

**THIS ABRIDGED PROSPECTUS ("AP") IS IMPORTANT AND REQUIRES YOUR IMMEDIATE ATTENTION. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER(S) IMMEDIATELY.** If you have sold or transferred all your shares in Mycron Steel Berhad ("Mycron" or "Company"), you should immediately hand this AP together with the Notice of Provisional Allotment ("NPA") and Rights Subscription Form ("RSF") (collectively referred to as "Documents") to the purchaser or transferee or agent/broker through whom you have effected the sale or transfer for onward transmission to the purchaser or transferee. You should address all enquiries concerning the Rights Issue with Warrants (as defined herein) to our Share Registrar, Trace Management Services Sdn Bhd ("Share Registrar") at Suite 11.05, 11<sup>th</sup> Floor, No. 566 Jalan Ipoh, 51200 Kuala Lumpur.

The Documents are only despatched to our shareholders ("**Entitled Shareholders**") whose names appear in our Record of Depositors as at 5.00 p.m. on 31 December 2018 ("**Entitlement Date**") at their registered addresses in Malaysia. The Documents are not intended to be (and will not be) issued, circulated or distributed, and the Rights Issue with Warrants will not be made or offered or deemed to be made or offered, as such, in any countries or jurisdictions other than Malaysia. The Documents do not constitute an offer, solicitation or invitation to subscribe for the Rights Issue with Warrants in any jurisdiction other than Malaysia or to any person to whom it may be unlawful to make such an offer, solicitation or invitation. It shall be the sole responsibility of the Entitled Shareholders and/or their renounee(s) (if applicable) who are residents in countries or jurisdictions other than Malaysia to consult their legal and/or other professional adviser as to whether their acceptance or renunciation (as the case may be) of his/her entitlement to the Rights Issue with Warrants would result in the contravention of any laws of such countries or jurisdictions. Such Entitled Shareholders and/or the renounee(s) (if applicable) should note the additional terms and restrictions as set out in Section 10.10 of this AP. Neither our Company nor TA Securities Holdings Berhad ("**TA Securities**") nor any of their respective directors and officers shall accept any responsibility or liability whatsoever to any party in the event that any acceptance or sale/transfer of the entitlements under the Rights Issue with Warrants, application for Excess Rights Shares (as defined herein) or the subscription, offer, sale, resale, pledges or other transfer of Rights Shares (as defined herein) and Warrants (as defined herein) made by the Entitled Shareholders and/or their renounee(s) (if applicable) is or shall become illegal, unenforceable, voidable or void in any countries or jurisdictions in which the Entitled Shareholders and/or their renounee(s) (if applicable) is a resident.

This AP has been registered by the Securities Commission Malaysia ("**SC**"). The registration of this AP should not be taken to indicate that the SC recommends the Rights Issue with Warrants or assumes responsibility for the correctness of any statement made or opinion or report expressed in this AP. The SC has not, in any way, considered the merits of the securities being offered for investment. This AP, together with the NPA and RSF has also been lodged with the Registrar of Companies who takes no responsibility for the contents.

Our shareholders have approved, amongst others, the Rights Issue with Warrants at the Extraordinary General Meeting held on 20 April 2018. Approval has also been obtained from Bursa Malaysia Securities Berhad ("**Bursa Securities**") via its letter dated 15 February 2018 for the admission of Warrants to the Official List of the Main Market of Bursa Securities and the listing of and quotation for the Rights Shares, Warrants and the new Mycron Shares (as defined herein) to be issued upon exercise of the Warrants on the Main Market of Bursa Securities. However, this is not an indication that Bursa Securities recommends the Rights Issue with Warrants. The admission of the Warrants to the Official List of Bursa Securities, listing of and quotation for the Rights Shares, Warrants and the new Mycron Shares to be issued upon exercise of the Warrants on the Main Market of Bursa Securities are in no way reflective of the merits of the Rights Issue with Warrants. Neither Bursa Securities nor the SC takes any responsibility for the correctness of any statement made or opinions expressed in the Documents. The listing of and quotation for the Rights Shares and Warrants will commence after, amongst others, receipt of confirmation from Bursa Depository (as defined herein) that all the Central Depository System accounts of Entitled Shareholders and/or their renounee(s) (if applicable) have been duly credited and notices of allotment for the Rights Shares with Warrants have been despatched to the Entitled Shareholders and/or their renounee(s) (if applicable).

Our Board of Directors has seen and approved all the documentation relating to this Rights Issue with Warrants. They collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable inquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts which, if omitted, would make any statement in these documents false or misleading.

TA Securities, being the Principal Adviser, acknowledges that, based on all available information and to the best of its knowledge and belief, this AP constitutes a full and true disclosure of all material facts concerning the Rights Issue with Warrants.



## MYCRON STEEL BERHAD

(Company No. 622819-D)

(Incorporated in Malaysia under the Companies Act 1965)

**RENOUNCEABLE RIGHTS ISSUE OF UP TO 56,709,091 NEW ORDINARY SHARES IN MYCRON STEEL BERHAD ("MYCRON SHARE(S)") ("RIGHTS SHARE(S)") ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY FIVE (5) MYCRON SHARES HELD AT 5.00 P.M. ON 31 DECEMBER 2018 AT AN ISSUE PRICE OF RM0.30 PER RIGHTS SHARE, TOGETHER WITH UP TO 28,354,546 FREE DETACHABLE WARRANTS ("WARRANT(S)") ON THE BASIS OF ONE (1) WARRANT FOR EVERY TWO (2) RIGHTS SHARES SUBSCRIBED**

### *Principal Adviser*

**TA Securities Holdings Berhad**

(Company No. 14948-M)

(A Participating Organisation of Bursa Malaysia Securities Berhad)



### **IMPORTANT RELEVANT DATES AND TIME**

Entitlement date	: Monday, 31 December 2018, at 5.00 p.m.
<b>Last date and time for:</b>	
Sale of provisional allotment of Rights Shares with Warrants	: Tuesday, 8 January 2019, at 5.00 p.m.
Transfer of provisional allotment of Rights Shares with Warrants	: Friday, 11 January 2019, at 4.00 p.m.
Acceptance and payment for Rights Shares with Warrants	: Wednesday, 16 January 2019, at 5.00 p.m.
Excess Rights Shares Application and payment	: Wednesday, 16 January 2019, at 5.00 p.m.

***All terms and abbreviations used herein shall have the same meanings as those defined in the "Definitions" section of this AP, unless stated otherwise.***

**BURSA SECURITIES HAS APPROVED THE ADMISSION OF THE WARRANTS ON THE OFFICIAL LIST OF THE MAIN MARKET OF BURSA SECURITIES AND THE LISTING OF AND QUOTATION FOR THE RIGHTS SHARES, WARRANTS, THE NEW MYCRON SHARES TO BE ISSUED PURSUANT TO THE EXERCISE OF THE WARRANTS ON THE MAIN MARKET OF BURSA SECURITIES AND THE APPROVAL SHALL NOT BE TAKEN TO INDICATE THAT BURSA SECURITIES RECOMMENDS THE RIGHTS ISSUE WITH WARRANTS.**

**THE SC AND BURSA SECURITIES ARE NOT LIABLE FOR ANY NON-DISCLOSURE ON OUR PART AND TAKE NO RESPONSIBILITY FOR THE CONTENTS OF THIS AP, MAKE NO REPRESENTATION AS TO ITS ACCURACY OR COMPLETENESS AND EXPRESSLY DISCLAIM ANY LIABILITY FOR ANY LOSS YOU MAY SUFFER ARISING FROM OR IN RELIANCE UPON THE WHOLE OR ANY PART OF THE CONTENTS OF THIS AP.**

**YOU SHOULD RELY ON YOUR OWN EVALUATION TO ASSESS THE MERITS AND RISKS OF THE INVESTMENT. IN CONSIDERING THE INVESTMENT, IF YOU ARE IN ANY DOUBT AS TO THE ACTION TO BE TAKEN, YOU SHOULD CONSULT YOUR STOCKBROKER, BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER IMMEDIATELY.**

**YOU ARE ADVISED TO NOTE THAT RECOURSE FOR FALSE OR MISLEADING STATEMENTS OR ACTS MADE IN CONNECTION WITH THIS AP ARE DIRECTLY AVAILABLE THROUGH SECTIONS 248, 249 AND 357 OF THE CAPITAL MARKETS AND SERVICES ACT, 2007 ("CMSA").**

**SECURITIES LISTED ON BURSA SECURITIES ARE OFFERED TO THE PUBLIC PREMISED ON FULL AND ACCURATE DISCLOSURE OF ALL MATERIAL INFORMATION CONCERNING THE RIGHTS ISSUE WITH WARRANTS FOR WHICH ANY OF THE PERSONS SET OUT IN SECTION 236 OF THE CMSA SUCH AS OUR DIRECTORS AND ADVISERS, ARE RESPONSIBLE.**

**WE AND OUR ADVISERS HAVE NOT AUTHORISED ANYONE TO PROVIDE YOU WITH INFORMATION WHICH IS NOT CONTAINED IN THIS AP.**

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**DEFINITIONS**


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The following definitions shall apply for the purpose of this AP unless otherwise indicated:

Acquisition	:	Acquisition of a piece of leasehold land known as Lot 53, Persiaran Selangor, Seksyen 15, 40200 Shah Alam, Selangor Darul Ehsan held under Title No. HSD 166735 Bandar Shah Alam, Daerah Petaling, Negeri Selangor, together with buildings erected thereon, by MST for a cash consideration of RM26,000,000 from MIGB
Act	:	Companies Act, 2016, as amended from time to time including any re-enactment thereof
AP	:	This abridged prospectus dated 31 December 2018
Board	:	The Board of Directors of Mycron
Bursa Depository	:	Bursa Malaysia Depository Sdn Bhd (165570-W)
Bursa Securities	:	Bursa Malaysia Securities Berhad (635998-W)
CDS	:	Central Depository System, the system established and operated by Bursa Depository for the central handling of securities deposited with Bursa Depository
CDS Account(s)	:	Account established by Bursa Depository for a depositor for the recording of deposit of securities and dealings in such securities by that depositor of securities
Closing Date	:	16 January 2019 at 5.00 p.m., being the last date and time for the acceptance of and payment for the Rights Shares with Warrants
CMSA	:	Capital Markets and Services Act 2007, as may be amended from time to time and any re-enactment thereof
Deed Poll	:	The deed poll dated 7 December 2018 constituting the Warrants executed by our Company
Documents	:	This AP, the NPA and the RSF, collectively
EGM	:	Extraordinary General Meeting
Entitled Shareholder(s)	:	Shareholders of our Company whose names appear on the Record of Depositors of our Company on the Entitlement Date
Entitlement Date	:	31 December 2018 at 5.00 p.m., being the date and time on which the shareholders of our Company must be registered on the Record of Depositors of our Company in order to be entitled to the Rights Issue with Warrants
EPS	:	Earnings per share
Excess Application(s) or Excess Rights Shares Application	:	Application(s) for Excess Rights Share(s) with Warrant(s) in excess of an Entitled Shareholder's entitlement under the Rights Issue with Warrants as set out in Section 10.6 of this AP
Excess Rights Share(s) with Warrants	:	Rights Share(s) with Warrant(s) which are not taken up or not validly taken up by the Entitled Shareholders and/or their renounee(s) prior to the Excess Application

**DEFINITIONS (Cont'd)**

Exercise Price	:	RM0.60, being the price at which one (1) Warrant is exercisable into one (1) Mycron Share
Foreign Addressed Shareholder(s)	:	Our foreign shareholders who have not provided an address in Malaysia to the Share Registrar prior to the Entitlement Date
FYE	:	Financial year ended/ending, as the case may be
Issue Price	:	The issue price of RM0.30 per Rights Share
KLB	:	Khyra Legacy Berhad (741366-W)
Listing Requirements	:	Main Market Listing Requirements issued by Bursa Securities
LPD	:	30 November 2018, being the latest practicable date prior to the registration of this AP with the SC
Market Day(s)	:	Any day between Monday to Friday (inclusive of both days) which is not a public holiday and on which Bursa Securities is open for trading of securities
Maximum Scenario	:	Assuming that all the Entitled Shareholders subscribe for their respective entitlement under the Rights Issue with Warrants
MEL	:	Melewar Equities (BVI) Ltd (Registration No. 95686)
MIGB or Undertaking Party	:	Melewar Industrial Group Berhad (8444-W)
Minimum Scenario	:	Assuming that none of the Entitled Shareholders subscribe for their respective entitlements under the Rights Issue with Warrants other than the Undertaking Party
Minimum Subscription Level	:	Minimum level of subscription of Rights Shares to meet the minimum amount to be raised of RM10,800,000
MKSB	:	Melewar Khyra Sdn Bhd (49841-V)
MSCRC	:	Mycron Steel CRC Sdn Bhd (177492-W)
MST	:	Melewar Steel Tube Sdn Bhd (111059-D)
Mycron or Company	:	Mycron Steel Berhad (622819-D)
Mycron Group or Group	:	Mycron Steel Berhad and its subsidiaries, collectively
Mycron Share(s) or Share(s)	:	Ordinary share(s) of Mycron
NA	:	Net assets
NPA	:	Notice of Provisional Allotment
Official List	:	A list specifying all securities which have been admitted for the listing on Bursa Securities

**DEFINITIONS (Cont'd)**

Original Proposed Rights Issue with Warrants	:	Proposed renounceable rights issue of up to 56,709,091 Mycron Shares on the basis of one (1) Rights Share for every five (5) Mycron Shares held by the Entitled Shareholders together with up to 28,354,546 Warrants to be issued on the basis of one (1) Warrant for every two (2) Rights Shares subscribed on the Entitlement Date at a fixed issue price of RM0.50 per Rights Share
Original Undertaking	:	Written irrevocable undertaking from the Undertaking Party to Mycron dated 23 August 2017 that the Undertaking Party will subscribe for not less than 21,600,000 Rights Shares pursuant to the Proposed Rights Issue with Warrants so as to meet the Minimum Subscription Level and that the Undertaking Party will not dispose of any of its Mycron Shares following the announcement of the Proposed Rights Issue with Warrants up to the Entitlement Date
Price-Fixing Date	:	6 December 2018, being the date at which our Board has determined the Issue Price and the Exercise Price
Provisional Allotments	:	The Rights Shares with Warrants provisionally allotted to the Entitled Shareholders
Record of Depositors	:	A record of securities holders established and maintained by Bursa Depository
Registered Office	:	Registered office of Mycron bearing the address of Suite 11.05, 11 <sup>th</sup> Floor, No. 566 Jalan Ipoh, 51200 Kuala Lumpur
Revised Undertaking	:	Written irrevocable undertaking dated 18 December 2017 from the Undertaking Party to Mycron that the Undertaking Party will subscribe for not less than 21,600,000 Rights Shares at an indicative issue price of RM0.50 per Rights Share pursuant to the Rights Issue with Warrants so as to meet the Minimum Subscription Level and to raise a minimum amount of not less than RM10,800,000 and that the Undertaking Party will not dispose of any of its Mycron Shares following the announcement of the Rights Issue with Warrants up to the Entitlement Date
Rights Issue with Warrants	:	Renounceable rights issue of up to 56,709,091 Mycron Shares on the basis of one (1) Rights Share for every five (5) Mycron Shares held by the Entitled Shareholders on the Entitlement Date at an issue price of RM0.30 together with up to 28,354,546 Warrants on the basis of one (1) Warrant for every two (2) Rights Shares subscribed
Rights Shares	:	Up to 56,709,091 new Mycron Shares to be issued pursuant to the Rights Issue with Warrants
RM and Sen	:	Ringgit Malaysia and sen, respectively, the lawful currency of Malaysia
RSF	:	Rights Subscription Form
Rules of Bursa Depository	:	The Rules of Bursa Depository as issued pursuant to the SICDA, including any amendments thereto that may be made from time to time
SC	:	Securities Commission Malaysia

**DEFINITIONS (Cont'd)**

Share Registrar	:	Trace Management Services Sdn Bhd (48646-M)
SICDA	:	Securities Industry (Central Depositories) Act, 1991 as may be amended from time to time and any re-enactment thereof
TA Securities or Principal Adviser	:	TA Securities Holdings Berhad (14948-M), a Participating Organisation of Bursa Securities
TDYK	:	Tunku Dato' Yaacob Khyra
TERP	:	Theoretical ex-rights price
VWAMP	:	Volume-weighted average market price
Warrant(s)	:	Free new detachable warrants to be issued by our Company pursuant to the Rights Issue with Warrants where the warrants will be constituted by the Deed Poll

All references to "Company" in this AP are to Mycron, references to "Group" are to Mycron and its subsidiaries. All reference to "we", "us", "our" and "ourselves" are to Mycron, or where the context requires, our Group. All references to "you" in this AP are references to the Entitled Shareholders of Mycron.

Words referring to the singular shall, where applicable, include the plural and vice versa and words denoting the masculine gender shall, where applicable, include the feminine and/or neuter genders and *vice versa*. Reference to person shall include corporations.

Any reference in this AP to any enactment is a reference to that enactment and as may be amended from time to time and any re-enactment thereof. Any discrepancy in the tables between the amounts listed and the totals in this AP are due to rounding. Any references to a time of day or date in this AP shall be a reference to Malaysian time or date respectively, unless otherwise stated.

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**CORPORATE DIRECTORY****BOARD OF DIRECTORS**

<b>Name/Designation</b>	<b>Address</b>	<b>Age</b>	<b>Nationality</b>	<b>Profession</b>
Tunku Dato' Yaacob Khyra <i>(Executive Chairman)</i>	No. 9E, Lorong Tun Ismail Bukit Tunku 50480 Kuala Lumpur	58	Malaysian	Executive Chairman
Roshan Mahendran Bin Abdullah <i>(Group Chief Executive Officer)</i>	No. 7, Jalan 5/3 Off Jalan Gasing 46000 Petaling Jaya Selangor Darul Ehsan	37	Malaysian	Group Chief Executive Officer
Azlan Bin Abdullah <i>(Non-Independent Non- Executive Director)</i>	51 Lorong 16/9E 46350 Petaling Jaya Selangor Darul Ehsan	60	Malaysian	Company Director
Tunku Dato' Kamil Ikram Bin Tunku Tan Sri Abdullah <i>(Non-Independent Non- Executive Director)</i>	No. 60, Jalan 5/149G Off Jalan Wan Sendari Sri Petaling 57000 Kuala Lumpur	62	Malaysian	Company Director
Tan Sri Datuk Seri Razman Md Hashim Bin Che Din Md Hashim <i>(Independent Non-Executive Director)</i>	No. 18, Jalan Palong The Mines Resort City 43300 Seri Kembangan Selangor Darul Ehsan	79	Malaysian	Company Director
Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah <i>(Independent Non-Executive Director)</i>	2A Lorong Duta 1 Taman Duta 50480 Kuala Lumpur	63	Malaysian	Company Director
Shazal Yusuf Bin Mohamed Zain <i>(Independent Non-Executive Director)</i>	No. 2, Jalan Merah Saga U9/5E Kayangan Height 40150 Shah Alam Selangor Darul Ehsan	47	Malaysian	Company Director
Muk Sai Tat <i>(Independent Non-Executive Director)</i>	83 Jalan Terasek 2 Bangsar Baru 59100 Kuala Lumpur	55	Malaysian	Company Director

**AUDIT AND GOVERNANCE COMMITTEE**

<b>Name</b>	<b>Designation</b>	<b>Directorship</b>
Muk Sai Tat	Chairman	Independent Non-Executive Director
Tan Sri Datuk Seri Razman Md Hashim Bin Che Din Md Hashim	Member	Independent Non-Executive Director
Shazal Yusuf Bin Mohamed Zain	Member	Independent Non-Executive Director

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**CORPORATE DIRECTORY (Cont'd)**

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- COMPANY SECRETARY** : Lily Yin Kam May (MAICSA 0878038)  
Suite 11.05, 11th Floor  
No. 566 Jalan Ipoh  
51200 Kuala Lumpur  
Malaysia  
Tel. No.: 03-6252 8880  
Fax No.: 03-6252 8080
- REGISTERED OFFICE** : Suite 11.05, 11th Floor  
No. 566 Jalan Ipoh  
51200 Kuala Lumpur  
Malaysia  
Tel. No.: 03-6252 8880  
Fax No.: 03-6252 8080  
Website : [www.mycronsteel.com](http://www.mycronsteel.com)  
Email : [enquiry@mycronsteel.com](mailto:enquiry@mycronsteel.com)
- MANAGEMENT OFFICE** : Lot 717 Jalan Sungai Rasau  
Seksyen 16  
40200 Shah Alam  
Selangor Darul Ehsan  
Malaysia  
Tel. No. : 03-5510 6608  
Fax No. : 03-5510 3720  
  
Website : [www.mycronsteel.com](http://www.mycronsteel.com)  
Email : [enquiry@mycronsteel.com](mailto:enquiry@mycronsteel.com)
- AUDITORS** : Messrs PricewaterhouseCoopers PLT  
(LLP0014401-LCA & AF 1146)  
Level 10, 1 Sentral  
Jalan Rakyat  
Kuala Lumpur Sentral  
50706 Kuala Lumpur  
Malaysia  
Tel. No. : 03-2173 1188  
Fax No. : 03-2173 1288
- REPORTING ACCOUNTANTS  
FOR THE RIGHTS ISSUE WITH  
WARRANTS** : Messrs Crowe Malaysia (AF 1018)  
(formerly known as Crowe Horwath)  
Level 16 Tower C  
Megan Avenue II  
12 Jalan Yap Kwan Seng  
50450 Kuala Lumpur  
Malaysia  
Tel. No. : 03-2788 9999  
Fax No. : 03-2788 9998
- PRINCIPAL BANKERS** : AmBank (M) Berhad (Company No.: 8515-D)  
22nd Floor, Bangunan AmBank Group  
55, Jalan Raja Chulan  
50200 Kuala Lumpur  
Malaysia  
Tel. No.: 03-2036 2633  
Fax No.: 03-2031 7909

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**CORPORATE DIRECTORY (Cont'd)**

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Bangkok Bank Berhad (Company No.: 299740-W)  
1-45-01 Menara Bangkok Bank  
Laman Sentral Berjaya  
No. 105 Jalan Ampang  
50450 Kuala Lumpur  
Malaysia  
Tel. No.: 03-2174 6888  
Fax No.: 03-2174 6800

CIMB Islamic Bank Berhad (Company No.: 671380-H)  
1<sup>st</sup> Floor, 12 & 13, Jalan Kenari  
Bandar Puchong Jaya  
47100 Puchong,  
Selangor  
Malaysia  
Tel. No.:03-5891 6838  
Fax No.:03-5891 6843

Malayan Banking Berhad (Company No.: 3813-K)  
Menara Maybank  
100, Jalan Tun Perak  
50050 Kuala Lumpur  
Malaysia  
Tel. No.: 03-2070 8833  
Fax No.: 03-2026 1790

Maybank Islamic Berhad (Company No.: 787435-M)  
Menara Maybank  
100, Jalan Tun Perak  
50050 Kuala Lumpur  
Malaysia  
Tel. No.: 03-2070 8833  
Fax No.: 03-2026 1790

OCBC Bank (Malaysia) Berhad (Company No.: 295400-W)  
Menara OCBC  
18 Jalan Tun Perak  
50050 Kuala Lumpur  
Malaysia  
Tel. No.: 03-2034 5034  
Fax No.: 03-2698 4363

**SHARE REGISTRAR** : Trace Management Services Sdn Bhd  
(Company No.: 48646-M)  
Suite 11.05, 11th Floor  
No. 566 Jalan Ipoh  
51200 Kuala Lumpur  
Tel No. : 03-6252 8880  
Tel No. : 03-6252 8080

**SOLICITOR FOR THE RIGHTS  
ISSUE WITH WARRANTS** : Chooi & Company + Cheang & Ariff  
Level 5, Menara BRDB  
No. 285, Jalan Maarof  
Bukit Bandaraya  
59000 Kuala Lumpur  
Malaysia  
Tel. No. : 03-2055 3888  
Fax No. : 03-2055 3880

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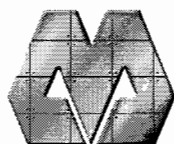
**CORPORATE DIRECTORY (Cont'd)**

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**PRINCIPAL ADVISER** : TA Securities Holdings Berhad (Company No.: 14948-M)  
28th Floor, Menara TA One  
22, Jalan P.Ramlee  
50250 Kuala Lumpur  
Tel. No.: 603-2072 1277  
Fax No.: 603-2026 7241

**STOCK EXCHANGE LISTING** : Main Market of Bursa Securities

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**MYCRON STEEL BERHAD**  
(Company No. 622819-D)  
(Incorporated in Malaysia under the Companies Act 1965)

**Registered Office:**  
Suite 11.05, 11<sup>th</sup> Floor  
No. 566 Jalan Ipoh  
51200 Kuala Lumpur

31 December 2018

**Board of Directors:**

Tunku Dato' Yaacob Khyra (*Executive Chairman*)  
Roshan Mahendran Bin Abdullah (*Group Chief Executive Officer*)  
Azlan Bin Abdullah (*Non-Independent Non-Executive Director*)  
Tunku Dato' Kamil Ikram Bin Tunku Tan Sri Abdullah (*Non-Independent Non-Executive Director*)  
Tan Sri Datuk Seri Razman Md Hashim Bin Che Din Md Hashim (*Independent Non-Executive Director*)  
Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah (*Independent Non-Executive Director*)  
Shazal Yusuf Bin Mohamed Zain (*Independent Non-Executive Director*)  
Muk Sai Tat (*Independent Non-Executive Director*)

**To: The Shareholders of Mycron Steel Berhad**

Dear Sir/Madam,

**RENOUNCEABLE RIGHTS ISSUE OF UP TO 56,709,091 NEW ORDINARY SHARES IN MYCRON ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY FIVE (5) MYCRON SHARES HELD AS AT 5.00 P.M. ON 31 DECEMBER 2018 AT AN ISSUE PRICE OF RM0.30 PER RIGHTS SHARE, TOGETHER WITH UP TO 28,354,546 FREE DETACHABLE WARRANTS ON THE BASIS OF ONE (1) WARRANT FOR EVERY TWO (2) RIGHTS SHARES SUBSCRIBED**

**1. INTRODUCTION**

On 23 August 2017, TA Securities had, on behalf of the Board, announced to Bursa Securities that our Company proposed to undertake a renounceable rights issue of up to 56,709,091 Rights Shares on the basis of one (1) Rights Share for every five (5) existing Mycron Shares together with up to 28,354,546 Warrants on the basis one (1) Warrant for every two (2) Rights Shares subscribed by the Entitled Shareholders.

Subsequently on 18 December 2017, TA Securities, on behalf of the Board, further announced that the Board has decided to revise the Original Proposed Rights Issue with Warrants as follows: -

**Key terms pursuant to the Original Revised key terms  
Proposed Rights Issue with Warrants**

**Basis of determining and justification for the issue price of the Rights Shares**

The issue price of the Rights Shares was fixed by the Board at RM0.50 per Rights Share.

The issue price of the Rights Shares **will be determined and fixed by the Board at a later date**, after receipt of all relevant approvals but before the announcement of the Entitlement Date, after taking into consideration, amongst others, the historical share price movement of Mycron.

On 19 February 2018, TA Securities had, on behalf of the Board announced that Bursa Securities vide its letter dated 15 February 2018 approved the following: -

- (i) Admission to the Official List and listing of up to 28,354,546 Warrants to be issued pursuant to the Rights Issue with Warrants;
- (ii) Listing of up to 56,709,091 new Mycron Shares to be issued pursuant to the Rights Issue with Warrants; and
- (iii) Listing of up to 28,354,546 new Mycron Shares to be issued pursuant to the exercise of Warrants.

The approval of Bursa Securities for the Rights Issue with Warrants is subject to the following conditions: -

No.	Conditions imposed by Bursa Securities	Status of compliance
1.	Mycron and TA Securities must fully comply with the relevant provisions under the Listing Requirements of Bursa Securities pertaining to the implementation of the Rights Issue with Warrants.	To be complied
2.	Mycron and TA Securities to inform Bursa Securities upon completion of the Rights Issue with Warrants.	To be complied
3.	Mycron to furnish Bursa Securities with a written confirmation of its compliance with the terms and conditions of Bursa Securities' approval once the Rights Issue with Warrants is completed.	To be complied
4.	Mycron to furnish Bursa Securities with a certified true copy of the resolution passed by shareholders at the EGM for the Rights Issue with Warrants.	Complied
5.	Payment of additional listing fees pertaining to the exercise of the Warrants, if relevant. In this respect, Mycron is required to furnish Bursa Securities on a quarterly basis a summary of the total number of Shares listed pursuant to the exercise of the Warrants respectively as at the end of each quarter together with a detailed computation of the listing fees payable.	To be complied

On 20 April 2018, our Company announced that shareholders of Mycron had, during the EGM held on 20 April 2018, approved, amongst others, the Rights Issue with Warrants. A certified true copy of the extract of the resolutions approving, amongst others, the Rights Issue with Warrants at the said EGM is attached in Appendix I of this AP.

On 25 July 2018, TA Securities had, on behalf of the Board, announced that the Company had on 25 July 2018 submitted an application to Bursa Securities for an extension of time of up to 31 January 2019 to implement the Rights Issue with Warrants ("**Extension of Time**"). On 1 August 2018, TA Securities had, on behalf of the Board, announced that Bursa Securities had vide its letter dated 1 August 2018 approved the Extension of Time.

On 6 December 2018, TA Securities had, on behalf of the Board, announced that the Board resolved to fix the issue price of the Rights Shares at RM0.30 per Rights Share and the exercise price at RM0.60 per Warrant. On 7 December 2018, TA Securities had, on behalf of the Board, announced that the Company has executed the Deed Poll.

On 10 December 2018, TA Securities had, on behalf of the Board, announced that the entitlement date for the Rights Issue with Warrants has been fixed at 5.00 p.m. on 31 December 2018.

As an Entitled Shareholder, you will find enclosed with this AP, the NPA setting out the number of Rights Shares with Warrants which you are entitled to subscribe for under the terms of the Rights Issue with Warrants and the RSF which is to be used for acceptance of the Rights Shares with Warrants provisionally allotted to you and for application for any Excess Rights Shares with Warrants, should you wish to do so. The provisionally allotted Rights Shares with Warrants will be duly credited into your CDS Account under the terms of the Rights Issue with Warrants. The Rights Shares that are not taken up for any reason, if any, will be made available for application under the Excess Rights Shares Application.

No person is authorised to give any information or to make any representation not contained in this AP in connection with or in relation to the Rights Issue with Warrants and if given or made, such information or representation must not be relied upon as having been authorised by us and/or TA Securities. The delivery of this AP shall under no circumstances constitute a representation or create any implication that there has been no material change in the affairs of our Company or any of our subsidiary companies since the date of this AP.

**YOU ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS AP WHICH SETS OUT THE DETAILS OF THE RIGHTS ISSUE WITH WARRANTS AND RISK FACTORS ASSOCIATED WITH THE RIGHTS ISSUE WITH WARRANTS. IF YOU ARE IN ANY DOUBT AS TO THE ACTION YOU SHOULD TAKE, YOU SHOULD CONSULT YOUR BANK MANAGER, SOLICITOR, ACCOUNTANT OR OTHER PROFESSIONAL ADVISER(S) IMMEDIATELY.**

## **2. PARTICULARS OF THE RIGHTS ISSUE WITH WARRANTS**

### **2.1 Details of the Rights Issue with Warrants**

In accordance with the terms of the Rights Issue with Warrants as approved by the shareholders at our EGM held on 20 April 2018, and subject to the terms of this AP and the accompanying documents, the Rights Issue with Warrants entails the renounceable rights issue of up to 56,709,091 Rights Shares together with up to 28,354,546 Warrants on the basis of one (1) Rights Share for every five (5) existing Mycron Shares together with one (1) Warrant for every two (2) Rights Shares subscribed by the Entitled Shareholders.

The Warrants which are attached to the Rights Shares will be issued at no cost and only to the Entitled Shareholders and/or their renounee(s) (if applicable) who successfully subscribed for the Rights Shares. The entitlement to the Rights Shares with Warrants is renounceable in full or in part. However, the Rights Shares and Warrants cannot be renounced separately. Should the Entitled Shareholders elect to renounce all of their Rights Shares entitlements under the Rights Issue with Warrants, they will not be entitled to the Warrants. However, if the Entitled Shareholders accept only part of their Rights Shares entitlements under the Rights Issue with Warrants, they shall be entitled to the Warrants in proportion of their acceptances of the Rights Shares entitlement.

In determining the shareholders' entitlements to the Warrants under the Rights Issue with Warrants, fractional entitlements, if any, will be dealt with by the Board in such manner at its absolute discretion as it may deem fit or expedient and in the best interest of our Company.

The Rights Shares with Warrants which are not taken up or validly taken up shall be made available for Excess Applications by the Entitled Shareholders and/or their renounee(s) (if applicable). It is the intention of the Board to allocate the Excess Rights Shares with Warrants in a fair and equitable manner on a basis to be determined by the Board and announced later by our Company.

The Warrants will be immediately detached from the Rights Shares upon issuance and separately tradable from the Rights Shares on the Main Market of Bursa Securities. The Warrants will be issued in registered form and constituted by the Deed Poll. Any unsubscribed Rights Shares with the attached Warrants shall be offered to the other Entitled Shareholders and/or their renounees/transferees (if applicable) under the Excess Rights Shares Application.

## 2.2 Salient terms of the Warrants

The salient terms of the Warrants are set out below: -

- |                       |   |  |
|-----------------------|---|--|
| Issue size            | : | Up to 28,354,546 Warrants to be issued in conjunction with the Rights Issue with Warrants.   |
| Form and denomination | : | The Warrants will be issued in registered form and constituted by the Deed Poll.   |
| Mode of exercise      | : | The registered holder of the Warrant is required to lodge a duly completed, signed and stamped subscription form as set out in the Deed Poll, with our Company's registrar, together with payment of the exercise price by bankers' draft or cashier's order drawn on a bank operating in Malaysia or a money order or postal order issued by a post office in Malaysia in accordance with the Deed Poll.  |
| Exercise price        | : | RM0.60 only payable in respect of each new Share or such other price, as may be adjusted in accordance with the memorandum of the Deed Poll (if applicable).   |
| Exercise rights       | : | Each Warrant carries the entitlement, at any time during the exercise period to subscribe for one (1) new Mycron Share at the exercise price, subject to adjustments in accordance with the provisions of the Deed Poll.   |
| Exercise period       | : | The Warrants may be exercised at any time within five (5) years commencing on and including the date of issuance of the Warrants and would end at 5.00 p.m. on the date preceding the fifth (5th) anniversary of the date of issuance, or if such date is not a Market Day, then it shall be the Market Day immediately preceding the said non-Market Day, but excluding the three (3) clear Market Days prior to a book closure date or entitlement date announced by our Company and those days during that period on which the Record of Depositors of Mycron and/or warrants register is or are closed. The Warrants not exercised during the exercise period will thereafter lapse and cease to be valid. |
| Listing status        | : | An application has been made to Bursa Securities for the admission of the Warrants to the Official List of Bursa Securities, and for the listing of and quotation for the Warrants and the new Mycron Shares arising from the exercise of the Warrants on the Main Market of Bursa Securities.   |



- Tradability and board lot : The Warrants are tradeable upon listing. For purposes of trading on Bursa Securities and subject to such conditions which Bursa Securities may impose from time to time, one (1) board lot of Warrants shall comprise of 100 Warrants carrying the right to subscribe for 100 new Mycron Shares at any time during the exercise period or such denomination as permitted by Bursa Securities.
- Adjustments in the exercise price and/or number of Warrants : The exercise price and/or number of unexercised Warrants shall be adjusted in the event of alteration to the share capital of our Company, capital distribution or issue of shares in accordance with the provisions of the Deed Poll. If our Company in any way modifies the rights attached to any share or loan capital which is not described in the Deed Poll so as to convert or make convertible such share or loan capital into, or attach thereto any rights to acquire or subscribe for new shares, our Company must appoint a person who is permitted to carry on the regulated activity of advising corporate finance under the CMSA or the auditors (who shall act as experts) to consider whether any adjustment is appropriate. If the directors of our Company after such consultation determine that any adjustment is appropriate, the exercise price or the number of Warrants or both, will be adjusted accordingly.
- Rights in the event of winding up, liquidation, compromise and/or arrangement : Where a resolution has been passed for a members' voluntary winding-up of our Company, or where there is a compromise or arrangement, whether or not for the purpose of or in connection with a scheme for the reconstruction of our Company or the amalgamation of our Company with one or more companies, then every Warrant holder shall be entitled to, subject to the provisions of the Deed Poll at any time within six (6) weeks after the passing of such resolution for a members' voluntary winding-up of our Company or within six (6) weeks after the granting of the court order approving the winding-up, compromise or arrangement, as the case may be, by the irrevocable surrender of his/her Warrants to our Company, elect to be treated as if he/she had immediately prior to the commencement of such winding-up, compromise or arrangement, exercised the exercise rights represented by his/her Warrants to the extent specified in the subscription forms and be entitled to receive out of the assets of our Company which would be available in liquidation if he/she had on such date been the holder of the Mycron Shares to which he/she would have become entitled pursuant to such exercise and the liquidator of our Company will give effect to such election accordingly.

Rights of the Warrant Holder : The Warrants do not entitle the Warrant holder to any dividends, rights, allotments and/or any form of distributions, the entitlement date of which is prior to the date of the allotment and issuance of the new Mycron Shares upon exercise of the Warrants. The Warrants do not entitle the Warrant holders to any voting rights in any general meeting of our Company until and unless such Warrant holders exercise their Warrants and new Mycron Shares are issued to them.

Modifications : Any modification, amendment, deletion or addition to the Deed Poll shall require the approval of the holders of Warrants sanctioned by special resolution, effected only by a supplemental deed poll, executed by our Company and expressed to be supplemental hereto and subject to the approval of the relevant authorities, if necessary.

Our Company may, without the consent of the Warrant holders (but in accordance with the terms of the Deed Poll), modify the Warrants or Deed Poll provided that in the opinion of our Company, such modification is not materially prejudicial to the interests of the Warrant holders or is made to correct a manifest error or to comply with the mandatory provisions of Malaysian law.

Governing Law : The Deed Poll shall be governed by the laws of Malaysia.

Note: -

*For the avoidance of doubt, the Warrants would be immediately detached from the Rights Shares upon issuance and shall be listed and traded on the Main Market of Bursa Securities when the Warrants meet the conditions of the Listing Requirements of at least 100 Warrants Holders holding not less than one (1) board lot each and relevant application submitted for the Warrants to be listed on the Main Market of Bursa Securities. The Warrants will not be listed in the event this condition is not met.*

### **2.3 Basis of determining the issue price of the Rights Shares and the exercise price of the Warrants**

#### **a) Issue price of the Rights Shares**

The Board has fixed the issue price of the Rights Shares at RM0.30 each after receipt of all relevant approvals, taking into consideration, among others, the following:

- (i) the historical share price movements of Mycron Shares for the past twelve (12) months;
- (ii) the minimum amount to be raised from the Rights Issue with Warrants of approximately RM10.80 million which will be channeled towards the utilisation of proceeds as set out in Section 5 of this AP;
- (iii) a premium of approximately 4.57% to the five (5)-day VWAMP of Mycron Shares up to and including 5 December 2018, being the last trading day of Mycron Shares immediately preceding the Price-Fixing Date of RM0.2869; and

- (iv) a premium of approximately 3.78% to the TERP of Mycron Shares of RM0.2891 based on the five (5)-day VWAMP of Mycron Shares up to and including 5 December 2018, being the last trading day of the Mycron Shares immediately preceding the Price-Fixing Date of RM0.2869.

**b) Exercise price of the Warrants**

The Warrants attached to the Rights Shares will be issued at no cost to the Entitled Shareholders who subscribe for the Rights Shares.

The Board has fixed the Exercise Price at RM0.60 per Warrant after taking into consideration the following: -

- (i) a premium of approximately 109.13% from the five (5)-day VWAMP of Mycron Shares up to and including 5 December 2018 being the last trading day immediately preceding the Price-Fixing Date of RM0.2869; and
- (ii) a premium of approximately 107.55% to the TERP of Mycron Shares of RM0.2891 calculated based on the five (5)-day VWAMP of Mycron Shares up to and including 5 December 2018, being the last trading day of the Mycron Shares immediately preceding the Price-Fixing Date of RM0.2869.

**2.4 Ranking of the Rights Shares and the new Mycron Shares arising from the exercise of the Warrants**

The Rights Shares and the new Mycron Shares to be issued arising from the exercise of the Warrants shall, upon allotment and issue, rank *pari passu* in all respects with the then existing issued and paid-up Mycron Shares, save and except that the Rights Shares and the new Mycron Shares to be issued arising from the exercise of the Warrants will not be entitled to any dividends, rights, allotment and/or distributions, the entitlement date of which is prior to the date of allotment of the Rights Shares and the new Mycron Shares to be issued arising from the exercise of the Warrants.

The holders of the Warrants will not be entitled to any voting rights or participation in any form of the distribution and/or offer of further securities in our Company until and unless such holders of the Warrants exercise their Warrants into new Mycron Shares.

**2.5 Last date and time for acceptance and payment**

The Closing Date is 5.00 p.m. on 16 January 2019.

**2.6 Details of other corporate exercises**

Save for the Rights Issue with Warrants, our Board has confirmed that as at the LPD, Mycron does not have any other intended corporate proposal which has been approved by regulatory authorities that is pending implementation.

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### 3. SHAREHOLDER'S UNDERTAKINGS

The shareholding of MIGB in Mycron, as at the LPD, together with its entitlement to the Rights Shares and Warrants is as follow: -

Major Shareholder	As at the LPD		Rights Shares entitlement		Warrants entitlement	
	No. of Shares	%	No. of Rights Shares	% <sup>(1)</sup>	No. of Warrants	% <sup>(1)</sup>
MIGB	202,050,221	71.26	40,410,044	71.26	20,205,022	71.26

Note: -

<sup>(1)</sup> Assuming the number of Rights Shares and Warrants entitlement under the Maximum Scenario.

The Rights Issue with Warrants will be implemented on a Minimum Subscription Level for gross proceeds of RM10.80 million at the Issue Price for each Rights Share. The Minimum Subscription Level was determined by the Board after considering, *inter alia*, the funding requirements of Mycron Group as set out in Section 5.

On 23 August 2017, Mycron procured the Original Undertaking from the Undertaking Party and had on 18 December 2017 procured the Revised Undertaking from the Undertaking Party.

Based on the Issue Price, the number of Rights Shares to be subscribed by the Undertaking Party are as follows: -

Undertaking Party	As at the LPD		Minimum Rights Shares Undertaken		Minimum Warrants entitlement pursuant to the Revised Undertaking	
	No. of Shares	%	No. of Rights Shares	% <sup>(1)</sup>	No. of Warrants	% <sup>(2)</sup>
MIGB	202,050,221	71.26	36,000,000 <sup>^</sup>	100.00	18,000,000	100.00

Notes: -

<sup>^</sup> The number of Rights Shares is based on the Issue Price of RM0.30 per Rights Share so as to raise the minimum amount of RM10,800,000.

<sup>(1)</sup> Percentage is calculated based on 36,000,000 Rights Shares available for subscription under the Minimum Subscription Level.

<sup>(2)</sup> Percentage is calculated based on 18,000,000 Warrants available under the Minimum Subscription Level.

MIGB will be released from the Revised Undertaking in the event of any act of God, strike, lockout, fire, flood, national emergency, war or other event beyond MIGB's reasonable control which renders the performance of the Revised Undertaking impossible for thirty (30) consecutive days.

The Revised Undertaking by MIGB will not give rise to any mandatory general offer obligation pursuant to the Rules on Take-Over, Mergers and Compulsory Acquisitions.

Notwithstanding the Revised Undertaking and the Minimum Subscription Level, the Undertaking Party may subscribe in full to the Rights Shares with Warrants pursuant to its entitlement, as well as additional Rights Shares with Warrants via Excess Application should the Undertaking Party wishes to do so.

The Undertaking Party has confirmed that it has sufficient financial resources to fulfill the Revised Undertaking. TA Securities being the Principal Adviser for the Rights Issue with Warrants has verified the confirmation made by the Undertaking Party.

As the Revised Undertaking and the Rights Issue with Warrants will be implemented based on the Minimum Subscription Level, no underwriting arrangement will be made in respect of the Rights Issue with Warrants.

#### **4. RATIONALE FOR THE RIGHTS ISSUE WITH WARRANTS**

The Rights Issue with Warrants will enable Mycron Group to raise the necessary funding requirements as detailed in Section 5 of this AP.

After due consideration of the various fund raising methods available, the Board is of the view that the Rights Issue with Warrants is the most appropriate avenue of fund raising after taking into consideration, amongst others, that the Rights Issue with Warrants: -

- (i) enables Mycron Group to raise additional funds without incurring interest cost, compared to conventional bank borrowings;
- (ii) increases the size of our Company's shareholders' funds and potentially increases the liquidity of the Mycron Shares;
- (iii) provides an opportunity for the Entitled Shareholders to further increase their equity participation in our Company through the subscription of the Rights Shares and the exercise of the Warrants, which correspondingly increases their participation in the prospects and future growth of Mycron Group; and
- (iv) the Warrants which are attached to the Rights Shares are intended to provide an additional incentive to the Entitled Shareholders to subscribe for their Rights Shares. Subscription to the Rights Shares and accordingly the Warrants would enable the Entitled Shareholders to benefit from any potential capital appreciation arising thereof.

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## 5. UTILISATION OF PROCEEDS

At the Issue Price, the Rights Issue with Warrants will raise between approximately RM10.80 million and RM17.01 million based on the following scenarios, with the following intended utilisation: -

<b>Proposed Utilisation</b>	<b>Expected time frame for utilisation of proceeds from the date of listing of the Rights Shares</b>	<b>Minimum Scenario (RM'000)</b>	<b>Maximum Scenario (RM'000)</b>
Capital expenditure <sup>(1)</sup>	Within 12 months	10,100	10,100
Working capital <sup>(2)</sup>	Within 12 months	-	6,213
Estimated expenses in relation to the Rights Issue with Warrants <sup>(3)</sup>	Within 1 month	700	700
<b>Total</b>		<b>10,800</b>	<b>17,013</b>

Notes: -

- (1) The Board has approved up to RM51.35 million for its capital expenditure plans for its wholly-owned subsidiary MSCRC planned revamp of its aging Continuous Pickling Line for a total cost of approximately RM31.37 million and the construction of a new Acid Regeneration Plant for a total cost of approximately RM19.98 million. Our Group intends to utilise RM10.10 million of the proceeds raised from the Rights Issue with Warrants to partially finance the above-mentioned capital expenditure. The balance of the capital expenditure is expected to be funded via bank borrowings of approximately RM35.0 million (which has been secured) and internally-generated funds of up to approximately RM6.25 million.

The Continuous Pickling Line is the first stage of the cold-rolled-coil manufacturing process, where the raw material hot-rolled coils is subjected to an acid-bath to be pickled and de-scaled for a clean surface before moving to the next processing stage. The acid used in the aforementioned process loses its concentration and needs to be topped-up and replaced regularly. The objective of the new Acid Regeneration Plant is to retreat the 'used acid' for use again in the pickling process in a closed-loop manner. The Acid Regeneration Plant is expected to reduce acid consumption by 95% per year; whilst, the revamp of the Continuous Pickling Line which entails extensive replacement of machine and equipment would significantly extend the economic useful life of the line.

- (2) If available, our Group intends to utilise up to RM6.21 million of the proceeds raised from the Rights Issue with Warrants to finance the working capital of its wholly-owned subsidiaries, MSCRC and/or MST for the purchase of raw materials.

(3) The estimated expenses in relation to the Rights Issue with Warrants are as follows:

	<b>RM'000</b>
Professional fees	600
Fees payable to authorities	80
Other miscellaneous expenses (including printing and advertising cost)	20
<b>Total</b>	<u>700</u>

Any surplus or shortfall for the estimated expenses in relation to the Rights Issue with Warrants shall be adjusted accordingly against the allocation for the working capital of MSCRC and/or MST.

The actual proceeds to be raised from the Rights Issue with Warrants are dependent on the subscription level of the Rights Issue with Warrants. Any variation to the actual proceeds raised will be adjusted against the amount allocated for the working capital of our Group.

The Warrants will not raise any immediate proceeds as the Warrants will be issued free to our Entitled Shareholders who subscribe for their respective entitlement under the Rights Issue with Warrants. The proceeds raised from the exercise of the Warrants cannot be determined as this juncture as it is dependent on the total number of Warrants exercised during the tenure of the Warrants. The proceeds arising from exercise of the Warrants will be utilised for the working capital of our Group, with the timing and breakdown to be determined at a later date.

Pending utilisation of the proceeds from the Rights Issue with Warrants for the purposes mentioned above, the proceeds will be placed in deposits with financial institutions or short-term money market instruments as our Board may deem fit. The interest derived from the deposits with the financial institutions or any gain arising from the short-term money market instruments will be used as working capital of our Group.

## 6. RISK FACTORS

### 6.1 Risks relating to our Group

#### i. Business and operational risks

Mycron is subject to certain risks which are fundamental in the steel manufacturing industry. These include increases in costs of labour and raw materials, labour and raw material shortages, changes in economic, business and credit conditions, business disruptions due to unexpected events such as temporary power outages and natural disasters, unfavourable changes in Government policies and competition from local and international players.

#### ii. Competition

Our steel manufacturing, sale and trading business operate in a market characterized by strong competition resulting from the number of established market participants as well as the volume of imported steel products. In particular, the influx of cold rolled coil products from China has depressed margins for local cold rolled coil producers in Malaysia. As with all competitive situations, there is a risk that we may not be able to compete effectively against other manufacturers, thus impacting on our business. However, our Company has been engaging and will continue to engage with the authorities and various stakeholders to address unfair trade practices and price-dumping threats from abroad.

## 6.2 Risks relating to the Rights Issue with Warrants

### i. Delay in or abortion of the Rights Issue with Warrants

The Rights Issue with Warrants is exposed to the risk that it may be aborted or delayed on the occurrence of force majeure events or circumstances which are beyond the control of our Company arising prior to the implementation of the Rights Issue with Warrants. Such events or circumstances include inter-alia, natural disasters, adverse developments in political, economic and government policies in Malaysia, including changes in inflation and interest rates, global economic downturn and changes in political leadership.

In this respect, all proceeds raised from the subscription of the Rights Shares with Warrants will be refunded without interest to the Entitled Shareholders and/or their renounees (if applicable), who have subscribed for the Rights Shares, in the event the Rights Issue with Warrants is aborted. If such monies are not repaid within fourteen (14) days after it becomes liable, our Company will repay such monies with interest at the rate of ten percent (10%) per annum or such other rate as may be prescribed by the SC in accordance with Section 243(2) of the CMSA. Notwithstanding the above, our Company will use its best endeavour to ensure the successful implementation of the Rights Issue with Warrants. However, there can be no assurance that the abovementioned factors/events will not cause a delay in or abortion of the Rights Issue with Warrants.

In the event that the Rights Shares have been allotted to the successful Entitled Shareholders and/or their renounees(s) (if applicable) and the Rights Issue with Warrants are subsequently cancelled or terminated, a return of monies to the shareholders can be achieved by way of cancellation of the issued Rights Shares pursuant to a share capital reduction as provided under the Act. Such cancellation requires amongst others, the approval of our Company's shareholders and Warrant holders by way of special resolutions in general meetings, consent of our Company's creditors (where applicable) and may require the confirmation of the High Court of Malaya. The shareholders may not receive their monies back at all if the requirement under the Act for share capital reduction are not met. There can be no assurance that such monies can be returned within a short period of time or at all under such circumstances.

### ii. Capital Market Risk

The market price of the new securities arising from the Rights Issue with Warrants, like all listed securities traded on Bursa Securities, is subject to fluctuation. The respective price of our Company's securities is influenced by, amongst others, the prevailing market sentiments, the volatility of the stock market, movements in interest rates and the outlook of the industry which our Company operates in. In view of this, there can be no assurance that the Mycron Shares (together with the Rights Shares and any new Shares issued pursuant to the exercise of the Warrants) will trade at or above the TERP disclosed in Section 2.3 of this AP after the completion of the Rights Issue with Warrants.

The Warrants are new instruments issued by our Company. Therefore, there can be no assurance that an active market for the Warrants will develop upon listing on Bursa Securities, or if developed, will be sustainable. In addition, there is no assurance that the Warrants will be "in-the-money" during the exercise period.

Accordingly, there is no assurance that the market price of the Warrants will be at a level that meets the specific investment objectives or targets of any subscriber of the Warrants.



**iii. Potential Dilution**

Entitled Shareholders who do not or are unable to subscribe for their entitlement pursuant to the Rights Issue with Warrants will have their proportionate percentage of shareholdings and voting interest in our Company reduced in the enlarged issued share capital of our Company. Consequently, their proportionate entitlement to any future distribution rights and/or allotment that our Company may make after completion of the Rights Issue with Warrants will correspondingly be diluted.

**iv. Forward-looking statements and other information**

Certain statements in this AP are based on historical data, which may not be reflective of future results and others are forward-looking in nature, which are subject to uncertainties and contingencies.

All forward-looking statements are based on the estimates and assumptions made by our Company, unless stated otherwise, and although the Board believes these forward-looking statements to be reasonable at this point in time given the prevailing circumstances, they are nevertheless subject to known and unknown risks, uncertainties and other factors which may cause actual results, performance or achievements to differ materially from future results, performance or achievements expressed or implied in such forward-looking statements. Such factors include, but are not limited to, those set out in this AP.

In view of this and other uncertainties, the inclusion of any forward-looking statement in this AP should not be regarded as a representation or warranty by our Company, the Principal Adviser and/or other advisers that the plans and objectives of our Group will be achieved.

**7. INDUSTRY OVERVIEW AND PROSPECTS****7.1 Overview and outlook of the Malaysian economy**

The Malaysian economy expanded at a slower pace of 4.5% in the second quarter of 2018 (1Q 2018: 5.4%). Growth was slower on account of supply disruptions in the mining sector and lower agriculture production. The latter is due to supply constraints and adverse weather conditions. On the demand side, growth was dampened by lower public investment and net export growth. Private sector spending remained resilient, expanding further by 7.5% (1Q 2018: 5.2%). In particular, private consumption increased strongly by 8.0% (1Q 2018: 6.9%). On a quarter-on-quarter seasonally-adjusted basis, the economy grew by 0.3% (1Q 2018: 1.4%)

Domestic demand recorded a stronger growth of 5.6% (1Q 2018: 4.1%), as the higher private sector activity (7.5%; 1Q 2018: 5.2%) more than offset the decline in public sector spending (-1.4%; 1Q 2018: -0.1%).

On the supply side, growth was affected by commodity-specific shocks. Major economic sectors, notably the services and manufacturing sectors (77.5% of GDP), remained supportive of growth.

*(Source: Economic and Financial Developments in the Malaysia Economy in the Second Quarter of 2018, Quarterly Bulletin, Bank Negara Malaysia).*

The global economy is expected to expand 3.7% in 2018 and 2019, lower than the earlier forecast of 3.9% (IMF, 2018). The downward revision reflects elevating policy uncertainties with several risks stemming to growth from escalating trade tension and outflows of capital from emerging economies. At the same time, global growth has become less synchronised with mixed developments in advanced economies while projection for emerging economies, in particular, developing Asia remains favourable.

The outlook for the Malaysian economy remains resilient in the near term despite considerable external and domestic headwinds. Real GDP is projected to expand 4.8% and 4.9% in 2018 and 2019, respectively, supported mainly by domestic demand. Private sector expenditure, in particular, household spending will remain as the anchor of growth following a continuous increase in employment and wage amid benign inflation. Meanwhile, private investment will be supported by new and ongoing projects in the services and manufacturing sectors. On the contrary, public expenditure is expected to grow marginally in 2018 and contract in 2019 following the lower capital outlays by public corporations.

From the supply side, the service sector is expected to remain as the largest contributor, namely wholesale and retail trade, finance and insurance as well as information and communication subsectors, benefitting from steady consumer spending. The manufacturing sector is projected to register a firm growth primarily driven by continuous demand for electrical and electronic ("E&E"), Agriculture and mining sectors are expected to rebound in 2019 after recording a marginal contraction in 2018 following an increase in the production of crude palm oil and liquefied natural gas. Meanwhile, the construction sector is expected to moderate following the near completion of infrastructure projects as well as property overhand, particularly in the non-residential segment.

*(Source: Economic Outlook 2019, Ministry of Finance Malaysia).*

## **7.2 Overview and outlook of the steel industry in Malaysia**

Value added of the manufacturing sector expanded further by 5.8% during the first half of 2017 (January – June 2016: 4.4%) with expansion across a wide range of outputs in both the export- and domestic- oriented industries. During the first eight months, production increased 6.4%, while sales rebounded significantly by 15.6% to RM500.2 billion (January - August 2016: 4%; -0.7%; RM432.8 billion). Output of export-oriented industries rose 6.5% (January – August 2016: 4.3%) led by an upturn in global electronics cycle and further enhanced by strong demand for resource-based products. Meanwhile, domestic-oriented industries expanded 6.2% (January - August 2016: 3.4%) benefiting from vibrant consumption and construction activities.

Within the domestic-oriented industries, output of construction-related materials recorded a sustained growth of 4.8% (January – August 2016: 4.8%). Growth was led by higher production of basic metal (4.2%), particularly basic iron and steel which rebounded 6.2% (January – August 2016: 1.9%; -1.4%). Likewise, both non-metallic mineral and fabricated metal products grew 5.4% and 4.6%, respectively (January - August 2016: 6.3%; 5.6%) supported by increased demand for fabricated construction materials and concrete, cement and plaster following vibrant construction activities.

Within the export-oriented industries, E&E output expanded 9.3% while sales surged 16.3% to RM169.5 billion (January - August 2016: 6.8%; 9%; RM145.8 billion). Growth emanated mainly from the expansion in output of printed circuit boards, semiconductor devices and electronic integrated circuits which strengthened further by 24.4%, 11.9% and 16.9% (January – August 2016: 11.9%; 5.9%; 15%), respectively. This is in line with the trend in global semiconductor sales which is expected to expand 11.5% in 2017, the highest level since 2010. On the contrary, the output of computers and peripheral equipment contracted 7.7% (January – August 2016: 3.1%) as a result of lower demand for notebooks and personal computers following rising preferences for smartphones and tablets.

Meanwhile, consumer electronics grew at a moderate pace of 2.6% (January - August 2016: 5.3%) partly due to lower demand for in-car entertainment, portable media players and digital cameras.

Non-E&E exports posted a stronger growth of 20.9% (January - August 2016: 5%) with almost all subsectors exhibiting positive performance. Export receipts from petroleum products rebounded significantly by 43.6% (January - August 2016: -3.6%) following increased demand, particularly from Indonesia (135.2%), China (96.4%), Australia (73.7%) and Singapore (24.5%). Strong performance was recorded in refined petroleum products (34.7%) as well as petroleum gases and gaseous hydrocarbon (41%). Exports of chemicals and chemical products rose sharply by 18.3% (January - August 2016: 6.6%) led by organic chemicals and plastic in primary form, which expanded 25.9% and 13.3%, respectively. Demand was notably higher from China, Indonesia, Japan, Singapore and Thailand.

The manufacturing sector is forecast to increase 5.3% in 2018 (2017: 5.5%). Output of export-oriented industries is projected to expand on account of sustained demand for E&E, refined petroleum and woods products. Likewise, growth in the domestic-oriented industries is anticipated to remain resilient supported by ongoing construction of infrastructure projects as well as strong demand for consumer products, especially food and transport equipment.

*(Source: Economic Report 2017/2018, Ministry of Finance Malaysia)*

The World Steel Association ("**Worldsteel**") released its October 2018 Short Range Outlook. Worldsteel projects global steel demand will reach 1,657.9 million tonnes in 2018, an increase of 3.9%\* over 2017. In 2019, it is forecast that global steel demand will grow by 1.4% to reach 1,681.2 million tonnes.

In the first half of 2018, Chinese steel demand got a boost from the mini stimulus in real estate and the strong global economy. However, continued economic rebalancing efforts and toughening environmental regulations will lead to deceleration of steel demand toward the end of 2018 and 2019.

Both downside and upside risks exist for China. Downside risks come from the ongoing trade friction with the US and a decelerating global economy. However, if the Chinese government decides to use stimulus measures to contain the potential slowdown of the Chinese economy in the face of a deteriorating economic environment, steel demand in 2019 will be boosted.

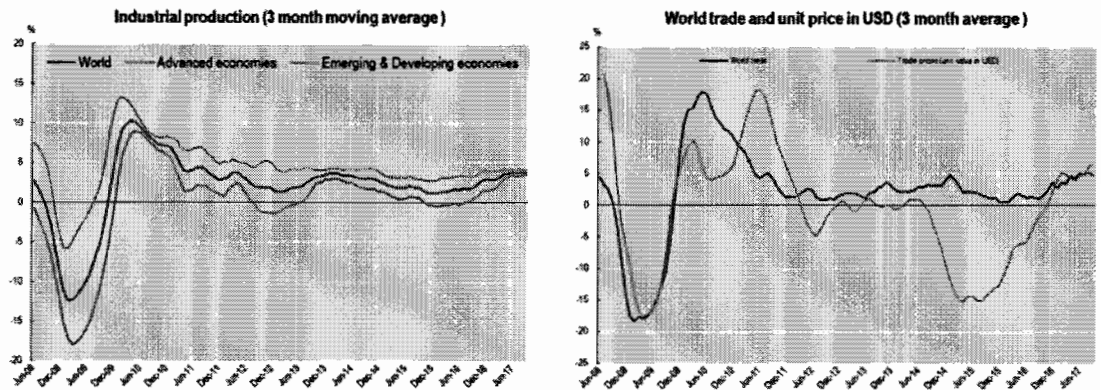
*\*Note: China continued to close most of its outdated induction furnaces in 2017, a category which was not captured in official statistics. While nominal steel demand growth in China in 2018 is expected to reach 6.0%, the dynamics of steel using sectors suggest growth of 2.0% in real terms. Accordingly, real global growth in 2018 is 2.1%. As set out in the October 2017 Short Range Outlook, the disparity comes from an underestimation of 2017 steel use that had been supplied by the illegal induction furnaces.*

*(Source: Short Range Outlook October 2018, Worldsteel Association)*

Steel market conditions have continued to recover in most regions following the market weakness of 2015, but it is uncertain whether the momentum will continue. Important headwinds remain and include financial vulnerabilities of steel firms and the presence of distortive government support and subsidisation. World industrial production growth, which picked up from its 2015 lows and reached 3.7% in June 2016, has remained relatively stable since then (Figure 1). Global trade and commodity prices have continued to pick up, with their growth rates converging recently after years of decoupling.

**Figure 1. World industrial production, trade, and trade prices**

% change from one year earlier



Source: Netherlands Bureau for Economic Policy Analysis (CPB).

According to the November 2017 Organisation for Economic Cooperation and Development Economic Outlook, world GDP growth has become more synchronised across economies, and is projected to have reached 3.6% in 2017. Growth is forecast to pick up slightly to 3.7% in 2018, followed by a slight deceleration to 3.6% in 2019.

Steel market sentiment has continued to improve since January 2017, possibly reflecting the increase of steel prices and improvements in steel demand. However, the improvement could turn out to be temporary given the extent of the unaddressed underlying structural imbalances coupled with sluggish demand growth in the years to come.

(Source: *Steel Market Developments 2<sup>nd</sup> Quarter 2018*, Organisation for Economic Cooperation and Development).

In 2017, Malaysia was the world's eighteenth-largest steel importer. Malaysia imported 7.6 million metric tons of steel in 2017, a 15 percent decrease from 8.9 million metric tons in 2016. Malaysia's imports represented about 2 percent of all steel imported globally in 2016, based on available data. The volume of Malaysia's 2017 steel imports was more than a third the size of the world's fourth-largest and Asia's largest importer, South Korea. In value terms, steel represented just 2.8 percent of the total goods imported into Malaysia in 2017.

In 2017, the volume of Malaysia's steel imports decreased by 15 percent to 7.6 million metric tons from 8.9 million metric tons in 2016. By contrast, the value of Malaysia's 2017 steel imports increased by 12 percent to \$5.6 billion from \$5 billion in 2016, which can be attributed to a significant increase in global steel prices.

Flat products accounted for 54 percent of Malaysia's steel imports by volume in 2017, with a total of 4.1 million metric tons. Long products represented 26 percent of Malaysia's imports, with 2 million metric tons. Pipe and tube steel products moved up to the third position at 9 percent of the total import share (722 thousand metric tons), followed by stainless steel products at 7 percent of Malaysia's imports (515 thousand metric tons) and lastly semi-finished steel at 4 percent of steel imports (300 thousand metric tons).

Malaysia's crude steel production decreased by 45 percent between 2009 and 2016. Between 2015 and 2016, production decreased 27 percent to 2.8 million metric tons. Demand grew by 64 percent between 2009 and 2016, and between 2015 and 2016, demand grew by 6 percent. With rising import levels, over three times as large as Malaysia's production in 2016, imports contribute substantially to steel demand. Import penetration increased nearly every year since 2009, peaking at 86.5 percent in 2016. In 2016, import penetration increased 7.3 percentage points from 79.2 percent in 2015.

*(Source: Global Steel Trade Monitor (Steel Imports Report: Malaysia) April 2018, International Trade Administration).*

### **7.3 Prospects of the Mycron Group**

Our Group's prospects for the new financial year remains tough due to effects of international steel capacity diversions into Malaysia and the transitional period of the new government, which has caused short term uncertainties in the domestic economy arising from changes in government personnel and policies and the suspension or abortion of various mega projects of the previous administration. We expect our Group's financial performance to remain profitable, albeit weaker moving forward, due to lower combined sales volume, lower gross margins, and the reasons as mentioned above.

Going forward, our Group is actively engaged with the new government, to ensure that our businesses are protected from unfair trade practices, such as dumping. We are also working together with other Malaysian steel manufacturers for the long-term betterment of the Malaysian steel industry.

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**8. EFFECTS OF THE RIGHTS ISSUE WITH WARRANTS****8.1 Share Capital**

The pro forma effects of the Rights Issue with Warrants on the share capital of Mycron are set out below: -

	<b>Minimum Scenario</b>		<b>Maximum Scenario</b>	
	<b>No. of Mycron Shares ('000)</b>	<b>Share Capital (RM'000)</b>	<b>No. of Mycron Shares ('000)</b>	<b>Share Capital (RM'000)</b>
Issued share capital as at the LPD	283,545	206,364	283,545	206,364
To be issued pursuant to the Rights Issue with Warrants	36,000	10,800 <sup>^</sup>	56,710	17,013 <sup>^</sup>
	<b>319,545</b>	<b>217,164</b>	<b>340,255</b>	<b>223,377</b>
To be issued pursuant to the full exercise of the Warrants	18,000	10,800 <sup>*</sup>	28,354	17,013 <sup>*</sup>
<b>Enlarged issued share capital</b>	<b>337,545</b>	<b>227,964</b>	<b>368,609</b>	<b>240,390</b>

Notes: -

<sup>^</sup> Based on issue price of the Rights Share of RM0.30.

<sup>\*</sup> Based on the exercise price of the Warrants of RM0.60.

*[The rest of this page has been intentionally left blank]*

## 8.2 Substantial Shareholders' Shareholdings

The pro forma effects of the Rights Issue with Warrants on the shareholdings of the substantial shareholders' of Mycron as at the LPD are set out below: -

### (i) Minimum Scenario

Names	As at the LPD				(i) After the Rights Issue with Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of Mycron Shares	%	No. of Mycron Shares	%	No. of Mycron Shares	%	No. of Mycron Shares	%
MIGB	202,050,221	71.26	-	-	238,050,221	74.50	-	-
MEL	-	-	202,050,221	71.26 <sup>(1)</sup>	-	-	238,050,221	74.50 <sup>(1)</sup>
MKSB	-	-	202,050,221	71.26 <sup>(1)</sup>	-	-	238,050,221	74.50 <sup>(1)</sup>
TDYK	-	-	202,102,521	71.28 <sup>(2)(3)</sup>	-	-	238,102,521	74.51 <sup>(2)(3)</sup>
KLB	-	-	202,050,221	71.26 <sup>(4)</sup>	-	-	238,050,221	74.50 <sup>(4)</sup>

### (ii)

Names	After (i) and after the full conversion of Warrants			
	Direct		Indirect	
	No. of Mycron Shares	%	No. of Mycron Shares	%
MIGB	256,050,221	75.86 <sup>(5)</sup>	-	-
MEL	-	-	256,050,221	75.86 <sup>(1)</sup>
MKSB	-	-	256,050,221	75.86 <sup>(1)</sup>
TDYK	-	-	256,102,521	75.87 <sup>(2)(3)</sup>
KLB	-	-	256,050,221	75.86 <sup>(4)</sup>

Notes: -

- (1) Deemed indirect interest by virtue of it being the major shareholder of MIGB who is a major shareholder of Mycron.
- (2) Deemed indirect interest by virtue of TDYK being a beneficiary of a trust known as KLB, being the holding company of MEL and MKSB, who are the major shareholders of MIGB, a major shareholder of Mycron.
- (3) TDYK is a director and a shareholder with 12.5% shareholdings in Melewar Group Berhad ("MGB") which is the family owned investment holding company. MGB holds 0.02% of the issued share capital of Mycron.
- (4) Deemed indirect interest by virtue of it being the holding company of MEL and MKSB who are the major shareholders of MIGB, a major shareholder of Mycron.
- (5) MIGB will undertake the necessary steps which may include undertaking a placement of Mycron Shares to third party investors to ensure that Mycron complies with the public shareholding spread requirement in accordance with paragraph 8.02(1) of the Listing Requirements in the event MIGB's shareholding in Mycron exceeds 75% of the total number of Mycron Shares.

## (ii) Maximum Scenario

Names	As at the LPD				(I) After the Rights Issue with Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of Mycron Shares	%	No. of Mycron Shares	%	No. of Mycron Shares	%	No. of Mycron Shares	%
MIGB	202,050,221	71.26	-	-	242,460,265	71.26	-	-
MEL	-	-	202,050,221	71.26 <sup>(1)</sup>	-	-	242,460,265	71.26 <sup>(1)</sup>
MKSB	-	-	202,050,221	71.26 <sup>(1)</sup>	-	-	242,460,265	71.26 <sup>(1)</sup>
TDYK	-	-	202,102,521	71.28 <sup>(2)(3)</sup>	-	-	242,523,025	71.28 <sup>(2)(3)</sup>
KLB	-	-	202,050,221	71.26 <sup>(4)</sup>	-	-	242,460,265	71.26 <sup>(4)</sup>

Names	(II) After (I) and after the full conversion of Warrants			
	Direct		Indirect	
	No. of Mycron Shares	%	No. of Mycron Shares	%
MIGB	262,665,287	71.26	-	-
MEL	-	-	262,665,287	71.26 <sup>(1)</sup>
MKSB	-	-	262,665,287	71.26 <sup>(1)</sup>
TDYK	-	-	262,733,277	71.28 <sup>(2)(3)</sup>
KLB	-	-	262,665,287	71.26 <sup>(4)</sup>

Notes: -

- (1) Deemed indirect interest by virtue of it being the major shareholder of MIGB who is a major shareholder of Mycron.
- (2) Deemed indirect interest by virtue of TDYK being a beneficiary of a trust known as KLB, being the holding company of MEL and MKSB who are the major shareholders of MIGB, a major shareholder of Mycron.
- (3) TDYK is a director and a shareholder with 12.5% shareholdings in MGB which is the family owned investment holding company. MGB holds 0.02% of the issued share capital of Mycron.
- (4) Deemed indirect interest by virtue of it being the holding company of MEL and MKSB who are the major shareholders of MIGB, a major shareholder of Mycron.



### 8.3 NA & Gearing

Based on the latest audited consolidated statement of financial position of Mycron as at 30 June 2018 and on the assumption that the Rights Issue with Warrants had been effected on that date, the proforma effects of the Rights Issue with Warrants on the consolidated NA, NA per share and gearing of our Group are set out below: -

#### (i) Minimum Scenario

	Audited as at 30 June 2018 RM'000	Adjusted for Subsequent Events up to the LPD RM'000	(I) After the Rights Issue with Warrants RM'000	(II) After (I), and assuming full exercise of the Warrants RM'000
Share capital	206,364	206,364	213,024 <sup>(3)</sup>	227,964 <sup>(6)</sup>
Asset revaluation reserve	26,852	27,612 <sup>(1)</sup>	27,612	27,612
Warrant reserves	-	-	4,140 <sup>(4)</sup>	-
Retained earnings	158,357	158,357	157,657 <sup>(5)</sup>	157,657
<b>Shareholders' funds/NA</b>	<b>391,573</b>	<b>392,333</b>	<b>402,433</b>	<b>413,233</b>
No. of Mycron Shares in issue ('000)	283,545	283,545	319,545	337,545
NA per share (RM)	1.38	1.38	1.26	1.22
Total borrowings <sup>(a)</sup>	92,372	113,372 <sup>(2)</sup>	113,372	113,372
Gearing (times)	0.24	0.29	0.28 <sup>(7)</sup>	0.27

Notes: -

- (a) Comprising all bank borrowings.
- (1) Arising from the revaluation of assets of RM760,000, net deferred tax liabilities.
- (2) Arising from a loan obtained to part finance the Acquisition of RM21,000,000.
- (3) Arising from the issuance of 36,000,000 Rights Shares pursuant to the Rights Issue with Warrants at an issue price of RM0.30 per Rights Share, net warrant reserves.
- (4) Arising from the issuance of Warrants pursuant to the Rights Issue with Warrants. For illustration purposes, the Warrants are assumed to have a fair value of RM0.23 based on the Black-Scholes option pricing model as extracted from Bloomberg based on the following input: -
- |                         |  |
|-------------------------|--|
| Exercise price          | : RM0.60   |
| TERP                    | : RM0.2891   |
| Tenure                  | : Five (5) years from the date of issuance of the Warrants |
| Volatility rate         | : 120.76%  |
| Risk free interest rate | : 3.908%   |
- (5) After deducting the estimated expenses of RM700,000 in relation to the Rights Issue with Warrants.
- (6) Arising from the issuance of 18,000,000 new Mycron Shares pursuant to the full exercise of the Warrants.
- (7) As set out in Section 5, Note (1) of this AP, the Group is expected to fund part of its capital expenditure plans via bank borrowings of approximately RM35.0 million. In such event, the gearing of the Group will increase from 0.29 times to 0.37 times in proforma (I) and 0.36 times in proforma (II) respectively.

**(ii) Maximum Scenario**

			(I)	(II)
	<b>Audited as at 30 June 2018</b>	<b>Adjusted for Subsequent Events up to the LPD</b>	<b>After the Rights Issue with Warrants</b>	<b>After (I), and assuming full exercise of the Warrants</b>
	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>	<b>RM'000</b>
Share capital	206,364	206,364	216,855 <sup>(3)</sup>	240,390 <sup>(6)</sup>
Asset revaluation reserve	26,852	27,612 <sup>(1)</sup>	27,612	27,612
Warrant reserves	-	-	6,522 <sup>(4)</sup>	-
Retained earnings	158,357	158,357	157,657 <sup>(5)</sup>	157,657
<b>Shareholders' funds/NA</b>	<b>391,573</b>	<b>392,333</b>	<b>408,646</b>	<b>425,659</b>
No. of Mycron Shares in issue ('000)	283,545	283,545	340,255	368,609
NA per share (RM)	1.38	1.38	1.20	1.16
Total borrowings <sup>(a)</sup>	92,372	113,372 <sup>(2)</sup>	113,372	113,372
Gearing (times)	0.24	0.29	0.28 <sup>(7)</sup>	0.27

Notes: -

- (a) *Comprising all bank borrowings.*
- (1) *Arising from the revaluation of assets of RM760,000, net deferred tax liabilities.*
- (2) *Arising from a loan obtained to part finance the Acquisition of RM21,000,000.*
- (3) *Arising from the issuance of 56,709,091 Rights Shares pursuant to the Rights Issue with Warrants at an indicative issue price of RM0.30 per Rights Share, net warrant reserves.*
- (4) *Arising from the issuance of Warrants pursuant to the Rights Issue with Warrants. For illustration purposes, the Warrants are assumed to have a fair value of RM0.23 based on the Black-Scholes option pricing model as extracted from Bloomberg based on the following input: -*
- |                                |   |
|--------------------------------|---|
| <i>Exercise price</i>          | <i>: RM0.60</i>   |
| <i>TERP</i>                    | <i>: RM0.2891</i>   |
| <i>Tenure</i>                  | <i>: Five (5) years from the date of issuance of the Warrants</i> |
| <i>Volatility rate</i>         | <i>: 120.76%</i>  |
| <i>Risk free interest rate</i> | <i>: 3.908%</i>   |
- (5) *After deducting the estimated expenses of RM700,000 in relation to the Rights Issue with Warrants.*
- (6) *Arising from the issuance of 28,354,546 new Mycron Shares pursuant to the full exercise of the Warrants.*
- (7) *As set out in Section 5, Note (1) of this AP, the Group is expected to fund part of its capital expenditure plans via bank borrowings of approximately RM35.0 million. In such event, the gearing of the Group will increase from 0.29 times to 0.36 times in proforma (I) and 0.35 times in proforma (II) respectively.*

#### 8.4 EPS

The Rights Issue with Warrants is not expected to have any material effect on Mycron's consolidated earnings for the FYE 30 June 2019.

On a standalone basis, the EPS of the Mycron Group shall be correspondingly diluted as a result of the increase in the number of Mycron Shares in issue pursuant to the issuance of Rights Shares and new Mycron Shares arising from the exercise of the Warrants.

Barring any unforeseen circumstances, the Rights Issue with Warrants is expected to contribute positively to the future earnings of the Mycron Group when the benefits of the utilisation of proceeds arising from the Rights Issue with Warrants are realised.

#### 8.5 Convertible Securities

As at the LPD, Mycron does not have any existing options, warrants or convertible securities.

### 9. WORKING CAPITAL, BORROWINGS, CONTINGENT LIABILITIES AND MATERIAL COMMITMENTS

#### 9.1 Working Capital

The Board is of the opinion that, after taking into consideration our Group's financial position, the funds generated from our Group's operations and the banking facilities available to our Group, our Group will have sufficient working capital available for a period of twelve (12) months from the date of this AP.

#### 9.2 Borrowings

As at the LPD, the Mycron Group has total outstanding borrowings of approximately RM92.334 million, all of which are interest-bearing, as follows:

<b>Borrowings</b>	<b>RM'000</b>
<u>Short-term borrowings</u>	
Secured	71,384
	<b>71,384</b>
<u>Long-term borrowings</u>	
Secured	20,950
	<b>20,950</b>
<b>Total Borrowings</b>	<b>92,334</b>

There has not been any default on payment of either interest and/or principal sums on any of our Group's borrowings throughout the past one (1) financial year and subsequent financial period up to the LPD.

#### 9.3 Contingent Liabilities

As at LPD, the Board has confirmed that there are no contingent liabilities incurred or known to be incurred by Mycron Group which upon becoming enforceable may have a material impact on the financial position of Mycron Group.

#### **9.4 Material Commitments**

As at the LPD, our Group's cold-rolled subsidiary has an outstanding capital expenditure commitment of approximately RM8.8 million. From this amount, RM8.4 million has been committed for the construction of a new Acid Regeneration Plant while the remaining RM0.4 million represents the balance outstanding on commitments for production-line motors replacement. Our Group's steel tube subsidiary has an outstanding capital expenditure commitment balance of approximately RM1.9 million for plant-equipment. The said capital expenditure commitments will be payable over established milestones running into financial years 2019 and 2020.

As set out in Section 5, Note 1 of this AP, the Board has approved up to RM51.35 million for its capital expenditure plans for its cold-rolled subsidiary's Continuous Pickling Line for a total cost of approximately RM31.37 million and the construction of a new Acid Regeneration Plant for a total cost of RM19.98 million respectively. The remaining approved but not yet committed capital expenditure stands at approximately RM42.9 million as at the LPD.

#### **10. INSTRUCTIONS FOR ACCEPTANCE, PAYMENT, SALE OR TRANSFER AND EXCESS APPLICATION**

**FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL ALLOTMENTS, AND THE PROCEDURES TO BE FOLLOWED BY YOU AND/OR YOUR TRANSFEREE(S) AND/OR YOUR RENOUNCEE(S) (IF APPLICABLE), SHOULD YOU AND/OR YOUR TRANSFEREE(S) AND/OR YOUR RENOUNCEE(S) (IF APPLICABLE), WISHES TO SELL OR TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT(S) AS WELL AS INSTRUCTIONS FOR APPLICATION FOR EXCESS RIGHTS SHARES WITH WARRANTS, ARE SET OUT IN THIS AP AND THE ACCOMPANYING RSF. YOU ARE ADVISED TO READ THIS AP, THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED IN THE DOCUMENTS CAREFULLY.**

**UNLESS OTHERWISE STATED, ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL ALLOTMENTS EITHER IN FULL OR IN PART MUST BE MADE ON THE RSF (AS APPLICABLE) ISSUED TOGETHER WITH THIS AP AND MUST BE COMPLETED IN ACCORDANCE WITH THE NOTES AND INSTRUCTIONS CONTAINED IN THE DOCUMENTS. ACCEPTANCES WHICH DO NOT CONFORM STRICTLY TO THE TERMS AND CONDITIONS AS WELL AS NOTES AND INSTRUCTIONS IN THE DOCUMENTS OR WHICH ARE ILLEGIBLE MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF THE BOARD.**

##### **10.1 General**

As an Entitled Shareholder, your CDS Account will be duly credited with the number of Provisional Allotments that you are entitled to subscribe for in full or in part under the terms and conditions of the Rights Issue with Warrants (fractional entitlement, if any, having been disregarded). You will find enclosed with this AP, the NPA notifying you of the crediting of such Provisional Allotments into your CDS Account and the RSF to enable you to subscribe for such Rights Shares with Warrants that you have been provisionally allotted as well as to apply for the Excess Rights Shares with Warrants if you choose to do so. This AP and the RSF are also available at our Registered Office, the Share Registrar or on the website of Bursa Securities (<http://www.bursamalaysia.com>).

## 10.2 NPA

The Provisional Allotments are prescribed securities under Section 14(5) of the SICDA and therefore, all dealings in the NPA will be by book entries through CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. As an Entitled Shareholder, you and/or your transferee(s) and/or your renounee(s) (if applicable) are required to have valid and subsisting CDS Accounts when making the applications.

## 10.3 Procedures for acceptance and payment

Acceptance of and payment for the Provisional Allotments allotted to you, must be made on the RSF issued together with this AP and must be completed in accordance with the notes and instructions contained therein. Acceptances which do not strictly conform to the terms and conditions of this AP, the RSF or the notes and instructions contained in the documents or which are illegible may not be accepted at the absolute discretion of the Board. Our Share Registrar will not contact you and/or your renounee(s) and/or transferee(s) (if applicable) for acceptance which do not strictly conform to the terms and conditions of this AP, the RSF or the notes and instructions contained in the RSF or which are illegible.

**FULL INSTRUCTIONS FOR THE ACCEPTANCE OF AND PAYMENT FOR THE PROVISIONAL ALLOTMENTS AND THE PROCEDURES TO BE FOLLOWED SHOULD YOU WISH TO SELL OR TRANSFER ALL OR ANY PART OF YOUR ENTITLEMENT ARE SET OUT IN THIS AP AND THE ACCOMPANYING RSF. YOU ARE ADVISED TO READ THIS AP AND THE ACCOMPANYING RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN CAREFULLY.**

If you wish to accept all or part of your entitlement to the Provisional Allotments, please complete Parts I(A) and II of the RSF in accordance with the notes and instructions contained in the RSF. Each completed and signed RSF with the relevant payment must be despatched by **ORDINARY POST, COURIER** or **DELIVERED BY HAND** at your own risk to our Share Registrar at the following address: -

- (i) Trace Management Services Sdn Bhd  
Suite 11.05, 11th Floor,  
No. 566 Jalan Ipoh,  
51200 Kuala Lumpur.

Or, our Company at its Registered Office at the address set out below:

- (ii) Suite 11.05, 11th Floor,  
No. 566 Jalan Ipoh,  
51200 Kuala Lumpur.

so as to arrive not later than 5.00 p.m. on 16 January 2019, being the last date and time for the acceptance of and payment for the Rights Shares with Warrants.

If you lose, misplace or for any other reason require another copy of the RSF, you may obtain additional copies from the Registered Office, our Share Registrar or Bursa Securities' website (<http://www.bursamalaysia.com>).

Only one (1) RSF must be used for acceptance of the Provisional Allotments standing to the credit of one (1) CDS Account. Separate RSFs must be used for the acceptance of Provisional Allotments standing to the credit of more than one (1) CDS Account. The Rights Shares with Warrants accepted by you will be credited into the CDS Account(s) where the Provisional Allotments are standing to the credit.

Successful applicants of the Rights Shares with Warrants will be given the Warrants on the basis of one (1) Warrant for every two (2) Rights Shares successfully subscribed for. The minimum number of Rights Shares with Warrants that can be subscribed or accepted is one (1) Rights Share. The Warrants will be detached from the Rights Shares immediately upon issuance and traded separately on Bursa Securities. However, you and/or your renounee/transferee (if applicable) should take note that a trading board lot comprises of one hundred (100) Rights Shares and one hundred (100) Warrants, respectively. Fractions of a Rights Share and/or a Warrant arising from the Rights Issue with Warrants will be disregarded and the aggregate of such fractions shall be dealt with as the Board may at its absolute discretion deem fit and expedient and in the best interest of our Company.

A reply envelope is enclosed with this AP. To facilitate the processing of the RSFs by our Share Registrar, you are advised to use one (1) reply envelope for each completed RSF.

Each completed RSF must be accompanied by the appropriate remittance in RM for the full amount payable for the Rights Shares accepted in the form of banker's draft(s), cashier's order(s), money order(s) or postal order(s) drawn on a bank or post office in Malaysia and which must be made payable to "**MYCRON RIGHTS ISSUE ACCOUNT**" crossed "**ACCOUNT PAYEE ONLY**" and endorsed on the reverse side with your name, contact number, address and your CDS Account number in block letters, and must be received by our Share Registrar or our Company by 5.00 p.m. on 16 January 2019. The payment must be made for the exact amount payable for the Rights Shares accepted. Any excess or insufficient payment may be rejected at the absolute discretion of the Board. Cheques or other mode(s) of payment not prescribed herein are not acceptable.

**APPLICATIONS ACCOMPANIED BY PAYMENT OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD, DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.**

**NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE RIGHTS SHARES WITH WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES WITH WARRANTS, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND DESPATCHED BY ORDINARY POST TO YOU AT YOUR OWN RISK TO THE ADDRESSES SHOWN IN THE RECORD OF DEPOSITORS WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE AND TIME FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES WITH WARRANTS OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.**

**PROOF OF POSTAGE SHALL NOT CONSTITUTE PROOF OF RECEIPT BY OUR SHARE REGISTRAR OR COMPANY.**

**APPLICATIONS SHALL NOT BE DEEMED TO HAVE BEEN ACCEPTED BY REASON OF THE REMITTANCE BEING PRESENTED FOR PAYMENT. THE BOARD RESERVES THE RIGHT AT ITS ABSOLUTE DISCRETION NOT TO ACCEPT ANY APPLICATION OR TO ACCEPT ANY APPLICATION IN PART ONLY WITHOUT ASSIGNING ANY REASON THEREOF.**

**YOU SHOULD NOTE THAT ANY RSF AND REMITTANCE LODGED WITH OUR SHARE REGISTRAR OR OUR COMPANY WILL BE IRREVOCABLE AND CANNOT SUBSEQUENTLY BE WITHDRAWN.**

**IN RESPECT OF UNSUCCESSFUL OR PARTIALLY ACCEPTED APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST BY ORDINARY POST TO THE ADDRESS AS SHOWN ON BURSA DEPOSITORY'S RECORD OF DEPOSITORS AT THE APPLICANT'S OWN RISK WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES WITH WARRANTS.**

**FOR FOREIGN ADDRESSED SHAREHOLDERS, ACCEPTANCE AND PAYMENT ARE SUBJECT TO CERTAIN RESTRICTIONS WHICH ARE SET OUT IN SECTION 10.10 OF THIS AP.**

If acceptance of and payment for the Rights Shares with Warrants provisionally allotted to you is not received by our Share Registrar or our Company by 5.00 p.m. on 16 January 2019, being the last date and time for acceptance and payment (or such later date and time as our Board in its absolute discretion may decide and announce not less than two (2) Market Days before the stipulated date and time), such provisional allotment of Rights Shares with Warrants to you will be deemed to have been declined and will be cancelled. Such Rights Shares not taken up will be made available for applicants who have applied for Excess Rights Shares with Warrants.

Our Board reserves the right not to accept or to accept in part only any application accompanied by payment other than in the manner prescribed herein or which is otherwise howsoever incomplete or not in order, without assigning any reasons thereof.

**YOU SHOULD NOTE THAT ALL RSF AND REMITTANCES SO LODGED WITH OUR SHARE REGISTRAR OR OUR COMPANY SHALL BE IRREVOCABLE AND CANNOT BE SUBSEQUENTLY WITHDRAWN. WHERE THE APPLICATION IS NOT ACCEPTED OR ACCEPTED IN PART ONLY, THE FULL AMOUNT OR THE BALANCE OF THE APPLICATION MONIES, AS THE CASE MAY BE, WILL BE REFUNDED WITHOUT INTEREST AND SHALL BE DESPATCHED TO YOU WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR ACCEPTANCE OF AND PAYMENT FOR THE RIGHTS SHARES BY ORDINARY POST TO THE ADDRESS SHOWN IN THE RECORD OF DEPOSITORS AT YOUR OWN RISK.**

#### **10.4 Procedures for sale/transfer of provisional allotment of Rights Shares with Warrants**

The provisional allotment of Rights Shares with Warrants is renounceable and will be traded on Bursa Securities commencing 2 January 2019 up to 8 January 2019 at 5.00 p.m. As such, you and/or your transferee(s) and/or your renounee(s) may sell/transfer all or part of your entitlement to the Rights Shares with Warrants.

As the provisional allotment of the Rights Shares with Warrants are prescribed securities, you and/or your transferee(s) and/or your renounee(s) (if applicable) who wish to sell/transfer all or part of your entitlements to the Rights Shares with Warrants to one (1) or more than one (1) person(s) may do so immediately through your stockbrokers without first having to request for a split of the provisionally allotted Rights Shares with Warrants standing to the credit of your CDS Account. To dispose of all or part of your provisionally allotted Rights Shares with Warrants, you and/or your transferee(s) and/or your renounee(s) (if applicable) may sell such entitlements in the open market of Bursa Securities for the period up to the last day and time for sale of the provisionally allotted Rights Shares with Warrants (in accordance with the Rules of Bursa Depository) or transfer to such persons as may be allowed pursuant to the Rules of Bursa Depository for the period up to the last day and time for transfer of the provisionally allotted Rights Shares with Warrants (in accordance with the Rules of Bursa Depository).

In selling/transferring all or part of your provisionally allotted Rights Shares with Warrants, you and/or your transferee(s) and/or your renouncee(s) (if applicable) need not deliver any document including the RSF, to any stockbroker in respect of the portion of the provisional allotment sold/transferred. However, you and/or your transferee(s) and/or your renouncee(s) (if applicable) must ensure that there is sufficient provisionally allotted Rights Shares with Warrants standing to the credit of your CDS Account that are available for settlement of the sale or transfer.

If you and/or your renouncee(s) (if applicable) have sold or transferred only part of your provisionally allotted Rights Shares with Warrants, you may still accept the balance of the entitlements of the Rights Shares with Warrants by completing Part I(A) and Part II of the RSF and forward the RSF together with the full amount payable on the balance of the Rights Shares with Warrants applied for to our Share Registrar or our Company in accordance with the instructions set out in Section 10.3 of this AP. The minimum number of Rights Shares with Warrants that can be accepted or minimum number of Excess Rights Shares with Warrants which can be applied for is one (1) Rights Share.

**ENTITLED SHAREHOLDERS AND/OR THEIR RENOUNCEE(S) (IF APPLICABLE) ARE ADVISED TO READ AND ADHERE TO THE RSF AND THE NOTES AND INSTRUCTIONS CONTAINED THEREIN.**

#### **10.5 Purchase of rights**

If you have purchased any provisional allotment of Rights Shares with Warrants from Bursa Securities, you should obtain and complete the RSF in order to enable you to accept the Rights Shares. The RSF can be obtained from one of the following:

- (1) Any Malaysian stockbroking companies
- (2) The website of Bursa Securities at <http://www.bursamalaysia.com>
- (3) Our Company's Registered Office at:

Suite 11.05, 11th Floor,  
No. 566 Jalan Ipoh,  
51200 Kuala Lumpur.

- (4) Our Share Registrar at:

Trace Management Services Sdn Bhd  
Suite 11.05, 11th Floor,  
No. 566 Jalan Ipoh,  
51200 Kuala Lumpur.

**YOU ARE TO COMPLETE THE RSF AND SUBMIT THE SAME WITH THE REQUISITE PAYMENT TO OUR SHARE REGISTRAR OR OUR COMPANY AS DESCRIBED UNDER SECTION 10.3 OF THIS AP.**

**YOU ARE ADVISED TO READ, UNDERSTAND AND CONSIDER CAREFULLY THE CONTENTS OF THIS AP AND ADHERE TO THE NOTES AND INSTRUCTIONS CONTAINED IN THIS AP AND THE RSF CAREFULLY.**

**IF YOU ARE LOCATED OUTSIDE OF MALAYSIA, YOU SHOULD TAKE NOTE OF CERTAIN RESTRICTIONS AS SET OUT IN SECTION 10.10 OF THIS AP.**

*[The rest of this page has been intentionally left blank]*



## 10.6 Procedures for Excess Rights Shares Application

You and/or your renounee(s) (if applicable) who have accepted the provisionally allotted Rights Shares with Warrants may apply for Excess Rights Shares with Warrants by completing Part I(B) of the RSF and forward it (together with a separate remittance for the full amount payable in respect of the Excess Rights Shares with Warrants applied for) to our Share Registrar or Company at the address set out in Section 10.3 above, so as to arrive not later than 5.00 p.m. on 16 January 2019, being the last date and time for Excess Rights Share Application and payment, or such extended date and time as may be determined and announced by our Board.

Payment for the Excess Applications should be made in the same manner described in Section 10.3 of this AP, except that the banker's draft(s), cashier's order(s), money order(s) or postal order(s) drawn on a bank or post office in Malaysia and crossed "**ACCOUNT PAYEE ONLY**", should be made payable to "**MYCRON EXCESS RIGHTS ISSUE ACCOUNT**" and endorsed on the reverse side with your name, contact number and address in block letters and your CDS Account number which must be received by our Share Registrar or our Company by the stipulated last date and time for acceptance and payment.

**APPLICATIONS ACCOMPANIED BY PAYMENTS OTHER THAN IN THE MANNER STATED ABOVE OR WITH EXCESS OR INSUFFICIENT REMITTANCES MAY OR MAY NOT BE ACCEPTED AT THE ABSOLUTE DISCRETION OF OUR BOARD. DETAILS OF THE REMITTANCES MUST BE FILLED IN THE APPROPRIATE BOXES PROVIDED IN THE RSF.**

It is the intention of our Board to allot the Excess Rights Shares with Warrants applied for in a fair and equitable manner. As such, the basis on which our Board intends to allot the Excess Rights Shares with Warrants is in the following priority:

- (i) firstly, to minimise the incidence of odd lots;
- (ii) secondly, for allocation to the Entitled Shareholders who have applied for Excess Rights Shares with Warrants, on a pro-rata basis and in board lots, calculated based on their respective shareholdings in our Company as per their CDS Account on the Entitlement Date;
- (iii) thirdly, for allocation to the Entitled Shareholders who have applied for Excess Rights Shares with Warrants, on a pro-rata basis and in board lots, calculated based on the quantum of their respective number of Excess Rights Shares with Warrants they applied for in their respective CDS Account; and
- (iv) fourthly, for allocation to transferee(s) and/or renounee(s) who have applied for Excess Rights Shares with Warrants, on a pro-rata basis and in board lots, calculated based on the quantum of their respective number of Excess Rights Shares with Warrants they applied for in their respective CDS Account.

In the event there is any balance Excess Rights Shares with Warrants after steps (i) to (iv) are carried out, steps (ii) to (iv) will be repeated to allocate the balance Excess Rights Shares with Warrants.

Notwithstanding the foregoing, the Board reserves the right to allocate any Excess Rights Shares with Warrants applied for under Part I(B) of the RSF in such manner as it deems fit and expedient, and in the best interests of our Company, subject always to such allocation being made on a fair and equitable basis, and that the intention of the Board as set out in (i) to (iv) above is achieved. The Board also reserves the right to allocate any Excess Rights Shares with Warrants, in full or in part, without assigning any reason thereof.

**NO ACKNOWLEDGEMENT OF RECEIPT OF THE RSF FOR THE EXCESS APPLICATION OR APPLICATION MONIES WILL BE MADE BY OUR COMPANY OR OUR SHARE REGISTRAR IN RESPECT OF THE EXCESS RIGHTS SHARES WITH WARRANTS. HOWEVER, SUCCESSFUL APPLICANTS WILL BE ALLOTTED THEIR RIGHTS SHARES WITH WARRANTS, AND NOTICES OF ALLOTMENT WILL BE ISSUED AND DESPATCHED BY ORDINARY POST TO YOU AT YOUR OWN RISK TO THE ADDRESSES SHOWN IN THE RECORD OF DEPOSITORS WITHIN EIGHT (8) MARKET DAYS FROM THE LAST DATE FOR APPLICATION AND PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS OR SUCH OTHER PERIOD AS MAY BE PRESCRIBED BY BURSA SECURITIES.**

**IN RESPECT OF UNSUCCESSFUL OR PARTIALLY SUCCESSFUL EXCESS RIGHTS SHARES WITH WARRANTS APPLICATIONS, THE FULL AMOUNT OR THE SURPLUS APPLICATION MONIES, AS THE CASE MAY BE, SHALL BE REFUNDED WITHOUT INTEREST AND DESPATCHED TO THE APPLICANTS WITHIN FIFTEEN (15) MARKET DAYS FROM THE LAST DATE FOR APPLICATION AND PAYMENT FOR THE EXCESS RIGHTS SHARES WITH WARRANTS BY ORDINARY POST TO THE ADDRESSES SHOWN IN THE RECORD OF DEPOSITORS AT YOUR OWN RISK.**

If you lose, misplace or for any other reasons require another copy of the RSF, you may obtain additional copies from your stockbrokers, Bursa Securities' website ([www.bursamalaysia.com](http://www.bursamalaysia.com)), our Share Registrar at the address stated above or our Registered Office.

#### **10.7 Splitting**

Under the CDS environment, the processes of splitting, nomination and renunciation are generated by electronic book-entries made in the CDS Accounts of the Entitled Shareholders and the new purchaser. The provisional allotment of Rights Shares with Warrants will be credited into your CDS Account. You will be notified of the crediting via the NPA which is enclosed with this AP. You may sell part of or all of the Rights Shares with Warrants provisionally allotted to you.

#### **10.8 Notice of Allotment**

Upon allotment of the Rights Shares with Warrants in respect of your acceptance and/or your renounee(s)/transferee(s) acceptance (if applicable) and Excess Rights Shares application (if any), the Rights Shares with Warrants shall be credited directly into the respective CDS Account where the Provisional Rights Shares with Warrants were credited. No physical Rights Shares with Warrants certificates will be issued in respect of the Rights Shares with Warrants. However, a notice of allotment will be despatched to you and/or your renounee(s)/transferee(s) (if applicable), by ordinary post within eight (8) Market Days from the last date of acceptance of and payment for the Rights Shares with Warrants and Excess Rights Shares application, or such other period as may be prescribed or allowed by Bursa Securities, at the address shown on the Record of Depositors at your own risk.

Where any application for the Rights Shares with Warrants is not accepted due to non-compliance with the terms of the Rights Issue with Warrants or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded without interest to you within fifteen (15) Market Days from the last date and time for acceptance of and payment of the Rights Shares with Warrants by ordinary post to the address shown on Bursa Depository's Record of Depositors at your own risk.

Please note that a completed RSF and the payment thereof once lodged with our Share Registrar for the Rights Shares with Warrants cannot be withdrawn subsequently.

## 10.9 Form of issuance

Bursa Securities has already prescribed the securities of our Company listed on the Main Market of Bursa Securities to be deposited with Bursa Depository. Accordingly, the Rights Shares with Warrants are prescribed securities and as such, all dealings in the provisional allotment of Rights Shares with Warrants will be by book entry through CDS Accounts and will be governed by the SICDA and the Rules of Bursa Depository. You are required to have valid and subsisting CDS accounts in order to subscribe for the Rights Shares. Failure to comply with the specific instructions or inaccuracy in the CDS Account number may result in the application being rejected.

The acceptance of the Rights Shares with Warrants by you or any purchaser of the rights thereof shall mean consent to receiving such Rights Shares with Warrants as prescribed securities which will be credited directly into your or the purchaser's CDS account. All Excess Rights Shares with Warrants, if allotted to the successful applicant who has applied for Excess Rights Shares with Warrants, will be credited directly as prescribed securities into the CDS Account of the successful applicants.

No physical share certificates will be issued to you in respect of the Rights Shares with Warrants. Upon allotment of the Rights Shares with Warrants in respect of your acceptance and Excess Application (if any), the Rights Shares with Warrants will be credited directly into your CDS Accounts. Within eight (8) Market Days from the last date for acceptance of and payment for the Rights Shares with Warrants and Excess Application, or such other period as may be prescribed by Bursa Securities, notices of allotment will be issued and forwarded by ordinary post to the successful applicants at their own risk at the addresses shown in the Record of Depositors.

The allotment of the Rights Shares with Warrants, despatch of notice of allotment and application to Bursa Securities for the quotation for the Rights Shares with Warrants will be made within eight (8) Market Days from the last date for acceptance of and payment for the Rights Shares with Warrants or such other period as may be prescribed by Bursa Securities.

Where any application for the Rights Shares with Warrants is not accepted or accepted in part only, the full amount or the balance of the application monies, as the case may be, will be refunded without interest and be despatched to you within fifteen (15) Market Days from the last date of acceptance and payment in respect of the Rights Shares by ordinary post to the address shown in the Record of Depositors.

*[The rest of this page has been intentionally left blank]*

## 10.10 Foreign Addressed Shareholders

This AP together with the accompanying documents issued in connection with the Rights Issue with Warrants are not and will not be made to comply with the laws of any countries or jurisdiction other than Malaysia, and have not and will not be registered under any applicable securities legislation of any countries or jurisdictions other than Malaysia, and the Rights Issue with Warrants will not be made or offered for purchase or subscription in any countries or jurisdictions other than Malaysia.

Accordingly, this AP together with the accompanying documents will only be sent to Entitled Shareholders who have a registered address or an address for service in Malaysia as registered in our Record of Depositors as at the Entitlement Date. Foreign Addressed Shareholders who wish to provide Malaysia addresses should inform their respective stockbrokers to effect the change of address prior to the Entitlement Date. Alternatively, such Foreign Addressed Shareholders may collect this AP from our Share Registrar who shall be entitled to request for such evidence as they deem necessary to satisfy themselves as to the identity and authority of the person collecting this AP.

Our Company will not make or be bound to make any enquiry as to whether the Entitled Shareholders have a registered address other than as stated in our Record of Depositors as at the Entitlement Date and will not accept or be deemed to accept any liability whether or not any enquiry or investigation is made in connection therewith.

Foreign Addressed Shareholders may only exercise their rights in respect of the Rights Issue with Warrants to the extent that it would be lawful to do so, and our Company and/or TA Securities would not, in connection with the Rights Issue with Warrants, be in breach of the laws of any country or jurisdiction which the Foreign Addressed Shareholders and/or their renounee(s) might be subject to.

Foreign Addressed Shareholders will be responsible for payment of any issue, transfer or any other taxes or other requisite payments due in such foreign country or jurisdiction and our Company shall be entitled to be fully indemnified and held harmless by such foreign applicants for any issue, transfer or any other taxes or duties as such person may be required to pay. They will have no claims whatsoever against our Company, our Share Registrar and/or TA Securities in respect of their rights or entitlements under the Rights Issue with Warrants. Such applicants should also consult their professional advisers as to whether they require any governmental, exchange control or other consents or need to comply with any other applicable legal requirements to enable them to exercise their rights in respect of the Rights Issue with Warrants.

Foreign Addressed Shareholders shall be solely responsible to seek advice as to the laws of any jurisdiction to which they may be subject, and participation by the Foreign Addressed Shareholders in the Rights Issue with Warrants shall be on the basis of a warranty by them that they may lawfully so participate without our Company and/or TA Securities being in breach of the laws of any jurisdiction.

Neither our Company, TA Securities nor any other advisers to the Rights Issue with Warrants shall accept any responsibility or liability in the event that any acceptance of a Foreign Addressed Shareholder of his/her rights in respect of the Rights Issue with Warrants is or shall become illegal, unenforceable, voidable or void in any country or jurisdiction.

Our Company reserves the right in our absolute discretion to treat any acceptance as being invalid if we believe or have reason to believe that such acceptance may violate applicable legal or regulatory requirements.

**11. TERMS AND CONDITIONS**

The issuance of the Rights Shares with Warrants pursuant to the Rights Issue with Warrants is governed by the terms and conditions set out in this AP, the Deed Poll, the NPA and the RSF.

**12. FURTHER INFORMATION**

Please refer to the attached Appendices for further information.

Yours faithfully  
For and on behalf of

**MYCRON STEEL BERHAD**

**ROSHAN MAHENDRAN BIN ABDULLAH**  
Group Chief Executive Officer

**CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE WITH WARRANTS PASSED AT THE EGM OF MYCRON HELD ON 20 APRIL 2018**

**CERTIFIED TRUE COPY**



**MYCRON STEEL BERHAD**  
(Co. Reg. No. 622819-D)  
(Incorporated in Malaysia)

Company Secretary  
**MS LILY YIN KAM MAY**  
**MAICSA 0878038**

**EXTRACT OF MINUTES OF THE EXTRAORDINARY GENERAL MEETING ("EGM") OF THE COMPANY HELD AT THE CRYSTAL FUNCTION ROOM, 4<sup>TH</sup> FLOOR, MUTIARA COMPLEX, 3½ MILES, JALAN IPOH, 51200 KUALA LUMPUR ON FRIDAY, 20 APRIL 2018 AT 11.00 A.M.**

RESOLVED :

**ORDINARY RESOLUTION 1**

**ORDINARY RESOLUTION 1 PROPOSED RENOUNCEABLE RIGHTS ISSUE OF UP TO 56,709,091 SHARES IN MYCRON ("MYCRON SHARES") ("RIGHTS SHARE(S)") ON THE BASIS OF ONE (1) RIGHTS SHARE FOR EVERY FIVE (5) MYCRON SHARES HELD, TOGETHER WITH UP TO 28,354,546 FREE DETACHABLE WARRANTS ("WARRANTS") ON THE BASIS OF ONE (1) WARRANT FOR EVERY TWO (2) RIGHTS SHARES SUBSCRIBED ON AN ENTITLEMENT DATE TO BE DETERMINED LATER ("PROPOSED RIGHTS ISSUE WITH WARRANTS")**

**"THAT, subject to and conditional upon the approvals of all relevant authorities and/or parties being obtained (if required), approval be and is hereby given to the Board of Directors of Mycron ("Board") to:-**

- (a) provisionally allot and issue by way of a renounceable rights issue of up to 56,709,091 Rights Shares on the basis of one (1) Rights Share for every five (5) existing Mycron Shares held by the shareholders of the Company whose names appear in the Record of Depositors of the Company as at the close of business on an entitlement date to be determined later by the Board ("Entitlement Date")("Entitled Shareholders"), together with up to 28,354,546 Warrants on the basis of one (1) Warrant for every two (2) Rights Shares subscribed, at an issue price to be determined later to the Entitled Shareholders and/or their renounee(s). The Rights Shares shall upon allotment and issue, rank *pari passu* in all respects with the then existing issued and paid up Mycron Shares, save and except that the Rights Shares will not be entitled to any dividends, rights, allotment and/or other distributions, the entitlement date of which is prior to the date of allotment of the Rights Shares;
- (b) determine and fix the issue price of the Rights Shares at a later date, after receipt of all relevant approvals but before the announcement of the Entitlement Date, after taking into consideration, amongst others, the historical share price movement of Mycron;
- (c) determine the final exercise price of the Warrants after taking into consideration the theoretical ex-rights price ("TERP") of Mycron Shares, based on the five (5)-day volume weighted average market price ("5D-VWAMP") of Mycron Shares, with a discount to the TERP deemed appropriate by the Board prior to the price fixing date to be determined later by the Board;
- (d) allot and issue such number of Mycron Shares upon full payment arising from any exercise by the holders of the Warrants of their rights in accordance with the provisions of the deed poll constituting the Warrants to be executed by the Company ("Deed Poll") and such new Mycron Shares shall upon allotment and issuance, rank *pari passu* in all respects with the then existing issued and paid up Mycron Shares, save and except that such new Mycron Shares will not be entitled to any dividends, rights, allotment and/or other distributions, the entitlement date of which is prior to the date of allotment of the new Mycron Shares to be issued pursuant to the exercise of the Warrants;
- (e) disregard and deal with fractional entitlements of the Rights Shares and/or Warrants, if any, in such manner and on such terms and conditions as the Board in its absolute discretion deem fit or expedient or in the best interest of the Company;
- (f) make available for excess shares application to the Entitled Shareholders and/or their renounee(s) who have applied for the excess Rights Shares with Warrants, in the event there are any Rights Shares with Warrants which are not taken up or not validly taken up, and such excess Rights Shares with Warrants will be allocated in a fair and equitable manner on a basis to be determined by the Board;

Con't..2/-

**CERTIFIED TRUE EXTRACT OF THE ORDINARY RESOLUTION PERTAINING TO THE RIGHTS ISSUE WITH WARRANTS PASSED AT THE EGM OF MYCRON HELD ON 20 APRIL 2018 (CONT'D)**

**CERTIFIED TRUE COPY**



Company Secretary  
MS LILY YIN KAM MAY  
MAICSA 0878038

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Mycron Steel Berhad  
Extraordinary General Meeting held on 20 April 2018

- (g) utilise the proceeds from the Proposed Rights Issue with Warrants for such purposes and in such manner as set out in Section 2.7, Part A of the Circular to Shareholders of the Company dated 5 April 2018 ("Circular") and the Board be authorised to revise the purpose and manner of the utilisation of proceeds as it may deem fit or expedient or in the best interest of the Company, subject to the approval of the relevant authorities, (where required);
- (h) execute, sign and enter into the Deed Poll with full powers to assent to any condition, variation, modification and/or amendment from time to time, in accordance with and subject to the terms of the Deed Poll and in any manner as may be required by the relevant authorities or deemed necessary by the Board, and with full powers to implement and give effect to the terms and conditions of the Deed Poll and in the best interest of the Company; and
- (i) issue and allot such additional Warrants and adjust from time to time the exercise price of the Warrants as may be required or permitted to be issued/adjusted as a consequence of the adjustments under the provisions of the Deed Poll, and issue and allot such additional number of Mycron Shares arising from any exercise of the additional Warrants and such new Mycron Shares shall upon allotment and issuance, rank *pari passu* in all respects with the then existing Mycron Shares, save and except that the new Mycron Shares will not be entitled to any dividends, rights, allotment and/or other distributions, the entitlement date of which is prior to the date of allotment of the new Mycron Shares to be issued pursuant to the exercise of such additional Warrants;

**AND THAT** the Board be and is hereby empowered and authorised to do all acts, deeds and things and to execute, sign, deliver and cause to be delivered on behalf of the Company all such documents and/or arrangements (including without limitation, the affixing of the Company's common seal) as may be necessary or expedient in order to implement, finalise, give effect and complete the Proposed Rights Issue with Warrants and with full powers to assent to any conditions, modifications, variations and/or amendments as may be required by the relevant authorities or as the Directors may deem necessary or expedient in the best interest of the Company."

**CERTIFIED TRUE COPY**

  
\_\_\_\_\_  
DIRECTOR  
ROSHAN MAHENDRAN BIN  
ABDULLAH

  
\_\_\_\_\_  
SECRETARY  
LILY YIN KAM MAY  
MAICSA 0878038

KUALA LUMPUR  
DATED : 20 April 2018

**INFORMATION ON OUR COMPANY****1. HISTORY AND PRINCIPAL ACTIVITIES**

Mycron was incorporated in Malaysia under the Companies Act 1965 on 24 July 2003 as a public limited company. Mycron's principal activity is investment holding and the provision of management services to its subsidiaries.

The principal activities of its subsidiaries are as stated in Section 6 of this Appendix II.

**2. SHARE CAPITAL****2.1 Issued share capital**

The issued share capital of Mycron as at the LPD are as follows:

Share Capital	No. of Mycron Shares	Amount (RM)
Issued share capital	283,545,455	206,363,671

As at the LPD, there is only one (1) class of shares in Mycron i.e. the Mycron Shares. All the Mycron Shares rank pari passu in terms of voting rights and entitlements to any dividends, rights, allotments and/or distributions (including any capital distributions) which may be declared, made or paid to shareholders.

**2.2 Changes in the issued share capital**

The changes in Mycron's issued share capital for the last three (3) years up to the LPD are as follows:

Date of Allotment/ Capital Reduction	No. of Shares Allotted	Cumulative Issued Capital (RM)	Total number of Shares Allotted	Consideration
18 February 2015	Nil	44,750,000	179,000,000	Reduction of issued share capital from RM 179,000,000 comprising 179,000,000 Shares to RM 44,750,000 comprising 179,000,000 Shares
1 April 2015	104,545,455	70,886,364	283,545,455	Other than cash

**2.3 Convertible Securities**

As at the LPD, Mycron does not have any existing options, warrants or convertible securities.



**INFORMATION ON OUR COMPANY (CONT'D)**
**3. SUBSTANTIAL SHAREHOLDERS' SHAREHOLDINGS**

The pro forma effects of the Rights Issue with Warrants on the shareholdings of the substantial shareholders of Mycron as at the LPD are set out below: -

**(i) Minimum Scenario**

Names	As at the LPD				(i)			
	Direct		Indirect		Direct		Indirect	
	No. of Mycron Shares	%	No. of Mycron Shares	%	No. of Mycron Shares	%	No. of Mycron Shares	%
MIGB	202,050,221	71.26	-	-	238,050,221	74.50	-	-
MEL	-	-	202,050,221	71.26 <sup>(1)</sup>	-	-	238,050,221	74.50 <sup>(1)</sup>
MKSB	-	-	202,050,221	71.26 <sup>(1)</sup>	-	-	238,050,221	74.50 <sup>(1)</sup>
TDYK	-	-	202,102,521	71.28 <sup>(2)(3)</sup>	-	-	238,102,521	74.51 <sup>(2)(3)</sup>
KLB	-	-	202,050,221	71.26 <sup>(4)</sup>	-	-	238,050,221	74.50 <sup>(4)</sup>

Names	(ii)			
	After (i) and after the full conversion of Warrants			
	Direct		Indirect	
No. of Mycron Shares	%	No. of Mycron Shares	%	
MIGB	256,050,221	75.86 <sup>(5)</sup>	-	-
MEL	-	-	256,050,221	75.86 <sup>(1)</sup>
MKSB	-	-	256,050,221	75.86 <sup>(1)</sup>
TDYK	-	-	256,102,521	75.87 <sup>(2)(3)</sup>
KLB	-	-	256,050,221	75.86 <sup>(4)</sup>

Notes: -

- (1) Deemed indirect interest by virtue of it being the major shareholder of MIGB who is a major shareholder of Mycron.
- (2) Deemed indirect interest by virtue of TDYK being a beneficiary of a trust known as KLB, being the holding company of MEL and MKSB who are the major shareholders of MIGB, a major shareholder of Mycron.
- (3) TDYK is a director and a shareholder with 12.5% shareholdings in MGB which is the family owned investment holding company. MGB holds 0.02% of the issued share capital of Mycron.
- (4) Deemed indirect interest by virtue of it being the holding company of MEL and MKSB who are the major shareholders of MIGB, a major shareholder of Mycron.
- (5) MIGB will undertake the necessary steps which may include undertaking a placement of Mycron Shares to third party investors to ensure that Mycron complies with the public shareholding spread requirement in accordance with paragraph 8.02(1) of the Listing Requirements in the event MIGB's shareholding in Mycron exceeds 75% of the total number of Mycron Shares.

## INFORMATION ON OUR COMPANY (CONT'D)

## (ii) Maximum Scenario

Names	As at the LPD				(I) After the Rights Issue with Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of Mycron Shares	%	No. of Mycron Shares	%	No. of Mycron Shares	%	No. of Mycron Shares	%
MIGB	202,050,221	71.26	-	-	242,460,265	71.26	-	-
MEL	-	-	202,050,221	71.26 <sup>(1)</sup>	-	-	242,460,265	71.26 <sup>(1)</sup>
MKSB	-	-	202,050,221	71.26 <sup>(1)</sup>	-	-	242,460,265	71.26 <sup>(1)</sup>
TDYK	-	-	202,102,521	71.28 <sup>(2)(3)</sup>	-	-	242,523,025	71.28 <sup>(2)(3)</sup>
KLB	-	-	202,050,221	71.26 <sup>(4)</sup>	-	-	242,460,265	71.26 <sup>(4)</sup>

Names	(II) After (I) and after the full conversion of Warrants			
	Direct		Indirect	
	No. of Mycron Shares	%	No. of Mycron Shares	%
MIGB	262,665,287	71.26	-	-
MEL	-	-	262,665,287	71.26 <sup>(1)</sup>
MKSB	-	-	262,665,287	71.26 <sup>(1)</sup>
TDYK	-	-	262,733,277	71.28 <sup>(2)(3)</sup>
KLB	-	-	262,665,287	71.26 <sup>(4)</sup>

Notes: -

- (1) Deemed indirect interest by virtue of it being the major shareholder of MIGB who is a major shareholder of Mycron.
- (2) Deemed indirect interest by virtue of TDYK being a beneficiary of a trust known as KLB, being the holding company of MEL and MKSB who are the major shareholders of MIGB, a major shareholder of Mycron.
- (3) TDYK is a director and a shareholder with 12.5% shareholdings in MGB which is the family owned investment holding company. MGB holds 0.02% of the issued share capital of Mycron.
- (4) Deemed indirect interest by virtue of it being the holding company of MEL and MKSB who are the major shareholders of MIGB, a major shareholder of Mycron.

**INFORMATION ON OUR COMPANY (CONT'D)****4. BOARD OF DIRECTORS**

The particulars of our Directors as at the LPD are as follows: -

<b>Name/Designation</b>	<b>Address</b>	<b>Age</b>	<b>Nationality</b>	<b>Profession</b>
Tunku Dato' Yaacob Khyra (Executive Chairman)	No. 9E, Lorong Tun Ismail Bukit Tunku 50480 Kuala Lumpur	58	Malaysian	Executive Chairman
Roshan Mahendran Bin Abdullah (Group Chief Executive Officer)	No. 7, Jalan 5/3 Off Jalan Gasing 46000 Petaling Jaya Selangor Darul Ehsan	37	Malaysian	Group Chief Executive Officer
Azlan Bin Abdullah (Non-Independent Non-Executive Director)	51 Lorong 16/9E 46350 Petaling Jaya Selangor Darul Ehsan	60	Malaysian	Company Director
Tunku Dato' Kamil Ikram Bin Tunku Tan Sri Abdullah (Non-Independent Non-Executive Director)	No. 60, Jalan 5/149G Off Jalan Wan Sendari Sri Petaling 57000 Kuala Lumpur	62	Malaysian	Company Director
Tan Sri Datuk Seri Razman Md Hashim Bin Che Din Md Hashim (Independent Non-Executive Director)	No. 18, Jalan Palong The Mines Resort City 43300 Seri Kembangan Selangor Darul Ehsan	79	Malaysian	Company Director
Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah (Independent Non-Executive Director)	2A Lorong Duta 1 Taman Duta 50480 Kuala Lumpur	63	Malaysian	Company Director
Shazal Yusuf Bin Mohamed Zain (Independent Non-Executive Director)	No. 2, Jalan Merah Saga U9/5E Kayangan Height 40150 Shah Alam Selangor Darul Ehsan	47	Malaysian	Company Director
Muk Sai Tat (Independent Non-Executive Director)	83 Jalan Terasek 2 Bangsar Baru 59100 Kuala Lumpur	55	Malaysian	Company Director

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**INFORMATION ON OUR COMPANY (CONT'D)****5. DIRECTORS' SHAREHOLDINGS**

Save for the directors as disclosed below, none of our directors have any direct or indirect shareholding in our Company as at LPD.

For illustrative purposes only and on the assumption that the Rights Issue with Warrants had been effected on the LPD and all Entitled Shareholders and/or their renouncee(s) subscribe in full their respective entitlements under the Rights Issue with Warrants, our Directors' direct and indirect shareholdings in our Company before and after the Rights Issue with Warrants based on our Register of Directors as at the LPD are as follows: -

**Minimum Scenario**

Names	As at the LPD				(i) After the Rights Issue with Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of Mycron Shares	%	No. of Mycron Shares	%	No. of Mycron Shares	%	No. of Mycron Shares	%
TDYK	-	-	202,102,521	71.28 <sup>(1)(2)</sup>	-	-	238,102,521	74.51 <sup>(1)(2)</sup>
Tunku Dato' Kamil Ikram Bin Tunku Tan Sri Abdullah ("TK")	-	-	52,300	0.02 <sup>(3)</sup>	-	-	52,300	0.02 <sup>(3)</sup>
Azlan Bin Abdullah	100,000	0.04	-	-	100,000	0.03	-	-

Names	(ii) After (i) and after the full conversion of Warrants			
	Direct		Indirect	
	No. of Mycron Shares	%	No. of Mycron Shares	%
TDYK	-	-	256,102,521	75.87 <sup>(1)(2)</sup>
TK	-	-	52,300	0.02 <sup>(3)</sup>
Azlan Bin Abdullah	100,000	0.03	-	-

Notes: -

1. Deemed indirect interest by virtue of TDYK being a beneficiary of a trust known as KLB, being the holding company of MEL and MKSB who are the major shareholders of MGB, a major shareholder of Mycron.
2. TDYK is a director and a shareholder with 12.5% shareholdings in MGB which is the family owned investment holding company. MGB holds 0.02% of the issued share capital of Mycron.
3. TK is a director and a shareholder with 12.5% shareholdings in MGB which is the family-owned investment holding company. MGB holds 0.02% of the issued share capital of Mycron.

**INFORMATION ON OUR COMPANY (CONT'D)**
**Maximum Scenario**

Names	As at the LPD				(I) After the Rights Issue with Warrants			
	Direct		Indirect		Direct		Indirect	
	No. of Mycron Shares	%	No. of Mycron Shares	%	No. of Mycron Shares	%	No. of Mycron Shares	%
TDYK	-	-	202,102,521	71.28 <sup>(1)(2)</sup>	-	-	242,523,025	71.28
TK	-	-	52,300	0.02 <sup>(3)</sup>	-	-	62,760	0.02 <sup>(3)</sup>
Azlan Bin Abdullah	100,000	0.04	-	-	120,000	0.04	-	-

Names	(II) After (I) and after the full conversion of Warrants			
	Direct		Indirect	
	No. of Mycron Shares	%	No. of Mycron Shares	%
TDYK	-	-	262,733,277	71.28 <sup>(1)(2)</sup>
TK	-	-	67,990	0.02 <sup>(3)</sup>
Azlan Bin Abdullah	130,000	0.04	-	-

Notes: -

1. Deemed indirect interest by virtue of TDYK being a beneficiary of a trust known as KLB, being the holding company of MEL and MKSB who are the major shareholders of MGB, a major shareholder of Mycron.
2. TDYK is a director and a shareholder with 12.5% shareholdings in MGB which is the family owned investment holding company. MGB holds 0.02% of the issued share capital of Mycron.
3. TK is a director and a shareholder with 12.5% shareholdings in MGB which is the family-owned investment holding company. MGB holds 0.02% of the issued share capital of Mycron.

**INFORMATION ON OUR COMPANY (CONT'D)****6. LIST OF SUBSIDIARIES AND ASSOCIATED COMPANIES**

Our subsidiaries and associated companies as at the LPD are as follows: -

Name	Country of incorporation	Dates of incorporation	Effective interest (%)	Issued share capital	Principal activities
<b>Subsidiaries of Mycron</b>					
Mycron Steel CRC Sdn Bhd	Malaysia	6 January 1989	100	RM60,000,000	Manufacturing and trading of steel cold rolled coils
Melewar Steel Tube Sdn Bhd	Malaysia	2 December 1983	100	RM90,000,000	Manufacturing, distribution, transportation and trading of steel tubes
<b>Subsidiary of Mycron Steel CRC Sdn Bhd</b>					
Silver Victory Sdn Bhd	Malaysia	21 June 2005	100	RM2	Trading of all kinds of steel products

As at the LPD, Mycron does not have any associated company.

**INFORMATION ON OUR COMPANY (CONT'D)**
**7. PROFIT AND DIVIDEND RECORD**

The profit and dividend record of Mycron based on its audited consolidated financial statements for the FYEs 30 June 2016, 30 June 2017 and 30 June 2018 and unaudited consolidated financial statements for the three (3)-month FPE 30 September 2017 and FPE 30 September 2018 are as follows:

(RM'000)	Audited			Unaudited	
	<-----FYE 30 June----->			Three (3)- month FPE 30 September	Three (3)- month FPE 30 September
	2016	2017	2018	2017	2018
Revenue	566,809	726,196	793,374	179,750	196,711
Cost of sales	(488,537)	(637,937)	(731,882)	(162,491)	(184,447)
<b>Gross profit</b>	<b>78,272</b>	<b>88,259</b>	<b>61,492</b>	<b>17,259</b>	<b>12,264</b>
Other operating income	196	453	116	29	149
Net foreign exchange gain/(loss)	(734)	(751)	637	149	(248)
Selling and distribution costs	(4,970)	(6,159)	(6,419)	(1,487)	(1,508)
Administrative expenses	(21,344)	(23,117)	(26,225)	(5,748)	(6,880)
Impairment loss on property, plant and equipment	(8,057)	(2,108)	(901)		-
Finance income	447	951	1,391	255	213
Finance costs	(11,410)	(11,157)	(7,550)	(2,349)	(1,600)
<b>Profit before tax</b>	<b>32,400</b>	<b>46,371</b>	<b>22,541</b>	<b>8,108</b>	<b>2,390</b>
Taxation	(8,222)	(11,628)	(6,441)	(2,301)	(941)
<b>Net profit for the financial year</b>	<b>24,178</b>	<b>34,743</b>	<b>16,100</b>	<b>5,807</b>	<b>1,449</b>
Items that will not be reclassified to profit or loss					
- Revaluation surplus on property, plant and equipment, net of tax	5,375	2,989	1,318	-	760
<b>Total comprehensive income for the financial year</b>	<b>29,553</b>	<b>37,733</b>	<b>17,418</b>	<b>5,807</b>	<b>2,209</b>
<b>Net profit for the financial year attributable to owners of the Company</b>	<b>24,178</b>	<b>34,743</b>	<b>16,100</b>	<b>5,807</b>	<b>1,499</b>
<b>Total comprehensive income for the financial year attributable to owners of the Company</b>	<b>29,553</b>	<b>37,733</b>	<b>17,418</b>	<b>5,807</b>	<b>2,209</b>
EPS attributable to equity holders of the Company					
- Basic and diluted (sen)	8.56	12.26	5.68	2.05	0.51
Gross profit margin (%)	13.81	12.15	7.75	9.60	6.23
Net profit margin (%)	4.27	4.78	2.03	3.23	0.74
Earnings before interest, tax, depreciation and amortisation ("EBITDA") (RM'000)	68,500	73,905	44,343	13,929	7,486

No dividend has been paid, declared or proposed by Mycron for the past three (3) financial years up to the FYE 30 June 2018.

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**INFORMATION ON OUR COMPANY (CONT'D)**

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**Commentary on financial performance****FYE 30 June 2016**

For the FYE 30 June 2016, our Group's revenue increased by approximately 9.4% or RM48.47 million to RM566.81 million as compared to RM518.34 million in FYE 30 June 2015 which is mainly due to a full financial year consolidation of the steel tube subsidiary revenue contribution of RM206 million as compared to a single quarter revenue contribution of RM58 million in FYE 30 June 2015. Our Group posted a net profit of RM24.18 million in FYE 30 June 2016 as compared to RM11.68 million in FYE 30 June 2015 as a result of our Group's effort in controlling cost, improving efficiencies and an improved sales margin.

**FYE 30 June 2017**

For the FYE 30 June 2017, our Group's revenue increased by approximately 28.12% or RM159.39 million to RM726.20 million as compared to RM566.81 million in FYE 30 June 2016 due to higher turnover registered in both the cold-rolled coil ("CRC") and steel tube divisions. Our Group's finance income increased by approximately 112.75% or RM0.50 million from RM0.45 million to RM0.95 million in FYE 30 June 2017 due to increased deposits with financial institutions. Our Group also posted net profits of RM34.74 million as compared to RM24.18 million in FYE 30 June 2016 representing a significant increase of 43.67% where RM23.0 million was contributed by the steel tube division. The increase was mainly due to improved margins arising from lower cost of hot rolled coils, the core raw material for manufacturing of steel tubes, caused by the cessation of operation of a domestic hot rolled coil manufacturer.

**FYE 30 June 2018**

For the FYE 30 June 2018, our Group's revenue increased by approximately 9.25% or RM67.18 million to RM793.40 million as compared to RM726.2 million in FYE 30 June 2017 due to higher turnover registered in the CRC division. Despite an increase in revenue, our Group net profit decreased by 53.66% as compared to FYE 30 June 2017 of RM34.74 million to RM16.10 million in FYE 30 June 2018 mainly due to various factors affecting sales volume and thinner gross margins such as effects of 14<sup>th</sup> general election, unfair pricing from foreign imports, fallout from USA-China trade war and weaker market conditions.

**Unaudited three (3) month FPE 30 September 2018**

For the first quarter ended 30 September 2018, our Group registered a 9% higher total revenue of RM196.71 million as compared to RM179.8 million achieved in the preceding year's corresponding quarter mainly due to higher unit selling price. At segment level, the average unit selling price for the current quarter for the cold rolled and the steel tube segments is up 10% and 9% respectively compared with the preceding year corresponding quarter, whilst sales volume is down 7% for the cold rolled segment but up 8% for the steel tube segment.

Our Group recorded a lower profit before tax of RM2.4 million for the current quarter as compared to RM8.1 million in the preceding year's corresponding quarter. The weaker performance for the current quarter compared to the preceding year's corresponding quarter was mainly attributed to the lower gross profit achieved of RM12.3 million (preceding year's corresponding quarter gross profit: RM17.3 million) due to lower price spread and sales volume in the cold rolled segment. Consequently, our Group recorded an after-tax profit of RM1.4 million for the current quarter as compared to the preceding year's corresponding quarter of RM5.8 million.



**INFORMATION ON OUR COMPANY (CONT'D)**
**8. STATEMENT OF ASSETS AND LIABILITIES**

The statement of assets and liabilities of Mycron based on its audited financial statements as at 30 June 2016, 30 June 2017, 30 June 2018 and unaudited consolidated financial statements for the three (3)-month FPE 30 September 2018 are as follows:

RM'000	Audited			Unaudited
	←-----As at 30 June-----→			As at 30 September
	2016	2017	2018	2018
<b>ASSETS</b>				
<b>Non-current assets</b>				
Property, plant and equipment	304,739	294,514	288,470	316,216
Intangible assets	20,000	20,000	20,000	20,000
<b>TOTAL NON-CURRENT ASSET</b>	<b>324,739</b>	<b>314,514</b>	<b>308,470</b>	<b>336,216</b>
<b>Current assets</b>				
Inventories	96,740	177,176	205,190	151,599
Trade and other receivables	100,860	106,249	122,671	114,880
Amount owing by ultimate holding company	6,992	263	1,861	4
Amounts owing by related companies	5,796	4,860	1,887	1,987
Tax recoverable	226	258	23	12
Derivative financial assets	705	142	3,341	3,325
Cash and cash equivalents	27,630	64,588	51,023	36,927
<b>TOTAL CURRENT ASSETS</b>	<b>238,949</b>	<b>353,536</b>	<b>385,996</b>	<b>308,734</b>
<b>LESS: CURRENT LIABILITIES</b>				
Trade and other payables	116,119	181,469	187,001	142,649
Amount owing to ultimate holding company	-	4,000	-	21
Amount owing to a related company	535	1,073	1,212	1,521
Tax payable	888	1,651	608	1,401
Derivative financial liabilities	3,264	3,037	3	42
Borrowings	84,338	78,610	90,735	62,910
<b>TOTAL CURRENT LIABILITIES</b>	<b>205,144</b>	<b>269,840</b>	<b>279,559</b>	<b>208,544</b>
<b>NET CURRENT ASSETS</b>	<b>33,806</b>	<b>83,696</b>	<b>106,437</b>	<b>100,190</b>

## INFORMATION ON OUR COMPANY (CONT'D)

RM'000	Audited			Unaudited
	<-----As at 30 June----->			As at 30 September
	2016	2017	2018	2018
<b>LESS: NON-CURRENT LIABILITIES</b>				
Deferred tax liabilities	15,865	19,758	21,699	21,299
Borrowings	7,241	4,298	1,636	21,326
<b>TOTAL NON-CURRENT LIABILITIES</b>	<b>23,106</b>	<b>24,056</b>	<b>23,335</b>	<b>42,625</b>
<b>NET ASSETS</b>	<b>335,439</b>	<b>374,154</b>	<b>391,572</b>	<b>393,781</b>
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO THE OWNERS OF THE COMPANY</b>				
Share capital	70,886	206,364	206,364	206,364
Non-distributable capital reserve	115,754	-	-	-
Share premium	19,100	-	-	-
Treasury shares	(359)	-	-	-
Asset revaluation reserve	22,545	25,534	26,851	27,611
Retained earnings	107,513	142,256	158,357	159,806
<b>TOTAL EQUITY</b>	<b>335,439</b>	<b>374,154</b>	<b>391,572</b>	<b>393,781</b>

As at the LPD, there is no known material change in the financial position or prospect of the Mycron Group subsequent to the latest audited consolidated financial statements for the FYE 30 June 2018, and the unaudited financial statements for the first financial quarter ended 30 September 2018.

## 9. ACCOUNTING POLICIES

Based on the audited financial statements of Mycron for the FYEs 30 June 2016, 30 June 2017 and 30 June 2018, the financial statements have been prepared based on approved Malaysian accounting standards and there was no audit qualification for Mycron financial statements for respective years under review.

There is no change in the accounting standards adopted by Mycron which would result in a material variation to the comparable figures for the audited consolidated financial statements of Mycron for the FYEs 30 June 2016, 30 June 2017 and 30 June 2018.

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**INFORMATION ON OUR COMPANY (CONT'D)****10. BORROWINGS**

As at the LPD, the Mycron Group has total outstanding borrowings of approximately RM92.334 million, all of which are interest-bearing, as follows:

<b>Borrowings</b>	<b>RM'000</b>
<u>Short-term borrowings</u>	
Secured	71,384
	<b>71,384</b>
<u>Long-term borrowings</u>	
Secured	20,950
	<b>20,950</b>
<b>Total Borrowings</b>	<b>92,334</b>

There has not been any default on payment of either interest and/or principal sums on any of our Group's borrowings throughout the past one (1) financial year and subsequent financial period up to the LPD.

**11. MATERIAL COMMITMENTS AND CONTINGENT LIABILITIES**

As at the LPD, our Group's cold-rolled subsidiary has an outstanding capital expenditure commitment of approximately RM8.8 million. From this amount, RM8.4 million has been committed for the construction of a new Acid Regeneration Plant while the remaining RM0.4 million represents the balance outstanding on commitments for production-line motors replacement. Our Group's steel tube subsidiary has an outstanding capital expenditure commitment balance of approximately RM1.9 million for plant-equipment. The said capital expenditure commitments will be payable over established milestones running into financial years 2019 and 2020.

As set out in Section 5, Note 1 of this AP, the Board has approved up to RM51.35 million for its capital expenditure plans for its cold-rolled subsidiary's Continuous Pickling Line for a total cost of approximately RM31.37 million and the construction of a new Acid Regeneration Plant for a total cost of RM19.98 million respectively. The remaining approved but not yet committed capital expenditure stands at approximately RM42.9 million as at the LPD.

As at the LPD, the Board has confirmed that there are no contingent liabilities incurred or known to be incurred by Mycron Group which upon becoming enforceable, may have a material impact on the financial position of Mycron Group.

**12. MATERIAL LITIGATION**

The details on material litigation relating to the Mycron Group are as set out in Section 4, Appendix VII of this AP.

**13. MATERIAL CONTRACTS**

Our Group has not entered into any material contracts (not being contract entered into in the ordinary course of business) during the past two (2) years before the date of this AP, except as disclosed below:

- (i) a conditional sale and purchase agreement dated 20 November 2017 between MIGB and MST in relation to the Acquisition. The Acquisition has been completed on 30 August 2018; and
- (ii) the Deed Poll.

**INFORMATION ON OUR COMPANY (CONT'D)****14. HISTORICAL PRICES OF MYCRON SHARES**

The historical prices of Mycron Shares traded on Bursa Securities are as follows:

Month	Closing market price		
	Highest (RM)	Lowest (RM)	At the end of the month (RM)
<b>2017</b>			
December	0.590	0.495	0.540
<b>2018</b>			
January	0.590	0.510	0.540
February	0.555	0.475	0.525
March	0.505	0.385	0.390
April	0.445	0.340	0.410
May	0.420	0.370	0.380
June	0.395	0.365	0.385
July	0.530	0.380	0.470
August	0.485	0.380	0.395
September	0.395	0.345	0.390
October	0.395	0.345	0.315
November	0.370	0.270	0.270

Last transacted market price on 23 August 2017, being the last Market Day immediately prior to the announcement of the Rights Issue with Warrants RM 0.805

Last transacted market price as at the LPD 0.340

Last transacted market price on 26 December 2018, being the Market Day immediately prior to the ex-date for the Rights Issue with Warrants 0.245

(Source: Bloomberg)

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MYCRON AS AT 30 JUNE 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON**

14 DEC 2018

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**The Board of Directors  
MYCRON STEEL BERHAD**Suite 11.05, 11<sup>th</sup> Floor,  
No. 566, Jalan Ipoh,  
51200 Kuala Lumpur.

Dear Sirs

**MYCRON STEEL BERHAD ("MYCRON" OR "COMPANY")  
REPORT ON THE COMPILATION OF PRO FORMA CONSOLIDATED STATEMENTS OF  
FINANCIAL POSITION**

We have completed our assurance engagement to report on the compilation of Pro Forma Consolidated Statements of Financial Position of Mycron and its subsidiaries (collectively known as "Group") as at 30 June 2018, for which we have stamped for the purpose of identification. The Pro Forma Consolidated Statements of Financial Position have been compiled by the Directors of the Company for inclusion in the Abridged Prospectus, in connection with the renounceable rights issue of up to 56,709,091 shares in Mycron ("Mycron Shares") ("Rights Shares") on the basis of one (1) Rights Share for every five (5) Mycron Shares held, together with up to 28,354,546 free detachable warrants ("Warrants") on the basis of one (1) Warrant for every two (2) Rights Shares subscribed ("Rights Issue with Warrants").

The applicable criteria on the basis of which the Directors have compiled the Pro Forma Consolidated Statements of Financial Position are described in Note 1 of Appendix A.

The Pro Forma Consolidated Statements of Financial Position have been compiled by the Board of Directors, for illustrative purpose only, to illustrate the effect of the Rights Issue with Warrants on the audited consolidated statement of financial position of the Group as at 30 June 2018.

As part of this process, information about the Group's consolidated financial position has been extracted by the Board of Directors from the audited financial statements of the Group for the financial year ended 30 June 2018.

**THE BOARD OF DIRECTORS' RESPONSIBILITIES**

The Board of Directors of the Company is responsible for compiling the Pro Forma Consolidated Statements of Financial Position on the basis as described in Note 1 of Appendix A.

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MYCRON AS AT 30 JUNE 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)****REPORTING ACCOUNTANTS' INDEPENDENCE AND QUALITY CONTROL**

We have complied with the independence and other ethical requirement of the *Code of Ethics for Professional Accountants* issued by the International Ethics Standard Board for Accountants, which is founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behavior.

The Firm applies International Standard on Quality Control 1 (ISQC 1), *Quality Control for Firms that Perform Audits and Reviews of Financial Statements, and other Assurance and Related Services Engagements* and accordingly maintains a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal regulatory requirements.

**REPORTING ACCOUNTANTS' RESPONSIBILITIES**

Our responsibility is to express an opinion, as required by the Prospectus Guidelines issued by the Securities Commission Malaysia, about whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, by the Board of Directors of the Company on the basis as described in Note 1 of Appendix A.

We conducted our engagement in accordance with the International Standard on Assurance Engagement (ISAE) 3420, *Assurance Engagement to Report on the Compilation of Pro Forma Financial Information Included in a Prospectus*, issued by the Malaysian Institute of Accountants. This standard requires that we plan and perform procedures to obtain reasonable assurance about whether the Board of Directors has compiled, in all material respects, the Pro Forma Consolidated Statements of Financial Position on the basis as described in Note 1 of Appendix A.

For the purpose of this engagement, we are not responsible for updating or reissuing any reports or opinions on any historical financial information used in compiling the Pro Forma Consolidated Statements of Financial Position, nor have we, in the course of this engagement, performed an audit or review of the financial information used in compiling the Pro Forma Consolidated Statements of Financial Position.

The purpose of Pro Forma Consolidated Statements of Financial Position included in the Abridged Prospectus is solely to illustrate the impact of significant events or transactions on unadjusted financial information of the entity as if the event had occurred or the transactions had been undertaken at an earlier date selected for purposes of the illustration. Accordingly, we do not provide any assurance that the actual outcome of the events or transactions would have been as presented.

A reasonable assurance engagement to report on whether the Pro Forma Consolidated Statements of Financial Position have been compiled, in all material respects, on the basis of the applicable criteria involves performing procedures to assess whether the applicable criteria used by the Board of Directors in the compilation of the Pro Forma Consolidated Statements of Financial Position provide a reasonable basis for presenting the significant effects directly attributable to the events or transactions, and to obtain sufficient appropriate evidence about whether:

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MYCRON AS AT 30 JUNE 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)****REPORTING ACCOUNTANTS' RESPONSIBILITIES (CONT'D)**

- The related pro forma adjustments give appropriate effect to those criteria; and
- The Pro Forma Consolidated Statements of Financial Position reflect the proper application of those adjustments to the unadjusted financial information.

The procedures selected depend on our judgement, having regard to our understanding of the nature of the Group, the events or transactions in respect of which the Pro Forma Consolidated Statements of Financial Position have been compiled, and other relevant engagement circumstances.

The engagement also involves evaluating the overall presentation of the Pro Forma Consolidated Statements of Financial Position.

We believe that the evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**OPINION**

In our opinion, the Pro Forma Consolidated Statements of Financial Position of the Company have been compiled, in all material respects, on the basis as described in Note 1 of Appendix A.

**OTHER MATTERS**

Our report on the Pro Forma Consolidated Statements of Financial Position has been prepared for inclusion in the Abridged Prospectus in connection with the Rights Issue with Warrants. As such, this letter should not be used for any other purpose without our prior written consent. Neither the firm nor any member or employee of the firm undertakes responsibility arising in any way whatsoever to any party in respect of this letter contrary to the aforesaid purpose.

Yours faithfully

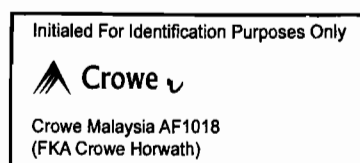
A handwritten signature in black ink, appearing to be a stylized 'C' followed by a flourish.

**Crowe Malaysia**  
**Firm No: AF 1018**  
Chartered Accountants  
Kuala Lumpur

A handwritten signature in black ink, appearing to be 'Ngiam Mia Teck' written in a cursive style.

**Ngiam Mia Teck**  
Approval No: 03000/07/2020 J  
Chartered Accountant

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MYCRON AS AT 30 JUNE 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**



Appendix A

**MYCRON STEEL BERHAD (“MYCRON” OR “COMPANY”)  
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2018**

**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**1. BASIS OF PREPARATION**

The Pro Forma Consolidated Statements of Financial Position of Mycron have been prepared based on the audited consolidated statements of financial position of Mycron as at 30 June 2018, incorporating subsequent events up to and including the latest practicable date prior to the announcement (“LPD”), the impact of the following events or transactions of renounceable rights issue of up to 56,709,091 shares in Mycron (“Mycron Shares”)(“Rights Shares”) on the basis of one (1) Rights Share for every five (5) Mycron Shares held, together with up to 28,354,546 free detachable warrants (“Warrants”) on the basis of one (1) Warrant for every two (2) Rights Shares subscribed at an entitlement date to be determined later (“Entitlement Date”) (“Rights Issue with Warrants”) and full exercise of the Warrants issued pursuant to the Rights Issue with Warrants as described in Note 1(a) and 1(b) below, have been effected on that date.

The Pro Forma Consolidated Statements of Financial Position of Mycron have been properly compiled on the basis stated using financial statements prepared in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards, and in a manner consistent with both the format of the financial statements and the accounting policies of Mycron.

The Pro Forma Consolidated Statements of Financial Position have been prepared solely for illustrative purposes, to show the effects of the Rights Issue with Warrants to raise gross proceeds of RM10.80 million for Minimum Scenario and approximately RM17.01 million for Maximum Scenario (assuming all entitled shareholders subscribe in full for their entitlements under the Rights Issue with Warrants).

A minimum subscription level of Rights Shares to meet the minimum amount to be raised of RM10.8 million (“Minimum Subscription Level”), Mycron has procured a written irrevocable undertaking dated 23 August 2017 (“Original Undertaking”) from its major shareholder, namely MIGB, that it will subscribe for not less than 21,600,000 Rights Shares at an indicative issue price of RM0.50 per Rights Share so as to meet the Minimum Subscription Level and it will not dispose of any of its Mycron Shares following the announcement of the Rights Issue with Warrants up to the Entitlement Date.

On 18 December 2017, the Company announced that the board of directors of Mycron (“Board”) has decided to revise the original proposed Rights Issue with Warrants (“Revision”) (as defined herein)<sup>(1)</sup> and procured a revised written irrevocable undertaking dated 18 December 2017 (“Revised Undertaking”). For avoidance of doubt, the indicative issue price of the Rights Shares remains at RM0.50 per Rights Share.

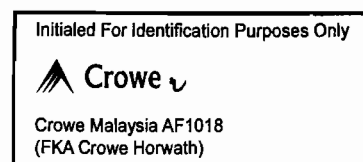
Note:

- (1) The basis of determining and justification for the issue price of the Rights Shares was revised from “fixed by the Board at RM0.50 per Rights Share” (key term pursuant to the original proposed Rights Issue with Warrants) to “will be determined and fixed by the Board at a later date, after receipt of all relevant approvals but before the announcement of the Entitlement Date, after taking into consideration, amongst others, the historical share price movement of MIGB” (revised key term).

On 6 December 2018, the Board determined and fixed the issue price of the Rights Shares at RM0.30 per Rights Share. Therefore, in order to meet the Minimum Subscription Level, MIGB will subscribe for 36,000,000 Rights Shares.



**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MYCRON AS AT 30 JUNE 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**



Appendix A

**MYCRON STEEL BERHAD (“MYCRON” OR “COMPANY”)  
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2018**

**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**1. BASIS OF PREPARATION (CONT'D)**

The details of minimum and maximum scenarios are set out below:-

**(a) Minimum Scenario**

The minimum scenario assumes only the major shareholder of the Company, MIGB, will subscribe for 36,000,000 Rights Shares with 18,000,000 Warrants at an issue price of RM0.30 per Rights Share to raise gross proceeds of RM10.80 million on the basis of one (1) Rights Share for every five (5) existing Mycron Shares held, together with Warrants on the basis of one (1) Warrant for every two (2) Rights Shares subscribed. The warrants reserve assumes the relative fair value method of the Warrants of RM0.23 each, being the value determined through the Black-Scholes option pricing model extracted from Bloomberg. It also incorporates the effects of estimated expenses of RM700,000 in relation to the Rights Issue with Warrants. Subsequently, the 18,000,000 Warrants are fully exercised at an exercise price of RM0.60 each.

**(b) Maximum Scenario**

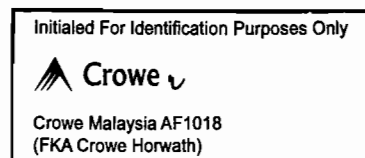
The maximum scenario assumes the shareholders of Mycron whose names appear in the record of depositors of the Company as at the close of business on the Entitlement Date (“Entitled Shareholders”) will fully subscribe for 56,709,091 Rights Shares with 28,354,546 Warrants at an issue price of RM0.30 per Rights Share to raise gross proceeds of RM17.01 million on the basis of one (1) Rights Share for every five (5) existing Mycron Shares held, together with Warrants on the basis of one (1) Warrant for every two (2) Rights Shares subscribed. The warrants reserve assumes the relative fair value method of the Warrants of RM0.23 each, being the value determined through the Black-Scholes option pricing model extracted from Bloomberg. It also incorporates the effects of estimated expenses of RM700,000 in relation to the Rights Issue with Warrants. Subsequently, the 28,354,546 Warrants are fully exercised at an exercise price of RM0.60 each.

The Warrants attached to the Rights Shares will be issued at no cost and only to the Entitled Shareholders and/or their renounee(s) who successfully subscribed for the Rights Shares.

“Warrant reserves” represents the fair value of the Warrants of RM0.23 each, which are subject to change upon the implementation of the Rights Issue with Warrants. The fair value is derived using the Black-Scholes Options Pricing Model based on the following input computed:-

(a) Exercise price	: RM0.60
(b) Theoretical ex-rights price	: RM0.2891
(c) Tenure	: 5 years from the date of issuance of the Warrants
(d) Volatility rate	: 120.76%
(e) Risk free interest rate	: 3.908%

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MYCRON AS AT 30 JUNE 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**



Appendix A

**MYCRON STEEL BERHAD ("MYCRON" OR "COMPANY")  
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**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**1. BASIS OF PREPARATION (CONT'D)**

**1.1 Adjustments for Subsequent Events up to LPD**

The Pro Forma Consolidated Statements of Financial Position have incorporated the Acquisition (as defined herein)<sup>(2)</sup> that has been completed on 30 August 2018 and its revaluation surplus calculated based on the market value of RM27.00 million (as appraised by an independent professional valuer) as well as the estimated deferred tax liabilities to be accrued arising from the revaluation of the property is RM0.24 million ("Revaluation").

Note:

(2) Melewar Steel Tube Sdn. Bhd. ("MST"), a wholly-owned subsidiary of Mycron had on 20 November 2017 entered into a conditional sale and purchase agreement with MIGB to acquire a piece of leasehold land together with buildings erected thereon for a total purchase consideration of RM26.00 million.

**1.2 Pro Forma I**

Pro Forma I incorporates the effects of the subscription of Rights Issue with Warrants in both minimum and maximum scenarios respectively.

**1.3 Pro forma II**

Pro Forma II incorporates the effects of Pro Forma I and assuming full exercise of Warrants in both minimum and maximum scenarios respectively.

**2. UTILISATION OF PROCEEDS FROM THE RIGHTS ISSUE WITH WARRANTS**

The Rights Issue with Warrants is expected to raise gross proceeds which will be utilised in the following manner based on the scenarios as illustrated below:-

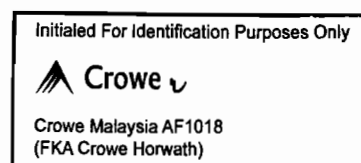
	<b>Expected time frame for utilisation of proceeds from the date of listing of the Rights Shares</b>	<b>Minimum Scenario RM'000</b>	<b>Maximum Scenario RM'000</b>
Capital expenditure <sup>(1)</sup>	Within 12 months	10,100	10,100
Working capital <sup>(2)</sup>	Within 12 months	-	6,213
Estimated expenses in relation to the Rights Issue with Warrants <sup>(3)</sup>	Within 1 month	700	700
<b>Total</b>		<b>10,800</b>	<b>17,013</b>

Notes:-

(1) The Board has approved up to RM51.35 million for its capital expenditure plans for its wholly-owned subsidiary Mycron Steel CRC Sdn. Bhd. ("MSCRC") planned revamp of its aging Continuous Pickling Line for a total cost of approximately RM31.37 million and the construction of a new Acid Regeneration Plant for a total cost of approximately RM19.98 million. Mycron intends to utilise RM10.10 million of the proceeds raised from the Rights Issue with Warrants to partially finance the above-mentioned capital expenditure. The balance of the capital expenditure is expected to be funded via bank borrowings of approximately RM35.0 million (which has been secured) and internally-generated funds of up to approximately RM6.25 million.

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**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MYCRON AS AT 30 JUNE 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**



Appendix A

**MYCRON STEEL BERHAD (“MYCRON” OR “COMPANY”)  
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**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**2. UTILISATION OF PROCEEDS FROM THE RIGHTS ISSUE WITH WARRANTS (CONT'D)**

Notes (Cont'd):-

- (1) The Continuous Pickling Line is the first stage of the cold-rolled-coil manufacturing process, where the raw material hot-rolled coils is subjected to an acid-bath to be pickled and de-scaled for a clean surface before moving to the next processing stage. The acid used in the aforementioned process loses its concentration and needs to be topped-up and replaced regularly. The objective of the new Acid Regeneration Plant is to retreat the 'used acid' for use again in the pickling process in a closed-loop manner. The Acid Regeneration Plant is expected to reduce acid consumption by 95% per year; whilst, the revamp of the Continuous Pickling Line which entails extensive replacement of machine and equipment would significantly extend the economic useful life of the line.
- (2) If available, Mycron intends to utilise up to RM6.21 million of the proceeds raised from the Rights Issue with Warrants to finance the working capital of its wholly-owned subsidiaries, MSCRC and/or MST for the purchase of raw materials.
- (3) The estimated expenses in relation to the Rights Issue with Warrants are as follows:-

	RM'000
Professional fees	600
Fees payable to authorities	80
Other miscellaneous expenses (including printing and advertising cost)	20
<b>Total</b>	<b>700</b>

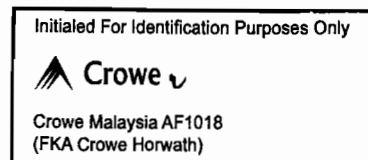
Any surplus or shortfall for the estimated expenses in relation to the Rights Issue with Warrants shall be adjusted accordingly against the allocation for the working capital of MSCRC and/or MST.

**3. PROPERTY, PLANT AND EQUIPMENT**

The movements in property, plant and equipment of Mycron are as follows:-

	<b>Minimum Scenario RM'000</b>	<b>Maximum Scenario RM'000</b>
At 30 June 2018	288,470	288,470
Arising from the Acquisition (including stamp duty incurred)	26,774	26,774
Arising from the Revaluation	1,000	1,000
After subsequent events up to LPD	316,244	316,244
Arising from the Rights Issue with Warrants	10,100	10,100
As per Pro Forma I and II	326,344	326,344

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MYCRON AS AT 30 JUNE 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**



Appendix A

**MYCRON STEEL BERHAD (“MYCRON” OR “COMPANY”)  
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**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**4. TRADE AND OTHER RECEIVABLES**

The movements in trade and other receivables of Mycron are as follows:-

	<b>Minimum Scenario RM'000</b>	<b>Maximum Scenario RM'000</b>
At 30 June 2018	122,671	122,671
Capitalised deposits upon the completion of Acquisition	(2,600)	(2,600)
After subsequent events up to LPD, as per Pro Forma I and II	120,071	120,071

**5. CASH AND CASH EQUIVALENTS**

The movements in cash and cash equivalents of Mycron are as follows:-

	<b>Minimum Scenario RM'000</b>	<b>Maximum Scenario RM'000</b>
At 30 June 2018	51,023	51,023
Arising from the Acquisition (including stamp duty incurred)	(3,174)	(3,174)
After subsequent events up to LPD	47,849	47,849
Arising from the Rights Issue with Warrants	10,800	17,013
Capital expenditure	(10,100)	(10,100)
Estimated expenses related to the Rights Issue with Warrants	(700)	(700)
As per Pro Forma I	47,849	54,062
Arising from full exercise of Warrants	10,800	17,013
As per Pro Forma II	58,649	71,075

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MYCRON AS AT 30 JUNE 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**



Appendix A

**MYCRON STEEL BERHAD ("MYCRON" OR "COMPANY")  
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**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**6. SHARE CAPITAL**

The movements in share capital of Mycron are as follows:-

	Minimum Scenario ( '000) RM'000		Maximum Scenario ( '000) RM'000	
At 30 June 2018 and after subsequent events up to LPD	283,545	206,364	283,545	206,364
Arising from the Rights Issue with Warrants	36,000	6,660	56,710	10,491
As per Pro Forma I	319,545	213,024	340,255	216,855
Arising from full exercise of Warrants	18,000	14,940	28,354	23,535
As per Pro Forma II	337,545	227,964	368,609	240,390

**7. ASSET REVALUATION RESERVE**

The movements in asset revaluation reserve of Mycron are as follows:-

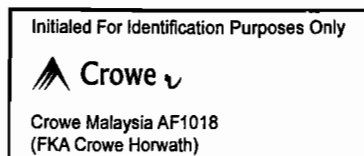
	Minimum Scenario RM'000	Maximum Scenario RM'000
At 30 June 2018	26,852	26,852
Arising from the Revaluation	760	760
After subsequent events up to LPD, as per Pro Forma I and II	27,612	27,612

**8. WARRANTS RESERVE**

The movements in warrants reserve of Mycron are as follows:-

	Minimum Scenario RM'000	Maximum Scenario RM'000
At 30 June 2018 and after subsequent events up to LPD	-	-
Arising from the Rights Issue with Warrants	4,140	6,522
As per Pro Forma I	4,140	6,522
Arising from full exercise of Warrants	(4,140)	(6,522)
As per Pro Forma II	-	-

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MYCRON AS AT 30 JUNE 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**



Appendix A

**MYCRON STEEL BERHAD ("MYCRON" OR "COMPANY")  
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2018**

**NOTES TO THE PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION**

**9. RETAINED EARNINGS**

The movements in retained earnings of Mycron are as follows:-

	<b>Minimum Scenario RM'000</b>	<b>Maximum Scenario RM'000</b>
At 30 June 2018 and after subsequent events up to LPD	158,357	158,357
Estimated expenses related to the Rights Issue with Warrants	(700)	(700)
As per Pro Forma I and II	<u>157,657</u>	<u>157,657</u>

**10. DEFERRED TAX LIABILITIES**

The movements in deferred tax liabilities of Mycron are as follows:-

	<b>Minimum Scenario RM'000</b>	<b>Maximum Scenario RM'000</b>
At 30 June 2018	21,699	21,699
Arising from the Revaluation	240	240
After subsequent events up to LPD, as per Pro Forma I and II	<u>21,939</u>	<u>21,939</u>

**11. BORROWINGS**

The movements in borrowings of Mycron are as follows:-

	<b>Minimum Scenario RM'000</b>	<b>Maximum Scenario RM'000</b>
At 30 June 2018	92,372	92,372
Secure a loan to part finance the Acquisition	21,000	21,000
After subsequent events up to LPD, as per Pro Forma I and II	<u>113,372</u>	<u>113,372</u>

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MYCRON AS AT 30 JUNE 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

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(FKA Crowe Horwath)

Appendix A

**MYCRON STEEL BERHAD ("MYCRON" OR "COMPANY")  
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2018**

The Pro Forma Consolidated Statements of Financial Position as set out below have been prepared for illustrative purpose only to show the effect on the audited consolidated statements of financial position of Mycron and its subsidiaries ("Group") as at 30 June 2018. The Pro Forma should be read in conjunction with the notes accompanying the Pro Forma Consolidated Statements of Financial Position of the Group.

**MINIMUM SCENARIO**

		Audited Consolidated Statements of Financial Position of Mycron as at 30 June 2018	Adjusted for Subsequent Events up to LPD	Pro Forma I After Adjusted for Subsequent Events up to LPD and Rights Issue of Shares with Warrants	Pro Forma II After Pro Forma I and Assuming Full Exercise of the Warrants
	Note	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	3	288,470	316,244	326,344	326,344
Intangible assets		20,000	20,000	20,000	20,000
		308,470	336,244	346,344	346,344
<b>CURRENT ASSETS</b>					
Inventories		205,190	205,190	205,190	205,190
Trade and other receivables	4	122,671	120,071	120,071	120,071
Amount owing by ultimate holding company		1,861	1,861	1,861	1,861
Amount owing by related companies		1,888	1,888	1,888	1,888
Tax recoverable		23	23	23	23
Derivative financial assets		3,341	3,341	3,341	3,341
Cash and cash equivalents	5	51,023	47,849	47,849	58,649
		385,997	380,223	380,223	391,023
<b>TOTAL ASSETS</b>		694,467	716,467	726,567	737,367
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	6	206,364	206,364	213,024	227,964
Asset revaluation reserve	7	26,852	27,612	27,612	27,612
Warrants reserve	8	-	-	4,140	-
Retained earnings	9	158,357	158,357	157,657	157,657
<b>TOTAL EQUITY</b>		391,573	392,333	402,433	413,233

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MYCRON AS AT 30 JUNE 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

Initialed For Identification Purposes Only



Crowe Malaysia AF1018  
(FKA Crowe Horwath)

Appendix A

**MYCRON STEEL BERHAD ("MYCRON" OR "COMPANY")  
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2018**

**MINIMUM SCENARIO (CONT'D)**

	Note	Audited Consolidated Statements of Financial Position of Mycron as at 30 June 2018 RM'000	Adjusted for Subsequent Events up to LPD RM'000	Pro Forma I After Adjusted for Subsequent Events up to LPD and Rights Issue of Shares with Warrants RM'000	Pro Forma II After Pro Forma I and Assuming Full Exercise of the Warrants RM'000
<b>NON-CURRENT LIABILITIES</b>					
Deferred tax liabilities	10	21,699	21,939	21,939	21,939
Borrowings		1,636	21,141	21,141	21,141
		<u>23,335</u>	<u>43,080</u>	<u>43,080</u>	<u>43,080</u>
<b>CURRENT LIABILITIES</b>					
Trade and other payables		187,001	187,001	187,001	187,001
Amount owing to a related company		1,212	1,212	1,212	1,212
Tax payable		608	608	608	608
Derivative financial liabilities		2	2	2	2
Borrowings		90,736	92,231	92,231	92,231
		<u>279,559</u>	<u>281,054</u>	<u>281,054</u>	<u>281,054</u>
<b>TOTAL LIABILITIES</b>		<u>302,894</u>	<u>324,134</u>	<u>324,134</u>	<u>324,134</u>
<b>TOTAL EQUITY AND LIABILITIES</b>		<u>694,467</u>	<u>716,467</u>	<u>726,567</u>	<u>737,367</u>
Number of Mycron shares in issue ('000)	6	<u>283,545</u>	<u>283,545</u>	<u>319,545</u>	<u>337,545</u>
Net assets ("NA") (RM'000)		<u>391,573</u>	<u>392,333</u>	<u>402,433</u>	<u>413,233</u>
NA per share (RM)		<u>1.38</u>	<u>1.38</u>	<u>1.26</u>	<u>1.22</u>
Total bank borrowings (RM'000)	11	<u>92,372</u>	<u>113,372</u>	<u>113,372</u>	<u>113,372</u>
Gearing ratio (times)		<u>0.24</u>	<u>0.29</u>	<u>0.28</u>	<u>0.27</u>



**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MYCRON AS AT 30 JUNE 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

Initialed For Identification Purposes Only



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(FKA Crowe Horwath)

Appendix A

**MYCRON STEEL BERHAD ("MYCRON" OR "COMPANY")  
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2018**

**MAXIMUM SCENARIO**

		Audited Consolidated Statements of Financial Position of Mycron as at 30 June 2018	Adjusted for Subsequent Events up to LPD	Pro Forma I After Adjusted for Subsequent Events up to LPD and Rights Issue of Shares with Warrants	Pro Forma II After Pro Forma I and Assuming Full Exercise of the Warrants
	Note	RM'000	RM'000	RM'000	RM'000
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	3	288,470	316,244	326,344	326,344
Intangible assets		20,000	20,000	20,000	20,000
		308,470	336,244	346,344	346,344
<b>CURRENT ASSETS</b>					
Inventories		205,190	205,190	205,190	205,190
Trade and other receivables	4	122,671	120,071	120,071	120,071
Amount owing by ultimate holding company		1,861	1,861	1,861	1,861
Amount owing by related companies		1,888	1,888	1,888	1,888
Tax recoverable		23	23	23	23
Derivative financial assets		3,341	3,341	3,341	3,341
Cash and cash equivalents	5	51,023	47,849	54,062	71,075
		385,997	380,223	386,436	403,449
<b>TOTAL ASSETS</b>		694,467	716,467	732,780	749,793
<b>EQUITY AND LIABILITIES</b>					
<b>EQUITY</b>					
Share capital	6	206,364	206,364	216,855	240,390
Asset revaluation reserve	7	26,852	27,612	27,612	27,612
Warrants reserve	8	-	-	6,522	-
Retained earnings	9	158,357	158,357	157,657	157,657
<b>TOTAL EQUITY</b>		391,573	392,333	408,646	425,659

**PROFORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION OF MYCRON AS AT 30 JUNE 2018 TOGETHER WITH THE REPORTING ACCOUNTANTS' LETTER THEREON (CONT'D)**

Initialed For Identification Purposes Only



Crowe Malaysia AF1018  
(FKA Crowe Horwath)

Appendix A

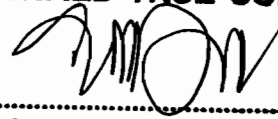
**MYCRON STEEL BERHAD ("MYCRON" OR "COMPANY")  
PRO FORMA CONSOLIDATED STATEMENTS OF FINANCIAL POSITION  
AS AT 30 JUNE 2018**

**MAXIMUM SCENARIO (CONT'D)**

		Audited Consolidated Statements of Financial Position of Mycron as at 30 June 2018	Adjusted for Subsequent Events up to LPD	Pro Forma I After Adjusted for Subsequent Events up to LPD and Rights Issue of Shares with Warrants	Pro Forma II After Pro Forma I and Assuming Full Exercise of the Warrants
	Note	RM'000	RM'000	RM'000	RM'000
<b>NON-CURRENT LIABILITIES</b>					
Deferred tax liabilities	10	21,699	21,939	21,939	21,939
Borrowings		1,636	21,141	21,141	21,141
		23,335	43,080	43,080	43,080
<b>CURRENT LIABILITIES</b>					
Trade and other payables		187,001	187,001	187,001	187,001
Amount owing to a related company		1,212	1,212	1,212	1,212
Tax payable		608	608	608	608
Derivative financial liabilities		2	2	2	2
Borrowings		90,736	92,231	92,231	92,231
		279,559	281,054	281,054	281,054
<b>TOTAL LIABILITIES</b>		302,894	324,134	324,134	324,134
<b>TOTAL EQUITY AND LIABILITIES</b>		694,467	716,467	732,780	749,793
Number of Mycron shares in issue ('000)	6	283,545	283,545	340,255	368,609
Net assets ("NA") (RM'000)		391,573	392,333	408,646	425,659
NA per share (RM)		1.38	1.38	1.20	1.16
Total bank borrowings (RM'000)	11	92,372	113,372	113,372	113,372
Gearing ratio (times)		0.24	0.29	0.28	0.27

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON**

**CERTIFIED TRUE COPY**



-----  
Company Secretary  
MS LILY YIN KAM MAY  
MAICSA 0878038

**MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)

**STATUTORY FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)

**STATUTORY FINANCIAL STATEMENTS**

**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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**MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

The Directors hereby submit their report and the audited financial statements of the Group and the Company for the financial year ended 30 June 2018.

**PRINCIPAL ACTIVITIES**

The principal activities of the Company are that of investment holding and the provision of management services to its subsidiaries. The principal activities of the subsidiaries are that of mid-stream steel cold rolled coil manufacturing and steel tube manufacturing as disclosed in Note 13 to the financial statements.

There have been no significant changes in the nature of these activities during the financial year.

**FINANCIAL RESULTS**

	<u>Group</u> RM	<u>Company</u> RM
Net profit/(loss) for the financial year	<u>16,100,771</u>	<u>(92,255)</u>

**DIVIDENDS**

There were no dividends declared or paid by the Company since 30 June 2017.

The Directors do not recommend the payment of any dividend for the financial year ended 30 June 2018.

**RESERVES AND PROVISIONS**

All material transfers to or from reserves or provisions during the financial year are shown in the financial statements.

**ISSUE OF SHARES AND DEBENTURES**

The Company did not issue any new shares and debentures during the current financial year ended 30 June 2018.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)**

**DIRECTORS**

The Directors in office during the financial year and during the period from the end of the financial year to the date of the report are:

Tunku Dato' Yaacob Khyra  
Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah  
Azlan bin Abdullah  
Tan Sri Datuk Seri Razman Md Hashim bin Che Din Md Hashim  
Muk Sai Tat  
Shazal Yusuf bin Mohamed Zain  
Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin  
Abdul Aziz Shah  
Roshan Mahendran bin Abdullah (appointed on 18 September 2017)

In accordance with Article 113(1) of the Company's Article of Association, Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah, Shazal Yusuf bin Mohamed Zain and Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah are to retire by rotation at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

**DIRECTORS' INTERESTS IN SHARES AND DEBENTURES**

According to the Register of Directors' Shareholdings required to be kept under Section 59 of the Companies Act 2016, none of the Directors who held office at the end of the financial year held any shares or debentures in the Company or its subsidiaries or its holding company or subsidiaries of the holding company during the financial year except as follows:

	<u>Number of ordinary shares</u>			
	<u>At</u> <u>1.7.2017</u>	<u>Acquired</u>	<u>Disposed</u>	<u>At</u> <u>30.6.2018</u>
<b>Melewar Industrial Group Berhad</b> (Ultimate holding company)				
Tunku Dato' Yaacob Khyra - deemed indirect interest <sup>(a)</sup>	82,381,232	-	-	82,381,232
Azlan bin Abdullah - direct interest	133,333	-	-	133,333

(a) Deemed indirect interest by virtue of Tunku Dato' Yaacob Khyra being a beneficiary of a trust known as Khyra Legacy Berhad, being the holding company of Melewar Equities (BVI) Ltd and Melewar Khyra Sdn Bhd who are the Major/Substantial Shareholders of Melewar Industrial Group Berhad.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)**

**DIRECTORS' INTERESTS IN SHARES AND DEBENTURES (CONTINUED)**

	Number of ordinary shares			
	At <u>1.7.2017</u>	<u>Acquired</u>	<u>Disposed</u>	At <u>30.6.2018</u>
<b>Mycron Steel Berhad</b> (the Company)				
Tunku Dato' Yaacob Khyra - deemed indirect interest <sup>(a)</sup>	202,102,521	-	-	202,102,521
Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah - deemed indirect interest <sup>(b)</sup>	52,300	-	-	52,300
Azlan bin Abdullah - direct interest	100,000	-	-	100,000

(a) Deemed indirect interest by virtue of Tunku Dato' Yaacob Khyra being a beneficiary of a trust known as Khyra Legacy Berhad, being the holding company of Melewar Equities (BVI) Ltd and Melewar Khyra Sdn Bhd who are the Major/Substantial Shareholders of Melewar Industrial Group Berhad, a Major Shareholder of Mycron Steel Berhad.

(b) Tunku Dato' Kamil Ikram is a director and a shareholder with 12.5% shareholdings in Melewar Group Berhad ("MGB") which is the family owned investment holding company. MGB holds 0.02% of the issued share capital of Mycron Steel Berhad.

By virtue of Tunku Dato' Yaacob Khyra's deemed indirect interests in shares in the ultimate holding company, he is deemed to have an interest in the shares in all the subsidiaries to the extent the ultimate holding company has an interest.

None of the other Directors holding office at the end of the financial year had any interest in ordinary shares in the Company and its related corporations during the financial year.

**DIRECTORS' BENEFITS**

During and at the end of the financial year, no arrangements subsisted to which the Company is a party, being arrangements with the object or objects of enabling Directors of the Company to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate.

Since the end of the previous financial year, no Director has received or become entitled to receive a benefit (other than the benefits shown under Directors' Remuneration) by reason of a contract made by the Company or a related corporation with the Director or with a firm of which the Director is a member, or with a company in which the Director has a substantial financial interest.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)****DIRECTORS' REMUNERATION**

Details of Directors' remuneration are set out in Note 9 to the financial statements.

**INDEMNITY AND INSURANCE COSTS**

The Directors and officers of the Group and the Company are covered by Directors and Officers Liability Insurance ("D&O") for any liability incurred in the discharge of their duties provided that they have not acted fraudulently or dishonestly or derived any personal profit or advantage. The premium borne by the Group and the Company for the D&O coverage during the financial year was both approximately RM24 thousand.

**OTHER STATUTORY INFORMATION**

- (a) Before the financial statements of the Group and the Company were prepared, the Directors took reasonable steps:
- (i) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written off and that adequate allowance had been made for doubtful debts; and
  - (ii) to ensure that any current assets other than debts, which were unlikely to be realised in the ordinary course of business including the value of current assets as shown in the accounting records of the Group and of the Company had been written down to an amount which the current assets might be expected to be realised.
- (b) At the date of this report, the Directors are not aware of any circumstances:
- (i) which would render the amounts written off for bad debts or the amount of the allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or
  - (ii) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
  - (iii) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)**

**OTHER STATUTORY INFORMATION (CONTINUED)**

- (c) At the date of this report,
- (i) there are no charges on the assets of the Group and of the Company which have arisen since the end of the financial year which secures the liabilities of any other person other than that disclosed in Note 30; and
  - (ii) there are no contingent liabilities in the Group and in the Company which have arisen since the end of the financial year.
- (d) No contingent or other liability of any company in the Group has become enforceable or is likely to become enforceable within the period of 12 months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Company and its subsidiaries to meet their obligations when they fall due.
- (e) At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements of the Group and of the Company which would render any amount stated in the respective financial statements misleading.
- (f) In the opinion of the Directors:
- (i) the results of the operations of the Group and the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than impairment loss on property, plant and equipment as disclosed in Note 12 to the financial statements; and
  - (ii) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group and of the Company for the financial year in which this report is made.

**ULTIMATE AND IMMEDIATE HOLDING COMPANY**

The Directors regard Melewar Industrial Group Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad as both the immediate and the ultimate holding company.

**LIST OF DIRECTORS OF SUBSIDIARIES**

Pursuant to Section 253 of the Companies Act 2016, the list of Directors of the subsidiaries during the financial year up to the date of this report and the statement is as follows:

Tunku Dato' Yaacob Khyra  
Azlan bin Abdullah  
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah  
Roshan Mahendran bin Abdullah

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)

**DIRECTORS' REPORT**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)**

**SUBSIDIARIES**

Details of subsidiaries are set out in Note 13 to the financial statements.

**AUDITORS' REMUNERATION**

Details of auditors' remuneration are set out in Note 8 to the financial statements.

**AUDITORS**

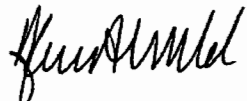
The auditors, PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), have expressed their willingness to accept re-appointment as auditors.

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 2 January 2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

This report was approved by the Board of Directors on 25 October 2018. Signed on behalf of the Board of Directors:



**ROSHAN MAHENDRAN**  
**BIN ABDULLAH**  
**EXECUTIVE DIRECTOR/  
GROUP CHIEF EXECUTIVE OFFICER**



**AZLAN BIN ABDULLAH**  
**DIRECTOR**

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)

**STATEMENT BY DIRECTORS  
PURSUANT TO SECTION 251(2) OF THE COMPANIES ACT 2016**

We, Roshan Mahendran bin Abdullah and Azlan bin Abdullah, two of the Directors of Mycron Steel Berhad, do hereby state that, in the opinion of the Directors, the accompanying financial statements set out on pages 15 to 112 are drawn up so as to give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018 and financial performance of the Group and of the Company for the financial year ended 30 June 2018 in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

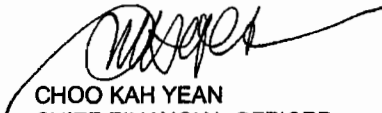
Signed on behalf of the Board of Directors in accordance with a resolution of the Directors dated 25 October 2018.

  
ROSHAN MAHENDRAN  
BIN ABDULLAH  
EXECUTIVE DIRECTOR/  
GROUP CHIEF EXECUTIVE OFFICER

  
AZLAN BIN ABDULLAH  
DIRECTOR

**STATUTORY DECLARATION  
PURSUANT TO SECTION 251(1) OF THE COMPANIES ACT 2016**

I, Choo Kah Yean, the officer primarily responsible for the financial management of Mycron Steel Berhad, do solemnly and sincerely declare that, the financial statements set out on pages 15 to 112 are to the best of my knowledge and belief, correct and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

  
CHOO KAH YEAN  
CHIEF FINANCIAL OFFICER  
MIA Number: 24018

Subscribed and solemnly declared by the abovenamed, at Wilayah Persekutuan Kuala Lumpur on 25 October 2018, before me.

COMMISSIONER FOR OATH



No. 86, Jalan Putra  
50350 Kuala Lumpur

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**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


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**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF MYCRON STEEL BERHAD  
(Incorporated in Malaysia)  
(Company No. 622819-D)**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS**

**Our opinion**

In our opinion, the financial statements of Mycron Steel Berhad ("the Company") and its subsidiaries ("the Group") give a true and fair view of the financial position of the Group and of the Company as at 30 June 2018, and of their financial performance and their cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia.

**What we have audited**

We have audited the financial statements of the Group and of the Company, which comprise the statements of financial position as at 30 June 2018 of the Group and of the Company, and the statements of comprehensive income, statements of changes in equity and statements of cash flows of the Group and of the Company for the financial year then ended, and notes to the financial statements, including a summary of significant accounting policies, as set out on pages 15 to 112.

**Basis for opinion**

We conducted our audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing. Our responsibilities under those standards are further described in the "Auditors' responsibilities for the audit of the financial statements" section of our report.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

**Independence and other ethical responsibilities**

We are independent of the Group and of the Company in accordance with the By-Laws (on Professional Ethics, Conduct and Practice) of the Malaysian Institute of Accountants ("By-Laws") and the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants ("IESBA Code"), and we have fulfilled our other ethical responsibilities in accordance with the By-Laws and the IESBA Code.

---

*PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146), Chartered Accountants, Level 10, 1 Sentral, Jalan Rakyat, Kuala Lumpur Sentral, P.O. Box 10192, 50706 Kuala Lumpur, Malaysia  
T: +60 (3) 2173 1188, F: +60 (3) 2173 1288, www.pwc.com/my*

PricewaterhouseCoopers PLT (LLP0014401-LCA & AF 1146) was registered on 02.01.2018 and with effect from that date, PricewaterhouseCoopers (AF 1146), a conventional partnership was converted to a limited liability partnership.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF MYCRON STEEL BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
(Company No. 622819-D)**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Our audit approach**

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements of the Group and the Company. In particular, we considered where the Directors made subjective judgements; for example, in respect of significant accounting estimates that involved making assumptions and considering future events that are inherently uncertain. As in all of our audits, we also addressed the risk of management override of internal controls, including among other matters, consideration of whether there was evidence of bias that represented a risk of material misstatement due to fraud.

We tailored the scope of our audit in order to perform sufficient work to enable us to provide an opinion on the financial statements as a whole, taking into account the structure of the Group and of the Company, the accounting processes and controls, and the industry in which the Group and the Company operate.

**Key audit matters**

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the Group and of the Company for the current year. These matters were addressed in the context of our audit of the financial statements of the Group and of the Company as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF MYCRON STEEL BERHAD (CONTINUED)**  
(Incorporated in Malaysia)  
(Company No. 622819-D)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Key audit matters (continued)**

<b>Key audit matters (Group)</b>	<b>How our audit addressed the key audit matters</b>
<p><b><u>Valuation of land and buildings, plant, machinery and electrical installation</u></b></p> <p>Refer to Note 2(d) Property, plant and equipment – Summary of significant accounting policies, Note 3 – Critical accounting estimates and judgements and Note 12 – Property, plant and equipment to the financial statements.</p> <p>The Group carries its land and buildings, plant, machinery and electrical installation at values approximating their fair values.</p> <p>As at 30 June 2018, the carrying amount of the Group's land and buildings, plant, machinery and electrical installation is RM279.6 million.</p> <p>The valuation of the Group's land and buildings, plant, machinery and electrical installation are carried out by independent professional valuer on an annual basis. The valuation of the land and buildings is inherently subjective due to the individual nature of each property and its location; whereas the plant, machinery and electrical installation is inherently subjective due to the physical condition of the individual assets at the point of valuation.</p>	<p><b><u>Evaluation of the valuer's objectivity and competency</u></b></p> <p>We read the valuation reports for the land and buildings, plant, machinery and electrical installation and discussed the reports with each of the valuer. We found that the valuation approach for each category of asset was performed in accordance with MFRS 13 "Fair value measurement" in determining the fair values as at 30 June 2018.</p> <p>We evaluated the valuer's competence by checking the valuer's qualifications and their registration to the Board of Valuers. We read their terms of engagement to determine whether there were any matters that might have affected their objectivity.</p> <p><b><u>Estimates on land and buildings</u></b></p> <p>For the land and buildings revalued during the year, the fair values were determined based on the Market approach which entails separate valuations of the land and buildings to arrive at the fair value. The fair values of the land and buildings were determined based on open market basis by reference to observable prices in the market or recent market transactions on arm's length terms (Level 2). Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is selling price per square meter.</p>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**


**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF MYCRON STEEL BERHAD (CONTINUED)**  
(Incorporated in Malaysia)  
(Company No. 622819-D)

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Key audit matters (continued)**

<b>Key audit matters (Group) (continued)</b>	<b>How our audit addressed the key audit matters (continued)</b>
<p><b><u>Valuation of land and buildings, plant, machinery and electrical installation</u> (continued)</b></p> <p>We focused on this area because there are significant judgements and estimates made in relation to the valuation of the Group's land and buildings, plant, machinery and electrical installation.</p>	<p><b><u>Estimates on land and buildings</u> (continued)</b></p> <p>We tested a sample of land and buildings by comparing the fair value per square meter with transacted values of similar land and buildings in and around the area. The values were obtained from independent online property portal website.</p> <p><b><u>Estimates on plant, machinery and electrical installation</u></b></p> <p>For plant, machinery and electrical installation, the fair values were determined based on depreciated replacement cost method, which is based on the current cost of reproduction or replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation (Level 3).</p> <p>We obtained an understanding on the basis of valuation and checked the reasonableness of the basis of valuation through discussions with the valuer on the basis of their estimates and inspected minutes of meetings to corroborate the key judgement applied by management.</p>

There are no key audit matters in relation to the financial statements of the Company.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF MYCRON STEEL BERHAD (CONTINUED)  
(Incorporated in Malaysia)  
(Company No. 622819-D)**

**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)**

**Information other than the financial statements and auditors' report thereon**

The Directors of the Company are responsible for the other information. The other information comprises the Directors' Report and other sections of the 2018 Annual Report, but does not include the financial statements of the Group and of the Company and our auditors' report thereon.

Our opinion on the financial statements of the Group and of the Company does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements of the Group and of the Company, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements of the Group and of the Company or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

**Responsibilities of the Directors for the financial statements**

The Directors of the Company are responsible for the preparation of the financial statements of the Group and of the Company that give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act 2016 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements of the Group and of the Company that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements of the Group and of the Company, the Directors are responsible for assessing the Group's and the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or the Company or to cease operations, or have no realistic alternative but to do so.



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF MYCRON STEEL BERHAD (CONTINUED)**  
(Incorporated in Malaysia)  
(Company No. 622819-D)**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)****Auditors' responsibilities for the audit of the financial statements**

Our objectives are to obtain reasonable assurance about whether the financial statements of the Group and of the Company as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with approved standards on auditing in Malaysia and International Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

As part of an audit in accordance with approved standards on auditing in Malaysia and International Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (a) Identify and assess the risks of material misstatement of the financial statements of the Group and of the Company, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (b) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's and the Company's internal control.
- (c) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the Directors.
- (d) Conclude on the appropriateness of the Directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's or the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditors' report to the related disclosures in the financial statements of the Group and of the Company or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditors' report. However, future events or conditions may cause the Group or the Company to cease to continue as a going concern.
- (e) Evaluate the overall presentation, structure and content of the financial statements of the Group and of the Company, including the disclosures, and whether the financial statements of the Group and of the Company represent the underlying transactions and events in a manner that achieves fair presentation.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****INDEPENDENT AUDITORS' REPORT  
TO THE MEMBERS OF MYCRON STEEL BERHAD (CONTINUED)**  
(Incorporated in Malaysia)  
(Company No. 622819-D)**REPORT ON THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)****Auditors' responsibilities for the audit of the financial statements (continued)**

- (f) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the financial statements of the Group. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with the Directors regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide the Directors with a statement that we have complied with relevant ethical requirements regarding independence, and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with the Directors, we determine those matters that were of most significance in the audit of the financial statements of the Group and of the Company for the current year and are therefore the key audit matters. We describe these matters in our auditors' report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

**OTHER MATTERS**

This report is made solely to the members of the Company, as a body, in accordance with Section 266 of the Companies Act 2016 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

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PRICEWATERHOUSECOOPERS PLT  
LLP0014401-LCA & AF 1146  
Chartered Accountants

A large, stylized handwritten signature in black ink, appearing to read 'Manjit Singh'.

MANJIT SINGH A/L HAJANDER SINGH  
02954/03/2019 J  
Chartered Accountant

Kuala Lumpur  
25 October 2018

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
Revenue	6	793,374,314	726,196,369	3,581,513	2,447,394
Cost of sales		(731,881,841)	(637,937,479)	(1,762,374)	(1,620,959)
Gross profit		61,492,473	88,258,890	1,819,139	826,435
Other operating income		116,259	452,587	-	-
Net foreign exchange gain/(loss) 4(e)		636,801	(751,045)	-	-
Selling and distribution costs		(6,418,583)	(6,158,665)	-	-
Administrative expenses		(26,225,400)	(23,117,075)	(1,546,064)	(637,367)
Impairment loss on property, plant and equipment	12	(901,064)	(2,107,535)	-	-
Finance income	7	1,390,582	950,983	9,736	1,816
Finance costs	7	(7,549,873)	(11,157,464)	(7,779)	(7,779)
Profit before tax	8	22,541,195	46,370,676	275,032	183,105
Taxation	10	(6,440,424)	(11,627,363)	(367,287)	(118,987)
Net profit/(loss) for the financial year		16,100,771	34,743,313	(92,255)	64,118
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
- Revaluation surplus on property, plant and equipment, net of tax	12	1,317,687	2,989,245	-	-
Total comprehensive income/(loss) for the financial year		17,418,458	37,732,558	(92,255)	64,118

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF COMPREHENSIVE INCOME**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)**

	<u>Note</u>	<u>Group</u>		<u>Company</u>	
		<u>2018</u> RM	<u>2017</u> RM	<u>2018</u> RM	<u>2017</u> RM
Net profit/(loss) for the financial year attributable to owners of the Company		<u>16,100,771</u>	<u>34,743,313</u>	<u>(92,255)</u>	<u>64,118</u>
Total comprehensive income/(loss) for the financial year attributable to owners of the Company		<u>17,418,458</u>	<u>37,732,558</u>	<u>(92,255)</u>	<u>64,118</u>
Earnings per share attributable to equity holders of the Company - basic and diluted (sen)	11	<u>5.68</u>	<u>12.26</u>		

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2018**

	<u>Note</u>	<u>Group</u>		<u>Company</u>	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
		RM	RM	RM	RM
<b>ASSETS</b>					
<b>NON-CURRENT ASSETS</b>					
Property, plant and equipment	12	288,469,858	294,514,192	250,882	283,606
Investments in subsidiaries	13	-	-	211,790,679	217,790,679
Intangible assets	14	20,000,000	20,000,000	-	-
		<u>308,469,858</u>	<u>314,514,192</u>	<u>212,041,561</u>	<u>218,074,285</u>
<b>CURRENT ASSETS</b>					
Inventories	15	205,190,250	177,176,498	-	-
Trade and other receivables	16	122,670,642	106,248,880	17,568	10,413
Amount owing by ultimate holding company	17	1,861,297	262,880	-	-
Amounts owing by subsidiaries	18	-	-	256,255	202,187
Amounts owing by related companies	19	1,887,416	4,859,971	-	-
Tax recoverable		23,097	257,772	-	121,068
Derivative financial assets	20	3,341,051	142,073	-	-
Cash and cash equivalents	21	51,022,964	64,588,049	580,164	260,756
		<u>385,996,717</u>	<u>353,536,123</u>	<u>853,987</u>	<u>594,424</u>
<b>LESS: CURRENT LIABILITIES</b>					
Trade and other payables	22	187,001,249	181,469,032	565,722	309,140
Amount owing to ultimate holding company		-	4,000,000	-	4,000,000
Amounts owing to subsidiaries	18	-	-	5,500,000	7,500,000
Amount owing to a related company	19	1,212,092	1,073,151	-	-
Tax payable		607,935	1,651,036	95,675	-
Derivative financial liabilities	20	2,570	3,036,852	-	-
Borrowings	24	90,735,555	78,609,835	40,869	40,869
		<u>279,559,401</u>	<u>269,839,906</u>	<u>6,202,266</u>	<u>11,850,009</u>
<b>NET CURRENT ASSETS/ (LIABILITIES)</b>		<u>106,437,316</u>	<u>83,696,217</u>	<u>(5,348,279)</u>	<u>(11,255,585)</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF FINANCIAL POSITION AS AT 30 JUNE 2018 (CONTINUED)**

	<u>Note</u>	<u>Group</u>		<u>Company</u>	
		<u>2018</u> RM	<u>2017</u> RM	<u>2018</u> RM	<u>2017</u> RM
<b>LESS: NON-CURRENT LIABILITIES</b>					
Deferred tax liabilities	23	21,699,216	19,758,492	13,304	5,599
Borrowings	24	1,635,860	4,298,277	153,177	194,045
		<u>23,335,076</u>	<u>24,056,769</u>	<u>166,481</u>	<u>199,644</u>
		<u>391,572,098</u>	<u>374,153,640</u>	<u>206,526,801</u>	<u>206,619,056</u>
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>					
Share capital	25	206,363,671	206,363,671	206,363,671	206,363,671
Asset revaluation reserve	26	26,851,548	25,533,861	-	-
Retained earnings		158,356,879	142,256,108	163,130	255,385
<b>TOTAL EQUITY</b>		<u>391,572,098</u>	<u>374,153,640</u>	<u>206,526,801</u>	<u>206,619,056</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

Note	Attributable to owners of the Company							Total RM
	Share capital RM	Capital reserve RM	Share premium RM	Paid-in capital RM	Treasury shares RM	Asset revaluation reserves RM	Retained earnings RM	
At 1 July 2017	206,363,671	-	-	-	-	25,533,861	142,256,108	374,153,640
Net profit for the financial year	-	-	-	-	-	-	16,100,771	16,100,771
Other comprehensive income: - Revaluation surplus on property, plant and equipment, net of tax	-	-	-	-	-	1,317,687	-	1,317,687
Total comprehensive income for the financial year	-	-	-	-	-	1,317,687	16,100,771	17,418,458
At 30 June 2018	206,363,671	-	-	-	-	26,851,548	158,356,879	391,572,098

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)**

	←----- Attributable to owners of the Company ----->							
Note	Share capital RM	Capital reserve RM	Share premium RM	Paid-in capital RM	Treasury shares RM	Asset revaluation reserves RM	Retained earnings RM	Total RM
At 1 July 2016	70,886,364	115,753,842	19,100,456	8,569	(367,860)	22,544,616	107,512,795	335,438,782
Transaction with owner:								
- Disposal of treasury shares	-	-	-	614,440	367,860	-	-	982,300
Net profit for the financial year	-	-	-	-	-	-	34,743,313	34,743,313
Other comprehensive income:								
- Revaluation surplus on property, plant and equipment, net of tax	-	-	-	-	-	2,989,245	-	2,989,245
Total comprehensive income for the financial year	-	-	-	-	-	2,989,245	34,743,313	37,732,558
Transition to no-par value regime On 31 January 2017 <sup>(e)</sup>	135,477,307	(115,753,842)	(19,100,456)	(623,009)	-	-	-	-
At 30 June 2017	<u>206,363,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,533,861</u>	<u>142,256,108</u>	<u>374,153,640</u>

<sup>(e)</sup> Impact from the new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017 (see Note 2(P)).



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)

**COMPANY STATEMENT OF CHANGES IN EQUITY  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

<u>Note</u>	<u>Share capital</u> RM	<u>Non-Distributable Capital reserve</u> RM	<u>Distributable Share premium</u> RM	<u>Paid-in capital</u> RM	<u>Treasury shares</u> RM	<u>Retained earnings/ (Accumulated losses)</u> RM	<u>Total</u> RM
Total comprehensive loss:							
At 1 July 2017	206,363,671	-	-	-	-	255,385	206,619,056
- Net loss for the financial year	-	-	-	-	-	(92,255)	(92,255)
At 30 June 2018	<u>206,363,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>163,130</u>	<u>206,526,801</u>
Transaction with owner:							
At 1 July 2016	70,886,364	115,753,842	19,100,456	8,569	(367,860)	191,267	205,572,638
- Disposal of treasury shares	-	-	-	614,440	367,860	-	982,300
Total comprehensive income:							
Net profit for the financial year	-	-	-	-	-	64,118	64,118
Transition to no-par value regime on 31 January 2017 <sup>(a)</sup>	135,477,307	(115,753,842)	(19,100,456)	(623,009)	-	-	-
At 30 June 2017	<u>206,363,671</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>255,385</u>	<u>206,619,056</u>

<sup>(a)</sup> Impact from the new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017 (see Note 2(P)).

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018**

	<u>Group</u>		<u>Company</u>	
	<u>2018</u> RM	<u>2017</u> RM	<u>2018</u> RM	<u>2017</u> RM
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>				
Profit before tax	22,541,195	46,370,676	275,032	183,105
Adjustments for:				
Property, plant and equipment:				
- depreciation	14,742,520	15,219,116	32,724	32,724
- net loss/(gain) on disposals	1,717	(123,142)	-	-
- impairment loss	901,064	2,107,535	-	-
- write-off	119,957	30,026	-	-
Net unrealised loss/(gain) on foreign exchange	511,132	(195,777)	-	-
Interest income	(1,390,582)	(950,983)	(9,736)	(1,816)
Interest expense	7,549,873	11,157,464	7,779	7,779
Impairment of receivables	-	346,457	-	-
	<u>44,976,876</u>	<u>73,961,372</u>	<u>305,799</u>	<u>221,792</u>
Changes in working capital:				
- inventories	(28,013,752)	(80,436,401)	-	-
- trade and other receivables	(16,391,204)	(6,039,115)	(7,155)	(4,424)
- trade and other payables	(196,442)	65,804,769	256,582	(2,306)
- intercompany balances	3,107,154	1,474,680	(54,068)	(1,017,190)
	<u>3,482,632</u>	<u>54,765,305</u>	<u>501,158</u>	<u>(802,128)</u>
Cash generated from operations				
Interest paid	(8,623,198)	(10,583,023)	(7,779)	(7,779)
Interest received	1,390,582	950,983	9,736	1,816
Tax paid	(5,931,276)	(6,950,059)	(271,003)	(171,415)
Tax refund	207,038	28,936	128,164	-
	<u>(9,474,222)</u>	<u>38,212,142</u>	<u>360,276</u>	<u>(979,506)</u>
Net cash (used in)/generated from operating activities				

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS**  
**FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)**

	Note	Group		Company	
		2018 RM	2017 RM	2018 RM	2017 RM
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>					
Purchases of property, plant and equipment		(6,861,859)	(3,901,547)	-	-
Proceeds from disposal of property, plant and equipment		141,959	328,552	-	-
Repayment from ultimate holding company		558,913	7,693,719	-	-
Advances to ultimate holding company		(2,152,988)	(964,028)	-	-
Repayment from a subsidiary		-	-	6,000,000	6,500,000
Net cash (used in)/generated from investing activities		(8,313,975)	3,156,696	6,000,000	6,500,000
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>					
Disposal of treasury shares		-	982,300	-	982,300
Repayments of borrowings		(160,646,888)	(236,913,484)	(40,868)	(40,869)
Proceeds from borrowings		168,870,000	227,520,000	-	-
Advances from ultimate holding company		-	4,000,000	-	4,000,000
Repayment of advances to ultimate holding company		(4,000,000)	-	(4,000,000)	-
Repayment of advances to subsidiary		-	-	(2,000,000)	(10,500,000)
Net cash generated from/(used in) financing activities		4,223,112	(4,411,184)	(6,040,868)	(5,558,569)
<b>NET MOVEMENT IN CASH AND CASH EQUIVALENTS</b>		<b>(13,565,085)</b>	<b>36,957,654</b>	<b>319,408</b>	<b>(38,075)</b>
<b>CASH AND CASH EQUIVALENTS:</b>					
- at beginning of the financial year		64,588,049	27,630,395	260,756	298,831
- at end of the financial year	21	51,022,964	64,588,049	580,164	260,756

During the financial year, the Group made non-cash purchases of property, plant and equipment amounting to RM1,267,225 (2017: RM528,010) via hire-purchase arrangements (Note 12).

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)**

Cash-flow movement in-relation to 'changes in liabilities arising from financing activities' during the financial year is outlined below:

<u>Group</u>	Bankers' acceptance RM	Term loan RM	Hire purchase RM	Revolving credit RM	Amount owing to ultimate holding company RM	<u>Total</u> RM
At 1 July 2017	66,730,000	6,817,102	961,010	8,400,000	4,000,000	86,908,112
Proceeds from borrowings	168,870,000	-	-	-	-	168,870,000
Repayment of borrowings	(148,540,000)	(3,000,000)	(706,888)	(8,400,000)	-	(160,646,888)
Repayment of advances from ultimate holding company	-	-	-	-	(4,000,000)	(4,000,000)
Interest paid	(3,322,753)	(354,627)	(90,228)	(284,433)	-	(4,052,041)
Plant and equipment acquired via hire purchase arrangements	-	-	1,267,225	-	-	1,267,225
Interest charged	3,322,753	327,593	90,228	284,433	-	4,025,007
At 30 June 2018	87,060,000	3,790,068	1,521,347	-	-	92,371,415

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)

**STATEMENTS OF CASH FLOWS  
FOR THE FINANCIAL YEAR ENDED 30 JUNE 2018 (CONTINUED)**

Cash-flow movement in-relation to 'changes in liabilities arising from financing activities' during the financial year is outlined below:

<u>Company</u>	Hire purchase RM	Amount owing to subsidiaries RM	Amount owing to ultimate holding company RM	Total RM
At 1 July 2017	234,914	7,500,000	4,000,000	11,734,914
Repayment of advances	-	(2,000,000)	(4,000,000)	(6,000,000)
Repayment of borrowings	(40,868)	-	-	(40,868)
Interest paid	(7,779)	-	-	(7,779)
Interest charged	7,779	-	-	7,779
At 30 June 2018	194,046	5,500,000	-	5,694,046

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018****1 GENERAL INFORMATION**

The principal activities of the Company are that of investment holding and the provision of management services to its subsidiaries. The principal activities of the subsidiaries are that of mid-stream steel cold rolled coil manufacturing, and steel tube manufacturing as disclosed in Note 13 to the financial statements.

The Company is a public limited liability company, incorporated and domiciled in Malaysia and listed on the Main Market of the Bursa Malaysia Securities Berhad.

The registered office of the Company is:  
Suite 11.05, 11th Floor  
No. 566 Jalan Ipoh  
51200 Kuala Lumpur

The principal place of business of the Company is:  
Lot 717 Jalan Sungai Rasau  
40200 Shah Alam  
Selangor Darul Ehsan

As at 30 June 2018, all monetary assets and liabilities of the Group and the Company are denominated in Ringgit Malaysia, unless otherwise stated.

The financial statements were approved and authorised for issue in accordance with a resolution of the Board of Directors on 25 October 2018.

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The following accounting policies have been applied consistently to all the financial years presented in dealing with items which are considered material in relation to the financial statements, unless otherwise stated.

**(a) Basis of preparation**

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act 2016 in Malaysia.

The financial statements have been prepared under the historical cost convention, unless otherwise indicated in this summary of significant accounting policies such on the revaluation of 'land and buildings' and 'plant and machinery', and financial assets and financial liabilities (including derivative instruments) measured at fair value through profit or loss.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(a) Basis of preparation (continued)**

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. It also requires Directors to exercise their judgement in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current event and actions, actual results may differ. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as disclosed in Note 3 to the financial statements.

Standards, amendments to published standards and interpretations that are effective

The Group has applied the following amendments for the first time for the financial year beginning on 1 July 2017:

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative' which introduced an additional disclosure on changes in liabilities arising from financing activities.
- Amendments to MFRS 112 'Income Taxes – Recognition of Deferred Tax Assets for Unrealised Losses' which clarified the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on assets carried at fair value. In evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that exclude tax deductions resulting from the reversal of those temporary differences.
- Annual Improvements to MFRSs 2014 – 2016 Cycle: MFRS 12 'Disclosures of Interests in Other Entities'

The adoption of the Amendments to MFRS 107 has required additional disclosure on changes in liabilities arising from financing activities. (See statements of cash flows). Other than that, the adoption of these amendments did not have any impact on the current period or any prior period and is not likely to affect future periods.

Standards and amendments that have been issued but not yet effective

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 January 2018.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

MYCRON STEEL BERHAD  
(Incorporated in Malaysia)

NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Standards and amendments that have been issued but not yet effective (continued)

Financial year beginning on or after 1 July 2018

- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' (effective from 1 January 2018) applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.

IC Interpretation 22 provides guidance how to determine 'the date of transaction' when a single payment/receipt is made, as well as for situations where multiple payments/receipts are made. The date of transaction is the date when the payment or receipt of advance consideration gives rise to the non-monetary asset or non-monetary liability when the entity is no longer exposed to foreign exchange risk. If there are multiple payments or receipts in advance, the entity should determine the date of the transaction for each payment or receipt. An entity has the option to apply IC Interpretation 22 retrospectively or prospectively.

The adoption of this IC Interpretation commencing from the next financial year is not expected to have any material impact on the Group's financial statements.

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 'Financial Instruments: Recognition and Measurement'.

MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main changes are:

- For financial liabilities classified as FVTPL, the fair value changes due to own credit risk should be recognised directly to OCI. There is no subsequent recycling to profit or loss.
- When a financial liability measured at amortised cost is modified without this resulting in de-recognition, a gain or loss, being the difference between the original contractual cash flows and the modified cash flows discounted at the original effective interest rate, should be recognised immediately in profit or loss.



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(a) Basis of preparation (continued)****Standards and amendments that have been issued but not yet effective (continued)****Financial year beginning on or after 1 July 2018 (continued)**

MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

The Group has reviewed its financial assets and liabilities and is not expecting any material impact from the adoption of the new standard on 1 July 2018.

- The other financial assets held by the Group include debt instruments currently classified as held-to-maturity and measured at amortised cost meet the conditions for classification at amortised cost under MFRS 9.

Accordingly, the Group does not expect the new guidance to affect the classification and measurement of these financial assets.

There will be no impact on the Group's accounting for financial liabilities, as the classification and accounting for the Group's financial liabilities at fair value through profit or loss (such as foreign exchange "FX" derivatives), and those at amortised cost under MFRS 9 (such as borrowings) are essentially the same as under MFRS 139. The de-recognition rules for MFRS 9 have been transferred from MFRS 139 'Financial Instruments: Recognition and Measurement' and have not been changed.

The new hedge accounting rules align the accounting for hedging instruments more closely with risk management practices – which is in-line with the Group's past practices under MFRS 139. As a general rule, more hedge relationships might be eligible for hedge accounting, as the standard introduces a more principles-based approach. However, the Group's hedging operation only involves fair-value hedge accounting for foreign exchange ("FX") risk, where qualifying instrument (deliverable FX Forward Contracts) are designated in its entirety as hedging instrument against matching characteristics committed rights or obligations (or recognised assets or liabilities) in foreign currency as designated hedge items. The fair value changes of designed FX hedge items are reported together with fair value changes of designated hedge instruments in the Profit & Loss. The hedge instruments are reported at their marked-to-market fair value on balance sheet either as financial assets or financial liabilities, whilst the hedge items' carrying value on balance sheet are translated at the corresponding marked-to-market rate.

The Group has assessed that its current hedge relationships will qualify as continuing hedges upon the adoption of MFRS 9.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**MYCRON STEEL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(a) Basis of preparation (continued)**

**Standards and amendments that have been issued but not yet effective (continued)**

**Financial year beginning on or after 1 July 2018 (continued)**

The new impairment model requires the recognition of impairment provisions based on expected credit losses ("ECL") rather than only incurred credit losses as is the case under MFRS 139. It applies to financial assets classified at amortised cost, debt instruments measured at FVOCI, contract assets under MFRS 15 'Revenue from Contracts with Customers', lease receivables, loan commitments and certain financial guarantee contracts. The Group's financial assets are mainly trade receivables, and in this regard it shall apply allowable practical expedient in ECL provision based on a supportable "overdue-days matrix" for its trade receivables. Based on the assessments undertaken to date, the adoption of the ECL model is not expected to increase the impairment provision on initial application that would render the opening loss allowances determined under MFRS 9 to be materially different from the ending impairment allowance under MFRS 139.

The new standard also introduces expanded disclosure requirements and changes in presentation. These are expected to change the nature and extent of the Group's disclosures about its financial instruments particularly in the year of the adoption of the new standard.

The Group will apply the new rules retrospectively from 1 July 2018 with the practical expedients permitted under the standard. Comparative will not be restated.

- 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 core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

A new five-step process is applied before revenue can be recognised:

- Identify contracts with customers;
- Identify the separate performance obligations;
- Determine the transaction price of the contract;
- Allocate the transaction price to each of the separate performance obligations; and
- Recognise the revenue as each performance obligation is satisfied.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(a) Basis of preparation (continued)**

**Standards and amendments that have been issued but not yet effective (continued)**

**Financial year beginning on or after 1 July 2018 (continued)**

Key provisions of the new standard are as follows:

- Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements.
- If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal.
- The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa.
- There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few.
- As with any new standard, there are also increased disclosures.

Based on the assessments undertaken to date, the application of MFRS 15 is not expected to result in any change to the timing and quantum of revenue recognition of the Group – compared to the requirements under MFRS 118 and 111. The Group's steel products conform to industry standards and specifications, and are sold mainly on spot and/or short-term-forward contracts with single point fulfilment at predetermined prices which under normal circumstances do not give rise to any contract assets or liabilities. The sales contract for "goods" are generally separated from "services", and these do not entail any financing feature beyond short credit periods customary to the industry.

**Financial year beginning on or after 1 July 2019**

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accreted over time with interest expense recognised in profit or loss.

For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

MYCRON STEEL BERHAD  
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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (continued)

Standards and amendments that have been issued but not yet effective (continued)

Financial year beginning on or after 1 July 2019 (continued)

The Group would apply 'practical expedient option' on transition to MFRS 16 for contracts previously identified as leases under MFRS 117 (i.e. such as rental contracts) and those contracts that will be entered into on or after the initial date of application (i.e. 1 July 2019). The Group's steel tube subsidiary has external long-term rental contracts on its factories with its ultimate parent Group (under Melewar Industrial Group Berhad) identified as leases under MFRS 117, but it does not have any other off-balance-sheet operation-lease arrangements at the close of the current financial year. The Group is assessing the impact of the application of MFRS 16 on the financial statements of the Group in the initial year of adoption.

- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.

If an entity concludes that it is not probable that the tax treatment will be accepted by the tax authority, the effect of the tax uncertainty should be included in the period when such determination is made. An entity shall measure the effect of uncertainty using the method which best predicts the resolution of the uncertainty.

IC Interpretation 23 will be applied retrospectively.

- Amendments to MFRS 9 'Prepayment features with negative compensation' (effective 1 January 2019) allow companies to measure some prepayable financial assets with negative compensation at amortised cost. Negative compensation arises where the contractual terms permit the borrower to prepay the instrument before its contractual maturity, but the prepayment amount could be less than the unpaid amounts of principal and interest. To qualify for amortised cost measurement, the negative compensation must be reasonable compensation for early termination of the contract, and the asset must be held within a 'held to collect' business model.

The amendments will be applied retrospectively.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(a) Basis of preparation (continued)****Standards and amendments that have been issued but not yet effective (continued)****Financial year beginning on or after 1 July 2019 (continued)**

- Annual Improvements to MFRSs 2015 – 2017 Cycle:
  - Amendments to MFRS 3 'Business Combinations' (effective from 1 January 2019) clarify that when a party obtains control of a business that is a joint operation, the acquirer should account the transaction as a business combination achieved in stages. Accordingly it should remeasure its previously held interest in the joint operation (rights to the assets and obligations for the liabilities) at fair value on the acquisition date.
  - Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019) clarify that where income tax consequences of dividends on financial instruments classified as equity is recognised (either in profit or loss, other comprehensive income or equity) depends on where the past transactions that generated distributable profits were recognised. Accordingly, the tax consequences are recognised in profit or loss when an entity determines payments on such instruments are distribution of profits (that is, dividends). Tax on dividend should not be recognised in equity merely on the basis that it is related to a distribution to owners.
  - Amendments to MFRS 123 'Borrowing Costs' (effective from 1 January 2019) clarify that if a specific borrowing remains outstanding after the related qualifying asset is ready for its intended use or sale, it becomes part of general borrowings.
- Amendments to MFRS 119 on Employee Benefits - 'Plan amendment, curtailment or settlement' (effective 1 January 2019) requires an entity to use the updated actuarial assumptions from remeasurement of its net defined benefit liability or asset arising from plan amendment, curtailment or settlement, to determine current service cost and net interest for the remaining period after the change to the plan. The amendments will be applied prospectively.

Unless otherwise disclosed, the above standards and amendments to published standards are not anticipated to have any significant impact on the financial statements of the Group in the year of initial application.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(b) Basis of consolidation****(i) Investment in subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The excess of the consideration transferred, the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the profit or loss.

Acquisition-related costs are expensed as incurred.

Inter-company transactions, balances and unrealised gains on transactions between Group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset.

Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

**(ii) Changes in ownership interests in subsidiaries without change of control**

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in equity attributable to owners of the Group.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(b) Basis of consolidation (continued)****(iii) Disposal of subsidiaries**

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is re-measured to its fair value with the change in carrying amount recognised in the profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets and liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit or loss.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

**(iv) Acquisitions**

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangement and fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are with limited exceptions measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

**(c) Investment in subsidiaries**

Investments in subsidiaries are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, the difference between disposal proceeds and the carrying amounts of the investments are recognised in the profit or loss.

The amounts due from subsidiaries of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's investments in the subsidiaries.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(d) Property, plant and equipment****(i) Measurement basis**

Property, plant and equipment are initially stated at cost, net of the amount of goods and services tax ("GST"), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of acquisition of the property, plant and equipment. Plant, machinery and electrical installation are subsequently shown at fair values, based on periodic valuation by external valuers, less subsequent depreciation and impairment losses, with sufficient regularity or when the fair value of the revalued assets differ materially from the carrying values. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other plant and equipment are stated at cost less accumulated depreciation and accumulated impairment losses.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised, whilst parts affirmed to be replaced in the immediate term are assessed for impairment provision. All other repairs and maintenance are recognised as expenses in the profit or loss during the period in which they are incurred.

Increase in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously in profit or loss, the increase is first recognised in profit or loss. Decrease that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. When property, plant and equipment is revalued, the carrying amount of property, plant and equipment is adjusted to the revalued amount. At the date of the revaluation, the accumulated depreciation is eliminated against the gross carrying amount of the property, plant and equipment. The revaluation surplus included in equity in respect of property, plant and equipment will be transferred directly to retained earnings when the assets are derecognised.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in the profit or loss. The revaluation surplus included in equity is transferred directly to retained earnings when the asset is retired or disposed of.



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**MYCRON STEEL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

**(d) Property, plant and equipment (continued)**

**(i) Measurement basis (continued)**

Any accumulated depreciation as at the revaluation date is eliminated against the gross carrying amount of the asset and the net amount is restated to the revalued amount of the asset.

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision of the residual values and useful lives are included in the profit or loss for the financial year in which the changes arise.

At each reporting date, the Group assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2(f) on impairment of non-financial assets.

**(ii) Depreciation**

Freehold land is not depreciated as it has infinite life. Other property, plant and equipment are depreciated on the straight-line basis based on cost of the assets or their revalued amounts, to their residual values, over their estimated useful lives as follows:

Buildings	50 years
Plant, machinery and electrical installation	4 – 40 years
Motor vehicles	10 years
Furniture, fittings, and office equipment	10 years

Depreciation on assets under construction and spare parts commences when the assets are ready for its intended use.

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(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(e) Leases**

A lease is an agreement whereby the lessor conveys to the lessee in return for a payment, or series of payments, the right to use an asset for an agreed period of time.

**Accounting by lessee****(i) Finance leases**

Leases of property, plant and equipment where the Group assumes substantially all the risks and rewards of ownership are classified as finance leases.

Finance leases are capitalised at the inception of the lease at the lower of the fair value of the leased property and the present value of the minimum lease payments. Each lease payment is allocated between the liability and finance charges so as to achieve a constant rate on the remaining balance of the liability. The corresponding rental obligations, net of finance charges, are included in borrowings. The interest element of the finance charge is charged to the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease are depreciated over the shorter of the estimated useful life of the asset or the lease term if there is no reasonable certainty if the Group will obtain ownership at the end of the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in the profit or loss over the lease term on the same basis as the lease expense.

**(ii) Operating leases**

Leases of assets where a significant portion of the risks and rewards of ownership are retained by the lessor are classified as operating leases. Payments made under operating leases (net of any incentives received from the lessor) are charged to the profit or loss on the straight-line basis over the lease period.

Initial direct costs incurred by the Group in negotiating and arranging operating leases are recognised in the profit or loss when incurred.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(f) Impairment of non-financial assets**

Assets that have an indefinite useful life, for example goodwill or intangible assets not ready to use, are not subject to amortisation and are tested annually for impairment. Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less cost of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash flows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at each reporting date.

The impairment loss is charged to the profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. Impairment losses on goodwill are not reversed. In respect of other assets, any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case, it is taken to asset revaluation reserve.

**(g) Financial assets****Classification**

The Group classifies its financial assets in the following categories: financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets. The classification depends on the purpose for which the financial assets were acquired. Management determines the classification of its financial assets at initial recognition.

**(i) Financial assets at fair value through profit or loss**

Financial assets at fair value through profit or loss are financial assets that are designated or held for trading. A financial asset is classified in this category if it is acquired principally for the purpose of selling or repurchasing it in the near term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be settled within 12 months; otherwise, they are classified as non-current.

In addition, certain financial assets are designated at initial recognition at fair value through profit or loss when one of the designation criteria is met:

- Designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise;
- Its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; and
- The item is a hybrid contract that contains one or more embedded derivatives.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**MYCRON STEEL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(g) Financial assets (continued)****Classification (continued)****(ii) Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables comprise of 'trade and other receivables (excluding prepayments)', 'amount owing by ultimate holding company' and 'amounts owing by related companies' in the financial statements (Note 32).

**Recognition and initial measurement**

Regular purchases and sales of financial assets are recognised on trade date i.e. the date on which the Group and the Company commit to purchase or sell the asset.

Financial assets are initially recognised at fair value plus transaction costs that are directly attributable to the acquisition of the financial asset for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expensed to the profit or loss.

**Subsequent measurement – gains and losses**

Financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in the profit or loss in the financial year in which the changes arise.

**Subsequent measurement - impairment of financial assets****Assets carried at amortised cost**

The Group assesses at the end of each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(g) Financial assets (continued)****Subsequent measurement - impairment of financial assets (continued)****Assets carried at amortised cost (continued)**

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The asset's carrying amount is reduced and the amount of the loss is recognised in the profit or loss. If 'loans and receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as an improvement in the debtor's credit rating), the reversal of the previously recognised impairment loss is recognised in the profit or loss.

When an asset is uncollectible, it is written-off against the related allowance account. Such assets are written-off after all the necessary procedures have been completed and the amount of the loss has been determined.

**(h) De-recognition of financial assets**

Financial assets are derecognised when the rights to receive cash flows from the investments have expired or have been transferred and the Group has transferred substantially all risks and rewards of ownership.

Receivables that are factored out to banks and other financial institutions with recourse to the Group are not derecognised until the recourse period has expired and the risks and rewards of the receivables have been fully transferred. The corresponding cash received from the financial institutions is recorded as borrowings.

**(i) Offsetting financial instruments**

Financial assets and liabilities are offset and the net amount is presented in the statements of financial position when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or realise the asset and settle the liability simultaneously. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(j) Derivative financial instruments and hedging activities**

Derivative financial instruments are initially recognised in the statement of financial position at fair value on the date on which derivative contracts are entered into and are subsequently re-measured at their fair values at each reporting date. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques, including discounted cash flow models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and the nature of the item being hedged. Derivatives that do not qualify for hedge accounting are classified as financial assets at fair value through profit or loss and accounted for in accordance with the accounting policy set out in Note 2(g).

Derivatives that qualify for hedge accounting are designated as either:

- (i) Hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedge);
- (ii) Hedges of a particular risk associated with a recognised asset or liability or a highly probable forecast transaction (cash flow hedge); or
- (iii) Hedges of a net investment in a foreign operation (net investment hedge).

The Group documents at the inception of the transaction, the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 20. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

**Fair value hedge**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The Group applies fair value hedge accounting for hedging forward contracts on purchases. The gain or loss relating to the effective and ineffective portion of both the hedging instrument and the hedged item are recognised in profit or loss.

If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedge item for which the effective interest method is used is amortised to profit or loss over the period to maturity using a recalculated effective interest rate.

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(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(k) Intangible assets**

The Group carries an intangible asset relating to the licences, patents and trademarks from the consolidation of its acquired Steel Tube subsidiary since the preceding financial year ended 30 June 2015.

Licences, patents and trademarks are shown at historical cost. Licences, patents and trademark acquired in a business combination are recognised at fair value at the acquisition date. Licences, patents and trademarks that have a finite useful life are carried at cost less accumulated amortisation and accumulated losses. Amortisation is calculated using the straight-line method over their estimated useful lives. Trademarks and tradenames that can be renewed perpetually with nominal sums are treated as having an indefinite useful life and are not subjected to amortisation but annually assessed for impairment.

At each reporting date, the Group assesses whether there is any indication of impairment. If such indication exists, an analysis is performed to assess whether the carrying amount of the asset is fully recoverable. A write-down is made if the carrying amount exceeds the recoverable amount. See accounting policy Note 2(f) on impairment of non-financial assets.

**(l) Inventories**

Inventories are stated at the lower of cost and net realisable value. Cost is determined on the weighted average cost basis. Finished goods and work-in-progress comprise cost of materials, direct labour, other direct costs and an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. It excludes borrowing costs. Costs of purchased inventory are determined after deducting rebates and discounts.

Net realisable value is the estimated selling price in the ordinary course of business, less costs of completion and the estimated costs necessary to make the sale.

**(m) Cash and cash equivalents**

For the purpose of the statement of cash flows, cash and cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. Cash and cash equivalents comprises of cash in hand, deposits held at call with financial institutions, other short term highly liquid investments with original maturities of 3 months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(n) Financial liabilities**

The Group and the Company classifies its financial liabilities as other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued. Management determines the classification at initial recognition.

Other financial liabilities of the Group and the Company comprise 'trade and other payables (excluding prepayments)', 'amounts owing to subsidiaries', 'amount owing to a related company', 'amount owing to ultimate holding company' and 'borrowings'.

When other financial liabilities are recognised initially, they are measured at fair value plus directly attributable transaction costs.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the other financial liabilities are derecognised, and through the amortisation process.

Financial liabilities are derecognised when the obligation specified in the contract is discharged or cancelled or expired.

Borrowings are recognised initially at their fair values, net of transaction cost incurred. Borrowings are subsequently stated at amortised cost; any difference between initial recognised amount and the redemption value is recognised in the profit or loss over the period of the borrowings using the effective interest method.

Borrowings are classified as current liabilities unless the Group and the Company have an unconditional right to defer settlement of the liability for at least 12 months after the reporting date.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.



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(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(o) Provisions**

Provisions are recognised when the Group and the Company has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation and a reliable estimate of the amount can be made.

Where the Group expects a provision to be reimbursed by another party, the reimbursement is recognised as a separate asset but only when the reimbursement is virtually certain. Provision is not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised in the same class of obligations may be small.

Provisions are measured at the present value of the management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

**(p) Share capital**

The new Companies Act 2016 (the "Act"), which came into operation on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, any amounts standing to the credit of the share premium account and similar-in-nature capital reserve accounts become part of the Company's share capital pursuant to the transitional provisions set out in Section 618(2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of those accounts for purposes as set out in Section 618(3), where applicable. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

**(q) Revenue recognition**

Revenue is measured at the fair value of consideration received or receivable for the sale of goods and services in the ordinary course of the Group's activities. Revenue is shown net of goods and services tax, returns, rebates and discounts and amounts collected on behalf of third parties and after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the Group and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measureable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

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(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(q) Revenue recognition (continued)****(i) Sale of goods**

Sale of goods is recognised upon delivery of products and customer acceptance, and performance of after-sales services, if any, net of sales taxes and discounts and after eliminating sales within the Group.

**(ii) Processing service and management fee income**

Processing service and management fee income are recognised on accrual basis when services are rendered.

**(iii) Dividend income**

Dividend income is recognised when the Group's right to receive payment is established.

**(iv) Interest income**

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

**(r) Employees' benefits****(i) Short-term employee benefits**

Wages, salaries, paid annual leave and sick leave, bonuses, and non-monetary benefits that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

**(ii) Defined contribution plan**

The Group contributes to the Employees' Provident Fund, which is a defined contribution plan, regulated and managed by the government. The contributions are charged to the profit or loss in the period to which they relate. Once the contributions have been paid, the Group has no further financial obligations. Prepaid contributions are recognised as an asset to the extent that a cash refund or a reduction in the future payments is available.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(s) Current and deferred income tax**

The income tax expense for the financial year comprises current and deferred tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting date in Malaysia.

Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities. This liability is measured using the single best estimate of the most likely outcome.

Deferred tax is recognised in full, using the liability method, on temporary differences at the reporting date arising between the amounts attributed to assets and liabilities for tax purposes and their carrying amounts in the financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transactions affects neither accounting nor taxable profit or loss. Deferred tax is determined using tax rates (and tax laws) that have been enacted or substantively enacted at the end of the reporting date and are expected to apply when the related deferred tax assets is realised or the deferred tax liability is settled.

Deferred tax assets (including tax benefits from reinvestment allowance) are recognised to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries except where timing of the reversal of the temporary difference can be controlled and it is probable that the temporary difference will not reverse in the foreseeable future.

Deferred and income tax assets and liabilities are offset when there is a legally enforceable right to offset current tax assets against current tax liabilities and when the deferred income tax assets and liabilities relate to taxes levied by the same taxation authority on either the taxable entity or different taxable entities where there is an intention to settle the balances on a net basis.

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(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(t) Foreign currencies****(i) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Ringgit Malaysia, which is the Group's and the Company's functional and presentation currency.

**(ii) Transactions and balances**

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are re-measured. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in profit or loss. However, exchange differences are deferred in other comprehensive income when they arose from qualifying cash flow or net investment hedges or are attributable to items that form part of the net investment in a foreign operation.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss under a separate 'net foreign exchange gain or loss' line item.

Changes in the fair value of monetary securities denominated in foreign currency classified as available for sale are analysed between translation differences resulting from changes in the amortised cost of the security and other changes in the carrying amount of the security. Translation differences related to changes in amortised cost are recognised in profit or loss, and other changes in carrying amount are recognised in other comprehensive income.

Translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss and available-for-sale financial assets are reported as part of the fair value gain or loss.

**(u) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker and in compliance with the requirements of MFRS 8. The chief operating decision-maker of the Group responsible for allocating resources and assessing performance of the operating segments is the Executive Committee.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)****2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)****(v) Contingent liabilities and contingent assets**

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and the Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and of the Company. The Group and the Company does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

**(w) Financial guarantee contracts**

Financial guarantee contracts are contracts that require the Group or the Company to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due, in accordance with the terms of a debt instrument.

A financial guarantee contract is recognised as a financial liability at the time the guarantee is issued. Liabilities arising from financial guarantee contracts, including the Group's and the Company's guarantees for its subsidiaries through deeds of cross guarantee, are initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of the financial guarantee is determined as the present value of the difference in net cash flows between the contractual payments under the debt instrument and the payments that would be required without the guarantee, or the estimated amount that would be payable to a third party for assuming the obligation.

Where financial guarantees in relation to loans or payables of subsidiaries are provided by the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)****3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that the Directors believe to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

**(a) Impairment of assets due to change in circumstances**

The Company's Cold Rolled subsidiary has an imminent plan to upgrade a particular processing line and to replace certain motors of another processing line, where the implementation thereof will result in the carrying revalued amount not being fully recoverable due to the replaced parts or components. The Directors have made certain assumptions in assessing the recoverable amount of those affected lines in order to determine the appropriate provision for impairment as disclosed in Note 12 to the financial statements.

**(b) Revaluation of certain property, plant, and equipment**

As disclosed in Note 12 to the financial statements, the Group carries its land and buildings, plant, machinery and electrical installation at values approximating their fair values. On an annual basis, the Group appoints independent professional firms to determine the fair valuation of these property, plant and equipment which generally do not have quoted prices in active markets for identical assets. The Directors at the advice of the appointed professional-valuers exercised judgement and made assumptions in the selection and deployment of the most suitable valuation techniques in the ensuing fair value determination.

**4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES**

The operations of the Group are subject to a variety of financial risks. The Group's overall financial risk management objective is to optimise value creation for shareholders whilst minimising the potential adverse impact arising from its exposure to various financial risks as discussed hereinafter. Financial risk management is carried out at both functional and operational levels, and to the extent possible is embedded into its policies, processes, and controls. This is further reinforced with continuous assessment and improvement on the effectiveness and adequacy of its financial risk management practises by its Executive Committee, internal audit, and the Risk Management Committee which reports to the Board.

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(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)****4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

Various risk management policies that are approved by the Directors for the controlling and managing of financial risks in the day-to-day operations of the Group for are set out below.

**(a) Capital risk**

The Group's capital management objectives are (i) to ensure the economic deployment of its capital for sustainable returns which in the long run would exceed the cost of capital; and (ii) to ensure uninterrupted and adequate supply of capital to fulfil objective (i).

The Group views its equity (shareholders' fund less intangibles including deferred tax if any) plus interest bearing debts as capital resources (which totalled to RM513.7 million at the close of the current financial year), and has a policy to maintain the debt-equity ratio below 1.5 times or in accordance with its financial covenants. Capital deployment amongst the Group's subsidiaries and/or business units is at the purview of the Board, but each of its subsidiaries and/or business units is primarily responsible for the management of its allocated capital subject to the oversight by the Executive Committee and the Board.

The Group's subsidiaries are subjected to financial covenants on minimum adjusted shareholders' funds and maximum allowable 'debt-to-equity' ratio computed at both the entity and Group levels under their respective debenture. The adjusted shareholders' fund is calculated as total equity less intangibles, whilst the 'debt-to-equity' ratio is calculated as total interest bearing liabilities divided by the adjusted shareholders' fund.

For the reporting period, the Group's subsidiaries complied with their respective debenture-imposed capital covenants, and generally have been capital-sufficient in meeting peak business needs. Over the current reporting period, equity capital deployed in the Group has increased by around RM17.4 million (or up 5%) whilst interest-bearing debt capital has decreased by around RM129.3 million (or down 52%) due to lower utilisation of supplier's trade credits, despite a higher closing inventory value up by RM28 million. The Group's debt-equity ratio closed at 0.3 times for the current reporting period compared to 0.7 times at the preceding close.

**(b) Liquidity risk**

Liquidity risk is the risk that the Group's and/or the Company's financial resources are insufficient to meet financial obligations as when due, or have to be met at an excessive cost. The Group's liquidity risk management objective is to ensure that all its committed and foreseeable funding commitments can be met as and when due, and in a cost effective manner.

The Group's financial obligations are primarily incepted at the respective Cold-Rolled-Coil and Steel Tube subsidiaries, and these are mainly in the form of short-term obligations (less than 12 months) comprising of trade or credit facilities utilisation. The Cold-Rolled-Coil and Steel Tube subsidiaries' short term bank debts-to-total bank debts ratio at the close of the current reporting period is 99.0% and 95.1% respectively. However, the said subsidiaries have adequate short-term assets to meet short-term liabilities as reflected in the Group's current-ratio of 1.38 times at the close of the current reporting period (compared to 1.31 times for the preceding period).

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(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)****4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****(b) Liquidity risk (continued)**

The Company's net current liabilities position at the close of the current financial year of RM5.3 million (2017: RM11.3 million) is attributed to the novation of RM24 million debt owing by MIG to the Steel Tube subsidiary as part of the purchase consideration in the acquisition of the latter in financial year 2015. This materially large net current liabilities position does not pose any liquidity risk on the Company given that it is an intra-group debt and the timing of the repayment can be controlled by the Company.

Neither the Group nor the Company has in any instances failed to meet any of its financial obligations when due during the current financial year. This is attributed to the positive performance of the Group coupled with its liquidity risk management policies and methods comprising a combination of the following:

- Maintaining sufficient back-up credit facilities and the continuing support from a diversified range of funding sources;
- Maintaining a strict debt servicing plan vis-à-vis its cash flows generated from operations and from available financial assets;
- Rolling short-term cash flows planning on weekly, monthly and annual basis;
- Managing the concentration and maturity profile of both financial and non-financial liabilities vis-à-vis its financial assets and free-cash-flow from operations; and
- Managing cash conversion cycles and optimising working capital deployment.

The Group's subsidiaries are subjected to certain liquidity covenants such as the minimum allowable 'EBITDA to Interest Expense Ratio' and 'Debt Service Cover Ratio'. For the reporting period, the Group's subsidiaries duly complied with the aforementioned liquidity covenants imposed at the subsidiaries level.

The Group's significant reliance on bank trade facilities (which are callable on demand) as a source of funding poses a degree of liquidity risk. To diversify the risk, the Cold Rolled subsidiary and the Steel Tube subsidiary have a total trade credit-line of USD42.0 million (RM169.6 million) and USD33.8 million (RM136.7 million) respectively from key suppliers.

At the reporting date, the Company's exposure to liquidity risk arises from corporate guarantees issued to the Cold-Rolled subsidiary's outstanding bank debts of RM77.8 million (2017: RM55.2 million), and to the Steel-Tube subsidiary's outstanding bank debts of RM13.1 million (2017: RM26.7 million). The Directors are of the opinion that the default risk by the subsidiaries on both the aforementioned is negligible.

Total undrawn banking trade-line facilities balance for the subsidiaries at the reporting date is around RM60.4 million (2017: RM90.5 million).



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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

(b) Liquidity risk (continued)

The maturity analysis of the Group's financial liabilities at the reporting date based on contractual undiscounted repayment obligations are set out in the table below:

Group At 30 June 2018	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Current RM	1 – 2 years RM	2 – 3 years RM	> 3 years RM
<b>Non-derivative financial liabilities</b>							
Bankers' acceptance	87,060,000	4.67% - 5.65%	88,000,731	88,000,731	-	-	-
Term Loan	3,790,068	6.50%	3,893,445	3,139,038	754,407	-	-
Hire-purchase creditors	1,521,347	2.50% - 3.38%	1,661,760	704,024	518,934	213,126	225,676
Trade payables	28,193,464	5.10%	28,193,464	28,193,464	-	-	-
Trade and other payables	156,319,286		156,319,286	156,319,286	-	-	-
Amount owing to a related company	1,212,092		1,212,092	1,212,092	-	-	-
	<u>278,096,257</u>		<u>279,280,778</u>	<u>277,568,635</u>	<u>1,273,341</u>	<u>213,126</u>	<u>225,676</u>
<b>Derivative financial liabilities</b>							
	2,570		2,570	2,570	-	-	-
	<u>278,098,827</u>		<u>279,283,348</u>	<u>277,571,205</u>	<u>1,273,341</u>	<u>213,126</u>	<u>225,676</u>

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**(b) Liquidity risk (continued)**

The maturity analysis of the Group's financial liabilities at the preceding financial year's reporting date as comparison based on contractual undiscounted repayment obligations are set out in the table below:

<u>Group</u> At 30 June 2017	<u>Carrying</u> <u>amount</u> RM	<u>Contractual</u> <u>interest rate</u> %	<u>Contractual</u> <u>cash flows</u> RM	<u>Current</u> <u>RM</u>	<u>1 - 2</u> <u>years</u> RM	<u>2 - 3</u> <u>years</u> RM	<u>&gt; 3</u> <u>years</u> RM
<b>Non-derivative financial liabilities</b>							
Bankers' acceptance	66,730,000	4.99% - 7.15%	67,389,083	67,389,083	-	-	-
Revolving credits	8,400,000	5.30%	8,424,395	8,424,395	-	-	-
Term Loan	6,817,102	6.25%	7,277,505	3,388,935	3,134,332	754,238	-
Hire-purchase creditors	961,010	2.44% - 3.38%	1,064,245	457,629	306,890	166,026	133,700
Trade payables	166,744,684	1.72% - 5.33%	166,744,684	166,744,684	-	-	-
Trade and other payables	11,304,626		11,304,626	11,304,626	-	-	-
Amount owing to ultimate holding company	4,000,000		4,000,000	4,000,000	-	-	-
Amount owing to a related company	1,073,151		1,073,151	1,073,151	-	-	-
	<u>266,030,573</u>		<u>267,277,689</u>	<u>262,782,503</u>	<u>3,441,222</u>	<u>920,264</u>	<u>133,700</u>
<b>Derivative financial liabilities</b>							
	3,036,852		3,036,852	3,036,852	-	-	-
	<u>269,067,425</u>		<u>270,314,541</u>	<u>265,819,355</u>	<u>3,441,222</u>	<u>920,264</u>	<u>133,700</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**
**4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**
**(b) Liquidity risk (continued)**

The maturity analysis of the Company's financial liabilities at the reporting date (and preceding year's reporting date as comparison) based on contractual undiscounted repayment obligations are set out in the respective tables below:

	Carrying amount RM	Contractual cash flows RM	Current RM	1-2 years RM	More than 2 years RM
<b><u>Company</u></b>					
<b><u>At 30 June 2018</u></b>					
Trade and other payables	565,722	565,722	565,722	-	-
Hire-purchase creditors (contractual interest rate 2.72%)	194,046	230,996	48,648	48,648	133,700
Amounts owing to subsidiaries	5,500,000	5,500,000	5,500,000	-	-
Financial guarantee contracts	-	151,250,000	151,250,000	-	-
<b><u>At 30 June 2017</u></b>					
Trade and other payables	309,140	309,140	309,140	-	-
Hire-purchase creditors (contractual interest rate 2.72%)	234,914	279,644	48,648	48,648	182,348
Amount owing to holding company	4,000,000	4,000,000	4,000,000	-	-
Amounts owing to subsidiaries	7,500,000	7,500,000	7,500,000	-	-
Financial guarantee contracts	-	172,350,000	172,350,000	-	-

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)****4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****(c) Credit risk**

Credit risk is the risk of financial loss resulting from counterparties' failure to discharge their contractual obligations. The Group's objective on credit risk management is to minimise the probability of financial loss resulting from any counterparty's default.

The Group's exposure to credit risk arises primarily from cash and bank balances, trade and other receivables and related company (outside the Group) balances.

The Group has credit-control policies on credit sales, and the exposure to credit risk is monitored on a continuous basis through periodic review of the receivables' aging. Credit evaluations are performed on all customers and are reviewed annually. Credit terms and limits are assigned based on the financial strength of the customers; and where deemed appropriate, corporate guarantees and personal indemnities are obtained from customers.

At the reporting date, the Group has significant concentration of credit risk in its trade receivables where the top 10 corporate customers' outstanding of the Cold Rolled and the Steel Tube subsidiaries represent about 94% (2017: 90%) and 44% (2017: 35%) of their respective trade receivables. The Company has no other significant concentration of credit risk except for amounts due from subsidiaries. At the reporting date, the Group has 2 (2017: 2) external customers that contributes to more than 10% of the Group's revenue. The revenue contributed by the said customers amounted to RM172.6 million (2017: RM159.4 million).

The Group's and the Company's major classes of financial assets are as disclosed in Note 31 to the financial statements. The maximum exposure to credit risk for each class of financial assets is the carrying amount of each class of financial assets presented in the statements of financial position. Nevertheless, management obtains corporate guarantees and personal indemnities from trade debtors where possible in managing exposure to credit risk.

Other financial assets are of deposits with licensed banks, bank balances and derivative financial assets that are placed with licensed financial institutions. The Directors are of the view that the risk of non-performance by these reputable financial institutions is remote.

The Group has with effect from next financial year changed its credit impairment policies from that based on 'objective evidence' to that to be based on 'expected credit loss' in-line with the requirements of MFRS 9 (replacing MRFS 139). The Group elected practical expedient on credit impairment assessment of its trade receivables with the adoption of an 'impairment provision matrix' based on overdue aging reflective of the expected loss model. The implementation of the aforementioned from 1 July 2018 has not increased credit impairment which would render the opening loss allowance determined under MFRS 9 to be materially different from the ending loss allowance as at 30 June 2018 under MFRS 139.

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**(c) Credit risk (continued)**

Details of the Group's financial assets after credit impairment assessment (excluding cash and bank balances) at the reporting date are set out in the table below:

Group	Total RM	Impaired RM	Neither past due nor impaired RM	Past due not impaired					Total past due not impaired RM
				< 30 days RM	31 – 60 days RM	61 – 90 days RM	91 – 180 days RM	> 181 days RM	
<u>At 30 June 2018</u>									
Trade receivables	113,543,926	248,301	98,535,094	14,319,367	197,681	122,994	119,592	897	14,760,531
Other receivables and staff loan	1,371,498	-	1,371,498	-	-	-	-	-	-
Deposits	3,553,553	-	3,553,553	-	-	-	-	-	-
Amount owing by ultimate holding company	1,861,297	-	1,861,297	-	-	-	-	-	-
Amounts owing by related companies	2,412,008	524,592	70,702	-	-	-	-	1,816,714	1,816,714
Derivative financial assets	3,341,051	-	3,341,051	-	-	-	-	-	-
	<u>126,083,333</u>	<u>772,893</u>	<u>108,733,195</u>	<u>14,319,367</u>	<u>197,681</u>	<u>122,994</u>	<u>119,592</u>	<u>1,817,611</u>	<u>16,577,245</u>

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

(c) Credit risk (continued)

Details of the Group's financial assets after credit impairment assessment (excluding cash and bank balances) at the preceding financial year's reporting date as comparison are set out in the table below:

Group	Total RM	Impaired RM	Neither past due nor impaired RM	Past due not impaired					Total past due not impaired RM
				< 30 days RM	31 – 60 days RM	61 – 90 days RM	91 – 180 days RM	> 181 days RM	
<u>At 30 June 2017</u>									
Trade receivables	100,253,783	594,758	74,563,496	23,555,864	1,015,565	436,645	83,634	3,821	25,095,529
Other receivables and staff loan	1,857,409	-	1,857,409	-	-	-	-	-	-
Deposits	961,873	-	961,873	-	-	-	-	-	-
Amount owing by ultimate holding company	262,880	-	262,880	-	-	-	-	-	-
Amounts owing by related companies	5,384,563	524,592	68,179	38,621	-	-	5,688	4,747,483	4,791,792
Derivative financial assets	142,073	-	142,073	-	-	-	-	-	-
	<u>108,862,581</u>	<u>1,119,350</u>	<u>77,855,910</u>	<u>23,594,485</u>	<u>1,015,565</u>	<u>436,645</u>	<u>89,322</u>	<u>4,751,304</u>	<u>29,887,321</u>

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**(c) Credit risk (continued)**

Details of the Company's financial assets after credit impairment assessment (excluding cash and bank balances) at the reporting date are set out in the table below:

Company	Total RM	impairment RM	Neither past due nor impairment RM	Past due not impaired					Total past due not impaired RM
				< 30 days RM	31 – 60 days RM	61 – 90 days RM	91 – 180 days RM	> 181 days RM	
<u>At 30 June 2018</u>									
Other receivables	8,981	-	8,981	-	-	-	-	-	-
Deposits	4,500	-	4,500	-	-	-	-	-	-
Amounts owing by subsidiaries	256,255	-	256,255	-	-	-	-	-	-
	<u>269,736</u>	<u>-</u>	<u>269,736</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>At 30 June 2017</u>									
Other receivables	500	-	500	-	-	-	-	-	-
Deposits	4,500	-	4,500	-	-	-	-	-	-
Amounts owing by subsidiaries	202,187	-	202,187	-	-	-	-	-	-
	<u>207,187</u>	<u>-</u>	<u>207,187</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

(c) Credit risk (continued)

(i) Financial assets that are neither past due nor impaired

The Group's trade and other receivables that are neither past due nor impaired are generally credit customers within approved credit period. The Group's and the Company's trade receivables credit term ranges from 3 days to 90 days (2017: 3 days to 90 days). Trade receivables represent the largest financial asset group in this category and are held under the following segments of the Group.

Trade Receivables	Neither past due nor impaired RM
Cold Rolled Coil	69,557,832
Steel Tube	<u>28,977,262</u>
Total	<u>98,535,094</u>

Information regarding "other receivables" and "deposits" is disclosed in Note 16 and "amount owing by ultimate holding company" is disclosed in Note 17.

The Group's "related-company" balances that are neither past due nor impaired are non-trade related, and these totals to RM70,702 (2017: RM68,179).

The Group and the Company do not have any receivables that are neither past due nor impaired that have been negotiated during the financial year.

(ii) Financial assets that are past due but not impaired

Financial assets of the Group that are past due but not impaired comprised mainly of trade receivables. Majority of these balances arose from customers that have been trading with the Group for more than three years, and based on historical trends these past due amounts are usually collected in full albeit some delay. As at the approval date of the financial statements, the Group has received 99% of the outstanding sums from these customers. Trade receivables that are past due but not impaired are represented by the following segments:

Trade Receivables	Past due but not impaired RM
Cold Rolled Coil	8,706,044
Steel Tube	<u>6,054,486</u>
Total	<u>14,760,530</u>

At the reporting date, the related company balances comprise of trade balances amounting to RM1,816,714 (2017: RM4,472,734) and non-trade balances amounting to RM Nil (2017: RM319,058). Management believes that these amounts are recoverable as the Group has been receiving regular payments from these related companies with trade terms of 60 days (2017: 60 days).



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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

(c) Credit risk (continued)

(iii) Financial assets that are impaired

During the current financial year, a subsidiary has written off in full a bad-debt provision of RM346,457 (made in the preceding financial year) as the customer went into insolvency and the recovery of debt is highly unlikely.

There are no financial assets at Group or Company levels that warranted impairment but not impaired during or at the close of the current financial year.

Movement of the Group's allowance for impairment of trade and other receivables is as follows:

<u>Group</u>	<u>Trade receivables (Note 16)</u> RM	<u>Other receivables (Note 16)</u> RM	<u>Amount owing by related co. (Note 19)</u> RM	<u>Total</u> RM
<u>As at 30 June 2018</u>				
Allowance for impairment:				
1 July 2017	594,758	-	524,592	1,119,350
Written off	(346,457)	-	-	(346,457)
30 June 2018	<u>248,301</u>	<u>-</u>	<u>524,592</u>	<u>772,893</u>
<u>As at 30 June 2017</u>				
Allowance for impairment:				
1 July 2016	248,301	9,622,484	524,592	10,395,377
Impairment charge for the financial year	346,457	-	-	346,457
Written off	-	(9,622,484)	-	(9,622,484)
30 June 2017	<u>594,758</u>	<u>-</u>	<u>524,592</u>	<u>1,119,350</u>

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**
**4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**
**(c) Credit risk (continued)**
**(iii) Financial assets that are impaired (continued)**

Movement of the Company's allowance for impairment of other receivables is as follows:

	<u>2018</u> <u>(Note 16)</u> RM	<u>2017</u> <u>(Note 16)</u> RM
<u>Company</u>		
<u>Other receivables</u>		
Allowance for impairment:		
1 July	-	9,147,117
Written-off	-	(9,147,117)
	<u>                    </u>	<u>                    </u>
30 June	<u>                    </u>	<u>                    </u>

The amount written-off in the impairment allowance account in the preceding financial year relates to a claim against a vendor for failure to meet certain guaranteed performance under a share sale agreement which was impaired in financial year 2012.

**(d) Interest rate risk**

Interest rate risk is the risk that the future cash flows and/or fair valuations of the Group's and the Company's interest bearing financial instruments will be negatively impacted due to fluctuation in market interest rates. The Group's objective on interest rate risk management is to achieve a balance between re-pricing risks and minimising its weighted average borrowing cost.

The Group's interest bearing financial instruments are mainly its borrowings which comprise of both floating rate term loan instrument, and fixed rate trade and credit instruments (utilised to finance raw coil material purchases and credit sales).

The floating rate term loan instrument is subjected to quarterly revision of the lender's cost of funds in computing the interest rate. Over the current financial year, the term loan's interest rate was revised once with a net upward adjustment of 25 basis-points. The short-term fixed rate trade and credit instruments are subject to re-pricing upon frequent rollover every 3 to 4 months. Despite the frequent re-pricing, the risk has generally been low as domestic interest rate has been stable for the entire current financial year.

The Group and the Company also have interest bearing asset instruments which comprised mainly of fixed interest bearing short-term deposits subject to frequent but generally stable re-pricing. Neither the Group nor the Company holds any interest-rate derivatives during and at the close of the current financial year.

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**
**4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**
**(d) Interest rate risk (continued)**

Details of the interest bearing financial liability instruments for the Group are as follows:

	<u>2018</u> RM	<u>2017</u> RM
<u>Current</u>		
Fixed rate borrowings, denominated in RM	87,695,487	75,542,733
Floating rate borrowings, denominated in RM	3,040,068	3,067,102
Fixed rate credit from supplier, denominated in USD (Note 22)	-	148,518,861
Fixed rate credit from supplier, denominated in RM (Note 22)	28,023,152	18,225,823
<u>Non-current</u>		
Fixed rate borrowings, denominated in RM	885,860	548,277
Floating rate borrowings, denominated in RM	750,000	3,750,000
	<u>120,394,567</u>	<u>249,652,796</u>

The Group's outstanding interest bearing financial instruments at the close of the current financial year has decreased by 52% compared to the preceding financial year attributed to lower trade credits drawn despite higher ending inventory.

The risk impact for the floating rate financial liability instruments had the overall interest rates being 1% higher, is that the Group's profit after tax for financial year 2018 would be lower by RM29 thousand (2017: RM52 thousand). A 1% lower interest rate would have the equal but opposite effect to the aforementioned amounts.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)****4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)****(e) Foreign currency exchange risk**

Foreign currency exchange risk is the risk that the fluctuation of foreign exchange ("FX") rates may negatively impact fair value or future cash flows of financial instruments in currencies other than its own functional currency. The Group's foreign currency exchange risk management objective is to minimise foreign currency exposure on financial instruments that may give rise to fluctuations in fair values or future cash flows.

As a policy, the Group would seek natural hedging methods to mitigate its FX exposure before incepting any derivative as a hedging instrument. The Group mainly uses forward exchange contracts to hedge its foreign currency risk.

The Group's Cold Rolled and Steel Tube operations' revenue stream are mainly denominated in their Ringgit Malaysia functional currency, whilst their raw material coils procurement are mostly imported from abroad denominated in USD. The Steel Tube operations also derive a small portion of its revenue (around 6%) from export sales denominated mainly in SGD. In summary, the Group FX exposure is mainly in USD-short and to a lesser extent SGD-long.

The Group's Cold Rolled and Steel Tube subsidiaries accept forward orders from their customers, and these forward orders' are priced using appropriate reference forward market FX rates on its cost components which utilise imported raw materials. The Group would hedge at least 80% of its purchase commitment/order with a matching FX forward contract (depending on the availability of limited FX facilities with the counterparty banks, and on the forward duration period) to facilitate future payment in that foreign currency. In this regard, the Group designates qualifying FX hedges for fair value hedge accounting over the reporting period on effective FX forwards incepted to hedge the Group's USD exposure arising from its imported raw materials. These hedges are designated on inception after been tested for prospective effectiveness using the 'dollar-offset' ratio method. On Steel Tube's affirmed export sales in foreign currencies, the Group would sell forward around 25% of its future foreign currency receivables mostly in SGD. But these FX forwards are usually not hedge accounted as they do not fulfil all the criteria for hedge accounting, but are fair valued through profit or loss. Further disclosures are made in Note 20 on derivatives.



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**MYCRON STEEL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**(e) Foreign currency exchange risk (continued)**

Details of the Group's foreign currencies exposure in its Ringgit Malaysia functional currency as at the reporting date (and preceding financial year's reporting date) are set out in the respective tables below:

<u>As at 30 June 2018</u>	<u>From USD</u>	<u>From EURO</u>	<u>From SGD</u>	<u>From YEN</u>	<u>Total</u>
<u>Financial assets</u>					
Trade and other receivables	170,983	-	4,563,418	-	4,734,401
Cash and bank balances	231,059	-	318,690	-	549,749
	<u>402,042</u>	<u>-</u>	<u>4,882,108</u>	<u>-</u>	<u>5,284,150</u>
<u>Less: Financial liabilities</u>					
Trade and other payables	145,131,754	-	-	-	145,131,754
	<u>(144,729,712)</u>	<u>-</u>	<u>4,882,108</u>	<u>-</u>	<u>(139,847,604)</u>
<u>Off balance sheet</u>					
Contracted commitments	(29,389,357)	-	-	-	(29,389,357)
	<u>155,483,292</u>	<u>-</u>	<u>(889,874)</u>	<u>-</u>	<u>154,593,418</u>
<u>Less: Forward foreign currency contracts at notional value at closing rate</u>	<u>(18,635,777)</u>	<u>-</u>	<u>3,992,234</u>	<u>-</u>	<u>(14,643,543)</u>
<b>Net currency exposure</b>					

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

**(e) Foreign currency exchange risk (continued)**

<u>As at 30 June 2017</u>	<u>From USD</u>	<u>From EURO</u>	<u>From SGD</u>	<u>From YEN</u>	<u>Total</u>
<u>Financial assets</u>					
Trade and other receivables	824,878	212,221	4,847,288	319,239	6,203,626
Cash and bank balances	165,722	-	405,719	-	571,441
	<u>990,600</u>	<u>212,221</u>	<u>5,253,007</u>	<u>319,239</u>	<u>6,775,067</u>
<u>Less: Financial liabilities</u>					
Trade and other payables	148,518,861	-	-	-	148,518,861
	<u>(147,528,261)</u>	<u>212,221</u>	<u>5,253,007</u>	<u>319,239</u>	<u>(141,743,794)</u>
<u>Off balance sheet</u>					
Contracted commitments	(22,765,648)	-	-	-	(22,765,648)
	<u>158,917,226</u>	<u>-</u>	<u>(938,919)</u>	<u>-</u>	<u>157,978,307</u>
<u>Less: Forward foreign currency contracts at notional value at closing rate</u>					
Net currency exposure	(11,376,683)	212,221	4,314,088	319,239	(6,531,135)

'Net currency exposure' if positive is in long position, and if negative is in short position of the captioned foreign currency.

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (CONTINUED)**

(e) Foreign currency exchange risk (continued)

The following table demonstrates the sensitivity of the Group's profit after tax to a reasonably possible change in the US Dollar ("USD"), Euro Dollar ("EURO"), Singapore Dollar ("SGD") and Japanese Yen ("YEN") exchange rates against RM, with all other variables in particular interest rates held constant.

	<u>Increase/(decrease)</u>	
	<u>2018</u>	<u>2017</u>
	RM	RM
<u>Group</u>		
RM appreciates against USD by 3%	424,896	259,388
RM appreciates against EURO by 3%	-	(4,839)
RM appreciates against SGD by 3%	(91,023)	(98,361)
RM appreciates against YEN by 3%	-	(7,279)
	<u>                    </u>	<u>                    </u>

A 3% depreciation of the foreign exchange rate would have the equal but opposite effect to the amount shown above, on the basis that all other variables remain constant.

**5 FAIR VALUE**

The carrying amounts of the following financial assets and liabilities approximate their fair values due to the relatively short-term maturity of these financial instruments: deposits, cash and bank balances, receivables and payables (including non-trade intercompany balances). The fair value determination for other financial assets and liabilities may require the application of certain valuation methods.

Fair value estimation

The table below analyses financial instruments carried at fair value by valuation methods. The different levels have been defined as follows:

- (a) Quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- (b) Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- (c) Inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).



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**MYCRON STEEL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**
**5 FAIR VALUE (CONTINUED)**
Fair value estimation (continued)

The following table presents the Group's financial assets that are measured at fair value at the reporting date:

	<u>Level 1</u> RM	<u>Level 2</u> RM	<u>Level 3</u> RM	<u>Total</u> RM
<u>30 June 2018</u>				
<u>Financial assets</u>				
Derivative financial assets	-	3,341,051	-	3,341,051
<u>Financial liabilities</u>				
Derivative financial liabilities	-	2,570	-	2,570
<u>30 June 2017</u>				
<u>Financial assets</u>				
Derivative financial assets	-	142,073	-	142,073
<u>Financial liabilities</u>				
Derivative financial liabilities	-	3,036,852	-	3,036,852

The fair value of financial instruments that are not traded in an active market, such as those foreign currency exchange forward contracts held by the Group at the close of the financial year, is determined by way of marking-to-market the underlying variable using published market rates or as quoted by counterparty financial institutions and with the resulting value discounted back to present value if the maturity tenure is material. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates, and is classified under Level 2. Those foreign currency exchange forward contracts with marked-to-market positive fair value is classified as derivative financial assets, whilst those with marked-to-market negative fair value is classified as derivative financial liabilities.

Neither the Group nor the Company holds any financial assets or liabilities where fair values are assessed at Level 1 and Level 3.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**6 REVENUE**

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM	RM	RM	RM
Sale of goods	790,445,917	723,450,260	-	-
Processing service income	2,928,397	2,746,109	-	-
Management fee income	-	-	3,581,513	2,447,394
	<u>793,374,314</u>	<u>726,196,369</u>	<u>3,581,513</u>	<u>2,447,394</u>

**7 FINANCE INCOME AND COSTS**

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM	RM	RM	RM
Finance income:				
Interest on deposits with financial institutions	1,390,582	950,983	9,736	1,816
Finance costs:				
Interest expenses:				
Interest on borrowings	3,934,779	5,867,532	-	-
Interest on suppliers' credit	3,524,866	5,252,144	-	-
Interest on hire-purchase	90,228	37,788	7,779	7,779
Total finance costs	<u>7,549,873</u>	<u>11,157,464</u>	<u>7,779</u>	<u>7,779</u>

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**
**8 PROFIT BEFORE TAX**

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM	RM	RM	RM
Profit before tax is arrived at after charging/(crediting):				
Auditors' remuneration:				
- statutory audit	363,780	338,627	128,980	121,343
- non-audit services	12,760	12,389	12,760	12,389
Changes in inventories of finished goods and work in progress	(14,350,882)	(18,859,590)	-	-
Raw materials consumed	680,941,572	585,094,690	-	-
Consumables (inventories) consumed	15,994,054	15,272,329	-	-
Property, plant and equipment (Note 12):				
- depreciation	14,742,520	15,219,116	32,724	32,724
- gain on disposals	1,717	(123,142)	-	-
- impairment loss	901,064	2,107,535	-	-
- write offs	119,957	30,026	-	-
Impairment of receivables (Note 16)	-	346,457	-	-
Rental of buildings	5,483,350	5,482,800	-	-
Staff costs (excluding remuneration of Executive Directors):				
- salaries, bonuses and allowances	28,877,120	24,992,920	806,882	753,005
- defined contribution plan	3,997,892	3,468,586	122,174	119,373
- others	3,124,443	2,587,212	144,489	84,702
Net unrealised loss/(gain) on foreign exchange	511,132	(195,777)	-	-
Net realised (gain)/loss on foreign exchange	(1,147,933)	946,822	-	-

The significant item impacting the current financial year's Profit before Tax at the Group level is the higher cost in Raw Material Consumed which is up RM95.8 million compared to the lower increase in Sales Revenue of only RM67.2 million over the same period.

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**MYCRON STEEL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**
**9 DIRECTORS REMUNERATION**

The aggregate amount of emoluments received/receivable by Directors of the Group and of the Company is as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM	RM	RM	RM
<b>Non-Executive Directors:</b>				
- fees	249,000	222,000	249,000	222,000
- other emoluments	36,500	35,000	36,500	35,000
<b>Executive Directors:</b>				
- salaries, bonuses and other emoluments	1,798,550	349,800	350,000	349,800
- defined contribution plan	269,785	56,250	52,500	56,250
	<u>2,353,835</u>	<u>663,050</u>	<u>688,000</u>	<u>663,050</u>

The estimated monetary value of benefits-in-kind received and receivable by the Directors of the Group and of the Company are RM65,660 (2017: RM24,600) and RM29,902 (2017: RM24,600) respectively.

The number of Directors whose total remuneration fall within the following bands are as follows:

	<u>Executive</u>		<u>Number of Directors</u> <u>Non-Executive</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
<b><u>Range of remuneration</u></b>				
Nil	1	1	-	-
RM1 to RM50,000	-	-	1	2
RM50,001 to RM100,000	-	-	4	3
RM400,001 to RM450,000	1	1	-	-
RM1,650,001 to RM1,700,000	1	-	-	-
	<u>3</u>	<u>2</u>	<u>5</u>	<u>5</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

10 TAXATION

	<u>Group</u>		<u>Company</u>	
	<u>2018</u> RM	<u>2017</u> RM	<u>2018</u> RM	<u>2017</u> RM
Current Malaysian tax:				
- current tax expense	4,937,679	6,852,693	352,591	124,438
- (over)/under provision in prior financial year	(21,867)	799,920	6,991	(6,312)
	<u>4,915,812</u>	<u>7,652,613</u>	<u>359,582</u>	<u>118,126</u>
Deferred tax: (Note 23)				
- origination and reversal of temporary differences	1,524,612	3,974,750	7,705	861
Tax expense	<u>6,440,424</u>	<u>11,627,363</u>	<u>367,287</u>	<u>118,987</u>

The explanation of the relationship between tax expense and profit before tax is as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2018</u> RM	<u>2017</u> RM	<u>2018</u> RM	<u>2017</u> RM
Profit before tax	22,541,195	46,370,676	275,032	183,105
Tax calculated at the Malaysian tax rate of 24% (2017: 24%)	5,409,887	11,128,962	66,007	43,945
Tax effects of:				
- expenses not deductible for tax purposes	2,671,100	1,462,986	334,018	82,228
- income not subject to tax	(1,581,304)	(875,226)	(2,337)	(435)
- (over)/under provision in prior financial year	(21,867)	799,920	6,991	(6,312)
- exempt income	(37,392)	(889,279)	(37,392)	(439)
Tax expense	<u>6,440,424</u>	<u>11,627,363</u>	<u>367,287</u>	<u>118,987</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**MYCRON STEEL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**
**11 EARNINGS PER SHARE**
**(a) Basic earnings per share**

	<u>2018</u>	<u>Group</u> <u>2017</u>
Net profit attributable to equity holders of the Company (RM)	16,100,771	34,743,313
Weighted average number of ordinary shares	283,545,455	283,332,955
Basic earnings per share (sen)	<u>5.68</u>	<u>12.26</u>

**(b) Diluted earnings per share**

The diluted earnings per share is the same as basic earnings per share as the Company did not issue any financial instruments that may entitle its holders to new ordinary shares causing dilution.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**MYCRON STEEL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**12 PROPERTY, PLANT AND EQUIPMENT**

Group	Freehold land RM	Buildings RM	Plant, machinery and electrical installation RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Construction in progress RM	Spare parts RM	Total RM
<u>Cost/Valuation</u>								
At 1 July 2017	57,100,000	52,900,000	-	2,626,585	3,771,831	282,913	462,845	7,144,174
- cost			201,528,155	-	-	-	-	311,528,155
- valuation			201,528,155	2,626,585	3,771,831	282,913	462,845	318,672,329
Additions	-	-	3,029,636	983,386	484,690	3,375,291	256,081	8,129,084
Disposals	-	-	(30,706)	(300,329)	(44,533)	-	-	(375,568)
Write offs	-	-	(118,479)	-	(9,912)	-	-	(128,391)
Revaluation during the financial year	-	881,097	852,702	-	-	-	-	1,733,799
Reclassification	-	-	261,856	-	55,725	(236,465)	(81,116)	-
Effects of elimination of accumulated depreciation on revaluation	-	(1,781,097)	(12,213,822)	-	-	-	-	(13,994,919)
At 30 June 2018	57,100,000	52,000,000	193,309,342	3,309,642	4,257,801	3,421,739	637,810	314,036,334
<u>Less: Accumulated depreciation</u>								
At 1 July 2017	-	-	-	642,785	1,654,114	-	-	2,296,899
Charge for the financial year	-	1,781,097	12,217,871	358,730	384,822	-	-	14,742,520
Disposals	-	-	(1,008)	(190,629)	(40,255)	-	-	(231,892)
Write offs	-	-	(3,041)	-	(5,393)	-	-	(8,434)
Effects of elimination of accumulated depreciation on revaluation	-	(1,781,097)	(12,213,822)	-	-	-	-	(13,994,919)
At 30 June 2018	-	-	-	810,886	1,993,288	-	-	2,804,174

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**MYCRON STEEL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Freehold land RM	Buildings RM	Plant, machinery and electrical installation RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Construction in progress RM	Spare parts RM	Total RM
Group (continued)								
Less: Accumulated impairment losses								
At 1 July 2017	-	-	21,861,238	-	-	-	-	21,861,238
Charge for the financial year	-	-	901,064	-	-	-	-	901,064
At 30 June 2018	-	-	22,762,302	-	-	-	-	22,762,302
Net book value	57,100,000	52,000,000	170,547,040	2,498,756	2,264,513	3,421,739	637,810	288,469,858
Representing:								
- cost	57,100,000	52,000,000	170,547,040	2,498,756	2,264,513	3,421,739	637,810	8,822,818
- valuation	-	-	-	-	-	-	-	279,647,040
	57,100,000	52,000,000	170,547,040	2,498,756	2,264,513	3,421,739	637,810	288,469,858



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**MYCRON STEEL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Group	Freehold land RM	Buildings RM	Plant, machinery and electrical installation RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Construction in progress RM	Spare parts RM	Total RM
Cost/Valuation At 1 July 2016	-	-	-	-	-	-	-	6,356,952
- cost	53,000,000	55,700,000	211,190,467	2,378,988	3,349,286	628,678	-	319,890,467
- valuation	-	-	-	-	-	-	-	-
	53,000,000	55,700,000	211,190,467	2,378,988	3,349,286	628,678	-	326,247,419
Additions	-	45,391	3,263,213	347,845	434,610	236,465	102,033	4,429,557
Disposals	-	-	(608,787)	(100,248)	(4,948)	-	-	(713,983)
Write offs	-	-	(29,919)	-	(7,117)	-	-	(37,036)
Revaluation during the financial year	4,100,000	(1,029,924)	(161,858)	-	-	-	-	2,908,218
Reclassification	-	-	221,418	-	-	(582,230)	360,812	-
Effects of elimination of accumulated depreciation on revaluation	-	(1,815,467)	(12,346,379)	-	-	-	-	(14,161,846)
	57,100,000	52,900,000	201,528,155	2,626,585	3,771,831	282,913	462,845	318,672,329
At 30 June 2017	-	-	-	-	-	-	-	-
Less: Accumulated depreciation At 1 July 2016	-	-	-	429,262	1,325,950	-	-	1,755,212
Charge for the financial year	-	1,815,467	12,789,611	276,614	337,424	-	-	15,219,116
Disposals	-	-	(441,175)	(63,091)	(4,307)	-	-	(508,573)
Write offs	-	-	(2,057)	-	(4,953)	-	-	(7,010)
Effects of elimination of accumulated depreciation on revaluation	-	(1,815,467)	(12,346,379)	-	-	-	-	(14,161,846)
	-	-	-	642,785	1,654,114	-	-	2,296,899
At 30 June 2017	-	-	-	77	-	-	-	-
	-	-	-	141	-	-	-	-

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

	Freehold land RM	Buildings RM	Plant, machinery and electrical installation RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Construction in progress RM	Spare parts RM	Total RM
Group (continued)								
Less: Accumulated impairment losses								
At 1 July 2016	-	-	19,753,703	-	-	-	-	19,753,703
Charge for the financial year	-	-	2,107,535	-	-	-	-	2,107,535
At 30 June 2017	-	-	21,861,238	-	-	-	-	21,861,238
Net book value	57,100,000	52,900,000	179,666,917	1,983,800	2,117,717	282,913	462,845	294,514,192
Representing:								
- cost	57,100,000	52,900,000	179,666,917	1,983,800	2,117,717	282,913	462,845	4,847,275
- valuation	-	-	-	-	-	-	-	289,666,917
	57,100,000	52,900,000	179,666,917	1,983,800	2,117,717	282,913	462,845	294,514,192

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**
**12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

<u>Company</u>	<u>Motor vehicles RM</u>	<u>Furniture, fittings and office equipment RM</u>	<u>Total RM</u>
<b>At 30 June 2018</b>			
<u>Cost</u>			
At 1 July 2017/30 June 2018	327,238	180,512	507,750
<u>Less: Accumulated depreciation</u>			
At 1 July 2017	43,632	180,512	224,144
Charge for the financial year	32,724	-	32,724
At 30 June 2018	<u>76,356</u>	<u>180,512</u>	<u>256,868</u>
<u>Net book value</u>			
At 30 June 2018	<u>250,882</u>	<u>-</u>	<u>250,882</u>
<b>At 30 June 2017</b>			
<u>Cost</u>			
At 1 July 2016/30 June 2017	327,238	180,512	507,750
<u>Less: Accumulated depreciation</u>			
At 1 July 2016	10,908	180,512	191,420
Charge for the financial year	32,724	-	32,724
At 30 June 2017	<u>43,632</u>	<u>180,512</u>	<u>224,144</u>
<u>Net book value</u>			
At 30 June 2017	<u>283,606</u>	<u>-</u>	<u>283,606</u>

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**
**12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

Freehold land and buildings, plant, machinery and electrical installation of the Group were revalued in the financial year ended 30 June 2018 by an independent firm of professional valuers, PA International Property Consultants (KL) Sdn Bhd based on open market value and depreciated replacement costs method respectively in ascertaining their fair values.

Arising from the valuation above, the total revaluation gain on property, plant and equipment amounting to RM1,733,799 (2017: RM2,908,218) was recognised during the financial year, with a corresponding revaluation reserve, adjusted for deferred tax, amounting to RM1,317,687 (2017: RM2,989,245) been recognised in the other comprehensive income. Arising from the same valuation, there was also a revaluation loss on plant, machinery and electrical installation which resulted in the recognition of a net impairment charge of RM1,125,064 (2017: RM2,319,535) on the statement of comprehensive income.

At the close of the previous financial year, the Group's Cold Rolled subsidiary has an imminent plan to upgrade a certain production line; add an acid regeneration plant to supplement that line; and to replace certain legacy motors of another production line which will affect certain existing assets' carrying revalued amount. At the close of the current financial year, the subsidiary has yet to carry out the line upgrade and supplement plan. In reassessing the affected assets' fair value of the components to be replaced, there is a reduction of impairment provision of RM224,000 as summarised in the table below, and is included in the net impairment loss on property, plant and equipment in the Statement of Comprehensive Income for the current financial year:

	All in RM' million				
	Existing Carrying Revalued Amount	Estimated Fair Value Net Displacement	Impairment Provision	Opening Carrying Provision	Inc/(Dec) Required in Current FY 2018
Production Line A: up-grade	19.5	14.4	5.1	5.2	(0.1)
Production Line B: motor replacement	4.1	2.6	1.5	1.6	(0.1)
	<u>23.6</u>	<u>17.0</u>	<u>6.6</u>	<u>6.8</u>	<u>(0.2)</u>

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**
**12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**

All property, plant and equipment of the steel subsidiaries are pledged for banking facilities.

Plant and machinery of the Group's steel tube subsidiary amounting to RM33,660,000 (2017: RM33,023,000) are located on properties belonging to the ultimate holding company.

The net book values of the revalued property, plant and equipment that would have been included in the financial statements had these assets been carried at deemed costs less accumulated depreciation are as follows:

	<u>2018</u>	<u>Group</u> <u>2017</u>
	RM	RM
Freehold land	31,300,000	31,300,000
Buildings	49,837,105	51,995,676
Plant, machinery and electrical installation	183,229,250	194,417,045
	<u>264,366,355</u>	<u>277,712,721</u>

**(a) Valuation of certain property, plant and equipment**

The fair value of property, plant and equipment is individually determined periodically, with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting date. The Directors relied upon the valuations obtained during the financial year based on the following methodologies:

- (i) Freehold land and buildings - open market basis by reference to observable prices per square feet in an active market or recent market transactions on arm's length terms. (Level 2)
- (ii) Plant, machinery and electrical installation - depreciated replacement cost method, which is based on the current cost of reproduction or replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation. (Level 3)

**(b) Asset acquired under hire-purchase arrangements**

Additions to property, plant and equipment of the Group and of the Company during the financial year includes those acquired by means of hire-purchase arrangements totalling RM1,267,225 (2017: RM528,010) and Nil (2017: Nil) respectively.

As at 30 June 2018, the net book value of the property, plant and equipment under hire-purchase arrangements in the Group and Company is RM2,258,646 (2017: RM1,460,790) and Nil (2017: Nil) respectively.

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**
**12 PROPERTY, PLANT AND EQUIPMENT (CONTINUED)**
**(c) Fair value measurements using significant unobservable inputs (Level 3)**

	<u>2018</u> RM	<u>2017</u> RM
<b><u>Plant, machinery and electrical installation</u></b>		
Opening balance	179,666,917	191,436,764
Additions	3,029,636	3,263,213
Disposals	(30,706)	(608,787)
Write offs	(118,479)	(29,919)
Revaluation during the financial year	852,702	(161,858)
Impairment charge for the financial year	(901,064)	(2,107,535)
Effects of elimination of accumulated depreciation on revaluation	(12,213,822)	(12,346,379)
Transfer from construction-in-progress	261,856	221,418
Closing balance	<u>170,547,040</u>	<u>179,666,917</u>

The following table presents the valuation techniques and key inputs that were used to determine the fair value of plant, machinery and electrical installation categorised under Level 3 of the fair value hierarchy.

<u>Description</u>	<u>Fair value as at 30 June 2018</u> RM	<u>Valuation technique</u>	<u>Unobservable inputs</u>	<u>Range of unobservable inputs (probability-weighted average)</u>	<u>Relationship of unobservable inputs to fair value</u>
Plant, machinery and electrical installation	170,547,040	Depreciated replacement cost method	Useful life	1 years – 40 years (21)	The longer the useful life, the higher the fair value

On an annual basis, the Group engages external, independent and qualified valuers to determine the fair value of the Group's plant, machinery and electrical installation. As at 30 June 2018, the fair value of the plant, machinery and electrical installation have been determined by PA International Property Consultants (KL) Sdn Bhd.

The external valuation of the Level 3 plant, machinery and electrical installation have been performed using depreciated replacement cost approach. The external valuer, in discussion with the Group's management, has determined the unobservable input based on the useful life of the plant, machinery and electrical installation.

As at 30 June 2018, if the unobservable input based on the useful life of the plant, machinery and electrical installation increase/(decrease) by one year, the fair value of the plant, machinery and electrical installation would increase/(decrease) by approximately RM12.2 million (2017: RM12.8 million) respectively.

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**
**13 INVESTMENTS IN SUBSIDIARIES**

	<u>Company</u>	
	<u>2018</u>	<u>2017</u>
	RM	RM
Unquoted shares, at cost		
Mycron Steel CRC Sdn. Bhd. ("MSCRC")	134,061,998	134,061,998
Melewar Steel Tube Sdn. Bhd. ("MST")	55,201,472	55,201,472
Amount owing by MSCRC	22,527,209	28,527,209
	<u>211,790,679</u>	<u>217,790,679</u>

The amount owing by MSCRC was reclassified since financial year 2009 as part of the Company's interest in the subsidiary as it is the intention of the Company to treat this amount as a long-term source of capital to the subsidiary. During the financial year, the Company rebalanced the capital deployment in MSCRC by reducing the aforementioned amount by RM6.0 million and correspondingly reducing the amount owing by the Company to MST by the same amount which arose from the assumed debts pursuant to its acquisition of MST in the financial year 2015.

The details of the subsidiaries are as follows:

<u>Name</u>	<u>Principal activities</u>	<u>Group's equity interest</u>	
		<u>2018</u>	<u>2017</u>
		%	%
Mycron Steel CRC Sdn. Bhd. ("MSCRC")	Manufacturing and trading of steel cold rolled coiled sheets	100	100
Melewar Steel Tube Sdn. Bhd. ("MST")	Manufacturing and trading of steel tubes and pipes	100	100
<u>Subsidiary of MSCRC</u>			
Silver Victory Sdn. Bhd.	Trading	100	100

All subsidiaries are incorporated in Malaysia and are audited by PricewaterhouseCoopers PLT, Malaysia

**(a) Investment in Mycron Steel CRC Sdn. Bhd. ("MSCRC")**

The cost of investment amounting to RM157 million (2017: RM163 million) (inclusive of amount owing by the subsidiary company which the Company treats as a long-term source of capital) has been assessed for any indication of impairment which the Company concludes that there is none. For the current financial year ended 30 June 2018, MSCRC recorded a net profit of RM4.7 million with a shareholders' fund of RM258.6 million. The indicative recoverable amount (based on fair value less cost to sell) of the investment is higher than its carrying amount.

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NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)

13 INVESTMENTS IN SUBSIDIARIES (CONTINUED)

(b) Investment in Melewar Steel Tube Sdn Bhd ("MST")

This cost of investment has been assessed for any indication of impairment which the Company concludes that there is none. For the current financial year ended 30 June 2018, MST recorded a net profit of RM11.2 million with a shareholders' fund of RM123.6 million. The indicative recoverable amount (based on fair value less cost to sell) of the investment is higher than its carrying amount.

14 INTANGIBLE ASSETS

The Group's intangible assets amounting to RM20 million represent the carrying amount of registered licences, patents and trademarks with the rights to use and sell under the licences, patents and trademarks of Aurora and MIG-Melewar which are duly held by Melewar Steel Tube Sdn Bhd ("MST").

These licences, patents and trademarks have indefinite useful lives, and as such are not subjected to periodic amortisation but annual impairment tests. In this regard, an impairment test using Fair Value Less Cost To Sell ("FVLCTS"), determined by relief-from-royalty method was carried out. A 5-year cash flow forecast has been performed which takes into consideration of the discounted estimated royalty payments that are expected to be avoided as a result of the trademarks being owned. It was determined that no impairment was necessary as the indicative recoverable amount is higher than its carrying amount.

The FVLCTS computation adopted the following assumptions:

<u>Assumption</u>	<u>Rate</u>	<u>Approach used to determining value</u>
Royalty in-lieu rate	1.19% of revenue	Based on the agreed rate between seller and buyer, after taking into consideration of industry average rate
Discount rate	9.50%	Reflects the specific risk relating to the relevant industries and country in which the company operates
Growth rate	0%	Conservative scenario

The Directors and management have considered and assessed reasonable variations in the underlying key assumptions used in the computation of the recoverable amount and is satisfied with the headroom of the intangible asset's recoverable amount over its carrying amount.



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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**
**15 INVENTORIES**

	<u>Group</u>	
	<u>2018</u>	<u>2017</u>
	RM	RM
Raw materials	133,557,104	120,451,218
Consumables	2,723,728	2,166,743
Work-in-progress	723,851	24,558
Finished goods	68,185,567	54,533,979
	<u>205,190,250</u>	<u>177,176,498</u>

Inventories recognised as an expense during the year ended 30 June 2018 amounted to RM682,584,744 (2017: RM581,507,429). These were included in cost of sales.

**16 TRADE AND OTHER RECEIVABLES**

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM	RM	RM	RM
<u>Current</u>				
Trade receivables	113,543,926	100,253,783	-	-
Less: Accumulated impairment loss	(248,301)	(594,758)	-	-
	<u>113,295,625</u>	<u>99,659,025</u>	<u>-</u>	<u>-</u>
Other receivables	1,355,761	1,737,281	8,981	500
Staff loans	15,737	120,128	-	-
Deposits	3,553,553	961,873	4,500	4,500
Prepayments	1,499,130	1,883,599	-	-
GST receivable	2,950,836	1,886,974	4,087	5,413
	<u>9,375,017</u>	<u>6,589,855</u>	<u>17,568</u>	<u>10,413</u>
Total trade and other receivables	<u>122,670,642</u>	<u>106,248,880</u>	<u>17,568</u>	<u>10,413</u>

During the current financial year, the steel tube subsidiary has written off in full a bad-debt provision of RM346,457 (made in the preceding financial year) as the customer went into insolvency and the recovery of debt is highly unlikely.

**17 AMOUNT OWING BY ULTIMATE HOLDING COMPANY**

Amount owing by ultimate holding company is mainly due to payments on behalf and is unsecured, interest free and repayable upon demand.

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**
**18 AMOUNTS OWING BY/(TO) SUBSIDIARIES**

Amounts owing by subsidiaries arising mainly from management fee charges and reimbursable payments are unsecured, interest free and repayable upon demand.

The amounts owing to subsidiaries also include the assumed debt owing to the Steel tube subsidiary being part of the purchase consideration for the acquisition of the former in the preceding financial year, see Notes 13(b). This amount owing is unsecured, interest free and repayable upon demand.

**19 AMOUNTS OWING BY RELATED COMPANIES/(TO) A RELATED COMPANY**

Amounts owing by related companies arising mainly from trade transactions are unsecured, interest free and subject to credit terms of 30 days (2017: 30 days). Amount owing to a related company arising from expenditures paid-on-behalf are unsecured, interest free and repayable upon demand and not subject to specific credit terms.

**20 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)**

	2018		Group 2017	
	Assets	Liabilities	Assets	Liabilities
	RM	RM	RM	RM
Forward foreign currency exchange contract – fair value through profit and loss (not designated)	65,234	(231)	5,616	(109,670)
Forward foreign currency exchange contract – fair value through profit and loss (designated)	3,275,817	(2,339)	136,457	(2,927,182)
	3,341,051	(2,570)	142,073	(3,036,852)

The Group's derivatives comprise solely of Currency Exchange Forward Contracts incepted to hedge its foreign currency exposures arising mainly from forward purchases of raw materials in USD and partially from export sales in SGD, as disclosed in Note 4(e) to the financial statements. These Currency Exchange Forward Contracts generally have a maturity period of less than 6 months and their fair values are classified under current assets/(liabilities) by way of marking-to-market.

Foreign currency hedges which meet qualifying criteria under MFRS 139 are designated on inception for fair value hedge accounting where the changes in fair value for both the hedge items and the hedge instruments are charged to the Statement of Comprehensive Income, and closing fair values are recognised in the Statement of Financial Position as either current financial assets or liabilities.

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**20 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (CONTINUED)**

Details on the Group's unrealised currency derivatives are outlined below:

- (i) Derivatives designated and fair value hedge accounted as at 30 June 2018

	Forward foreign currency exchange contracts as hedge instrument				Contracted payment obligation and/or a/c payables as hedge item				
	Maturity period of contract	Notional value long USD	Average contracted rate USD/RM	Financial assets RM	Financial liabilities RM	Maturity period of contract	Notional value short USD	Average basis rate USD/RM	Financial assets RM
July 2018	16,408,195	3.9558	1,481,421	(2,339)	July 2018	16,408,195	3.9558	2,339	1,481,421
August 2018	5,230,137	3.9444	529,346	-	August 2018	5,230,137	3.9444	-	(529,346)
September 2018	2,230,000	3.8865	361,706	-	September 2018	2,230,000	3.8865	-	(361,706)
October 2018	7,539,943	3.9750	585,846	-	October 2018	7,539,943	3.9750	-	(585,846)
November 2018	6,468,861	4.0053	317,498	-	November 2018	6,468,861	4.0053	-	(317,498)
<b>Total</b>	<b>37,877,136</b>		<b>3,275,817</b>	<b>(2,339)</b>	<b>Total</b>	<b>37,877,136</b>		<b>2,339</b>	<b>(3,275,817)</b>

Net fair value gain from the hedging instruments of RM3.3 million and the corresponding net fair value loss from the hedged item of RM3.3 million are taken-up in the statement of comprehensive income.

The designated hedges are within 85% to 120% effective range using the 'dollar off-set' method.

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**20 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (CONTINUED)**

(i) Derivatives designated and fair value hedge accounted as at 30 June 2017

	Forward foreign currency exchange contracts as hedge instrument				Contracted payment obligation and/or a/c payables as hedge item			
	Notional value long		Average contracted rate		Notional value short		Average basis rate	
Maturity period of contract	USD	USD/RM	USD/RM	USD	Maturity period of contract	USD	USD/RM	USD/RM
July 2017	11,006,486	4.3810	4.3810	11,006,486	July 2017	11,006,486	4.3810	905,795
August 2017	8,268,898	4.3824	4.3824	8,268,898	August 2017	8,268,898	4.3824	627,960
September 2017	4,308,945	4.4601	4.4601	4,308,945	September 2017	4,308,945	4.4601	626,407
October 2017	9,354,078	4.3993	4.3993	9,354,078	October 2017	9,354,078	4.3993	767,020
November 2017	2,415,040	4.3282	4.3282	2,415,040	November 2017	2,415,040	4.3282	-
Total	35,353,447			35,353,447	Total	35,353,447		2,927,182
								(136,457)

Net fair value loss from the hedging instruments of RM2.8 million and the corresponding net fair value gain from the hedged item of RM2.8 million are taken-up in the statement of comprehensive income.

The designated hedges are within 85% to 120% effective range using the 'dollar off-set' method.

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**20 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (CONTINUED)**

(ii) Derivatives not designated and not hedge accounted

As at 30 June 2018

**Forward foreign currency exchange contracts as undesignated hedge instrument**

Maturity period of contract	Notional value long USD	Average contracted rate USD/RM	Fair value	
			Financial assets RM	Financial liabilities RM
August 2018	525,300	3.9370	56,102	-
<b>Total</b>	<b>525,300</b>		<b>56,102</b>	<b>-</b>

Maturity period of contract	Notional value short SGD	Average contracted rate SGD/RM	Fair value	
			Financial assets RM	Financial liabilities RM
July 2018	60,000	3.0475	5,244	-
August 2018	60,000	2.9853	1,353	-
September 2018	60,000	2.9928	1,554	-
October 2018	60,000	2.9698	204	(231)
November 2018	60,000	2.9860	777	-
<b>Total</b>	<b>300,000</b>		<b>9,132</b>	<b>(231)</b>

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**20 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (CONTINUED)**

(ii) Derivatives not designated and not hedge accounted (continued)

As at 30 June 2017

**Forward foreign currency exchange contracts as undesignated hedge instrument**

Maturity period of contract	Notional value long USD	Average contracted rate USD/RM	Fair value	
			Financial assets RM	Financial liabilities RM
July 2017	1,223,412	4.3612	-	(74,976)
August 2017	271,534	4.4192	-	(31,715)
<b>Total</b>	<b>1,494,946</b>		<b>-</b>	<b>(106,691)</b>

Maturity period of contract	Notional value short SGD	Average contracted rate SGD/RM	Fair value	
			Financial assets RM	Financial liabilities RM
July 2017	60,000	3.1576	2,328	-
August 2017	60,000	3.1755	3,048	-
September 2017	60,000	3.1340	240	-
October 2017	60,000	3.1168	-	(1,104)
November 2017	60,000	3.1088	-	(1,875)
<b>Total</b>	<b>300,000</b>		<b>5,616</b>	<b>(2,979)</b>

These derivatives were not hedge accounted primarily due to the late inception of these hedging instruments which gave rise to timing and basis-rate mismatch between the intended hedge items and the contracted FX-rate.

Besides the abovementioned unrealised marked-to-market position of the currency derivatives as at the close of the financial year, the Group has recorded a total realised net loss of around RM12.9 million (2017: gain of RM5.9 million) from its FX Forward Contracts with a corresponding realised net FX gains of RM14.1 million (2017: loss RM6.8 million) on its hedge items over the current financial year. The Group's net gain/(loss) position on foreign exchange is disclosed in Note 8.

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**
**21 CASH AND CASH EQUIVALENTS**

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>RM</b>	<b>RM</b>	<b>RM</b>	<b>RM</b>
Cash in hand	2,373	3,764	2	2
Bank balances	11,895,710	6,172,943	546,988	237,316
Deposits with licensed financial institutions	39,124,881	58,411,342	33,174	23,438
	51,022,964	64,588,049	580,164	260,756

The weighted average interest income rates effective at the reporting date are as follows:

	<b>Group</b>		<b>Company</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
	<b>per annum</b>	<b>per annum</b>	<b>per annum</b>	<b>per annum</b>
Bank balances	0.85	0.68	-	-
Deposits with licensed financial institutions	2.99	2.60	2.61	2.45

Bank balances are deposits held at call with licensed banks. The Group's and Company's deposits with licenced financial institutions have placement periods ranging between 1 and 30 days (2017: 1 and 30 days).

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**
**22 TRADE AND OTHER PAYABLES**

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM	RM	RM	RM
Trade payables	174,920,967	167,802,976	-	-
Other payables	6,501,633	7,041,702	436,279	182,197
Prepayments received from customers	2,188,499	3,419,722	-	-
Accruals	3,090,150	3,204,632	129,443	126,943
Deposit received	300,000	-	-	-
	<u>187,001,249</u>	<u>181,469,032</u>	<u>565,722</u>	<u>309,140</u>

Trade payables include interest bearing suppliers' credit with balances amounting to RM28.0 million (2017: RM166.7 million). These credit facilities have interest bearing credit periods of up to 150 days (2017: 150 days).

The remaining trade and other payables are generally interest free and within accorded interest free credit periods ranging between 7 to 60 days (2017: 7 to 60 days).

**23 DEFERRED TAX**

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set-off current tax assets against current tax liabilities and when the deferred taxes relate to the same tax authority. The following amounts, determined after appropriate offsetting, are shown in the statements of financial position:

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM	RM	RM	RM
Deferred tax liabilities				
- deferred tax liabilities to be settled after more than 12 months	(21,699,216)	(19,758,492)	(13,304)	(5,599)
At 1 July	(19,758,492)	(15,864,769)	(5,599)	(4,738)
Charged to profit or loss (Note 10):				
- property, plant and equipment	(1,264,283)	(3,974,750)	(7,705)	(861)
- unutilised tax losses	(260,329)	-	-	-
	<u>(1,524,612)</u>	<u>(3,974,750)</u>	<u>(7,705)</u>	<u>(861)</u>
Recognised in equity:				
- property, plant and equipment	(416,112)	81,027	-	-
At 30 June	<u>(21,699,216)</u>	<u>(19,758,492)</u>	<u>(13,304)</u>	<u>(5,599)</u>



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**
**23 DEFERRED TAX (CONTINUED)**

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM	RM	RM	RM
Subject to income tax:				
Deferred tax assets (before offsetting):				
- unutilised tax losses	5,880,213	6,140,542	-	-
- unutilised reinvestment allowance	18,304,344	19,096,761	-	-
	<u>24,184,557</u>	<u>25,237,303</u>	<u>-</u>	<u>-</u>
Offsetting	<u>(24,184,557)</u>	<u>(25,237,303)</u>	<u>-</u>	<u>-</u>
Deferred tax assets (after offsetting)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred tax liabilities (before offsetting)				
- property, plant and equipment	(38,938,260)	(38,050,282)	(13,304)	(5,599)
- intangible assets	(4,800,000)	(4,800,000)	-	-
	<u>(43,738,260)</u>	<u>(42,850,282)</u>	<u>(13,304)</u>	<u>(5,599)</u>
Offsetting	<u>24,184,557</u>	<u>25,237,303</u>	<u>-</u>	<u>-</u>
	<u>(19,553,703)</u>	<u>(17,612,979)</u>	<u>(13,304)</u>	<u>(5,599)</u>
Subject to real property gain tax				
Deferred tax liability:				
- property, plant and equipment	(2,145,513)	(2,145,513)	-	-
Deferred tax liabilities (after offsetting)	<u>(21,699,216)</u>	<u>(19,758,492)</u>	<u>(13,304)</u>	<u>(5,599)</u>
Deferred tax liabilities (cumulative amount charged to equity)	<u>(2,259,090)</u>	<u>(1,842,978)</u>	<u>-</u>	<u>-</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**24 BORROWINGS**

The Group and Company do not have any overdue on borrowings from financial institutions. The Group's and Company's borrowings are as disclosed below:

		<u>Group</u>		<u>Company</u>	
		<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
		RM	RM	RM	RM
<u>Current</u>					
Bankers' acceptance	(i)	87,060,000	66,730,000	-	-
Revolving credits	(i)	-	8,400,000	-	-
Term loan	(i)	3,040,068	3,067,102	-	-
Hire-purchase creditors	(ii)	635,487	412,733	40,869	40,869
		<u>90,735,555</u>	<u>78,609,835</u>	<u>40,869</u>	<u>40,869</u>
<u>Non-current</u>					
Term loan	(i)	750,000	3,750,000	-	-
Hire-purchase creditors	(ii)	885,860	548,277	153,177	194,045
		<u>1,635,860</u>	<u>4,298,277</u>	<u>153,177</u>	<u>194,045</u>
<u>Combined</u>					
Bankers' acceptance		87,060,000	66,730,000	-	-
Revolving credits		-	8,400,000	-	-
Term loan		3,790,068	6,817,102	-	-
Hire-purchase creditors		1,521,347	961,010	194,046	234,914
Total		<u>92,371,415</u>	<u>82,908,112</u>	<u>194,046</u>	<u>234,914</u>

The Group's total interest cost attributed to the above borrowings for the current financial year is RM4.0 million (2017: RM5.9 million). The carrying amount of the borrowings approximate their fair values at reporting date.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**24 BORROWINGS (CONTINUED)**

**At Amortised Cost**

The carrying amount of the borrowings due within 1 year and those with floating rates approximated their fair values at reporting date. The fair values of the borrowings with fixed interest rates due after 1 year are as follows:

	<u>2018</u> Carrying amount RM	<u>2018</u> Fair value RM	<u>2017</u> Carrying amount RM	<u>Group</u> <u>2017</u> Fair value RM
Hire-purchase creditors	885,860	828,759	548,277	508,536
	<u>885,860</u>	<u>828,759</u>	<u>548,277</u>	<u>508,536</u>
				<u>Company</u> <u>2017</u> Fair value RM
	<u>2018</u> Carrying amount RM	<u>2018</u> Fair value RM	<u>2017</u> Carrying amount RM	<u>2017</u> Fair value RM
Hire-purchase creditors	153,177	140,051	194,046	179,659
	<u>153,177</u>	<u>140,051</u>	<u>194,046</u>	<u>179,659</u>

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**24 BORROWINGS (CONTINUED)**

Contractual terms of borrowings

Group	Contractual interest rate at reporting date (per annum)	Functional currency/exposure	Total carrying amount RM	Maturity profile				
				≤ 1 year RM	1-2 years RM	2-3 years RM	3-4 years RM	> 4 years RM
<u>At 30 June 2018</u>								
<u>Secured</u>								
Bankers' acceptance	4.67% - 5.65%	RM/RM	87,060,000	87,060,000	-	-	-	-
Term loan	6.50%	RM/RM	3,790,068	3,040,068	750,000	-	-	-
Hire-purchase creditors	2.50% - 3.38%	RM/RM	1,521,347	635,487	482,536	195,358	177,396	30,570
			<u>92,371,415</u>	<u>90,735,555</u>	<u>1,232,536</u>	<u>195,358</u>	<u>177,396</u>	<u>30,570</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**24 BORROWINGS (CONTINUED)**

**Contractual terms of borrowings (continued)**

Group	Contractual interest rate at reporting date (per annum)	Functional currency/exposure	Total carrying amount RM	Maturity profile					
				< 1 year RM	1-2 years RM	2-3 years RM	3-4 years RM	> 4 years RM	
<u>Secured</u>									
Bankers' acceptance	4.99% - 7.15%	RM/RM	66,730,000	66,730,000	-	-	-	-	-
Revolving credits	5.30%	RM/RM	8,400,000	8,400,000	-	-	-	-	-
Term loan	6.25%	RM/RM	6,817,102	3,067,102	3,000,000	750,000	-	-	-
Hire-purchase creditors	2.44% - 3.38%	RM/RM	961,010	412,733	281,448	154,521	40,869	71,439	-
			<u>82,908,112</u>	<u>78,609,835</u>	<u>3,281,448</u>	<u>904,521</u>	<u>40,869</u>	<u>71,439</u>	<u>-</u>

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**24 BORROWINGS (CONTINUED)**

**Contractual terms of borrowings (continued)**

Company	Contractual interest rate at reporting date (per annum)	Functional currency/exposure	Total carrying amount RM	Maturity profile					
				< 1 year RM	1-2 years RM	2-3 years RM	3-4 years RM	> 4 years RM	
<u>At 30 June 2018</u>									
<u>Secured</u>									
Hire-purchase creditors	2.72%	RM/RM	194,046	40,869	40,869	40,869	40,869	30,570	
<u>At 30 June 2017</u>									
<u>Secured</u>									
Hire-purchase creditors	2.72%	RM/RM	234,914	40,869	40,869	40,869	40,869	71,438	

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**
**24 BORROWINGS (CONTINUED)**

(i) The term loan and a portion of the bankers' acceptance are secured with fixed and floating charge via a debenture by the Cold Rolled subsidiary. The revolving credits and a portion of the bankers' acceptance is secured with fixed and floating charge via a separate debenture by the Steel tube subsidiary. (Refer Note 12).

(ii) The hire-purchase creditors at the reporting date are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM	RM	RM	RM
Future minimum lease payments of hire-purchase creditors:				
Payable within one year	703,958	457,629	48,648	48,648
Payable between one and two years	518,933	306,890	48,648	48,648
Payable between two and three years	213,127	166,026	48,648	48,648
Payable between three and five years	225,678	133,700	85,052	133,700
	<u>1,661,696</u>	<u>1,064,245</u>	<u>230,996</u>	<u>279,644</u>
Less: Future finance charges	(140,349)	(103,235)	(36,950)	(44,730)
Present value	<u>1,521,347</u>	<u>961,010</u>	<u>194,046</u>	<u>234,914</u>
Present value of hire-purchase creditors:				
Payable within one year	635,487	412,733	40,869	40,869
Payable between one and two years	482,536	281,448	40,869	40,869
Payable between two and three years	195,358	154,521	40,869	40,869
Payable between three and five years	207,966	112,308	71,439	112,307
	<u>1,521,347</u>	<u>961,010</u>	<u>194,046</u>	<u>234,914</u>

Hire purchase creditors are effectively secured as the rights to assets revert to the lessors in the event of default.

The weighted average contractual interest rates of borrowings at the reporting date are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	% per annum	% per annum	% per annum	% per annum
Bankers' acceptance	5.59	5.57	-	-
Revolving credits	-	5.30	-	-
Term loan	6.50	6.25	-	-
Hire-purchase creditors	2.69	2.83	2.72	2.72

The Group and the subsidiaries complied with all the covenant clauses set out in the facilities agreements for the current and preceding financial years. Refer to Notes 4 (a) and (b) for further details.

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**
**25 SHARE CAPITAL**

	2018		Group/Company 2017	
	Number of shares	Nominal value RM	Number of shares	Nominal value RM
<b>Issued and fully paid</b>				
- At 1 July				
Ordinary shares with no par value (2017: par value of RM1 value)	283,545,455	206,363,671	283,545,455	70,886,364
Transition to no-par value regime on 31 January 2017	-	-	-	135,477,307
- At 30 June				
Ordinary shares with no par value	283,545,455	206,363,671	283,545,455	206,363,671

The new Companies Act 2016 (the "Act"), which came into operation in the preceding financial year on 31 January 2017, abolished the concept of authorised share capital and par value of share capital. Consequently, the amounts standing to the credit of the share premium account and similar non-distributable reserves (ie. Paid-in Capital and the Other Non-Distributable Capital Reserve) become part of the Company's share capital pursuant to the transitional provisions set out in Section 618 (2) of the Act. Notwithstanding this provision, the Company may within 24 months from the commencement of the Act, use the amount standing to the credit of those accounts totalling RM135,477,307 for purposes as set out in Sections 618 (3) where permitted. There is no impact on the numbers of ordinary shares in issue or the relative entitlement of any of the members as a result of this transition.

**26 ASSET REVALUATION RESERVE**

	Group	
	2018 RM	2017 RM
At 1 July	25,533,861	22,544,616
Revaluation surplus on property, plant and equipment	1,733,799	2,908,218
Deferred tax	(416,112)	81,027
Other comprehensive income	1,317,687	2,989,245
At 30 June	26,851,548	25,533,861

The asset revaluation reserve is used to record increments and decrements on the revaluation of property, plant and equipment. In the event of a sale of an asset, any balance in the reserve in relation to the asset is transferred to retained earnings. See accounting policy Note 2(d) for details.



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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**
**27 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES**

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions which were carried out on terms and conditions negotiated between the related parties.

The Group has related party transactions with the following related companies:

	<u>Relationship</u>
Melewar Industrial Group Berhad	Ultimate holding company
Melewar Steel Mills Sdn. Bhd.	Related company
Melewar Integrated Engineering Sdn. Bhd.	Related company
Melewar Steel Services Sdn. Bhd.	Related company
Ausgard Quick Assembly Systems Sdn. Bhd.	Related company
Mycron Steel CRC Sdn. Bhd.	Subsidiary
Melewar Steel Tube Sdn. Bhd.	Subsidiary
Silver Victory Sdn. Bhd.	Subsidiary
Trace Management Services Sdn. Bhd.	A company in which certain Directors have financial interests

- (a) Significant transactions with related parties during the financial year are as follows (stated as debit or (credit)):

<u>Entities</u>	<u>Type of transaction</u>	<u>2018</u>	<u>Group</u>
		RM	2017
			RM
<u>Trade: received/receivable</u>			
<u>Fellow subsidiary</u>			
Melewar Steel Mills Sdn. Bhd.	Repayment received	(2,644,441)	(894,995)
<u>Non-trade: received/receivable</u>			
<u>Ultimate holding company</u>			
Melewar Industrial Group Berhad	Advances made	2,152,988	964,028
Melewar Industrial Group Berhad	Repayment received	(558,913)	(7,693,719)

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**
**27 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

- (a) Significant transactions with related parties during the financial year are as follows (stated as debit or (credit)): (continued)

<u>Entities</u>	<u>Type of transaction</u>	<u>Group</u>	
		<u>2018</u> RM	<u>2017</u> RM
<u>Trade: paid/payable</u>			
<u>Ultimate holding company</u>			
Melewar Industrial Group Berhad	Rental of buildings	(4,963,860)	(4,963,860)
Melewar Industrial Group Berhad	Repayment made	4,963,860	4,963,860
Melewar Industrial Group Berhad	Management fees	(2,790,000)	(2,640,000)
Melewar Industrial Group Berhad	Repayment made	2,947,483	2,783,604
<u>Fellow subsidiaries</u>			
Melewar Steel Mills Sdn. Bhd.	Scrap handling commission	(3,679,703)	(2,700,806)
Melewar Steel Mills Sdn. Bhd.	Repayment made	3,473,900	2,430,966
Melewar Steel Services Sdn. Bhd.	Rental of buildings	(500,940)	(500,940)
Melewar Steel Services Sdn. Bhd.	Repayment made	500,940	501,834
<u>Non-trade: paid/payable</u>			
<u>Ultimate holding company</u>			
Melewar Industrial Group Berhad	Advances given	-	(4,000,000)
Melewar Industrial Group Berhad	Advances repaid	4,000,000	-
Melewar Industrial Group Berhad	Payment of expenses on behalf	(141,267)	(139,103)

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**
**27 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

- (a) Significant transactions with related parties during the financial year are as follows (stated as debit or (credit)): (continued)

<u>Entities</u>	<u>Type of transaction</u>	<u>Group</u>	
		<u>2018</u> RM	<u>2017</u> RM
<u>Non-trade: paid/payable (continued)</u>			
<u>Fellow subsidiary</u>			
Melewar Integrated Engineering Sdn. Bhd.	Technical advisory fees	(288,000)	(288,000)
<u>Related parties</u>			
Trace Management Services Sdn. Bhd.	Corporate secretarial services	(317,547)	(181,662)

<u>Entity</u>	<u>Type of transaction</u>	<u>Company</u>	
		<u>2018</u> RM	<u>2017</u> RM
<u>Trade: received/receivable</u>			
<u>Subsidiary</u>			
Mycron Steel CRC Sdn. Bhd.	Management fee income	3,581,513	2,447,394
Mycron Steel CRC Sdn. Bhd.	Repayment received	(3,527,445)	(1,200,000)
<u>Non-trade: received/receivable</u>			
<u>Subsidiary</u>			
Melewar Steel Tube Sdn. Bhd.	Advances repaid	2,000,000	10,500,000
Mycron Steel CRC Sdn. Bhd.	Repayment received	(6,000,000)	(6,500,000)
<u>Non-trade: paid/payable</u>			
<u>Ultimate holding company</u>			
Melewar Industrial Group Berhad	Advances given	-	(4,000,000)
Melewar Industrial Group Berhad	Advances repaid	4,000,000	-
<u>Related parties</u>			
Trace Management Services Sdn. Bhd.	Corporate secretarial services	(310,380)	(176,571)

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**
**27 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

(b) Significant outstanding balances arising from the above are as follows:

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM	RM	RM	RM
<u>Amounts owing by/(to) subsidiaries</u>				
Mycron Steel CRC Sdn. Bhd.	-	-	192,352	138,284
Silver Victory Sdn. Bhd.	-	-	63,903	63,903
Melewar Steel Tube Sdn. Bhd.	-	-	(5,500,000)	(7,500,000)
<u>Amounts owing by/(to) related companies</u>				
Melewar Steel Mills Sdn. Bhd.	1,188,935	4,039,177	-	-
Melewar Integrated Engineering Sdn. Bhd.	(513,945)	(221,526)	-	-
Melewar Steel Services Sdn. Bhd.	150	3,619	-	-
Ausgard Quick Assembly Systems Sdn. Bhd.	184	(34,450)	-	-
<u>Amount owing by/(to) ultimate holding company</u>				
Melewar Industrial Group Berhad	1,861,297	(3,737,120)	-	(4,000,000)

There are no material outstanding balances with other related parties as at financial year end.

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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**
**27 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (CONTINUED)**

- (c) Key management personnel are those persons, having the authority and responsibility for planning, directing and controlling the activities of the Group and the Company either directly or indirectly and thus are considered related parties of the Group and the Company. Remuneration details of the key management personnel of the Group and the Company comprising of both Executive Directors and Non-Director Executives are set out below.

	<u>Group</u>		<u>Company</u>	
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>2017</u>
	RM	RM	RM	RM
Fees, salaries and bonuses	3,960,007	3,866,829	350,000	349,800
Defined contribution plan	588,192	580,581	52,500	56,250
Benefit in kind	74,295	59,025	24,600	24,600
	<u>4,622,494</u>	<u>4,506,435</u>	<u>427,100</u>	<u>430,650</u>

Remuneration details on the Non-Executive Directors are disclosed in Note 9 to the financial statements.

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**MYCRON STEEL BERHAD**  
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**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**
**28 SEGMENTAL ANALYSIS**

The steel tube manufacturing segment is in the business of manufacturing and sale of steel pipes and tubes.

The cold rolled segment is in the business of manufacturing and sale of cold rolled coils.

'Others' comprise investment holding companies and trading companies.

The strategic business units offer different products and services, and are managed separately. The Group's Executive Committee comprising key management personnel monitors the operating results of the strategic business units as well as relying on the segmental information as disclosed below for purposes such as resource allocation and performance assessment.

The Directors are of the opinion that all inter segment transactions are entered into in the normal course of business and are established on terms and conditions agreed between the related parties.

Geographic segment is not applicable as the businesses of the Group are substantially carried out in Malaysia.

	<u>Cold rolled coil</u> RM	<u>Steel tube</u> RM	<u>Others</u> RM	<u>Total</u> RM
<b>2018</b>				
<b><u>Revenue</u></b>				
Total revenue	546,856,003	274,187,982	3,621,843	824,665,828
Inter segment	(27,710,001)	-	(3,581,513)	(31,291,514)
External revenue	<u>519,146,002</u>	<u>274,187,982</u>	<u>40,330</u>	<u>793,374,314</u>
<b><u>Segment results</u></b>				
Total profit before tax	6,554,567	15,391,795	284,891	22,231,253
Consolidation elimination <sup>^</sup>	309,942	-	-	309,942
External profit before tax	6,864,509	15,391,795	284,891	22,541,195
Tax	(1,868,897)	(4,201,659)	(369,868)	(6,440,424)
Net profit after tax	<u>4,995,612</u>	<u>11,190,136</u>	<u>(84,977)</u>	<u>16,100,771</u>
Total segment assets	490,998,079	221,364,796	213,021,232	925,384,107
Consolidation elimination <sup>*</sup>	(8,897,202)	(13,337,543)	(212,046,934)	(234,281,679)
Net segment assets	<u>482,100,877</u>	<u>208,027,253</u>	<u>974,298</u>	<u>691,102,428</u>

<sup>^</sup> Related to elimination of unrealised profit on closing inventories (RM310 thousand).

<sup>\*</sup> Major items included intercompany balances elimination (RM14.6 million), elimination of cost of investment (RM211.8 million), elimination of goodwill (RM7.5 million) and elimination of unrealised profit on closing inventories (RM353 thousand).

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**
**28 SEGMENTAL ANALYSIS (CONTINUED)**

	<u>Cold rolled coil</u> RM	<u>Steel tube</u> RM	<u>Others</u> RM	<u>Total</u> RM
<b>2018</b>				
<b><u>Other information</u></b>				
Depreciation of property plant and equipment	11,843,770	2,866,027	32,723	14,742,520
Impairment losses:				
- property, plant and equipment	594,980	306,084	-	901,064
Additions of property, plant and equipment	5,725,478	2,403,606	-	8,129,084
	<u>Cold rolled coil</u> RM	<u>Steel tube</u> RM	<u>Others</u> RM	<u>Total</u> RM
<b>2017</b>				
<b><u>Revenue</u></b>				
Total revenue	482,110,349	266,828,536	7,315,717	756,254,602
Inter segment	(27,610,839)	-	(2,447,394)	(30,058,233)
External revenue	454,499,510	266,828,536	4,868,323	726,196,369
<b><u>Segment results</u></b>				
Total profit before tax	15,828,221	30,013,853	262,910	46,104,984
Consolidation elimination <sup>^</sup>	265,692	-	-	265,692 <sup>^</sup>
External profit before tax	16,093,913	30,013,853	262,910	46,370,676
Tax	(4,444,232)	(7,043,496)	(139,635)	(11,627,363)
Net profit after tax	11,649,681	22,970,357	123,275	34,743,313
Total segment assets	473,882,501	214,424,899	218,685,917	906,993,317
Consolidation elimination <sup>*</sup>	(6,012,207)	(15,337,772)	(217,992,868)	(239,342,847)
Net segment assets	467,870,294	199,087,127	693,049	667,650,470

<sup>^</sup> Related to elimination of unrealised profit on closing inventories (RM266 thousand).

<sup>\*</sup> Major items included intercompany balances elimination (RM13.4 million), elimination of cost of investment (RM217.8 million), elimination of goodwill (RM7.5 million) and elimination of unrealised profit on closing inventories (RM663 thousand).

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**
**28 SEGMENTAL ANALYSIS (CONTINUED)**

	<u>Cold rolled coil</u> RM	<u>Steel tube</u> RM	<u>Others</u> RM	<u>Total</u> RM
<u>2017</u>				
<u>Other information</u>				
Depreciation of property plant and equipment	12,341,663	2,844,728	32,725	15,219,116
Impairment losses: - property, plant and equipment	732,749	1,374,786	-	2,107,535
Additions of property, plant and equipment	3,125,684	1,303,873	-	4,429,557

A reconciliation of the segment assets to the total assets is as follows:

	<u>2018</u> RM	<u>2017</u> RM
Segment assets	691,102,428	667,650,470
Derivatives	3,341,051	142,073
Tax recoverable	23,097	257,772
	<u>694,466,576</u>	<u>668,050,315</u>

Information about major customers

Revenue from two major customers amounting to RM81.9 million and RM90.7 million contributed to more than 10% each to the Group's revenue. These two major customers are each from the cold rolled segment and the steel tube segment.

**29 FINANCIAL GUARANTEES**

As at 30 June 2018, the Company has corporate guarantees issued to lenders for borrowings extended to its principal subsidiaries, Mycron Steel CRC Sdn. Bhd. and Melewar Steel Tube Sdn. Bhd. amounting to RM136.2 million (2017: RM127.2 million) and RM15.1 million (2017: RM45.2 million) respectively. As a subsequent event on 6 August 2018 and 16 August 2018, the Company issued an additional corporate guarantee on a RM21 million 10-years-term-loan granted by the Bank to its steel tube subsidiary to partially finance its acquisition of a factory land and buildings from its ultimate holding company, as disclosed in Note 31(b) to the financial statements; and for its steel tube subsidiary's additional RM25 million trade lines facilities and additional RM50 million foreign exchange contracts facility respectively.



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**
**MYCRON STEEL BERHAD**  
 (Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**
**30 LITIGATION, COMMITMENT AND CONTINGENCY**

- (a) There are imminent plans to upgrade and supplement certain production lines at the cold rolled subsidiary which will incur capital expenditure commitment in the near term (See Note 12). At the end of the financial year, the Group's Cold Rolled subsidiary has an outstanding capital commitment of around USD0.2 million (RM0.8 million) for the motor replacement, while the upgrade of certain production line is still being finalised and has yet to be approved or contracted for. In addition to the motor replacement, there is another minor capital commitment of around RM0.4 million for upgrading an equipment. The Group's Steel Tube subsidiary has contracted for a Manufacturing Execution System for around RM2.0 million and the upgrading of several equipment for around RM1.3 million which would be delivered in the next financial year. Other than these, there are no material capital expenditures approved but not contracted for at the close of the current financial year.
- (b) The Directors are not aware of any circumstances or developments giving rise to contingent liabilities or assets warranting disclosure.
- (c) At the close of the current financial year, the steel tube subsidiary has future aggregate minimum lease payment obligations as detailed below with regards to non-cancellable operating leases on the rental of factories' land and building [with a combined area of 536,172 square feet <sup>(i)</sup> (2017: 826,571 square feet)] from its ultimate holding company:

	<u>2018</u> RM	<u>2017</u> RM
No later than 1 year	3,698,860	5,464,800
Later than 1 year and no later than 5 years <sup>(ii)</sup>	6,317,410	15,483,600
<b>Total</b>	<u>10,016,270</u>	<u>20,948,400</u>

- <sup>(i)</sup> During the current financial year, the steel tube subsidiary has entered into a conditional sale and purchase agreement to acquire one of the factory's land and building which it has been renting from its ultimate holding company for a purchase consideration of RM26 million (see Note 31). As at the close of the financial year-end, the acquisition has yet to be completed.
- <sup>(ii)</sup> For financial year ended 2018, the future rental later than 1 year is for 22 months (2017: 34 months) based on exercised renewal.
- (d) 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.

**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)****MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)****31 SIGNIFICANT EVENTS AFTER REPORTING DATE****(a) Proposed Rights Issue with Warrants**

The Company had on 23 August 2017 announced a proposed renounceable Rights Issue of 1-for-5 shares held with free detachable Warrants of 1-for-2 Rights Shares subscribed. The proposed fund raising exercise aims to raise a minimum of RM10.8 million and an indicative maximum of RM28.3 million to fund the steel businesses' capital expenditure program and working capital.

The shareholders of the Company have approved this corporate exercise in an Extraordinary General Meeting held on 20 April 2018. The Company has applied and obtained Bursa Securities' approval for an extension of time up to 31 January 2019 to implement the proposed rights issue with warrant. As at the date of issuance of this audited financial statements, the Company has yet to announce the price-fixing and book closure dates for the intended rights issue.

**(b) Proposed Acquisition of Factory Leased Land and Building**

The Company had on 20 November 2017 announced that its wholly owned steel tube subsidiary, Melewar Steel Tube Sdn Bhd, has entered into a conditional agreement ("Agreement") to acquire a factory leased land and buildings on Lot 53, Persiaran Selangor, Shah Alam from its immediate and ultimate holding company, Melewar Industrial Group Berhad, for a total cash consideration of RM26 million based on independent valuation.

On 6 August 2018, the steel tube subsidiary incepted a 10-years-term-loan of RM21 million (at cost-of-funds (CoF) + 2% p.a., where the CoF being a variable is currently indicated at 3.84%) from a bank to partly finance the above-mentioned acquisition with the remaining sum to be paid out from internal generated funds. The facility is secured against a corporate guarantee from the immediate holding company, Mycron Steel Berhad and a first-party open charge on the said property. The Agreement became unconditional on 18 July 2018, and the acquisition was duly completed on 30 August 2018 with the payment of the balance purchase price of RM23.4 million.

**(c) Changes to Debenture**

On 16 August 2018, one of the steel tube subsidiary's existing debenture holder extended an additional trade lines facility of RM25 million and a foreign exchange contracts facility of RM50 million. This resulted in the existing debenture being extended to cover the additional trade lines facility of RM25 million. Correspondingly, two other debenture holders with zero balances as at 30 June 2018 were discharged respectively on 21 August 2018 and 24 September 2018.



**AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF MYCRON FOR THE FYE 30 JUNE 2018 TOGETHER WITH THE AUDITORS' REPORT THEREON (CONT'D)**

**MYCRON STEEL BERHAD**  
(Incorporated in Malaysia)

**NOTES TO THE FINANCIAL STATEMENTS - 30 JUNE 2018 (CONTINUED)**

**32 FINANCIAL INSTRUMENTS BY CATEGORY (CONTINUED)**

<u>Company</u>	<u>2018</u> RM	<u>2017</u> RM
Financial assets per statement of financial position:		
<u>Loans and receivables</u>		
Current assets:		
Trade and other receivables (excluding prepayments and GST receivables)	13,481	5,000
Cash and cash equivalents	580,164	260,756
Amounts owing by subsidiaries	256,255	202,187
Total financial assets	<u>849,900</u>	<u>467,943</u>
Financial liabilities per statement of financial position:		
<u>At amortised cost</u>		
Current liabilities:		
Trade and other payables	565,722	309,140
Amount owing to ultimate holding company	-	4,000,000
Amounts owing to subsidiaries	5,500,000	7,500,000
Borrowings	40,869	40,869
	<u>6,106,591</u>	<u>11,850,009</u>
Non-current liabilities:		
Borrowings	<u>153,177</u>	<u>194,045</u>
Total financial liabilities	<u>6,259,768</u>	<u>12,044,054</u>

**UNAUDITED CONSOLIDATED RESULTS OF MYCRON FOR THE THREE (3)-MONTH FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018**



**MYCRON STEEL BERHAD** (622819-D)



Quarterly report on consolidated results for the first financial quarter ended 30 September 2018

Page 1

**Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income for the first financial quarter ended 30 September 2018**

(The figures have not been audited)

	<u>Individual Quarter</u>		<u>Cumulative Quarters</u>	
	<u>(3 months)</u>		<u>(3 months)</u>	
	Current year	Preceding year	Current year	Preceding year
	Quarter	Corresponding	To date	Corresponding
	30-Sep-18	30-Sep-17	30-Sep-18	30-Sep-17
	RM'000	RM'000	RM'000	RM'000
Revenue	196,711	179,750	196,711	179,750
Cost of sales	<u>(184,447)</u>	<u>(162,491)</u>	<u>(184,447)</u>	<u>(162,491)</u>
Gross profit	12,264	17,259	12,264	17,259
Operating expenses	(8,388)	(7,235)	(8,388)	(7,235)
Other operating income/(expense)	149	29	149	29
Net foreign exchange gain/(loss)	<u>(248)</u>	<u>149</u>	<u>(248)</u>	<u>149</u>
Profit from operations	3,777	10,202	3,777	10,202
Impairment loss on				
property, plant and equipment	-	-	-	-
Finance income	213	255	213	255
Finance costs	<u>(1,600)</u>	<u>(2,349)</u>	<u>(1,600)</u>	<u>(2,349)</u>
<b>Profit before tax</b>	<b>2,390</b>	<b>8,108</b>	<b>2,390</b>	<b>8,108</b>
Tax	<u>(941)</u>	<u>(2,301)</u>	<u>(941)</u>	<u>(2,301)</u>
<b>Profit for the period</b>	<b>1,449</b>	<b>5,807</b>	<b>1,449</b>	<b>5,807</b>
Other comprehensive income				
Asset revaluation reserves:				
- revaluation surplus on				
property, plant and equipment, net of tax	<u>760</u>	<u>-</u>	<u>760</u>	<u>-</u>
<b>Total profit and other comprehensive income for the period</b>	<b><u>2,209</u></b>	<b><u>5,807</u></b>	<b><u>2,209</u></b>	<b><u>5,807</u></b>
Earnings per share attributable to owners of the Company (sen):				
- Basic	<u>0.51</u>	<u>2.05</u>	<u>0.51</u>	<u>2.05</u>
- Diluted	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>	<u>N/A</u>

(The Condensed Consolidated Statements of Profit or Loss and Other Comprehensive Income should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2018).

**CERTIFIED TRUE COPY**

Company Secretary  
**MS LILY YIN KAM MAY**  
**MAICSA 0878038**

**UNAUDITED CONSOLIDATED RESULTS OF MYCRON FOR THE THREE (3)-MONTH FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONT'D)**



**MYCRON STEEL BERHAD** (622819-D)



Quarterly report on consolidated results for the first financial quarter ended 30 September 2018

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Condensed Consolidated Statements of Financial Position as at 30 September 2018

(The figures have not been audited)

	As at 30-Sep-18 RM'000	As at 31-Jun-18 RM'000
<b>ASSETS</b>		
<b>Non-Current Assets</b>		
Property, plant and equipment	316,216	288,470
Intangible Assets	20,000	20,000
	<u>336,216</u>	<u>308,470</u>
<b>Current Assets</b>		
Inventories	151,599	205,190
Trade and other receivables	114,880	122,671
Amount owing by holding company	4	1,861
Amount owing by related companies	1,987	1,887
Tax recoverable	12	23
Derivative financial assets	3,325	3,341
Cash and bank balances	36,927	51,023
	<u>308,734</u>	<u>385,996</u>
<b>Less: Current Liabilities</b>		
Borrowings	62,910	90,735
Trade and other payables	142,649	187,001
Amount owing to holding company	21	0
Amount owing to related companies	1,521	1,212
Tax payable	1,401	608
Derivative financial liabilities	42	3
	<u>208,544</u>	<u>279,559</u>
<b>Net Current Assets</b>	<u>100,190</u>	<u>106,437</u>
<b>Non-Current Liabilities</b>		
Deferred tax liabilities	21,299	21,699
Borrowings	21,326	1,636
	<u>42,625</u>	<u>23,335</u>
	<u>393,781</u>	<u>391,572</u>
<b>CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY</b>		
Share capital	206,364	206,364
Asset revaluation reserve	27,611	26,851
Retained earnings	159,806	158,357
<b>Total Equity</b>	<u>393,781</u>	<u>391,572</u>
<b>Net assets per share attributable to owners of the Company</b>	<u>RM1.39</u>	<u>RM1.38</u>

(The Condensed Consolidated Statements of Financial Position should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2018).

**UNAUDITED CONSOLIDATED RESULTS OF MYCRON FOR THE THREE (3)-MONTH FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONT'D)**

**MYCRON STEEL BERHAD** (622819-D)

**Quarterly report on consolidated results for the first financial quarter ended 30 September 2018**
**Page 3**
**Condensed Consolidated Statements of Cash Flows for the first financial quarter ended 30 September 2018**

(The figures have not been audited)

	(3 months) 30-Sep-18 RM'000	(3 months) 30-Sep-17 RM'000
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Profit before tax	2,390	8,108
Adjustments for :		
- Depreciation	3,709	3,727
- Loss/(gain) on disposal of plant and equipment	24	19
- Plant and equipment written off	-	62
- Impairment loss on property, plant and equipment	-	-
- Impairment of receivables	107	-
- Net unrealised (gain)/loss/ on foreign exchange	(39)	(115)
- Interest income	(213)	(255)
- Interest expense	1,600	2,349
Operating profit before changes in working capital	7,578	13,895
Changes in working capital :		
- Inventories	53,590	64,674
- Trade and other receivables	7,699	11,601
- Trade and other payables	(44,274)	(84,278)
- Intercompanies balances	2,088	(1,121)
Cash flows generated from/(used in) operations	26,681	4,771
- Interest paid	(1,600)	(2,349)
- Interest received	213	255
- Tax paid	(777)	(1,933)
Net cash flows generated from/(used in) operating activities	24,517	744
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
- Purchase of property, plant and equipment	(8,671)	(2,321)
- Proceeds from disposal of property, plant and equipment	60	50
Net cash flows (used in)/generated from investing activities	(8,611)	(2,271)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
- Disposal of treasury shares	-	-
- Proceeds from bank borrowings	34,100	39,790
- Repayment of bank borrowings	(64,102)	(55,262)
Net cash flows (used in)/generated from financing activities	(30,002)	(15,472)
Net change in cash and cash equivalents	(14,096)	(16,999)
Cash and cash equivalents at beginning of the financial year	51,023	64,588
Cash and cash equivalents at end of the financial year	36,927	47,589

(The Condensed Consolidated Statements of Cash Flows should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2018).

**UNAUDITED CONSOLIDATED RESULTS OF MYCRON FOR THE THREE (3)-MONTH FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONT'D)**

**MYCRON STEEL BERHAD (622819-D)**

**Quarterly report on consolidated results for the first financial quarter ended 30 September 2018**
**Page 4**
**Condensed Consolidated Statements of Changes in Equity for the first financial quarter ended 30 September 2018**

(The figures have not been audited)

	--- Attributable to owners of the Company ---			
	Asset			
	Share Capital RM'000	Revaluation Reserve RM'000	Retained Earnings RM'000	Total RM'000
<b>3 months ended 30 September 2018</b>				
At 1 July 2018	206,364	26,851	158,357	391,572
Comprehensive income for the financial period				
- Profit for the financial period	-	-	1,449	1,449
Other comprehensive income for the financial period				
Asset revaluation reserves:				
- revaluation surplus on property, plant and equipment, net of tax	-	760	-	760
Total comprehensive income for the financial period	-	760	1,449	2,209
As at 30 September 2018	<b>206,364</b>	<b>27,611</b>	<b>159,806</b>	<b>393,781</b>
<b>3 months ended 30 September 2017</b>				
At 1 July 2017	206,364	25,534	142,256	374,154
Comprehensive income for the financial period				
- Profit for the financial period	-	-	5,807	5,807
Other comprehensive income for the financial period				
Asset revaluation reserves:				
- revaluation surplus on property, plant and equipment, net of tax	-	-	-	-
Total comprehensive income for the financial period	-	-	5,807	5,807
As at 30 September 2017	<b>206,364</b>	<b>25,534</b>	<b>148,063</b>	<b>379,961</b>

(The Condensed Consolidated Statements of Changes in Equity should be read in conjunction with the Annual Financial Report for the financial year ended 30 June 2018).



**UNAUDITED CONSOLIDATED RESULTS OF MYCRON FOR THE THREE (3)-MONTH FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONT'D)**

**MYCRON STEEL BERHAD** (622819-D)

**Quarterly report on consolidated results for the first financial quarter ended 30 September 2018 Page 5**
**Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134**
**A1 Basis of Preparation & Significant Accounting Policies**

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 2018 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 2018.

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 2018, except for the following new amendments to the MFRS ("standards") effective from 1 January 2018 which the Group has only adopted since the commencement of the current financial year:

- IC Interpretation 22 'Foreign Currency Transactions and Advance Consideration' which applies when an entity recognises a non-monetary asset or non-monetary liability arising from the payment or receipt of advance consideration. MFRS 121 requires an entity to use the exchange rate at the 'date of the transaction' to record foreign currency transactions.
- MFRS 9 'Financial Instruments' in replacement of MFRS 139 "Financial Instruments: Recognition and Measurement".
- MFRS 15 'Revenue from contracts with customers' in replacement of MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations.

The adoption of the above did not have any material impact on the Group's financial statements to-date.

- **MFRS 9**

The application of MFRS 9 did not result in any material change to the Group's classification and measurement of its financial assets and liabilities; nor in its hedge accounting practices that are aligned with its risk management practices- compared to the requirements under MFRS139. The new "Expected Credit Loss" (ECL) model increases the scope for credit impairment with the inclusion of forward looking information and estimates. Given that the Group's credit risks are mainly concentrated in short-term trade receivables, the Group applied allowable practical-expedient in ECL provision based on a supportable "overdue-days matrix". The adoption of the ECL model did not increase credit impairment on initial application that would render the opening loss allowances determined under MFRS 9 on 1 July 2018 different from the ending impairment allowance under MFRS139 on 30 June 2018.

- **MFRS 15**

The application of MFRS 15 did not result in any change to the timing and quantum of revenue recognition of the Group – compared to the requirements under MFRS 118 and 111. The Group's steel products conform to industry standards and specifications, and are sold mainly on spot and/or short-term-forward contracts with single point fulfilment at predetermined prices which under normal circumstances do not give rise to any contract assets or liabilities. The sales contract for "goods" is generally separated from "services", and these do not entail any financing feature beyond short credit periods customary to the industry. The Group elected to adopt the "cumulative effect method" for outstanding contracts at the date of initial application, and no opening adjustment resulted from the aforementioned.

**UNAUDITED CONSOLIDATED RESULTS OF MYCRON FOR THE THREE (3)-MONTH FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONT'D)**

**Quarterly report on consolidated results for the first financial quarter ended 30 September 2018 Page 6**
**Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134**
**A1 Basis of Preparation & Significant Accounting Policies (continued)**

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

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.
- IC Interpretation 23 'Uncertainty over Income Tax Treatments' (effective 1 January 2019) provides guidance on how to recognise and measure deferred and current income tax assets and liabilities where there is uncertainty over a tax treatment.
- Amendments to MFRS 128 'Long-term Interests in Associates and Joint Venture' (effective from 1 January 2019)
- Amendments to MFRS 9 'Prepayment features with negative compensation' (effective 1 January 2019)
- Annual Improvements to MFRSs 2015 – 2017 Cycle:
  - Amendments to MFRS 3 'Business Combinations' (effective from 1 January 2019)
  - Amendments to MFRS 112 'Income Taxes' (effective from 1 January 2019)
  - Amendments to MFRS 123 'Borrowing Costs' (effective from 1 January 2019)
- Amendments to MFRS 119 on Employee Benefits - 'Plan amendment, curtailment or settlement' (effective 1 January 2019)

The initial adoption of the above pronouncements, including MFRS16 as summarized below, in the next financial year is not expected to have any significant impact on the financial statements of the Group.

MFRS 16 eliminates the classification of leases either by finance lease (on balance sheet) or operating lease (off balance sheet) and requiring the lessee to recognize both the "rights" and "obligations" of the underlying lease on balance sheet. The "rights" is depreciated in accordance with the principles in MFRS116 whilst the lease liability is accreted over time with interest expense recognized in profit or loss. The Group would apply 'practical expedient option' on transition to MFRS 16 on contracts previously identified as leases under MFRS117 (i.e. such as rental contracts) and those entered into on or after initial application on 1 July 2019. In this regard, the Group currently does not have any off-balance-sheet lease arrangements other than some non-cancellable operation lease on the rental of factories' land and buildings with annual rental obligations amounting to around RM3.6m. The initial recognition of these under MFRS 16 in the next financial year is not expected to have significant impact on the Group's financial statements other than their presentation on balance sheet.

**A2 Declaration of audit qualification**

The audit report of the Group and the Company in respect of the annual financial statements for the financial year ended 30 June 2018 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.

**UNAUDITED CONSOLIDATED RESULTS OF MYCRON FOR THE THREE (3)-MONTH FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONT'D)**

**MYCRON STEEL BERHAD (622819-D)**

**Quarterly report on consolidated results for the first financial quarter ended 30 September 2018 Page 7**
**Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134**
**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 adjusted for the exclusion of intangibles) at below 1.5 times.

	30 Sep 2018	30 Jun 2018
Total interest bearing debts in RM'million	107.3	120.4
Adjusted Shareholders' funds in RM'million	395.1	393.3
Absolute Gearing Ratio	0.27	0.31

Of the total interest bearing debts as at 30 September 2018, around RM63.2m is represented by the respective debenture at its steel-tube and cold-rolled subsidiaries, whilst RM23.1m is represented by unsecured interest-bearing supplier's credit also at the respective operating subsidiaries. (See Note B10). Over the current financial quarter, the steel-tube subsidiary discharged two debenture-holders with zero balances at the close of the preceding financial year, whilst its sole debenture-holder increased existing trade facility lines by another RM25 million. On 6 August 2018, the steel-tube subsidiary incepted and drawn-down a 10 years term-loan of RM21 million to finance its acquisition of a factory property. (See Note A11). The facility is secured with a fixed charge against the property, coupled with a corporate guarantee from the Company.

Debt covenants where applicable are in full compliance for the current financial quarter ended 30 September 2018.

**A7 Dividend paid**

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

**A8 Segmental reporting**

The Group's year-to-date segmental information by nature-of-business is as follows:

	<u>Cold Rolled</u> RM'000	<u>Steel Tube</u> RM'000	<u>Others</u> RM'000	<u>Total</u> RM'000
<u>Revenue</u>				
Total revenue	124,227	77,819	700	202,746
Inter segment	(5,399)	-	(636)	(6,035)
External revenue	118,828	77,819	64	196,711
Pre-tax profit/(loss)	(2,633)	4,913	110	2,390
Segment assets	434,177	205,854	1,582	641,613

**UNAUDITED CONSOLIDATED RESULTS OF MYCRON FOR THE THREE (3)-MONTH FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONT'D)**

**MYCRON STEEL BERHAD (622819-D)**

**Quarterly report on consolidated results for the first financial quarter ended 30 September 2018 Page 8**
**Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134**
**A8 Segmental reporting (continued)**

	RM'000
Segment assets	641,613
Derivative assets	3,325
Tax recoverable	12
	644,950

The businesses of the Group are carried out entirely in Malaysia.

**A9 Valuation of Property, Plant and Equipment (PPE)**

The valuation on PPE has been brought forward from the audited financial statements for the preceding financial year ended 30 June 2018 and adjusted for the current financial year's depreciation where appropriate to reflect the current period's ending net carrying value.

The acquisition of the factory property contracted by the steel-tube subsidiary on 20 November 2017 at RM 26 million (see Note A11) was measured at cost upon initial recognition in August 2018. An independent valuation report as at 30 June 2018 commissioned by the vendor on the said property attached a fair value of RM 27 million. Adopting the said valuation, the steel tube subsidiary revalued the carrying value of the said property to be in-line with the latter. Revaluation gain adjusted for deferred tax liability is taken-up in 'other comprehensive income' and 'revaluation reserves' on 30 September 2018.

**A10 Fair Value Measurement**

Except for the financial instruments disclosed below which are fair valued, 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 are categorised into the following fair value hierarchy and are represented in the table below as at 30 September 2018:

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**

Foreign Currency Forwards  
as Assets (not hedge accounted)  
as Assets (hedge accounted)  
as Liabilities (not hedge accounted)  
as Liabilities (hedge accounted)

	Fair Value RM'000		
	Level 1	Level 2	Level 3
	0	237.8	0
	0	3,086.8	0
	0	(10.4)	0
	0	(31.5)	0
<b>Total</b>	<b>0</b>	<b>3,282.7</b>	<b>0</b>

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

**UNAUDITED CONSOLIDATED RESULTS OF MYCRON FOR THE THREE (3)-MONTH FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONT'D)****MYCRON STEEL BERHAD** (622819-D)

Quarterly report on consolidated results for the first financial quarter ended 30 September 2018 Page 9

**Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134****A11 Significant events and transactions**

The Group's steel tube subsidiary had on 20 November 2017 contracted to acquire a factory leased land and buildings on Lot 53, Persiaran Selangor, Shah Alam from its ultimate holding company, Melewar Industrial Group Bhd, for a total cash consideration of RM26 million based on independent valuation. All condition precedents have been met, and the acquisition was duly completed on 30 August 2018, with the drawdown on financing of RM21 million and the payment of the balance sum to the vendor.

**A12 Subsequent material events**

There were no subsequent material events for the current quarter affecting the Group's financial position and performance of its entities.

**A13 Changes in the composition of the Group**

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

**A14 Contingent liabilities or contingent assets**

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

**A15 Changes in Financial Year End Date**

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

**A16 Capital Commitments**

At the end of the current reporting quarter, the Group's Cold Rolled subsidiary has an outstanding capital commitment balance of around RM0.4m; whilst, its Steel Tube subsidiary has an outstanding capital commitment balance of around RM1.9m for plant-equipment. The said capital commitments will be payable over established milestones in the current financial year.

**UNAUDITED CONSOLIDATED RESULTS OF MYCRON FOR THE THREE (3)-MONTH FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONT'D)**

**MYCRON STEEL BERHAD (622819-D)**


Quarterly report on consolidated results for the first financial quarter ended 30 September 2018 Page 10

**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**

	Individual Period (1st quarter)		Changes		Cumulative Period		Changes	
	Current Year Quarter 30/9/2018	Preceding Year Corresponding Quarter 30/9/2017			Current Year To-date 30/9/2018	Preceding Year Corresponding Period 30/9/2017		
	RM'000	RM'000	RM'000	%	RM'000	RM'000	RM'000	%
Revenue	196,711	179,750	16,961	9%	196,711	179,750	16,961	9%
Operating Profit	3,777	10,202	(6,425)	-63%	3,777	10,202	(6,425)	-63%
Profit Before Interest and Tax	3,777	10,202	(6,425)	-63%	3,777	10,202	(6,425)	-63%
Profit Before Tax	2,390	8,108	(5,718)	-71%	2,390	8,108	(5,718)	-71%
Profit After Tax	1,449	5,807	(4,358)	-75%	1,449	5,807	(4,358)	-75%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	1,449	5,807	(4,358)	-75%	1,449	5,807	(4,358)	-75%

For the 1<sup>st</sup> quarter ended 30 September 2018, the Group registered a 9% higher total revenue of RM196.7 million as compared to RM179.8 million achieved in the preceding year's corresponding quarter mainly due to higher unit selling price. At segment level, the average unit selling price for the current quarter for the Cold Rolled and the Steel Tube segments is up 10% and 9% respectively compared with the preceding year corresponding quarter, whilst sales volume is down 7% for the Cold Rolled segment but up 8% for the Steel Tube segment.

The Group recorded a lower profit before tax of RM2.4 million for the current quarter as compared to RM8.1 million in the preceding year's corresponding quarter. The weaker performance for the current quarter compared to the preceding year's corresponding quarter is mainly attributed to the lower gross profit achieved of RM12.3 million (preceding year's corresponding quarter gross profit: RM17.3 million) due to lower price spread and sales volume in the Cold Rolled segment. Consequently, the Group recorded an after-tax profit of RM1.4 million for the current quarter as compared to the preceding year's corresponding quarter of RM5.8 million.

The Group recorded a lower EBITDA at RM7.5 million compared to the preceding year's corresponding quarter of RM13.9 million.

**B2 Material changes in the quarterly results compared to the results of the immediate preceding quarter**

	Current Quarter 30/9/2018	Immediate Preceding Quarter 30/6/2018	Changes	
	RM'000	RM'000	RM'000	%
Revenue	196,711	207,588	(10,877)	-5%
Operating Profit	3,777	3,938	(161)	-4%
Profit Before Interest and Tax	3,777	3,037	740	24%
Profit Before Tax	2,390	2,143	247	12%
Profit After Tax	1,449	1,252	197	16%
Profit/(Loss) Attributable to Ordinary Equity Holders of the Parent	1,449	1,252	197	16%

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**UNAUDITED CONSOLIDATED RESULTS OF MYCRON FOR THE THREE (3)-MONTH FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONT'D)**


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Quarterly report on consolidated results for the first financial quarter ended 30 September 2018 Page 11

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**PART B - EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENT – PART A OF APPENDIX 9B)**
**B2 Material changes in the quarterly results compared to the results of the immediate preceding quarter (continued)**

The Group's revenue at RM196.7 million for the current 1<sup>st</sup> quarter is around RM10.9 million lower than the immediate preceding quarter at RM207.6 million. The lower revenue for the current quarter is due to lower sales volume for the Cold Rolled segment. The average unit selling price for the current quarter for the Cold Rolled and the Steel Tube segments is down 0.1% and up 0.7% respectively whilst the sales volume is lower by around 11% for the Cold Rolled but higher by around 5% for the Steel Tube.

The Group registered a marginally higher pre-tax profit of RM2.4 million compared with the immediate preceding quarter's pre-tax profit of RM2.1 million mainly due to the higher gross profit margin of the Steel Tube segment arising from its higher sales volume. Correspondingly, the Group recorded a higher net-tax profit of RM1.4 million compared to a net-tax profit of RM1.3 million in the immediate preceding quarter.

The Group recorded a similar quarterly EBITDA of RM7.5 million with the preceding quarter.

**B3 Prospects for the remaining financial year**

The Nation's 3<sup>rd</sup> fiscal quarter of 2018 grew marginally slower at 4.4% (compared to the 2<sup>nd</sup> and 1<sup>st</sup> quarters at 4.5% and 5.4% respectively), as public and infrastructural spending stood guarded under the spotlight of negative revelations, fiscal pressure, and the halting/ renegotiation of various mega national-projects. The 3<sup>rd</sup> fiscal quarter's growth (which correspond with the Group's 1<sup>st</sup> financial quarter) was largely private sector driven spurred on by a consumption-tax break period before the reinstatement of the comparatively less painful 'sales & service tax' regime (in replacement of the GST) which boosted domestic consumption and private investments.

However, overall business sentiment is generally cautious with huge overhang in the property sector; prolonged USA-China trade-war; subdued export commodity prices; net-outflow of portfolio funds; weak equity market; and continuing fiscal consolidation. The domestic steel market remained bearish arising from the aforementioned factors. Demand for long steel products (such as rods and bars) soften in tandem with the slowdown of the property sector, whilst flat steel products' (such as the Group's steel tube and cold rolled coil) sales stayed subdued under the weight of economic challenges. The Steel Tube segment saw an 8% quarter-on-quarter increase in sales volume with a marginally lower gross margins, and was able to turned in a flattish but commendable performance. The Cold Rolled segment saw a 7% quarter-on-quarter decrease in sales volume coupled with sharper lower gross margins, which resulted in a loss for the quarter. This is due to the continuing thin to negative price spread between raw material Hot Rolled Coil and imported Cold Rolled Coil -specifically Chinese CRC which enjoys export rebates – which impinged onto domestic CRC producers' margins and sales. This 'thin/ negative spread' situation had emerged since the preceding finance year around the same time the emergence of global protectionism on steel. The Group had initiated trade complaints during the time of the previous administration, and had to revisit grounds again with the new administration. Nevertheless, groundwork are in motion with the authorities to layout trade-actions to level the playing field against CRC dumping from abroad.

In view of the above, outlook for the Group would continue to be cautious and choppy in the near term but with a chance for better prospects toward the later part of the current financial year if counter-trade measures against CRC imports materialize. There is a general view that the current fiscal consolidation and recovery effort by the new administration would see dividends by mid-2019 in terms of stronger fiscal balances and reserves –which in-turn would boost the weak Ringgit and economic sentiments. There is also growing hope for the prolonged USA-China trade dispute to decelerate into a settlement as fatigue and permanent damage have begun to emerge. However, should the said negative factors do not dissipate but further aggravate, then the Group's outlook for the remaining financial year could turn negative.

**UNAUDITED CONSOLIDATED RESULTS OF MYCRON FOR THE THREE (3)-MONTH FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONT'D)**



**MYCRON STEEL BERHAD** (622819-D)



Quarterly report on consolidated results for the first financial quarter ended 30 September 2018 Page 12

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

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

This is not applicable to the Group.

**B5 Profit before taxation**

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

	Current Year Quarter Ended 30 Sep 2018 RM'000	Preceding Year Corresponding Quarter Ended 30 Sep 2017 RM'000	Current Year To Date Ended 30 Sep 2018 RM'000	Preceding Year Corresponding Period Ended 30 Sep 2017 RM'000
Depreciation	3,709	3,727	3,709	3,727
Interest income	(213)	(255)	(213)	(255)
Interest expense	1,600	2,349	1,600	2,349
FX differences (gain)/loss	3,966	(2,249)	3,966	(2,249)
FX derivatives loss/(gain)	(3,718)	2,100	(3,718)	2,100

**B6 Taxation**

Taxation comprises :

	Current Year Quarter Ended 30 Sep 2018 RM'000	Preceding Year Corresponding Quarter Ended 30 Sep 2017 RM'000	Current Year To Date Ended 30 Sep 2018 RM'000	Preceding Year Corresponding Period Ended 30 Sep 2017 RM'000
Current tax (expense)/credit				
Current period	(1,581)	(1,591)	(1,581)	(1,591)
Deferred tax (expense)/income				
Current period	640	(710)	640	(710)
	(941)	(2,301)	(941)	(2,301)



**UNAUDITED CONSOLIDATED RESULTS OF MYCRON FOR THE THREE (3)-MONTH FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONT'D)****MYCRON STEEL BERHAD** (622819-D)

Quarterly report on consolidated results for the first financial quarter ended 30 September 2018 Page 13

**PART B - EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENT – PART A OF APPENDIX 9B)****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 are no purchases or disposals of quoted securities in the current financial quarter.

**B9 Status of corporate proposals****Proposed Rights Issue with Warrants**

The Company had on 23 August 2017 announced a proposed renounceable Rights Issue of 1-for-5 shares held with free detachable Warrants of 1-for-2 Rights Shares subscribed. The proposed fund raising exercise aims to raise a minimum of RM10.8 million and an indicative maximum of RM28.3 million to fund the steel businesses' capital expenditure program and working capital.

The shareholders of the Company have approved the above in an Extraordinary General Meeting held on 20 April 2018. The Company has applied and obtained Bursa Securities' approval for an extension of time up to 31 January 2019 to implement the proposed rights issue with warrant. As at the date of this quarterly report, the price-fixing and book closure dates for the intended Rights issue have yet to be announced.

**UNAUDITED CONSOLIDATED RESULTS OF MYCRON FOR THE THREE (3)-MONTH FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONT'D)**

**MYCRON STEEL BERHAD** (622819-D)

**Quarterly report on consolidated results for the first financial quarter ended 30 September 2018 Page 14**
**PART B - EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENT – PART A OF APPENDIX 9B)**
**B10 Group borrowings and debt securities**

The Group's borrowings from lending institutions as at 30 September 2018, which are denominated entirely in Ringgit Malaysia, are as follows:

	<u>RM'000</u>
<u>Short-term borrowings:</u>	
Secured	60,910
<u>Long-term borrowings:</u>	
Secured	21,326
Total borrowings	<u>84,236</u>

Cash-flow movement in-relation to 'changes in liabilities arising from financing activities' on a year-to-date basis is outlined below:

	<u>RM'000</u>
Total Borrowings' opening balance as at 1 July 2018	92,371
<u>Cash Flows:</u>	
Inflows from new debts	34,100
Outflows on repayment	(64,102)
<u>Non-Cash Changes:</u>	
Property acquired via bank loan	21,867
Closing balance as at 30 September 2018	<u>84,236</u>

Based on the above, the Group's bank-gearing ratio is around 0.21 times. Besides the said borrowings, the Group's Steel Tube subsidiary also draws on interest-bearing trade credits from its raw-coil suppliers with an outstanding amount of RM23 million as at 30 September 2018. Inclusive of this, the Group's absolute-gearing ratio as at 30 September 2018 is around 0.27 times.

**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 ("USD") and certain sales denominated in Singapore Dollar ("SGD"). In this regard, the Group covers its USD exposure at the range of 80% to 90% depending on the length of the forward period and the availability of FX facilities.

The Group designates 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/ (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.

**UNAUDITED CONSOLIDATED RESULTS OF MYCRON FOR THE THREE (3)-MONTH FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONT'D)**

**MYCRON STEEL BERHAD** (622819-D)

**Quarterly report on consolidated results for the first financial quarter ended 30 September 2018 Page 15**
**PART B - EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENT – PART A OF APPENDIX 9B)**
**B11 Outstanding Derivatives (continued)**

Details on outstanding derivative FX forward contracts for both the non-designated and designated for hedge accounting as at 30 September 2018 are outline below:

**Non-designated**

FX Forward Contracts (SGD/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	330	991	0.7	5.7

**Non-designated**

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	4,450	18,229	237.1	4.7

**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	37,202	151,285	3,086.8	31.5	Matching	37,202	n.a.	31.5	3,086.8

Besides the above unrealized positions, the Group has recorded a total realized net gain of around RM436 thousand from its FX Forward Contracts as hedging instruments with corresponding realized net loss of around RM698 thousand from its hedged items over the current financial year.

**(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 the 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.

**UNAUDITED CONSOLIDATED RESULTS OF MYCRON FOR THE THREE (3)-MONTH FINANCIAL PERIOD ENDED 30 SEPTEMBER 2018 (CONT'D)**

**MYCRON STEEL BERHAD** (622819-D)


Quarterly report on consolidated results for the first financial quarter ended 30 September 2018 Page 16

**PART B - EXPLANATORY NOTES: (AS PER BURSA MALAYSIA LISTING REQUIREMENT – PART A OF APPENDIX 9B)**
**B12 Off balance sheet financial instruments and commitments**

Off balance sheet financial instruments as at the date of this announcement are bank guarantees issued by its principal subsidiaries amounting to RM3.7 million as security for inbound supply of goods and services; and corporate guarantees issued to lenders for borrowings extended to its principal subsidiaries amounting to RM81.2 million as at 30 September 2018.

**B13 Material litigation**

The Group is not engaged in any on-going 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.

**B14 Dividend**

The Company did not declare any dividend for the financial period ended 30 September 2018.

**B15 Earnings per share**

## (i) Basic earnings per ordinary share

	Current Year Quarter Ended 30 Sep 2018	Preceding Year Corresponding Quarter Ended 30 Sep 2017	Current Year To Date Ended 30 Sep 2018	Preceding Year Corresponding Period Ended 30 Sep 2017
Profit attributable to owners (RM'000)	1,449	5,807	1,449	5,807
Weighted average number of ordinary shares in issue (net of treasury shares) ('000)	283,545	283,545	283,545	283,545
Basic earnings per share (sen)	0.51	2.05	0.51	2.05

## (ii) Diluted earnings per ordinary share

This is not applicable to the Group.

These interim financial statements have been authorized for issue by the Board of Directors on the date set-forth below.

By order of the Board  
LILY YIN KAM MAY (MAICSA 0878038)

Secretary  
Kuala Lumpur  
26 November 2018

**DIRECTORS' REPORT**  
*(prepared for inclusion in this Abridged Prospectus)*



**MYCRON STEEL BERHAD** (622819-D)



MS ISO 9001 REG. NO. AR 0912

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• Tel: 03-5510 6608 • Fax: 03-5510 3720 • e-mail: enquiry@mycronsteel.com • website: www.mycronsteel.com

Date: 26 December 2018

To: The shareholders of Mycron Steel Berhad ("**Mycron**" or "**Company**")

Dear Sir/Madam,

On behalf of the Board of Directors of Mycron ("**Board**"), I wish to report that after making due enquiries in relation to our Company and subsidiary companies ("**Mycron Group**") during the period between 30 June 2018 (being the date on which the latest audited consolidated financial statements have been made up) to the date hereof, being a date not earlier than 14 days before the date of this Abridged Prospectus ("**AP**") that:

- (a) the business of the Mycron Group has, in the opinion of the Board, been satisfactorily maintained;
- (b) save for the Mycron Group's declining net profit for the three (3)-months ended 30 September 2018 as compared to the three (3)-months ended 30 September 2017 as disclosed in Section 7, Appendix II of the AP and the unaudited consolidated statements of profit and loss and other comprehensive income for the three (3)-months ended 30 September 2018 in Appendix V of the AP respectively, in the opinion of the Board, no circumstances have arisen since the last audited financial statements of the Mycron Group, which have adversely affected the trading or the value of the assets of the Mycron Group;
- (c) the current assets of the Mycron Group appear in the books at values which are believed to be realisable in the ordinary course of business;
- (d) there are no contingent liabilities that has arisen by reason of any guarantee or indemnities given by the Mycron Group;
- (e) there has been no default or any known event that could give rise to a default situation, in respect of payment of either interest and/or principal sums in relation to any borrowings in the Mycron Group since the last audited consolidated financial statements of the Mycron Group; and
- (f) save for the Mycron Group's declining net profit for the three (3)-months ended 30 September 2018 as compared to the three (3)-months ended 30 September 2017 as disclosed in Section 7, Appendix II of the AP and the unaudited consolidated statements of profit and loss and other comprehensive income for the three (3)-months ended 30 September 2018 in Appendix V of the AP respectively, there has been no material change in the published reserves or any unusual factor affecting the profits of the Mycron Group since the last audited consolidated financial statements of the Mycron Group.

Yours faithfully  
 For and on behalf of the Board of  
**MYCRON STEEL BERHAD**

**ROSHAN MAHENDRAN BIN ABDULLAH**  
 Group Chief Executive Officer

**ADDITIONAL INFORMATION****1. SHARE CAPITAL**

- (a) Save for the Rights Shares and the Warrants, no securities will be allotted or issued on the basis of this AP later than twelve (12) months after the date of issue of this AP.
- (b) Save for the Rights Shares and the Warrants, and the changes in issued share capital as disclosed in Appendix II (Section 2) of this AP, no securities of our Company have been issued, or proposed/agreed to be issued, as fully or partly paid-up in cash or otherwise than in cash within the two (2) years immediately preceding the date of this AP.
- (c) Save for the Warrants, no person has been or is entitled to be granted an option to subscribe for any securities of our Company.
- (d) As at the LPD, save for the provisional allotment of Rights Shares with Warrants and as disclosed below, no person has been or is entitled to be granted, an option to subscribe for any securities, shares, or debentures in our Company or any of our subsidiaries.

**2. DIRECTORS' REMUNERATION**

The extract of the provisions in our Company's Constitution in relation to the remuneration of the Directors are as follows (capitalised terms mentioned are as defined in our Company's Constitution): -

**Article 121 - Remuneration of Directors**

The total fees of all of the Directors in any year (excluding amounts payable under any other provision of the Articles of Association) shall be a fixed sum as shall from time to time be determined by an ordinary resolution of our Company in general meeting, except salaries of executive Directors shall be such fixed sum as may be determined by the Board, and such fee shall be divisible (unless otherwise determined by an ordinary resolution of our Company in general meeting) among the Directors as they may agree, or, failing agreement, equally, except that any Director who shall hold office for part only of the period in respect of which such fees are payable shall be entitled only to rank in such division for a proportion of the fee related to the period during which he has held office provided always that:

- (a) fees payable to non-executive Directors shall be by a fixed sum, and not by a commission on or percentage of profits or turnover;
- (b) remuneration payable to Director(s) holding executive position(s) under Article 150(1) may not include a commission on or percentage of turnover;
- (c) fees payable to Directors shall not be increased except pursuant to a resolution passed at a general meeting, where notice of the proposed increase has been given in the notice convening the meeting;
- (d) any fee paid to an alternate Director shall be agreed upon between himself and the Director nominating him and shall be paid out of the remuneration of the latter; and
- (e) executive Director(s) shall, subject to the terms of any agreement entered into in any particular case, receive(s) such remuneration as the Directors may from time to time determine.

**ADDITIONAL INFORMATION (CONT'D)****Article 122 - Payment of expenses**

- (1) The Directors (including alternate Directors) shall be entitled to be reimbursed for all travelling, hotel or such reasonable expenses properly incurred in attending and returning from meetings of the Directors or of any committee of the Directors or general meetings or otherwise howsoever in or about the business of our Company in the course of the performance of their duties as Directors.
- (2) If by arrangement with the Directors, any Director shall perform or render any special duties or services outside his ordinary duties as a Director in particular without limiting to the generality of the foregoing if any Director being willing shall be called upon to perform extra services or to make any special exertions in going or residing away from his usual place of business or residence for any of the purposes of our Company or in giving special attention to the business of our Company as a member of a committee of Directors, the Directors may pay him special remuneration, in addition to his Director's fees, and such special remuneration may be by way of a fixed sum, or otherwise as may be arranged.
- (3) In case our Company be wound up for any reason or purpose whatsoever, a Director shall not be entitled to any compensation in respect of the period which elapses between the date of the said winding up and the date at which, if our Company has not been wound up, he would have retired under the Articles of Association.
- (4) Any extra remuneration payable to:
  - (a) a non-executive Director shall not include a commission on or percentage of profits or turnover; and
  - (b) an executive Director shall not include a commission on or percentage of turnover.

**Article 152 - Remuneration of executive officer**

The remuneration of the Directors appointed to an executive position under Article 150(1), subject to the terms of any agreement entered into in any particular case, may be by way of salary or commission or participation in profits or otherwise or by any or all of these modes but such remuneration shall not include a commission on or percentage of turnover but it may be a term of their appointment that they shall receive pension, gratuity or other benefits upon their retirement. The remuneration of the Director(s) appointed to an executive position under Article 150(1) shall be determined by the Board and can either be in addition to or in lieu of his/their fee as a Director.

**3. MATERIAL CONTRACTS**

Our Group has not entered into any material contracts (not being contract entered into in the ordinary course of business) during the past two (2) years before the date of this AP, except as disclosed below:

- (i) a conditional sale and purchase agreement dated 20 November 2017 between MIGB and MST in relation to the Acquisition. The Acquisition has been completed on 30 August 2018; and
- (ii) the Deed Poll.

**ADDITIONAL INFORMATION (CONT'D)****4. MATERIAL LITIGATION, CLAIMS OR ARBITRATION**

As at the LPD, save as disclosed below, Mycron Group is not engaged in any other material litigation, claims and/or arbitration either as plaintiff or defendant, which may have a material effect on the financial position or business of our Group and the Board has confirmed that there are no proceedings, pending or threatened against Mycron Group, or of any fact likely to give rise to any proceeding which may materially affect the financial position or business of our Group.

- (i) Pursuant to a compulsory land acquisition under the Land Acquisition Act 1960 by the Pentadbir Tanah Daerah Klang, a portion of a property belonging to MSCRC held under H.S.(M) 33665, PT No. 50690, Mukim Kapar, District of Klang, State of Selangor Darul Ehsan was acquired and a compensation award of RM200,000 was awarded to MSCRC. The compulsory acquisition process was completed on 27 December 2016 on the issuance of notice that possession has been taken of the acquired land under the Land Acquisition Act 1960 ("**Form K**") by the Pentadbir Tanah Klang. Being dissatisfied with the said award, MSCRC filed an objection to refer the matter to the Shah Alam High Court for its determination on 29 November 2016. MSCRC is seeking for the amount of compensation awarded by the Pentadbir Tanah Daerah Klang to be increased.

On 2 July 2018, the High Court has increased the amount of compensation due to MSCRC for the land acquired to RM1,475,100 from the initial sum of RM200,000 awarded by the land office. The High Court has also ordered 5% late payment interest from the date of Form K. The High Court further ordered that the deposit to be refunded to MSCRC and payment of RM500 to each assessor of the parties.

As at the LPD, MSCRC is awaiting the payment of compensation from Pentadbir Tanah Daerah Klang.

**5. CONSENTS**

- (a) Our Principal Adviser, Company Secretary, Share Registrar, Principal Bankers, and Solicitors for the Rights Issue with Warrants have given their written consents to the inclusion in this AP of their names and all references thereto in the form, manner and context in which they appear before the issuance of this AP and their consents have not subsequently been withdrawn;
- (b) Our Reporting Accountant has given their consent to the inclusion in this AP of its name, its proforma consolidated statements of financial position together with the reporting accountants' letter thereon as set out in Appendix III of this AP and all references thereto in the form, manner and context in which they appear before the issuance of this AP and their consent has not subsequently been withdrawn; and
- (c) Our Auditor has given its consent to the inclusion of its auditors' report on the audited consolidated financial statements of Mycron for the FYE 30 June 2018 as set out in Appendix IV of this AP and all references thereto in the form, manner and context in which they appear before the issuance of this AP and its consent has not subsequently been withdrawn.

**6. SERVICE CONTRACT**

There are no existing service contracts or proposed service contracts between the Directors and our Group, excluding contracts expiring or determinable by the employing company without payments or compensation (other than statutory compensation) within one (1) year from the date of this AP.



**ADDITIONAL INFORMATION (CONT'D)****7. GENERAL**

- (a) The nature of our Company's business is disclosed in Section 1 of Appendix II of this AP. Details of our subsidiaries as at the LPD are disclosed in Section 6 of Appendix II of this AP.
- (b) The estimated expenses of the Rights Issue with Warrants will be borne by our Company as disclosed under Section 5 of this AP.
- (c) Save as disclosed in Section 6 of in this AP, our Board confirmed that there are no material information including specific trade factors or risks which are unlikely to be known or anticipated by the general public and which could materially affect the profits of our Group.
- (d) Save as disclosed in this AP and to the best knowledge of our Board, the financial condition and operations of our Company and our subsidiaries are not likely to be affected by any of the following:
  - (i) known trends, demands, commitments, events or uncertainties that will or are likely to materially increase or decrease the liquidity of our Group;
  - (ii) material commitments for capital expenditure;
  - (iii) unusual or infrequent events or transactions or any significant economic changes that materially affect the amount of reported income from the operations of our Group; and
  - (iv) known trends or uncertainties that have had or that our Group reasonably expects will have a material favourable or unfavourable impact on revenues or operating income of our Group.

**8. RESPONSIBILITY STATEMENT**

The Documents have been seen and approved by our Directors and they collectively and individually accept full responsibility for the accuracy of the information given and confirm that, after having made all reasonable enquiries, and to the best of their knowledge and belief, there are no false or misleading statements or other facts, the omission of which would make any statement herein false or misleading.

TA Securities, being the Principal Adviser for the Rights Issue with Warrants acknowledges that, based on the available information, and to the best of their knowledge and belief, this AP constitutes full and true disclosure of all material facts concerning the Rights Issue with Warrants.

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**ADDITIONAL INFORMATION (CONT'D)**

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**9. DOCUMENTS FOR INSPECTION**

Copies of the following documents will be made available for inspection at our Registered Office at Suite 11.05, 11<sup>th</sup> Floor, No. 566 Jalan Ipoh, 51200 Kuala Lumpur during normal business hours on any weekday (except public holidays) for a period of not less than twelve (12) months from the date of this AP:

- (a) Constitution of Mycron;
- (b) the Deed Poll constituting the Warrants;
- (c) material contracts as disclosed in Section 3 of Appendix VII of this AP;
- (d) the audited financial statements of our Group for the past three (3) FYE 30 June 2016, 30 June 2017, 30 June 2018 and the latest unaudited financial statements of our Group for the three (3)-months financial period ended 30 September 2018;
- (e) letters of consent referred to in Section 5 of Appendix VII of this AP;
- (f) the proforma consolidated balance sheets of Mycron as at 30 June 2018 together with the Reporting Accountants' letter thereon as set out in Appendix III of this AP;
- (g) the certified true extract of the ordinary resolution passed at the EGM of our Company in relation to the Rights Issue with Warrants as set out in Appendix I of this AP;
- (h) the Directors' Report as set out in Appendix VI of this AP;
- (i) the letter of undertakings by the Undertaking Party referred to in Section 3; and
- (j) the relevant cause papers for the material claims as referred to in Section 4 of Appendix VII.

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