



Part A - EXPLANATORY NOTES PURSUANT TO FRS 134

A1 Basis of Preparation

The Quarterly Report is unaudited and has been prepared in accordance with the Malaysian Financial Reporting Standard (“MFRS”) 134 - Interim Financial Reporting issued by the Malaysian Accounting Standards Board (“MASB”) and Paragraph 9.22 and Appendix 9B of the Bursa Malaysia Securities Berhad (“Bursa Malaysia”) Listing Requirements. The report should be read in conjunction with the Group’s audited financial statements for the financial year ended 30 June 2012 which was prepared in accordance with the Financial Reporting Standard (FRS).

The explanatory notes attached to the unaudited 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 2012.

A2 Changes in Accounting Policies

On November 19, 2011, MASB issued a new MASB approved accounting framework, the Malaysian Financial Reporting Standards Framework (“MFRS Framework”) in conjunction with its planned convergence of FRSs with International Financial Reporting Standards (“IFRS”) as issued by the International Accounting Standards Board (“IASB”) on 1 January 2012.

The MFRS Framework is a fully IFRS-compliant framework, equivalent to IFRSs which is mandatory for adoption by all Entities Other than Private Entities for annual periods beginning on or after January 1, 2012, with the exception for Transitioning Entities. Transitioning Entities, being entities which are subject to the application of MFRS 141 *Agriculture* and/or Issues Committee Interpretation 15 *Agreements for the Construction of Real Estate* are given an option to defer adoption of the MFRS Framework for an additional one year. Transitioning Entities also includes those entities that consolidates, equity accounts or proportionately consolidates an entity that has chosen to continue to apply the FRS Framework for annual periods beginning on or after 1 January 2012.

Accordingly, the Group which is not Transitioning Entities will be required to and hereby apply MFRS 1 *First-time Adoption of Malaysian Financial Reporting Standards* (MFRS 1) effective from 1 July 2012.

In addition, the financial statements comply with IFRS as issued by IASB.

The adoption of the MFRSs does not have significant financial impact on the interim financial statements of the Group except for the following:

(a) MFRS 116: Property, Plant and Equipment

The Group has adopted FRS 116’s revaluation model on its Property, Plant and Equipment (specifically on Land, buildings, plant and machinery) since financial year 2006 where net changes in valuation are taken-up as separate reserve in equity.

Upon transition to MFRS, the Group elected to apply the option to use its property, plant, and equipment’s closing valuation for financial year ended 30 June 2012 as its deemed cost on 1 July 2012 of the financial year 2013. As such, the asset valuation reserve (net corresponding deferred tax liabilities if any) as reported in the previous financial close at RM44 million was adjusted into retained earnings on the MFRS transition date.



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A3 Comparatives

The following comparative figures have been restated due to the adoption of new MFRSs:

Reconciliation of Equity as at 1 July 2012

	<-----Adjustments----->		
	Balance	MFRS 116	Balance
	As at 30 June 2012	(NoteA2(a))	As at 1 July 2012
	RM'000	RM'000	RM'000
Asset revaluation reserve	44,040	(44,040)	-
Retained earnings	16,383	44,040	60,423

A4 Declaration of audit qualification

The audit report of the Company in respect of the annual financial statements for the financial year ended 30 June 2012 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.

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 2012.



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A12 Subsequent material events

There were no material events occurring between 1 October 2012 and the date of this announcement that has not been reflected in the financial statements for the quarter ended 30 September 2012.

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

The Group had, in the financial year 2009, made a claim amounting to RM17,000,000 against a vendor as a result of non-compliance of certain conditions set out in the shareholders' agreement entered into with the said vendor. This amount was fully impaired over the last three financial years as the Directors were not virtually certain on its recoverability. Given that there is positive progress in the litigation (see Note B13), the Directors are of the view that the Group has a strong chance of partial recovery against the vendor. As such, this is disclosed as a contingent asset not recognized in the financial statement as at the end of this reporting quarter.

There were no contingent liabilities 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

Capital expenditure not provided for in the financial statements at the end of the reporting quarter is as follows:

	RM'000
Plant and equipment – Approved and contracted for	1,153
Plant and equipment – Approved but not contracted for	21,160
Total	22,313

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 2012, the Group recorded total revenue of RM125 million as compared to RM93 million in the preceding year's corresponding quarter. The increase in revenue is mainly due to higher sales volume of 44% as compared to the same preceding quarter.

The Group registered a profit before tax of RM0.1 million for the quarter as compared to loss before tax of RM1.2 million in the preceding year's corresponding quarter. The increase in profit is mainly due to increase in sales volume and higher profit margin due to lower material cost for the quarter.

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 2012, the Group recorded total revenue of RM125 million as compared to RM136 million in the immediate preceding quarter. The Group posted a profit before tax of RM0.1 million in the current quarter as compared to a loss before tax of RM8.5 million in the immediate preceding quarter. The increase in profit is mainly due the absence of any one-off impairment on other receivable/investment as recorded in the immediate preceding quarter at RM9.1 million.

B3 Prospects for the current financial year

For the coming financial year, the Group expects the demand for CRC will continue to be stable and healthy for plant's utilization. However, the performance of the Group hinges on its ability to continue to source commercially viable iron ore based HRC by obtaining the necessary import duty exemption from the Government.

B4 Variance of actual profit from forecast profit

This is not applicable to the Group.

B5 Profit/(loss) before taxation

Profit/(loss) before taxation is stated after charging/(crediting):

	Current Year Quarter Ended 30 Sep 2012 RM'000	Preceding Year Corresponding Quarter Ended 30 Sep 2011 RM'000	Current Year To Date Ended 30 Sep 2012 RM'000	Preceding Year Corresponding Period Ended 30 Sep 2011 RM'000
Depreciation	2,717	2,661	2,717	2,661
Interest income	(74)	(98)	(74)	(98)
Interest expense	1,894	1,624	1,894	1,624
Foreign exchange loss	299	1,219	299	1,219
Derivatives gain	(37)	(492)	(37)	(492)



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

B6 Taxation

Taxation comprises :

	Current Year Quarter Ended 30 Sep 2012 RM'000	Preceding Year Corresponding Quarter Ended 30 Sep 2011 RM'000	Current Year To Date Ended 30 Sep 2012 RM'000	Preceding Year Corresponding Period Ended 30 Sep 2011 RM'000
Current tax expense				
Current period	(37)	(43)	(37)	(43)
Deferred tax income				
Current period	317	(312)	317	(312)
	<u>280</u>	<u>(355)</u>	<u>280</u>	<u>(355)</u>

B7 Profit on sale of unquoted investments and / or properties

In the current financial quarter, the Group has disposed its 100% equity interest in Maybach Logistics Sdn Bhd and registered a gain on disposal of RM7,000. The gain on disposal represents the disposal proceeds as the cost of investment has been fully impaired in the financial year ended 30 June 2011.

B8 Purchase or disposal of quoted securities

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

B9 Status of corporate proposals

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

B10 Group borrowings and debt securities

The Group's borrowings as at 30 September 2012 were as follows:

<u>Short-term borrowings:</u>	<u>RM'000</u>
Secured	164,879
<u>Long-term borrowings:</u>	
Secured	<u>8,871</u>
Total borrowings	<u>173,750</u>

The Group's currency exposure of borrowings as at 30 September 2012 were as follows:	<u>RM'000</u>
- Ringgit Malaysia	143,281
- US Dollar	15,443
- Euro	<u>15,026</u>
Total borrowings	<u>173,750</u>

As at 30 September 2012, the net gearing ratio of the Group is 0.61 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.



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

B11 Outstanding Derivatives

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 materials denominated in US Dollar respectively. The notional principal amount of the forward foreign currency exchange contract was Euro 0.8 million and USD 4.5 million respectively. The net fair value of the forward foreign currency exchange contracts amounting to RM37,000 is determined using mark-to-market rates for the same notional amounts as at 30 September 2012.

As at 30 September 2012, 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>		
USD	13,892	
- Less than 1 year		44
<u>Forward Foreign Currency Exchange Contracts</u>		
Euro	3,295	
- Less than 1 year		(7)

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

(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 of the Group's borrowings and purchase of raw materials. 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 the 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.



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

B12 Off balance sheet financial instruments

There were no off balance sheet financial instruments as at the date of this announcement.

B13 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 (HIGH COURT OF SABAH AND SARAWAK SUIT NO. KCH-22-80-2011)

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. 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. On 15 December 2011, the High Court of Sabah and Sarawak had rescheduled the hearing to 18 to 22 June 2012. On 18 June 2012, the High Court of Sabah and Sarawak had further rescheduled the trial to 19 to 23 November 2012. On 19 November 2012, the Company’s solicitor was notified by the Defendant’s solicitor that they have been instructed by the Defendant to make an offer for an amicable out-of-court settlement with the Company. The Company is to reply whether to accept the offer not later than 3 December 2012, before 4.00 p.m., failing which the offer for an amicable out-of-court settlement shall lapse. The case is fixed for mention on 4 January 2013, whilst the trial date has been adjourned to 16 January 2013.

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.

B14 Dividend

The Company did not declare any dividend for the financial quarter ended 30 September 2012.



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

B15 Earnings per share

- (i) Basic earnings per ordinary share

	Current Year Quarter Ended 30 Sep 2012	Preceding Year Corresponding Quarter Ended 30 Sep 2011	Current Year To Date Ended 30 Sep 2012	Preceding Year Corresponding Period Ended 30 Sep 2011
Profit/(loss) attributable to owners (RM'000)	400	(1,514)	400	(1,514)
Weighted average number of ordinary shares in issue (net of treasury shares) ('000)	177,960	177,960	177,960	177,960
Basic earnings/(loss) per share (sen)	0.22	(0.85)	0.22	(0.85)

- (ii) Diluted earnings per ordinary share

This is not applicable to the Group.

B16 Realised and Unrealised Profits/Losses Disclosure

	As at 30/9/2012 RM'000	As at 30/6/2012 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	8,630	8,276
- Unrealised	51,917	8,064
	60,547	16,340
Add: Consolidation adjustments	43	43
Total group retained profits as per consolidated accounts	60,590	16,383

By order of the Board

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

Secretaries
Kuala Lumpur
27 November 2012