



CONTENTS

The Notice of Third Annual General Meeting	2
Statement Accompanying the Notice of Third Annual General Meeting	6
Chairman's Statement	7
Corporate Information	10
Quality Recognition	12
Profile of Directors	14
Group Financial Highlights	19
Analysis of Ordinary Shareholders	21
Statement on Corporate Governance	24
Statement on Internal Control	34
Audit Committee Report	36
Directors' Report	39
Report of the Auditors	44
Income Statements	45
Balance Sheets	46
Consolidated Statement of Changes in Equity	47
Company Statement of Changes in Equity	48
Cash Flow Statements	49
Notes to the Financial Statements	51
Statement by Directors	67
Statutory Declaration	68
Properties Owned by Mycron Steel Berhad and Its Subsidiaries	69
Form of Proxy	



NOTICE OF

ANNUAL GENERAL MEETING

NOTICE IS HEREBY GIVEN that the Third Annual General Meeting of the Company will be held at The Auditorium, Podium 1, Menara MAA, No. 12 Jalan Dewan Bahasa, 50460 Kuala Lumpur on Thursday, 22 June 2006 at 9.30 a.m. for the following purposes :-

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the financial year ended 31 January 2006 together with the Reports of the Directors and the Auditors thereon. (Resolution 1)
2. To approve the payment of Directors' fees amounting to RM400,000.00 in respect of the financial year ending 30 June 2007 to be payable quarterly in arrears. (Resolution 2)
3. To re-elect the following Directors of the Company who are retiring pursuant to Article 77 of the Company's Articles of Association, and who, being eligible, offer themselves for re-election :-
 - (i) Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah (Resolution 3)
 - (ii) Dato' Abu Talib bin Mohamed (Resolution 4)
 - (iii) Encik Azlan bin Abdullah (Resolution 5)
4. To re-elect Dato' Zulkifly @ Sofi bin Haji Mustapha who is retiring pursuant to Article 80 of the Company's Articles of Association and who, being eligible, offers himself for re-election. (Resolution 6)
5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 7)

AS SPECIAL BUSINESS

6. To consider and, if thought fit, to pass the following resolutions as Ordinary / Special Resolutions :-
 - (a) **Authority to allot and issue shares in general pursuant to Section 132D of the Companies Act, 1965** (Resolution 8)

“THAT subject to the Companies Act, 1965, Articles of Association of the Company and approvals from the Bursa Malaysia Securities Berhad and other Governmental or regulatory bodies, where such approval is necessary, full authority be and is hereby given to the Directors pursuant to Section 132D of the Companies Act, 1965 to issue shares of the Company from time-to-time upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit provided that the aggregate number of shares to be issued pursuant to this Resolution shall not exceed ten percent (10%) of the issued share capital of the Company for the time being and such authority shall continue to be in force until the conclusion of the next Annual General Meeting of the Company.”
 - (b) **Proposed Renewal of authority for the Company to purchase its own shares** (Resolution 9)

“THAT subject to compliance with Section 67A of the Companies Act 1965, the Listing Requirements of Bursa Malaysia Securities Berhad (“Bursa Securities”) and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by any relevant authority, the Company be and is hereby unconditionally and generally authorised to purchase and hold such number of ordinary shares of RM1.00 each in the Company (“Proposed Renewal of Share Buy-Back Authority”) as may be determined by the Directors of the Company from time to time through Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that the aggregate number of shares to be purchased pursuant to this Resolution does not exceed ten percent (10%) of the issued and paid-up share capital of the Company and that an amount not exceeding the Company's total audited retained loss of RM260,763.00 and share premium account of RM14,918,638.00 as at 31 January 2006 would be allocated by the Company for the Proposed Renewal of Share Buy-Back Authority.



AND THAT such authority shall commence immediately upon passing of this ordinary resolution and will expire at the conclusion of the next Annual General Meeting of the Company unless earlier revoked or varied by ordinary resolution of shareholders of the Company in a general meeting or upon the expiration of the period within which the next Annual General Meeting is required by law to be held whichever is the earlier but not so as to prejudice the completion of purchase(s) made by the Company before the aforesaid expiry date;

AND THAT the Directors be and are hereby authorised to take all steps necessary to implement, finalise and to give full effect to the Proposed Renewal of Share Buy-Back Authority and further that authority be and is hereby given to the Directors to decide in their absolute discretion to either retain the shares so purchased as treasury shares or cancel them or both.”

(c) Proposed Shareholders’ Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (“RRPTs”) (Resolution 10)

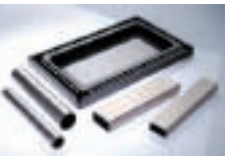
“THAT the mandate granted by the shareholders of the Company on 30 June 2005 pursuant to paragraph 10.09 of the Listing Requirements of Bursa Securities, authorising the Company and its subsidiaries (“the Mycron Group”) to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for the Mycron Group’s day-to-day operations as set out in Section 3.0 of Part B of the Circular to Shareholders dated 31 May 2006 (“the Circular”) with the related parties mentioned therein, be and is hereby renewed, AND THAT mandate be and is hereby granted by the shareholders of the Company to apply to the additional recurrent related party transactions of a revenue or trading nature as set out in Section 3.0 of Part B of the Circular with the related parties mentioned therein, provided that :-

- (a) the transactions are in the ordinary course of business and are on terms which are not more favourable to the related parties than those generally available to the public and are not to the detriment of the minority shareholders of the Company;
- (b) the transactions are made at arm’s length and are on normal commercial terms; and
- (c) the disclosure of the breakdown of the aggregate value of the transactions conducted during the financial year will be disclosed in the Annual Report for the said financial year based on the following information :-
 - (i) the type of the RRPTs made ;
 - (ii) the names of the related parties involved in each type of the Recurrent Transactions made and their relationship with the Company.

AND THAT the authority conferred by such renewed and granted mandate shall continue to be in force (unless revoked or varied by the Company in a general meeting) until :-

- (i) the conclusion of the next Annual General Meeting of the Company to be held in 2007 (and will be subject to annual renewal), at which time it will lapse, unless by a resolution passed at that meeting or Extraordinary General Meeting whereby the authority is renewed ; or
- (ii) the expiration of the period within which the next Annual General Meeting after that date is required to be held pursuant to Section 143(1) of the Companies Act 1965 (“the Act”) (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or
- (iii) revoked or varied by a resolution passed by the shareholders in general meeting, whichever is earlier ;

AND THAT the Directors of the Company be and are hereby authorised to complete and do all such acts and things as they may consider expedient or necessary (including executing such documents as may be required) to give effect to the transactions contemplated and / or authorized by this Ordinary Resolution.”



NOTICE OF

ANNUAL GENERAL MEETING

(continued)

SPECIAL RESOLUTION 1

(d) Proposed Amendments to the Articles of Association of the Company

(Resolution 11)

"THAT, the deletion, alterations, modifications and/or additions to the Articles of Association of the Company as set out under Section 1.0 of Part C of the Circular to Shareholders of the Company dated 31 May 2006 be and are hereby approved and adopted.

By Order of the Board

Lily Yin Kam May (MAICSA 0878038)

Wong Yeap Min (MIA 2725)

Secretaries

Kuala Lumpur

31 May 2006



NOTES :-

1. A member entitled to attend and vote at a meeting of the Company is entitled to appoint a proxy to attend and vote in his stead. A proxy may but need not be a member of the Company.
2. A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991 may appoint one (1) proxy in respect of each securities account.
3. The instrument appointing a proxy, shall be in writing under the hand of the appointer or his attorney duly authorised in writing, and in the case of a corporation, either under seal or under hand of an officer or attorney duly authorised.
4. The instrument appointing a proxy must be deposited at the Company's Registered Office, Suite 20.03, 20th Floor, Menara MAA, No.12, Jalan Dewan Bahasa, 50460 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.
5. Any alteration in the form of proxy must be initialled.
6. Explanatory notes to Special Business of Agenda 6 :-

(a) Authority to allot and issue shares in general pursuant to Section 132D of the Companies Act, 1965.

This resolution is proposed pursuant to Section 132D of the Companies Act, 1965, and if passed, will give the Directors of the Company, from the date of the above Annual General Meeting, authority to issue and allot shares from the unissued share capital of the Company for such purposes as the Directors deem fit and in the interest of the Company. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next Annual General Meeting of the Company.

(b) Proposed Renewal of authority for the Company to purchase its own shares

The Proposed Resolution 9, if passed, would empower the Directors to exercise the power of the Company to purchase its own shares ("the Proposal") by utilising its financial resources not immediately required. The Proposal may have a positive impact on the market price of the Company's shares. The details of the Proposed Resolution 9 are given under Part A of the Circular to Shareholders dated 31 May 2006 which is despatched together with the Company's 2006 Annual Report.

(c) Proposed Shareholders' Mandate for Recurrent Related Party Transactions

The Proposed Resolution 10, if passed, will empower the Company to conduct the recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations and will eliminate the need to convene separate general meetings from time-to-time to seek shareholders' approval. This will substantially reduce administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

The detailed information on Recurrent Related Party Transactions is set out in Part B of the Circular to Shareholders of the Company dated 31 May 2006 which is despatched together with the Company's 2006 Annual Report.

(d) Special Resolution 1 - Proposed Amendments to the Articles of Association of the Company

The Proposed Amendments to the Articles of Association of the Company is to enable the Company to enhance the administrative efficiency as well as to streamline it to take into consideration of the recent changes in the regulatory framework governing listed companies.

STATEMENT ACCOMPANYING NOTICE OF
THIRD ANNUAL GENERAL MEETING

1. Directors who are standing for re-election or re-appointment at the Third Annual General Meeting of Mycron Steel Berhad ("Mycron") :-

- (i) Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah;
- (ii) Dato' Zulkifly @ Sofi bin Haji Mustapha;
- (iii) Dato' Abu Talib bin Mohamed; and
- (iv) Encik Azlan bin Abdullah

Details of Directors who are standing for re-election and re-appointment are set out in the Profile of Directors appearing in pages 15 to 17.

2. A total of four (4) Board of Directors' Meeting were held during the financial year ended 31 January 2006.

Attendance of the Directors seeking for re-election or re-appointment at the Board Meetings during the financial year ended 31 January 2006 are as follows :-

Name of Directors	No. of Meetings Attended / Number of Meetings held while in office
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	3/4
Dato' Abu Talib bin Mohamed	3/4
Encik Azlan bin Abdullah	4/4
Dato' Zulkifly @ Sofi bin Haji Mustapha	3/3

For clarification purposes, Dato' Zulkifly @ Sofi bin Haji Mustapha had on 7 October 2005 vacated his position as a Non-Independent Non-Executive Director of the Company pursuant to Chapter 15.05(1)(c) of the Listing Requirements of Bursa Malaysia Securities Berhad. He was subsequently re-appointed as a Non-Independent Non-Executive Director of the Company on 13 December 2005.

3. The place, date and time of the Third Annual General Meeting are as follows :-

<u>Date</u>	<u>Time</u>	<u>Place</u>
Thursday, 22 June 2006	9.30 a.m.	The Auditorium, Podium 1, Menara MAA No. 12 Jalan Dewan Bahasa 50460 Kuala Lumpur



On behalf of the Board of Directors of Mycron Steel Berhad ("Mycron"), I have pleasure in presenting the Group's Annual Report for the year ended 31 January 2006.

STEEL INDUSTRY REVIEW

The international flat steel industry had seen unprecedented growth in demand and price escalation for 3 years, since early 2002, as China soaked up global Hot Rolled Coil (HRC) supplies, to become the largest importer of steel in the world, as it fed its ever growing run-away economy. During that period, global price for HRC increased 210%, from a low of US\$ 200 per MT in 2002, up to a high of US\$ 620 per MT in 2005.

This environment had produced strong levels of revenues and profits for most flat steel companies, both internationally and domestically, with Mycron also benefiting from strong demand volumes and profit margins.

However, during this 3-year period, China had rapidly increased its flat steel production capacity, to become the world's largest producer, and was by 2005, a net exporter of steel. In spite of the huge rise in raw material prices, in particular a 72% increase in the price of iron ore in early 2005, steel prices in China deteriorated steadily. By mid-2005, cheap exports made their way from China, into Malaysia and the rest of the world, which quickly precipitated in the collapse of international prices for flat steel products.

Price levels for HRC fell rapidly, from the high of US\$ 620 per MT, reaching a low of US\$ 450 per MT by end 2005, a fall of 27%.

Cold Rolled Coils (CRC), which uses HRC as its raw material, also experienced a similar trend, growing from US\$ 290 per MT (in 2002), up to a high of US\$ 720 per MT (in mid-2005), before crashing to a low of US\$ 550 per MT (by end-2005).

Meanwhile, re-rollers like Mycron had to contend with historically higher priced HRC inventories, in an environment of falling sales price for its CRC finished goods.

Apart from the dramatic price fall, domestic Malaysian demand for CRC also evaporated, as downstream customers naturally took defensive measures to trim inventories, by reducing orders, and even switching to spot-buying strategies. As a result, an inventory overhang emerged, and management had to take drastic action, to trim purchase commitments, and off-load CRC finished goods rapidly.

It is worth noting, however, that throughout this period, and indeed over the past 20 years, the price spread between CRC and HRC, has remained steady at around US\$ 100 per MT. This reflects the unique nature of CRC, as a product that is always able to pass-on the cost of HRC price movements, on to their customers. The profitability of a CRC manufacturer is therefore highly dependent on the cost efficiency of the plant, and how well it can operate, below the price spread of US\$ 100 per MT.

Mycron's CRC facility is a highly efficient plant, as proven by its performance over the past 10 years. However, under the challenging market conditions of 2005, Mycron was not able to pass-on its higher cost inventories to its customers in time, to avoid the sudden collapse in CRC and HRC price. As such, Mycron sustained a loss in the fourth quarter of financial year 2006.

FINANCIAL RESULTS

Total Revenue for the year ended 31 January 2006 decreased by 9%, to RM 325.5 million (2005: RM 357.3 million). This relatively strong revenue was bolstered by the high year-on-year average steel prices, in spite of a significant fall in the demand for finished CRC products, in the second half of the year.

In terms of CRC tonnage, the financial year saw a drop in CRC sales of 24% to 118,200 MT (2005: 154,500 MT).

As a result of the sudden drop in steel prices, the Group recorded a financial year 2006 net Loss After Tax of RM 12.2 million (2005: Profit After Tax RM 26.1 million). This result includes an inventory value impairment charge of RM 21.4 million, arising from the adjustment of the cost of inventory to net realisable value.

In terms of Unit Profitability, 2006 generated a Loss After Tax Margin of RM 103 per MT (or US\$ 27 per MT), compared to 2005's Profit After Tax Margin of RM 169 per MT (or US\$ 44 per MT).

SIGNIFICANT CORPORATE ACQUISITIONS

Mycron had on 12 March 2005 entered into a Share Sale Agreement to acquire 15,600,000 ordinary shares of RM1.00 each in PMP Galvanizers Sdn Bhd ("PMP"), which represented 20% of the issued and paid-up capital of PMP, at a total purchase price of RM 17.0 million. The purchase involves payment by staged installments, and Mycron has to-date, paid a total of RM 4.3 million for this investment.





CHAIRMAN'S STATEMENT

(continued)

PMP is a member of Multi Resources Holdings Sdn Bhd, a Kuching based manufacturer of steel roofing products, roofing trusses, colour coating and roofing profiles currently being exported to Australia, New Zealand, Middle East and South East Asia. PMP is in the midst of installing a 150,000 MT per year capacity CRC galvanizing plant, which is expected to be operational by end-2006.

PLANT UPGRADE AND EXPANSION PROJECT

To further strengthen the Group's position, as a leading producer of high quality CRC, Mycron has commissioned a RM 120 million project, to upgrade its CRC quality, including the expansion of its range of CRC products, whilst expanding its manufacturing capacity from 180,000 MT to 260,000 MT per year, a substantial increase of 45% (or 80,000 MT per year).

The project will involve the installation of a new Combination Skinpass cum Tension-Leveling Mill, together with ancillary equipment, and a new batch of annealing furnaces. The project is funded by bank borrowings, which has already been secured, and construction began in late 2005, with a target completion date of end-2007.

The main strategy behind this plant upgrade and expansion is four-fold, namely;

1. In boosting Mycron's brand position as the manufacturer of the highest quality CRC in the country,
2. Attaining better profit margins from the sale of higher quality CRC,
3. Expanding the range of Mycron's products, in particular, thinner gauged CRC, thus tapping into new markets not previously available to Mycron, and
4. Increase the total output of the plant, which will produce substantial economies of scale, due to the minimal increase in fixed expenses.

It is worth noting that of the additional 80,000 MT per year CRC capacity, Mycron's new associate company PMP Galvanizers Sdn Bhd ("PMP") has signed an off-take agreement for 75,000 tonnes per year, as feed material for their soon to be commissioned CRC galvanizing plant. Effectively it means that almost all the new CRC capacity has already been pre-sold.

The Board expects a substantial boost to the profits of Mycron, from this plant upgrade and expansion exercise, and looks forward to the commissioning of the project with great eagerness.

PROSPECTS FOR THE CURRENT FINANCIAL YEAR

The global steel industry continues to be driven by China. After the collapse in HRC prices in 2005, inefficient Chinese mills were shut down, which reduced the supply of steel by beginning 2006. This drop in supply, coupled with the recent increase in demand, caused by customers having to place new orders when their steel inventories were run down to bare minimum levels, has resulted in steel prices picking up since early 2006.

With the international price of flat steel products showing signs of a rebound, domestic Malaysian demand has also returned, with much anticipation that prices may trend upwards, towards the later half of 2006. This outlook is fundamentally supported by the prevailing higher cost of raw materials, in particular, the recently announced 19% increase in iron ore price for 2006.

In view of this stabilisation in steel price and demand, coupled with the consistently strong price spread between CRC and HRC, of US\$ 100 per MT, Mycron is optimistic that 2006 will generate healthy profits and sales volumes. Barring unforeseen circumstances, the Board of Directors anticipates the profits of Mycron, to return to the levels, similar to that of the pre-2005 financial years.



**VALUATION OF PROPERTY, PLANT AND EQUIPMENT**

During the year, a valuation of property, plant and equipment was carried out by an independent firm of international property consultants, on an open market basis. Accordingly, the net book values of property, plant and equipment were adjusted to reflect the fair value, and the resultant surplus was credited to revaluation reserves. This exercise had the impact of increasing the revaluation reserves of Mycron by RM 31 million, and the net book values of property, plant and equipment by RM 45 million.

PROPOSED DIVIDEND

In view of the loss sustained by the Group, the Board of Directors does not propose a dividend for the financial year ended 31st January 2006.

CHANGE IN FINANCIAL YEAR END DATE

The financial year end date has been changed from 31 January to 30 June, with effect from the accounting period starting on 1 February 2006. As such, the next audited accounts will be for the 17 months ending 30 June 2007.

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 in the years ahead.

I also wish to thank all our staff for their hard work, dedication and commitment that has made Mycron Steel Berhad, the best name in the Malaysian CRC industry.

Y.M. Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah
Chairman

18 May 2006





CORPORATE INFORMATION

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 Tan Sri Abdullah</p> <ul style="list-style-type: none">• Non-Independent Non-Executive Chairman <p>Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah</p> <ul style="list-style-type: none">• Non-Independent Non-Executive Director <p>Dato' Zulkifly @ Sofi bin Haji Mustapha</p> <ul style="list-style-type: none">• Non-Independent Non-Executive Director <p>Encik Azlan bin Abdullah</p> <ul style="list-style-type: none">• Executive Director/Chief Executive Officer <p>Mr Chan Sang Whye</p> <ul style="list-style-type: none">• Executive Director/Chief Operating Officer <p>Mr Lim Kim Chuan</p> <ul style="list-style-type: none">• Non-Independent Non-Executive Director <p>Dato' Abu Talib bin Mohamed</p> <ul style="list-style-type: none">• Independent Non-Executive Director <p>Dato' Narendrakumar Jasani a/l Chunilal Rugnath</p> <ul style="list-style-type: none">• Independent Non-Executive Director <p>Mr Paul Chan Wan Siew</p> <ul style="list-style-type: none">• Independent Non-Executive Director
Secretaries	:	<p>Ms Lily Yin Kam May</p> <p>Mr Wong Yeap Min</p>
Audit Committee	:	<p>Dato' Narendrakumar Jasani a/l Chunilal Rugnath</p> <ul style="list-style-type: none">• Chairman <p>Dato' Zulkifly @ Sofi bin Haji Mustapha</p> <ul style="list-style-type: none">• Member <p>Mr Paul Chan Wan Siew</p> <ul style="list-style-type: none">• Member
Registrar & Transfer Office	:	<p>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</p>
Registered Office	:	<p>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</p>
Principal Place of Business	:	<p>Lot 717 Jalan Sungai Rasau Seksyen 16 40200 Shah Alam Telephone No. : 03-5510 6608 Telefax No : 03-5510 3720</p>



(continued)

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)	:	<ul style="list-style-type: none">• AmInvestment Services Berhad• DBS Bank Ltd• Malayan Banking Berhad• OCBC Bank (Malaysia) Berhad
Stock Exchange Listing	:	Bursa Malaysia Securities Berhad (“Bursa Securities”) Stock Number 5087
Website e-mail	:	Http://www.mycronsteel.com Enquiry@mycronsteel.com