

Notes to Quarterly Report for the third quarter ended 31 March 2015
The figures have not been audited.

1 Basis of preparation

The interim financial statements are unaudited and have been prepared in compliance with MFRS 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 2014. 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 2014.

The accounting policies and methods of computation adopted in the 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 2014.

In addition, the Group has adopted the following relevant Malaysia Financial Reporting Standards (“MFRS”) and IC interpretations (including the consequential amendments) that have been issued by the Malaysian Accounting Standards Board (“MASB”) for the current financial period:

Amendments to MFRS 10, MFRS 12 and MFRS 127 (2011): Investment Entities
Amendments to MFRS 119: Defined Benefit Plans – Employee Contributions
Amendments to MFRS 132: Offsetting Financial Assets and Financial Liabilities
Amendments to MFRS 136: Recoverable Amount Disclosures for Non-financial Assets
Amendments to MFRS 139: Novation of Derivatives and Continuation of Hedge Accounting
IC Interpretation 21 Levies
Annual Improvements to MFRSs 2010 – 2012 Cycle
Annual Improvements to MFRSs 2011 – 2013 Cycle

The adoption of MFRS and interpretations (including the consequential amendments) has no material impact on the financial statements of the Group upon their initial application.

2 Audit Qualification of Preceding Annual Financial Statements

The auditors’ report on the annual financial statements for the financial year ended 30 June 2014 contained a disclaimer opinion on the audited financial statements due to the following:

“Basis for Disclaimer of Opinion

The Group and the Company incurred a net loss of approximately RM5,196,000 and RM4,426,000 respectively during the financial year ended 30 June 2014, and as of that date, the Group and the Company's current liabilities exceeded its current assets by approximately RM107,136,000 and RM379,000 respectively. As disclosed in Notes 18 and 19 to the financial statements, the Group has defaulted in their repayment obligations relating to bank borrowings. Accordingly, the financial institutions have served writs of summon and/or letter of demand against the Group and the Company to demand immediate repayment of the outstanding bank borrowings.

As announced by the Company on 29 August 2014, the Company is an Affected Listed Issuer pursuant to Paragraph 8.04 and Paragraph 2.1(e) to Practice Note 17 (“PN17”) under the Main

Market Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”). Subsequently on 2 September 2014, the Company has announced default in payment pursuant to Practice Note 1 (“PN1”) of the Main Market Listing Requirements of Bursa Securities.

The Company is currently working towards formulating a regularisation plan to address the Company’s PN1 and PN17 status (“Regularisation Plan”). Pursuant to PN17 under the Main Market Listing Requirements of Bursa Securities, the Company is required to submit the Regularisation Plan to the relevant authorities and obtain approval to implement the Regularisation Plan within 12 months from the date of the first announcement.

The ability of the Group and of the Company to continue as going concerns is dependent upon the timely and successful formulation, approval and implementation of the Company’s proposed Regularisation Plan and continuing financial support from its lenders, achieving sustainable and viable operations and generating adequate cash flows for its operating activities.

The timely formulation, approval and implementation of the Company’s proposed Regularisation Plan, including obtaining the support from the lenders remain uncertain at this stage.

Should the going concern basis of preparing the financial statements be no longer appropriate, adjustments would have to be made to reduce the value of all assets to their estimated realisable values, and to provide further estimated liabilities that may arise, and to reclassify property, plant and equipment and other non-current assets and non-current liabilities as current assets and current liabilities respectively.

Disclaimer Opinion

As explained in the Basis for Disclaimer of Opinion, and because of the significance of the aforesaid matter, we have not been able to obtain sufficient appropriate audit evidence to provide a basis of an audit opinion. Accordingly, we do not express an opinion on the financial statements.”

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., a company incorporated in Singapore, has 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 quarter.

6 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.

7 Dividend paid

No dividend was paid in the current financial period.

8 Segment information

Business Segments

<u>Current Financial Year To Date</u>	Lead and Lead Alloys RM'000	Industrial Machinery And Equipment RM'000	Total RM'000
Revenue	7,692	<i>Note 1</i>	7,692
Segments results			
– Profit/(Loss) from operations	(8,177)		(8,177)
Finance costs	(6,257)		(6,257)
Share of profit in an associate		5,998	5,998
Profit/(Loss) before taxation	(14,434)	5,998	(8,436)
Income tax (expense) / refund	-		-
Profit/(Loss) for the period	(14,434)	5,998	(8,436)

Geographical Segment

	Malaysia RM'000	Singapore (RM'000)	Total (RM'000)
Revenue	7,692	<i>Note 1</i>	7,692
Profit/(Loss) for the year	(14,434)	5,998	(8,436)

Note 1 – No revenue disclosed as this segment relates to an associated company.

9 Valuations of Property, Plant and Equipment

The valuations of property, plant and equipment have been brought forward without amendment from the audited financial statements for the year ended 30 June 2014.

10 Material subsequent events

Save as disclosed below, 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:

- (a) On 30 April 2015, the Company announced its monthly announcement pertaining to default in payment pursuant to the Main Market Listing Requirements (“MMLR”) of Bursa Malaysia Securities Berhad (“Defaults”) that there is no major development on the status of the Defaults in payment of principals and interests accrued as at the date of this announcement. The Company is seeking a long term solution to resolve its working capital deficiency as well as address the Defaults by continuing to identify suitable investors.
- (b) On 5 May 2015, the Company announced its monthly announcement in compliance with paragraph 4.1 (c) of Practice Note 17 (“PN17”) of the MMLR of Bursa Securities that the Company is looking into formulating a plan to regularise its financial condition (“Regularisation Plan”). Premised on the First Announcement, the last day for submission of the Regularisation Plan by the Company to the relevant authorities and obtain approval

from the relevant authorities to implement the said Regularisation Plan would be by 28 August 2015, which is approximately 4 months. The Company will make the necessary announcement on the Regularisation Plan in accordance with the requirements under PN17.

11 Changes in composition of the Group

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

12 Changes in contingent liabilities

There were no contingent liabilities as at the latest practical date being a date not earlier than seven (7) days from the date of issue of this interim financial report.

13 Review of performance

- (a) The lead price per tonne quoted at the London Metal Exchange (“LME”) for the first quarter ended 31 March 2015 (“March 2015 quarter”) averaged US\$1,806.28 which represented a decrease of 9.6% or US\$193.03 when compared with the average lead price of US\$1,999.31 recorded in the preceding quarter December 2014. In Ringgit terms, the decrease was 2.8% or RM190.82 decreasing the average lead price to RM6,608.51 from RM6,799.33 per tonne recorded in the preceding December 2014 quarter. (*Current quarter compared to Preceding quarter*).
- (b) The average lead price of US\$1,806.28 per tonne in the current March 2015 quarter was 14.1% or US\$297.63 lower than the average lead price of US\$2,103.91 recorded for the previous financial year ended 30 June 2014. Similarly, in Ringgit terms, the decrease was 4.3% or RM296.61 decreasing the average lead price to RM6,608.51 from RM6,905.13 per tonne recorded in the previous financial year. (*Current quarter compared to Previous financial year end*).
- (c) The average lead price of US\$1,806.28 per tonne in the current March 2015 quarter was 14.2% or US\$298.96 lower than the average lead price of US\$2,105.24 recorded in the previous year’s March 2014 quarter. Similarly, in Ringgit terms, the average lead price of RM6,606.51 per tonne in the current March 2015 quarter was 5.8% or RM406.57 lower than the average lead price of RM7,015.08 per tonne recorded in the previous year’s March 2014 quarter. (*Current quarter compared to Previous year’s quarter*).
- (d) The Group recorded a turnover of RM1.3 million for the current March 2015 quarter compared to RM10.1 million in the corresponding March 2014 quarter while the quantity sold was 167 tonnes for the March 2015 quarter compared to 1,212 tonnes in the corresponding March 2014 quarter.

After deducting the costs of operation, the Group recorded a loss from operations before interest and taxation of RM3.3 million for the current March 2015 quarter compared to a profit from operations before interest and taxation of RM1.7 million in the previous year’s corresponding quarter.

After taking into account the finance costs of RM2.1 million (2014 : RM2.0 million), the Group’s core business, which is the manufacture and sale of lead and lead alloys, recorded a net loss of RM5.4 million in the current March 2015 quarter compared to a marginal net loss of RM272,000 in the previous year’s corresponding quarter.

The higher loss for the current March 2015 quarter in comparison with the previous year’s corresponding quarter was mainly attributed to lower sales revenue as a consequence of lower production level.

- (e) The Group's associate company in Singapore, Nutek Pte Ltd, contributed a profit of RM1.9 million to the Group for the current March 2015 quarter compared to RM1.1 million in the previous year's corresponding quarter as a result of higher sales revenue at the back of higher S\$ exchange rate against the Ringgit Malaysia.
- (f) Overall, the Group recorded a loss of RM3.5 million on a revenue of RM1.3 million for the current March 2015 quarter compared to a profit of RM0.8 million on a revenue of RM10.2 million in the corresponding quarter of the previous year.

On a financial year-to-date basis, the Group recorded an overall loss of RM8.4 million on a revenue of RM7.7 million for the current 9 months ended 31 March 2015 compared to loss of RM1.5 million on a revenue of RM43.9 million in the corresponding period of the previous year was mainly attributed to lower sales revenue as a consequence of lower production level.

14 Variance of results against preceding quarter

The Group recorded a loss before tax of RM3.5 million on a revenue of RM1.3 million for the current March 2015 quarter compared to a loss before tax of RM2.6 million on a revenue of RM2.3 million in the preceding December 2014 quarter.

15 Current year prospects

The current year's prospect will be very challenging given that the Company is currently working towards formulating a regularization plan to the Company's PN1 and PN17 status ("Regularisation Plan") at the back of the volatile global economic and commodity market conditions. However, due to its present circumstances, the Group is operating very much below optimum capacity to be able to achieve profitability.

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/period in view of loss for the current financial period, unutilised capital allowances and tax losses brought forward.

18 Status of corporate proposal announced

Save as disclosed below, there were no corporate proposals that have been announced by the Company ("MRB") and not completed as at the date of this announcement:

- (a) On 20 November 2014, the Company announced that the Company and Metal Reclamation (Industries) Sendirian Berhad ("MRISB"), a wholly-owned subsidiary of the Company (collectively defined herein as "Companies"), had on 18 November 2014, granted the order for the liberty of the Companies to hold meetings with the Creditors and the Members pursuant to Section 176(1) of the Act within 120 days from the grant of the order.

The order from the High Court is also for a Restraining Order to restrain all further proceedings or actions against any of the above-named Applicants by the Scheme Creditors as stated in the Proposed Scheme but not limited to any winding-up proceeding or taking of any action or proceeding, and so on, or in any way under any form of

guarantee or indemnity granted to or conferred by any of the Applicants, any enforcement, detention, or any other form of execution of any judgment or order against any of the Applicants, repossession of any plant, equipment or machinery under lease or hire purchase and any arbitration proceedings for a period of 90 days from the date of this Order, subject to terms as may be determined by the Court pursuant to Section 176 (10) of the Companies Act 1965.

On 11 March 2015, the Company announced that the High Court had extended the Restraining Order for 30 days from 3 March 2015 to the Company and MRISB. Similarly, on 17 April 2015, the Company announced that the High Court had further extended the Restraining Order for 60 days from 14 April 2015 to the Company and MRISB.

Please refer to details of the above announcements made to Bursa Malaysia Securities Berhad.

- (b) On 11 March 2015, the Company announced that the Company had on 11 March 2015 entered into a conditional term sheet (“Term Sheet”) with Segi Recycling Technology Co. Ltd. (“Segi”), a company incorporated in the Republic of Korea, for the proposed investment by Segi in MRB. The Term Sheet is subject to entering into a definitive agreement. *Please refer to details of the said announcement made to Bursa Malaysia Securities Berhad.*

19 Borrowings

	Secured	Unsecured	Total
	RM'000	RM'000	RM'000
Short Term borrowings			
Bankers' Acceptance	-	2,055	2,055
Trust Receipts	-	-	-
Bank Overdrafts	-	2,714	2,714
Revolving Credit	94,329	-	94,329
Term Loans payable within 12 months	-	-	-
Hire Purchase payable within 12 months	-	-	-
	<u>94,329</u>	<u>4,769</u>	<u>99,098</u>
Long Term borrowings	-	-	-

20 Material litigations

Save as disclosed below, 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:

- (a) 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.

- (b) Kuala Lumpur Court Suit No. : 22NCC-365-09/2014
 Plaintiff : AmBank (M) Berhad (“AmBank”)
 Defendants : MRI, MRB, Lim Cheng Sang, Lim Choon Yan and Lim Goh Eng Holdings Sdn Bhd

On 30 September 2014, MRI received a Writ of Summon and Statement of Claim in respect of the outstanding overdraft of RM1,522,200.22 as at 31 August 2014 granted to MRI, from the solicitors acting on behalf of AmBank.

The Defendants have appointed the solicitors to attend the matter which is currently under case management.

- (c) Kuala Lumpur Court Suit No. : 22M-129-10/2014
 Plaintiff : AmIslamic Bank Berhad (“AmIslamic”)
 Defendants : MRI, MRB, Lim Cheng Sang, Lim Choon Yan and Lim Goh Eng Holdings Sdn Bhd

On 8 October 2014, MRI received a Writ of Summon and Statement of Claim in respect of the outstanding Islamic Bankers Acceptance Facility of RM1,307,802.10 as at 31 August 2014 granted to MRI, from the solicitors acting on behalf of AmIslamic.

The Defendants have appointed the solicitors to attend the matter which is currently under case management.

21 Dividend

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

22 Basic earnings per share

	Current quarter	Year to-date
Profit/(Loss) attributable to Owners of the Company (RM'000)	(3,452)	(8,436)
Number of ordinary shares in issue ('000)	47,760	47,760
Basic Earnings/(Loss) per share (Sen)	(7.23)	(17.66)

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

23 Profit / (Loss) before taxation

Profit / (Loss) before tax is arrived at after charging / (crediting) :

	Current quarter RM'000	Year to-date RM'000
Interest income	-	-
Other income including investment income	10	(10)
Interest expense	2,119	6,257
Depreciation and amortization	1,182	3,622
Provision for and write off of receivables	-	-
Provision for and write off of inventories	-	-
(Gain) / Loss on disposal of quoted or unquoted investments or properties	-	-
Impairment of assets	-	-
(Gain) / Loss on foreign exchange	1	44
(Gain) / Loss on derivatives	-	-

24 Realised and Unrealised Profits/(Losses)

	Current financial year RM'000	As at the end of last financial year RM'000
Total retained profits / (accumulated losses) of Metal Reclamation Bhd and its subsidiaries:		
- Realised	(75,273)	(62,084)
- Unrealised	-	-
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	(75,273)	(62,084)
Total share of retained profits / (accumulated losses) from an associated company:		
- Realised	32,624	27,978
- Unrealised	(189)	(296)
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	32,435	27,682
Total group retained profits / (accumulated losses) as per consolidated accounts	----- (42,838)	----- (34,402)

On behalf of the Board
LIM CHENG SANG
 Executive Director