



Part A - EXPLANATORY NOTES PURSUANT TO MFRS 134

A1 Basis of Preparation

This Quarterly Report is unaudited and has been prepared in accordance with the Malaysian Financial Reporting Standard (MFRS) 134 - Interim Financial Reporting issued by the Malaysian Accounting Standards Board (MASB) and Paragraph 9.22 and Appendix 9B of the Bursa Malaysia Securities Berhad (Bursa Malaysia) Listing Requirements. In addition, the financial statements comply with IFRS as issued by IASB. The report should be read in conjunction with the Group's audited financial statements for the financial year ended 30 June 2015 which was prepared in accordance with the MFRS.

The explanatory notes attached to the unaudited interim financial statements provide an explanation of events and transactions that are significant to an understanding of the changes in the financial position and performance of the Group since the financial year ended 30 June 2015.

The significant accounting policies and methods adopted for this unaudited interim financial report are consistent with those adopted for the audited financial statements for the financial year ended 30 June 2015.

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

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

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



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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 2015 was not subject to any audit qualification.

A3 Seasonality or cyclicity of operations

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

A4 Unusual items

There were no unusual items affecting assets, liabilities, equity, net income or cash flows that are unusual because of their nature, size or incidence.

A5 Changes in estimates

In the current financial quarter, there were no changes in estimates that had a material effect on the financial results.

A6 Debts and equity securities

There were no issuances, cancellations, repurchases, or resale of equity securities during the current financial quarter.

The Group has a policy to maintain its Gearing Ratio (measured as interest bearing debts over shareholders equity adjusted for the exclusion of intangibles) at below 1.5 times.

	30 Sep 2015	30 Jun 2015
Total interest bearing debts in RMmillion	213.2	257.6
Adjusted Shareholders funds in RMmillion	288.7	285.9
Gearing Ratio	0.74	0.90

Of the total interest bearing debts as at 30 September 2015, around RM139.1m is represented by the respective debenture at its two main operating subsidiaries, whilst the balance is represented by interest-bearing unsecured suppliers credit also at the respective operating subsidiaries. (See Note B10). The operating subsidiaries complied with their respective Gearing Ratio covenants for the current financial quarter ended 30 September 2015.

A7 Dividend paid

During the financial quarter, there was no dividend paid by the Company.



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A8 Segmental reporting

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

	<u>Cold Rolled</u> RMø000	<u>Steel Tube</u> RMø000	<u>Others</u> RMø000	<u>Total</u> RMø000
<u>Revenue</u>				
Total revenue	86,192	50,302	496	136,990
Inter segment	(4,637)	-	(496)	(5,133)
External revenue	<u>81,555</u>	<u>50,302</u>	<u>-</u>	<u>131,857</u>
Pre-tax (loss)/profit	<u>3,565</u>	<u>674</u>	<u>23</u>	<u>4,262</u>
Segment assets	<u>399,475</u>	<u>144,789</u>	<u>214</u>	<u>544,478</u>
	RMø000			
Segment assets	544,478			
Derivative assets	8,258			
Tax recoverable	496			
	<u>553,232</u>			

The business of the Group is entirely carried out in Malaysia.

A9 Valuation of property, plant and equipment

The valuation of property, plant and equipment has been brought forward from the audited financial statements for the financial year ended 30 June 2015 and adjusted for depreciation where appropriate to reflect the current period's ending net carrying value.



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A10 Fair Value Measurement

Except for the financial instruments disclosed below which are fair valued by valuation methods, the carrying value of short-term maturity financial instruments like cash deposits and bank balances, receivables, and short-term borrowings and payables approximate their fair values.

Financial instruments subjected to fair valuation methods are categorised into the following fair value hierarchy and are represented in the table below as at 30 September 2015:

- Level 1: based on unadjusted quoted prices in active markets for identical assets and liabilities
- Level 2: based on observable inputs not included within level 1
- Level 3: based on unobservable inputs

Recurring fair value measurement

Foreign Currency Forwards
 as Assets (not hedge accounted)
 as Assets (hedge accounted)
 as Liabilities (not hedge accounted)

Fair Value RMø000		
Level 1	Level 2	Level 3
0	5.0	0
0	8,252.8	0
0	(29.1)	0
Total	0	8,228.7

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

A11 Significant events and transactions

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



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A12 Subsequent material events

There were no material events occurring between 1 October 2015 and the date of this announcement that warrant adjustments or disclosure to the financial statements for the quarter ended 30 September 2015.

A13 Changes in the composition of the Group

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

A14 Contingent liabilities or contingent assets

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

A15 Changes in Financial Year End Date

There is no change to the financial year end date during the current financial quarter.

A16 Capital Commitments

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



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

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

For the first quarter ended 30 September 2015, the Group registered a total revenue of RM131.9 million as compared to RM107.9 million achieved in the preceding year's corresponding quarter. The increase in revenue is mainly attributed to the inclusion of the Steel Tube subsidiary's 1st quarter results. In comparison with the preceding year's corresponding quarter, the sales volume and selling price per tonne for the Cold Rolled subsidiary for the current quarter are down 11% and 10% respectively. The Steel Tube subsidiary was acquired by the Group only at the start of the 4th quarter in the preceding financial year.

Despite the bearish current quarter, the Group recorded a profit before tax of RM4.3 million for the current quarter as compared to a loss before tax of RM2.7 million in the preceding year's corresponding quarter. The better performance for the current quarter is mainly attributed to the higher gross profit achieved of RM14.0 million (preceding year's corresponding quarter gross profit: RM3.2 million) due to the higher margin spread between selling price and raw material price in the Cold Rolled segment and the inclusion of additional gross profit contribution from the newly acquired Steel Tube subsidiary of RM 3.8 million. Consequently, the Group recorded an after-tax profit of RM2.8 million for the current quarter as compared to the preceding year's corresponding quarter's after-tax loss of RM2.2 million.

The Group recorded a higher EBITDA at RM11.3 million compared to the preceding year's corresponding quarter of RM2.6 million.

B2 Material changes in the quarterly results compared to the results of the immediate preceding quarter

The Group's lower revenue at RM131.9 million compared to the immediate preceding quarter at RM158.8 million is mainly attributed to lower sales volume (Cold Rolled subsidiary down 15% and Steel Tube subsidiary down 5%) and lower averaging selling price per tonne (Cold Rolled subsidiary down 6% and Steel Tube subsidiary down 8%) as a reflection of the bearish market coupled with the seasonal lows of the Ramadan and Hari Raya holidays.

The Group registered a lower pre-tax profit of around RM4.3 million compared with the immediate preceding quarter's pre-tax profit of RM20.7 million which was mainly attributed to the one-off gain of RM21.3 million from the acquisition of the Steel Tube subsidiary. At the post-tax level, the Group recorded a net profit of RM2.8 million compared to a net profit of RM19.8 million in the immediate preceding quarter. However, if the one-off gain from the acquisition of the Steel Tube subsidiary in the preceding quarter is excluded, the Group's current quarter would have outperformed the preceding quarter on the bottom-line figures despite the more bearish current quarter.

The Group recorded a higher EBITDA at RM11.3 million compared to the preceding quarter's RM10.1 million.

B3 Prospects for the remaining financial year

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

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



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

B3 Prospects for the next Financial Year (continue)

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

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

B4 Variance of actual profit from forecast profit

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 2015 RMø000	Preceding Year Corresponding Quarter Ended 30 Sep 2014 RMø000	Current Year To Date Ended 30 Sep 2015 RMø000	Preceding Year Corresponding Period Ended 30 Sep 2014 RMø000
Depreciation	3,954	2,708	3,954	2,708
Interest income	(120)	(63)	(120)	(63)
Interest expense	3,239	2,093	3,239	2,093
FX differences loss/(gain)	11,343	1,800	11,343	1,800
FX derivatives (gain)/loss	(10,468)	(1,307)	(10,468)	(1,307)

B6 Taxation

Taxation comprises :

	Current Year Quarter Ended 30 Sep 2015 RMø000	Preceding Year Corresponding Quarter Ended 30 Sep 2014 RMø000	Current Year To Date Ended 30 Sep 2015 RMø000	Preceding Year Corresponding Period Ended 30 Sep 2014 RMø000
Current tax (expense)/credit				
Current period	(285)	(62)	(285)	(62)
Deferred tax (expense)/income				
Current period	(1,146)	542	(1,146)	542
	<u>(1,431)</u>	<u>480</u>	<u>(1,431)</u>	<u>480</u>

The current year-to-date's tax expense arose mainly due to deferred tax liability adjustments.



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

There are no outstanding corporate proposals as at the date of this announcement.

B10 Group borrowings and debt securities

The Group's borrowings as at 30 September 2015 are as follows:

	<u>RM'000</u>
<u>Short-term borrowings:</u>	
Secured	127,585
<u>Long-term borrowings:</u>	
Secured	9,290
Unsecured	2,225
Total borrowings	<u>139,100</u> =====

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

Besides the above borrowings, the Group's Cold Rolled subsidiary (Mycron Steel CRC Sdn Bhd) and the Steel Tube subsidiary (Melewar Steel Tube Sdn. Bhd.) also draw on interest-bearing trade credits from their respective raw-coil suppliers with outstanding amount of RM44.5 million and RM29.6 million respectively as at 30 September 2015. Inclusive of this, the Group's net gearing ratio as at 30 September 2015 is around 0.74 times.



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

B11 Outstanding Derivatives

The Group has entered into forward foreign currency exchange contracts (FX forwards) to the extent such facilities are available to manage its foreign currency exchange exposure arising from purchases of raw materials denominated in US Dollar and certain sales denominated in Singapore Dollar (S\$). 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) been charged to the Statement of Profit or Loss.

Details on outstanding derivative FX forward contracts for both the non-designated and designated for hedge accounting as at 30 September 2015 are outline below:

Non-designated

FX Forward Contracts (SDG/RM) as non-designated hedging instrument				
	Notional Value -000		Fair Value RM000	
Maturity	Short SGD	Long RM	Financial Asset	Financial Liability
Less than 1 year	100	279	0	29.1

FX Forward Contracts (USD/RM) as non-designated hedging instrument				
	Notional Value -000		Fair Value RM000	
Maturity	Long USD	Short RM	Financial Asset	Financial Liability
Less than 1 year	678	2,993	5.0	0

Designated

FX Forward Contracts as designated hedging Instrument					Forward purchase of raw material and/or a/c payable as hedge items				
	Notional Value -000		Fair Value RM000			Notional Value -000		Fair Value RM000	
Maturity	Long USD	Short RM	Financial Asset	Financial Liability	Maturity	Short USD	n.a.	Financial Asset	Financial Liability
Less than 1 year	19,209	79,946	8,252.8	0	Matching	19,209	n.a.	0	8,252.8

Besides the above unrealized positions, the Group has recorded a total realized net gain of around RM 2.7 million from its FX Forward Contracts incepted for hedging purposes 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.



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

B11 Outstanding Derivatives (continued)

- (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.

B12 Off balance sheet financial instruments and commitments

Off balance sheet financial instruments as at the date of this announcement are bank guarantees issued amounting to RM5.7 million being security for inbound supply of goods and services; and corporate guarantees issued to lenders for credits/borrowings extended to its principal subsidiaries, Mycron Steel CRC Sdn. Bhd. and Melewar Steel Tube Sdn. Bhd. amounting to RM136.2 million as at 30 September 2015.

B13 Material litigation

Save as disclosed below, the Group is not engaged in any material litigation, either as a plaintiff or defendant, claims or arbitration which have a material effect on the financial position of the Group and the Board is not aware of any proceedings pending or threatened against the Group or of any other facts likely to give rise to any proceedings which may materially and/or adversely affect the financial position and business of the Group:

MYCRON STEEL BERHAD v MULTI RESOURCES HOLDINGS SDN BHD (HIGH COURT OF SABAH AND SARAWAK SUIT NO. KCH-22-80-2011)

This case relates to the Company's successful legal action against Multi Resources Holdings Sdn Bhd (Defendant) to recoup its cost of investment of RM17.0 million in PMP Galvanizers Sdn Bhd (PMPG) as a result of non-compliance of certain conditions by the Defendant pursuant to a shareholders' agreement entered in 2005. The Company was awarded the RM17million claimed together with interest at 6% p.a. and cost (RM70,000) against the Defendant/ Respondent, Multi Resources Holdings on 12 February 2015. The Defendant is reported to be currently under receivership administration, and the Company is liaising with the appointed receivers for recovery. The probability of monetary recovery remains uncertain and no reversal of the full impairment previously made has been recognized.

B14 Dividend

The Company did not declare any dividend for the financial period ended 30 September 2015.



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

B15 Earnings per share

(i) Basic earnings per ordinary share

	Current Year Quarter Ended 30 Sep 2015	Preceding Year Corresponding Quarter Ended 30 Sep 2014	Current Year To Date Ended 30 Sep 2015	Preceding Year Corresponding Period Ended 30 Sep 2014
Profit/(loss) attributable to owners (RM000)	2,831	(2,181)	2,831	(2,181)
Weighted average number of ordinary shares in issue (net of treasury shares) (000)	282,505	177,960	282,505	177,960
Basic earnings per share (sen)	1.00	(1.23)	1.00	(1.23)

(ii) Diluted earnings per ordinary share

This is not applicable to the Group.

B16 Realised and Unrealised Profits/Losses Disclosure

	As at 30/9/2015 RM000	As at 30/6/2015 RM000
Total retained profits of the Company and its subsidiaries:		
- Realised	98,157	91,714
- Unrealised	(11,773)	(8,161)
	<u>86,384</u>	<u>83,553</u>
Add: Consolidation adjustments	(218)	(218)
Total group retained profits as per consolidated accounts	<u>86,166</u>	<u>83,335</u>

By order of the Board

LILY YIN KAM MAY (MAICSA 0878038)

Secretaries
Kuala Lumpur
24 November 2015