

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 2011.

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 2011.

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 2011.

A3 Comparatives

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

A4 Declaration of audit qualification

The audit report of the Company in respect of the annual financial statements for the year ended 30 June 2011 was not subject to any audit qualification.

A5 Seasonality or cyclicity 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 quarter, there were no changes in estimates that had a material effect on the financial results.

A8 Debts and equity securities

There were no issuances, cancellations, repurchases, resale and repayment of debt and equity securities during the current financial quarter.



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A9 Dividend paid

During the financial quarter, there was no dividend paid by the Company.

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 2011.

A12 Subsequent material events

There were no material events occurring between 1 October 2011 and the date of this announcement that has not been reflected in the financial statements for the year ended 30 September 2011.

A13 Changes in the composition of the Group

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

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 quarter.

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 30 September 2011, the Group recorded total revenue of RM92.5 million as compared to RM106.0 million in the preceding year’s corresponding quarter. The decrease in revenue is mainly due to lower sales volume.

Compared to the same quarter of the preceding year, the Group registered a loss before tax of RM1.2 million in the current quarter as compared to a profit before tax of RM5.3 million. This is primarily contributed by a decreased sales volume, a lower sales margin and an adverse movement of RM1.9 million in foreign exchange differences from a gain of RM1.2 million to a loss of RM0.7 million.

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

For the current quarter ended 30 September 2011, the Group recorded total revenue of RM92.5 million as compared to RM104.9 million in the immediate preceding quarter. The Group posted a loss before tax of RM1.2 million in the current quarter as compared to a loss before tax of RM3.8 million in the immediate preceding quarter. The decrease in loss is mainly due to improved gross profit margin as a result of higher selling price during the current quarter.

B3 Prospects for the current financial year

Although the long term prospects for the Group are good, at present steel demand remains weak due to the concerns of the global economic environment.

In view of this, the Group will continue to remain focused and closely monitor the global and domestic steel demand patterns, and continue to maintain a cautious stance on inventory management.

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 30/9/2011 RM'000	Current Year To Date 30/9/2011 RM'000
Current tax expense Current period	(43)	(43)
Deferred tax expense Current period	(312)	(312)
	<u>(355)</u>	<u>(355)</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.

B7 Purchase or disposal of quoted securities

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

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 30 September 2011 were as follows:

<u>Short term borrowings:</u>	<u>RM'000</u>
Secured	127,437
<u>Long term borrowings:</u>	
Secured	<u>16,025</u>
Total borrowings	<u>143,462</u>

The Group's currency exposure of borrowings as at 30 September 2011 were as follows:

	<u>RM'000</u>
- Ringgit Malaysia	91,108
- US Dollar (9,219,000)	29,407
- Euro (5,287,000)	<u>22,947</u>
Total borrowings	<u>143,462</u>

As at 30 September 2011, the net gearing ratio of the Group is 0.50 times.

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

As at 30 September 2011, the fair value of the outstanding derivatives of the Group is as follows: -

	<u>Fair Value</u>
	RM'000
<u>Current asset:</u>	
Forward foreign currency exchange contracts	779

The Group has entered into forward foreign currency exchange contracts to manage its foreign currency exchange exposure arising from future repayment of borrowings denominated in Euro and purchase of raw



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

B10 Outstanding Derivatives (continued)

materials denominated in US Dollar respectively. The notional principal amount of the forward foreign currency exchange contract was Euro 0.9 million (approximately RM3.5 million) and USD 6.5 million (approximately RM20.0 million) respectively. The fair value of the forward foreign currency exchange contracts amounting to RM0.8 million is determined using mark-to-market rates for the same notional amounts as at 30 September 2011.

As the Group did not adopt hedge accounting, the changes in the fair value of the derivatives are recognised immediately in profit or loss.

(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 foreign currency exchange rates. However, if the foreign currency exchange rates move below contracted rates, the Group is exposed to fair value risk and the losses shall be recognised immediately in profit or loss.

(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.



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 Company’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, the Company’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.

The Company’s solicitor is 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 dividend for the financial quarter ended 30 September 2011.

B14 Earnings per share

(i) Basic earnings per ordinary share

	Current Year Quarter Ended 30 Sep 2011	Preceding Year Corresponding Quarter Ended 30 Sep 2010	Current Year To Date Ended 30 Sep 2011	Preceding Year Corresponding Period Ended 30 Sep 2010
(Loss)/profit attributable to shareholders (RM’000)	(1,514)	4,256	(1,514)	4,256
Weighted average number of ordinary shares in issue (net of treasury shares) (’000)	177,960	177,960	177,960	177,960
Basic (loss)/earnings per share (sen)	(0.85)	2.39	(0.85)	2.39

(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 30/9/2011 RM'000
Total retained earnings of the Company and its subsidiaries:	
- Realised	25,042
- Unrealised	2,208
	<u>27,250</u>
Less: Consolidation adjustments	<u>43</u>
Total group retained earnings as per consolidated accounts	<u><u>27,293</u></u>

By order of the Board

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

Secretaries
Kuala Lumpur
24 November 2011