Quarterly report on consolidated results for the first financial quarter ended 30 September 2015

EXPLANATORY NOTES:

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 2015 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 the understanding of the changes in the financial position and performance of the Group since the last financial year ended 30 June 2015.

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 2015.

The Group have not adopted the following new standards, amendments to standards and interpretations that have been issued but not yet effective.

- Amendment to MFRS 11 'Joint arrangements' (effective from 1 January 2016)
- Amendments to MFRS 116 'Property, plant and equipment' and MFRS 138 'Intangible assets' (effective from 1 January 2016)
- Amendments to MFRS 10 and MFRS 128 regarding sale or contribution of assets between an investor and its associate or joint venture (effective from 1 January 2016)
- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement". The complete version of MFRS 9 was issued in November 2014.
- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018) replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations.

The Group is of the opinion that the abovementioned new standards, amendments to standards and interpretations will not have any material financial impact to the Group upon their initial application when effective.

Quarterly report on consolidated results for the first financial quarter ended 30 September 2015

EXPLANATORY NOTES:

A2 **Audit qualification**

The audit report of the Group in respect of the financial statements for the financial year ended 30 June 2015 was not subject to any audit qualification.

A3 **Seasonality or cyclicality of operations**

The business of the Group and the Company is generally neither cyclical nor seasonal except for decreased activities during the Ramadan and Chinese New Year festive months.

A4 **Unusual items**

There are no unusual items affecting assets, liabilities, equity, net income or cash flows attributable to its nature, size or incidence during the current financial quarter.

A5 **Changes in estimates**

There are no changes in estimates that have any material effect on the financial results during the current financial quarter.

A6 **Debts and equity securities**

There are no issuances, cancellations, repurchases, or resale of the Company's equity securities during the current financial quarter.

The Group has a policy to maintain its Gearing Ratio (measured as interest bearing debts over equity adjusted for the exclusion of intangibles) at below 1.25 times.

	30/09/2015	30/6/2015
Total interest bearing debts in RM'million	221.1	266.1
Adjusted Equity in RM'million	408.5	405.7
Gearing Ratio	0.54	0.66

The Group's debt securities are mainly represented by the Cold Rolled subsidiary's debenture (around RM97.2 million) and the Steel Tube subsidiary's debenture (around RM41.9 million), whilst the remaining interest bearing debts are unsecured suppliers' trade credits extended to the respective operating subsidiaries. (See Notes B10). The operating subsidiaries complied with their respective Gearing Ratio covenants for the current financial quarter ended 30 September 2015.

A7 **Dividends paid**

No dividend was declared or paid in the current financial quarter.

Quarterly report on consolidated results for the first financial quarter ended 30 September 2015

EXPLANATORY NOTES:

A8 Segmental reporting

Segmental information in respect of the Group's business segments is as follows:

	Steel Tube	Cold Rolled	Investment Holding	Others	Total
	RM'000	RM'000	RM'000	RM'000	RM'000
Revenue					
Total revenue	50,302	86,144	-	4,556	141,002
Inter segment	(244)	(5,961)	-	(15)	(6,220)
External revenue	50,058	80,183	-	4,541	134,782
Pre-tax profit/(losses)	2,384	4,416	(3,162)	(318)	3,320
Segment assets	111,809	381,113	113,447	576	606,945

Reconciliation of segment assets to total assets is as follows:

	RM'000
Segment assets	606,945
Amount owing by an associate	34,713
Deferred tax assets	2,775
Derivative assets	8,329
Tax recoverable	813
	653,575

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 from the audited financial statements for the financial year ended 30 June 2015 and adjusted for depreciation where applicable to reflect the current period's ending net carrying value.

Quarterly report on consolidated results for the first financial quarter ended 30 September 2015

EXPLANATORY NOTES:

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 approximate 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 2015:

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

Recurring fair value measurement	Fair Value RM'000		
Foreign Currency Forwards	Level 1	Level 2	Level 3
as Assets (not hedge accounted)	0	5.0	0
as Assets (hedge accounted)	0	8,252.8	0
as Liabilities (not hedge accounted)	0	(29.1)	0
Total	0	8,228.7	0

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

A11 **Investment in Associate**

The Company through a wholly owned subsidiary retains a 49% interest in Mperial Power Ltd ("Mperial') being the holding company for Siam Power Generation Public Company Ltd ("Siam Power"), Siam Power Phase 2 Company Ltd ("Siam Power 2"), Siam Power Phase 3 Company Ltd ("Siam Power 3"), and MPower TT Ltd – hereinafter referred to as the 'Power Associate' or the 'Power Group.'

The Power Group is no longer a material associate of MIG Group considering its' carrying investment value has been reduced to nil by its share of the said associate's losses since end-September 2014. The Group's continuing share of the Associate's subsequent losses is not recognised but is recorded for future set-off against any arising share of gains. Details of the Group's accumulated unrecognised share of the Power Associate's past and current losses amounting to RM127.4 million are as follows:

Investment in the Power Associate

	As at 30/09/2015 RM'000	As at 30/06/2015 RM'000
Carrying value at the beginning of the financial year	-	22,541
Unrecognised share of losses b/f	(84,844)	-
Share of Net Loss	(23,876)	(92,953)
Share of Other Comprehensive Loss	(18,653)	(14,432)
Unrecognised share of losses c/f at closing of the period	(127,373)	(84,444)

Quarterly report on consolidated results for the first financial quarter ended 30 September 2015

EXPLANATORY NOTES:

A11 **Investment in Associate** (continued)

It was disclosed at the close of the preceding financial year that a Memorandum of Understanding (MOU) executed by the Mperial with a counter-party interested to acquire the entire equity stake in the power subsidiaries (hereinafter referred to as "the Interested Buyer") was pending finalisation of contractual terms and conditions for a definitive agreement. The intended definitive agreement has not been signed as at the close of the current reporting quarter. See note A13 for subsequent-event update.

A12 **Significant events and transactions**

There are no significant events or transactions for the current quarter except that the Ringgit further weakened by another 17% against the USD since the close of the last financial year. The Group has maintained a high hedging ratio averaging around 90% of its foreign currency exposure which resulted in a mitigated net foreign exchange loss of RM0.87 million for the current quarter.

A13 **Subsequent material events**

On a non-adjusting event relating to the Power Associate, the Interested Buyer (see Note A11) has on 16 November 2015 made a public announcement to the Stock Exchange of Thailand on its intention to acquire the power subsidiaries of Mperial and that it will hold an EGM (extraordinary general meeting) on 8 January 2016 to seek its shareholders' approval of the intended acquisition. A definitive agreement on the matter is targeted to be executed in mid-December 2015.

There are no material events occurring between 1 October 2015 and the date of this announcement that warrant adjustment to the financial statements for the current quarter ended 30 September 2015.

A14 **Changes in the composition of the Group**

There is no change to the composition of the Group during the current financial quarter.

A15 **Contingent liabilities or contingent assets**

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

A16 **Capital commitments**

There are no material capital commitments whether provided or not already provided for in the financial statements at the end of the reporting quarter.

Quarterly report on consolidated results for the first financial quarter ended 30 September 2015

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

B1 **Review of the performance of the Company and its principal subsidiaries**

For the first quarter ended 30 September 2015, the Group registered a 14% lower total revenue of RM134.8 million as compared to RM156.7 million achieved in the preceding year's corresponding quarter. The decrease in revenue is mainly attributed to lower sales volume of its Cold Rolled subsidiary (down by 12.6%) coupled with lower average selling price per tonne (Cold Rolled: down by 9.7% and Steel Tube: down by 4.7% respectively) due to the weak market in the current quarter.

Despite the weaker sales in the current quarter, the gross margin for the Cold Rolled and the Steel Tube operations are up by 9.3% and 1.8% respectively due better spread between the average selling price and the average cost of raw materials consumed as compared to the preceding year's corresponding quarter. As a result, the Group recorded a higher gross profit of RM15.6 million for the current quarter as compared to the preceding year's corresponding quarter gross profit of RM7.5 million despite higher production costs relating to labour, electricity, gas, toll, and alike attributed to the weak Ringgit. The Group's recent past reorganisation exercise and other productivity initiatives also contributed to the aforementioned. Consequently, the Group recorded a pre-tax-profit of RM3.3 million (after-tax-profit of RM1.9 million) for the current quarter as compared to a pre-tax-loss of RM23.1 million (after-tax-loss of RM22.6 million) in the preceding year's corresponding quarter. The preceding year's corresponding quarter loss was mainly attributed to its share of its associate's losses which no longer apply for the current quarter.

The Group recorded a higher EBITDA of RM11.6 million compared to the preceding year's corresponding quarter's EBITDA of RM3.6 million.

B2 **Material change in the loss before tax as compared to the immediate preceding quarter**

The Group's revenue at RM134.8 million for the current quarter is 16.3% lower compared to the immediate preceding quarter at RM161.1 million due to the decrease in sales contribution from both its Cold Rolled and Steel Tube segments which are down by around 18.9% and 12.9% respectively from the immediate preceding quarter due to a more bearish current quarter coupled with the seasonal lows of the Ramadan and Hari Raya holidays.

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At the pre-tax level before the share of associate's losses, the Group's operations registered a pre-tax profit of around RM3.3 million compared with the immediate preceding quarter's pre-tax loss of around RM2 million which was affected by the financial year-end impairment loss on property, plant and equipment (PPE) of RM4.4 million. For the current quarter, the Ringgit has weakened against the USD by another 17.4% (book closing USD/RM rate 4.4455), as compared to the immediate preceding quarter's decline of around 1.9% (book closing USD/RM rate 3.7855 from 3.7165). The Group maintained a high hedging ratio of around 90% of its foreign currency exposures for both the current and immediate preceding quarter. As a result, the Group's current quarter financial results was impacted by a mitigated net foreign exchange loss of RM0.87 million, as compared to the immediate preceding quarter's smaller net foreign exchange loss of RM0.08 million. In the absence of any PPE impairment for the current quarter, the Group recorded an after-tax net profit of RM1.9 million as compared to an after-tax loss of RM2.5 million in the immediate preceding quarter.

The Group recorded a slightly higher EBITDA at RM11.6 million compared to the immediate preceding quarter's RM10.9 million.

Quarterly report on consolidated results for the first financial quarter ended 30 September 2015

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

B3 **Prospects for the remaining of the financial year**

The negative factors impinging on the economy since the last financial year remain unabated and would likely manifest and get worse over the current financial year. The severely weakened Ringgit (which has depreciated by more than 35% since mid-2014) not only contributed to rising costs but also have far reaching ramifications on the nation's overall macroeconomic and fiscal health, which already have significantly dampened domestic consumption and investment sentiments. All these do not bode well for the steel industry which also have to deal with steel products dumping from abroad.

The domestic Steel Industry continues to face headwind from depressed steel prices, product dumping from China, and slower sales as demand drivers lose momentum. Specific to the Group's Cold-Rolled and Steel Tube segments, the impending outcome on the safeguard tariffs sought by one of the two only domestic hot-rolled coils (HRC) producers on imported HRC may further threaten margins if successful. This in-turn will force the domestic cold rollers and steel tube manufacturers to respectively seek anti-dumping protection against imported end products. In this regard, the Group actively involve itself in shaping that outcome and in strategizing to deal with the uncertainties.

In summary, the outlook for the remaining financial year for the Group -specifically the Cold Rolled and Steel Tube segments- is expected to be very challenging and its performance would largely hinge on the following:

- The nation's ability to bottom out from the current political, currency, and structural imbalance quagmire which impinge on market sentiments
- The elimination of supply chain inefficiencies with the upstream local steel players
- The nation and the steel industry's ability to stem unfair pricing of competing imported steel products (i.e. China's price subsidies for steel exports); and
- The initiation of previously announced national projects which may add to domestic steel off-take

B4 **Variance of actual profit from forecast profit**

The Group did not issue any profit forecast or profit guarantee.

B5 **Proft/(Loss) before tax**

The following expenses have been charged in arriving at profit/(loss) before tax:

	Current year quarter 30/09/2015 RM'000	Preceding year corresponding quarter 30/09/2014 RM'000	Current year to date 30/09/2015 RM'000	Preceding year corresponding period 30/09/2014 RM'000
Depreciation and amortisation	(4,985)	(4,400)	(4,985)	(4,400)
Interest expenses	(3,488)	(3,376)	(3,488)	(3,376)
Interest income	201	2,342	201	2,342
FX differences (loss)/gain	(11,345)	(1,855)	(11,345)	(1,855)
FX derivative gain/(loss)	10,468	1,306	10,468	1,306

Quarterly report on consolidated results for the first financial quarter ended 30 September 2015

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

B6 **Taxation**

Taxation comprises :

	Current year quarter 30/09/2015 RM'000	Preceding year corresponding quarter 30/09/2014 RM'000	Current year to date 30/09/2015 RM'000	Preceding year corresponding period 30/09/2014 RM'000
Current tax expense				
Current period	(461)	(152)	(461)	(152)
Deferred tax income				
Current period	(955)	747	(955)	747
	(1,416)	595	(1,416)	595

For the 'current year-to-date' tax expense 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 sale of unquoted investments and / or properties in the current financial quarter.

B8 **Purchase or disposal of quoted securities**

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

B9 **Status of corporate proposals**

There are 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 2015 are as follows:

	RM'000
Short-term borrowings:	
Unsecured	7,952
Secured	127,586
	135,538
Long-term borrowings:	
Unsecured	2,225
Secured	9,290
	11,515
Total borrowings	147,053

The Group's borrowings as at 30 September 2015 are entirely denominated in Ringgit Malaysia.

Quarterly report on consolidated results for the first financial quarter ended 30 September 2015

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

B10 **Group borrowings and debt securities** (continued)

Besides the borrowings mentioned above, the Group’s Cold Rolled subsidiary (Mycron Steel CRC Sdn Bhd) and the Steel Tube subsidiary (Melewar Steel Tube Sdn. Bhd,) also draw on interest-bearing trade credits from their respective raw-coil suppliers with outstanding amounts of RM44.5 million and RM29.6 million respectively as at 30 September 2015. Inclusive of this, the Group’s net gearing ratio as at 30 September 2015 is around 0.54 times.

B11 **Outstanding derivatives**

The Group’s steel segments have entered into forward foreign currency exchange contracts (“FX forwards”) to the extent such facilities are available to manage its foreign currency exchange exposure arising from purchases of raw materials denominated in US Dollar (“USD”), and certain sales denominated in Singapore Dollar (“SGD”). In this regard, the Group covers its foreign exchange exposure at a range between 50% to 90% of its exposure depending on the length of the forward period and the availability of FX facilities.

The Group designates certain eligible hedge relations on FX forwards incepted to cover its USD and/ or SGD exposure for the purpose of hedge accounting. These are designated as fair value hedges with the arising mark-to-market foreign currency fair value gain or 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 or accounts receivables in SGD) being 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 2015 are outline below:

Non-designated

FX Forward Contracts (SDG/RM) as non-designated hedging instrument				
	Notional Value ‘000		Fair Value RM’000	
Maturity	Short SGD	Long RM	Financial Asset	Financial Liability
Less than 1 year	100	279	0	29.1

FX Forward Contracts (USD/RM) 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	678	2,993	5.0	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	19,209	79,946	8,252.8	0	Matching	19,209	n.a.	0	8,252.8

Besides the above unrealised positions, the Group has recorded a total realised net gain of around RM2.9 million from its FX Forward Contracts incepted for hedging purposes over the current financial year.

Quarterly report on consolidated results for the first financial quarter ended 30 September 2015

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

B11 **Outstanding derivatives** (continued)

(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.

B12 **Off balance sheet financial instruments and commitments**

There were no off balance sheet financial instruments or commitments issued by the Company as at the date of this announcement except for a standby-letter-of-credit of around RM47 million to support the performance guarantee of the power Phase 2 project by its associate. This is expected to be uplifted in-conjunction with planned divestiture of the power business by the associate.

B13 **Realised and unrealised losses disclosure**

	As at 30/09/2015 RM'000	As at 30/06/2015 RM'000
Total retained losses of the Company and its subsidiaries:		
- Realised	(210,720)	(207,247)
- Unrealised	(20,354)	(25,430)
	(231,074)	(232,677)
Add: Consolidation adjustments	268,933	269,057
Total retained earnings as per consolidated accounts	37,859	36,380

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

B14 **Material litigation**

Mycron Steel Berhad v Multi Resources Holdings Sdn Bhd
(High Court of Sabah and Sarawak Suit No. KCH-22-80-2011)

This case relates to the Company's subsidiary, Mycron Steel Berhad ("MSB") successful legal action against Multi Resources Holdings Sdn Bhd ("Defendant") to recoup its 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. MSB was awarded the RM17 million claimed together with interest at 6% p.a. and cost (RM70,000) against the Defendant/ Respondent, Multi Resources Holdings on 12 February 2015. The Defendant is reported to be currently under receivership administration, and MSB is liaising with the appointed receivers for recovery. The probability of monetary recovery remains uncertain and no reversal of the full impairment previously made has been recognised.

Save as disclosed above, 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 as at the date of this announcement.

B15 **Dividends**

The Company did not declare or pay any interim dividend in the current financial quarter.

B16 **Earnings/(Loss) per share**

(i) Basic earnings/(loss) per ordinary share

	Current year quarter 30/09/2015	Preceding year corresponding quarter 30/09/2014	Current year to date 30/09/2015	Preceding year corresponding period 30/09/2014
Profit/(Loss) attributable to owners of the Company (RM'000)	1,479	(21,480)	1,479	(21,480)
Weighted average number of ordinary shares in issue (net of treasury shares) ('000)	225,523	225,523	225,523	225,523
Basic earnings/(loss) per share (sen)	**0.66**	**(9.52)**	**0.66**	**(9.52)**

(ii) Diluted loss per ordinary share
This is not applicable to the Group.

By order of the Board
LILY YIN KAM MAY (MAICSA 0878038)
Secretary
Kuala Lumpur
26 November 2015