



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 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 for the current financial year.

- 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.

	31 Dec 2015	30 Jun 2015
Total interest bearing debts in RM million	212.8	257.6
Adjusted Shareholders' funds in RM million	294.0	285.9
Gearing Ratio	0.72	0.90

Of the total interest bearing debts as at 31 December 2015, around RM113.9m 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 31 December 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	178,305	106,063	1,183	285,551
Inter segment	(8,382)	-	(1,183)	(9,565)
External revenue	<u>169,923</u>	<u>106,063</u>	<u>-</u>	<u>275,986</u>
Pre-tax profit	<u>8,250</u>	<u>3,309</u>	<u>54</u>	<u>11,613</u>
Segment assets	<u>425,196</u>	<u>135,427</u>	<u>212</u>	<u>560,835</u>
	RMø000			
Segment assets	560,835			
Derivative assets	1,386			
Tax recoverable	<u>188</u>			
	<u>562,409</u>			

The businesses of the Group are carried out entirely in Malaysia. The Steel Tube was added as a segment with effect from the 4th quarter of the preceding financial year (i.e. from 1 April 2015).

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 the current financial year's 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 31 December 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 (hedge accounted)

Fair Value RMø000		
Level 1	Level 2	Level 3
0	2.8	0
0	1,382.8	0
0	(0.7)	0
Total	0	1,384.9

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

A11 Significant events and transactions

There were no significant events or transactions for the current quarter affecting the Groupø financial position and performance of its entities.

The sharp decline of the Ringgit against the USD recorded in the 1st quarter (by around 17%) has stabilized and retraced marginally (by around 3%) in the 2nd quarter. The Group maintained a high hedging ratio averaging around 90% of its foreign currency exposure which substantially mitigated volatility in its foreign exchange translations over the last two quarters, as disclosed in Notes B5 and B11.

The safeguard petition filed in July 2015 by the dominant domestic hot rolled coil (HRC) supplier Megasteel in seeking protective duties of 40% (on top of the existing 15% import duties imposed) on imported HRC was scheduled for ruling in December 2015, but was postponed to 8 January 2016. The subsequent event ruling was negative against the petitioner. Had the ruling been positive, the Groupø cold rolled and steel tube segmentsø performance for the remaining quarters of the current financial year would likely be negatively impacted.



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A12 Subsequent material events

There were no material events occurring between 1 January 2016 and the date of this announcement that warrant adjustments or disclosure to the financial statements for the quarter ended 31 December 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 second quarter ended 31 December 2015, the Group registered a total revenue of RM144.1 million as compared to RM135.0 million achieved in the preceding year's corresponding quarter. The small increase in revenue (of only around 6.7%) is in spite of the consolidation of the Steel Tube subsidiary's 2nd quarter's revenue contribution of RM55.8 million- which did not exist as a subsidiary of the Group in the preceding year's corresponding quarter. 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 23% and 11% respectively as a reflection of the soft current market conditions.

Despite the bearish current quarter, the Group recorded a profit before tax of RM7.4 million for the current quarter as compared to a loss before tax of RM4.6 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 RM16.2 million (preceding year's corresponding quarter gross profit: RM4.6 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 6.3 million. Synergistic benefits arising from the said acquisition and other cost rationalization measures also contributed to better gross margins compared to the preceding year's corresponding quarter. Consequently, the Group recorded an after-tax profit of RM5.3 million for the current quarter as compared to the preceding year's corresponding quarter's after-tax loss of RM4.2 million.

The Group recorded a higher EBITDA at RM14.3 million compared to the preceding year's corresponding quarter of RM1.8 million.

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

The Group's higher revenue at RM144.1 million for the current 2nd quarter compared to the immediate preceding quarter at RM131.9 million is mainly attributed to higher sales volume (Cold Rolled subsidiary up 9% and Steel Tube subsidiary up 11%) against the 1st quarter which saddles the Ramadan and Hari Raya holidays. The higher sales volume in the 2nd quarter is also partly attributed to the higher stock-up demand due to the impending decision on safeguard duties on imported HRC.

The Group registered a higher pre-tax profit of around RM7.4 million compared with the immediate preceding quarter's pre-tax profit of RM4.3 million which was mainly attributed to the said higher sales volume, and the absence of net foreign exchange loss (current quarter: gain of RM7 thousand; immediate preceding quarter: loss of RM0.87 million) as the weak Ringgit plateaued at all-times low. At the post-tax level, the Group recorded a net profit of RM5.3 million compared to a net profit of RM2.8 million in the immediate preceding quarter, bringing the total year-to-date net profit at around RM8 million despite the generally difficult market condition.

The Group recorded a higher quarterly EBITDA at RM14.3 million compared to the preceding quarter's RM11.3 million.

B3 Prospects for the remaining financial year

The negative factors currently weighing on the economy will likely continue into the remaining financial year even though the pace of downslide may likely decelerate. The weak Ringgit and depressed primary commodity prices (e.g. metals and crude oil) appear to be nearing bottom, while the depressed domestic sentiment seems to have peaked and plateaued as adjustment to reality sets in. The domestic economy remains at risk of further deterioration as signs of renewed global economic slowdown amidst peak global debts have begun to unfold.



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

B3 Prospects for the remaining financial year (continue)

Specific to the Group’s Cold-Rolled and Steel Tube operations, the Government’s negative ruling on Megasteel’s safeguard petition bodes well for the Group and the steel industry as a whole. Whilst competition from unfairly priced Chinese steel products will unlikely abate against the backdrop of economic slowdown in China and key global markets, the negative safeguard ruling coupled with the existing anti-dumping and trade measures accord a window for domestic rollers and tube-makers to compete against alternative cheap imports. Besides from that, the domestic steel market is expected to remain soft and difficult in tandem with the stymied economy and rising costs of doing business for the remaining of the current financial year.

In summary, prospect-outlook on the Group for the balance of the financial year is expected to remain challenging and laden with uncertainties. Barring external shocks, the Group’s ability to continue delivering positive results for the remaining quarters depends on sustaining spreads above economic production and sales volume, and tapping on export driven demand of its steel products directly (i.e. Licensed Warehouse Manufacturing exports of steel tubes) and indirectly (i.e. customers’ export goods made from cold-rolled coils).

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 31 Dec 2015 RM’000	Preceding Year Corresponding Quarter Ended 31 Dec 2014 RM’000	Current Year To Date Ended 31 Dec 2015 RM’000	Preceding Year Corresponding Period Ended 31 Dec 2014 RM’000
Depreciation	4,025	2,772	7,979	5,480
Interest income	(98)	(88)	(218)	(151)
Interest expense	3,059	2,476	6,298	4,569
FX differences (gain)/loss	(3,170)	2,891	8,173	4,691
FX derivatives loss/(gain)	3,163	(15)	(7,305)	(1,322)

Preceding year’s comparative figures do not include the consolidation of the Steel Tube subsidiary results until the 4th quarter.



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

B6 Taxation

Taxation comprises :

	Current Year Quarter Ended 31 Dec 2015 RMø000	Preceding Year Corresponding Quarter Ended 31 Dec 2014 RMø000	Current Year To Date Ended 31 Dec 2015 RMø000	Preceding Year Corresponding Period Ended 31 Dec 2014 RMø000
Current tax (expense)/credit				
Current period	(813)	(254)	(1,098)	(316)
Deferred tax (expense)/income				
Current period	(1,202)	624	(2,348)	1,166
	<u>(2,015)</u>	<u>370</u>	<u>(3,446)</u>	<u>850</u>

The current year-to-date's tax expense is higher due to deferred tax liability adjustments.

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 from lending institutions as at 31 December 2015, which are denominated entirely in Ringgit Malaysia, are as follows:

	<u>RMø000</u>
<u>Short-term borrowings:</u>	
Secured	103,176
Unsecured	2,269
<u>Long-term borrowings:</u>	
Secured	8,471
Total borrowings	<u>113,916</u>

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 RM79.9 million and RM18.9 million respectively as at 31 December 2015. Inclusive of this, the Group's net gearing ratio as at 31 December 2015 is around 0.72 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 manage its foreign currency exchange exposure arising from purchases of raw materials denominated in US Dollar (øUSDø) and Japanese Yen (øJPYø) and certain sales denominated in Singapore Dollar (øSGDø). 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, JPY 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 and JPY or accounts receivables in SGD) being charged to the Statement of Profit or Loss.

Details on outstanding derivative FX forward contracts for both the non-designated and designated for hedge accounting as at 31 December 2015 are outline below:

Non-designated

FX Forward Contracts (SDG/RM) as non-designated hedging instrument				
	Notional Value -000		Fair Value RMø000	
Maturity	Short SGD	Long RM	Financial Asset	Financial Liability
Less than 1 year	175	532	2.8	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 RMø000			Notional Value -000		Fair Value RMø000	
Maturity	Long USD	Short RM	Financial Asset	Financial Liability	Maturity	Short USD	n.a.	Financial Asset	Financial Liability
Less than 1 year	22,708	96,805	1,382.8	0	Matching	22,708	n.a.	0	1,382.8

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 RMø000			Notional Value -000		Fair Value RMø000	
Maturity	Long JPY	Short RM	Financial Asset	Financial Liability	Maturity	Short JPY	n.a.	Financial Asset	Financial Liability
Less than 1 year	450	17	0	0.7	Matching	450	n.a.	0.7	0

Besides the above unrealized positions, the Group has recorded a total realized net gain of around RM5.9 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 borrowings extended to its principal subsidiaries, Mycron Steel CRC Sdn. Bhd. and Melewar Steel Tube Sdn. Bhd. amounting to RM123.8 million as at 31 December 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 31 December 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 31 Dec 2015	Preceding Year Corresponding Quarter Ended 31 Dec 2014	Current Year To Date Ended 31 Dec 2015	Preceding Year Corresponding Period Ended 31 Dec 2014
Profit/(loss) attributable to owners (RMø000)	5,336	(4,248)	8,167	(6,429)
Weighted average number of ordinary shares in issue (net of treasury shares) (ø000)	282,505	177,960	282,505	177,960
Basic earnings per share (sen)	1.89	(2.39)	2.89	(3.61)

(ii) Diluted earnings per ordinary share

This is not applicable to the Group.

B16 Realised and Unrealised Profits/Losses Disclosure

	As at 31/12/2015 RMø000	As at 30/6/2015 RMø000
Total retained profits of the Company and its subsidiaries:		
- Realised	103,799	91,714
- Unrealised	(12,079)	(8,161)
	<u>91,720</u>	<u>83,553</u>
Add: Consolidation adjustments	(218)	(218)
Total group retained profits as per consolidated accounts	<u>91,502</u>	<u>83,335</u>

This 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)

Secretaries
Kuala Lumpur
23 February 2016