

CONTENTS



| | | | |
|--|-------|--|-------|
| The Notice of Second Annual General Meeting | 4-9 | Directors' Report | 40-43 |
| Statement Accompanying Notice of Second Annual General Meeting | 10 | Report of the Auditors | 44 |
| Chairman's Statement | 11-13 | Income Statements | 45 |
| Corporate Information | 14-15 | Balance Sheets | 46 |
| Quality Recognition | 16-17 | Consolidated Statement of Changes in Equity | 47 |
| Board of Directors | 18 | Company Statement of Changes in Equity | 48 |
| Profile of Directors | 19-23 | Cash Flow Statements | 49-50 |
| Group Financial Highlights | 24-25 | Notes to Financial Statements | 51-65 |
| Analysis of Shareholdings | 26-28 | Statement by Directors | 66 |
| Statement on Corporate Governance | 29-34 | Statutory Declaration | 66 |
| Statement on Internal Control | 35-36 | Properties Owned by Mycron Steel Berhad and its Subsidiary | 67 |
| Audit Committee Report | 37-39 | Form of Proxy | |



On behalf of the Board of Directors, I have pleasure in presenting the Group's Annual Report for the year ended 31 January 2005.

A Successful Financial Year 2005

The year witnessed a global tightening in the supply of steel, which was accompanied by rising demand and record prices for the commodity. Although steel prices in China stabilized momentarily when its government acted to cool possible over-investment, a recovering US economy and strong demand in the East continued to sustain the momentum in demand and prices.

The price of imported feedstock, Hot Rolled Coil, increased by a phenomenal 75% during the year and looks set to continue to rise further at least in the first half of Financial Year 2006 before settling down at these high levels. Despite the challenges, the Group has skillfully navigated a demanding year and continued to operate efficiently with a high rate of capacity utilization.

Unfortunately, steel price increases have to be passed on to our customers downstream but they were always carried out in a rational and sensitive manner with due regard for excellent service support and responsible credit management.

Financial Results

The Group is pleased to report that turnover, on a full year basis, increased by 32.5% to RM357.2 million, (2004 : RM269.6 million). This strong growth in turnover was boosted by the high steel prices and sustained demand for our Cold Rolled Coil ("CRC") steel sheet products.

The Group's nett profit after tax improved by a handsome 10.8% to register RM26.1 million (2004 : RM23.6 million).

The Group's impressive results were contributed by the Company's 100% owned subsidiary, Mycron Steel CRC Sdn Bhd (formerly known as Cold Rolling Industry (Malaysia) Sdn Bhd), which was acquired on 29th March 2004. To reflect this part year acquisition there was an adjustment of RM3.40 million in pre-acquisition profit from the full year's consolidated results. Nevertheless, the resulting consolidated post-acquisition profit of RM22.7 million for Financial Year 2005 provided a commendable weighted average earning per share (eps) of 16.1 sen.

As can be expected, the higher steel prices has placed a heavy burden on the working capital of the Group. Despite this, the Group was able to operate primarily on internal funds and record a very low gearing ratio of 0.16 times as at 31 January 2005.

Composition of the Group

As mentioned earlier, on the 29th March 2004, the company acquired the entire issued and paid-up ordinary share capital of Mycron Steel CRC Sdn Bhd comprising 60,000,000 shares for a purchase consideration of RM134,061,998, which was equivalent to its net book value. This was satisfied by an issue of 134,061,998 new Mycron Steel Berhad (MSB) shares issued at par and credited as fully paid-up.



CHAIRMAN'S STATEMENT

(continued)

The company, in conjunction with the listing of and quotation for the entire enlarged issued and paid-up ordinary share capital of the company on the Main Board of Bursa Malaysia, had made a public offer of 44,938,000 shares. This Initial Public Offer was fully subscribed and the ordinary shares of the company were listed on the Industrial Sector of the Main Board on 21st June 2004.

The price for the Initial Public Offer ("IPO") was offered at RM1.40 per share, which comprised a premium over asset value of 40 sen per share. As it turned out, the general public portion of the exercise was over-subscribed by almost 35 times demonstrating the confidence the investing public had in the Group.

Looking Ahead

To further consolidate the Group's position as a leading quality producer of CRC and to expand our manufacturing capacity, our Cold Rolling Mill is embarking on an upgrading and expansion project. The Project will involve the installation of a new Combination Skinpass and Tension-Levelling Mill together with other ancillary equipment. The capital expenditure for the project will be funded internally and through bank borrowings, and the new facility is expected to be in full production by mid 2007.

The new Skinpass Mill will allow the Group to expand the range of CRC products we manufacture as well as increase our production capacity significantly by an additional 80,000 tonnes per annum, or 45%, to 260,000 tonnes per annum. The Group can expect significant additional profits from this 45% increase in capacity by taking advantage of economies of scale of the CRC facility.

The new Tension-Levelling Mill will allow the Group to enhance the quality of our finished goods, thus putting our CRC quality amongst the highest in the world. This strategy of moving into the niche market of higher quality CRC, will bide well for the Group.

Additionally, in synergy with this new project, the Group has announced on 14 March 2005 the strategic acquisition of 20% of the issued and paid-up capital of PMP Galvanizers Sdn Bhd ("PMP"). PMP is based in Kuching, Sarawak and is a manufacturer of galvanized CRC. In turn, PMP has also agreed to sign an off-take agreement with the Group to take up to 75,000 tonnes per annum of CRC for their feed material. This will tie in perfectly with the strategic objectives of the upgrading and expansion project and at the same time secure the off-take for the increased capacity.





Proposed First and Final Dividend

To thank all our shareholders for their support, the Board of Directors of the Company had on 24th March 2005 recommended a first and final dividend of 7 sen per share tax exempt in respect of financial year ended 31st January 2005. This is subject to shareholders' approval at the forthcoming Annual General Meeting to be held on 30th June 2005.

Acknowledgement

On behalf of the Board, I would like to express my deepest gratitude to our shareholders, customers, suppliers and business partners and look forward to your continued support for the Financial Year 2006. I also wish to thank our staff for their hard work and commitment to the Group's success.

Tunku Dato' Seri Iskandar bin Tunku Abdullah

Chairman

3 May 2005



| | | |
|--|---|---|
| Domicile | : | Malaysia |
| Legal Form & Place of Incorporation | : | A public listed company incorporated in Malaysia under the Companies Act, 1965 and limited by shares |
| Directors | : | <p>Tunku Dato' Seri Iskandar bin Tunku Abdullah • Non-Independent Non-Executive Chairman</p> <p>Tunku Dato' Ya'acob bin Tunku Abdullah • Non-Independent Non-Executive Director</p> <p>Dato' Zulkifly @ Sofi bin Haji Mustapha • Non-Independent Non-Executive Director</p> <p>Dato' Abu Talib bin Mohamed • Independent Non-Executive Director</p> <p>Dato' Narendrakumar Jasani a/l Chunilal Rugnath • Independent Non-Executive Director</p> <p>Mr Lim Kim Chuan • Non-Independent Non-Executive Director</p> <p>Encik Azlan bin Abdullah • Executive Director/Chief Executive Officer</p> <p>Mr Chan Sang Whye • Executive Director/Chief Operating Officer</p> <p>Mr Paul Chan Wan Siew • Independent Non-Executive Director</p> |
| Secretaries | : | Ms Lily Yin Kam May Mr Wong Yeap Min |
| Audit Committee | : | <p>Dato' Narendrakumar Jasani a/l Chunilal Rugnath • Chairman</p> <p>Dato' Zulkifly @ Sofi bin Haji Mustapha • Member</p> <p>Mr Paul Chan Wan Siew • Member</p> |
| Registrar & Transfer Office | : | Trace Management Services Sdn Bhd Suite 20.03 20th Floor Menara MAA No. 12 Jalan Dewan Bahasa 50460 Kuala Lumpur Telephone No : 03-2141 3060 Telefax No : 03-2141 3061 |
| Registered Office | : | Suite 20.03 20th Floor Menara MAA No. 12 Jalan Dewan Bahasa 50460 Kuala Lumpur Telephone No : 03-2141 3060 Telefax No : 03-2141 3061 |
| Principal Place of Business | : | Lot 717 Jalan Sungai Rasau Seksyen 16, 40200 Shah Alam Telephone No. : 03-5510 6608 Telefax No : 03-5510 3720 |





CORPORATE INFORMATION

| | | |
|--|---|---|
| Solicitors | : | Megat Najmuddin Leong & Co. 102 Jalan Bangsar 59200 Kuala Lumpur Telephone No. : 03-2282 7277 Telefax No. : 03-2284 3508 Cheang & Ariff 39 Court 39 Jalan Yap Kwan Seng 50450 Kuala Lumpur Telephone No. : 03-2161 0803 Telefax No. : 03-2161 4475 |
| Auditors | : | Messrs PricewaterhouseCoopers (AF 1146) 11th Floor Wisma Sime Darby Jalan Raja Laut 50706 Kuala Lumpur Telephone No. : 03-2693 1077 Telefax No. : 03-2693 0997 |
| Principal Bankers (In alphabetical order) | : | AmInvestment Services Berhad 9th Floor Bangunan AmBank Group 55 Jalan Raja Chulan 50200 Kuala Lumpur DBS Bank Ltd Labuan Branch Level 12(E) Main Office Tower Financial Park Labuan Jalan Merdeka 80000 F.T. Labuan Malayan Banking Berhad Menara Maybank 100 Jalan Tun Perak 50050 Kuala Lumpur OCBC Bank (Malaysia) Berhad Menara OCBC 18 Jalan Tun Perak 50050 Kuala Lumpur |
| Stock Exchange Listing | : | Bursa Malaysia Securities Berhad (Formerly known as Malaysia Securities Exchange Berhad) ("Bursa Securities") Stock Number 5087 |
| Website e-mail | : | Http://www.mycronsteel.com Enquiry@mycronsteel.com |

