



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 Statements”
- MFRS 11: “Joint Arrangements”
- MFRS 12: “Disclosure of Interests in Other Entities”
- MFRS 13: “Fair Value Measurement”
- The revised MFRS 127: “Separate Financial Statements”
- The revised MFRS 128: “Investments in Associates and Joint Ventures”
- Amendment to MFRS 119: “Employee Benefits”
- Amendment to MFRS 7: “Financial Instruments: Disclosures”
- Amendments to MFRS 10, 11 & 12: “Consolidated Financial Statements, Joint Arrangements and Disclosure of Interest in Other Entities: Transition Guidance”
- Annual improvements 2009 – 2011 Cycle

The amendments to MFRS 136 ‘Impairment of assets’ removed certain disclosures of the recoverable amount of CGUs which had been included in MFRS 136 by the issuance of MFRS 13. The amendment is not mandatory for the Group until 1 July 2014, however the Group has decided to early adopt the amendment as of 1 July 2013.



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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.

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, or resale of 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 Jun 2014	30 Jun 2013
Total interest bearing debts in RM'million	161.0	146.6
Shareholders' funds less intangibles in RM'million	257.9	264.0
Gearing Ratio	0.62	0.56

Of the total interest bearing debts of RM161.0m as at 30 June 2014, around RM115.1m is represented by its debenture and the balance being unsecured supplier's credit.

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

In June 2014, the Group's property, plant and equipment were revalued by an independent firm of professional valuers based on open market value. Arising from the revaluation above, the surplus portion accounted for deferred tax, amounting to RM3.1 million was credited to the asset revaluation reserve while the deficit portion amounting to RM6.4 million was charged to profit or loss as impairment loss after netting any prior corresponding revaluation.



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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 June 2014:

- 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	0	311.0	0
as Liabilities (not hedge accounted)	0	0	0
as Assets (hedge accounted)	0	475.0	0
as Liabilities (hedge accounted)	0	0	0
Total	0	786.0	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 July 2014 and the date of this announcement that warrant adjustments to the financial statements for the quarter ended 30 June 2014.

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	NIL



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 June 2014, the Group recorded a total revenue of RM99 million as compared to RM123 million in the preceding year's corresponding quarter. The decrease in revenue is mainly due to lower sales volume (by around 11%) and lower unit selling price (by around 10%) as compared to the same preceding quarter.

The Group registered a loss before tax of RM14.6 million for the quarter compared to profit before tax of RM4.9 million in the preceding year's corresponding quarter. The loss is mainly due to the impairment loss on property, plant and equipment of RM6.4 million; lower margin spread between selling price and raw material price; and higher unit conversion cost arising from lower production volume by around 17% as compared to the same preceding quarter. The Group's current quarter's after-tax loss is RM10.4 million as compared to the after-tax profit of RM2.7 million in the preceding year's corresponding quarter. The Group's EBITDA for the current quarter is –RM3.1 million as compared to the preceding year's corresponding quarter at RM9.5 million. Revaluation surplus on property, plant and equipment of RM3.1 million is credited to the asset revaluation reserve.

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 June 2014, the Group recorded total revenue of RM99 million as compared to RM113 million in the immediate preceding quarter due to the drop in sales volume by around 11%. The Group posted a pre-tax loss of RM14.6 million in the current quarter as compared to a pre-tax loss of RM2.8 million in the immediate preceding quarter, mainly due to the impairment loss on property, plant and equipment of RM6.4 million and higher unit conversion cost arising from lower production volume (by around 10%). At the post-tax level, the Group recorded a net loss of RM10.4 million compared a net loss of RM2.4 million in the immediate preceding quarter. The Group's EBITDA for the current quarter is –RM3.1 million as compared to the immediate preceding quarter at RM2.2 million

B3 Prospects for the next financial year

The Group's first quarter of the next financial year, which coincides with the Ramadan and the Hari Raya Holidays plus a planned production stoppage for its cold-rolling-mill line upgrade, will likely be a slow quarter. However, the Group expects business to pick-up in the 2nd quarter and accelerating into the 3rd quarter until the crossover into the Goods & Service Tax (GST) regime in the 4th quarter which will likely record a drop in demand and consumption.

On the positive side, the Group hopes the reported strong quarterly GDP performance and growth of Malaysia coupled with a more stable foreign currency exchange environment would translate to better demand and margins for its steel products for the next financial year. Whilst the Group will set out to achieve a turnaround in its performance for the new financial year 2015, the prospect remains cautious and hinges on the following:

- The Government's continuing effort to plug import loopholes on CRC and curtails unfair pricing
- Severity of GST and other subsidy-rationalization measures on inflationary pressure and domestic demand
- The Group's continuing ability to pass on higher costs of doing business in its CRC's selling prices to customers

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 Profit before taxation

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

	Current Year Quarter Ended 30 Jun 2014 RM'000	Preceding Year Corresponding Quarter Ended 30 Jun 2013 RM'000	Current Year To Date Ended 30 Jun 2014 RM'000	Preceding Year Corresponding Period Ended 30 Jun 2013 RM'000
Depreciation	2,845	2,802	11,315	10,962
Interest income	(162)	(71)	(466)	(333)
Interest expense	2,474	1,909	9,443	7,910
Foreign exchange (gain)/loss (include hedge accounted FX forwards)	(680)	652	669	955
FX Forward not hedge accounted loss/(gain)	193	(337)	484	(173)

B6 Taxation

Taxation comprises :

	Current Year Quarter Ended 30 Jun 2014 RM'000	Preceding Year Corresponding Quarter Ended 30 Jun 2013 RM'000	Current Year To Date Ended 30 Jun 2014 RM'000	Preceding Year Corresponding Period Ended 30 Jun 2013 RM'000
Current tax (expense)/credit				
Current period	(51)	(48)	(264)	(237)
Under accrual in prior year	-	(29)	-	(29)
Deferred tax income/(expense)				
Current period	4,306	(2,135)	5,182	(3,784)
	<u>4,255</u>	<u>(2,212)</u>	<u>4,918</u>	<u>(4,050)</u>

For the current year to date, tax credit arose mainly due to deferred tax liability adjustments.

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 June 2014 were as follows:

<u>Short-term bank borrowings:</u>	<u>RM'000</u>
Secured	112,841
<u>Long-term bank borrowings:</u>	
Secured	204
Unsecured	<u>2,074</u>
Total borrowings	<u>115,119</u>

The Group's currency exposure of borrowings as at 30 June 2014 were as follows:	<u>RM'000</u>
- Ringgit Malaysia	111,882
- Euro	<u>3,237</u>
Total borrowings	<u>115,119</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 key hot-rolled-coil suppliers with an outstanding amount of USD14.2 million (RM45.9 million) as at 30 June 2014. Inclusive of this, the Group's net gearing ratio as at 30 June 2014 is around 0.62 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 purchases of raw materials denominated in US Dollar.

Since the beginning of the current financial year, 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 June 2014 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	3,933	12,976	0	311.0

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	6,077	20,065	0	475.0	Matching	6,077	n.a.	475.0	0

- (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 RM2.1 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 2013, 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 has filed an appeal on 13 Nov 2013 against the Court’s decision and the Defendant has filed a cross-appeal on 10 Jan 2014. The Company is now waiting for the Court to set a date for hearing.

B14 Dividend

The Company did not declare any dividend for the financial period ended 30 June 2014.

B15 Earnings per share

- (i) Basic earnings per ordinary share

	Current Year Quarter Ended 30 Jun 2014	Preceding Year Corresponding Quarter Ended 30 Jun 2013	Current Year To Date Ended 30 Jun 2014	Preceding Year Corresponding Period Ended 30 Jun 2013
(Loss)/profit attributable to owners (RM’000)	(10,366)	2,661	(9,228)	6,998
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)	(5.82)	1.50	(5.19)	3.93

- (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 30/6/2014 RM'000	As at 30/6/2013 RM'000
Total retained profits of the Company and its subsidiaries:		
- Realised	55,075	60,254
- Unrealised	(1,962)	2,087
	<u>53,113</u>	<u>62,341</u>
Add: Consolidation adjustments	<u>43</u>	<u>43</u>
Total group retained profits as per consolidated accounts	<u>53,156</u>	<u>62,384</u>

By order of the Board

LILY YIN KAM MAY (MAICSA 0878038)

Secretaries
Kuala Lumpur
28 August 2014