



Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A1 Basis of Preparation

This 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. In addition, the financial statements comply with IFRS as issued by IASB. The report should be read in conjunction with the Group’s audited financial statements for the financial year ended 30 June 2013 which was prepared in accordance with the MFRS.

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 2013.

The significant accounting policies and methods adopted for this unaudited interim financial report are consistent with those adopted for the audited financial statements for the financial year ended 30 June 2013.

The adoption of the following MFRSs and Amendments to MFRSs that came into effect on 1 January 2013 did not have any significant impact on the unaudited condensed consolidated financial statements upon their initial application.

- MFRS 10: “Consolidated Financial Statement” on changes relating to definition of control
- MFRS 11: “Joint Arrangement” on the determination of the type of joint arrangement
- MFRS 12: “Disclosure of Interest in Other Entities” on disclosure requirements replacing that of MFRS128
- MFRS 13: “Fair Value Measurement” on disclosure requirements
- MFRS 127: “Separate Financial Statement” revision
- MFRS 128: “Investments in Associates and Joint Ventures” revision
- MFRS 119: “Employee Benefits” amendments
- MFRS 7: “Financial Instruments: Disclosure” amendments
- MFRS 116: “Property, Plant and Equipment” amendments

The Group did not early adopt the following new standards, amendments to standards and IC interpretations that have been issued by the Malaysian Accounting Standards Board as these are effective for financial periods beginning on or after 1 January 2014.

- MFRS 132: “Financial Instruments: Presentation” amendments
- MFRS 9: “Financial Instruments” replacing MFRS 139



Part A - EXPLANTORY NOTES PURSUANT TO MFRS 134

A2 Declaration of audit qualification

The audit report of the Company in respect of the annual financial statements for the financial year ended 30 June 2013 was not subject to any audit qualification.

A3 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. The Ramadan month in August 2013 saddled this interim reporting period.

A4 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.

A5 Changes in estimates

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

A6 Debts and equity securities

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

The Group has a policy to maintain its' Gearing Ratio (measured as interest bearing debts over shareholders' equity less intangibles) at below 1.5 times.

	30 Sept 2013	30 June 2013
Total interest bearing debts in RM'million	159.3	146.6
Shareholders' funds less intangibles in RM'million	264.2	264.0
Gearing Ratio	0.60	0.56

A7 Dividend paid

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

A8 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 cold-rolled-coil products. The business of the Group is entirely carried out in Malaysia.

A9 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 2013.



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A10 Fair Value Measurement

Except for the financial instruments disclosed below which are fair valued by valuation methods, the carrying value of short-term maturity financial instruments like cash deposits and bank balances, receivables, and short-term borrowings and payables approximates their fair values.

Financial instruments subjected to fair valuation methods are categorised into the following fair value hierarchy and are represented in the table below as at 30 September 2013:

Level 1: based on unadjusted quoted prices in active markets for identical assets and liabilities

Level 2: based on observable inputs not included within level 1

Level 3: based on unobservable inputs

<u>Recurring fair value measurement</u>	Fair Value RM'000		
	Level 1	Level 2	Level 3
Foreign Currency Forwards			
as Assets (not hedge accounted)	0	566.2	0
as Assets (hedge accounted)	0	420.6	0
as Liabilities (hedge accounted)	0	(378.5)	0
Total	0	608.3	0

The Foreign Currency Forwards are fair valued by way of marking-to-market using reference bank's published forward rates.

A11 Subsequent material events

There were no material events occurring between 1 October 2013 and the date of this announcement that warrant adjustments to the financial statements for the quarter ended 30 September 2013.

A12 Changes in the composition of the Group

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

A13 Contingent liabilities or contingent assets

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

A14 Changes in Financial Year End Date

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

A15 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 but not contracted for	14,875



PART B - 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 2013, the Group recorded total revenue of RM112 million as compared to RM125 million in the preceding year's corresponding quarter. The decrease in revenue is mainly due to lower sales volume by 5% as compared to the same preceding year's corresponding quarter.

The Group registered a loss before tax of RM0.6 million for the quarter as compared to profit before tax of RM0.1 million in the preceding year's corresponding quarter. The decrease in profit is mainly due to foreign exchange translation losses of RM2.2 million and realized foreign exchange losses of RM0.9 million (preceding year's corresponding period's at unrealized gain RM0.7 million and realized losses RM0.8 million respectively) attributed to the weakened Ringgit (which has lost 2.5% of its value against the USD over the reporting period). The Group registered an after-tax profit of RM195 thousand (preceding year's corresponding quarter's after-tax profit RM400 thousand) attributed to higher decrease in deferred tax liabilities.

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 2013, the Group recorded total revenue of RM112 million as compared to RM123 million in the immediate preceding quarter due to lower sales volume (down by 1.7%) and lower average selling price per ton (down by 6%), primarily due to the Ramadan month in the current quarter. The Group posted a pre-tax loss of RM0.6 million in the current quarter as compared to a pre-tax profit of RM4.8 million in the immediate preceding quarter due to a combination of lower gross profit (down by RM2.5 million) and higher foreign exchange losses (up by around RM2 million). At the post-tax level, the Group's net profit at RM195 thousand is lower compared to preceding quarter's at RM2.6 million.

B3 Prospects for the current financial year

The Group expects demand for CRC to pick-up moderately in the next quarter before tapering off towards the Chinese New Year period. The Group remains cautious of the generally softer undertone in the domestic economy following the fuel prices hike in early September and the Government's fiscal tightening budget towards gradual subsidies removal and a shift towards broader consumption based value-added tax by April 2015. On the external front, China's surplus steel output continues to add pricing pressure in the region. The USD which has since abetted against the Ringgit continues to show resilience, and any rumors on the quantitative easing program tapering-off may add volatility to business and margins. Nevertheless, the Group expects domestic demand for CRC to remain relatively healthy for its plant's utilization rate. Therefore, the Group's financial performance and prospect outlook for the remaining of the financial year is generally mixed and hinges on the followings:

- The severity of external factors induced impact on the domestic economy, particularly on CRC demand
- The Group's ability to pass on higher costs of doing business in its CRC's selling prices to customers
- The Government's continuing effort to plug import loopholes on CRC and curtails unfair pricing

B4 Variance of actual profit from forecast profit

This is not applicable to the Group.



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

B5 (Loss)/profit before taxation

(Loss)/profit before taxation is stated after charging/(crediting):

	Current Year Quarter Ended 30 Sep 2013 RM'000	Preceding Year Corresponding Quarter Ended 30 Sep 2012 RM'000	Current Year To Date Ended 30 Sep 2012 RM'000	Preceding Year Corresponding Period Ended 30 Sep 2012 RM'000
Depreciation	2,731	2,717	2,731	2,717
Interest income	(113)	(74)	(113)	(74)
Interest expense	2,631	1,894	2,631	1,894
Foreign exchange loss	3,115	153	3,115	153
Derivatives gain	(435)	(37)	(435)	(37)

B6 Taxation

Taxation comprises :

	Current Year Quarter Ended 30 Sep 2013 RM'000	Preceding Year Corresponding Quarter Ended 30 Sep 2012 RM'000	Current Year To Date Ended 30 Sep 2013 RM'000	Preceding Year Corresponding Period Ended 30 Sep 2012 RM'000
Current tax expense				
Current period	(45)	(37)	(45)	(37)
Deferred tax income				
Current period	877	317	877	317
	<u>832</u>	<u>280</u>	<u>832</u>	<u>280</u>

For the current financial quarter and year to date, tax credit arose mainly due to higher decrease in deferred tax liabilities.

B7 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 quarter.

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.



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

B10 Group borrowings and debt securities

The Group's bank borrowings as at 30 September 2013 were as follows:

<u>Short-term bank borrowings:</u>	<u>RM'000</u>
Secured	122,251
<u>Long-term bank borrowings:</u>	
Secured	<u>3,713</u>
Total borrowings	<u>125,964</u>

The Group's currency exposure of borrowings as at 30 September 2013 were as follows:	<u>RM'000</u>
- Ringgit Malaysia	113,646
- US Dollar	2,343
- Euro	<u>9,975</u>
Total borrowings	<u>125,964</u>

The Group's bank 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.

The Group has drawn on interest-bearing-trade credits from a key hot-rolled-coil supplier with an outstanding amount of USD 10.34 million (RM33.3 million) as at 30 September 2013. Inclusive of this, the Group's net gearing ratio as at 30 September 2013 is around 0.6 times.



PART B - 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 (FX forwards) 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.

For this reporting period, the Group has started to designate certain eligible hedge relations on FX forwards incepted to cover its USD exposure on forward purchases of raw materials for the purpose of hedge accounting. These are designated as fair value hedge with the arising mark-to-market foreign currency fair value gain/ (loss) of both the hedging instruments (i.e. FX Forwards) and the hedged items (i.e. forward purchases of raw material and or accounts payables in USD) been charged to the Statement of Profit or Loss.

Details on outstanding derivative FX forward contracts for both the non-designated and designated for hedge accounting as at 30 September 2013 are outline below:

Non-designated

FX Forward Contracts as non-designated hedging instrument				
	Notional Value '000		Fair Value RM'000	
Maturity	Long USD	Short RM	Financial Asset	Financial Liability
Less than 1 year	4,898	15,836	195.3	0

FX Forward Contracts				
	Notional Value '000		Fair Value RM'000	
Maturity	Long Euro	Short RM	Financial Asset	Financial Liability
Less than 1 year	793.1	3,131	370.8	0

Designated

FX Forward Contracts as designated hedging Instrument					Forward purchase of raw material and/or a/c payable as hedge items				
	Notional Value '000		Fair Value RM'000			Notional Value '000		Fair Value RM'000	
Maturity	Long USD	Short RM	Financial Asset	Financial Liability	Maturity	Short USD	n.a.	Financial Asset	Financial Liability
Less than 1 year	17,940	58,793	420.6	378.5	Matching	17,940	n.a.	378.5	420.6

- (i) Risk associated with the derivatives

Counter-Party Risk

The Forward FX contracts are entered into with domestic licensed financial institutions which have extended FX lines to the Group. The associated Counter-Party risk is negligible.

- (ii) Cash requirements of the derivatives

There is no cash movement from the Group to the counterparties when the Forward FX contracts are incepted. Upon maturity of the Forward FX contracts, domestic currency is exchanged for the foreign currency to meet its obligations.

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

The Group uses derivative financial instruments to hedge specific risk exposures of the underlying hedge items and does not enter into derivative financial instruments for speculative purposes. 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 Board of Directors regularly reviews the risk and approves the policy for managing the risk.

PART B - 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 except for bank guarantees issued amounting to RM2.5 million being security for inbound supply of goods and services .

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 successfully filed with the Kuala Lumpur High Court (“the Court”) for a change in the jurisdiction for the case to be heard in Kuching. On 27 April 2011, the Company’s solicitor filed the Writ of Summons and Statement of Claim to the High Court of Sabah and Sarawak. Hearings and trial of the case were conducted in the periods between 18 June 2012 to 21 June 2012, with the final submission made on 5 September 2013. The Court ruled on 18 Oct 2013 that the Company’s claim be dismissed with cost of RM60,000 on the ground that the Company has failed to comply with a certain condition precedent requiring the Company’s nominee in the Board of PMPG to resign first before it is entitled to the claim against the Vendor. The Company is now considering its option to either appeal or file-a-fresh upon meeting the said condition precedent.

B14 Dividend

The Company did not declare any dividend for the financial quarter ended 30 September 2013.

B15 Earnings per share

(i) Basic earnings per ordinary share

	Current Year Quarter Ended 30 Sep 2013	Preceding Year Corresponding Quarter Ended 30 Sep 2012	Current Year To Date Ended 30 Sep 2013	Preceding Year Corresponding Period Ended 30 Sep 2012
Profit attributable to owners (RM’000)	195	400	195	400
Weighted average number of ordinary shares in issue (net of treasury shares) (’000)	177,960	177,960	177,960	177,960
Basic earnings per share (sen)	0.11	0.22	0.11	0.22

(ii) Diluted earnings per ordinary share

This is not applicable to the Group.



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

B16 Realised and Unrealised Profits/Losses Disclosure

	As at 30/9/2013 RM'000	As at 30/6/2013 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	59,870	60,254
- Unrealised	2,666	2,087
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	62,536	62,341
 Add: Consolidation adjustments	 43	 43
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Total group retained profits as per consolidated accounts	62,579	62,384

By order of the Board

LILY YIN KAM MAY (MAICSA 0878038)

Secretaries
Kuala Lumpur
26 November 2013