. MRI also instructed the solicitors to initiate the bankruptcy proceeding against Lee Wan Hyung, the guarantor of Heracell.

- (ii) Shah Alam High Court Suit No : MT3-22-597-2006
Plaintiff : MRI
Defendants : ABI Malaysia Sdn Bhd (“**ABI**”)

MRI has filed a suit on 7 June 2006 to recover the sum of RM857,992.37 for goods sold and delivered to ABI. ABI has filed a defence and counterclaim for general damages in respect of purported supply of defective goods by MRI. MRI had filed a reply and a defence to the counterclaim on 27 November 2006.

On 30 January 2007, ABI gave a notice pursuant to Section 260(2) of the Act for the meeting of creditors at which the resolution for the voluntary winding-up of ABI is to be proposed.

The creditors' meeting was held on 15 February 2007 whereby a liquidator was appointed. A list of creditors prepared revealed that there are approximately 152 creditors with debts amounting to RM191,367,919.75.

The solicitors for ABI wrote on 16 March 2007 and are of the view that MRI would have to procure the leave of the High Court pursuant to Section 263(2) of the Act to continue with the present proceedings.

The liquidator has entered into a sale and purchase agreement on behalf of ABI on 8 October 2007 for the sale of ABI's assets for RM22.3 million. The completion period of this sale and purchase agreement ("SPA") will be three (3) months plus one (1) month extension from the fulfilment of certain conditions. The SPA has yet to be completed.

24 Dividend

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

25 Basic earnings per share

| | <u>Current quarter</u> | <u>Year to-date</u> |
|--------------------------------------|------------------------|---------------------|
| Basic Earnings/(Loss) per share (RM) | 0.0280 | (0.0187) |

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
25 February 2008