



Part A - EXPLANATORY NOTES PURSUANT TO FRS 134

A1 Basis of Preparation

The Quarterly Report has been prepared in accordance with the reporting requirements outlined in the Financial Reporting Standard (“FRS”) 134: Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 of the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Malaysia”).

The Quarterly Report should be read in conjunction with the audited financial statements for the year ended 30 June 2010.

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 2010.

A2 Changes in Accounting Policies

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 101 | Presentation of Financial Statements |
| • Revised FRS 123 | Borrowing Costs |
| • Amendment to FRS 1 | First-time Adoption of Financial Reporting Standards |
| • 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 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 132 | Financial Instruments: Presentation |
| • Amendment to FRS 134 | Interim Financial Reporting |
| • Amendment to FRS 136 | Impairment of Assets |
| • Amendment to FRS 139 | Eligible Hedged Items |
| • Amendment to FRS 139 | Reclassification of Financial Assets |
| • 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 |
| • Amendment to FRS 139
& IC Interpretation 9 | Reassessment of Embedded Derivatives |
| • Revised FRS 127 | Consolidated and Separate Financial Statements |

Part A - EXPLANATORY NOTES PURSUANT TO FRS 134

A2 Changes in Accounting Policies (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 a single statement. 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.

A3 Comparatives

There were no changes to the comparatives during the current financial period.

A4 Declaration of audit qualification

The audit report of the Company in respect of the annual financial statements for the year ended 30 June 2010 was not subject to any audit qualification.

A5 Seasonality or cyclical nature of operations

The business of the Group is generally neither cyclical nor seasonal except for decreased activities during the Ramadan and Chinese New Year festive months.

A6 Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

A7 Changes in estimates

In the current financial period, there were no changes in estimates that had a material effect on the financial results.

A8 Issuances and repayment of debts and equity securities

Share buy-back

There were no repurchase of own shares in the current financial quarter and current financial period. The total shares repurchased from the open market as at 31 March 2011 remained at 1,040,300 shares. All the shares repurchased are held as treasury shares.



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A9 Dividend paid

A first and final single tier dividend of 3.5 sen per share in respect of financial year ended 30 June 2010 was paid on 28 December 2010.

A10 Segmental reporting

No segment analysis was prepared as the Group is involved in a single industry segment relating to the manufacturing and sale of steel products. The business of the Group is entirely carried out in Malaysia.

A11 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.

A12 Subsequent material events

There were no material events occurring between 31 March 2011 and the date of this announcement that has not been reflected in the financial statement for the period ended 31 March 2011.

A13 Changes in the composition of the Group

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

A14 Contingent liabilities or contingent assets

There were no contingent liabilities or contingent assets as at the end of the reporting quarter.

A15 Changes in Financial Year End Date

There were no changes in the financial year end date during the current financial period.

A16 Capital Commitments

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

EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENT – PART A OF APPENDIX 9B)
B1 Review of the performance of the Company and its principal subsidiaries

For the current quarter ended 31 March 2011, the Group recorded total revenue of RM101.8 million as compared to RM128.3 million in the preceding year's corresponding quarter. The decrease in revenue is mainly due to lower sales volume.

The Group registered a loss before tax of RM1.7 million in the current quarter as compared to a profit before tax of RM15.0 million for the same quarter of the preceding year. The loss position is primarily contributed by a decreased sales volume, a lower margin as well as a reduction of RM6.0 million in foreign exchange gains.

The abovementioned results are contributed by the Company's principal subsidiary, Mycron Steel CRC Sdn Bhd.

B2 Material changes in the quarterly results compared to the results of the immediate preceding quarter

Despite revenue remaining the same, the Group posted a loss before tax of RM1.7 million in the current quarter as compared to a profit before tax of RM0.5 million in the immediate preceding quarter. The decline in profitability is mainly due to lower sales margin and as a result, a lower gross profit.

B3 Prospects for the current financial year

The Directors are of the opinion that although market condition stabilised in early 2011 when moderate re-stocking took place, the temporary uptrend was unfortunately not due to economic recovery but mainly due to speculative buying as steel mills were trying to increase the prices. However, as demand was weak, buyers soon started behaving cautiously in making their procurement decisions. We expect the second quarter of 2011 to be very challenging as it would be very difficult to pass on the higher steel prices to our customers in the softening market.

B4 Variance of actual profit from forecast profit

This is not applicable to the Group.

B5 Taxation

Taxation comprises:-

	<u>Individual Quarter</u>	<u>Cumulative Quarters</u>
	Current Year Quarter 31/3/2011 RM'000	Current Year To Date 31/3/2011 RM'000
Current tax income/(expense) Current period	(98)	(247)
Deferred tax income/(expense) Current period	411	(481)
Over estimated in prior year	421	421
	<u>734</u>	<u>(307)</u>

EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENT – PART A OF APPENDIX 9B)
B6 Profit on sale of unquoted investments and / or properties

The Group did not engage in any sales of unquoted investments and/or properties in the current financial period.

B7 Purchase or disposal of quoted securities

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

B8 Status of corporate proposals

There were no outstanding corporate proposals as at the date of this announcement.

B9 Group borrowings and debt securities

The Group's borrowings as at 31 March 2011 were as follows:

<u>Short term borrowings:</u>	<u>RM'000</u>
Secured	143,237
<u>Long term borrowings:</u>	
Secured	<u>38,188</u>
Total borrowings	<u>181,425</u>

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

	<u>RM'000</u>
- Ringgit Malaysia	121,203
- US Dollar (11,322,000)	34,277
- Euro (6,046,000)	<u>25,945</u>
Total borrowings	<u>181,425</u>

This level of borrowings corresponds to a net gearing ratio as at 31 March 2011 of 0.65 times of total equity.

The Group's borrowings are secured by way of a debenture over the fixed and floating assets of Mycron Steel CRC Sdn Bhd and a corporate guarantee by Mycron Steel Berhad.

B10 Outstanding Derivatives

The Group has 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>Forward Foreign Currency Exchange Contracts</u>		
EUR	7,124	
- Less than 1 year		415
USD	2,839	
- Less than 1 year		(1)



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

B10 Outstanding Derivatives (continued)

- (i) Risk associated with the derivatives

Market risk

Market risk arises on changes in foreign currency exchange rates. The Group entered into forward foreign currency exchange contracts to hedge the fluctuations in EUR/RM and USD/RM exchange rates. However, if the EUR/RM and USD/RM exchange rates move below 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 forward foreign currency exchange contracts are executed as the fees/costs associated with these derivatives are incorporated into the contracted exchange rates.

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

The Group monitors the fluctuations in 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 Material litigation

Save as disclosed below, the Group is not engaged in any material litigation, either as a plaintiff or defendant, claims or arbitration which have a material effect on the financial position of the Group and the Board is not aware of any proceedings pending or threatened against the Group or of any other facts likely to give rise to any proceedings which may materially and/or adversely affect the financial position and business of the Group:

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 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 the Company’s solicitors on 3 May 2010.



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

B12 Material litigation (continued)

MYCRON STEEL BERHAD v MULTI RESOURCES HOLDINGS SDN BHD (KUALA LUMPUR HIGH COURT SUIT NO. D-22NCC-304-2010) (continued)

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, the Company’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 the Company’s appeal and the Company was given a liberty to file afresh the suit in the High Court of Sabah and Sarawak. The Company 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.

The solicitors are of the opinion that the Company has a good case against the Defendant. The amount of the claim is RM17.0 million.

B13 Dividend

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

B14 Earnings per share

(i) Basic earnings per ordinary share

	Current Year Quarter Ended 31 Mar 2011	Preceding Year Corresponding Quarter Ended 31 Mar 2010	Current Year To Date Ended 31 Mar 2011	Preceding Year Corresponding Period Ended 31 Mar 2010
Profit/(loss) attributable to shareholders (RM’000)	(933)	13,112	3,800	22,421
Weighted average number of ordinary shares in issue (’000)	177,960	177,998	177,960	177,998
Basic earnings/(loss) per share (sen)	(0.52)	7.37	2.14	12.60

(ii) Diluted earnings per ordinary share

This is not applicable to the Group.



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

B15 Realised and Unrealised Profits/Losses Disclosure

	As at 31/3/2011 RM'000
Total retained profits of the Company and its subsidiaries:	
- Realised	25,637
- Unrealised	6,415
	<u>32,052</u>
Total share of retained profits from associated company:	
- Realised	43
- Unrealised	-
	<u>43</u>
Less: Consolidation adjustments	<u>-</u>
Total group retained profits as per consolidated accounts	<u><u>32,095</u></u>

By order of the Board

LILY YIN KAM MAY (MAICSA 0878038)
EZZA HANIE BINTI ALIAS (LS 0009238)

Secretaries
Kuala Lumpur
26 May 2011