



MYCRON STEEL BERHAD

(622819-D)



annual report



CONTENTS

2	Notice of 12 TH Annual General Meeting
6	Chairman's Statement
14	Corporate Social Responsibility
16	Corporate Information
20	Quality Recognition
22	Profile of Directors
26	Group Financial Highlights & Financial Indicators
27	Analysis of Shareholdings
30	Statement on Corporate Governance
49	Directors' Statement on Risk Management and Internal Control
52	Audit Committee Report
55	Directors' Report
58	Statement by Directors
58	Statutory Declaration
59	Independent Auditors' Report
61	Statements of Comprehensive Income
62	Statements of Financial Position
63	Consolidated Statement of Changes in Equity
64	Company Statement of Changes in Equity
65	Statements of Cash Flows
66	Notes to the Financial Statements (Table of Contents)
118	Properties Owned by Mycron Steel Berhad & Its Subsidiaries
	Form of Proxy

NOTICE OF TWELFTH ANNUAL GENERAL MEETING



NOTICE IS HEREBY GIVEN that the **12TH Annual General Meeting** of the Company will be held at **Dewan Perdana, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur** on **Monday, 30 November 2015** at **10.00 a.m.** for the following purposes:

AGENDA	Resolution
AS ORDINARY BUSINESS	
1. To receive the Audited Financial Statements for the year ended 30 June 2015 together with the Reports of the Directors and the Auditors thereon.	Please refer to Explanatory Note A
2. To approve the payment of Directors' fees amounting to RM308,400.00 for the financial year ending 30 June 2016 to be payable quarterly in arrears.	1
3. To re-elect Tan Sri Datuk Seri Razman Md Hashim who is retiring pursuant to Section 129(6) of the Companies Act, 1965 ("the Act") and to hold office until the conclusion of the next Annual General Meeting ("AGM").	2
4. To re-elect Tunku Dato' Yaacob Khyra who retires pursuant to Article 113(1) of the Company's Articles of Association and who, being eligible, offers himself for re-election.	3
5. To re-elect the following Directors of the Company who are retiring pursuant to Article 120 of the Company's Articles of Association and who, being eligible, offer themselves for re-election:	
(i) Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah	4
(ii) En Shazal Yusuf bin Mohamed Zain	5
(iii) Mr Muk Sai Tat	6
6. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.	7
AS SPECIAL BUSINESS	
7. To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:	
(a) Proposed Renewal of Share Buy-Back Authority	8
<p>"THAT subject to compliance with Section 67A of the Act, the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by any relevant authority, the Company be and is hereby unconditionally and generally authorised to purchase and hold such number of ordinary shares of RM0.25 each in the Company ("Proposed Renewal of Share Buy-Back Authority") as may be determined by the Directors of the Company from time-to-time through the Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that the aggregate number of shares to be purchased pursuant to this resolution does not exceed four percent (4%) of the issued and paid-up share capital of the Company and that an amount not exceeding the Company's total audited retained profits of RM109,793 and/or share premium account of RM19,100,456 as at 30 June 2015 would be allocated by the Company for the Proposed Renewal of Share Buy-Back Authority.</p> <p>AND THAT such authority shall commence immediately upon passing of this Ordinary Resolution and will expire at the conclusion of the next AGM of the Company unless earlier revoked or varied by Ordinary Resolution of shareholders of the Company in a general meeting or upon the expiration of the period within which the next AGM is required by law to be held whichever is earlier but not so as to prejudice the completion of purchase(s) made by the Company before the aforesaid expiry date.</p> <p>AND THAT the Directors be and are hereby authorised to take all steps necessary to implement, finalise and to give full effect to the Proposed Renewal of Share Buy-Back Authority and further THAT authority be and is hereby given to the Directors to decide in their absolute discretion to either retain the shares so purchased as treasury shares or cancel them or both."</p>	



NOTICE OF TWELFTH ANNUAL GENERAL MEETING

(continued)

(b) **Proposed Renewal and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs")**

9

"THAT the mandate granted by the shareholders of the Company on 9 December 2014 pursuant to Paragraph 10.09 of the Listing Requirements of Bursa Securities, authorising the Company and its subsidiaries ("the Mycron Group") to enter into the RRPTs which are necessary for the Mycron Group's day-to-day operations as set out in Section 3.3(A) and (B) of Part B of the Circular to Shareholders dated 6 November 2015 ("the Circular") with the related parties mentioned therein, be and is hereby renewed, AND THAT mandate be and is hereby granted by the shareholders of the Company to apply to the new RRPTs as set out in Section 3.3(C) of Part B of the Circular with the related party mentioned therein, provided that:

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

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

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

whichever is earlier.

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

(c) **Authority to Issue and Allot Shares Pursuant to Section 132D of the Act**

10

"THAT, subject always to the Act, the Articles of Association of the Company and the approvals of the relevant governmental/regulatory authorities, where such approval is necessary, the Directors be and are hereby authorised pursuant to Section 132D of the Act, to issue and allot shares in the Company at any time until the conclusion of the next AGM, and upon such terms and conditions and for such purposes as the Directors may, in their absolute discretion, deem fit, provided that the aggregate number of shares to be issued does not exceed ten percent (10%) of the issued share capital of the Company for the time being and that the Directors be and are also empowered to obtain the approval from Bursa Securities for the listing of and quotation for the additional shares so issued."

By Order of the Board

LILY YIN KAM MAY (MAICSA 0878038)

Company Secretary

Kuala Lumpur

6 November 2015

NOTICE OF TWELFTH ANNUAL GENERAL MEETING

(continued)



NOTES:

1. Applicable to shares held through a nominee account.
2. A member entitled to attend, speak and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. A proxy may but need not be a member of the Company, and the provision of Section 149(1) (a) & (b) of the Act, shall not apply to the Company.
3. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
4. Where a member is an Exempt Authorised Nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy, shall be in writing under the hand of the appointer or his attorney duly authorised in writing, and in the case of a corporation, either under seal or under hand of an officer or attorney duly authorised.
6. The instrument appointing a proxy must be deposited at the Company's Registered Office, Suite 12.03, 12th Floor, No. 566, Jalan Ipoh, 51200 Kuala Lumpur, not less than forty eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
7. Any alteration in the Form of Proxy must be initialled.
8. Form of Proxy sent through facsimile transmission shall not be accepted.
9. For the purpose of determining a member who shall be entitled to attend this 12th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 79(a), 79(b) and 79(c) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 24 November 2015. Only a depositor whose name appears on the Record of Depositors as at 24 November 2015 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and/or vote on his/her behalf.
10. (i) Explanatory Note to Ordinary Business of Agenda 1 (Explanatory Note A):

This Agenda item is meant for discussion only as the provision of Section 169(1) of the Act, does not require a formal approval of the shareholders and hence, is not put forward for voting.

- (ii) Explanatory Notes to Special Business of Agenda 7:

(a) Proposed Renewal of Shares Buy-Back Authority

The Proposed Resolution 8, if passed, would empower the Directors to exercise the power of the Company to purchase its own shares ("the Proposal") by utilising its financial resources not immediately required. The Proposal may have a positive impact on the market price of the Company's shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.

(b) Proposed Renewal and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs")

The Proposed Resolution 9, if passed, will empower the Company to conduct recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, and will eliminate the need to convene separate general meetings from time to time to seek shareholders' approval. This will substantially reduce administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.

(c) Authority to Issue and Allot Shares Pursuant to Section 132D of the Act

The Ordinary Resolution proposed under Resolution 10 of the Agenda is a renewal of the General Mandate for the Directors to issue and allot shares pursuant to Section 132D of the Act. This mandate will provide flexibility for the Company to undertake future possible fund raising activities, including but not limited to placement of shares for purpose of funding the Company's future investment projects, working capital and/or acquisition(s) without having to convene another general meeting.

The Proposed Resolution 10, if passed, will give authority to the Directors of the Company, from the date of the above AGM, to issue and allot shares in the Company up to an amount not exceeding in total ten percent (10%) of the issued and paid-up share capital of the Company for the time being, for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company.



NOTICE OF TWELFTH ANNUAL GENERAL MEETING

(continued)

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the 11th AGM held on 9 December 2014 and which will lapse at the conclusion of the 12th AGM to be held on 30 November 2015.

The detailed information on Special Business of Agenda 7 except for Ordinary Resolution 10 as mentioned above is set out in the Circular to Shareholders of the Company dated 6 November 2015 which is dispatched together with the Company's 2015 Annual Report.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Securities, the details of the Directors who are seeking for re-election or re-appointment in Agenda 3, 4, and 5 of the Notice of the 12th Annual General Meeting of the Company are set out in the Directors' Profile on pages 22 to 25 of this Annual Report. Their securities holdings in the Company are set out in the Directors' Shareholdings which appears on page 29 of this Annual Report.

CHAIRMAN'S STATEMENT



On behalf of the Board of Directors, I am pleased to present the Annual Report of Mycron Steel Berhad and its group of companies (“the Group” or “Mycron”) for the financial year ended 30 June 2015.



FINANCIAL RESULTS

The year under review saw the steel industry in the doldrums, due to the influx of cheap duty exempted imports, and dumping activities of China, which has suppressed sales price, to near zero profit margins. Despite this, the Group achieved total revenue of RM518 million compared to RM448 million in the previous year, representing an increase of RM70 million or 16%.

Sales volume of Cold Rolled Coils (“CRC”) was 203,000 tonnes compared to 186,000 tonnes in the previous year, representing an increase of 9.1%. This growth, under an intensely competitive market, was achieved due to the committed and dedicated efforts of the Group’s staff, who have maintained a strong, decade-long relationship, with the Group’s clients. Based on the total production capacity of 260,000 tonnes per annum of CRC, the sales volume of 203,000 tonnes represented a utilisation rate of 78%, an increase of 9% over the previous year. The Group’s higher revenue for the current financial year is also attributed to post-acquisition contribution from the newly acquired Steel Tube subsidiary of around RM57.8 million.

Performance wise, the Group recorded an After Tax Profit of RM11.7 million largely due to the RM21.3 million ‘Gain on Bargain Purchase’ on the acquisition of the Steel Tube operation from Melewar Industrial Group Berhad (“MIG”).

It is important to note that the After Tax Profit for the financial year was achieved after taking into account a net foreign exchange loss of RM5.5 million, caused by the continued decline of the Ringgit during the year, and an impairment loss on plant and equipment of RM3.5 million.

DIVIDEND

Given that the steel industry remains extremely competitive, the cash flow position of the Group remains tight. The Directors therefore do not recommend the payment of any Dividend for the financial year ended 30 June 2015.

OPERATING REVIEW

Table 1 below shows the quarter by quarter performance of the CRC Division.

Mycron CRC Quarterly Performance					
Financial Year 2015		Q1	Q2	Q3	Q4
Sales Revenue	RM mil	107.9	135.0	116.6	107.8
Sales Tonnage	tonnes	45,793	58,100	50,856	48,172
Capacity Utilisation	%max	70.5%	89.4%	78.2%	74.1%
(Loss)/Profit Before Tax	RM mil	(2.66)	(4.62)	(2.86)	1.79

Table 1



CHAIRMAN'S STATEMENT

(continued)

During the first financial quarter, revenue was at RM108 million, compared to RM99 million in the previous quarter, representing an increase of RM9 million or 9%. Sales tonnage of 45,793 was 10% higher too. Even though both revenue and sales tonnage were higher, it is still considered a relatively low quarter, due to the fewer working days brought about by the Hari Raya holidays.

The second financial quarter saw revenue increasing to RM135 million, an increase of 25%. Sales volume jumped to 58,100 tonnes, reflecting the better performance given the longer working period compared to the previous quarter. Despite the stronger sales for the quarter, a loss of RM4.6 million before tax was incurred, due to net foreign exchange losses of RM2.0 million as the Ringgit declined 6.8% during the quarter.

For the third financial quarter, revenue dipped 13.6% to RM117 million while sales tonnage also dropped to 50,856 tonnes, a decrease of 12.5%. Historically, this period has always been the slowest period, considering the shutdown during the Chinese New Year holidays. Also contributing to the slower sales, was the road use limitations imposed for heavy vehicles, which had affected deliveries for the period.

The fourth quarter saw revenue declining further to RM108 million, with sales deliveries dipping slightly to 48,172 tonnes in a softer post GST market. Despite the lower revenue and sales deliveries compared to the previous quarter, the CRC Division registered a Profit Before Tax of RM1.8 million due to higher spreads and margins obtained during the quarter.

It should be noted that the steel industry has been under stress for much of the year under review, caused by oversupply in the international market, which led to pricing imbalances in the steel value chain. Dumping practices remain unchecked, causing substantial disruption to the pricing of CRC globally.

Countries like China, that pay “rebates” for CRC exports, are directly subsidising Chinese steel manufacturers, at the expense of the global steel industry. This, in any other word, is “dumping”, that is, when an exported product is priced lower than its domestic price.

The first half of the calendar year 2015 witnessed a full blown depressed market for CRC, in an over supplied market, made worse by an increase in legitimate and illegitimate CRC imports into the country. In addition, the weak market sentiment had adversely affected the operations of local steel manufacturers.

DOMESTIC CRC INDUSTRY STRUCTURE

Hot Rolled Coil (“HRC”) steel sheets are the basic raw material used for the production of the Group’s main product; Cold Rolled Coils (“CRC”) steel sheets. In general, CRC manufacturers produce two main types of CRC, namely:

1. Scrap Based CRC (made from Scrap Based HRC), and
2. Iron Ore Based CRC (made from Iron Ore Based HRC)

It should be noted that Scrap Based CRC has lower metallurgic qualities compared to Iron Ore Based CRC, because its raw material (i.e. Scrap Based HRC) contains impurities which were inherent in the scrap used to manufacture the HRC. Having a lower quality, Scrap Based CRC is used by downstream manufacturers, mainly in the steel tube and furniture sectors.

The higher quality Iron Ore Based CRC, is used by downstream manufacturers, mainly involved in producing steel drums for the petroleum and palm oil sectors, in making components for the automotive industry, in producing steel sheets for color coating and galvanizing purposes, and in the electronic and electrical appliances manufacturing of white goods, such as refrigerators, television sets, rice cookers, microwave ovens, etc.

Currently, there are 5 domestic CRC manufacturers, producing a mixed supply of Scrap Based and Iron Ore Based CRC, with estimated utilisation rates, as shown in Table 2.

CRC Industry Statistics	CRC Production *		CRC Capacity t/y	2014 Capacity Utilisation
	2013 t/y	2014 t/y		
CRC Steel Bhd	418,000	400,000	620,000	64.5%
Mycron Steel Bhd	180,000	203,000	260,000	78.1%
YKGI Bhd	105,000	120,000	220,000	54.5%
Megasteel Sdn Bhd	50,000	50,000	1,500,000	3.3%
Eonmetal Group Bhd	50,000	25,000	120,000	20.8%
Total	803,000	798,000	2,720,000	29.3%
Unused Capacity			1,922,000	70.7%
Capacity Utilisation	29.5%	29.3%		

Table 2

* estimated calendar year 2014 production (source: MISIF)

CHAIRMAN'S STATEMENT

(continued)



As mentioned earlier, the dumping of cheap imported CRC steel into the country, and in most cases, without having to pay the 15% import duty set by the Government, has continued to affect the domestic steel industry, as witnessed by the low capacity utilisation rate of the industry of 29.3%.

DOMESTIC FLAT STEEL PRODUCT INDUSTRY SUMMARY

FLAT STEEL CONSUMPTION		Consumption (tonnes)					2014 Variance
Class	Description	2010	2011	2012	2013	2014	
HRC & Related Products		t/y	t/y	t/y	t/y	t/y	
481	Hot Rolled Coil (HRC) Sheets (Carbon Steel)	1,867,508	2,035,146	1,848,363	2,041,342	1,779,605	-12.8%
470	Plates	418,734	422,673	441,360	516,295	476,063	-7.8%
720	Welded Pipes & Tubes	770,064	377,538	550,875	742,800	302,692	-59.2%
		3,056,306	2,835,357	2,840,598	3,300,437	2,558,360	-22.5%
511	Cold Rolled Coil (CRC) Sheets (Carbon Steel)	1,479,995	1,601,937	1,567,320	1,563,895	1,589,705	1.7%
CRC & Related Products							
520	Cold-Rolled Electrical Sheets	128,397	113,018	95,701	111,977	102,291	-8.6%
611	Galvanized (Hot Dipped) Zinc Sheets	699,091	860,352	667,729	787,481	733,989	-6.8%
612	Electro-Galvanized Iron (EGI) Sheets	372,719	270,861	284,970	311,378	301,282	-3.2%
620	Tin Plated Sheets	156,159	139,586	155,224	170,239	164,442	-3.4%
692	Color Coated Sheets	210,788	220,134	275,840	252,397	235,645	-6.6%
693	Other Metallic Coated Sheets	20,828	23,701	19,328	19,173	26,588	38.7%
		1,587,982	1,627,652	1,498,792	1,652,645	1,564,237	-5.3%
Total HRC & CRC Related Products		6,124,283	6,064,946	5,906,710	6,516,977	5,712,302	-12.3%
y-o-y Increase		32.4%	-1.0%	-2.6%	10.3%	-12.3%	

Table 3

(source: MISIF, Malaysian Iron and Steel Industry Federation)

Table 3 shows the consumption of Flat Steel, comprising of both HRC and CRC and their related products, for the country.

It will be noted from the table, that Malaysian HRC consumption for 2014, had declined by 12.8% to 1.78 million tonnes from 2.04 million tonnes in the previous year. On the other hand, CRC consumption grew slightly, by 1% to 1.59 million tonnes, compared to 1.56 million tonnes the previous year. Although domestic demand for HRC has fallen, the demand for CRC has been steady.

CHAIRMAN'S STATEMENT

(continued)

FLAT STEEL IMPORTS		Imports (tonnes)					2014 Variance
Class	Description	2010	2011	2012	2013	2014	
	HRC & Related Products	t/y	t/y	t/y	t/y	t/y	
481	Hot Rolled Coil (HRC) Sheets (Carbon Steel)	878,597	779,939	826,765	938,944	1,064,983	13.4%
470	Plates	273,358	285,714	331,052	389,486	359,901	-7.6%
720	Welded Pipes & Tubes	495,835	414,082	529,597	631,655	552,069	-12.6%
		1,647,790	1,479,735	1,687,414	1,960,085	1,976,953	0.9%
511	Cold Rolled Coil (CRC) Sheets (Carbon Steel)	842,061	820,675	765,789	851,234	814,731	-4.3%
	CRC & Related Products						
520	Cold-Rolled Electrical Sheets	142,167	131,732	105,202	119,241	108,782	-8.8%
611	Galvanized (Hot Dipped) Zinc Sheets	303,333	285,837	353,373	376,109	304,618	-19.0%
612	Electro-Galvanized Iron (EGI) Sheets	253,861	172,951	149,316	131,514	108,146	-17.8%
620	Tin Plated Sheets	71,611	64,684	95,380	97,248	98,805	1.6%
692	Color Coated Sheets	29,220	36,510	90,674	57,384	59,853	4.3%
693	Other Metallic Coated Sheets	27,817	26,477	20,681	23,814	28,763	20.8%
		828,009	718,191	814,626	805,310	708,967	-12.0%
	Total HRC & CRC Related Products	3,317,860	3,018,601	3,267,829	3,616,629	3,500,651	-3.2%
	y-o-y Increase	33.2%	-9.0%	8.3%	10.7%	-3.2%	

Table 4

(source: MISIF, Malaysian Iron and Steel Industry Federation)

Table 4 shows the level of imported Flat Steel into the country.

For 2014, HRC imports had increased by 13.4% to 1.06 million tonnes from 0.94 million tonnes the year previously. All HRC imports into the country are of the Iron Ore Based variety, reflecting the shift in domestic demand for HRC, from the low end Scrap Based HRC, toward the high end Iron Ore Based HRC.

On the other hand, CRC imports for 2014, had dropped by 4.3%, to 0.81 million tonnes compared to 0.85 million tonnes in 2013. This improvement was partially due to the formation, by the Ministry of International Trade and Industry ("MITI"), of the "Mesyuarat Mingguan Besi Keluli" ("MMBK") which meets with, and vets, all duty exemption applicants for the import of CRC.

Although imports of CRC have declined marginally, its total size of 0.82 million tonnes is still sizeable, representing 51.3% of the country's total CRC consumption of 1.59 million tonnes. With more than half of the country's CRC consumption being imported, it is not surprising therefore to see, the domestic industry's total production capacity utilisation, being as low as 29.3%.

Malaysian CRC manufacturers have been consistently asking the Government to undertake anti-dumping measures since 2014. In April 2015, CSC Steel Berhad formally filed for anti-dumping protection, for CRC being imported from Vietnam, China and Korea. Following that application, the Government issued a Gazette on 27 August 2015, giving itself 120 days to investigate and decide, whether or not there is a case to proceed. We are hopeful that the decision will be a positive one, as this will give the domestic CRC industry, a level playing field to operate within.

CHAIRMAN'S STATEMENT

(continued)



FLAT STEEL ANALYSIS 2014		Production (tonnes)	Import (tonnes)	Export (tonnes)	Consumption (tonnes)	% change from 2013
Class	Description					
HRC & Related Products						
481	Hot Rolled Coil (HRC) Sheets (Carbon Steel)	723,000	1,064,983	8,378	1,779,605	-12.8%
470	Plates	144,000	359,091	27,028	476,063	-7.8%
720	Welded Pipes & Tubes	800,600	552,069	1,049,977	302,692	-59.2%
		1,667,600	1,976,143	1,085,383	2,558,360	-22.5%
511	Cold Rolled Coil (CRC) Sheets	913,000	814,731	138,026	1,589,705	1.7%
CRC Related Products						
520	Cold-Rolled Electrical Sheets	-	108,782	6,491	102,291	-8.6%
611	Galvanized (Hot Dipped) Zinc Sheets	447,933	304,618	18,562	733,989	-6.8%
612	Electro-Galvanized Iron (EGI) Sheets	230,242	108,146	37,106	301,282	-3.2%
620	Tin Plated Sheets	115,000	98,805	49,363	164,442	-3.4%
692	Color Coated Sheets	211,639	59,853	35,847	235,645	-6.6%
693	Other Metallic Coated Sheets	-	28,768	2,180	26,588	38.7%
		1,004,814	708,972	149,549	1,564,237	-5.3%
Total HRC & CRC Related Products		3,585,414	3,499,846	1,372,958	5,712,302	-12.3%

Table 5

source: MISIF (Malaysian Iron and Steel Industry Federation)

Table 5 analyses the overall Malaysian Flat Steel industry's tonnage structure.

It will be noted in the table that of the 1.78 million tonnes of HRC consumed last year, 0.72 million tonnes were domestically produced, all of which was Scrap Based HRC. It is important to note that all of the imported HRC of 1.06 million tonnes is Iron Ore Based HRC, a product with substantially different metallurgical properties compared to the domestic Scrap Based HRC, for use by high end down-stream industries. The domestic HRC industry is, in that sense well protected, as Scrap Based HRC is not permitted to be imported into the country, without the 15% payment of import duties.

It is hoped that the Government will treat the CRC industry, with equal care and attention, as shown toward the HRC industry, to stop the issuance of duty exemption approvals for imported CRC that can be readily supplied by the domestic CRC industry.

It should be noted that apart from the basic CRC which is being imported of 0.82 million tonnes in 2014, the import of CRC Related Products (i.e. Cold-Rolled Electrical Sheets, Galvanized Zinc Sheets, Electro-Galvanized Sheets, Tin Plated Sheets, and Colour Coated Sheets) is also substantial, at 0.71 million tonnes a year. Curbing the import of CRC Related Products, through the restriction of duty exemption issuance, will increase the capacity utilisation of domestic manufacturers of CRC Related Products. When this occurs, demand by these manufacturers for the basic CRC raw material will increase, thereby improving the capacity utilisation of the domestic CRC industry.

A responsible Government would naturally encourage the use of locally manufactured CRC and CRC Related Products, by imposing anti-dumping regulations on countries undertaking such practices, and by controlling its issuance of duty exemption certificates, which would bolster the country's manufacturing capabilities, whilst limiting the drain on the national currency.



CHAIRMAN'S STATEMENT

(continued)

HRC RAW MATERIAL SUPPLY

The Group uses HRC as its core raw material, not just for the manufacture of CRC, but also for the manufacture of steel tubes and pipes, a division that was recently set up, with the acquisition of Melewar Steel Tube Sdn Bhd ("MST").

For the manufacture of steel pipes and tubes, the Group uses Scrap Based HRC, supplied exclusively by the sole domestic HRC manufacturer, Megasteel Sdn Bhd ("Megasteel"). For the manufacture of CRC, the Group also uses domestically supplied Scrap Based HRC for the manufacture of lower grade CRC, for the furniture and steel tube industry; but imports Iron Ore Based HRC for the manufacture of high grade CRC for its other clients.

Although Iron Ore Based HRC is of a higher grade, the cost of the HRC supplied by Megasteel (i.e. lower grade Scrap Based HRC) is higher.

The Ministry of International Trade and Industry ("MITI") had in 2012, engaged the Boston Consulting Group ("BCG") to conduct a study and to recommend solutions, to the issues faced by the steel industry in Malaysia, in particular to resolve the problems faced by Megasteel. The study culminated in the formation of the Malaysia Steel Council ("MSC"), the MSC Technical Committee and five working groups.

Megasteel was given a time frame of 24 to 36 months to improve its position, during which a pricing mechanism, to help them get back on their feet was implemented; based on the average price of HRC from 5 countries, namely Indonesia, India, Japan, Korea and Taiwan. This has allowed Megasteel to manage its HRC price in a more controlled manner.

Two years has already passed and the favorable steps adopted to aid Megasteel's recovery are still in process.

With the recent entry of Southern Steel Berhad as a domestic manufacturer of HRC, also using scrap iron as feed material, Megasteel's monopoly of the sector has effectively ended.

Megasteel had in August 2015 filed for "Safeguard" measures. In this respect, the Government had issued a Gazette on 10 September 2015, for the notice of initiation of investigation for the determination of safeguard measure, with regard to Hot Rolled Coils ("HRC") products imported into Malaysia.

Megasteel is seeking to prevent the import of all grades of HRC (i.e. Scrap Based and Iron Ore Based HRC) by asking for higher additional import duties of 40%, in addition to the existing 15% import duty, bringing the country's total duty to an internationally alarming 55%.

Mycron is of the view that this petition will see little daylight for the following reasons:

- (i) As there is no domestic manufacturer of Iron Ore Based HRC, there is no point in setting high import duties for such materials, which if implemented, would backfire and damage Malaysia's competitiveness; and
- (ii) As all Scrap Based HRC import are currently faced with an existing import duty of 15%, resulting in almost no Scrap Based HRC being imported into the country, further duty hikes will not have any effect on the import of Scrap Based HRC.

Implementing frivolous safeguards measures will most certainly tarnish Malaysia's standing in the world economy, and will severely damage its industrial competitiveness, as other nations will naturally retaliate Malaysia's actions, by imposing similar measures against Malaysian made products, not specifically to its steel products, but more painfully, to its palm oil, electronic and consumer goods products.

CHAIRMAN'S STATEMENT

(continued)

CORPORATE EXERCISE

For the year under review, several corporate exercises were undertaken. They were as follows:

1. Par Value Reduction,
2. Amendment to Memorandum & Articles of Association ("M&A"), and
3. Acquisition of Melewar Steel Tube Sdn Bhd ("MST").

1. Par Value Reduction

This exercise involved the cancellation of RM0.75 of the par value of each existing Mycron share, pursuant to Section 64(1) of the Act, which reduced the existing issued and paid-up share capital of Mycron, from RM179 million comprising 179 million Mycron shares of RM1.00 each, to RM44.75 million comprising 179 million new Mycron shares at RM0.25 each.

This exercise was necessary as Myron's shares had been trading below its par value of RM1.00 for the past one year, and it was not conducive for the Group to embark on any fund raising exercise and/or corporate exercise, involving new issuance of shares, without undertaking the Par Value Reduction. This exercise also enabled Mycron to eliminate accumulated losses at the Company level.

2. Amendment to Memorandum & Articles of Association ("M&A")

The Amendment to M&A was necessary to facilitate:

- (i) The change in the par value of Mycron's ordinary share from RM1.00 to RM0.25 as a result of the Par Value Reduction, and
- (ii) The issuance of the Consideration Shares to Melewar Industrial Group Berhad ("MIG") pursuant to the acquisition of Melewar Steel Tubes Sdn Bhd ("MST").

Following the above, Mycron changed its authorised share capital from RM500 million comprising 500 million Mycron shares, to RM500 million comprising 2,000 million new Mycron shares at RM0.25 each.

3. Acquisition of Melewar Steel Tube ("MST")

The acquisition of MST extends the Group's steel value chain to include downstream steel pipe and tube manufacturing.

The acquisition of MST was expected to result in synergistic benefits to the enlarged Group in the following areas:

- (i) Integration of the procurement function of MST and Mycron Steel CRC Sdn Bhd ("MSCRC") which may enhance pricing and bargaining power given the enlarged procurement volume,
- (ii) Sharing and optimization of resources such as management expertise, information technology systems and human resource allocation, which are expected to result in operational and production efficiencies as well as cost savings, and
- (iii) The ability to offer different types of steel products to customers through collaborative marketing strategies between MST and MSCRC.

LONG TERM OUTLOOK

To sustain business on a long-term basis, Management will focus on a few key areas, namely:-

1. To strengthen Mycron's steel presence with the acquisition of Melewar Steel Tube ("MST"), the rationale of which was reported earlier. The corporate exercise also enables the Group to centralise its purchase of HRC, thus improving its negotiation capabilities to attain competitive pricing.
2. Financial restructuring in order to maximise the Group's assets and optimise its bank borrowings to finance its operations.
3. To explore new export markets, using the Licensed Manufacturing Warehouse ("LMW") status, recently obtained by the Group for the steel tube operation. This license permits the Group to operate under a "bonded" status, giving it a competitive edge, in pricing goods for export. The Group is currently exploring potential new export markets, especially within the ASEAN countries, taking advantage of the Asean Free Trade Agreement ("AFTA").
4. To re-engineer operational processes to be a more cost effective steel operator.



CHAIRMAN'S STATEMENT

(continued)

PROSPECTS FOR THE NEW FINANCIAL YEAR

Given that the steel industry is currently not in the best of health, the Group retains a cautious outlook for the coming financial year. Global capacity continues to be in excess of demand, and dumping activities, especially by China, is still rampant, resulting in many countries filing anti-dumping measures against the country.

In addition to the competitive market, Malaysian steel manufacturers also have to contend with rising domestic operating costs, in terms of electricity, fuel, and natural gas cost, as well as SIRIM and CIDB fees. Starting in April this year, the Goods and Services Tax ("GST") of 6% was implemented, adding further cost of doing business.

To cap all its problems, the volatility of the country's currency, has also played a significant part, in curtailing the performance of the industry.

In summary, the coming year is expected to continue to be a tough one for the steel industry, in an environment where the country's economy, will face challenges coming from short-term inflation, high household debt and the economic slowdown in China.

A great deal will depend on the Government's decisions and actions, taken to protect the Malaysian CRC industry, especially in respect of the anti-dumping application against China, Vietnam and Korea. Also playing a significant role will be the outcome of the HRC safeguard petition filed by Megasteel.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my heartfelt gratitude and thanks, as well as sincere appreciation, to all members of the management team and their staff for their hard work and contribution to the Group.

Times may be hard, but by focusing our efforts in making excellent products, and delivering splendid services, Mycron will be a name to be recognised in the steel industry, for many years to come. Success always has humble beginnings.

TUNKU DATO' YAACOB KHYRA
Executive Chairman

CORPORATE SOCIAL RESPONSIBILITY



Acknowledging the importance of Corporate Social Responsibility, the Group is committed to be mindful of its responsibilities to the community through the practice of good corporate citizenship as well as to actively pursue policies and actions not only to generate profits but at the same time contribute to social and environmental objectives by integrating corporate social responsibility as a strategic investment into all our business plans and activities.

Over the years, the Company has taken steps to deliver sustainable value to the lives of the people we impact, especially in the workplace, the community, the environment and the marketplace. The Company seeks to improve the following initiatives which have been put in place for the Group:

BUSINESS GOVERNANCE ETHICS

In line with good corporate governance and transparent business practices, the Group constantly reviews its policy statements and best management practices to ensure the Group is managed effectively and ethically with adequate control mechanisms to manage risks and deliver accountability, sustainability and profitability. This includes the implementation of internal control systems such as a financial authority framework and risk management framework. Coupled with this, the Company's Audit Committee and Risk Management Committee periodically review these internal control systems together with recommendations from Internal and External Auditors as well as appointed Advisors for projects undertaken by the Company.

CUSTOMER SATISFACTION

The Group is unwavering in meeting its standards of excellence by ensuring the delivery of quality in project execution and meeting all customer deliverables as detailed in our contracts.

We aspire towards full realisation of ISO standards throughout our operations and the application of established quality practices and policies. The Group is committed to improving compliance with product requirements and the effectiveness of its Quality Management System on a continuing basis.

WORKPLACE

A major challenge for companies today is attracting and retaining skilled workers. Bearing this in mind, the Group recognises the importance of employees as the most valuable asset. Within the Company, socially responsible practices primarily involving employees and which relate to issues such as investing in human capital, health and safety have been put in place.

The Company constantly enhances employees' job-related skills, knowledge and experience via in-house and external training programmes. A structured internal training and development programme has been planned and implemented to improve the technical skills of the employees. Employees with good knowledge, competent skills and positive attitude are among the attributes that the Company looks to hone. In this aspect, the Group strives to maintain high standards of recruitment, development and retention of employees in the workplace by offering attractive remuneration and career development planning.

Our employees also benefit from comprehensive medical benefits including the provision of insurance coverage under hospitalisation and surgical, group term life and personal accident.

Attention is also given towards fostering good working relationships and building team spirit among the employees through sporting activities.

The Group is progressively looking to improve and upgrade, where necessary, its factory facilities and infrastructures to provide a conducive working environment. The Group is also committed to ensure that the safety and health of employees are paramount at all times. This is reflected in the establishment of the Safety and Health Committee, tasked to conduct preventive measures and safety training programmes in order to create safety awareness among the employees.

The Company has also maintained the policy of rewarding the employees when the "Accident Frequency Rate" is kept at a minimal level under its safety campaign named "Safety for me" or in Bahasa Malaysia, "*Keselamatan untuk saya*".



CORPORATE SOCIAL RESPONSIBILITY

(continued)

ENVIRONMENT

The Company has obtained the ISO 14001:2004 - Environmental Management System certification which is an internationally recognised standard for the establishment of an organisation's environmental management system in 2014.

The Group ensures that business activities are conducted in compliance with the applicable environment regulations and laws at all times besides recognising the importance of good environmental management/preservation practices. In our daily operations, the Group continues to be committed to:

- recycling and reselling of waste materials;
- reducing energy consumption;
- reducing production waste throughout the operations by proper production planning;
- undertaking measures to reduce wastages, pollution and harmful emissions;
- practicing a paperless environment and reducing usage of plastic across all the factories and offices of the Group; and
- encouraging employees to switch off non-essential electrical machinery, equipment and appliance when not in use.

In order to reduce our energy consumption, the Company has replaced the existing office lightings to led units. Led lighting is also being utilised whenever possible in the production area.

Besides the above initiatives, the Company had also undertaken a Rainwater Harvesting Project since 2011 to reduce our consumption of water from SYABAS. This project also alleviates the rainwater peak run-off and helps to prevent flooding and soil erosion of our surrounding areas.

COMMUNITY

The Group aims to add value to the community in which it operates its business, and through this engagement, enhance the long-term sustainability of the business.

In recognising the above, the Company has planned to set up an Emergency Response Team (ERT). We have presently 12 employees in the ERT and they will be sent for training which will be conducted by Bomba.

Realising the social responsibility towards the community, the Group has contributed to the funds of orphanages and charitable organisations.

CORPORATE INFORMATION



Domicile	:	Malaysia
Legal Form & Place of Incorporation	:	A public listed company incorporated in Malaysia under the Companies Act, 1965 and limited by shares
Directors	:	<p>Tunku Dato' Yaacob Khyra</p> <ul style="list-style-type: none">▪ <i>Executive Chairman</i> <p>En Azlan bin Abdullah</p> <ul style="list-style-type: none">▪ <i>Executive Director/Chief Executive Officer</i> <p>Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah</p> <ul style="list-style-type: none">▪ <i>Non-Independent Non-Executive Director</i> <p>Tan Sri Datuk Seri Razman Md Hashim</p> <ul style="list-style-type: none">▪ <i>Independent Non-Executive Director</i> <p>Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah</p> <ul style="list-style-type: none">▪ <i>Independent Non-Executive Director</i> <p>En Shazal Yusuf bin Mohamed Zain</p> <ul style="list-style-type: none">▪ <i>Independent Non-Executive Director</i> <p>Mr Muk Sai Tat</p> <ul style="list-style-type: none">▪ <i>Independent Non-Executive Director</i>
Secretary	:	Ms Lily Yin Kam May
Audit Committee	:	<p>Mr Muk Sai Tat</p> <ul style="list-style-type: none">▪ <i>Chairman</i> <p>Tan Sri Datuk Seri Razman Md Hashim</p> <ul style="list-style-type: none">▪ <i>Member</i> <p>En Shazal Yusuf bin Mohamed Zain</p> <ul style="list-style-type: none">▪ <i>Member</i>
Registrar & Transfer Office	:	Trace Management Services Sdn Bhd Suite 12.03, 12 th Floor No. 566 Jalan Ipoh 51200 Kuala Lumpur Telephone No.: 03-6252 8880 Telefax No.: 03-6252 8080



CORPORATE INFORMATION

(continued)

Registered Office	:	Suite 12.03, 12 th Floor No. 566 Jalan Ipoh 51200 Kuala Lumpur Telephone No.: 03-6252 8880 Telefax No.: 03-6252 8080
Principal Place of Business	:	Lot 717 Jalan Sungai Rasau Seksyen 16 40200 Shah Alam Selangor Darul Ehsan Telephone No.: 03-5510 6608 Telefax No.: 03-5510 3720
Solicitors	:	Messrs Reddi & Co. Advocates REDDI Building, No 393 Jalan Datuk Abang Abdul Rahim 93450 Kuching Sarawak, Malaysia P.O.BOX 197, 93702 Kuching Telephone No.: 082-484 466 Telefax No.: 082-484 466
Auditors	:	Messrs PricewaterhouseCoopers (AF 1146) Level 8-15, 1 Sentral Jalan Rakyat Kuala Lumpur Sentral 50706 Kuala Lumpur Telephone No.: 03-2173 1188 Telefax No.: 03-2173 1288
Principal Bankers (In alphabetical order)	:	<ul style="list-style-type: none">▪ Bangkok Bank Berhad▪ OCBC Bank (Malaysia) Berhad
Stock Exchange Listing	:	Main Market of Bursa Malaysia Securities Berhad (“Bursa Securities”) Stock Number 5087
Website	:	www.mycronsteel.com
E-mail	:	enquiry@mycronsteel.com

**MYCRON STEEL
BERHAD**



**MYCRON STEEL
BERHAD**



QUALITY RECOGNITION



Mycron Steel constantly improves its operations and strives to meet customers' expectations. In 1996, Mycron Steel achieved its ISO 9001 certification. Since it was established, the effectiveness of the Quality Management System has been refined to adapt to global challenges. 2010 marks Mycron Steel's upgrade in its Quality Management System to ISO 9001 : 2008 and it was recognised by SIRIM with an IQNET certification.

Mycron Steel believes it has an important role to ensure continual improvement of environmental performance in all its business operations. To fulfil this obligation, we have been certified with ISO 14001 : 2004 Environmental Management System acknowledged by SIRIM and IQNET. This is achieved by setting annual environmental improvement objectives and targets which are regularly monitored and reviewed. The objectives and targets are publicised throughout the organisation and all staff are committed to their achievement.

We are committed to monitor and improve environmental performance, pollution prevention and environmental protection by minimising waste, promoting recycling, reducing energy consumption, reducing harmful emissions and, where possible, to work with suppliers and customers in order to make our factory a better place and environment-friendly.





QUALITY RECOGNITION

(continued)



PROFILE OF DIRECTORS



Tunku Dato' Yaacob Khyra

*Aged 55, Malaysian
Executive Chairman*

Member of the Executive Committee

Tunku Dato' Yaacob Khyra was appointed to the Board of Directors of the Company on 30 March 2004 as a Non-Independent Non-Executive Director. Subsequently, he was re-designated to Non-Independent Non-Executive Chairman of the Company on 2 May 2008.

On 2 January 2015, Tunku Dato' Yaacob was re-designated to Executive Chairman of the Company. He is also a Director of Mycron Steel CRC Sdn Bhd. He currently holds the position of Executive Chairman of MAA Group Berhad ("MAAG") and Executive Chairman of Melewar Industrial Group Berhad ("MIG").

Tunku Dato' Yaacob graduated with a Bachelor of Science (Hons) Degree in Economics and Accounting from City University, London. An accountant by training, he is a Fellow of the Institute of Chartered Accountants in England & Wales and a member of the Malaysian Institute of Accountants.

Tunku Dato' Yaacob started his career as an Auditor with Price Waterhouse in London from 1982 to 1985 and subsequently employed by the same firm in Kuala Lumpur from 1986 to 1987. Tunku Dato' Yaacob joined Malaysian Assurance Alliance Berhad (now known as Zurich Insurance Malaysia Berhad) in 1987 until October 2006.

Currently, Tunku Dato' Yaacob is a Board Member of MAAG, MIG, Melewar Group Berhad, Khyra Legacy Berhad and Ithmaar Bank B.S.C. (listed on the Bahrain Stock Exchange) and several other private limited companies.

Tunku Dato' Yaacob is the Chairman of the Board of Trustees for MAA Medicare Charitable Foundation and The Budimas Charitable Foundation.

Tunku Dato' Yaacob is the brother to Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah. His shareholding in the Company is disclosed on page 29 of the Annual Report.

Tunku Dato' Yaacob does not have any personal interest in any business arrangements involving the Company.

Tunku Dato' Yaacob does not have any conflict of interest with the Company and he has had no conviction for any offences within the past ten (10) years.



Azlan bin Abdullah

*Aged 57, Malaysian
Executive Director/Chief Executive Officer*

Chairman of the Executive Committee

En Azlan bin Abdullah was appointed to the Board of Directors of the Company on 30 March 2004 as an Executive Director/Chief Executive Officer. He is also the Executive Director/Chief Executive Officer of Mycron Steel CRC Sdn Bhd. He is currently the Managing Director/Group Chief Executive Officer of Melewar Industrial Group Berhad and sits on the Boards of HSBC Amanah Malaysia Berhad and several other private limited companies.

En Azlan holds a Bachelor of Science Degree in Business Administration from Trinity University, San Antonio, Texas, USA and a Masters Degree in Business Administration from Morehead State University, Kentucky, USA.

He started his career in 1983 with Citibank N A and in 1987, he joined United Asian Bank ("UAB") where he started and headed the Treasury Marketing Unit. After UAB merged with Bank of Commerce, he was subsequently promoted to Head of Priority Banking Division and Branch Manager of the KL Main Branch in 1992. In 1994, he rejoined Citibank Berhad as Vice President and Head of Public Sector Division.

En Azlan has no family ties with any of the Directors and/or major shareholders of the Company. His shareholding in the Company is disclosed on page 29 of the Annual Report.

En Azlan does not have any personal interest in any business arrangements involving the Company.

En Azlan does not have any conflict of interest with the Company and he has had no conviction for any offences within the past ten (10) years.

PROFILE OF DIRECTORS

(continued)



**Tunku Dato' Kamil Ikram bin
Tunku Tan Sri Abdullah**

Aged 59, Malaysian

Non-Independent Non-Executive Director

Member of the Risk Management Committee

Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah was appointed to the Board of Directors of the Company on 10 June 2008 as a Non-Independent Non-Executive Director. He currently sits on the Boards of Melewar Group Berhad and several other private limited companies.

Tunku Dato' Kamil completed his Diploma (OND) Hotel & Catering Management in 1976 and Professional (HCIMA) Hotel Management in 1978. He also went on to earn a Diploma in Marketing in 1979. In 1990, he graduated with an Executive MBA from Boston University, Graduate School of Management, M.A., USA.

Back in Malaysia, Tunku Dato' Kamil's first job in 1979 was at the Hyatt Regency Hotel in Kuantan, where he served as Assistant Manager and later as Credit Manager. Following this, the diversified family organisation Melewar beckoned and the early 80's saw Tunku Dato' Kamil immersed in its diverse businesses, as Group Operations Director. Following the acquisition of two (2) public listed companies, Granite Industries Bhd and Malaysian Assurance Alliance Berhad (now known as Zurich Insurance Malaysia Berhad) in the mid 80's, he was appointed as the Special Projects Director and oversaw several projects, covering different industries and disciplines. In 1989, he went to Boston to do his MBA, returning in 1991 to continue his responsibilities with Melewar and Granite Industries Bhd. He also briefly served on the Board of TDM Bhd.

In mid 90's, Tunku Dato' Kamil set up a multi-concept entertainment business in Kuala Lumpur and Penang. This then saw him offering his expertise to start-up similar businesses in Southern Thailand and in Bangkok, where he also consulted for foreign companies in diverse areas such as communications, trading and defense.

Currently, as Associate Director of Business Development, Tunku Dato' Kamil spends his time evaluating new projects and finalising plans to develop his beachfront land in Cherating, Pahang for which he has incorporated a company, Ribuan Bakat Sdn Bhd, a land holding company.

Tunku Dato' Kamil is the brother to Tunku Dato' Yaacob Khyra. His shareholding in the Company is disclosed on page 29 of the Annual Report.

Tunku Dato' Kamil does not have any personal interest in any business arrangements involving the Company.

Tunku Dato' Kamil does not have any conflict of interest with the Company and he has had no conviction for any offences within the past ten (10) years.

PROFILE OF DIRECTORS

(continued)



Tan Sri Datuk Seri Razman Md Hashim

*Aged 76, Malaysian
Independent Non-Executive Director
Member of the Audit Committee
Chairman of the Nomination and Remuneration Committee*

Tan Sri Datuk Seri Razman Md Hashim was appointed to the Board of Directors of the Company on 1 October 2012 as an Independent Non-Executive Director.

Tan Sri Datuk Seri Razman completed his early secondary education in Australia and on completion, studied Accounting and Banking where he became a member of the Australian Institute of Bankers.

Upon his return to Malaysia, Tan Sri Datuk Seri Razman joined Standard Chartered Bank Malaysia Berhad ("SCB") as an Officer Trainee in 1967. Throughout his 34 years of banking experience in SCB, he served with the bank's offices in London, Europe, Hong Kong and Singapore. In 1994, he was appointed as the Executive Director/Deputy Chief Executive of SCB until his retirement in June 1999.

In the same month in 1999, Tan Sri Datuk Seri Razman was appointed as Chairman of MBf Finance Berhad by Bank Negara Malaysia ("BNM") until January 2002 when the finance company was sold to Arab-Malaysian Group. In May 2002 he was appointed as an Independent Non-Executive Director of Affin Bank Berhad by BNM until his retirement in May 2009. He was appointed as Independent Non-Executive Director of Malaysian Assurance Alliance Berhad ("MAA") (now known as Zurich Insurance Malaysia Berhad) on 1 July 2006 until 30 September 2011 when MAA was sold to Zurich Insurance Company Ltd.

Tan Sri Datuk Seri Razman is currently the Deputy Chairman of the Sunway Group of Companies and his current directorships in other public companies include SILK Holdings Berhad, Berjaya Land Berhad, Sunway Berhad, MAA Takaful Berhad and MAA Group Berhad.

Tan Sri Datuk Seri Razman is also a Director of ASLI Foundation and Jeffrey Cheah Foundation as well as the Alternate Director in Perdana Leadership Foundation.

Tan Sri Datuk Seri Razman has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company.

Tan Sri Datuk Seri Razman does not have any personal interest in any business arrangements involving the Company.

Tan Sri Datuk Seri Razman does not have any conflict of interest with the Company and he has had no conviction for any offences within the past ten (10) years.



Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah

*Aged 60, Malaysian
Independent Non-Executive Director
Member of the Nomination and Remuneration Committee*

Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah was appointed to the Board of Directors of the Company on 2 January 2015 as an Independent Non-Executive Director.

He currently sits on the Boards of Global Oriental Berhad, DutaLand Berhad, Sime Darby Property Berhad and several other private limited companies involved in property development.

Tengku Datuk Seri Ahmad Shah completed his Diploma in Business Administration from Universiti Teknologi MARA in 1974. He started his career in Charles Bradburne (1930) Sdn Bhd as a stock broker from 1974 to 1981. He was a Director of TTDI Development Sdn Bhd from 1978 to 2000 and a Director of Sime UEP Berhad from 1983 to 1987 and Tractors Malaysia Holdings Berhad from 1987 to 2007.

Tengku Datuk Seri Ahmad Shah has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company.

Tengku Datuk Seri Ahmad Shah does not have any personal interest in any business arrangements involving the Company.

Tengku Datuk Seri Ahmad Shah does not have any conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years.



PROFILE OF DIRECTORS

(continued)



Shazal Yusuf bin Mohamed Zain

*Aged 44, Malaysian
Independent Non-Executive Director
Chairman of the Risk Management Committee
Member of the Audit Committee*

En Shazal Yusuf bin Mohamed Zain was appointed to the Board of Directors of the Company on 2 January 2015 as an Independent Non-Executive Director. He currently sits on the Board of Melewar Industrial Group Berhad and several other private limited companies.

En Shazal holds a Master of Science in Shipping, Trade and Finance from City University Business School, United Kingdom. He also holds a Bachelor of Arts in Economics from Nottingham University, United Kingdom.

En Shazal commenced his working career in 1994 as a corporate finance executive at Commerce International Merchant Bankers Berhad (CIMB). He moved in 1996 to BSN Merchant Bankers as Assistant Manager, Corporate Banking before rejoining CIMB in 1998 as Senior Strategist, Treasury & Risk Management until 1999, when he decided to leave the investment banking sector to manage various business interests. He is currently the Managing Director of Confoil (Malaysia) Sdn Bhd and Shaz Inflight Sdn Bhd.

En Shazal has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company.

En Shazal does not have any personal interest in any business arrangements involving the Company.

En Shazal does not have any conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years.



Muk Sai Tat

*Aged 52, Malaysian
Independent Non-Executive Director
Chairman of the Audit Committee
Member of the Risk Management Committee*

Mr Muk Sai Tat was appointed to the Board of Directors of the Company on 2 January 2015 as an Independent Non-Executive Director. He currently sits on the Boards of Melewar Industrial Group Berhad, Gabungan AQRS Berhad and Halex Holdings Berhad.

Mr Muk holds a Master of Business Administration (General Management) from University of Bath, United Kingdom and is a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants.

Mr Muk commenced his working career in 1983 with PricewaterhouseCoopers as an Audit Assistant and progressed to Audit Senior upon completion of Malaysian Association of Certified Public Accountants examination in June 1989. In September 1990, he joined Ogilvy & Mather (Malaysia) Sdn Bhd as an Accountant and later joined Energizer Battery Company (M) Sdn Bhd in 1991 as a Sales Accounting Manager and Financial Analyst. In 1996, he joined Emerson Electric (M) Sdn Bhd as a Financial Controller – Southeast Asia and later joined Pernas Otis Elevator Co. Sdn Bhd and Otis Manufacturing Company Sdn Bhd in 1999 as a Financial Controller/Chief Financial Officer. In 2000, he joined Skyline Concepts Sdn Bhd as a General Manager and later joined Concino Sdn Bhd in 2001 as the Group Chief Executive Officer.

In 2003, Mr Muk joined Mangium Industries Bhd as the Group Chief Executive Officer/Executive Director and later joined WaKa Parter AG/Forestry Investment Trust (F.I.T.) and WaKa-Forest Investment Services AG (WaKa-FIS) in 2007 as a Representative for Asia (F.I.T.) and as a Director in Asia Pacific for WaKa-FIS in 2009. In 2010, he joined TT Resources Bhd as an Executive Director. In 2011, he joined Asian Business Solutions Sdn Bhd as a Partner/Consultant.

Mr Muk has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company.

Mr Muk does not have any personal interest in any business arrangements involving the Company.

Mr Muk does not have any conflict of interest with the Company and has had no conviction for any offences within the past ten (10) years.

GROUP FINANCIAL HIGHLIGHTS & FINANCIAL INDICATORS



	2011	2012	2013	2014	2015
1 Financial highlights of Statements of Profit or Loss					
Revenue (RM mil)	414.4	443.3	513.3	448.0	518.3
EBITDA (RM mil)	16.5	11.9	29.6	12.5	15.2
Profit/(loss) before tax (RM mil)	0.4	(16.7)	11.0	(14.1)	10.5
Profit/(loss) after tax (RM mil)	0.5	(15.8)	7.0	(9.2)	11.7
Financial Year 2015 includes 3 months of the newly acquired steel tube subsidiary's financial results.					
2 Financial highlights of Statements of Financial Position					
Total assets (RM mil)	460.6	483.4	462.4	428.4	587.5
Total borrowings (RM mil)	155.8	179.0	177.4	161.0	257.6
Shareholders equity (RM mil)	264.7	252.6	264.0	257.9	305.9
Financial Year 2015 includes the assets/liabilities of the newly acquired steel tube subsidiary.					
3 Financial indicators					
Return on equity (%)	0.2	(6.3)	2.7	(3.6)	3.8
Return on total assets (%)	0.1	(3.3)	1.5	(2.1)	2.0
Gearing ratio (Times)	0.59	0.71	0.67	0.62	0.84
Net earnings/(loss) per share (sen)	0.3	(8.9)	3.9	(5.2)	5.7
Net asset per share (RM)	1.49	1.42	1.48	1.45	1.08
PE ratio	260.5	(3.5)	7.1	(7.4)	5.1
Share price as at FYE (RM)	0.58	0.31	0.28	0.38	0.29



ANALYSIS OF SHAREHOLDINGS

As at 30 September 2015

Authorised Share Capital	-	RM500,000,000
Issued and Paid-up Capital	-	RM70,886,364
Class of Shares	-	Ordinary Shares of RM0.25 each
Voting Rights	-	1 Vote Per Ordinary Share
Total Number of Shares Issued	-	283,545,455
No. of Shareholders	-	5,221

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
Less than 100	507	9.71	20,945	0.01
100 - 1,000	2,160	41.37	1,199,337	0.42
1,001 - 10,000	1,902	36.43	8,609,073	3.04
10,001 - 100,000	580	11.11	17,108,604	6.03
100,001 and below 5% of issued shares	71	1.36	54,557,275	19.24
5% and above of issued shares	1	0.02	202,050,221	71.26
Total	5,221	100.00	283,545,455	100.00

THIRTY LARGEST SHAREHOLDERS

As at 30 September 2015

	Name	Ordinary Shares of RM0.25 each	⁽¹⁾ % of Issued Capital
1.	Melewar Industrial Group Berhad	202,050,221	71.52
2.	Affin Hwang Nominees (Asing) Sdn Bhd (Beneficiary: UOB Kay Hian Pte Ltd for Bradford Securities Ltd)	6,320,475	2.24
3.	Cartaban Nominees (Asing) Sdn Bhd (Beneficiary: Exempt An for Daiwa Capital Markets Singapore Limited)	5,370,000	1.90
4.	Amsec Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Avenue Serimas Sdn Bhd)	5,333,800	1.89
5.	Maybank Nominees (Asing) Sdn Bhd (Beneficiary: Exempt An for DBS Bank Limited)	5,293,100	1.87
6.	Araneum Sdn Bhd	5,076,000	1.80
7.	Tan Cheng Chai	4,785,000	1.69
8.	Cartaban Nominees (Asing) Sdn Bhd (Beneficiary: Marubeni-Itochu Steel Inc.)	3,580,000	1.27
9.	Amanahraya Trustees Berhad (Beneficiary: Skim Amanah Saham Bumiputera)	2,360,900	0.84
10.	Avenue Serimas Sdn Bhd	1,898,900	0.67
11.	Lim Seng Chee	824,000	0.29
12.	Ng Teng Song	616,900	0.22
13.	Yeoh Phek Leng	608,750	0.22
14.	Pacific Strike Sdn Bhd	544,200	0.19
15.	HLIB Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Ang Poh Eng)	400,800	0.14

ANALYSIS OF SHAREHOLDINGS

As at 30 September 2015

(continued)

THIRTY LARGEST SHAREHOLDERS (continued)

As at 30 September 2015

	Name	Ordinary Shares of RM0.25 each	^(a) % of Issued Capital
16.	Maybank Securities Nominees (Asing) Sdn Bhd (Beneficiary: Maybank Kim Eng Securities Pte Ltd for Divyesh Nagindas Doshi)	385,200	0.14
17.	Lim Seng Qwee	374,000	0.13
18.	Goh Ah Kow @ Goh Bak Cheng	338,100	0.12
19.	Lim Tock Ooi	335,000	0.12
20.	Ko Teck Hong	309,400	0.11
21.	Cimsec Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Ng Geok Wah)	300,000	0.11
22.	YAM Tunku Nadzaruddin ibni Tuanku Ja'afar	283,600	0.10
23.	Wong Yeap Min	275,000	0.10
24.	Leong Kok Tai	266,700	0.09
25.	Ng Yik Soon	256,500	0.09
26.	Chan Seng Cheong	254,000	0.09
27.	Kum Mun Ho	250,000	0.09
28.	AmBank (M) Berhad (Beneficiary: Pledged securities account for Azlan bin Abdullah)	247,000	0.09
29.	Chin Yok Lay @ Chin Yok Lin	241,900	0.09
30.	Syarikat Hawk Soon Hin Sdn Bhd	235,000	0.08
	TOTAL	249,414,446	88.29

Note:

^(a) The percentages of the Thirty Largest Shareholders are calculated by dividing the shares held by the respective shareholders with the total number of ordinary shares in issue, excluding 1,040,300 treasury shares held by the Company.



ANALYSIS OF SHAREHOLDINGS

As at 30 September 2015

(continued)

LIST OF SUBSTANTIAL SHAREHOLDERS

As at 30 September 2015

Name	Number of Shares Held			
	Direct	% ⁽¹⁾	Indirect	% ^(a)
Tunku Dato' Yaacob Khyra	-	-	202,102,521	71.54 ⁽¹⁾
Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah	-	-	202,102,521	71.54 ⁽²⁾
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	-	-	202,102,521	71.54 ⁽²⁾
Datin Ezurin Yusnita binti Abdul Malik	-	-	202,102,521	71.54 ⁽²⁾
Melewar Industrial Group Berhad	202,050,221	71.52	-	-
Melewar Equities (BVI) Ltd	-	-	202,050,221	71.52 ⁽³⁾
Melewar Khyra Sdn Bhd	-	-	202,050,221	71.52 ⁽³⁾
Khyra Legacy Berhad	-	-	202,050,221	71.52 ⁽⁴⁾

DIRECTORS' SHAREHOLDINGS

As at 30 September 2015

Name	Number of Shares Held			
	Direct	% ⁽¹⁾	Indirect	% ^(a)
Tunku Dato' Yaacob Khyra	-	-	202,102,521	71.54 ⁽¹⁾
Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah	-	-	202,102,521	71.54 ⁽²⁾
Azlan bin Abdullah	247,000	0.03	-	-

Notes:

- ^(a) The percentages of the substantial shareholders and Directors' shareholdings are calculated by dividing the shares held by the respective substantial shareholders and Directors' with the total number of ordinary shares in issue, excluding 1,040,300 treasury shares held by the Company.
- ⁽¹⁾ Deemed interested by virtue of Section 6A(4) and Section 122A(1)(b) of the Companies Act, 1965 via Melewar Industrial Group Berhad ("MIG").
- ⁽²⁾ Deemed interested by virtue of their family relationship with Tunku Dato' Yaacob Khyra, who is the ultimate Substantial Shareholder of MIG.
- ⁽³⁾ Deemed interested by virtue of it being a Substantial Shareholder of MIG.
- ⁽⁴⁾ Deemed interested by virtue of it being a substantial shareholder of Melewar Equities (BVI) Ltd and the holding company of Melewar Khyra Sdn Bhd, the substantial shareholders of MIG.

STATEMENT ON CORPORATE GOVERNANCE



The Board of Directors (“the Board”) of Mycron Steel Berhad (“the Company”) acknowledges that a sound corporate governance structure is vital to ensure sustainability as well as business growth and is therefore committed in ensuring that the Group carries out its business operations within the required standards of corporate governance as set out in the Malaysian Code on Corporate Governance 2012 (“the Code”).

The following sections explain how the Group has applied the key principles of the Code and the extent of its compliance with the recommendations throughout the financial year ended 30 June 2015.

1.0 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear Functions Reserved for the Board and Delegated to Management

The Board retains full and effective control of the Group. The Directors, collectively and individually, has a legal and fiduciary duty to act in the best interest of the Company and to effectively represent and promote the interests of the shareholders and stakeholders with a view to achieve its vision towards corporate sustainability.

Board Reserved Matters are expressly set out in the Board Charter and Limits of Authority (“LOA”) are embedded in the Internal Control Procedure (“ICP”) document to ensure that matters of strategic importance or having material impact are escalated to the Board for deliberation and approval. Key matters, such as approval of annual and quarterly results, acquisitions and disposals, as well as material agreements, major capital expenditure, short-term and long-term plans and strategies and succession planning for top management are reserved for the Board.

The Board has established a committee comprising executive and non-executive directors who are non-independent of which the Executive Director/Chief Executive Officer (“ED/CEO”) is the Chairman of the Executive Committee (“ExCo”) with the primary objective to review and approve subject to thresholds as provided in the LOA, operational and capital expenditure, execution of contracts, procurement, litigation and human resources matters such as key management appointments and their contributions to the Company and compensation besides determining whether changes, improvements or other actions are needed to ensure that the Company’s strategies and practises are aligned with shareholders’ interests.

Dedicated Board Committees were also established guided by clear terms of reference with Directors who have committed time and effort as members. These Board Committees are chaired by Independent Non-Executive Directors who exercise skillful leadership with in-depth knowledge of the relevant industry. These Board Committees also have the authority to examine particular issues and will report to the Board with their recommendations. The ultimate responsibility for the final decision on all matters, however, rests with the entire Board. There are currently three (3) standing Board Committees appointed by the Board, namely:

- Audit Committee;
- Risk Management Committee; and
- Nomination and Remuneration Committee.

The delegation of authority by the Board to the Committees enables the Board to achieve operational efficiency by empowering these Committees to decide on matters within their respective written terms of reference and/or limits of delegated authority and yet allow the Board to maintain control over major policies and decisions.

At each Board meeting, the Chairman of the relevant Committees presents reports and minutes of Board Committee meetings to keep the Board informed and updated on the key issues deliberated by the Board Committees at their respective meetings.

The Board conducts a quarterly review of the performance targets and long term goals of the business to ensure that the needs of the Group are consistently met. The Board is furnished with information relating to the running of the Group’s operations through various financial and operational quarterly reports prepared by Management. This allows them to understand the operations better and make decisions with a view to steer the Group towards a profitable business. At each normal Board meeting, the Board receives from or through the ED/CEO and the respective Senior Management the operational report and other reports and proposals and assurances as the Board considers necessary to ensure that Management’s authorities are being observed.



STATEMENT ON CORPORATE GOVERNANCE

(continued)

1.2 Clear Roles and Responsibilities

The role of the Board is to effectively represent and promote the interests of the shareholders with a view to adding long-term value to the Company's shares. The Board will also direct and supervise the Management in relation to the business and affairs of the Company.

In discharging its stewardship responsibilities, the Board has formally assumed the six (6) specific responsibilities as follows:-

(i) Reviewing and adopting a strategic plan for the Company

The Board has the overall responsibility in leading and determining the Group's overall strategic direction as well as development and control of the Group without neglecting the shareholders' interest. The strategic plan of the Group includes oversight of risks encompassing strategies, marketing and financial aspects of the business.

(ii) Overseeing the conduct of the Company's business to evaluate whether the business is being properly managed

The Board specifies the parameters within which Management decisions are to be made. In discharging its responsibilities, the Board has established the implementation of appropriate internal control systems to support, promote and ensure compliance with the laws and regulations governing the Company. This includes taking into account the Company's continuing viability as an enterprise, its financial position, its cognizance of risks and mitigating factors as well as values which embrace ethical conduct and creation of sustainable value.

(iii) Identifying principal risks and ensuring the implementation of appropriate systems to manage these risks

The Board is responsible for reviewing principal risks, establish appropriate controls and action items to ensure that obligations to shareholders and stakeholders are met.

The review is conducted by the Board Risk Management Committee ("RMC") supported by the Group Risk Management Department ("GRMD"). The objective is to provide function to the risk management process of the Group. The Board through the RMC oversees the risk management activities of the Group. The RMC oversees the formulation of relevant risk management policies and risk measurement parameters across the Group and makes the appropriate recommendations to the Board for its approval. The RMC is responsible for ensuring that the risk management framework in the Group operates effectively based on the policies approved by the Board.

The GRMD reviews and presents the identified risks to the RMC on a quarterly basis prior to submission to the Board. Salient features of the risk management methodologies are set out in the section on "Directors' Statement on Risk Management and Internal Control" from pages 49 to 51 of the Annual Report 2015.

(iv) Succession planning, including appointing, training, fixing the compensation of and where appropriate, replacing Senior Management

The Nomination and Remuneration Committee ("NRC") has been entrusted with the responsibility to review candidates for appointment to the Board, Board Committees and Senior Management. The NRC also has the responsibility to determine the remuneration of the ED/CEO and other Senior Management personnel.

(v) Developing and implementing an investor relations program or shareholders communication policy for the Company

The Board recognizes the importance of maintaining transparency and accountability to the shareholders and all other stakeholders. The Group maintains a website at www.mycronsteel.com which can be conveniently accessed by the shareholders and the general public. The Group's website is updated from time to time to provide the latest information about the Group, including press releases, corporate announcements and quarterly announcements of the Group's results.

STATEMENT ON CORPORATE GOVERNANCE

(continued)



The Company had established a Corporate Disclosure Policy in line with Corporate Disclosure Guide issued by Bursa Malaysia Securities Berhad (“Bursa Malaysia”) on 28 August 2007. The Corporate Disclosure Policy of the Company provides guidance to the Board, Management, Officers and employees of the Company’s disclosure requirements and practices in particular on the preparation and submission of timely, true and fair financial disclosures and material announcements to Bursa Malaysia.

This would enhance the Company’s compliance, accountability and timely disclosures to all the shareholders and stakeholders.

- (vi) Reviewing the adequacy and the integrity of the Company’s internal control systems and management information systems, including systems for compliance with applicable laws, regulations, rules, directives and guidelines

The Board has overall responsibility for maintaining a system of internal controls that provides reasonable assurance of effective and efficient operations, and compliance with laws and regulations, as well as with internal procedures and guidelines.

The effectiveness of the system of internal controls of the Group is reviewed by the Audit Committee periodically during its quarterly meetings. The review covers the Group’s financial, accounting and reporting policies and practices, reports of the internal and external auditors and the adequacy of the system of internal controls to safeguard the shareholders’ interests and Group’s assets.

1.3 Separation of roles of the Board Chairman and ED/CEO

There is a division of responsibility between the Executive Chairman and the ED/CEO to ensure a balance of power and authority. The roles of the Executive Chairman and the ED/CEO are separate and clearly defined.

As part of good corporate governance, the Executive Chairman is responsible for ensuring board effectiveness and conduct. He ensures that all relevant issues and quality information to facilitate decision making and effective running of the Group’s business are included in the meeting agenda. In doing so, the Executive Chairman will liaise with the ED/CEO and the Company Secretary on the agenda for Board meetings. The Executive Chairman encourages healthy debates on issues raised at meetings and gives opportunity to directors who wish to speak on the motions, either for or against them. Every Board resolution is then put to a vote which would reflect the collective decision of the Board and not the views of an individual or an interested group. The Executive Chairman also chairs the meeting of shareholders of the Company. At the general meetings of the Company, the Executive Chairman will ensure that the shareholders are given the opportunity to enquire on the Group’s affairs.

The ED/CEO focuses on the business and the day-to-day management of the Company and the Group. He is the conduit between the Board and Management in ensuring the success of the Group’s governance and management functions. The ED/CEO implements the policies, strategies and decisions adopted by the Board. He is also responsible for providing leadership to Management and advancing relationships with regulators and stakeholders.

The Board is chaired by an Executive Chairman. Whilst the Company supports the recommendations made under the Code, the Company maintains that the Chairmanship of the Board shall continue to be held by a Non-Independent Executive Director. At the moment, the Board is of the view that the Executive Chairman will remain objective in expressing his views and will allow all Board members the opportunity to participate and express their views in deliberations and decision making in the Board without fear or favour. In addition, any decisions arrived by the Board are made on consensus. Despite this, the Board will endeavor that the composition of the independent directors comprise of more than one-third (1/3) of the Board to ensure balance of power and authority on the Board.

1.4 Formalised Ethical Standards

The Board has approved a Code of Conduct which sets out standards of business and ethical conduct based on general principles including, amongst others, integrity, honesty, fair dealing and confidentiality as guidance to all directors and employees in the conduct of their business and that of the Company, in order to enhance the standard of corporate governance and behaviour.

As part of best practices in good corporate governance, the Group has established a “Whistle-Blowing” policy. This policy is to encourage employees to report any major concerns over any wrongdoing within the Group relating to unlawful conduct, financial malpractice or dangers to the public or the environment.



STATEMENT ON CORPORATE GOVERNANCE

(continued)

Directors are also required to disclose their interests in accordance with Section 131 and 135 of the Companies Act, 1965 (the "Act"). A Register of Director's interests is kept by the Company Secretary and changes are tabled at the quarterly Board meetings. Directors are required to abstain from deliberating and voting on any matter in which they may be deemed interested, directly or indirectly, at any Board meeting or if the matter is passed via written resolutions. Directors are not permitted to vote in respect of any contract or proposed contract or arrangement in which he is directly or indirectly interested.

Directors of the Company and its major subsidiaries, as well as employees who are designated as "Principal Officers" are notified in advance of the open period and closed period for dealings in the shares of the Company based on our financial meetings. The Company discloses any dealings in the Company's shares by our Directors and Principal Officers to the Board as well as to Bursa Securities and such announcements can be accessed through the Company's as well as Bursa Securities' websites.

There were no dealings in shares of the Company by a Director of the Company during the financial year ended 30 June 2015.

1.5 Strategies Promoting Sustainability

The Board continues to place great emphasis on corporate sustainability through workplace, environment and community. A report on sustainability activities appears in the Corporate Social Responsibility Statement of this Annual Report.

1.6 Access to Information and Advice

The Directors are authorised to seek any information from management/employees, who are required to cooperate with any request made by the Directors.

The Directors shall have full and unlimited access to any information pertaining to the Group.

The Directors shall have direct communication channels with the Internal and External Auditors and with Senior Management of the Group and shall be able to convene meetings with the External Auditors whenever deemed necessary.

There are agreed procedures for the Directors, upon reasonable request, to seek independent professional advice at the Company's expense in appropriate circumstances.

The Company also provides a platform for dialogue between the Board and the Heads of each Division either at Board meetings or during the business unit visits. This will assist the Board in arriving at business and strategic decisions relating to the Group. When necessary, the Directors also visit locations of business units which would assist the Board to make effective decisions relating to the Group.

1.7 Qualified and Competent Company Secretary

The Company Secretary attends all Board and Committee meetings and ensures that all Board procedures are followed. The Company Secretary also ensures that the Company complies with all applicable statutory and regulatory rules. Together with the Management, the Company Secretary also assists the Board Chairman, the Board and Committees to implement and strengthen corporate governance practices and processes, including facilitating orientation for newly appointed Directors and appointments to Committees, and continuing training and development for the Directors. On an ongoing basis, the Directors have separate and independent access to the Company Secretary.

1.8 Board Charter

The Board Charter provides guidance to the Board in the fulfilment of its roles and responsibilities which are in line with the principles of good corporate governance. The Board Charter is subject to review on a periodical basis in order to ensure it is updated to reflect the changes to the Company's policies, procedures and processes as well as the latest relevant legislations and regulations.

The Board endeavours to comply at all times with the principles and practices set out in this Charter.

STATEMENT ON CORPORATE GOVERNANCE

(continued)



2.0 STRENGTHEN COMPOSITION

The Company's Articles of Association stipulates that the minimum and maximum number of directors on the Board shall not be less than two (2) nor more than twelve (12).

The Company is managed through the Board which currently comprises two (2) Executive Directors (including the Chairman), one (1) Non-Executive Director and four (4) Independent Non-Executive Directors. The composition of the Board was maintained so that at any one time, at least two (2) or one-third (1/3) of the Board, whichever is higher, shall be independent. A brief profile of each Director is presented on pages 22 to 25 of the Annual Report.

The Group considers its complement of Non-Executive Directors provide an effective Board with a mix of industry specific knowledge and broad business and commercial experience. The presence of independent non-executive directors is particularly important in corporate accountability. They constructively challenge and contribute to the development of the business strategies and direction of the Group. This balance enables the Board to provide clear and effective leadership to the Group and to bring informed and independent judgment to many aspects of the Group's strategies and performance so as to ensure that the highest standards of conduct and integrity are maintained.

The Board has also appointed a Senior Independent Director, who serves as the point of contact between the Independent Directors and the Board Chairman on sensitive issues and acts as a designated contact to whom shareholders' concerns or queries may be raised. En Shazal Yusuf bin Mohamed Zain has been appointed the Senior Independent Non-Executive Director.

In ensuring that the composition of the Board is strengthened, the Board has entrusted the Nomination and Remuneration Committee to implement policies and procedures with respect to selection and nomination of Board and Board committees.

2.1 Nomination and Remuneration Committee ("NRC")

The Company has in place a NRC with specific terms of reference. The NRC comprises wholly of Independent Non-Executive Directors. The members of the NRC as at the date of this Annual Report are as follows:

Chairman	:	Tan Sri Datuk Seri Razman Md Hashim - Independent Non-Executive Director
Members	:	Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah - Independent Non-Executive Director (Appointed as a member on 2 January 2015)
		Dato' Sri Iskandar Michael bin Abdullah - Independent Non-Executive Director (Resigned as a member on 1 October 2015)

The duties and responsibilities of the NRC are to assist the Board in reviewing and recommending the appropriate remuneration policies applicable to Directors, ED/CEO and Senior Management and the appointment and evaluation of the performance of Directors as well as Senior Management.

The principal Terms of Reference of the NRC are as follows:

- (i) To review and determine the mix of skills, experience and other qualities including core competencies of Non-Executive Directors on an annual basis;
- (ii) To assess the effectiveness of the Board as a whole, the Committees of the Board and the contribution of each individual Director on an annual basis;
- (iii) To recommend a framework of remuneration for Directors, ED/CEO and key senior officers of the Company and its subsidiary companies; and
- (iv) To recommend specific remuneration packages for Directors, ED/CEO and key senior officers of the Company and its subsidiary companies.

2.2 Appointments and Re-election

The NRC is guided by the Procedure for the Appointment and Removal of Directors which has been approved by the Board. The Board Nomination and Selection Process outlines the skill sets, knowledge/experience, mindset and the intrinsic values required of the concerned director vis-à-vis the need of the Company. The process also provides the relevant point of reference in identifying the most suitable candidates to sit on the Board.



STATEMENT ON CORPORATE GOVERNANCE

(continued)

2.3 Directors' Assessment/Board Evaluation

The Board recognises the importance of assessing the effectiveness of individual Directors and the Board on an annual basis. During the financial year, the Board, through the NRC, conducted a formal review on the performance of each individual Director and the Board as a whole. The review shall take the form of a questionnaire comprising a self-evaluation of the Board as a whole and the individual Directors, and the responses will be collected and collated by the Company Secretary, on behalf of the NRC. The conclusion of the NRC's assessment will be minuted and its minutes are included in the Board papers for Board's notification.

2.4 Assessment of Independence

The Independent Directors provide independent judgment, experience and objectivity without being subordinated to operational considerations. They help to ensure that the interests of all shareholders are indeed taken into account by the Board and that the relevant issues are subjected to objective and impartial consideration by the Board.

The Board shall assess the independence of the Independent Directors prior to their appointment and annually thereafter or when any new interest or relationship develops in light of interests disclosed to the Board. During the financial year, the Board, through the NRC, assessed the independence of its Independent Non-Executive Directors based on criteria set out in the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities"). All the Independent Directors provided the NRC with written confirmation on their independence during the annual assessment exercise conducted for the financial year ended 30 June 2015.

2.5 Tenure of Independent Directors

The tenure of an Independent Director shall not exceed a cumulative term of nine (9) years in accordance with the Code. However, upon completion of the nine (9) years, the Independent Director may continue to serve the Board subject to the Director being re-designated as a Non-Independent Director. In the event the Director is to remain as Independent Director, the Board shall first justify and obtain shareholders' approval.

2.6 Gender Diversity

The Board is of the view that membership of the Board should be dependent on each candidate's skills, experience, core competencies and other qualities regardless of gender. In this respect, the Board has formalised gender diversity policy on 24 October 2013.

Female representation will be considered when vacancies arise and suitable candidates, identified, under pinned by the overriding primary aim of selecting the best candidate to support the achievement of the Company's strategic objective.

2.7 Remuneration Policies and Procedures

The Company shall provide a fair, reasonable and competitive remuneration for its Executive and Non-Executive Directors to ensure that the Company attracts and retains high calibre Directors who have the skills, experience and knowledge to run the Company successfully.

The NRC held three (3) meetings during the financial year ended 30 June 2015. The remuneration packages of Executive Directors are structured to link rewards to the Group and individual performance. The annual fees payable to the Directors are approved by the shareholders at the AGM based on the recommendation of the Board.

STATEMENT ON CORPORATE GOVERNANCE

(continued)



The Board, as a whole, determines the remuneration of each Director and the Directors do not participate in decisions regarding their own remuneration packages. Details of the aggregate remuneration of the Company's Directors comprising remuneration received from the Company categorised into appropriate components for the financial year ended 30 June 2015 are as follows:-

Type of Remuneration	Executive Directors RM'000	Non-Executive Directors RM'000
Salaries	150	-
Allowances	-	-
Bonuses	25	-
Fees	-	326
Benefits-In-Kind	-	21
Other Emoluments	22	78
TOTAL	197	425

The number of Directors of the Company whose fees and remuneration for the financial year ended 30 June 2015 falls within the following bands are:-

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Less than RM50,000	-	9
RM150,001 to RM200,000	-	1
RM200,001 to RM250,000	1	-

Note:

* The Executive Director/Chief Executive Officer is remunerated by the holding company, Melewar Industrial Group Berhad.

* Tunku Dato' Yaacob was previously paid fees for his position as Chairman of the Company for the period from July 2014 to December 2014. With effect from 1 January 2015 Tunku Dato' Yaacob is remunerated in his position as Executive Chairman.

3.0 FOSTER COMMITMENT

3.1 Time Commitment

The Directors are aware of the time commitment expected from each of them to attend to matters of the Group generally including attendance at Board, Board Committee and other types of meetings.

An annual meeting calendar is planned and agreed with the Directors prior to the commencement of each new financial which sets out the scheduled dates for meetings of the Board and Board Committees, in order to facilitate and foster the Directors' time planning and commitment to the Company.

The Board is satisfied with the time commitment given by the Directors of the Company in discharging their duties for the financial year ended 30 June 2015.

The Board has met five (5) times during the financial year ended 30 June 2015. The details of the attendance by each of the Directors for the financial year ended 30 June 2015 are as follows:

Executive Director	No. of Attendance	%
1. Tunku Dato' Yaacob Khyra (Chairman)	5/5	100
2. Encik Azlan bin Abdullah	5/5	100
Non-Independent Non-Executive Directors	No. of Attendance	%
1. Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah	5/5	100



STATEMENT ON CORPORATE GOVERNANCE

(continued)

Independent Non-Executive Directors	No. of Attendance	%
1. Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah (Appointed on 2 January 2015)	2/2	100
2. En Shazal Yusuf bin Mohamed Zain (Appointed on 2 January 2015)	2/2	100
3. Mr Muk Sai Tat (Appointed on 2 January 2015)	2/2	100
4. Tan Sri Datuk Seri Razman Md Hashim	5/5	100
5. Dato' Sri Iskandar Michael bin Abdullah (Resigned on 1 October 2015)	5/5	100
6. General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) (Resigned on 2 January 2015)	3/3	100

All Directors are required to provide immediate notification when accepting any new external board appointments and seek guidance from the Board Chairman on any potential conflicts of interest if necessary. Any changes to their directorships will be tabled at the quarterly Board meetings. None of our Directors are directors of more than five public companies listed on Bursa Securities. The Board is satisfied that the present directorships in external organisations held by the Directors do not give rise to any conflicts of interests nor impair their ability to discharge their responsibilities to the Group.

3.2 Training

The Company Secretary ensures that training on appropriate topics are organised for the Directors, whether conducted in-house or by external speakers where practical. In addition, the Directors are kept informed of available training programmes and a budget is provided by the Company each year to cater for such programmes.

The Directors have participated and continue to undergo the relevant training programmes to further enhance their skill and knowledge as well as the latest statutory and/or regulatory requirements in discharging their fiduciary duties to the Company.

The programmes or forums attended by the Directors include, inter alia, the following:-

Members of the Board	Programmes / Forum
Tunku Dato' Yaacob Khyra	➤ Board Chairman Series : The Role of the Chairman
En Azlan bin Abdullah	<ul style="list-style-type: none"> ➤ Leadership Energy Summit Asia 2014 ➤ BNM regulatory compliance updates ➤ Global Regulatory Reforms: What They Mean for Islamic Finance ➤ Corporate Financial Reporting – Are You Making The Right Decisions? ➤ Advocacy Sessions on Management Discussion & Analysis for Chief Executive Officers and Chief Financial Officers
Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah	➤ Navigating the Political Economy of Global Business : A Malaysian Insight
Tan Sri Datuk Seri Razman Md Hashim	<ul style="list-style-type: none"> ➤ Personal Data Protection Act 2010 ➤ Bursa Advocacy Session ➤ Sunway Managers Conference 2014
Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah	<ul style="list-style-type: none"> ➤ Leadership and Culture Talk ➤ Board Chairman Series: The Role of the Chairman
En Shazal Yusuf bin Mohamed Zain	➤ The Inside Story of the Annual Report : What Directors Must Know
Mr Muk Sai Tat	<ul style="list-style-type: none"> ➤ Directors Breakfast Series ➤ 2 days MIA International Accountants Conference

STATEMENT ON CORPORATE GOVERNANCE

(continued)



4.0 UPHOLD INTEGRITY IN FINANCIAL REPORTING

4.1 Compliance with Applicable Financial Reporting Standards

The Company's annual financial statements and quarterly financial results are reviewed by the Audit Committee to ensure the reliability of the Company's financial statements in accordance with the applicable approved accounting standards in Malaysia and the provisions of the Act, before recommending for the Board's approval and submission to Bursa Securities for announcement. Only the 4th quarterly financial results are reviewed in consultation with the External Auditors.

The Statement of Responsibility by Directors in respect of the preparation of the annual audited financial statements of the Company is set out on page 39 of the Annual Report 2015.

4.2 Assessment of Suitability and Independence of External Auditors

The Audit Committee reviews the appointment, performance and remuneration of the External Auditors, before recommending them to the shareholders for re-appointment in the Annual General Meeting ("AGM").

The Audit Committee convenes meetings with the External Auditors without the presence of the Executive Directors and Management of the Group whenever it deems necessary.

During the year, the Audit Committee had assessed Messrs PricewaterhouseCoopers ("PwC") and is satisfied with the suitability and independence of PwC as External Auditors of the Company. PwC has also confirmed their independence in accordance with the firm's requirements and with the provisions of the By-Laws on Professional Independence of the Malaysian Institute of Accountants.

5.0 RECOGNISE AND MANAGE RISKS

5.1 Sound Framework to Manage Risks

The Risk Management Committee comprises of three (3) Directors, majority of whom are Independent Non-Executive Directors. The Risk Management Committee is responsible in identifying the principal risks affecting the Company and the Group and ensures the implementation of a sound risk management framework and appropriate systems to manage these risks.

The features of the Company's risk management framework are as set out in the Directors' Statement on Risk Management and Internal Control in this Annual Report.

5.2 Internal Audit Function

The internal audit function of the Company and the Group has been outsourced to an independent party, Messrs Baker Tilly Monteiro Heng Governance Sdn Bhd ("BTMH"). The representative from BTMH is invited to table their reports at every Audit Committee Meeting. Details of the Company and the Group's internal control system and framework are set out in the Directors' Statement on Risk Management and Internal Control and Audit Committee Report of this Annual Report respectively.

6.0 ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

6.1 Corporate Disclosure Policies and Procedures

The Company has in place a Corporate Disclosure Policies and Procedures which sets out clear procedures on corporate disclosure, designated corporate disclosure officer and appointed spokespersons for the Company to ensure that material information disclosed by the Company is accurate, timely and complete. Clear roles and responsibilities of Directors, Management and employees are provided together with levels of authority provided to designated persons in handling and disclosing material information.

6.2 Leverage of Information Technology for Effective Dissemination of Information

The Board is mindful of its obligation to provide timely and fair disclosure of material information to shareholders. Shareholders and investors are kept abreast of results and other material information concerning the Group through regular and timely dissemination of information. The Company's website at www.mycronsteel.com contains information about the Company including all publicly disclosed financial information, corporate announcements, annual reports and profiles of the Company and the Group.



STATEMENT ON CORPORATE GOVERNANCE

(continued)

7.0 STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND ITS SHAREHOLDERS

7.1 Shareholders Participation at General Meetings

The Board notes the recommendation 8.1 of the Code to take reasonable steps to encourage shareholders' participation at the AGM. The Company will use best endeavours to serve the notice of the AGM to shareholders earlier than the minimum notice period of at least twenty one (21) days before the date of the meeting in order to allow the shareholders to make necessary arrangements to attend and participate either in person or by proxy.

7.2 Poll Voting

In line with recommendation 8.2 of the Code on poll voting, the Company will make the necessary preparation for poll voting for resolution in respect of related party transactions.

The Company also took note of recommendation on e-voting and will explore the suitability and feasibility of employing electronic means for poll voting in future.

7.3 Effective Communication and Proactive Engagement

The forthcoming AGM will be a good opportunity for proactive engagement and communication between the Board, shareholders and investors.

The Chairman and the Board members together with Management and the External Auditors will be present to address all queries from shareholders on issues related to the Company. The shareholders will have direct access to the Board and are encouraged to participate in the question and answer session.

The Board has identified En Shazal Yusuf bin Mohamed Zain as the Senior Independent Director to whom queries or concerns regarding the Group may be conveyed.

- (i) En Shazal Yusuf bin Mohamed Zain can be contacted as follows:
Telephone number: +603-5510 6608 Facsimile number: +603-5510 3720
Email address: shazal@mycronsteel.com

Queries or concerns regarding the Group may be also conveyed to the following persons:

- (ii) Mr Choo Kah Yean (Chief Financial Officer, for financial related matters)
Telephone number: +603-5519 2455 Facsimile number: +603-5510 8618
- (iii) En Azlan bin Abdullah (Investor Relations, for investor relations matters)
Telephone number: +603-6250 6000 Facsimile number: +603-6257 1555
Email address: aazlan@mycronsteel.com
- (iv) Ms Lily Yin Kam May (Company Secretary, for shareholders' enquiries)
Telephone number: +603-6252 8880 Facsimile number: +603-6252 8080

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF FINANCIAL STATEMENTS

The Directors are required to prepare the financial statements which give a true and fair view of the state of affairs of the Company and of the Group at the end of each financial year end of the results and cash flow for that year. The financial statements must be prepared in compliance with the Act and with applicable approved accounting standards.

The Directors considered the following in preparing the financial statements:

- select suitable accounting policies and apply them consistently;
- make judgments and estimates that are reasonable and prudent; and
- state whether applicable approved accounting standards have been followed.

The Directors are of the opinion that the financial statements comply with the above requirements. The Directors are also responsible for ensuring the maintenance of adequate accounting records to enable them to ensure that the financial statements comply with the requirements of the Act.

STATEMENT ON CORPORATE GOVERNANCE

(continued)



OTHER BURSA SECURITIES COMPLIANCE INFORMATION

1. MATERIAL CONTRACTS

Other than those disclosed in the financial statements, there were no material contracts including contracts to any loans entered into by the Company and/or its subsidiaries involving Directors' and major shareholders' interests.

2. MATERIAL CONTRACTS RELATED TO LOAN

There were no material contracts related to loans entered into by the Company and/or its subsidiary companies involving the Company's Directors and/or major shareholders' interests during the financial year under review.

3. SHARE BUY-BACK

There was no share buy-back during the financial year ended 30 June 2015. As such, the number of shares repurchased from the open market by the Company remains in total 1,040,300 ordinary shares at an average price of RM0.37 per share as at 30 June 2015. All the shares repurchased are being held as treasury shares.

4. OPTIONS, WARRANTS OR CONVERTIBLE SECURITIES

The Company has not issued any options, warrants or convertible securities during the financial year under review.

5. AMERICAN DEPOSITORY RECEIPT (ADR) OR GLOBAL DEPOSITORY RECEIPT (GDR)

The Group has not sponsored any ADR or GDR programme for the financial year ended 30 June 2015.

6. NON-AUDIT FEES

The amount of non-audit fee incurred for services rendered to the Group by the external auditors during the financial year 2015 was RM110,000.00.

7. PROFIT ESTIMATION, FORECAST OR PROJECTION

There were no profit estimation, forecast or projection made or released by the Company during the financial year under review.

8. PROFIT GUARANTEES

There were no profit guarantees given by the Group.

9. REVALUATION POLICY ON LANDED PROPERTIES

The Group revalues its properties comprising land and buildings on a periodic basis or as and when the need arises. Surplus arising from revaluation is dealt with through the asset revaluation reserve account. Any deficit arising is set-off against the asset revaluation reserve to the extent of a previous increase for the same property. In all cases, a decrease in carrying amount will be charged to the income statement. The last revaluation of its properties was carried out during financial year ended 30 June 2015.

10. IMPOSITION OF SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Company, its subsidiaries, Directors or Management by the relevant regulatory bodies during the financial year ended 30 June 2015.

11. VARIATION IN RESULTS

There was no variation in results (differing by 10% or more) from unaudited results announced.



STATEMENT ON CORPORATE GOVERNANCE

(continued)

12. RECURRENT RELATED PARTY TRANSACTIONS (“RRPTs”) ENTERED INTO DURING THE FINANCIAL YEAR ENDED 30 JUNE 2015

On 9 December 2014, the Company sought approval for a shareholders’ mandate for Mycron Group to enter into Recurrent Transactions (as defined in the Circular to Shareholders dated 17 November 2014) in their ordinary course of business with related parties (“Shareholders’ Mandate”) as defined in Chapter 10 of the MMLR.

The aggregate value of transactions conducted during the financial year ended 30 June 2015 in accordance with the Shareholders’ Mandate obtained at the last AGM were as follows:

A. RRPTs with Melewar Group of Companies

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Parties		Value of Transaction (1/07/2014 – 30/06/2015) (RM)
				Director	Major Shareholder	
1.	Trace Management Services Sdn Bhd (“Trace”)	Provision of corporate secretarial services by Trace to Mycron Steel Berhad (“MSB”) and its subsidiaries (“Mycron Group”)	Interested Directors Tunku Dato’ Yaacob Khyra (“TY”) and Tunku Dato’ Kamil Ikram bin Tunku Tan Sri Abdullah (“TK”)	TY and TK are deemed interested in Trace by virtue of their major shareholdings in The Melewar Corporation Berhad, the Substantial Shareholder of Trace.	Nil	157,401

B. RRPTs with MAA Group Berhad (“MAAG”) and its subsidiaries, collectively

No.	Related Party	Nature of Transaction	Interested Related Parties ^(a)	Manner of relationship with the Related Parties		Value of Transaction (1/07/2014 – 30/06/2015) (RM)
				Director	Major Shareholder	
1.	MAA Takaful Berhad (“MAAT”)	Provision of insurance business by the Related Party to Mycron Group	Interested Directors TY and TK Interested Major Shareholders Melewar Equities (BVI) Ltd (“MEBVI”), Melewar Khyra Sdn Bhd (“MKSB”) and Khyra Legacy Berhad (“KLB”)	TY is deemed interested in MAAT TY is the founder and ultimate beneficial owner of KLB. TK is therefore deemed interested by virtue of his relationship with TY based on Section 122A(1) (a) of the Act.	MAAT is a 75% owned subsidiary of MAAG whose ultimate Major Shareholder is KLB.	1,126,339
2.	MAA Corporate Advisory Sdn Bhd (“MAACA”)	Provision of corporate consultancy services by the Related Party to Mycron Group	Interested Directors TY and TK Interested Major Shareholders MEBVI, MKSB and KLB	TY is deemed interested in MAACA. TY is the founder and ultimate beneficial owner of KLB. TK is therefore deemed interested by virtue of his relationship with TY based on Section 122A(1) (a) of the Act.	MAACA is a wholly owned subsidiary of MAA Corporation Sdn Bhd who in turn is a wholly owned subsidiary of MAAG whose ultimate Major Shareholder is KLB.	-

STATEMENT ON CORPORATE GOVERNANCE

(continued)



C. RRPTs with Melewar Industrial Group Berhad (“MIG”) and its subsidiaries, collectively (“MIG Group”)

(i) Existing RRPT(s)

No.	Related Party	Nature of Transaction	Interested Related Parties ^(a)	Manner of relationship with the Related Parties		Value of Transaction (1/07/2014 – 30/06/2015) (RM)
				Director	Major Shareholder	
1.	MIG	Provision of treasury services by the Related Party to Mycron Steel CRC Sdn Bhd (“MSCRC”)	<p>Interested Directors TY and TK</p> <p>Interested Major Shareholders MIG, MEBVI, MKSB and KLB</p>	<p>TY is deemed interested in MIG and MSCRC by virtue of his indirect substantial interest in MEBVI and MKSB who collectively are the Substantial Shareholders of MIG.</p> <p>TK is therefore deemed interested by virtue of his relationship with TY based on Section 122A(1) (a) of the Act.</p>	<p>MSCRC is a wholly owned subsidiary of Mycron.</p> <p>MIG is the Substantial Shareholder of Mycron by virtue of its 71.52% shareholding in Mycron.</p>	-
2.	Melewar Steel Mills Sdn Bhd (“MSM”)	Rental charged by MSCRC to the Related Party for using land belonging to MSCRC	<p>Interested Directors TY and TK</p> <p>Interested Major Shareholders MIG, MEBVI, MKSB and KLB</p>	<p>TY is deemed interested in MSM and MSCRC by virtue of his indirect substantial interest in MIG vide the shareholdings of MEBVI and MKSB.</p> <p>TK is therefore deemed interested by virtue of his relationship with TY based on Section 122A(1) (a) of the Act.</p>	<p>MSM is a wholly owned subsidiary of MIG.</p> <p>MSCRC is a wholly owned subsidiary of Mycron.</p> <p>MIG is the Substantial Shareholder of Mycron by virtue of its 71.52% shareholding in Mycron.</p>	-
3.	MIG	Sale of pipes by the Related Party to MSCRC	<p>Interested Directors TY and TK</p> <p>Interested Major Shareholders MIG, MEBVI, MKSB, and KLB</p>	<p>TY is deemed interested in MIG and MSCRC by virtue of his indirect substantial interest in MEBVI and MKSB who collectively are the Substantial Shareholders of MIG.</p> <p>TK is therefore deemed interested by virtue of his relationship with TY based on Section 122A(1) (a) of the Act.</p>	<p>MSCRC is a wholly owned subsidiary of Mycron.</p> <p>MIG is the Substantial Shareholder of Mycron by virtue of its 71.52% shareholding in Mycron.</p>	-



STATEMENT ON CORPORATE GOVERNANCE

(continued)

No.	Related Party	Nature of Transaction	Interested Related Parties ^(a)	Manner of relationship with the Related Parties		Value of Transaction (1/07/2014 – 30/06/2015) (RM)
				Director	Major Shareholder	
4.	MSM	Sale of scrap by MSCRC to the Related Party	<p>Interested Directors TY and TK</p> <p>Interested Major Shareholders MIG, MEBVI, MKSB, and KLB</p>	<p>TY is deemed interested in MSM and MSCRC by virtue of his indirect substantial interest in MIG vide the shareholdings of MEBVI and MKSB.</p> <p>TK is therefore deemed interested by virtue of his relationship with TY based on Section 122A(1) (a) of the Act.</p>	<p>MSM is a wholly owned subsidiary of MIG.</p> <p>MSCRC is a wholly owned subsidiary of Mycron.</p> <p>MIG is the Substantial Shareholder of Mycron by virtue of its 71.52% shareholding in Mycron.</p>	9,623,589
5.	Melewar Integrated Engineering Sdn Bhd ("MIE")	Provision of technical and consultancy services by the Related Party to MSCRC for expansion projects in cold roll mill	<p>Interested Directors TY and TK</p> <p>Interested Major Shareholders MIG, MEBVI, MKSB and KLB</p>	<p>TY is deemed interested in MIE and MSCRC by virtue of his indirect substantial interest in MIG vide the shareholdings of MEBVI and MKSB.</p> <p>TK is therefore deemed interested by virtue of his relationship with TY based on Section 122A(1) (a) of the Act.</p>	<p>MIE is a 70% owned subsidiary of MIG.</p> <p>MSCRC is a wholly owned subsidiary of Mycron.</p> <p>MIG is the Substantial Shareholder of Mycron by virtue of its 71.52% shareholding in Mycron.</p>	-
6.	MIG	Management fees for the provision of management services/advice charged by Related Party to MSCRC	<p>Interested Directors TY and TK</p> <p>Interested Major Shareholders MIG, MEBVI, MKSB, and KLB</p>	<p>TY is deemed interested in MIG and MSCRC by virtue of his indirect substantial interest in MEBVI and MKSB who collectively are the Substantial Shareholders of MIG.</p> <p>TK is therefore deemed interested by virtue of his relationship with TY based on Section 122A(1) (a) of the Act.</p>	<p>MSCRC is a wholly owned subsidiary of Mycron.</p> <p>MIG is the Substantial Shareholder of Mycron by virtue of its 71.52% shareholding in Mycron.</p>	1,236,000

STATEMENT ON CORPORATE GOVERNANCE

(continued)



(ii) New RRPT(s) which are relevant effective 1 April 2015

Effective from 1 April 2015, MST became a wholly owned subsidiary of Mycron. As such, the RRPT(s) between MST and the subsidiaries of MIG would be reflected with effect from 1 April 2015.

No.	Related Party	Nature of Transaction	Interested Related Parties ^(a)	Manner of relationship with the Related Parties		Value of Transaction (1/04/2015 – 30/06/2015) (RM)
				Director	Major Shareholder	
1.	Melewar Steel Services Sdn Bhd (“MSS”)	Rental charged by the Related Party to Melewar Steel Tube Sdn Bhd (“MST”) for the use of the factory belonging to MSS (Lot 16)	Interested Directors TY and TK Interested Major Shareholders MIG, MEBVI, MKSB and KLB	TY is deemed interested in MST and MSS by virtue of his indirect substantial interest in MIG vide the shareholdings of MEBVI and MKSB. TK is therefore deemed interested by virtue of his relationship with TY based on Section 122A(1) (a) of the Act.	MST is a wholly owned subsidiary of Mycron. MSS is a wholly owned subsidiary of MIG. MIG is the Substantial Shareholder of Mycron by virtue of its 71.52% shareholding in Mycron.	119,790
2.	MIG	Rental charged by the Related Party to MST for the use of the factory belonging to MIG (Lot 10, Lot 49 and Lot 53)	Interested Directors TY and TK Interested Major Shareholders MIG, MEBVI, MKSB and KLB	TY is deemed interested in MIG and MST by virtue of his indirect substantial interest in MEBVI and MKSB who collectively are the Substantial Shareholders of MIG. TK is therefore deemed interested by virtue of his relationship with TY based on Section 122A(1) (a) of the Act.	MST is a wholly owned subsidiary of Mycron. MIG is the Substantial Shareholder of Mycron by virtue of its 71.52% shareholding in Mycron.	1,187,010
3.	MIE	Technical advisory fees charged by related party to MST	Interested Directors TY and TK Interested Major Shareholders MIG, MEBVI, MKSB and KLB	TY is deemed interested in MIE and MST by virtue of his indirect substantial interest in MIG vide the shareholdings of MEBVI and MKSB. TK is therefore deemed interested by virtue of his relationship with TY based on Section 122A(1) (a) of the Act.	MST is a wholly owned subsidiary of Mycron. MIE is a 70% owned subsidiary of MIG. MIG is the Substantial Shareholder of Mycron by virtue of its 71.52% shareholding in Mycron.	24,000



STATEMENT ON CORPORATE GOVERNANCE

(continued)

No.	Related Party	Nature of Transaction	Interested Related Parties ^(a)	Manner of relationship with the Related Parties		Value of Transaction (1/04/2015 – 30/06/2015) (RM)
				Director	Major Shareholder	
4.	MSM	Sale of scrap by MST to Related Party	<p>Interested Directors TY and TK</p> <p>Interested Major Shareholders MIG, MEBVI, MKSB and KLB</p>	<p>TY is deemed interested in MST and MSM by virtue of his indirect substantial interest in MIG vide the shareholdings of MEBVI and MKSB.</p> <p>TK is therefore deemed interested by virtue of his relationship with TY based on Section 122A(1) (a) of the Act.</p>	<p>MST is a wholly owned subsidiary of Mycron.</p> <p>MSM is a wholly owned subsidiary of MIG.</p> <p>MIG is the Substantial Shareholder of Mycron by virtue of its 71.52% shareholding in Mycron.</p>	375,297
5.	MIG	Provision of management fees charged by the Related Party to MST	<p>Interested Directors TY and TK</p> <p>Interested Major Shareholders MIG, MEBVI, MKSB and KLB</p>	<p>TY is deemed interested in MST and MIG by virtue of his indirect substantial interest in MIG vide the shareholdings of MEBVI and MKSB.</p> <p>TK is therefore deemed interested by virtue of his relationship with TY based on Section 122A(1) (a) of the Act.</p>	<p>MST is a wholly owned subsidiary of Mycron.</p> <p>MIG is the Substantial Shareholder of Mycron by virtue of its 71.52% shareholding in Mycron.</p>	330,000
6.	Ausgard Quick Assembly Systems Sdn Bhd (“AQAS”)	Sale of pipes by MST to the Related Party	<p>Interested Directors TY and TK</p> <p>Interested Major Shareholders MIG, MEBVI, MKSB and KLB</p>	<p>TY is deemed interested in MST and AQAS by virtue of his indirect substantial interest in MIG vide the shareholdings of MEBVI and MKSB.</p> <p>TK is therefore deemed interested by virtue of his relationship with TY based on Section 122A(1) (a) of the Act.</p>	<p>MST is a wholly owned subsidiary of Mycron.</p> <p>AQAS is a wholly owned subsidiary of Melewar Industrial Technologies Ltd (“MITL”).</p> <p>MITL is a wholly owned subsidiary of MIG.</p> <p>MIG is the Substantial Shareholder of Mycron by virtue of its 71.52% shareholding in Mycron.</p>	3,613

STATEMENT ON CORPORATE GOVERNANCE

(continued)



No.	Related Party	Nature of Transaction	Interested Related Parties ^(a)	Manner of relationship with the Related Parties		Value of Transaction (1/04/2015 – 30/06/2015) (RM)
				Director	Major Shareholder	
7.	M-Power TT Ltd (“M-Power”)	Provision of services fees charged by MST to Related Party	<p>Interested Directors TY and TK</p> <p>Interested Major Shareholders MIG, MEBVI, MKSB and KLB</p>	<p>TY is deemed interested in MST and M-Power by virtue of his indirect substantial interest in MIG vide the shareholdings of MEBVI and MKSB.</p> <p>TK is therefore deemed interested by virtue of his relationship with TY based on Section 122A(1) (a) of the Act.</p>	<p>MST is a wholly owned subsidiary of Mycron.</p> <p>M-Power was a wholly owned subsidiary of Melewar Steel Engineering Sdn Bhd (“MSE”) and subsequently became a wholly owned subsidiary of Mperial Power Ltd, an associate company of MSE since 30/4/2015.</p> <p>MIG is the Substantial Shareholder of Mycron by virtue of its 71.52% shareholding in Mycron.</p>	2,000

(iii) RRPT(s) which are no longer relevant effective 1 April 2015

Effective from 1 April 2015, MST ceased to be a wholly owned subsidiary of MIG and became a wholly owned subsidiary of Mycron instead. All disclosures on related party transactions between MST and MSCRC will no longer be relevant effective from 1 April 2015 as they are deemed to have been transacted within Mycron Group.

No.	Related Party	Nature of Transaction	Interested Related Parties ^(a)	Manner of relationship with the Related Parties		Value of Transaction (1/07/2014 – 31/03/2015) (RM)
				Director	Major Shareholder	
1.	MST	Provision of finance, payroll and information technology services by the Related Party to MSCRC	<p>Interested Directors TY and TK</p> <p>Interested Major Shareholders MIG, MEBVI, MKSB and KLB</p>	<p>TY is deemed interested in MST and MSCRC by virtue of his indirect substantial interest in MIG vide the shareholdings of MEBVI and MKSB.</p> <p>TK is therefore deemed interested by virtue of his relationship with TY based on Section 122A(1) (a) of the Act.</p>	<p>MST was a wholly owned subsidiary of MIG and subsequently became a wholly owned subsidiary of Mycron since 1 April 2015.</p> <p>MSCRC is a wholly owned subsidiary of Mycron.</p> <p>MIG is the Substantial Shareholder of Mycron by virtue of its 71.52% shareholding in Mycron.</p>	54,000



STATEMENT ON CORPORATE GOVERNANCE

(continued)

No.	Related Party	Nature of Transaction	Interested Related Parties ^(a)	Manner of relationship with the Related Parties		Value of Transaction (1/07/2014 – 31/03/2015) (RM)
				Director	Major Shareholder	
2.	MST	Sale of cold rolled coils by MSCRC to the Related Party	<p>Interested Directors TY and TK</p> <p>Interested Major Shareholders MIG, MEBVI, MKSB and KLB</p>	<p>TY is deemed interested in MST and MSCRC by virtue of his indirect substantial interest in MIG vide the shareholdings of MEBVI and MKSB.</p> <p>TK is therefore deemed interested by virtue of his relationship with TY based on Section 122A(1) (a) of the Act.</p>	<p>MST was a wholly owned subsidiary of MIG and subsequently became a wholly owned subsidiary of Mycron since 1 April 2015.</p> <p>MSCRC is a wholly owned subsidiary of Mycron.</p> <p>MIG is the Substantial Shareholder of Mycron by virtue of its 71.52% shareholding in Mycron.</p>	16,930,233
3.	MST	Sale of second grade pipes and provision of slitting services by the Related Party to MSCRC	<p>Interested Directors TY and TK</p> <p>Interested Major Shareholders MIG, MEBVI, MKSB and KLB</p>	<p>TY is deemed interested in MST and MSCRC by virtue of his indirect substantial interest in MIG vide the shareholdings of MEBVI and MKSB.</p> <p>TK is therefore deemed interested by virtue of his relationship with TY based on Section 122A(1) (a) of the Act.</p>	<p>MST was a wholly owned subsidiary of MIG and subsequently became a wholly owned subsidiary of Mycron since 1 April 2015.</p> <p>MSCRC is a wholly owned subsidiary of Mycron.</p> <p>MIG is the Substantial Shareholder of Mycron by virtue of its 71.52% shareholding in Mycron.</p>	-

STATEMENT ON CORPORATE GOVERNANCE

(continued)



D. Financial assistance between Mycron Group and classes of related parties

Type of Financial Assistance	Related Party	Interested Related Parties ^(a)	Manner of relationship with the Related Parties		Value of Transaction (1/07/2014 – 30/06/2015) (RM)
			Director	Major Shareholder	
Provision of guarantees, indemnity or such other collateral to or in favour of another person which is necessary in order for MIE to procure a contract or secure work from the other person or to enable the other person to commence and/or complete a contract or work for Mycron Group.	MIE	Interested Directors TY and TK Interested Major Shareholders MIG, MEBVI, MKSB and KLB	TY is deemed interested in MIE by virtue of his indirect substantial interest in MIG vide the shareholdings of MEBVI and MKSB. TK is therefore deemed interested by virtue of his relationship with TY based on Section 122A(1)(a) of the Act.	MIE is a 70% owned subsidiary of MIG. MIG is the Substantial Shareholder of Mycron by virtue of its 71.52% shareholding in Mycron.	-
Provision of financial assistance to MIG Group by the pooling of funds via a centralized treasury management function within Mycron Group on a short or medium term basis i.e. for a duration not exceeding three (3) years.	MIG Group	Interested Directors TY and TK Interested Major Shareholders MIG, MEBVI, MKSB and KLB	TY is deemed interested in MIG by virtue of his indirect substantial interest in MEBVI, and MKSB who collectively are the Substantial Shareholders of MIG. TK is therefore deemed interested by virtue of his relationship with TY based on Section 122A(1)(a) of the Act.	MIG is the Substantial Shareholder of Mycron by virtue of its 71.52% shareholding in Mycron.	-

COMPLIANCE STATEMENT

The Board is satisfied that the Company has implemented the principles and recommendations under the Code and believes that all material aspects have been complied with reasonably and in the manner most suited and appropriate for the Company in the best interest of all stakeholders.

This Statement is made in accordance with the resolution of the Board dated 26 October 2015.



DIRECTORS' STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

For Financial Year Ended 30 June 2015

RESPONSIBILITY

The Board of Directors ("the Board") is responsible for establishing a sound risk management framework and internal control by adopting best practices, embedding good risk management and implementing strong internal control systems into the Group's culture, processes and structure to ensure that key risk areas are managed to an acceptable level to achieve our Group's business objectives. The Board reviews the adequacy and effectiveness of the Group's system of risk management and internal controls, which includes financial, operational and compliance controls. As there are limitations inherent in any systems of internal control, therefore, it shall be noted that the controls are designed and positioned to mitigate risks but not eliminating the present and future risks. In this connection, it shall be noted that systems of internal control can only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

Whilst the Board has an overall responsibility for the Group's system of internal control, it has delegated the implementation of these internal control systems to the Executive Management who regularly reports to the Audit and Risk Management Committees on risks identified and action steps taken to mitigate and/or minimise these risks. The Board is also responsible for identifying the nature and extent of major business risks faced by the Group, evaluating them and to manage these risks that could inadvertently prevent the achievement of the Group's business objectives.

Management is responsible to implement these policies, procedures and guidelines on risk and control by identifying and evaluating the risks faced and design, operate and monitor a suitable system of internal control to manage these risks. The Board has delegated the responsibilities of the Risk Management Committee ("RMC") to include the role of monitoring all internal control on behalf of the Board and in identifying and communicating critical risk areas to the Board accordingly. This process is regularly reviewed by the Board and the Internal Auditors respectively. The internal audit function is outsourced to an independent party, Messrs Baker Tilly Monteiro Heng Governance Sdn Bhd ("BTMH"). During the financial year under review, the Audit Committee has reviewed the internal control framework for the Group and assessed the effectiveness and efficiency as reported by the Internal Auditors.

RISK MANAGEMENT COMMITTEE

The RMC was established by the Board on 31 March 2004. The RMC had met four (4) times during the financial year. The RMC as at the date of this Annual Report are as follows:

- Chairman : Shazal Yusuf bin Mohamed Zain
(Appointed as a member on 2 January 2015)
- Members : Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah
: Muk Sai Tat
(Appointed as a member on 2 January 2015)

The RMC Meetings held during the financial year ended 30 June 2015 were as follows:

Name of Committee Members	Total Meetings Attended
Shazal Yusuf bin Mohamed Zain (Chairman, Independent Non-Executive Director)	2/2
Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah (Non-Independent Non-Executive Director)	4/4
Mr Muk Sai Tat (Independent Non-Executive Director)	2/2

RISK MANAGEMENT FRAMEWORK

The RMC had formally adopted a Risk Management Framework for the Group in 2005. The objective of this framework is to provide guidance to the Group to facilitate a structured approach in identifying, evaluating and managing significant risks and to achieve a level of adequacy and standard reporting by the subsidiaries to the holding company in a timely manner. This process is working effectively during the financial year ended 30 June 2015 and up to the date of approval of this statement.

The roles of the Board of Directors, Risk Management Committee, Audit Committee and the respective Division Heads are well defined under the framework with clear lines of accountability. Management is responsible for the identification and evaluation of the key risks applicable to their areas of business units/segments on a continuous basis. The Group recognizes that Risk Management involves a structured approach, combining the efforts of all functions with the Group, to minimize the possibility and impact of unexpected damages so as to contribute towards greater efficiency and better decision making.

Risks identified are reported in a timely manner and discussed thoroughly with corrective measures to be taken during the periodic management meetings to ensure implementation of corrective actions.

DIRECTORS' STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

For Financial Year Ended 30 June 2015

(continued)



The main duties and functions of the RMC as set out in the Terms of Reference, which has been approved by the Board are, inter alia, as follows:

- a. Reviewing existing controls that may reduce the risk factors of the Group;
- b. Reviewing and providing recommendations on risk management strategies, policies and risk tolerance for the Board's approval;
- c. Reviewing and assessing the adequacy of risk management policies and framework in identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
- d. Ensuring the adequacy of infrastructure, resources and systems for an effective risk management to ensure the implementation of risk management systems are performed by the staff independently; and
- e. Reviewing the Management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

The RMC will assist and coordinate the implementation of the risk management programme for the Group. The implementation of the risk management programme will provide a consistent approach and guidelines in managing the Group's significant risk exposures. It has been a practice for the RMC to invite their relevant Heads of Division/Department to attend the RMC Meetings, where appropriate. During the year 2015, RMC invited the Executive Director/Chief Executive Officer ("ED/CEO"), Chief Financial Officer ("CFO"), Compliance and Cost Control Manager, Chief Operating Officer of CRC Operations, Chief Operating Officer of Tube Operations and Chief Technical Officer to attend the RMC Meetings to brief and clarify on the risk issues identified and to explain in detail the steps to be taken to effectively address the issues of concern.

As the economic, industrial, regulatory and operating conditions continue to change, the corresponding mechanisms in identifying and dealing with the changing risks are of dynamic nature. Accordingly, the Group has a proactive risk management process which seeks to meet the challenges arising from such changes.

During the financial year of 2014 and 2015, the various aspects of the disposal of Melewar Steel Tube Sdn Bhd ("MST") by Melewar Industrial Group Berhad to the Company which was completed on 1 April 2015, were covered by the Due Diligence Working Group ("DDWG"). The DDWG was set up for the purpose to control the due diligence exercise, scrutinise the material prepared and attend the verification meeting(s) to verify the contents and completeness of the documents.

The DDWG had reviewed the following issues on industry outlook and prospects of MST and risk factors in respect of the said acquisition:

- (i) Overview of the Malaysian economy
- (ii) Outlook of the steel manufacturing industry in Malaysia
- (iii) Prospects of MST
- (iv) Future plans for MST

These issues were subsequently tabled at the Audit Committee Meetings for further deliberation and for tabling to the Board for final endorsement.

INTERNAL AUDIT

The Board has engaged the services of BTMH to carry out the internal audit function. The principle duty and responsibility of BTMH is to examine and evaluate all major phases of operations of the Group and to assist the Board in the effective discharge of the Board's responsibilities. Actual audits are varied on a cyclical basis with more attention being paid to the areas perceived to have more risk. The fee incurred for the internal audit function in respect of the financial year ended 30 June 2015 was RM64,000.

The internal audit function adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profile. The internal audit reviews of the existing systems of controls provides the Board with much of the assurance it requires regarding the adequacy and the effectiveness of the risk management processes which Executive Management has in place to identify, manage and in controlling the proper conduct of business within the Group. It also provides useful advice on control assurance activities as well as opportunities for improvements to enhance the existing control system as well as identify possible solutions to eliminate shortcomings or deficiencies identified.

The Audit Committee ("AC") reviews and approves the scope of the internal audit to be carried out. The results of the audit findings and the recommendations for improvement are also reported back to the AC as well as to the Board. Mycron's Management is responsible for ensuring that corrective actions, if any recommended, be implemented within a defined time frame.

Based on the internal audit reviews carried out, none of the weaknesses noted by the internal audit have resulted in any material losses, contingency or uncertainties that would require disclosure in the Annual Report.

KEY ELEMENTS OF THE INTERNAL CONTROL ENVIRONMENT

The key elements of the Group's internal control systems include:

- a. The Internal Auditors prepares a 'risk-based' internal audit plan which considers all the critical and high impact areas within the business operations. During the financial year, the various audit areas as set out in the approved internal audit plan were carried out by the Internal Auditors. Any weaknesses identified during the reviews and improvement measures recommendations to strengthen



DIRECTORS' STATEMENT ON RISK MANAGEMENT AND INTERNAL CONTROL

For Financial Year Ended 30 June 2015

(continued)

these controls were reported to the AC who will then report the findings at the quarterly Board Meetings. This provides an assurance regarding the adequacy and the integrity of the internal control system. Management will take the necessary corrective actions on reported weaknesses as recommended by the internal audit function within the agreed time frame. The AC will in turn review with Management the internal audit report and management's response. Progress of corrective actions is monitored through follow-up audits.

- b. The Group's operations are accredited with the prestigious ISO 9001:2008 international quality system standard since October 2002 and such quality management system provides the Group with an improved control of key processes and a foundation for improving quality, customer service and customer satisfaction.
- c. The Group has an appropriate organisational structure for planning, executing and controlling business operations which enables adequate monitoring of the activities and ensures effective flow of information across the Group.
- d. Management is responsible in identifying and evaluating the key risks applicable to their areas of business on a continuous basis. Risks identified are reported in a timely manner during the periodic management meetings to enable corrective actions to be taken.
- e. Lines of responsibility and delegations of authority are clearly defined such as the approval matrix for the capital expenditure and investment programmes.
- f. The Board of Directors and Management monitor the Group's performance via key performance indicators, monthly management reports and periodic management meetings. Any significant variation identified will be duly investigated and reported accordingly.
- g. Key processes of the Group are governed by the streamlined standard operating procedures across the Group.
- h. The Group's Safety and Health Committee is responsible to review the occupational safety and health procedures.
- i. The AC meets at least four (4) times a year and, within its limit, reviews the effectiveness of the Group's system of internal control. The Committee receives reports from the Internal Auditors and Executive Management. Refer to Audit Committee Report set out on pages 52 to 54 of this Annual Report.
- j. The Risk Management Unit undertakes to oversee the Group's risk management processes as set out in the risk management framework.
- k. The detailed internal policies and procedures guidelines are set out in the standard operating policies and procedures manuals. These systems/manuals, such as those relating to safety, environment and insurance are subject to an annual review improvement to ensure that they are sufficiently capable of responding to changes in the risk profiles and remain aligned with the Group's business strategy.
- l. Plant visits by members of the Board on a regular basis.
- m. On a monthly basis, Executive Committee meeting will be held and attended by the respective Business Unit Heads together with the ED/CEO. The objective of the meeting is held primarily to review the operational performance and progress of the tasks undertaken by the Group.
- n. The Group has also in place a whistle blowing procedure which forms part of the Group's Code of Conduct. This provides an avenue for employees to report/complain about any wrongdoing by any persons in the Group, or any breach or suspected breach of any law or standards in a safe and confidential manner.

CONTROL ASSURANCE OVER FINANCIAL REPORTING

During the financial year under review, the Group management carried out the practice of making quarterly representation as well as certification of the reviews it conducted to the Board on a yearly basis. This representation serves as a commitment of management assurance on the control system in place for financial reporting accuracy as required.

CONCLUSION

The Executive Management is responsible for implementing the processes for identifying, evaluating, monitoring and reporting of risks and internal control, taking appropriate and timely corrective actions as needed, and for providing assurance to the Board that the processes have been carried out. In this regard, the ED/CEO and the CFO have given assurance to the Board that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management model adopted by the Group and the declarations made by the respective Heads of each Division.

Premised on the above, the Board is of the opinion that the existing system of internal control of the Group is sound, adequate and effective to achieve the objectives of safeguarding shareholders' investment, interest of the customers, regulators, employees and other stakeholders and the Group's assets.

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised) issued by the Malaysian Institute of Accountants. RPG 5 (Revised) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

AUDIT COMMITTEE REPORT



ESTABLISHMENT

The Audit Committee assists the Board in fulfilling the Board's responsibilities with respect to its oversight responsibilities.

The Committee comprises the following Directors, all of whom are Independent Non-Executive Directors:

- | | | |
|----|---------------------------------------------------------------------------|-----------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 1. | Mr Muk Sai Tat [^] | - Independent Non-Executive Director (Audit Committee Member who fulfils requirement under Paragraph 15.09(1)(c)(i) of the Main Market Listing Requirements ("MMLR")) |
| 2. | Tan Sri Datuk Seri Razman Md Hashim | - Independent Non-Executive Director |
| 3. | En Shazal Yusuf bin Mohamed Zain [^] | - Independent Non-Executive Director |
| 4. | Dato' Sri Iskandar Michael bin Abdullah [#] | - Independent Non-Executive Director |
| 5. | General Tan Sri Dato' Sri Hj. Suleiman bin Mahmud RMAF (Rtd) [#] | - Independent Non-Executive Director |

Note :

[^] Appointed as members of the Audit Committee effective 2 January 2015.

[#] Resigned as members of the Audit Committee effective 2 January 2015.

The Chairman of the Audit Committee is Mr Muk Sai Tat. The Directors' profiles are set out on pages 22 to 25 in the Annual Report.

SUMMARY OF THE TERMS OF REFERENCE

The Audit Committee is authorised by the Board to investigate any activity within its terms of reference and shall have unrestricted access to both the internal and external auditors and to all employees of the Group. The Chairman of the Audit Committee engages on a continuous basis with the Senior Management, Internal Auditors and External Auditors, in order to keep abreast of matters and issues affecting the Group.

The Audit Committee is also authorised by the Board to seek and accept independent professional advice and to secure the attendance of outsiders with relevant experience and expertise, whenever deemed necessary.

The Audit Committee shall be appointed by the Board from amongst the Directors and shall consist of not less than three (3) members. All Audit Committee members must be non-executive Directors, with a majority of them being independent directors. The Chairman shall be an independent, non-executive Director appointed by the Audit Committee.

If a member of the Audit Committee resigns or for any reason ceases to be a member resulting in the number of members to be reduced to below three (3), the Board of Directors shall, within three (3) months of that event, appoint a replacement to make up the minimum of three (3).

The Audit Committee's duties and responsibilities are as follows:

- (a) To consider the appointment and re-appointment of the external auditors and the audit fee.
- (b) To discuss the resignation or removal of external auditors and the reasons thereof.
- (c) To discuss with the external auditors the nature and scope of any audit exercise prior to its commencement and to ensure coordination of such exercise where more than one audit firm is involved.
- (d) To review the quarterly and annual financial statements of the Company and the Group, before submission to the Board whilst ensuring that they are prepared in an accurate manner focusing particularly on:
 - i) Changes in major accounting policies and principles;
 - ii) Significant or unusual events;
 - iii) Significant adjustments arising from the audit;
 - iv) The going concern assumption;
 - v) Compliance with applicable financial reporting standards and relevant statutory and regulatory requirements;
 - vi) To discuss issues, concerns and reservations arising from interim and final external audits, and such other matters the external auditors may wish to raise (in the absence of Management where necessary);
 - vii) To review the external auditor's management letter and management's response to specific matters raised therein;
 - viii) To assess the suitability and independence of external auditors;
 - ix) To do the following in connection with the internal audit function:
 - Review the adequacy of the scope, functions, authority, competency and resources;
 - Review and discuss the nature and scope of the internal audit program with the internal auditors and the follow-up thereto, ensuring that appropriate actions are taken as recommended;
 - Review any appraisal of the performance and compensation of staff members;
 - Approve the appointment, resignation or termination of its senior staff members;
 - Take cognizance of resignations of staff members and provide the resigning staff members an opportunity to submit their reasons for resigning.



AUDIT COMMITTEE REPORT

(continued)

- (e) To consider and review any related party transactions that may arise within the Group.
- (f) To consider and review the major findings of internal investigations and Management's response.
- (g) To consider other topics as defined by the Board.

MEETINGS AND MINUTES

The Audit Committee shall meet at least four (4) times annually or more frequently as circumstances dictate. The Executive Director/Chief Executive Officer and Chief Financial Officer should normally attend meetings. Other Board members, employees, a representative of the External Auditors and External Independent Professional Advisers may attend meetings upon the invitation of the Audit Committee.

However, the Committee should meet with the External Auditors without the presence of Executive Board members at least twice a year. During the financial year ended 30 June 2015, the Audit Committee had conducted two (2) meetings with the External Auditors without the presence of the Executive Directors and Management.

The Company Secretary shall be the secretary to the Audit Committee. Minutes of each meeting shall be distributed to each member prior to the meeting. The Chairman of the Audit Committee shall report to the Board, a summary of significant matters arising at each meeting.

During the financial year ended 30 June 2015, seven (7) Audit Committee meetings were held. The details of attendance of each Committee member are as follows:

Name	No. of Meetings Attended
Mr Muk Sai Tat (Chairman) [^]	2/2
Tan Sri Datuk Seri Razman Md Hashim	5/7
En Shazal Yusuf bin Mohamed Zain [^]	2/2
Dato' Sri Iskandar Michael bin Abdullah [#]	5/5
General Tan Sri Dato' Sri Hj. Suleiman bin Mahmud RMAF (Rtd) [#]	5/5

Note :

[^] Appointed as members of the Audit Committee effective 2 January 2015.

[#] Resigned as members of the Audit Committee effective 2 January 2015.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR ENDED 30 JUNE 2015

During the financial year ended 30 June 2015, the Audit Committee has carried out its duties as set in the terms of reference. The main activities were as follows:

- A. Financial Results, Financial Statements and Announcements
 - i. Reviewed the unaudited quarterly and annual financial results of the Group for financial year ended 30 June 2015. This also includes the announcements pertaining to the release of financial results to Bursa Malaysia prior to recommending to the Board for approval. The review also focuses on any changes to accounting policies and practices, significant audit adjustments, going concern assumption and compliance with financial reporting standards and other regulatory requirements.
 - ii. The Audit Committee had considered the views of management and internal auditors and is satisfied that the policies, particularly to the following issues have been applied appropriately:
 - (a) Maintenance Management & Machine Parts;
 - (b) Property, Plant & Equipment;
 - (c) Desktop follow-up review of audit issues;
 - (d) Production Operations;
 - (e) Quality Control & Assurance;
 - (f) Supply Chain Management;
 - (g) Sales Ordering & Billing; and
 - (h) Credit Control and Collection
- B. Risks and Controls
 - i. Reviewed and evaluated the overall adequacy and effectiveness of the system of internal controls on a quarterly basis through review of results of work performed by internal and external auditors and discussions with the Management. The Audit Committee also reviewed the Statement on Risk Management and Internal Control and Statement on Corporate Governance prior to inclusion in the Company's Annual Report.

AUDIT COMMITTEE REPORT

(continued)



C. External Audit

- i. Reviewed with External Auditors on their audit plan (including system evaluation, audit fee, issues raised and Management's response) prior to the commencement of audit to ensure appropriate scope and focus on key risk areas.
- ii. Reviewed the external auditors' annual audit report and accompanying reports to management, reports of their other examinations and management letters on internal control matters, including management's response and the level of co-operation given by employees to the external auditors.
- iii. Evaluated the external auditors' independence, objectivity and terms of engagement before recommending their re-appointment and remuneration.
- iv. Discussed problems and reservations arising from the interim and final external audits, and any matters the External Auditors may wish to discuss in the absence of Management.

D. Internal Audit

- i. Reviewed and approved the Internal Audit Consultants' Annual Internal Audit Plan and ensured principal risks, key entities, scope and functions were adequately identified and covered in the plan.
- ii. Reviewed the internal audit reports presented by the Internal Audit consultants at each Audit Committee meeting and their activities with respect to:
 - Status of audit activities as compared to the approved Annual Audit Plan;
 - Results of scheduled, follow-up, investigative and special audits;
 - Adequacy of Management's responsiveness to the audit findings and recommendations;
 - Adequacy of audit resources of the Internal Audit Consultants;
 - Reviewed and recommended to the Board the re-appointment of the external service provider for internal audit services and their audit fee.

E. Related Party Transactions ("RPT")

- i. Reviewed the disclosure of related party transactions and any conflict of interest situation and questionable transactions to ensure compliance with the Listing Requirements and that they were not favourable to the related parties than those generally available to the public and were not detrimental to minority shareholders.
- ii. Reviewed the issues in respect of the acquisition of the entire issued and paid-up share capital of Melewar Steel Tube Sdn Bhd from Melewar Industrial Group Berhad to ensure that an arm's length negotiation on the said transaction in terms of commercial and practical aspect of the said transaction was carried out.

F. Others

- i. Reviewed the Audit Committee Report for inclusion in the Company's Annual Report.
- ii. Reported to and updated the Board on significant issues and concerns discussed during the Committee's meetings and where appropriate, made the necessary recommendations to the Board.
- iii. Reviewed the disclosure statements on compliance of Malaysian Code on Corporate Governance, Board's responsibility on the annual audited financial statements and the state of internal control and other relevant documents for publication in the Company's Annual Report.
- iv. Reviewed the gap analysis carried out on the corporate governance disclosures in the CG Statement, Audit Committee Report and Statement on Risk Management and Internal Control as required by Bursa Securities.

INTERNAL AUDIT FUNCTIONS

The internal audit function of the Company and the Group has been outsourced to an independent party, Messrs Baker Tilly Monteiro Heng Governance Sdn Bhd ("BTMH"). BTMH assists the Audit Committee in the discharge of its duties and responsibilities. Their primary responsibility is to provide an independent assurance on the adequacy and effectiveness of risk management, governance and internal control.

BTMH focuses on regular and systematic review and has conducted evaluation on the internal control, management information systems and compliance with established procedures including the system for compliance with applicable laws, regulations, rules, directives and guidelines.

The 2015 Annual Internal Audit Plan which was developed based on a risk based approach was approved by the Audit Committee at its meeting held on 28 August 2014. The Internal Audit reports, which highlight internal control weaknesses were deliberated by the Audit Committee and the recommendations were duly acted upon by the Management.

During the financial year ended 30 June 2015, BTMH had completed a total of eight (8) audit assignments as explained under the Summary of Activities. Mr Kuan Yew Choong was invited to attend the Audit Committee Meetings to explain and clarify to the Audit Committee on the actions taken to rectify the audit issues highlighted in the Internal Audit Reports. The Audit Committee noted consequential improvements in these areas.

The Internal Audit Department's role with regards to the Group's risk management framework is explained in the Statement on Risk Management and Internal Control as set out on pages 49 to 51 of the Annual Report.

The total cost incurred by the Group in relation to the conduct of the internal audit function of the Group during the financial year ended 30 June 2015 was approximately RM64,000.00.

This statement was approved by the Board of Directors on 26 October 2015.



DIRECTORS' REPORT

For The Financial Year Ended 30 June 2015

The Directors hereby submit their report together with the audited financial statements of the Group and the Company for the financial year ended 30 June 2015.

PRINCIPAL ACTIVITIES

The principal activities of the Company are 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 steel-tube manufacturing activity represents a new inclusion during the financial year pursuant to a common-control-acquisition by the Company from its immediate parent company - Melewar Industrial Group Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

FINANCIAL RESULTS

	Group RM	Company RM
Net profit/(loss) for the financial year	11,683,170	(74,230)

DIVIDENDS

There were no dividends declared or paid by the Company since 30 June 2014.

The Directors do not recommend the payment of any dividend for the financial year ended 30 June 2015.

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

On 1 April 2015, the Company issued 104,545,455 new shares issued to Melewar Industrial Group Berhad as part of the purchase consideration to acquire 100% of the share capital of Melewar Steel Tube Sdn Bhd as disclosed in Note 32 to the financial statements.

DIRECTORS

The Directors who have held office during the period since the date of the last 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	(appointed on 2 January 2015)
Shazal Yusuf bin Mohamed Zain	(appointed on 2 January 2015)
Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah	(appointed on 2 January 2015)
Datuk Lim Kim Chuan	(retired at Annual General Meeting held on 9 December 2014)
General Tan Sri Dato' Sri Hj. Suleiman bin Mahmud RMAF (Rtd)	(resigned on 2 January 2015)
Dato' Sri Iskandar Michael bin Abdullah	(resigned on 1 October 2015)

In accordance with Article 113(1) of the Company's Article of Association, Tunku Dato' Yaacob Khyra is to retire by rotation at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 120 of the Company's Article of Association, Muk Sai Tat, Shazal Yusuf bin Mohamed Zain and Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah are to retire at the forthcoming Annual General Meeting and, being eligible, offer themselves for re-election.

In accordance with Section 129(6) of the Companies Act, 1965, Tan Sri Datuk Seri Razman Md Hashim bin Che Din Md Hashim is to retire at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

DIRECTORS' REPORT

For The Financial Year Ended 30 June 2015

(continued)



DIRECTORS' INTERESTS

According to the register of Directors' shareholdings, particulars of interests of Directors who held office at the end of the financial year, in ordinary shares in the Company and its related corporations are as follows:

	Number of ordinary shares of RM1 each			
	At 1.7.2014	Bought	Sold	At 30.6.2015
Melewar Industrial Group Berhad (Ultimate holding company)				
Tunku Dato' Yaacob Khyra - indirect interest	82,381,232	-	-	82,381,232
Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah - indirect interest	82,381,232	-	-	82,381,232
Azlan bin Abdullah - direct interest	133,333	-	-	133,333

	Number of ordinary shares of RM0.25 each			
	At 1.7.2014	Bought	Sold	At 30.6.2015
Mycron Steel Berhad (the Company)				
Tunku Dato' Yaacob Khyra - indirect interest	97,557,066	104,545,455	-	202,102,521
Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah - indirect interest	97,557,066	104,545,455	-	202,102,521
Azlan bin Abdullah - direct interest	247,000	-	-	247,000

By virtue of Tunku Dato' Yaacob Khyra and Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah's indirect interests in shares in the ultimate holding company, they are 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 Directors' remuneration disclosed in Note 9 to the financial statements) 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.



DIRECTORS' REPORT

For The Financial Year Ended 30 June 2015

(continued)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of comprehensive income and statements of financial position of the Group and the Company were made out, the Directors took reasonable steps:

- (a) 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
- (b) to ensure that any current assets other than debts, which were unlikely to be realised in the ordinary course of business, their values as shown in the accounting records of the Group and of the Company had been written down to an amount which might be expected to be realised.

At the date of this report, the Directors are not aware of any circumstances:

- (a) 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
- (b) which would render the values attributed to current assets in the financial statements of the Group and of the Company misleading; or
- (c) 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.

No contingent or other liability 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 Group or of the Company to meet their obligations when they fall due.

At the date of this report, there does not exist:

- (a) any charge on the assets of the Group or of the Company which has arisen since the end of the financial year which secures the liability of any other person; or
- (b) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

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 which would render any amount stated in the financial statements of the Group and of the Company misleading.

In the opinion of the Directors:

- (a) the results of the Group's and the Company's operations during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature, other than as disclosed in Notes 4(e), 12 and 32 to the financial statements; and
- (b) 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 or 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.

AUDITORS

The auditors, PricewaterhouseCoopers, have expressed their willingness to continue in office.

Signed on behalf of the Board of Directors in accordance with a resolution dated 30 October 2015.

TUNKU DATO' KAMIL IKRAM
BIN TUNKU TAN SRI ABDULLAH
DIRECTOR

AZLAN BIN ABDULLAH
EXECUTIVE DIRECTOR

STATEMENT BY DIRECTORS

Pursuant To Section 169(15) Of The Companies Act, 1965



We, Tunku Dato' Kamil Ikram bin Tunku Tan Sri Abdullah and Azlan bin Abdullah, two of the Directors of Mycron Steel Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 61 to 116 are drawn up so as to give a true and fair view of the state of affairs of the Group and Company as at 30 June 2015 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

The supplementary information set out in Note 34 on page 117 to the financial statements have been prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants.

Signed on behalf of the Board of Directors in accordance with a resolution dated 30 October 2015.

TUNKU DATO' KAMIL IKRAM
BIN TUNKU TAN SRI ABDULLAH
DIRECTOR

AZLAN BIN ABDULLAH
EXECUTIVE DIRECTOR

STATUTORY DECLARATION

Pursuant To Section 169(16) Of The Companies Act, 1965



I, Choo Kah Yean, the person primarily responsible for the financial management of Mycron Steel Berhad, do solemnly and sincerely declare that the financial statements set out on pages 61 to 116 are, in my opinion, 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

Subscribed and solemnly declared by the abovenamed Choo Kah Yean, at Kuala Lumpur in Malaysia on 30 October 2015, before me.

COMMISSIONER FOR OATHS



INDEPENDENT AUDITORS' REPORT To The Members Of Mycron Steel Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Mycron Steel Berhad on pages 61 to 116, which comprise the statements of financial position as at 30 June 2015 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 year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 33.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with approved standards on auditing in Malaysia. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on our judgement, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view 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 entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2015 and of their financial performance and cash flows for the year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

Emphasis of Matter

We draw attention to Note 2(a) to these financial statements, which state that the Group's current liabilities exceeded its current assets by RM11.8 million as at 30 June 2015. This along with other matters as described in Note 2(a), indicate the existence of a material uncertainty which may cast significant doubt about the ability of the Group to continue as a going concern. Our opinion is not qualified in respect of this matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

In accordance with the requirements of the Companies Act, 1965 in Malaysia, we also report the following:

- (a) In our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries have been properly kept in accordance with the provisions of the Act.
- (b) We are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.
- (c) Our audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

INDEPENDENT AUDITORS' REPORT

To The Members Of Mycron Steel Berhad

(continued)



OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 34 on page 117 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

This report is made solely to the members of the Company, as a body, in accordance with Section 174 of the Companies Act, 1965 in Malaysia and for no other purpose. We do not assume responsibility to any other person for the content of this report.

PRICEWATERHOUSECOOPERS

(No. AF: 1146)
Chartered Accountants

LEE YOKE KHAI

(No. 1589/08/17 (J))
Chartered Accountant

Kuala Lumpur
30 October 2015



STATEMENTS OF COMPREHENSIVE INCOME

For The Financial Year Ended 30 June 2015

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
Revenue	6	518,341,813	447,956,296	2,209,616	2,071,105
Cost of sales		(492,118,052)	(431,663,579)	-	-
Gross profit		26,223,761	16,292,717	2,209,616	2,071,105
Other operating income		140,721	78,006	-	-
Net foreign exchange loss		(5,621,949)	(650,964)	-	-
Selling and distribution costs		(3,225,181)	(2,365,885)	-	-
Administrative expenses		(14,617,246)	(11,585,249)	(2,140,278)	(1,972,481)
Impairment loss on property, plant and equipment	12	(3,463,316)	(6,354,418)	-	-
Other operating expenses		-	(79,946)	-	-
Gain from bargain purchase	32	21,280,272	-	-	-
Finance income	7	388,671	465,289	567	460
Finance costs	7	(10,595,713)	(9,945,983)	-	-
Profit/(loss) before tax	8	10,510,020	(14,146,433)	69,905	99,084
Taxation	10	1,173,150	4,918,107	(144,135)	(147,567)
Net profit/(loss) for the financial year		11,683,170	(9,228,326)	(74,230)	(48,483)
Other comprehensive income:					
Items that will not be reclassified to profit or loss					
- Revaluation surplus on property, plant and equipment, net of tax		5,959,276	3,118,167	-	-
Total comprehensive income/(loss) for the financial year		17,642,446	(6,110,159)	(74,230)	(48,483)
Net profit/(loss) for the financial year attributable to owners of the Company		11,683,170	(9,228,326)	(74,230)	(48,483)
Total comprehensive income/(loss) for the financial year attributable to owners of the Company		17,642,446	(6,110,159)	(74,230)	(48,483)
Earnings/(loss) per share attributable to equity holders of the Company - basic and diluted (sen)	11	5.72	(5.19)		

STATEMENTS OF FINANCIAL POSITION

As At 30 June 2015

	Note	Group		Company	
		2015 RM	2014 RM	2015 RM	2014 RM
ASSETS					
NON-CURRENT ASSETS					
Property, plant and equipment	12	319,889,851	275,651,750	-	10,530
Investments in subsidiaries	13	-	-	230,290,679	165,089,207
Intangible assets	14	20,000,000	-	-	-
		339,889,851	275,651,750	230,290,679	165,099,737
CURRENT ASSETS					
Inventories	15	88,939,432	73,764,167	-	-
Trade and other receivables	16	103,965,685	45,069,973	8,261	5,000
Amount owing by ultimate holding company	17	5,377,080	2,205,921	-	-
Amounts owing by subsidiaries	18	-	-	55,899	10,173,474
Amounts owing by related companies	19	6,851,563	12,834,105	-	-
Tax recoverable		604,811	64,367	40,879	64,367
Derivative financial assets	20	2,071,230	-	-	-
Cash and cash equivalents	21	39,841,327	18,799,128	32,420	167,539
		247,651,128	152,737,661	137,459	10,410,380
LESS: CURRENT LIABILITIES					
Trade and other payables	22	93,219,887	52,313,447	394,477	256,840
Amount owing to ultimate holding company	17	-	-	-	29,459
Amounts owing to subsidiaries	18	-	-	24,565,891	-
Amount owing to a related company	19	24,120	19,425	-	-
Tax payable		-	10,096	-	-
Derivative financial liabilities	20	40,650	785,947	-	-
Borrowings	24	166,178,759	112,840,973	-	-
		259,463,416	165,969,888	24,960,368	286,299
NET CURRENT(LIABILITIES)/ASSETS		(11,812,288)	(13,232,227)	(24,822,909)	10,124,081
LESS: NON-CURRENT LIABILITIES					
Deferred tax liabilities	23	10,084,882	2,238,908	-	-
Borrowings	24	12,129,949	2,278,511	-	-
		22,214,831	4,517,419	-	-
CAPITAL AND RESERVES ATTRIBUTABLE TO OWNERS OF THE COMPANY		305,862,732	257,902,104	205,467,770	175,223,818
Share capital	25	70,886,364	179,000,000	70,886,364	179,000,000
Non-distributable capital reserve	32(a)	115,753,842	-	115,753,842	-
Share premium	26	19,100,456	14,918,638	19,100,456	14,918,638
Asset revaluation reserve		17,169,802	11,210,526	-	-
Treasury shares	27	(382,685)	(382,685)	(382,685)	(382,685)
Retained earnings/(accumulated losses)		83,334,953	53,155,625	109,793	(18,312,135)
TOTAL EQUITY		305,862,732	257,902,104	205,467,770	175,223,818



CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 30 June 2015

	←	Attributable to owners of the Company						→
		Share capital RM	Capital reserve RM	Share premium RM	Asset revaluation reserves RM	Treasury shares RM	Retained earnings RM	
Note								
At 1 July 2014		179,000,000	-	14,918,638	11,210,526	(382,685)	53,155,625	257,902,104
Issue of new shares	25	26,136,364	-	4,181,818	-	-	-	30,318,182
Par value reduction	32(a)	(134,250,000)	115,753,842	-	-	-	18,496,158	-
Net profit for the financial year		-	-	-	-	-	11,683,170	11,683,170
Other comprehensive income:								
- Revaluation surplus on property, plant and equipment, net of tax		-	-	-	5,959,276	-	-	5,959,276
Total comprehensive income for the financial year		-	-	-	5,959,276	-	11,683,170	17,642,446
At 30 June 2015		70,886,364	115,753,842	19,100,456	17,169,802	(382,685)	83,334,953	305,862,732

	←	Attributable to owners of the Company					→
		Share capital RM	Share premium RM	Asset revaluation reserves RM	Treasury shares RM	Retained earnings RM	
At 1 July 2013		179,000,000	14,918,638	8,092,359	(382,685)	62,383,951	264,012,263
Net loss for the financial year		-	-	-	-	(9,228,326)	(9,228,326)
Other comprehensive income:							
- Revaluation surplus on property, plant and equipment, net of tax		-	-	3,118,167	-	-	3,118,167
Total comprehensive income/(loss) for the financial year		-	-	3,118,167	-	(9,228,326)	(6,110,159)
At 30 June 2014		179,000,000	14,918,638	11,210,526	(382,685)	53,155,625	257,902,104

COMPANY STATEMENT OF CHANGES IN EQUITY

For The Financial Year Ended 30 June 2015



	Share capital RM	Non- distributable Capital reserve RM	Non- distributable Share premium RM	Treasury shares RM	Retained earnings/ (Accumulated losses) RM	Total RM
At 1 July 2014	179,000,000	-	14,918,638	(382,685)	(18,312,135)	175,223,818
Issue of new shares	26,136,364	-	4,181,818	-	-	30,318,182
Par value reduction	(134,250,000)	115,753,842	-	-	18,496,158	-
Net loss for the financial year	-	-	-	-	(74,230)	(74,230)
At 30 June 2015	70,886,364	115,753,842	19,100,456	(382,685)	109,793	205,467,770
At 1 July 2013	179,000,000	-	14,918,638	(382,685)	(18,263,652)	175,272,301
Net loss for the financial year	-	-	-	-	(48,483)	(48,483)
At 30 June 2014	179,000,000	-	14,918,638	(382,685)	(18,312,135)	175,223,818



STATEMENTS OF CASH FLOWS

For The Financial Year Ended 30 June 2015

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(loss) before tax	10,510,020	(14,146,433)	69,905	99,084
Adjustments for:				
Property, plant and equipment:				
- depreciation	12,110,328	11,315,458	10,530	51,668
- net loss on disposals	(37,287)	79,946	-	-
- impairment loss	3,463,316	6,354,418	-	-
- write-off	21,985	-	-	-
Net unrealised loss/(gain) on foreign exchange	107,287	(761,088)	-	-
Fair value (gain)/loss on foreign currency exchange forward contract	(2,822,222)	310,953	-	-
Interest income	(388,671)	(465,289)	(567)	(460)
Interest expense	10,595,713	9,442,596	-	-
Gain from bargain purchase	(21,280,272)	-	-	-
Impairment of amount owing by a related company	524,592	-	-	-
	12,804,789	12,130,561	79,868	150,292
Changes in working capital:				
- inventories	18,338,985	(1,423,430)	-	-
- trade and other receivables	(21,059,442)	19,843,332	(3,261)	3,600
- trade and other payables	16,170,284	9,112,552	137,637	(72,817)
- intercompany balances	(4,462,520)	2,454,453	654,006	(184,197)
Cash generated from/(used in) operations	21,792,096	42,117,468	868,250	(103,122)
Interest paid	(10,377,940)	(9,438,383)	-	-
Interest received	388,671	465,289	567	460
Tax paid	(308,084)	(56,157)	(120,646)	8,345
Tax refund	80,191	-	-	-
Net cash generated from/(used in) operating activities	11,574,934	33,088,217	748,171	(94,317)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of plant and equipment	(8,813,117)	(9,292,805)	-	-
Proceeds from disposal of plant and equipment	105,900	122,352	-	-
Net cash flow from subsidiary acquired	32(b)(iv) 21,385,521	-	(883,290)	2
Net cash generated from/(used in) investing activities	12,678,304	(9,170,453)	(883,290)	2
CASH FLOWS FROM FINANCING ACTIVITIES				
Repayments of borrowings	(259,637,483)	(268,166,041)	-	-
Proceeds from borrowings	256,426,444	236,524,000	-	-
Net cash used in financing activities	(3,211,039)	(31,642,041)	-	-
NET MOVEMENT IN CASH AND CASH EQUIVALENTS	21,042,199	(7,724,277)	(135,119)	(94,315)
CASH AND CASH EQUIVALENTS:				
- at beginning of the financial year	18,799,128	26,523,405	167,539	261,854
- at end of the financial year	21 39,841,327	18,799,128	32,420	167,539

During the financial year, the Group made a non-cash purchase of plant and equipment amounting to RM324,400 by utilising a hire-purchase loan (Note 12).

NOTES TO THE FINANCIAL STATEMENTS

TABLE OF CONTENTS

Page	Note
67	1 General Information
67	2 Summary of Significant Accounting Policies
80	3 Critical Accounting Estimates and Judgements
80	4 Financial Risk Management Objectives and Policies
81	a) Capital Risk
81	b) Liquidity Risk
83	c) Credit Risk
86	d) Interest Rate Risk
86	e) Foreign Currency Exchange Risk
89	5 Fair Value
90	6 Revenue
90	7 Finance Income and Costs
91	8 Profit/(loss) before Tax
91	9 Directors' Remuneration
92	10 Taxation
93	11 Earnings/(loss) per Share
94	12 Property, Plant and Equipment
98	13 Investment in Subsidiaries
99	14 Intangible Assets
99	15 Inventories
100	16 Trade and Other Receivables
100	17 Amounts owing by/(to) Ultimate Holding Company
100	18 Amounts owing by/(to) Subsidiaries
100	19 Amount owing by Related Companies/ (to) a Related Company
101	20 Derivative Financial Assets/(Liabilities)
103	21 Cash and Cash Equivalents
103	22 Trade and Other Payables
104	23 Deferred Tax
105	24 Borrowings
108	25 Share Capital
108	26 Share Premium
108	27 Treasury Shares
109	28 Significant Related Party Transactions and Balances
110	29 Segmental Analysis
112	30 Financial Guarantees
112	31 Litigation, Commitment and Contingency
113	32 Significant Events During the Financial Year
115	33 Financial Instruments by Category
117	34 Supplementary Information Disclosed Pursuant to Bursa Malaysia Securities Berhad Listing Requirements





NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

1 GENERAL INFORMATION

The principal activities of the Company are 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 steel-tube manufacturing activity represents a new inclusion during the financial year pursuant to a common-control-acquisition by the Company from its immediate parent company - Melewar Industrial Group Berhad, a company incorporated in Malaysia and listed on the Main Market of Bursa Malaysia Securities Berhad.

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 12.03, 12th 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 2015, 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 30 October 2015.

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 of 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, 1965 in Malaysia.

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

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 reported financial period. It also requires Directors to exercise their judgement in the process of applying the Group and the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current event and actions, actual result may differ. The areas involving a higher degree of judgment or complexity, or areas where assumptions and estimates are significant to the consolidated financial statements are disclosed in Note 3.

Going concern

For the financial year ended 30 June 2015, the Group recorded a net profit of RM11.7 million (2014: net loss of RM9.2 million) but the Group remains in a net current liabilities position of RM11.8 million (2014: RM13.2 million) as at 30 June 2015.

The Group's net profit for the current financial year is primarily attributed to a one-off 'gain on bargain purchase' of RM21.3 million pursuant to an acquisition of the steel tube manufacturing business as disclosed in Note 32. Excluding this one-off gain, the Group would have made a loss of RM9.6 million for the current financial year exacerbated by net foreign exchange loss of RM5.6 million (2014: RM0.8 million) and impairment loss on PPE (property, plant and equipment) of RM3.5 million (2014: RM6.3 million). Nevertheless, the Group's EBITDA (Earnings before Interest, Tax, Depreciation and Amortisation) for the financial year at RM15.2 million, adjusted for the one off gain is higher than that of 2014 at RM12.5 million.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Going concern (continued)

For the current financial year ended 30 June 2015, the Cold-Rolled-Coil subsidiary complied with all its debenture's financial covenant commitments. The Steel Tube subsidiary failed to comply with two out-of-three financial covenants (refer to Note 4(a) and 4(b)) - which were based on the previous holding group's financial metrics (i.e. Melewar Industrial Group Berhad's consolidated financial metrics) - applicable to one bank. The bank has granted the affected subsidiary an indulgence on the non-compliance for the financial year ended 30 June 2015, and has also revised the said covenants to be based on the Group's financial metrics for the next financial year 2016 in-line with its current holding structure.

For the whole of the current financial year ended 30 June 2015, the Group has sufficient liquidity and was able to meet all its financial obligations when due. The net current liabilities position of the Group is mainly due to the concentration of short-term trade facilities' borrowings (which by nature can be rolled-over but also callable on demand) at both its Cold-Rolled-Coil and Steel Tube subsidiaries, where the 'short term bank debts-to-total bank debts ratio' is 89.8% and 99.9% respectively. The net current liability position casts doubt on the Group's ability to realise its assets and discharge its liabilities in the normal course of business should the banks concertedly recall the said facilities and demand immediate repayment in full. This gives rise to the existence of material uncertainties which may cast doubt on the Group's ability to continue as a going concern.

The Directors are of the view that the risk of the banks abruptly recalling the trade-facilities in full is low considering the fact that those facilities are timely serviced and are secured under the respective debentures with adequate to favourable 'security-value-to-outstanding-debt' ratio. In addition, the management has in the recent years taken steps to secure sufficient suppliers' trade-credit lines to run in parallel with the existing banks' trade financing lines to diversify its trade funding sources - as the Group works toward restructuring its debentures and debt-maturity-profile at the first opportune time. Based on the financial projections for the next twelve months, the Directors are of the view that the Group's continuing businesses should be able to generate a positive return and operating cash-flows. The Board is also of the opinion that the Group's total credit/loan availability for the next financial year 2016 should be adequate to meet its business needs, and based on its cash flow forecast the Group should be able to meet all its financial obligations when due in the next twelve months. Accordingly, the Directors are of the opinion that the preparation of the financial statements of the Group on a going-concern-basis is appropriate.

Standards, amendments to published standards and interpretations that are effective

The new accounting standards, amendments and improvements to published standards and interpretations that are effective for the Group and Company's financial year beginning on 1 July 2014 are as follows:

- Amendments to MFRS 132 'Offsetting Financial Assets and Financial Liabilities'
- Amendments to MFRS 136 'Recoverable Amount Disclosures for Non-Financial Assets'
- Amendments to MFRS 139 'Novation of Derivatives and Continuation of Hedge Accounting'
- Amendments to MFRS 10, MFRS 12 and MFRS 127 'Investment entities'
- Amendment to MFRS 119 'Employee benefits'
- IC Interpretation 21 'Levies'
- Annual Improvement 2010 - 2012
- Annual Improvement 2011 - 2013

The implementation of the above did not have any significant impact on the Group or the Company's financial statements.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

Standards, amendments to published standards and interpretations to existing standards that are applicable to the Group and the Company but not yet effective

A number of new standards and amendments to standards and interpretations are effective for annual periods beginning after 1 July 2016. None of these as set-out below is expected to have a significant effect on the consolidated financial statements of the Group:

- Amendment to MFRS 11 'Joint arrangements' (effective from 1 January 2016) requires an investor to apply the principles of MFRS 3 'Business Combination' when it acquires an interest in a joint operation that constitutes a business. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.
- Amendments to MFRS 116 'Property, plant and equipment' and MFRS 138 'Intangible assets' (effective from 1 January 2016) clarify that the use of revenue-based methods to calculate the depreciation and amortisation of an item of property, plant and equipment and intangible are not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

The amendments to MFRS 138 also clarify that revenue is generally presumed to be an inappropriate basis for measuring the consumption of the economic benefits embodied in an intangible asset. This presumption can be overcome only in the limited circumstances where the intangible asset is expressed as a measure of revenue or where it can be demonstrated that revenue and the consumption of the economic benefits of the intangible asset are highly correlated.

- 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) resolve a current inconsistency between MFRS 10 and MFRS 128. The accounting treatment depends on whether the non-monetary assets sold or contributed to an associate or joint venture constitute a 'business'. Full gain or loss shall be recognised by the investor where the non-monetary assets constitute a 'business'. If the assets do not meet the definition of a business, the gain or loss is recognised by the investor to the extent of the other investors' interests. The amendments will only apply when an investor sells or contributes assets to its associate or joint venture. They are not intended to address accounting for the sale or contribution of assets by an investor in a joint operation.
- 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 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 contractual 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 change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

MFRS 9 introduces an expected credit loss model on impairment for all financial assets 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.

- 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 standard deals with revenue recognition and establishes principles for reporting useful information to users of financial statements about the nature, amount, timing and uncertainty of revenue and cash flows arising from an entity's contracts with customers.

Revenue is recognised when a customer obtains control of a good or service and thus has the ability to direct the use and obtain the benefits from the good or service. 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.

There are no other MFRSs or IC interpretations that are not yet effective that would be expected to have a material impact on the Group.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(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 over the entity. 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. When necessary, amounts reported by subsidiaries have been adjusted to conform with the Group's accounting policies.

(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 equity transactions – that is, as transactions with the owners in their capacity as owners. The difference between fair value of any consideration paid and the relevant share acquired of the carrying value of net assets of the subsidiary is recorded in equity. Gains or losses on disposals to non-controlling interests are also recorded in equity.

(iii) Disposal of subsidiaries

When the Group ceases to have control over a subsidiary any retained interest in the entity is re-measured to its fair value at the date when control is lost, with the change in carrying amount recognised in profit or loss. The fair value is 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 or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to the profit or loss.

(iv) Acquisitions

The Group applies the acquisition method to account for business combinations including common control transactions. 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. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are 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.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(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. Land and buildings, plant and 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 its 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 property, plant and equipment are stated at cost less accumulated depreciation and 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.

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 de-recognised. All other repairs and maintenance are recognised as expenses in the profit or loss during the financial year in which they are incurred.

When an asset's carrying amount is increased as a result of a revaluation, the increase is recognised in other comprehensive income as an asset revaluation reserve. When the asset's carrying amount is decreased as a result of a revaluation, the decrease is recognised in other comprehensive income to the extent of any credit balance existing in asset revaluation reserve of that asset; and other decreases are recognised in the profit or loss.

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.

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, furniture, fittings and office equipment	10 years

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

NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(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 benefits and risks 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 balance outstanding. 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.

(f) Impairment of non-financial assets

Assets that have an indefinite useful life 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 to sell 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 (cash-generating units). Non-financial assets other than goodwill that suffered 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. 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.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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

(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. They are included in current assets, except for maturities greater than 12 months after the end of the reporting date. These are classified as non-current assets. The Group's loans and receivables are as disclosed in Note 33 to the financial statements.

(iii) Available-for-sale financial assets

Available-for-sale financial assets are non-derivatives that are either designated in this category or not classified in any of the other categories. They are included in non-current assets unless management intends to dispose the investment within 12 months of the end of the reporting date.

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 for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss is initially recognised at fair value, and transaction costs are expense to the profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(g) Financial assets (continued)

Subsequent measurement – gains and losses

Available-for-sale financial assets and 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.

Changes in the fair value of available-for-sale financial assets are recognised in other comprehensive income, except for impairment losses (refer to the accounting policy below on impairment of financial assets) and foreign exchange gains and losses on monetary assets. The exchange differences on monetary assets are recognised in the profit or loss, whereas exchange differences on non-monetary assets are recognised in other comprehensive income as part of fair value change.

Interest and dividend income on available-for-sale financial assets are recognised separately in the profit or loss. Dividend income on available-for-sale equity instruments is recognised in the profit or loss when the Group's right to receive payments is established.

Subsequent measurement - impairment of financial assets

(i) 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.

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.

(ii) Assets classified as available-for-sale financial assets

The Group assesses at the end of the reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired.

In the case of equity securities classified as available-for-sale, in addition to the criteria for 'assets carried at amortised cost' above, a significant or prolonged decline in the fair value of the security below its cost is also considered as an indicator that the assets are impaired. If any such evidence exists for available-for-sale financial assets, the cumulative loss that had been recognised directly in equity is removed from equity and recognised in profit or loss. The amount of cumulative loss that is reclassified to profit or loss is the difference between the acquisition cost and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss. Impairment losses recognised in the profit or loss on equity instruments classified as available-for-sale are not reversed through the profit or loss.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) De-recognition of financial assets

Financial assets are de-recognised 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.

(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.

(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 hedges of fair value or cashflow or 'net investment in a foreign entity', depending on the type of hedges involved on the recognised assets or liabilities or a firm commitment.

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 are 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 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.

(i) 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.

(k) Intangible assets

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

Licences, patents and trademarks are shown at cost. Licences, patents and trademarks that have a finite useful life are carried at cost less accumulated amortisation. 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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(l) Inventories

Inventories are stated at the lower of cost and net realisable value. Cost is determined on a weighted average cost basis. Finished goods and work-in-progress comprise cost of materials, direct labour, other direct costs and related production overheads (based on normal operating capabilities).

Net realisable value is the estimated selling price in the ordinary course of business, less costs of completion and selling expenses.

(m) Cash and cash equivalents

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. 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.

(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', 'amount owing to subsidiaries', 'amount owing to a related 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 de-recognised, and through the amortisation process.

Financial liabilities are de-recognised 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 the proceeds (net of transaction cost) 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.

(o) Provisions

Provisions are recognised when the Group and the Company has a present legal or constructive obligation as a result of past events; when it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Provisions are measured at the present value 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.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(p) Share capital

(i) Classification

Ordinary shares are classified as equity.

(ii) Share issue costs

Incremental cost incurred directly attributable to the issue of new ordinary shares are deducted against the share premium or capital reserve account.

(iii) Dividend distribution

Distributions to holders of an equity instrument are debited directly to equity, net of any related income tax benefit and the corresponding liability is recognised in the financial year in which the dividends are approved.

(iv) Purchase of own shares

When the Company or its subsidiaries purchases the Company's equity share capital (treasury shares), the consideration paid, including any directly attributable incremental external costs, net of tax, is included in equity attributable to the Company's equity holders as treasury shares until they are cancelled, re-issued or disposed of. Where such shares are subsequently sold or re-issued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the Company's equity holders.

(q) Revenue recognition

Revenue comprises 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 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.

(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 on a time proportion basis, taking into account the principal outstanding and the effective rate over the period to maturity, unless collectability is in doubt, in which case it is recognised on a cash receipt basis.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)



2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Employees' benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave and bonuses are accrued in the financial year in which the associated services are rendered by the employees of the Group.

(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.

(s) Current and deferred income tax

The income tax expense for the financial year comprises current and deferred tax. 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 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 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.

(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.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(t) Foreign currencies (continued)

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. For practical reasons, the average rate for the month is used as the approximate transaction-date-rate for all transactions in each foreign currency occurring during that period. 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.

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.

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. The chief operating decision-maker of the Group responsible for allocating resources and assessing performance of the operating segments is the Executive Committee.

(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 is not recognised when 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 probably, 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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(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) Preparation of the Group's financial statements as a going concern

Note 2(a) to the financial statements discloses the critical accounting estimates and assumptions used in preparing the financial statements of the Group as a going concern.

(b) Impairment of investments in subsidiaries

Management has made critical estimates and judgements for the impairment assessment in investments in subsidiaries, as disclosed in Note 13.

(c) Fair Value on initial recognition pursuant to a business combination

During the financial year the Company acquired the Steel Tube manufacturing subsidiary from its ultimate holding company, which was accounted using the 'acquisition method'. See Note 32.

In the accounting for the business combination, the Management has made critical estimates and judgement in the identification and fair value measurement of those assets acquired and the liabilities assumed; in the fair value measurement of the consideration shares issued by the Company in relation to the said acquisition; and in the computation of the gain on bargain purchase arising from the said acquisition.

(d) Revaluation of property, plant, and equipment

The fair value of property, plant and equipment that have no quoted prices in active markets for identical assets is determined using various valuation techniques. The Group uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period (Note 12).

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 management, internal audit, and the Risk Management Committee which reports to the Board.

Various risk management policies that are made and approved by the Directors for application in day-to-day operations for controlling and managing financial risks 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 if any and interest bearing debts as capital resources, 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 minimum required 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.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(a) Capital risk (continued)

For the reporting period, the Cold Rolled Coil subsidiary complied with all the capital covenants imposed at entity and Group levels. Some of the Steel Tube subsidiary's capital covenants for financial year ended 2015 were still based on the consolidated metrics of Melewar Industrial Group ("MIG") - its previous immediate parent. In this regard, the Steel Tube subsidiary complied with the maximum allowable debt-to-equity ratio at both entity and Group levels but failed to comply with the minimum adjusted shareholders' fund at MIG consolidated level. The said bank has granted indulgence for non-compliance of the aforementioned and has revised the covenant's computation to be based on Mycron Steel Berhad's financial metrics for the financial year ending 30 June 2016 onwards. In this regard, the minimum adjusted shareholders' funds requirement at Group level on the Steel Tube subsidiary has been set by the bank at RM250 million for the financial year ending 30 June 2016 onwards.

The Group works toward ensuring the sufficiency of debt and credit facilities to meet peak production and sales volume whilst maintaining an optimal capital structure of debt and equity.

(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 is 89.8% and 99.9% respectively, and this has contributed to the Group's net current liabilities position of RM11.8 million (2014: RM13.2 million) - which in theory implies a certain degree of liquidity risk due to the concentration of short-term maturity as shown in the 'maturity analysis' table hereinafter.

The substantial increase in the Company's net current liabilities position for the current financial ended 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. (See Note 32). This materially large net current liabilities position does not pose an immediate liquidity risk to the Company given that it is an intra-group debt.

Despite the aforementioned, neither the Group nor the Company has in any instances failed to meet any of its financial obligations when they fall due for the current financial year. This is attributed to the nature of trade facilities which are continuously rolled-over for utilisation; and the Group's 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.

Nevertheless, it is the Group's desire to attain a more balanced debt maturity profile of its financial obligations by spreading out into longer maturity periods. In this regard, the management seeks to restructure the subsidiaries' respective debenture as and when the financial market permits.

The Group's subsidiaries are subjected to certain liquidity covenants such as minimum allowable 'EBITDA to Interest Expense' ratio and 'Debt Service Cover Ratio'. For the reporting period, the Cold Rolled Coil subsidiary complied with the 'Debt Service Cover Ratio' covenant imposed at entity level. The Steel Tube subsidiary's liquidity covenant in the form of 'EBITDA to Interest Expense' ratio for the financial year ended 2015 was still based on the consolidated metrics of Melewar Industrial Group Berhad (MIG) - its previous immediate parent. In this regard, the Steel Tube subsidiary failed to comply with the minimum 'EBITDA to Interest Expense' ratio covenant measured at MIG consolidated level. The affected bank has granted indulgence for the said non-compliance and has revised the covenant's computation to be based on Mycron Steel Berhad's financial metrics for the financial year 2016 and onwards. Had this covenant been based on Mycron Steel Berhad's financial metrics for the financial year 2015, the Steel Tube subsidiary would have complied with the said covenant.

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 has a combined rolling trade credit-line of USD38 million from key suppliers, whilst the Steel Tube subsidiary has a rolling trade credit-line of USD10 million from a key supplier.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)



4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

At the reporting date, the Company's exposure to liquidity risk arises from financial guarantees issued to the Cold-Rolled subsidiary's outstanding bank debts of RM115.9 million (2014: RM111.8 million), and to the newly acquired Steel-Tube subsidiary's outstanding bank debts of RM59.8 million. The Company also issued a Corporate Guarantee to a raw material supplier of its Cold-Rolled subsidiary for related trade credits of RM22.7 million. The Directors are of the opinion that the default risk by the subsidiaries on both the aforementioned is remote.

As at 30 June 2015, the Company has acted as a corporate guarantor to its Cold-Rolled and Steel Tube subsidiaries' banks and to a raw material supplier for a combined outstanding sum amounting to RM175.7 million (2014: RM118.3 million). The Company does not anticipate any economic outflows arising from this guarantee.

Total undrawn banking trade-line facilities balance for the subsidiaries at the reporting date is RM49.1 million (2014: RM48.8 million).

The maturity analysis of the Group's financial liabilities at the reporting date (and preceding financial year's reporting date as comparison) based on contractual undiscounted repayment obligations are set out in the respective tables below:

Group At 30 June 2015	Carrying amount RM	Contractual interest rate RM	Contractual cash flows RM	Current RM	1 – 2 years RM	2 – 3 years RM	3 – 4 years RM
Non-derivative financial liabilities							
Bankers' acceptance	152,921,451	5.45% - 5.60%	154,712,796	154,712,796	-	-	-
Revolving credits	10,000,000	5.75%	10,141,781	10,141,781	-	-	-
Term Loan 2	12,750,000	6.25%	14,416,182	3,696,447	3,509,332	3,321,832	3,888,571
Term Loan 3	2,202,081	6.00%	2,393,745	-	2,393,745	-	-
Hire-purchase creditors	435,176	0.21% - 4.99%	472,349	282,439	142,406	47,504	-
Trade payables	79,368,887	4.00% - 5.50%	79,368,887	79,368,887	-	-	-
Trade and other payables	13,315,363		13,315,363	13,315,363	-	-	-
Amount owing to a related Company	24,120		24,120	24,120	-	-	-
	271,017,078		274,845,223	261,541,833	6,045,483	3,369,336	3,888,571
Derivative financial liabilities	40,650		40,650	40,650	-	-	-
	271,057,728		274,885,873	261,582,483	6,045,483	3,369,336	3,888,571

Group At 30 June 2014	Carrying amount RM	Contractual interest rate RM	Contractual cash flows RM	Current RM	1 – 2 years RM	2 – 3 years RM	3 – 4 years RM
Non-derivative financial liabilities							
Bankers' acceptance	101,600,000	5.13% - 5.55%	103,136,826	103,136,826	-	-	-
Revolving credits	7,500,000	3.60% - 3.76%	7,570,097	7,570,097	-	-	-
Term Loan 1	3,271,533	4.81%	3,316,945	3,316,945	-	-	-
Term Loan 3	2,074,152	6.00%	2,405,531	-	-	2,405,531	-
Hire-purchase creditors	673,799	0.21% - 4.99%	751,676	525,732	190,187	35,757	-
Trade payables	45,524,985	5.60%	45,524,985	45,524,985	-	-	-
Trade and other payables	6,447,601		6,447,601	6,447,601	-	-	-
Amount owing to a related company	19,425		19,425	19,425	-	-	-
	167,111,495		169,173,086	166,541,611	190,187	2,441,288	-
Derivative financial liabilities	785,947		785,947	785,947	-	-	-
	167,897,442		169,959,033	167,327,558	190,187	2,441,288	-



NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(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: (continued)

	Carrying amount RM	Contractual cash flow RM	Current RM	1- 2 years RM	More than 2 years RM
Company					
As at 30 June 2015					
Trade and other payables	394,477	394,477	394,477	-	-
Amount due to subsidiary	24,565,891	24,565,891	24,565,891	-	-
Financial guarantee contracts	-	175,700,000	175,700,000	-	-
As at 30 June 2014					
Trade and other payables	256,840	256,840	256,840	-	-
Financial guarantee contracts	-	118,300,000	118,300,000	-	-

(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 an on-going 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 89% (2014: 90%) and 43% 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 1 external customer that contributes to more than 10% of the Group's revenue. The revenue contributed by the said customer amounted to RM106.8 million (2014: RM87.2 million).

The Group's and the Company's major classes of financial assets are as disclosed in Note 33 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.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(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 (and the preceding financial year's reporting date as comparison) are set out in the respective tables below:

	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>Group</u>									
<u>At 30 June 2015</u>									
Trade receivables	99,121,348	248,301	85,583,679	11,086,673	2,080,580	36,018	86,097	-	13,289,368
Other receivables	10,361,684	9,147,117	1,214,567	-	-	-	-	-	-
Deposits	967,373	-	967,373	-	-	-	-	-	-
Amount owing by ultimate holding company	5,377,080	-	5,377,080	-	-	-	-	-	-
Amounts owing by related companies	7,376,155	524,592	1,429,765	217,266	-	32,862	-	5,171,670	5,421,798
Derivative financial assets	2,071,230	-	2,071,230	-	-	-	-	-	-
	125,274,870	9,920,010	96,643,694	11,303,939	2,080,580	68,880	86,097	5,171,670	18,711,166

	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>Group</u>									
<u>At 30 June 2014</u>									
Trade receivables	42,269,340	248,301	38,982,891	2,922,238	113,727	2,183	-	-	3,038,148
Other receivables	9,305,809	9,147,117	158,692	-	-	-	-	-	-
Deposits	856,722	-	856,722	-	-	-	-	-	-
Amount owing by ultimate holding company	2,205,921	-	2,205,921	-	-	-	-	-	-
Amounts owing by related companies	12,834,105	-	5,371,646	1,790,036	403,256	1,440,431	3,828,736	-	7,462,459
	67,471,897	9,395,418	47,575,872	4,712,274	516,983	1,442,614	3,828,736	-	10,500,607

Similar analysis on financial assets at Company level (at the reporting date and preceding reporting date) being principally amounts owing by subsidiaries is deemed unnecessary as the balances are neither past due nor impaired and these amounts are expected to be recovered within the next financial year.

(i) Financial assets that are past due but not impaired

No impairment has been made on a majority of amounts which are past due but not impaired as the Group is certain of the recoverability of these receivables. More than 95% of these balances arise from customers that have been trading with the Group for more than three years, and based on the past trends with these customers, these amounts are usually collectible in full with no allowance required albeit the slow payments from some of these customers. As of the approval date of the financial statements, the Group has received 100% on the outstanding sums from these customers.

At the reporting date, the related company balances comprise of trade and non-trade balances amounting to RM6,577,723 (2014: RM12,386,376) and RM273,840 (2014: RM447,729) respectively. Management believes that these amounts are recoverable as the Group has been receiving regular payments from these related companies with trade terms of 90 days and 60 days respectively (2014: 90 days and 60 days).



NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

(ii) Financial assets that are neither past due nor impaired

Trade and other receivables that are neither past due nor impaired are generally creditworthy customers and those within approved credit period. The Group's and the Company's trade receivables credit term ranges from 3 days to 90 days (2014: 3 days to 90 days).

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.

(iii) Financial assets that are impaired

There are no financial assets that warranted impairment but not impaired during or at the close of the financial year. The reported impairment figures represent the amount carried forward from prior financial years and an additional impairment of amount due from a related company amounting to RM524,592 during the financial year.

Movement of the Group's allowance for impairment of trade and other receivables is as follows:

<u>Group</u>	Trade receivables (Note 16) RM	Other receivables (Note 31) RM	Amount owing by related co. (Note 19) RM	Total RM
<u>As at 30 June 2015</u>				
Allowance for impairment:				
1 July 2014	248,301	9,147,117	-	9,395,418
Impairment charge for the financial year	-	-	524,592	524,592
30 June 2015	248,301	9,147,117	524,592	9,920,010
<u>As at 30 June 2014</u>				
Allowance for impairment:				
1 July 2013	248,301	9,147,117	-	9,395,418
Impairment charge for the financial year	-	-	-	-
30 June 2014	248,301	9,147,117	-	9,395,418

Movement of the Company's allowance for impairment of other receivables is as follows:

<u>Company</u>	2015 (Note 31) RM	2014 (Note 31) RM
<u>Other receivables</u>		
Allowance for impairment:		
1 July / 30 June	9,147,117	9,147,117

NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)



4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(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 relating to its domestic borrowings. As at the end of this reporting period, the Company does not have any interest bearing debt and the Group does not have any floating-rate borrowings within its debt portfolio. Even-though the Group does not have any interest rate risk exposure on floating-rate borrowings, its fixed rate borrowings are mainly short-term trade facilities (utilised to finance raw coil material purchases and credit sales) which are subject to frequent re-pricing upon rollover every 3 to 4 months. Despite the frequent re-pricing coupled with the weak Ringgit amid threats of interest-rate rise in the United States of America, the domestic re-pricing rate has been relatively stable for the entire financial year 2015. Nevertheless, the concentration of short-term fixed-rate financial liabilities exposes the Group to interest rate re-pricing risk.

The Group and the Company have immaterial interest bearing assets 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.

Details of the interest bearing financial instruments for the Group are as follows:

	2015 RM	2014 RM
Fixed rate borrowings, denominated in RM	178,308,708	115,119,484
Fixed rate credit from supplier, denominated in USD (Note 22)	63,870,368	45,524,985
Fixed rate credit from supplier, denominated in RM (Note 22)	15,459,935	-
	257,639,011	160,644,469

The significant increase in the fixed rate borrowings as at the current financial year ended 30 June 2015 compared to the preceding financial year's is attributed to the inclusion of the Steel Tube subsidiaries' fixed rate borrowings.

No sensitivity analysis on profit/(loss) arising from floating interest rate movement is provided as the Group does not have any floating rate financial instruments over the current and the preceding financial year. On the re-pricing risk impact had the overall interest rates being 1% higher, the Group's profit after tax for financial year 2015 would have been lower by RM1.9 million (2014: RM1.2 million). A 1% lower interest rate would have the equal but opposite effect to the aforementioned amounts.

(e) Foreign currency exchange risk

Foreign currency 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 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 revenue streams from both its Cold Rolled and Steel Tube operations are mainly denominated in their Ringgit functional currency. The Cold Rolled's raw material coil however are mostly from abroad denominated in USD, whilst the Steel Tube's raw material coils are mostly domestic denominated in Ringgit with occasional imports in USD. The Steel Tubes operations also derive a small portion of its revenue (less than 5%) 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.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)

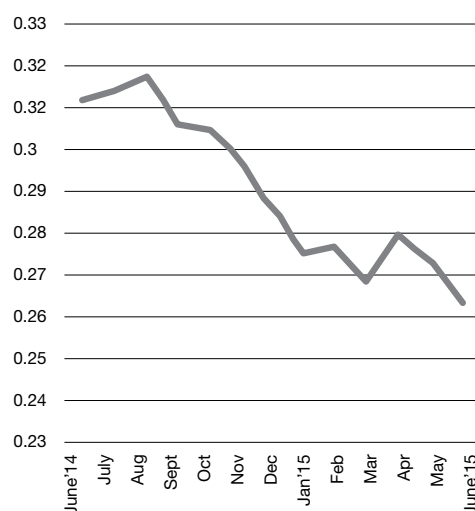
4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Foreign currency exchange risk (continued)

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 50% 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 inception 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-off-set' ratio method. On Steel Tube's affirmed export sales in foreign currencies, the Group would sell forward around 50% of its future foreign currency receivables. 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.

For the financial year 2015, the Ringgit suffered catastrophic depreciation against the USD and other major foreign currencies due to a myriad of internal and external factors. In the twelve months period of the current financial year, the Ringgit weakened against the USD by around 18% with the most abrupt declines recorded in the 2nd and 3rd quarters.

USD/MYR Month-End Closing Rate



As a result, the Group suffered a net foreign exchange loss of RM5.6 million for the current financial year (2014: RM0.7 million) due to the less than 100% hedge cover which is attributable to foreign exchange forward facility constrains and steep forward spread pricing. Nevertheless, the realised and unrealised gains from inception foreign exchange forwards over the twelve months period as outlined in the table below has helped mitigate the net foreign exchange loss by as much as RM6.2 million for the current financial year.

FX Forward Contracts

Fair Value

	YTD FY 2015		
	Unrealised RM'000	Realised RM'000	Total RM'000
Not hedge accounted	265	1,720	1,985
Hedge accounted	1,765	2,495	4,260
	2,030	4,215	6,245

NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(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. The Group's net foreign currency exposure as at 30 June 2015 has been substantially reduced with higher rate of hedge cover.

	From USD	From EURO	From SGD	From YEN	Total
<u>As at 30 June 2015</u>					
<u>Financial assets</u>					
Trade and other receivables	571,530	567,502	3,561,936	26,932	4,727,900
Cash and bank balances	351,988	-	1,169,320	-	1,521,308
	923,518	567,502	4,731,256	26,932	6,249,208
<u>Less: Financial liabilities</u>					
Trade and other payables	63,870,368	-	-	-	63,870,368
Net financial (liabilities)/assets	(62,946,850)	567,502	4,731,256	26,932	(57,621,160)
<u>Off balance sheet</u>					
Contracted commitments	(44,432,522)	-	-	-	(44,432,522)
Less: Forward foreign currency contracts at notional value at closing rate	96,097,780	-	(1,264,320)	-	94,833,460
Net currency exposure	(11,281,592)	567,502	3,466,936	26,932	(7,220,222)
<u>As at 30 June 2014</u>					
<u>Financial assets</u>					
Trade and other receivables	284,849	-	308,936	-	593,785
Cash and bank balances	80,542	-	-	-	80,542
	365,391	-	308,936	-	674,327
<u>Less: Financial liabilities</u>					
Trade and other payables	45,941,389	-	-	-	45,941,389
Borrowings	-	3,271,533	-	-	3,271,533
	45,941,389	3,271,533	-	-	49,212,922
Net financial liabilities	(45,575,998)	(3,271,533)	308,936	-	(48,538,595)
<u>Off balance sheet</u>					
Contracted commitments	(8,705,610)	-	-	-	(8,705,610)
Less: Forward foreign currency contracts at notional value	33,040,823	-	-	-	33,040,823
Net currency exposure	(21,240,785)	(3,271,533)	308,936	-	(24,203,382)

'Net currency exposure' if positive is in long position, and if negative is in short position of the captioned foreign currency.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(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/(loss) 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.

	Increase/(decrease)	
	2015	2014
	RM	RM
<u>Group</u>		
RM appreciates against USD by 3%	253,836	477,918
RM appreciates against EURO by 3%	(12,769)	73,609
RM appreciates against SGD by 3%	(78,006)	(6,951)
RM appreciates against YEN by 3%	(606)	-

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) except for those disclosed below:

Fair value estimation

The table below analyses financial instruments carried at fair value by valuation methods. The different levels have been defined as follows:

- quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);
- inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and
- inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3)

The following table presents the Group's financial assets that are measured at fair value at the reporting date:

	Level 1	Level 2	Level 3	Total
	RM	RM	RM	RM
<u>30 June 2015</u>				
<u>Financial assets</u>				
Derivative financial assets	-	2,071,230	-	2,071,230
<u>Financial liabilities</u>				
Derivative financial liabilities	-	40,650	-	40,650
<u>30 June 2014</u>				
<u>Financial liabilities</u>				
Derivative financial liabilities	-	785,947	-	785,947

NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)



5 FAIR VALUE (continued)

Fair value estimation (continued)

The fair value of financial instruments that are not traded in an active market (for example, foreign currency exchange forward contracts) is determined by way of marking-to-market the underlying variable using published market rates or as quoted by counterparty financial institutions. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

The fair value of foreign currency exchange forward contracts is determined using forward exchange rates at the reporting date, with the resulting value discounted back to present value if material.

Neither the Group nor the Company holds any financial assets where fair values are assessed at Level 1 and Level 3. As at the reporting date, the Group holds foreign currency exchange forward contracts in net favorable mark-to-market position that are assessed at Level 2. Certain of these currency derivatives have been designated for hedge accounting. Refer to Note 20 for details.

6 REVENUE

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Sale of goods	518,188,988	447,706,804	-	-
Processing service income	152,825	249,492	-	-
Management fee income	-	-	2,209,616	2,071,105
	518,341,813	447,956,296	2,209,616	2,071,105

The Group's higher revenue for the financial year ended 2015 includes the post acquisition's contribution from the Steel Tube subsidiary amounting to RM57.8 million. Similarly, all subsequent notes' disclosures relating to the Group's Statement of Comprehensive Income and its Statement of Financial Position include the consolidation of the newly acquired Steel Tube subsidiary.

7 FINANCE INCOME AND COSTS

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Finance income:				
Interest on deposits with financial institutions	388,671	465,289	567	460
Finance costs:				
Interest expenses:				
Interest on borrowings	7,466,989	6,585,853	-	-
Interest on suppliers' credit	3,221,720	2,740,443	-	-
Interest on hire-purchase	65,577	56,300	-	-
Interest on advances received from customers	-	60,000	-	-
	10,754,286	9,442,596	-	-
Net foreign exchange (gain)/loss:				
- realised	(158,573)	335,577	-	-
- unrealised	-	167,810	-	-
Total finance costs	10,595,713	9,945,983	-	-



NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)

8 PROFIT/(LOSS) BEFORE TAX

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Profit/(loss) before tax is arrived at after charging/(crediting):				
Auditors' remuneration:				
- current financial year	216,399	158,450	100,914	73,800
- under accruals in the prior financial years	24,761	80,150	27,114	37,383
- non-audit fees	110,000	-	110,000	-
Changes in inventories of finished goods and work in progress	(5,907,094)	(1,564,084)	-	-
Raw materials	441,534,551	378,380,482	-	-
Consumables	14,142,738	13,205,776	-	-
Property, plant and equipment (Note 12):				
- depreciation	12,110,328	11,315,458	10,530	51,668
- (gain)/loss on disposals	(37,287)	79,946	-	-
- impairment loss	3,463,316	6,354,418	-	-
Rental of buildings	1,324,000	16,800	-	-
Staff costs (including remuneration of Executive Directors):				
- salaries, bonuses and allowances	13,546,886	10,507,272	605,594	487,024
- defined contribution plan - contributions	1,841,220	1,302,316	106,267	72,723
- others	1,752,181	1,442,513	107,892	64,058
Unrealised loss/(gain) on foreign exchange	107,287	(761,088)	-	-
Realised loss on foreign exchange-net	5,356,089	1,604,486	-	-
Gain from bargain purchase	(21,280,272)	-	-	-

Significant items impacting the current financial year's Profit before Tax at the Group level are the impairment loss on property, plant and equipment (see Note 12) of RM3.5 million (2014: RM6.3 million), net foreign exchange loss of RM5.6 million (2014: RM0.7 million) and the 'gain on bargain purchase' (see Note 32) of RM21.3 million. (2014: RM Nil)

9 DIRECTORS' REMUNERATION

The aggregate amount of emoluments received/receivable by Directors of the Group and of the Company is as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Non-executive Directors:				
- fees	325,626	495,607	325,626	495,607
- other emoluments	78,000	84,298	78,000	84,298
Executive Directors:				
- salaries and other emoluments	175,020	-	175,020	-
- defined contribution plan - contributions	22,500	-	22,500	-
	601,146	579,905	601,146	579,905

The estimated monetary value of benefits-in-kind received and receivable by the Directors of the Group and of the Company are RM21,200 (2014: RM19,700) and RM21,200 (2014: RM19,700) respectively.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)



9 DIRECTORS' REMUNERATION (continued)

The number of Directors whose total remuneration fall within the following bands are as follows:

	Number of Directors			
	Executive		Non-Executive	
Range of remuneration	2015	2014	2015	2014
Nil	1	1	-	-
RM1 to RM50,000	-	-	9	6
RM50,001 to RM350,000	1	-	1	2
	2	1	10	8

10 TAXATION

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Current tax:				
- current tax expense	77,915	264,468	144,135	148,296
- under accrual in prior financial years	-	-	-	-
	77,915	264,468	144,135	148,296
Deferred tax: (Note 23)				
- origination and reversal of temporary differences	(1,251,065)	(3,421,807)	-	(729)
- over provision in prior financial years	-	(1,760,768)	-	-
	(1,251,065)	(5,182,575)	-	(729)
Tax (credit)/expense	(1,173,150)	(4,918,107)	144,135	147,567

The explanation of the relationship between taxation and profit/(loss) before tax is as follows:

Numerical reconciliation between taxation and the product of accounting profit/(loss) multiplied by the Malaysian tax rate.

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Profit/(loss) before tax	10,510,020	(14,146,433)	69,905	99,084
Tax calculated at the Malaysian tax rate of 25% (2014: 25%)	2,627,505	(3,536,608)	17,476	24,771
Tax effects of:				
- expenses not deductible for tax purposes	1,069,961	627,856	126,801	122,911
- tax incentive obtained for double deductions	(201,977)	(111,907)	-	-
- income not subject to tax	(5,409,817)	(136,680)	(142)	(115)
- over provision in prior financial years	-	(1,760,768)	-	-
- change in tax rate	741,178	-	-	-
Tax (credit)/expense	(1,173,150)	(4,918,107)	144,135	147,567



NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)

11 EARNINGS/(LOSS) PER SHARE

(a) Basic earnings/(loss) per share

	Group	
	2015	2014
Net profit/(loss) attributable to equity holders of the Company (RM)	11,683,170	(9,228,326)
Weighted average number of ordinary shares	204,096,064	177,959,700
Basic earnings/(loss) per share (sen)	5.72	(5.19)

The weighted average number of ordinary shares for the current financial year 2015 has increased due to the issuance of 104,545,455 new ordinary shares on 1 April 2015 as part of the purchase consideration for the acquisition of the Steel Tube subsidiary.

(b) Diluted earnings/(loss) per share

The average number of ordinary shares in issue has not been adjusted to assume dilution as the Group did not issue any financial instruments that may entitle its holders to new ordinary shares. Accordingly, the diluted earnings/(loss) per share is the same as basic earnings/(loss) per share.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)



12 PROPERTY, PLANT AND EQUIPMENT

	Note	Freehold land RM	Buildings RM	Plant, machinery and electrical installation RM	Motor vehicles RM	Furniture, fittings and office equipment RM	Construction in progress RM	Total RM
Group								
<u>Cost/Valuation</u>								
At 1 July 2014								
- cost		-	-	-	1,281,511	2,521,287	1,733,153	5,535,951
- valuation		41,500,000	58,500,000	179,930,201	-	-	-	279,930,201
Acquisition of a subsidiary								
	32	-	-	42,078,092	476,833	515,575	712,606	43,783,106
Additions								
		-	-	5,836,491	614,477	128,416	2,558,133	9,137,517
Disposals								
		-	-	(58,044)	(147,552)	-	-	(205,596)
Write offs								
		-	-	(25,765)	-	-	-	(25,765)
Revaluation during the financial year								
		6,000,000	789,480	192,240	-	-	-	6,981,720
Transfer								
		-	-	3,802,414	-	-	(3,802,414)	-
Effects of elimination of accumulated depreciation on revaluation								
		-	(1,789,480)	(9,931,649)	-	-	-	(11,721,129)
At 30 June 2015								
		47,500,000	57,500,000	221,823,980	2,225,269	3,165,278	1,201,478	333,416,005
<u>Accumulated depreciation</u>								
At 1 July 2014								
		-	-	-	808,231	772,958	-	1,581,189
Charge for the financial year								
		-	1,789,480	9,986,583	93,828	240,437	-	12,110,328
Disposals								
		-	-	(51,154)	(85,829)	-	-	(136,983)
Write offs								
		-	-	(3,780)	-	-	-	(3,780)
Effects of elimination of accumulated depreciation on revaluation								
		-	(1,789,480)	(9,931,649)	-	-	-	(11,721,129)
At 30 June 2015								
		-	-	-	816,230	1,013,395	-	1,829,625
<u>Accumulated impairment</u>								
At 1 July 2014								
		-	-	8,233,213	-	-	-	8,233,213
Charge for the financial year								
		-	-	3,463,316	-	-	-	3,463,316
At 30 June 2015								
		-	-	11,696,529	-	-	-	11,696,529
Net book value								
		47,500,000	57,500,000	210,127,451	1,409,039	2,151,883	1,201,478	319,889,851
Representing:								
- cost		-	-	-	1,409,039	2,151,883	1,201,478	4,762,400
- valuation		47,500,000	57,500,000	210,127,451	-	-	-	315,127,451
		47,500,000	57,500,000	210,127,451	1,409,039	2,151,883	1,201,478	319,889,851



NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(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	Total RM
<u>Cost/Valuation</u>							
At 1 July 2013							
- cost	-	-	-	1,130,500	2,168,234	480,546	3,779,280
- valuation	39,250,000	60,150,000	180,662,553	-	-	-	280,062,553
Additions	-	-	7,656,134	151,011	353,053	1,252,607	9,412,805
Disposals	-	-	(473,050)	-	-	-	(473,050)
Revaluation during the financial year	2,250,000	135,340	1,022,217	-	-	-	3,407,557
Effects of elimination of accumulated depreciation on revaluation	-	(1,785,340)	(8,937,653)	-	-	-	(10,722,993)
At 30 June 2014	41,500,000	58,500,000	179,930,201	1,281,511	2,521,287	1,733,153	285,466,152
<u>Accumulated depreciation</u>							
At 1 July 2013	-	-	-	715,417	544,059	-	1,259,476
Charge for the financial year	-	1,785,340	9,208,405	92,814	228,899	-	11,315,458
Disposals	-	-	(270,752)	-	-	-	(270,752)
Effects of elimination of accumulated depreciation on revaluation	-	(1,785,340)	(8,937,653)	-	-	-	(10,722,993)
At 30 June 2014	-	-	-	808,231	772,958	-	1,581,189
<u>Accumulated impairment</u>							
At 1 July 2013	-	-	1,878,795	-	-	-	1,878,795
Charge for the financial year	-	-	6,368,735	-	-	-	6,368,735
Write back of impairment	-	-	(14,317)	-	-	-	(14,317)
At 30 June 2014	-	-	8,233,213	-	-	-	8,233,213
Net book value	41,500,000	58,500,000	171,696,988	473,280	1,748,329	1,733,153	275,651,750
Representing:							
- cost	-	-	-	473,280	1,748,329	1,733,153	3,954,762
- valuation	41,500,000	58,500,000	171,696,988	-	-	-	271,696,988
	41,500,000	58,500,000	171,696,988	473,280	1,748,329	1,733,153	275,651,750

NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)



12 PROPERTY, PLANT AND EQUIPMENT (continued)

<u>Company</u>	Motor vehicles RM	Furniture, fittings and office equipment RM	Total RM
At 30 June 2015			
<u>Cost</u>			
At 1 July 2014/30 June 2015	576,291	180,512	756,803
<u>Accumulated depreciation</u>			
At 1 July 2014	576,291	169,982	746,273
Charge for the financial year	-	10,530	10,530
At 30 June 2015	576,291	180,512	756,803
<u>Net book value</u>			
At 30 June 2015	-	-	-
At 30 June 2014			
<u>Cost</u>			
At 1 July 2013/30 June 2014	576,291	180,512	756,803
<u>Accumulated depreciation</u>			
At 1 July 2013	542,674	151,931	694,605
Charge for the financial year	33,617	18,051	51,668
At 30 June 2014	576,291	169,982	746,273
<u>Net book value</u>			
At 30 June 2014	-	10,530	10,530

Freehold land and buildings, plant, machinery and electrical installation of the Group were revalued in the financial year ended 30 June 2015 by an independent firm of professional valuers, CH Williams Talhar & Wong 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 RM6,981,720 (2014: RM3,407,557) was recognised during the financial year, with a corresponding revaluation reserve, adjusted for deferred tax, amounting to RM5,959,276 (2014: RM3,118,167) 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 RM3,463,316 (2014: RM6,354,418) on the statement of comprehensive income.

Plant, machinery and electrical installation of the Group comprising of a specific production line with a net book value of RM64,192,013 (2014: RM68,151,206) were pledged as security for Term Loan 1 in the prior year (Note 24).



NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Freehold land and buildings, plant, machinery and electrical installation, motor vehicles, furniture, fittings and office equipment of the Group with net book value of RM212,044,913 (2014: RM207,490,014) are pledged for all banking facilities other than Term Loan 1 and Term Loan 3 (Note 24).

Plant and machinery of the Group amounting to RM14,058,000 are located on properties belonging to the ultimate holding company.

The net book value of the revalued property, plant and equipment that would have been included in the financial statements had these assets been carried at historical costs less accumulated depreciation is as follows:

	Group	
	2015 RM	2014 RM
Freehold land	14,189,742	14,189,742
Buildings	43,293,215	44,635,763
Plant, machinery and electrical installation	162,394,319	133,984,664
	219,877,276	192,810,169

(a) Valuation of 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 properties - open market basis by reference to observable prices in an active market or recent market transactions on arm's length terms. (Level 2)
- (ii) Plant and machinery - 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 during the financial year amounting to RM9,137,517 includes those acquired by means of hire-purchase totalling RM324,400.

As at 30 June 2015, the net book value of the assets under hire-purchase arrangements in the Group is RM1,631,468 (2014: RM1,528,387).

(c) Fair value measurements using significant unobservable inputs (Level 3)

	2015 RM	2014 RM
<u>Plant, machinery and electrical installation</u>		
Opening balance	171,696,988	178,783,758
Acquisition of subsidiary	42,078,092	-
Additions	5,836,491	7,656,134
Disposals	(58,044)	(473,050)
Write offs	(25,765)	-
Revaluation during the financial year	192,240	1,022,217
Impairment charge for the financial year	(3,463,316)	(6,354,418)
Effects of elimination of accumulated depreciation on revaluation	(9,931,649)	(8,937,653)
Transfer from construction in progress	3,802,414	-
Closing balance	210,127,451	171,696,988

NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)



12 PROPERTY, PLANT AND EQUIPMENT (continued)

(c) Fair value measurements using significant unobservable inputs (Level 3) (continued)

The following table presents the valuation techniques and key inputs that were used to determine the fair value of plant and machinery categorised under Level 3 of the fair value hierarchy.

Description	Fair value as at 30 June 2015 RM	Valuation technique	Unobservable inputs	Range of unobservable inputs (probability-weighted average)	Relationship of unobservable inputs to fair value
Plant, machinery and electrical installation	210,127,451	Depreciated replacement cost method	Useful life	16 years – 39 years (28)	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 and machinery. As at 30 June 2015, the fair value of the land and building have been determined by CH Williams Talhar & Wong Sdn Bhd.

The external valuation of the Level 3 plant and machinery 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 and machinery.

If the unobservable input based on the useful life of the plant and machinery increase by one year, the fair value of the plant and machinery would increase by approximately RM9.0 million.

13 INVESTMENTS IN SUBSIDIARIES

Unquoted shares, at cost

Mycron Steel CRC Sdn Bhd ("MSCRC")

Melewar Steel Tube Sdn Bhd ("MST")

Amount owing by MSCRC

	Company	
	2015 RM	2014 RM
Mycron Steel CRC Sdn Bhd ("MSCRC")	134,061,998	134,061,998
Melewar Steel Tube Sdn Bhd ("MST")	55,201,472	-
Amount owing by MSCRC	41,027,209	31,027,209
	230,290,679	165,089,207

The amount owing by MSCRC was reclassified since financial year 2009 as part of the interest in a subsidiary as it is the intention of the Company to treat this amount as a long-term source of capital to a subsidiary. During the financial year, the Company has reclassified RM10.0 million of amount owing by MSCRC as its additional investment in MSCRC. During the financial year, the Company acquired MST from its listed parent MIG for a purchase consideration fair valued on acquisition date 1 April 2015 at RM54.3 million-comprising of assumed debt (owing to MST) of RM24 million and 104.5 million new ordinary shares of the Company fair valued at RM30.3 million (or 29 sen/share) [See Note 32]. The Company incurred direct attributable costs of RM0.9 million, which has been capitalised as part of the cost of investment in MST.

The details of the subsidiaries are as follows:

Name

Principal activities

Mycron Steel CRC Sdn. Bhd.
("MSCRC")

Manufacturing and trading
of steel cold rolled coiled sheets

Melewar Steel Tube Sdn. Bhd.
("MST")

Manufacturing and trading
of steel tubes and pipes

Subsidiary of MSCRC

Silver Victory Sdn. Bhd.

Dormant

	Group's equity interest	
	2015 %	2014 %
Mycron Steel CRC Sdn. Bhd. ("MSCRC")	100	100
Melewar Steel Tube Sdn. Bhd. ("MST")	100	-
Subsidiary of MSCRC		
Silver Victory Sdn. Bhd.	100	100

All subsidiaries are incorporated in Malaysia and are audited by PricewaterhouseCoopers, Malaysia.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)

13 INVESTMENTS IN SUBSIDIARIES (continued)

Investment in Mycron Steel CRC Sdn. Bhd. ("MSCRC")

The cost of investment amounting to RM175.1 million (inclusive of amount owing by the subsidiary company which the Company treats as a long-term source of capital) is assessed for impairment as MSCRC recorded a loss and is in a net current liabilities position as at 30 June 2015.

The recoverable amount is determined using fair value less cost to sell ("FVLCTS").

As the FVLCTS was higher than the carrying amount, no impairment loss is recognised.

There is no reasonable change in the assumptions used that will result in the recoverable amount being lower than the carrying amount.

Investment in Melewar Steel Tube Sdn. Bhd. ("MST")

The cost of investment amounting to RM55.2 million is assessed for impairment as MST recorded a post-acquisition loss of RM0.7 million.

The recoverable amount is determined using fair value less cost to sell ("FVLCTS").

As the FVLCTS was higher than the carrying amount, no impairment loss is recognised.

There is no reasonable change in the assumptions used that will result in the recoverable amount being lower than the carrying amount.

14 INTANGIBLE ASSETS

	Group	
	2015 RM	2014 RM
At 1 July 2014	-	-
Arising from the acquisition of a subsidiary	20,000,000	-
30 June 2015	20,000,000	-

Intangible assets represent registered tradenames held by Melewar Steel Tube Sdn. Bhd. ("MST"), which are the rights to use and to sell to direct customers under the tradenames Aurora and MIG-Melewar. These trademarks have indefinite useful lives, and as such are not subjected to periodic amortisation but annual impairment tests.

Based on the fair value assessed as part of the purchase price allocation relating to the purchase of MST, no impairment was required for the current financial year.

15 INVENTORIES

	Group	
	2015 RM	2014 RM
Raw materials	49,917,785	44,017,662
Consumables	2,042,627	920,057
Work-in-progress	2,763,404	6,934,859
Finished goods	34,215,616	21,891,589
	88,939,432	73,764,167

NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)



16 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<u>Current</u>				
Trade receivables	99,121,348	42,269,340	-	-
Less: Accumulated impairment loss	(248,301)	(248,301)	-	-
	98,873,047	42,021,039	-	-
Other receivables	931,989	86,263	3,261	500
Staff loans	282,578	72,429	-	-
Deposits	967,373	856,722	5,000	4,500
Prepayments	2,910,698	2,033,520	-	-
Total trade and other receivables	103,965,685	45,069,973	8,261	5,000

17 AMOUNTS OWING BY/(TO) ULTIMATE HOLDING COMPANY

Amounts owing by/(to) ultimate holding company are mainly due to payments on behalf and are unsecured, interest free and repayable upon demand.

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 amount owing to subsidiaries relates to the assumed debt owing to the Steel Tube subsidiary being part of the purchase consideration for the acquisition of the former. (See Notes 13 and 32). 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 are unsecured and subject to credit terms of 90 days and 60 days (2014: 90 days and 60 days). Amounts owing to a related company are arising from expenditures paid-on-behalf which are unsecured and not subject to specific credit terms. During the financial year, the Group recorded an impairment loss for amount owing by a related company amounting to RM524,592 (Note 4(c)(iii)).

20 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES)

	Group			
	Assets RM	2015 Liabilities RM	Assets RM	2014 Liabilities RM
Forward foreign currency exchange contract – fair value through profit and loss	306,412	(40,650)	-	(310,953)
Forward foreign currency exchange contract – fair value hedge	1,764,818	-	-	(474,994)
	2,071,230	(40,650)	-	(785,947)



NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)

20 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (continued)

The Group's derivatives comprise solely of Currency Exchange Forward Contracts inception to hedge its foreign currency exposures arising from forward purchases of raw materials in USD and to a less extent export sales in SGD. See Note 4(e). 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 MFRS139 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.

Details on the Group's unrealised currency derivatives are outlined below:

(i) Derivatives designated and fair value hedge accounted as at 30 June 2015

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	Fair value		Maturity period of contract	Notional value short USD	Average basis rate USD/RM	Fair value	
			Financial assets RM	Financial liabilities RM				Financial assets RM	Financial liabilities RM
July 2015	9,440,000	3.6977	809,080	-	July 2015	9,440,000	3.6977	-	(809,080)
August 2015	3,442,300	3.7401	212,063	-	August 2015	3,442,300	3.7401	-	(212,063)
September 2015	3,050,000	3.6921	330,570	-	September 2015	3,050,000	3.6921	-	(330,570)
October 2015	1,480,000	3.6760	193,880	-	October 2015	1,480,000	3.6760	-	(193,880)
November 2015	3,700,000	3.7554	219,225	-	November 2015	3,700,000	3.7554	-	(219,225)
Total	21,112,300		1,764,818	-	Total	21,112,300		-	(1,764,818)

Fair value gain from the hedging instruments of RM1.7 million and the corresponding fair value loss from the hedged item of RM1.7 million are taken-up in the statement of profit or loss.

The designated hedges are within 85% to 120% range effective using the 'dollar off-set' method.

(ii) Derivatives designated and fair value hedge accounted as at 30 June 2014

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	Fair value		Maturity period of contract	Notional value short USD	Average basis rate USD/RM	Fair value	
			Financial assets RM	Financial liabilities RM				Financial assets RM	Financial liabilities RM
July 2014	1,906,915	3.3530	-	(262,201)	July 2014	1,906,915	3.3530	262,201	-
August 2014	2,700,000	3.2460	-	(58,590)	August 2014	2,700,000	3.2460	58,590	-
September 2014	1,470,000	3.3380	-	(154,203)	September 2014	1,470,000	3.3380	154,203	-
Total	6,076,915		-	(474,994)	Total	6,076,915		474,994	-

Fair value loss from the hedging instruments of RM0.5 million and the corresponding fair value gain from the hedged item of RM0.5 million are taken-up in the statement of profit or loss.

The designated hedges are within 85% to 120% range effective using the 'dollar off-set' method.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)



20 DERIVATIVE FINANCIAL ASSETS/(LIABILITIES) (continued)

(ii) Derivatives not designated and not hedge accounted

As at 30 June 2015

Forward foreign currency exchange contracts as hedge instrument

Maturity period of contract	Notional value long USD	Average contracted rate USD/RM	Fair value	
			Financial assets RM	Financial liabilities RM
July 2015	4,172,386	3.7112	300,279	-
August 2015	49,373	3.6850	5,184	-
September 2015	8,491	3.6835	949	-
Total	4,230,250		306,412	-

Maturity period of contract	Notional value short SGD	Average contracted rate SGD/RM	Fair value	
			Financial assets RM	Financial liabilities RM
July 2015	150,000	2.7058	-	(14,235)
August 2015	125,000	2.7127	-	(11,553)
September 2015	125,000	2.7140	-	(12,025)
October 2015	50,000	2.7570	-	(2,837)
Total	450,000		-	(40,650)

As at 30 June 2014

Forward foreign currency exchange contracts as hedge instrument

Maturity period of contract	Notional value long USD	Average contracted rate USD/RM	Fair value	
			Financial assets RM	Financial liabilities RM
July 2014	1,500,000	3.3049	-	(131,350)
August 2014	2,432,500	3.2964	-	(179,603)
Total	3,932,500		-	(310,953)

These derivatives were not hedge accounted primarily due to the late inception of these hedging instruments which gave rise to mismatch between the intended hedge items' basis FX-rate and the contracted FX-rate; and as a result, this did not provide the required range of hedge-effectiveness.

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 gain of around RM4.2 million from its FX Forward Contracts inception for hedging purposes over the current financial year (2014: loss RM1.1 million).



NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)

21 CASH AND CASH EQUIVALENTS

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Cash in hand	7,509	977	2	2
Bank balances	24,714,962	3,198,151	32,418	167,537
Deposits with licensed banks	15,118,856	15,600,000	-	-
	39,841,327	18,799,128	32,420	167,539

The weighted average interest rates effective at the reporting date are as follows:

	Group		Company	
	2015 % per annum	2014 % per annum	2015 % per annum	2014 % per annum
Bank balances	2.76	2.30	2.76	2.30
Deposits with licensed banks	2.72	2.92	-	-

Deposits of the Group with licensed banks have an average maturity of 5 days (2014: 7 days). Bank balances are deposits held at call with licensed banks.

22 TRADE AND OTHER PAYABLES

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Trade payables	80,514,966	45,853,363	-	-
Other payables	6,709,944	3,156,943	220,943	60,455
Prepayments received from customers	535,637	340,861	-	-
Accruals	5,124,836	2,962,280	173,534	196,385
GST payable	334,504	-	-	-
	93,219,887	52,313,447	394,477	256,840

Trade payables include specific interest bearing suppliers' credit with balances amounting to RM79,330,303 (2014: RM45,524,985). These credit facilities have interest bearing credit periods up to 150 days (2014: 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 (2014: 7 to 60 days).

NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)



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:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
Deferred tax liabilities	(10,084,882)	(2,238,908)	-	-
At 1 July	(2,238,908)	(7,132,093)	-	(729)
Acquisition of subsidiary (Note 32) (Charged)/credit to the profit or loss (Note 10):	(8,074,595)	-	-	-
- property, plant and equipment	1,259,715	5,198,862	-	729
- other liabilities	(8,650)	(16,287)	-	-
	1,251,065	5,182,575	-	729
Debited to assets revaluation reserve:				
- property, plant and equipment	(1,022,444)	(289,390)	-	-
At 30 June	(10,084,882)	(2,238,908)	-	-
Subject to income tax:				
Deferred tax assets (before offsetting):				
- other liabilities	-	8,650	-	-
- unutilised tax losses	6,140,542	6,396,397	-	-
- unutilised reinvestment allowance	19,096,762	19,892,460	-	-
	25,237,304	26,297,507	-	-
Offsetting	(25,237,304)	(26,297,507)	-	-
Deferred tax assets (after offsetting)	-	-	-	-
Deferred tax liabilities (before offsetting):				
- property, plant and equipment	(28,856,673)	(28,536,415)	-	-
- intangible assets	(4,800,000)	-	-	-
Offsetting	25,237,304	26,297,507	-	-
	(8,419,369)	(2,238,908)	-	-
Subject to real property gain tax Deferred tax liabilities:				
- Freehold land	(1,665,513)	-	-	-
Deferred tax liabilities (after offsetting)	(10,084,882)	(2,238,908)	-	-
Deferred tax liabilities (cumulative amount charged to equity)	1,601,698	579,252	-	-



NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)

24 BORROWINGS

The Company does not have any outstanding borrowings from financial institutions. The Group's borrowings are as disclosed below:

	Group	
	2015 RM	2014 RM
<u>Current</u>		
Bankers' acceptance	(i) 152,921,451	101,600,000
Revolving credits	(i) 10,000,000	7,500,000
Term Loan 2	(i) 3,000,000	-
Term Loan 1	(ii) -	3,271,533
Hire-purchase creditors	(iii) 257,308	469,440
	166,178,759	112,840,973
<u>Non-current</u>		
Term Loan 3	2,202,081	2,074,152
Term Loan 2	(ii) 9,750,000	-
Hire-purchase creditors	(iii) 177,868	204,359
	12,129,949	2,278,511
Bankers' acceptance	152,921,451	101,600,000
Revolving credits	10,000,000	7,500,000
Term Loan 3	2,202,081	2,074,152
Term Loan 2	12,750,000	-
Term Loan 1	-	3,271,533
Hire-purchase creditors	435,176	673,799
Total	178,308,708	115,119,484

NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)



24 BORROWINGS (continued)

Contractual terms of borrowings

Group	Contractual interest rate at reporting date (per annum)	Functional currency/currency exposure	Total carrying amount RM	Maturity profile				
				< 1 year RM	1-2 years RM	2-3 years RM	3-4 years RM	4-5 years RM
<u>At 30 June 2015</u>								
<u>Secured</u>								
Bankers' acceptance	5.45% - 6.05%	RM/RM	152,921,451	152,921,451	-	-	-	-
Revolving credits	5.75%	RM/RM	10,000,000	10,000,000	-	-	-	-
Term Loan 2	6.25%	RM/RM	12,750,000	3,000,000	3,000,000	3,000,000	3,000,000	750,000
Hire-purchase creditors	0.21% - 4.99%	RM/RM	435,176	257,308	133,571	44,297	-	-
			176,106,627	166,178,759	3,133,571	3,044,297	3,000,000	750,000
<u>Unsecured</u>								
Term Loan 3	6.00%	RM/RM	2,202,081	-	2,202,081	-	-	-
			178,308,708	166,178,759	5,335,652	3,044,297	3,000,000	750,000
<u>At 30 June 2014</u>								
<u>Secured</u>								
Bankers' acceptance	5.13% - 5.55%	RM/RM	101,600,000	101,600,000	-	-	-	-
Revolving credits	3.60% - 3.76%	RM/RM	7,500,000	7,500,000	-	-	-	-
Term Loan 1	4.81%	RM/EURO	3,271,533	3,271,533	-	-	-	-
Hire-purchase creditors	0.21% - 4.99%	RM/RM	673,799	469,440	171,043	33,316	-	-
			113,045,332	112,840,973	171,043	33,316	-	-
<u>Unsecured</u>								
Term Loan 3	6.00%	RM/RM	2,074,152	-	-	2,074,152	-	-
			115,119,484	112,840,973	171,043	2,107,468	-	-

- (i) Term Loan 2 together with bankers' acceptance and revolving credits are secured via two separate debentures with fixed and floating charge on the assets of the respective steel subsidiaries and these banking facilities rank pari-passu with each other under the respective debentures (refer Note 12).
- (ii) Term Loan 1 is secured by way of specific charge over specific equipment acquired by the Cold Rolled subsidiary and financed through the facility six years ago (refer Note 12). This loan has been fully redeemed since August 2014.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)

24 BORROWINGS (continued)

(iii) The hire-purchase creditors at the reporting date as follows:

	2015 RM	2014 RM
Analysis of hire-purchase creditors:		
Payable within one year	282,439	525,732
Payable between one and two years	172,389	190,188
Payable between two and three years	47,504	35,756
	502,332	751,676
Less: Future finance charges	(67,156)	(77,877)
Present value	435,176	673,799
Present value of hire-purchase creditors:		
Payable within one year	257,308	469,440
Payable between one and two years	133,571	171,043
Payable between two and three years	44,297	33,316
	435,176	673,799

The weighted average interest rates of borrowings at the reporting date are as follows:

	Group	
	2015 % per annum	2014 % per annum
Bankers' acceptance	5.65	5.23
Revolving credits	5.75	3.64
Term loan 1	-	4.81
Term loan 2	6.25	-
Term loan 3	6.00	6.00
Hire-purchase creditors	3.08	3.39

For details on the compliance for the covenant clauses set out in all the facilities agreements the financial year, refer to Notes 4(a) and (b) for further details.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)



25 SHARE CAPITAL

	Group/Company			
	Number of shares	2015 Nominal value RM	Number of shares	2014 Nominal value RM
<u>Authorised</u>				
Ordinary shares of RM1.00 each - At 1 July	500,000,000	500,000,000	500,000,000	500,000,000
Ordinary shares of RM0.25/RM1.00 each - At 30 June	2,000,000,000	500,000,000	500,000,000	500,000,000
<u>Issued and fully paid</u>				
Ordinary shares of RM1.00 each - At 1 July	179,000,000	179,000,000	179,000,000	179,000,000
Par value reduction	-	(134,250,000)	-	-
Issue of new shares	104,545,455	26,136,364	-	-
Ordinary shares of RM0.25/RM1.00 each - At 30 June	283,545,455	70,886,364	179,000,000	179,000,000

As disclosed in Note 32, the Company undertook a par value reduction exercise on 12 February 2015 followed by issuance of 104,545,455 new ordinary shares on 1 April 2015 as partial consideration for the acquisition of the Steel Tube subsidiary. This is duly reflected in the table above.

26 SHARE PREMIUM

	Group/Company	
	2015 RM	2014 RM
Relating to:		
Ordinary shares	19,100,456	14,918,638

Movement in the share premium is the result of RM4,181,818 from the 104,545,455 ordinary shares issue at the assumed fair value of 29 sen/share. See Note 32.

27 TREASURY SHARES

The shareholders of the Company, by an ordinary resolution passed at the Annual General Meeting on 9 December 2014, approved the Company's plan to purchase its own shares. The Directors of the Company are committed to enhancing the value of the Company and its shareholders.

During the financial year, there was no repurchases of its own shares from the open market by the Company.

The shares repurchased in the prior financial years are being held as treasury shares in accordance with Section 67A of the Companies Act, 1965 in Malaysia and carried at historical cost of repurchase. The Company has the right to reissue these shares at a later date. As treasury shares, the rights attached as to voting, dividends and participation in other distribution are suspended. None of the treasury shares repurchased has been sold as at 30 June 2015.

At the reporting date, the number of outstanding shares in issue after excluding treasury shares against equity is 282,505,155 (2014: 177,959,700).



NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)

28 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, all of which are fellow subsidiaries of the ultimate holding company:

	<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
Mycron Steel CRC Sdn. Bhd.	Subsidiary
Melewar Steel Tube Sdn. Bhd.	Subsidiary
Silver Victory Sdn. Bhd.	Subsidiary
MAA Takaful Berhad	A company which certain Directors have financial interests
Trace Management Services Sdn. Bhd.	A company which certain Directors have financial interests

(a) Significant transactions with related parties during the financial year are as follows:

Entities	Type of transaction	Group	
		2015 RM	2014 RM
<u>Trade: received/receivable</u>			
Melewar Steel Mills Sdn. Bhd.	Sales of scrap	9,998,886	9,712,481
Melewar Steel Tube Sdn. Bhd.	Sales of cold roll coils	16,930,233	15,340,209
The related party transaction with Melewar Steel Tube Sdn. Bhd. for the current financial period is up to the date of business combination or acquisition date as disclosed in Note 32.			
<u>Trade: paid/payable</u>			
Melewar Integrated Engineering Sdn. Bhd.	Technical advisory fees	(216,000)	(192,000)
<u>Non-trade: paid/payable</u>			
Melewar Industrial Group Berhad	Share of staff costs	-	(588,000)
Melewar Industrial Group Berhad	Management fees	(1,566,000)	(588,000)
Melewar Industrial Group Berhad	Rental of buildings	(1,187,010)	-
Melewar Steel Services Sdn. Bhd.	Rental of buildings	(119,790)	-
MAA Takaful Berhad	Insurance expense	1,126,339	1,088,548
Trace Management Services Sdn. Bhd.	Corporate secretarial services	157,401	172,012

Entity	Type of transaction	Company	
		2015 RM	2014 RM
<u>Trade: received/receivable</u>			
Mycron Steel CRC Sdn. Bhd.	Management fee income	2,209,616	2,071,105

NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)



28 SIGNIFICANT RELATED PARTY TRANSACTIONS AND BALANCES (continued)

(b) Significant outstanding balances arising from the above are as follows:

	Group		Company	
	2015 RM	2014 RM	2015 RM	2014 RM
<u>Amounts owing by/(to) subsidiaries</u>				
Mycron Steel CRC Sdn. Bhd.	-	-	(565,891)	10,124,505
Melewar Steel Tube Sdn. Bhd.	-	-	(24,000,000)	-
Silver Victory Sdn. Bhd.	-	-	55,899	48,969
<u>Amounts owing by/(to) related companies</u>				
Melewar Steel Mills Sdn. Bhd.	6,577,724	4,778,010	-	-
Melewar Steel Tube Sdn. Bhd.	-	7,589,059	-	-
Melewar Integrated Engineering Sdn. Bhd.	273,840	447,611	-	-
<u>Amount owing by/(to) ultimate holding company</u>				
Melewar Industrial Group Berhad	5,377,080	2,205,921	-	(29,459)
	12,228,644	15,020,601	(24,509,992)	10,144,015

(c) Key management personnel are those persons, having the authority and responsibility for planning, directing and controlling the activities of the Company either directly or indirectly and thus are considered related parties of the Company. Key management personnel of the Company refers to the Directors of the Company. The compensation range for these key management personnel is as disclosed in Note 9 of the financial statements.

29 SEGMENTAL ANALYSIS

The steel tube manufacturing segment is in the business of manufacturing and sales of steel pipes and tubes.

The cold rolled segment is in the business of manufacturing and sales of cold rolled coils.

'Non-segment' comprise of investment holding companies and dormant companies and accordingly they are not a segment.

The strategic business units offer different products and services, and are managed separately. The chief operating decision maker ("CODM") 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 business of the Group is substantially carried out in Malaysia.



NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)

29 SEGMENTAL ANALYSIS (continued)

	Cold rolled coil RM	Steel tube RM	Non-segment RM	Total RM
2015				
Revenue				
Total revenue	467,273,666	57,846,502	2,209,616	527,329,784
Inter segment	(6,778,355)	-	(2,209,616)	(8,987,971)
External revenue	460,495,311	57,846,502	-	518,341,813
Segment results				
Profit/(Loss) before tax	(8,971,791)	(934,676)	20,416,487	10,510,020
Tax	1,241,035	76,250	(144,135)	1,173,150
Net profit/(loss) after tax	(7,730,756)	(858,426)	20,272,352	11,683,170
Segment assets	436,843,376	147,984,142	37,420	584,864,938
Other information				
Depreciation of property plant and equipment	11,349,272	750,526	10,530	12,110,328
Gain from bargain purchase	-	-	21,280,272	21,280,272
Impairment losses: - property, plant and equipment	3,043,470	419,846	-	3,463,316
Additions of property, plant and equipment	8,310,146	827,371	-	9,137,517

A reconciliation of the segment assets to the total assets is as follows:

	2015 RM
Segment assets	584,864,938
Derivatives	2,071,230
Tax recoverable	604,811
	587,540,979

Information about major customers

Revenue from one major customer amounting to RM106.8 million (more than 10% of total revenue) arising from sale of cold rolled steel sheets in coils by the cold rolling segment in Malaysia.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)



30 FINANCIAL GUARANTEES

As at 30 June 2015, the Company has 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 RM115.9 million and RM59.8 million respectively.

31 LITIGATION, COMMITMENT AND CONTINGENCY

- (a) The Company had in 2005 acquired a 20% associate stake in a galvanised steel producer for RM17 million from the controlling stake vendor with specific performance guarantee. The associate company's performance failed to meet the guaranteed performance, and the Company initiated legal recovery from the vendor in February 2010. The investment is fully impaired.

The case was litigated from mid-2010 until the final appeal outcome on 12 February 2015 in favour of the Company on the RM17million claimed together with interest (at 6% p.a.) and cost (RM70,000) against the Vendor. The Company is now seeking to enforce the legal award, but as the probability of monetary recovery remains uncertain, no reversal of the impairment has been recognised.

- (b) There are no material capital expenditures approved but not contracted for at the close of the current financial year.
- (c) The Directors are not aware of any circumstances or developments giving rise to contingent liabilities or assets warranting disclosure. Specifically, the Company has assessed the steel tube acquisition for business combination and has not identified any acquisition related contingent liabilities.
- (d) The future aggregate minimum lease payments under non-cancellable operating leases relating to rental of land and buildings for Steel Tube operations (combined 826,881 sq. ft.) are as follows:

	2015 RM	2014 RM
No later than 1 year	5,464,800	-
Later than 1 year and no later than 5 years	10,200,800	-
Total	15,665,600	-

32 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

- (a) Par Value Reduction

The High Court has on 12 February 2015 approved the Company's application to reduce the Par Value of its Ordinary Shares of RM1.00 each to RM0.25 each. In that regard, the Company has on 28 February 2015 effected the Par Value Reduction with the arisen credit been utilised to fully eliminate accumulated losses of the Company with the balance credited to a Non-Distributable Capital Reserve. Refer Note 25. Movement of the Company's equity is summarised below:

	As at 28 February 2015 (RM)	
	Before	After
Share Capital	179,000,000	44,750,000
Share Premium	14,918,638	14,918,638
Treasury Shares	(382,685)	(382,685)
Non-Distributable Capital Reserve	-	115,753,842
Retained Earnings/ (Accumulated losses)	(18,496,158)	-
Total Equity	175,039,795	175,039,795



NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)

32 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

(b) Acquisition of Melewar Steel Tube Sdn. Bhd. ("MST")

Culminating from the Conditional Agreement dated 12 September 2014 to acquire the entire paid-up capital of MST from its ultimate holding company Melewar Industrial Group Berhad (MIG or 'the Seller'), the Company ('the Buyer') has on 1 April 2015 (hereinafter also referred to as the Acquisition Date) completed its acquisition of the entire paid-up capital of MST with a contracted gross purchase consideration of RM70.0 million – which was to be paid with the issuance of 104,545,455 new ordinary shares of the Company at contracted value of RM46 million (or 44 sen/share) and the assumption of the trade-debt liability owing by MIG to MST amounting to RM24 million.

As a result of the acquisition, the Group's steel operation now extends beyond Cold Rolled Coil manufacturing into downstream Steel Tube manufacturing. The Group believes the extended value chain would offer potential synergistic benefits and market diversification.

On Acquisition Date, the Company measured the underlying MST's assets acquired and liabilities assumed at their fair value. The tabulation below summarises the fair value of consideration paid and the fair value of the acquired assets and liabilities in a business combination.

<u>As at 1 April 2015 – the Acquisition or Measurement Date</u>	Sub-Notes	RM'000
Consideration transferred:		
Equity Instrument (104,545,455 new ordinary shares of the Company valued at 29 sen per share)	i	30,318
Assumed liability of MIG to MST		24,000
Total Consideration		54,318
Recognised amounts on Identifiable Assets and Liabilities acquired		
Property, Plant & Equipment		43,783
Intangible Assets	ii	20,000
Inventory	iii	33,514
Other Non-Financial Assets	iv	816
Financial Assets	v	86,087
Financial Liabilities	vi	(100,528)
Non-Financial Liabilities	vii	(8,074)
Total Net Asset		75,598
Gain on Bargain Purchase	viii	21,280

Sub-Notes

- i) The consideration shares transferred were fair valued at initial recognition on Acquisition Date based on the Company's prevailed closing share price at 29 sens/share on Bursa Malaysia-as opposed to the contracted transactional price at 44 sens/share - in compliance with the MFRS 3.37 on measurement date, and MFRS 13 on fair value measurement.

The transaction was a Related Party Transaction (RPT) governed by Bursa Malaysia's listing rules (on both the listed Buyer and Seller) which amongst others required the appointment of various advisors; and the pre-determination and disclosure of the intended consideration shares' pricing coupled with the quantity of new consideration shares to be issued in its circular to shareholders in seeking their approval of the RPT transaction (and to Bursa Malaysia in seeking its approval for the listing of the said consideration shares). The contracted transaction price of MST at RM70 million was at the advice of the appointed advisors based upon an independent valuation report. The contracted price of the consideration shares at 44 sens/share was determined based on a 30-days Volume Weighted Average Market Price (VWAMP) preceding the transaction Agreement dated 12 September 2014-at the advice of the appointed advisors. The transaction could not have been structured with an opened consideration-share pricing to be determined on a future date given the circumstances and governing rules on RPT affecting both the listed Buyer and Seller.

NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)



32 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

(b) Acquisition of Melewar Steel Tube Sdn Bhd ("MST") (continued)

Sub-Notes (continued)

On the Acquisition Date, the Company's share was quoted but untraded on Bursa Malaysia at 29 sens/share. The Company's 30-days traded shares volume preceding the Acquisition Date was only around 0.3 million shares or 0.18% of its total issued ordinary shares. In-comparison, around 4 million shares or 2.35% of its total issued ordinary shares were traded in the 30-days preceding the Agreement date (on-which the 44 sens/share was derived). The fulfilment of the Agreement's condition precedents took around 200 elapsed days between the Agreement Date and the Acquisition date.

The intrinsic value of the Company's share as measured by its consolidated net-asset value per share before and after the business combination of the acquisition was around RM1.40/share and RM1.06/shares respectively on the Acquisition Date. However, such aforementioned 'entity specific' measure is irrelevant under the MFRS on fair value measurement.

- ii) The intangible asset relates solely to registered tradenames acquired previously by MST from MIG in April 2014 (Note 14). This intangible asset has an indefinite useful life, and as such is not subjected to periodic amortization but annual impairment test. The Group has assessed and assigned a fair value at RM20 million, a reduction of its pre-acquisition carrying value of RM30 million based on prevailing market conditions. MST had a pre-acquisition carrying goodwill of RM7.5 million which arose from its recognition of deferred tax liability (DTL) on the Intangible Asset (sub-note ii) pursuant to a prior business combination back in April 2014. This carrying goodwill is subsumed on business combination and in computing the Company's 'Gain on Bargain Purchase'.
- iii) Comprised mainly of materials, consumable supplies, work-in-progress, and finished goods of its Steel Tube manufacturing operations at cost. No impairment was deemed necessary.
- iv) Comprised solely of prepayments made in the ordinary course of business classified under current assets - other receivables. No impairment was deemed necessary.
- v) Includes cash and cash equivalents of RM21.4 million; collectible trade receivables of RM36.2 million; and amount due from holding company of RM24 million (being the liability assumed by the Company as part of the said consideration transferred). The latter is eliminated in the Group's consolidated statement of financial position. All trade receivables have been assessed to be fully collectible.
- vi) Includes current trade payables of RM23 million; current bank borrowings (comprising mostly of trade financing debts) of RM62.5 million;
- vii) Comprised solely of Deferred Tax Liabilities provision -mainly relating to the Intangible Asset mentioned in sub-note ii above where a DTL was provided in relation to the Intangible Asset's fair value recognised. No contingent liabilities warranting any provisions or disclosures have been identified.
- viii) The material 'Gain on Bargain Purchase' arose mainly due to the significant difference between the contracted transactional value of the consideration shares (at 44 sen/share) versus the accounting fair value on initial recognition of the consideration shares (at 29 sen/share) issued by the Company. To a lesser extent, the difference between the contracted pricing of MST (at RM70 million) based on 'Relative Valuation Analysis' of comparable listed companies as adopted by the independent valuer and independent advisors as compared to the fair value of assets acquired and liabilities assumed (at RM75.5 million), also contributed to the 'Gain on Bargain Purchase'.

Besides the one-off 'Gain on Bargain Purchase' amounting to RM21.3 million recorded in the Group's Statement of Comprehensive Income for the current financial year, the post-acquisition contribution of MST to the financial results of the Group for the current financial year is disclosed below:

	RM'000
Revenue	57,847
Gross profit	3,316
Loss before tax	935
Loss after tax	858



NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)

32 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR (continued)

(b) Acquisition of Melewar Steel Tube Sdn Bhd ("MST") (continued)

Sub-Notes viii) (continued)

Had the acquisition taken effect at the beginning of the financial year, the post-acquisition contribution of MST to the financial results of the Group for the current financial year would have been as follows:

	RM'000
Revenue	218,825
Gross profit	13,731
Loss before tax	1,208
Loss after tax	1,406

33 FINANCIAL INSTRUMENTS BY CATEGORY

	Loans and receivables RM	2015 Derivative financial assets RM	Loans and receivables RM	2014 Derivative financial assets RM
<u>Group</u>				
Financial assets per statement of financial position:				
Current assets:				
Derivative financial assets	-	2,071,230	-	-
Trade and other receivables (excluding prepayments)	101,054,987	-	43,036,453	-
Cash and cash equivalents	39,841,327	-	18,799,128	-
Amount owing by ultimate holding company	5,377,080	-	2,205,921	-
Amounts owing by related companies	6,851,563	-	12,834,105	-
Total financial assets	153,124,957	2,071,230	76,875,607	-

	2015 RM	2014 RM
Financial liabilities per statement of financial position:		
<u>Other financial liabilities at amortised cost</u>		
Current liabilities:		
Trade and other payables (excluding prepayments)	92,684,250	51,972,586
Borrowings	166,178,759	112,840,973
Amount owing to a related company	24,120	19,425
Derivative financial liabilities	40,650	785,947
	258,927,779	165,618,931
Non-current liability:		
Borrowings	12,129,949	2,278,511
Total financial liabilities	271,057,728	167,897,442

NOTES TO THE FINANCIAL STATEMENTS

30 June 2015

(continued)



33 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

	2015 RM	2014 RM
<u>Company</u>		
Financial assets per statement of financial position:		
<u>Loans and receivables</u>		
Current assets:		
Trade and other receivables (excluding prepayments)	8,261	5,000
Cash and cash equivalents	32,420	167,539
Amounts owing by subsidiaries	55,899	10,173,474
Total financial assets	96,580	10,346,013
Financial liabilities per statement of financial position:		
<u>Other financial liabilities at amortised cost</u>		
Current liabilities:		
Trade and other payables	394,477	256,840
Amounts owing to subsidiaries	24,565,891	-
Amount owing to ultimate holding company	-	29,459
Total financial liabilities	24,960,368	286,299



SUPPLEMENTARY INFORMATION

34 SUPPLEMENTARY INFORMATION DISCLOSED PURSUANT TO BURSA MALAYSIA SECURITIES BERHAD LISTING REQUIREMENTS

The following analysis of realised and unrealised retained earnings at the Company level is prepared in accordance with the Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants whilst the disclosure at the Group level is based on the prescribed format by the Bursa Malaysia Securities Berhad.

	Group	
	2015 RM	2014 RM
Total retained earnings of Mycron Steel Berhad and its subsidiaries:		
- realised	91,714,074	54,901,288
- unrealised	(8,161,589)	(1,788,773)
	83,552,485	53,112,515
Add: Consolidation adjustments	(217,532)	43,110
Total Group's consolidated retained earnings	83,334,953	53,155,625

	Company	
	2015 RM	2014 RM
Total retained earnings/(accumulated losses) of Mycron Steel Berhad:		
- realised	109,793	(18,312,135)
- unrealised	-	-
Total retained earnings/(accumulated losses)	109,793	(18,312,135)

The disclosure of realised and unrealised retained earnings above is solely for compliance with the directive issued by the Bursa Malaysia Securities Berhad and should not be used for any other purpose.

PROPERTIES OWNED

By Mycron Steel Berhad & Its Subsidiaries



Address of Property	Lease expiry date	Brief description and existing use	Land/built-up area	Approximate age of buildings (years)	Net book value (RM)
Lot 717, Jalan Sungai Rasau, Seksyen 16, 40200 Shah Alam, Selangor.	Freehold	Factory cum office building	861,407 sq.ft. (17.94 acres)	26	105,000,000

Note: The above property was revalued in 2015.



MYCRON STEEL BERHAD

(622819-D)

FORM OF PROXY

(please refer to the notes below)

No. of ordinary shares held

I/We _____ NRIC No./Co. No./CDS No. : _____
(Full Name in block letters)

of _____
(Full address)

being a member/members of **MYCRON STEEL BERHAD** hereby appoint *Chairman of the meeting or

_____ of _____ or failing him/her
(Name of proxy, NRIC No.) (Full Address)

_____ of _____ as *my/our proxy
(Name of proxy, NRIC No.) (Full Address)

to vote for *me/us and on *my/our behalf at the **12th Annual General Meeting (“AGM”)** of the Company to be held at the **Dewan Perdana, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Monday, 30 November 2015 at 10.00 a.m.** or at any adjournment thereof on the following resolutions referred to in the Notice of the 12th AGM. My/our proxy is to vote as indicated below:

		FIRST PROXY		SECOND PROXY	
		For	Against	For	Against
RESOLUTION 1	TO APPROVE THE PAYMENT OF DIRECTORS' FEES FOR THE FINANCIAL YEAR ENDING 30 JUNE 2016 TO BE PAYABLE QUARTERLY IN ARREARS.				
RESOLUTION 2	TO RE-ELECT TAN SRI DATUK SERI RAZMAN MD HASHIM WHO IS RETIRING PURSUANT TO SECTION 129(6) OF THE COMPANIES ACT, 1965.				
RESOLUTION 3	TO RE-ELECT TUNKU DATO' YAACOB KHYRA WHO IS RETIRING PURSUANT TO ARTICLE 113(1).				
RESOLUTION 4	TO RE-ELECT TENGKU DATUK SERI AHMAD SHAH IBNI ALMARHUM SULTAN SALAHUDDIN ABDUL AZIZ SHAH WHO IS RETIRING PURSUANT TO ARTICLE 120.				
RESOLUTION 5	TO RE-ELECT EN SHAZAL YUSUF BIN MOHAMED ZAIN WHO IS RETIRING PURSUANT TO ARTICLE 120.				
RESOLUTION 6	TO RE-ELECT MR MUK SAI TAT WHO IS RETIRING PURSUANT TO ARTICLE 120.				
RESOLUTION 7	TO RE-APPOINT MESSRS PRICEWATERHOUSECOOPERS AS AUDITORS OF THE COMPANY.				
RESOLUTION 8	TO APPROVE THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY.				
RESOLUTION 9	TO APPROVE THE PROPOSED RENEWAL AND NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS.				
RESOLUTION 10	AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965.				

(Please indicate with a “✓” or “X” in the spaces provided above on how you wish your vote to be cast. If no instruction as to voting is given, the proxy will vote or abstain from voting at his/her discretion).

The proportion of my holdings to be represented by my *proxy/proxies are as follows:

	Number of Shares	Percentage
First proxy		%
Second proxy		%
Total		100%

Dated this _____ day of _____ 2015

Signature of Shareholder(s) / Common Seal

NOTES:

- Applicable to shares held through a nominee account.
- A member entitled to attend, speak and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. A proxy may but need not be a member of the Company, and the provision of Section 149(1)(a) & (b) of the Act, shall not apply to the Company.
- Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
- Where a member is an Exempt Authorised Nominee which holds shares in the Company for multiple beneficial owners in one securities account (“omnibus account”) as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
- The instrument appointing a proxy, shall be in writing under the hand of the appointer or his attorney duly authorised in writing, and in the case of a corporation, either under seal or under hand of an officer or attorney duly authorised.
- The instrument appointing a proxy must be deposited at the Company's Registered Office, Suite 12.03, 12th Floor, No. 566, Jalan Ipoh, 51200 Kuala Lumpur, not less than forty eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
- Any alteration in the Form of Proxy must be initialled.
- Form of Proxy sent through facsimile transmission shall not be accepted.
- For the purpose of determining a member who shall be entitled to attend this 12th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 79(a), 79(b) and 79(c) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 24 November 2015. Only a depositor whose name appears on the Record of Depositors as at 24 November 2015 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and/or vote on his/her behalf.
- (i) Explanatory Note to Ordinary Business of Agenda 1 (Explanatory Note A):
This Agenda item is meant for discussion only as the provision of Section 169(1) of the Act, does not require a formal approval of the shareholders and hence, is not put forward for voting.
(ii) Explanatory Notes to Special Business of Agenda 7:
 - Proposed Renewal of Share Buy-Back Authority**
The Proposed Resolution 8, if passed, would empower the Directors to exercise the power of the Company to purchase its own shares (“the Proposal”) by utilising its financial resources not immediately required. The Proposal may have a positive impact on the market price of the Company's shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.
 - Proposed Renewal and New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature (“RRPTs”)**
The Proposed Resolution 9, if passed, will empower the Company to conduct recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, and will eliminate the need to convene separate general meetings from time to time to seek shareholders' approval. This will substantially reduce administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.
 - Authority to Issue and Allot Shares Pursuant to Section 132D of the Act**
The Ordinary Resolution proposed under Resolution 10 of the Agenda is a renewal of the General Mandate for the Directors to issue and allot shares pursuant to Section 132D of the Act. This mandate will provide flexibility for the Company to undertake future possible fund raising activities, including but not limited to placement of shares for purpose of funding the Company's future investment projects, working capital and/or acquisition(s) without having to convene another general meeting.
The Proposed Resolution 10, if passed, will give authority to the Directors of the Company, from the date of the above AGM, to issue and allot shares in the Company up to an amount not exceeding in total ten percent (10%) of the issued and paid-up share capital of the Company for the time being, for such purposes as they consider would be in the interest of the Company. This authority, unless revoked or varied by the Company at a general meeting, will expire at the conclusion of the next AGM of the Company.
As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the 11th AGM held on 9 December 2014 and which will lapse at the conclusion of the 12th AGM to be held on 30 November 2015.
The detailed information on Special Business of Agenda 7 except for Ordinary Resolution 10 as mentioned above is set out in the Circular to Shareholders of the Company dated 6 November 2015 which is dispatched together with the Company's 2015 Annual Report.

* Please strike out whichever is not desired. (Unless otherwise instructed, the proxy may vote as he/she thinks fit).

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STAMP

The Secretary
MYCRON STEEL BERHAD
Suite 12.03, 12th Floor
No. 566 Jalan Ipoh
51200 Kuala Lumpur

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NOTICE

There will be no distribution of door gifts.



MYCRON STEEL BERHAD

(622819-D)

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