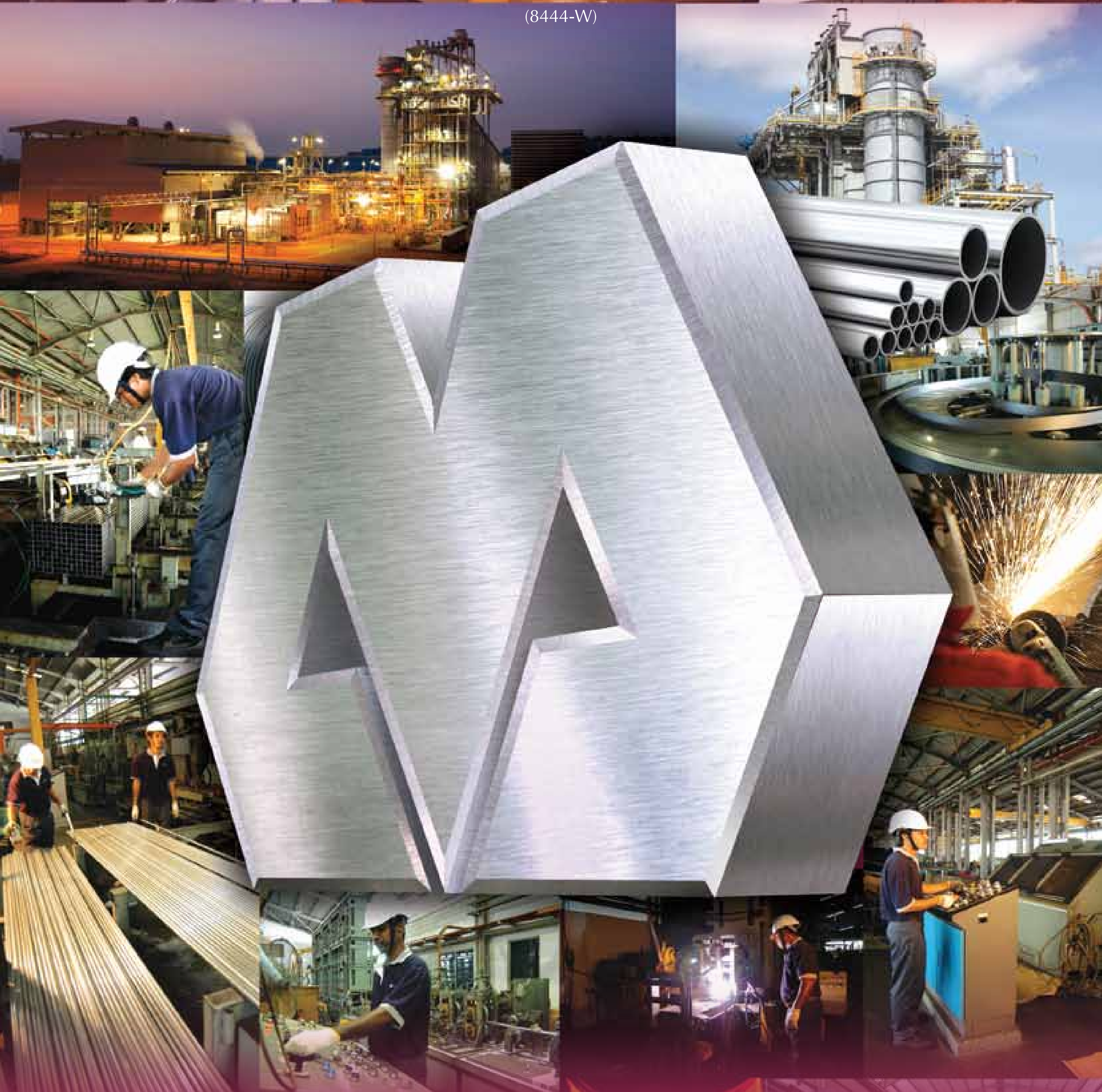
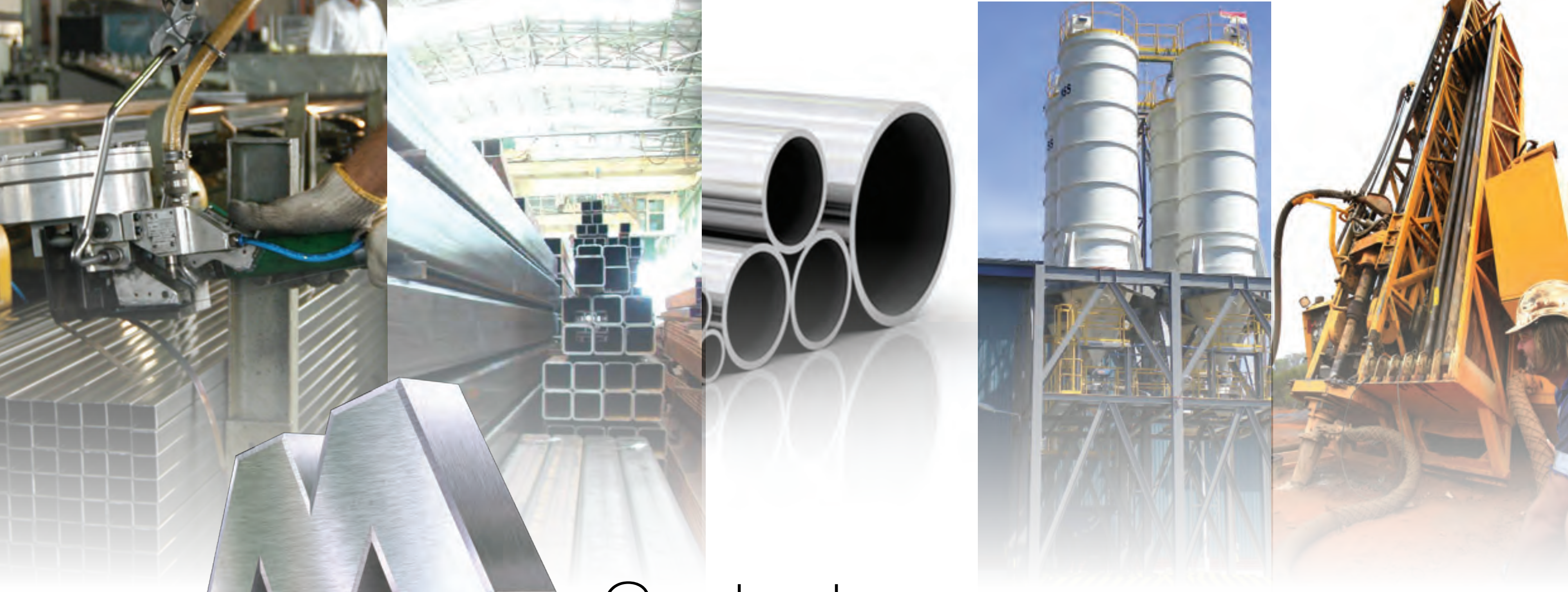
MELEWAR INDUSTRIAL GROUP BERHAD

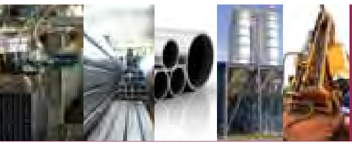
(8444-W)



ANNUAL REPORT 2011



Contents



Notice of Forty-Second Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty-Second (42nd) Annual General Meeting of the Company will be held at The Auditorium, Podium 1, Menara MAA, No. 12 Jalan Dewan Bahasa, 50460 Kuala Lumpur on Wednesday, 7 December 2011 at 12.00 noon for the following purposes:

AS ORDINARY BUSINESS

1. To receive the Audited Financial Statements for the year ended 30 June 2011 together with the Reports of the Directors and the Auditors thereon.

2. To approve the payment of Directors' fees amounting to RM308,400 for the financial year ending 30 June 2012 to be payable quarterly in arrears. (Resolution 1)

3. To re-elect Dato' Jaffar Indot who is over 70 years of age in accordance with Section 129(6) of the Companies' Act, 1965 ("the Act") and to hold office until the conclusion of the next Annual General Meeting. (Resolution 2)

4. To re-elect the following Directors of the Company who are retiring pursuant to Article 95 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 (Resolution 3)
   (ii) En Azlan bin Abdullah (Resolution 4)
   (iii) Mr Onn Kien Hoe (Resolution 5)

5. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration. (Resolution 6)

AS SPECIAL BUSINESS

6. To consider and if thought fit, to pass the following resolutions as Ordinary Resolutions:

(a) Proposed Renewal of Authority for the Company to purchase its own shares (Resolution 7)

"THAT subject to compliance with Section 67A of the Act, the Main Market 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 RM1 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 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 ten percent (10%) 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 RM116,787,381 and share premium account of RM241,447 as at 30 June 2011 would be allocated by the Company for the Proposed Renewal of Share Buy-Back Authority.

AND THAT such authority shall commence immediately upon passing of this ordinary resolution and will expire at the conclusion of the next Annual General Meeting 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 Annual General Meeting is required by law to be held whichever is the earlier but not so as to prejudice the completion of purchase(s) made by the Company before the aforesaid expiry date.

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."

(b) Proposed Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs") (Resolution 8)

"THAT the mandate granted by the shareholders of the Company on 30 November 2010 pursuant to Paragraph 10.09 of the Main Market Listing Requirements of Bursa Securities, authorising the Company and its subsidiaries ("the MIG Group") to enter into the recurrent related party transactions of a revenue or trading nature which are necessary for the MIG Group's day-to-day operations as set out in Section 3.0 (A) and (B) of Part B of the Circular to Shareholders dated 15 November 2011 ("the Circular") with the related parties mentioned therein, be and is hereby renewed, 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 are not to the detriment of the minority shareholders of the Company;

(b) the transactions are made at arm's length and are 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 Annual General Meeting ("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 a resolution passed by the shareholders in general meeting;

whichever is earlier.

AND THAT the Directors of the Company be and are hereby 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."

By Order of the Board

LILY YIN KAM MAY (MAICSA 0878038)
SOON LEH HONG (MIA 4704)
Company Secretaries

Kuala Lumpur
15 November 2011

NOTES:

1. Applicable to shares held through a nominee account.

2. A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend 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)(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. A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, may appoint one (1) proxy in respect of each securities account.

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 20.03, 20th Floor, Menara MAA, No.12, Jalan Dewan Bahasa, 50460 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 initialed.

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 Forty-Second (42nd) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 2 December 2011 in accordance with Article 56(2.1), 56(2.2) and 56(2.3) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991. Only a depositor whose name appears on the Record of Depositors as at 2 December 2011 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

10. Explanatory notes to Special Business of Agenda 6:

    (a) Proposed Renewal of authority for the Company to purchase its own shares
    The Proposed Resolution 7, 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. The details of the Proposed Resolution 7 are given under Part A of the Circular to Shareholders dated 15 November 2011 which is dispatched together with the Company's 2011 Annual Report.

    (b) Proposed Shareholders' Mandate for Recurrent Related Party Transactions
    The Proposed Resolution 8, 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.

    The detailed information on Recurrent Related Party Transactions is set out in Part B of the Circular to Shareholders of the Company dated 15 November 2011 which is dispatched together with the Company's 2011 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 and 4 of the Notice of the Forty-Second (42nd) Annual General Meeting of the Company are set out in the Directors' Profile on pages 19 to 23 of this Annual Report. Their securities holdings in the Company are set out in the Directors' Shareholdings which appears on page 28 of this Annual Report.

On behalf of the Board of Directors, I am pleased to present the Annual Report of Melewar Industrial Group Berhad ("MIG") and its group of companies ("the Group") for the financial year ended 30 June 2011.

FINANCIAL RESULTS

For the financial year under review, the Group recorded a total revenue of RM754.8 million, which was 6.8% higher than the previous year's RM707.1 million. This was largely due to revenue generated by the Energy Division, which started operating its power station in early January this year.

Profit After Tax ("PAT") for the financial year was RM3.3 million compared to the previous financial year's RM79.0 million. It should be noted that for the previous financial year, the mark-to-market gain on Gindalbie shares alone was RM30.5 million and that Foreign Exchange gain contributed another RM16.3 million towards the bottom line.

For the year under review, there were lower sales from the Steel Division due to the soft market conditions that prevailed for much of the year. Also contributing to the drop in profit were pre-operating overhead expenses of RM7.8 million incurred in the first six (6) months, prior to commencement of operations of the Energy Division's power station and also an impairment of about RM7.2 million.

DIVIDEND

Due to the weak performance for the period under review, the Board of Directors do not recommend the payment of any dividend for the financial year ended 30 June 2011.

DIVISIONAL PERFORMANCE

The Group's business activities can be analysed by its three (3) core business divisions, namely:

1. Iron and Steel;
2. Energy; and
3. Engineering

1.0 IRON AND STEEL DIVISION

The Group's Iron and Steel Division is made up of its interest in the following companies:

- Melewar Steel Tube Sdn Bhd – Manufacturer of Steel Tubes
- Mycron Steel Berhad – Manufacturer of Cold Rolled Coil ("CRC") Steel Sheets
- Melewar Steel Mills Sdn Bhd – Manufacturer/Trader of Steel Rebar, Billets and Scrap
- Gindalbie Metals Ltd – Mining of Iron-Ore in Australia

1.1 Industry Overview (Iron And Steel Division)

The steel industry has always been subject to the volatility of prices, both for finished steel products as well as raw materials like iron-ore, coking coal and steel scrap. Volatility in steel demand has also become a key factor especially since the system of quarterly orders both for steel products and raw materials were replaced with a monthly order system.

Domestic demand for steel was not insulated against the uncertain global economic condition, which saw sales tonnages fall throughout 2010 and 2011. Fear of a weakening US economy and the jitters over the European government bond default caused significant uncertainties, resulting in down-stream customers placing orders on a minimal need-only basis.

After a very strong first half in calendar year 2010, the steel industry turned sluggish by the 3rd quarter of the year. Customers became cautious and generally stayed on the sidelines, buying only against back-to-back orders. This conservative stance reflected their unwillingness to stock up on their inventory in case the market price for steel went down further.

2011 started with the expectation that steel prices would increase following a rather lacklustre 4th quarter of 2010. Prices did start to move up, which was reinforced by the floods in Australia thus affecting the supply of iron-ore. However, the price increase did not sustain with many customers preferring to stay on the sidelines and adopting a wait-and-see attitude instead of replenishing their already low inventory.

In summary, the financial year ending 30 June 2011 can be classified as a poor period of low demand for the domestic and international steel industry.

1.2 Steel Tube Operations (Melewar Steel Tube Sdn Bhd)

The Group's Steel Tube manufacturing operations are conducted through its 100% owned subsidiary, Melewar Steel Tube Sdn Bhd.

Steel Tube sales for the Group are largely from the Engineering and Construction industry, which represents 50% of sales tonnage and the balance representing the Furniture, the Water Supply, the Automotive and the Electrical industry. Unfortunately for the Steel Tube sector, the lacklustre performance of the domestic construction industry continued to dampen demand for Steel Tubes which continued during the period under review.

As a consequence, the Steel Tube operations saw a reduction in sales to RM213.7 million from RM249.3 million previously, a drop of 14.3%. Similarly, the sales tonnage for Steel Tubes also dropped from 77,200 tonnes to 66,100 tonnes, down by 14.4%.

Consequently PAT declined from RM15.4 million to RM6.2 million, a drop of RM9.2 million, reflecting a significant margin squeeze with the Group's competitors willing to reduce margins to attain sales.

Taking into cognisance the present sluggish market conditions, the Group will continue to focus on a tight inventory management policy as well as continue to adhere to stringent credit control standards, to protect the interest of the Group.

1.3 Cold Rolled Coil Operations (Mycron Steel Berhad)

The Group's Cold Rolled Coil ("CRC") Steel Sheet operations are conducted through its 54.8% owned subsidiary, Mycron Steel Berhad ("Mycron"), which is listed on Bursa Malaysia.

For the financial year ended 30 June 2011, Mycron achieved sales revenue of RM388.0 million compared to RM429.3 million the previous year, a drop of 9.6%. Sales volume was 156,000 tonnes compared to 181,000 tonnes the previous year, a drop of 25,000 tonnes or 13.8%.

The lower sales, both in value as well as tonnage, were a result of the soft market conditions that prevailed for much of the period under review. While the first half of calendar year 2010 was a strong one in terms of demand, the market turned soft from July onwards and this continued into the first half of 2011, with customers keeping inventory levels at near zero levels and only placing orders against back-to-back sales.

Concerns for a slow global economic recovery, especially in the developed nations (including China), has further dampened sentiments and has caused a slowdown in demand for steel, both domestically and internationally.

Mycron recorded a PAT of RM3.5 million compared to RM30.0 million previously, reflecting narrow margins as a consequence of heavy competition caused mainly by cheaper CRC imports from China, which were exempted from Malaysian duty.

During calendar year 2010, Malaysia imported 1 million tonnes of iron-ore based CRC, which is well within the quality standards Mycron is capable of manufacturing should it attain sufficient supply of iron-ore based Hot Rolled Coil ("HRC") raw material.

Operating at only 62.4% of plant utilisation for the period under review, Mycron has ample capacity (about 94,000 tonnes a year) to target the import substitution of the 1 million tonnes a year of CRC currently being imported into the country. In this respect, Mycron's strategy will be to continue to focus its efforts in manufacturing high-end iron-ore based CRC, to gain a larger customer base and plant utilisation rate.

Mycron is well placed to penetrate this sector as it had invested RM120 million in upgrading its facilities in 2007. The quality of Mycron's CRC is as good, if not superior, to imported CRC and this augurs well for the Group in the long term.

1.4 Steel Reinforcement Bar Operations (Melewar Steel Mills Sdn Bhd)

The Group's Steel Reinforcement Bar ("Rebar") manufacturing operations are conducted through its 100% subsidiary, Melewar Steel Mills Sdn Bhd.

Due to the present domestic rebar industry scenario of narrow margins, the rebar operations of the Group continue to be mothballed for the period under review with the focus on the trading of steel products and scrap.

The over-capacity situation in the domestic long steel product sector still prevails, but the expectation of the Government's Economic Transformation Programme ("ETP") bodes well for the rebar market. It is expected that demand together with margin increases, as a result of the Government's ETP projects, will see the Group's rebar operations being recommenced in the very near future.

1.5 Iron-Ore Mining Operations (Gindalbie Minerals Ltd)

The Group's involvement in iron-ore mining was held through its interest in Gindalbie Metals Ltd ("Gindalbie"), which is listed in the Australian Stock Exchange.

The project at Karara is being developed in a Joint Venture with AnSteel, China's second largest steel company to deliver high grade magnetic concentrate, blast furnace quality pellets and direct shipping hematite ore.

With a capital budget of A$2.5 billion and targeting a production of 2 million tonnes a year of hematite iron-ore and 8 million tonnes a year of magnetite iron-ore, the mine has a lifespan of over 30 years with the potential to increase production output to 30 million tonnes a year.

The Group's initial investment in Gindalbie was made in 2004, amounting to 12.4% of Gindalbie's share capital at that time, via a direct subscription of shares. Following subsequent rights issue, the Group's interest increased to 74 million shares, representing 27% of Gindalbie's total issued shares with an average cost of A$0.10 per share.

Following the collapse of the Australian stockbroker, Opes Prime Stockbroking Ltd in 2008, and the subsequent settlement agreement reached with the stockbroker's bank, the Group was compensated with A$16.3 million for the loss of 32 million shares of Gindalbie. This effectively valued the disposal at A$0.51 per share.

This disposal, coupled with subsequent share placements to AnSteel, had resulted in the Group's interest in Gindalbie being reduced to 5.9% of Gindalbie's issued share capital, representing 42.1 million shares.

The Group had taken the decision to dispose of its entire interest in Gindalbie in order to reduce its borrowings and up till 30 June 2011, the Group had disposed a total of 41.0 million Gindalbie shares at an average price of A$1.05 per share. The net proceeds of RM126.1 million were utilised to reduce the Group's bank borrowings.

Subsequent to the year end, the Group has disposed the balance 1.1 million shares at an average of A$0.82 per share. With this disposal, the Group's interest in Gindalbie has been fully divested.

2.0 ENERGY DIVISION

The Group's involvement in Energy is principally through its interest in Siam Power Generation Company Ltd.

2.1 Power Generation Operations (Siam Power Generation Company Ltd)

The Group through its wholly-owned subsidiary, Mperial Power Ltd ("Mperial") has a 96.4% equity interest in Siam Power Generation Public Company Ltd ("Siam Power").

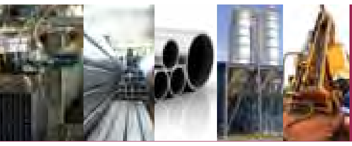
Siam Power holds a license to build, own and operate up to 450 MW of power generating plants under the Small Power Producer ("SPP") programme in Thailand. Under the SPP Programme, Siam Power is required to supply power to the Electricity Generating Authority of Thailand ("EGAT") and the industrial customers within the SPP Industrial Park concession area in the district of Baan Khai in Rayong Province. The main industrial customer in the SPP Industrial Park is G Steel's HRC Steel Sheet manufacturing facility.

The current Siam Power plant is a 160 MW Combined Cycle Cogeneration Gas-fired Power Plant, situated adjacent to EGAT's Baan Khai substation, a terminal point for one of EGAT's main transmission line in that region.

The project was initiated in 1996 and the engineering, procurement and construction of a 300 MW Combined Cycle Cogeneration Plant commenced in 1997. Subsequent to the Asian Financial Crisis in the same year, certain project lenders withdrew their support for the project, resulting in the suspension of the project works.

In 2006, Mperial acquired a 70% stake in Siam Power for US$23 million. Subsequently, the Group increased its stake in Siam Power to 95% at a further cost of US$11.3 million. In September and November 2010, the Group subscribed to additional shares bringing its stake in Siam Power to 96.42% at an additional cost of US$13.4 million. The Group capitalised some of its advances to Siam Power in September and November 2010, thereby increasing its stake to 96.42%.

Mperial has successfully revived the project and achieved the Commercial Operation Date ("COD") for the power plant on 29 December 2010. The Power Purchase Agreements ("PPA") with both EGAT and G Steel for the supply of 90 MW and 70 MW respectively are for a period of 25 years from COD. The project was officially launched on 11 January 2011.



2.1 Power Generation Operations (Siam Power Generation Company Ltd) (continued)

For the period under review, total revenue generated was RM130.0 million, with an after tax loss of RM17.3 million compared to a profit of RM18.9 million the previous year. The loss was primarily due to overhead expenses incurred in the first six (6) months, prior to commencement of operations. Another reason for the loss was the provision made by the Group for RM7.2 million for the amounts owing by one of the power off-takers in view of their weak financial standing, pending their financial restructure, which is currently under way.

3.0 ENGINEERING DIVISION

The Engineering Division of the Group comprises its interest in three (3) companies, namely Melewar Integrated Engineering Sdn Bhd, Melewar MycroSmelt Technology Ltd and Ausgard Quick Assembly Systems Sdn Bhd.

3.1 Engineering (Melewar Integrated Engineering Sdn Bhd)

Melewar Integrated Engineering Sdn Bhd (“MIE”), a 70% subsidiary of the Group, serves as the technical development engineer and project manager for the Group. Besides performing functions within the Group, MIE also undertakes third party jobs, actively bidding for project management and engineering works within as well as outside the country.

For the financial year under review, MIE achieved revenue of RM13.3 million compared to RM11.9 million, a 11.8% improvement over the previous year. The bottom line also improved, with PAT of RM0.2 million compared to a loss of RM1.6 million previously.

3.2 Steel Smelting (Melewar Mycrosmelt Technology Ltd)

Melewar MycroSmelt Technology Ltd (“MMTL”) promotes the Group’s scrap-smelting technology for the production of steel billets. Melewar Steel Mills Sdn Bhd currently operates the existing billet plant in Shah Alam, using the billets produced as its raw material, to manufacture rebars.

MMTL is tasked with the mission to promote the technology and seek international rebar manufacturers to install this steel billet manufacturing system in their prospective plant expansion.

3.3 Construction (Ausgard Quick Assembly Systems Sdn Bhd)

Ausgard Quick Assembly Systems Sdn Bhd (“AQAS”) was incorporated to develop, manufacture and supply an alternative building system for the housing construction industry. AQAS has developed a quick assembly pre-fabricated building system using steel tubes and other components, as the back-bone of the system. Using this method, a typical home can be assembled in as fast as one week.

AQAS has been tasked with the mission to seek customers for its pre-fabricated quick assembly homes in Malaysia.

LONG-TERM BUSINESS OUTLOOK

The Government had announced a slew of ETP projects last year worth billions of Ringgit that goes hand in hand with the Government’s aim of making Malaysia a high-income nation by 2020. While the spillover effects of the projects appear to be slow in trickling down to the general economy, the consensus is that it should eventually provide a shot in the arm for domestic demand.

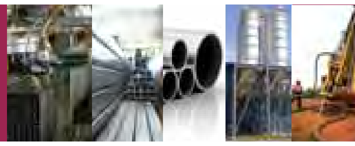
With this in mind, the Group remains confident of the long-term growth potential for the Malaysian steel industry.

PROSPECTS FOR THE NEW FINANCIAL YEAR

Although the long-term prospects for the Group is good, at present steel demand remains weak due to the concerns of the global economic environment, which remains fluid and rather uncertain. Further deterioration in the economic and financial climate in Europe will likely have significant repercussions for international trade and in doing so, will continue to affect international and domestic demand.

The Gross Domestic Production (“GDP”) for Malaysia’s growth for the 2nd quarter of 2011 edged lower to 4% year-on-year due to weaker domestic demand, with the manufacturing sector only achieving a 2.1% growth. Against this background, the Malaysian Institute of Economic Research (“MIER”) has forecasted a 5% GDP growth for calendar year 2012.

It is the Group’s expectation that with the further implementation of the ETP projects and the recently announced Government Budget 2012 handouts, the demand for steel products will be further strengthened in the near future.



PROSPECTS FOR THE NEW FINANCIAL YEAR (continued)

However, to be on the prudent side, the Group will continue to remain cautious and will closely monitor the global and domestic steel and economic demand patterns to ensure the Group moves forward safely. We will continue our conservative stance on inventory management and will maintain our policy of matching HRC raw material purchases to customer direct and projected orders.

CORPORATE EXERCISE

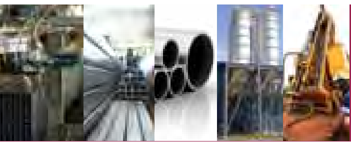
To further strengthen the financial position of the Group and to raise additional working capital for the Group's operations, the Company recently announced a renounceable two-call rights issue up to 151,170,272 Right Shares at an indicative issue price of RM1.00 per Rights Share on the basis of two (2) Rights Shares for every three (3) existing MIG shares held. Details of the proposed Rights Issue are contained in the announcement which was made on 21 October 2011 by our principal adviser, OSK Investment Bank Berhad.

ACKNOWLEDGEMENT

On behalf of the Board, I would like to express my thanks and gratitude, as well as sincere appreciation to all members of the management team and their staff for their contribution and hard work in the past year. Although times are difficult at present, by ensuring that the Group remains the premier name for quality of its steel products, the Group's long-term success will be guaranteed in the long run.

To our shareholders, I thank you for your support and patience, especially during this period of uncertainty and look forward to your continued support in the years ahead.

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah
Executive Chairman



Corporate Social Responsibility

The Group recognises its social obligation to society and continues to pursue a sustainable business strategy in the face of market demands and challenges. In this regard, the Group conducts its business with a conscience - caring for the well-being of the workplace, the environment, the community and the marketplace.

WORKPLACE

The Group has implemented a structured training and development programme to help develop technical, health and safety as well as soft skills of employees. During the current financial year, employees attended various seminars and training programmes which were either conducted in-house or externally. The training programmes conducted during the year include awareness in areas such as environmental quality, energy saving, safety and health, firefighting and cleanliness.

Recognising the importance of safety at the workplace, a “Safety and Health Awareness Campaign” is carried out yearly in order to cultivate a “Safety First” culture at the workplace. The campaign is not only about having a new slogan each year, but most importantly, it monitors the occurrence of accidents and near misses through an “Accident Frequency Rate” benchmark indicator. A benchmark for improvement is set every year, and incentives are provided to the group of employees who achieve this benchmark.

ENVIRONMENT

The Group ensures that business activities are conducted in compliance with the applicable environment regulations and laws at all times. Complementing this, the Group practices environmental preservation and maintains high standards of Occupational Safety and Health Management Practices whereby in our Quality Management System, documented procedures are in place to ensure that scheduled waste collections are properly handled and transported for proper disposal by licensed contractors. The performance of our water treatment plant system is monitored monthly to ensure the quality of discharged effluent. To improve air quality in the production line, an air filter system has been added during the current financial year. Noise exposure monitoring has also been carried out in our factories to ensure a safe working environment.

The Group has and always will consider safety and environmental factors in all operating decisions, and will also continuously explore feasible opportunities to minimise any adverse impacts from all of its operations. Since 2004, we have converted our diesel burners in the galvanising plant into natural gas burners. Natural gas is known for its clean fuel. An improvement project has been implemented to minimise the usage of natural gas, where we managed to recycle the heat and use it within the process. With this improvement project, we managed to reduce 20% of our natural gas fuel consumption. The Group also takes full responsibility to ensure the discharged fumes comply with the requirement of the Department of Environment (DOE).

COMMUNITY

The Group conducts most of its philanthropic activities through The Budimas Charitable Foundation, a charitable foundation that was set up to care, nurture and educate homeless children. The Group’s commitment to the foundation is not only through monetary donations but also participation in its fundraising exercises, such as promoting the sale of its Annual Charity Raffle tickets and participating in its Charity Bazaar.

The Group recognises the need to improve the standards of living of those who are less fortunate by making charitable contributions to selected orphanages, as well as assisting in the organisation of charity sales, with profits channelled to The Budimas Charitable Foundation.

As conciously and socially concerned corporate citizens, the Group recognises the capability of physically disabled workers to perform simple daily factory operations. Although they are mute or deaf, they perform very well in their assigned tasks. To date, the Group employs in total nine (9) physically disabled workers and they are placed in our pipe lines, threading lines and maintenance workshops. Some are also assigned as store hands, based on their individual capabilities.

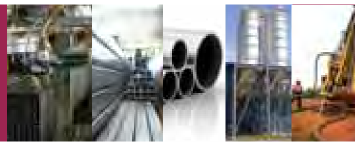
MARKETPLACE

To ensure the Group continuously meets the Standards of Excellence for all its products, industry best practices are in place throughout the Group. The Group is accredited with ISO 9001 : 2008 by SIRIM for cold rolled, hot rolled as well as aluminised pipes and tubes. With this accreditation, the Group is committed to continuously take steps to comply with product requirements and improve the effectiveness of its Quality Management System.

An excellent customer feedback and complaints system is in place to ensure that the Group’s products meet and/or exceed customer requirements. In the last financial year, the Group implemented a Whistleblowing policy to ensure the highest standards of corporate governance are adhered to throughout the Group.

The Group also believes in building long-term relationships with their suppliers based on the compatibility to their values, product quality and price. This is key to servicing customer requirements and developing the highest standard of quality in our products.

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 :

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah
- *Executive Chairman*

En Azlan bin Abdullah
- *Managing Director/Group Chief Executive Officer*

Datuk Lim Kim Chuan
- *Executive Director*

Dato' Jaffar Indot
- *Independent Non-Executive Director*

Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah
- *Non-Independent Non-Executive Director*

Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah
- *Independent Non-Executive Director*

Mr Onn Kien Hoe
- *Independent Non-Executive Director*

En Shazal Yusuf bin Mohamed Zain
- *Independent Non-Executive Director*

Datin Ezurin Yusnita binti Abdul Malik
- *Non-Independent Non-Executive Director*

Secretaries :

Ms Lily Yin Kam May
Ms Soon Leh Hong

Audit Committee :

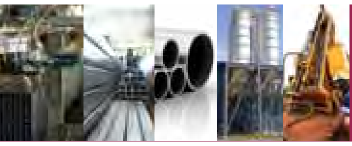
Mr Onn Kien Hoe
- *Chairman*

Dato' Jaffar Indot
- *Member*

En Shazal Yusuf bin Mohamed Zain
- *Member*

Registrar & Transfer Office :

Trace Management Services Sdn Bhd
Suite 20.03, 20th Floor
Menara MAA
No. 12 Jalan Dewan Bahasa
50460 Kuala Lumpur
Telephone No: 03-2141 3060
Telefax No: 03-2141 3061



Registered Office :
Suite 20.03, 20th Floor
Menara MAA
No. 12 Jalan Dewan Bahasa
50460 Kuala Lumpur
Telephone No: 03-2141 3060
Telefax No: 03-2141 3061

Principal Place of Business :
Lot 53 Persiaran Selangor
40200 Shah Alam
Selangor Darul Ehsan
Telephone No: 03-5519 2455
Telefax No: 03-5519 2033

Solicitors :
Adnan Sundra & Low
Level 11, Menara Olympia
No 8, Jalan Raja Chulan
50200 Kuala Lumpur
Telephone No: 03-2070 0466
Telefax No: 03-2078 3382

Othman Hashim & Co.
Suite 18.04, 18th Floor
Menara MAA
No. 12 Jalan Dewan Bahasa
50460 Kuala Lumpur
Telephone No: 03-2142 3399
Telefax No: 03-2141 4685

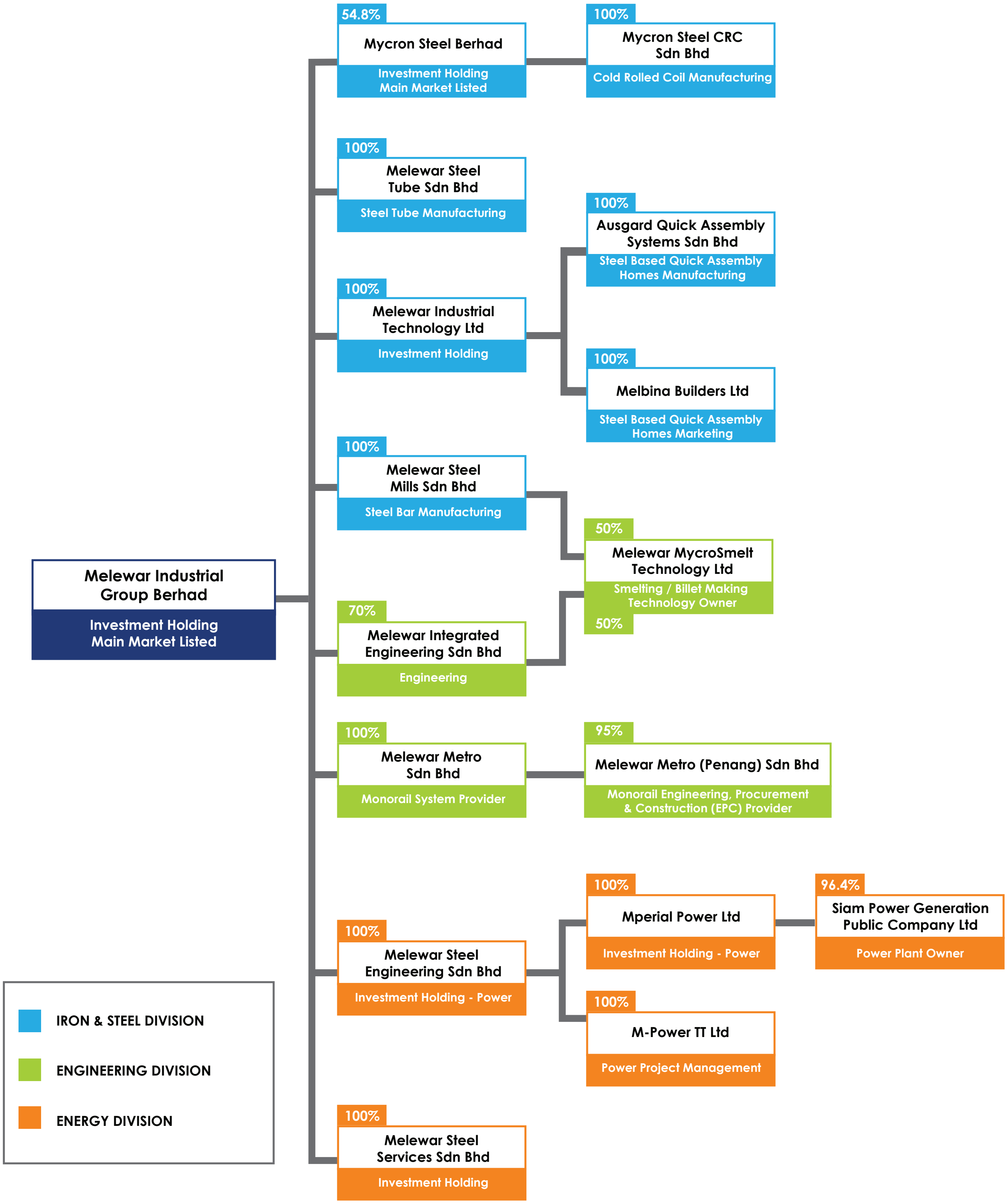
Auditors :
Messrs PricewaterhouseCoopers (AF 1146)
Level 8-15, 1 Sentral
Jalan Travers
Kuala Lumpur Sentral
50470 Kuala Lumpur
Telephone No: 03-2173 1188
Telefax No: 03-2173 1288

Principal Bankers (In alphabetical order) :
- Ambank (M) Berhad
- CIMB Bank Berhad
- Malayan Banking Berhad
- OCBC Bank (Malaysia) Berhad
- Standard Chartered Bank Malaysia Berhad

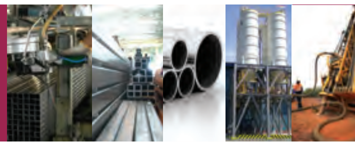
Stock Exchange Listing :
Main Market of Bursa Malaysia Securities Berhad ("Bursa Securities")
Stock Number 3778

Website : http://www.melewar-mig.com
e-mail : enquiry@melewar-mig.com

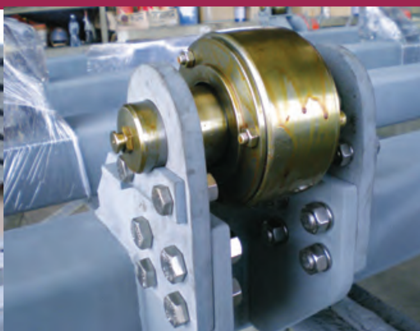
CORPORATE GROUP STRUCTURE
(AS AT 17 OCTOBER 2011)

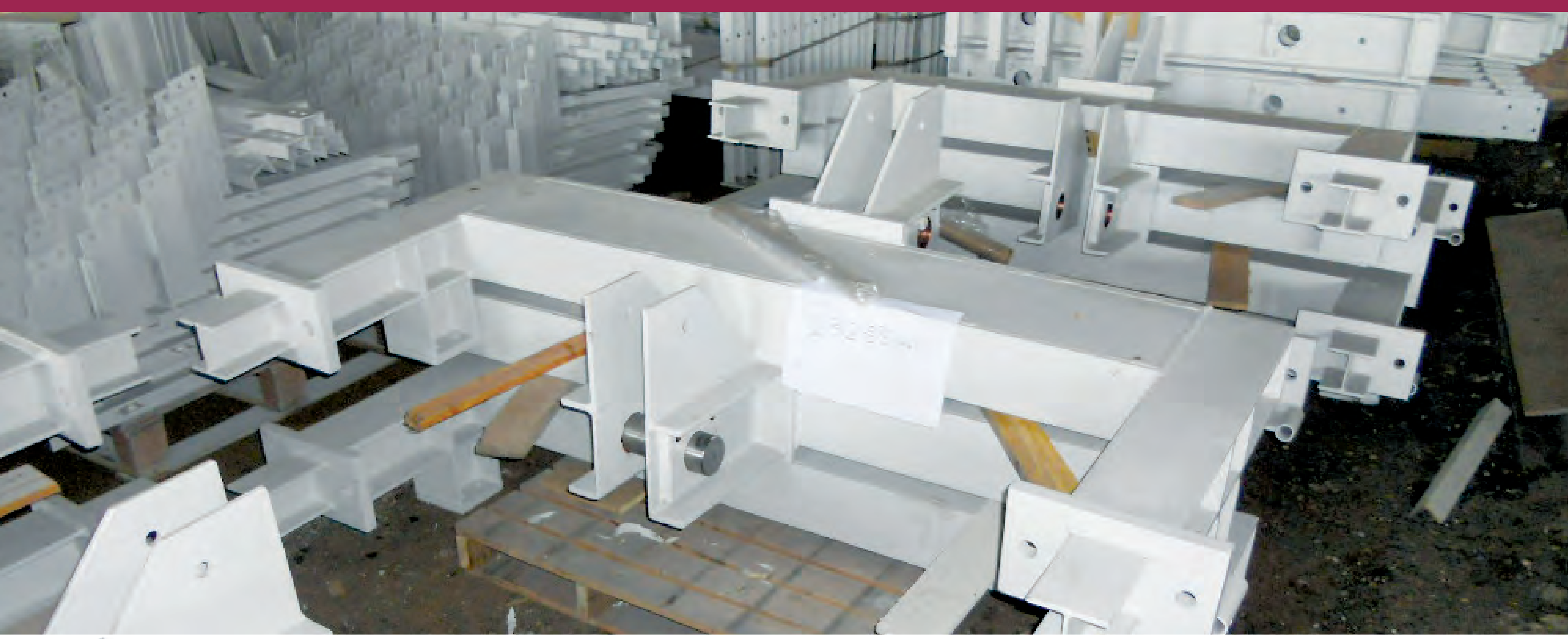


Iron and Steel Division - Projects



Engineering Division - Projects





QUALITY MANAGEMENT SYSTEM (QMS)

MIG strives to improve its operations and has always endeavoured to meet its customers' expectations. In 1997 MIG achieved its ISO 9001 certification. Over the years, the effectiveness of the quality management system has been improved in order to adapt to the latest global challenges. In 2010, MIG upgraded its Quality Management System to ISO 9001 : 2008 and this was accredited by SIRIM with IQNet certification.

SIRIM QAS

CERTIFICATE

SIRIM QAS International Sdn. Bhd. hereby certifies that

MELEWAR INDUSTRIAL GROUP BERHAD
(INCLUDING MELEWAR STEEL TUBE SDN. BHD.)
LOT 53, PERSIARAN SELANGOR
40000 SHAH ALAM
SELANGOR DARUL EHSAN
MALAYSIA

has implemented a Quality Management Systems complying with

ISO 9001 : 2008
Quality Management Systems - Requirements

Scope of Certification

MANUFACTURE OF COLD-ROLLED, HOT-ROLLED AND ALUMINISED PIPES, SQUARE AND RECTANGULAR HOLLOW SECTIONS.

Issue Date : 12 March 2010
Validity period : 27 February 2009 – 26 February 2012
Certification No. : AR 0994

Khalidah Mustafa
Managing Director
SIRIM QAS International Sdn. Bhd.

Ir. Hj. Yahaya Ahmad
Chairman
SIRIM QAS International Sdn. Bhd.

SIRIM QAS Certificate

IQNet
THE INTERNATIONAL CERTIFICATION NETWORK

CERTIFICATE

IQNet and SIRIM QAS International Sdn. Bhd.
hereby certify that

MELEWAR INDUSTRIAL GROUP BERHAD
(INCLUDING MELEWAR STEEL TUBE SDN. BHD.)
LOT 53, PERSIARAN SELANGOR
40000 SHAH ALAM
SELANGOR DARUL EHSAN
MALAYSIA

has implemented and maintains a

QUALITY MANAGEMENT SYSTEM

which fulfils the requirements of the following standard

ISO 9001:2008

for the following field of activities

MANUFACTURE OF COLD-ROLLED, HOT-ROLLED AND ALUMINISED PIPES, SQUARE AND RECTANGULAR HOLLOW SECTIONS.

Issued on : 12 March 2010
Validity date : 26 February 2012
Certification Number : MY-AR 0994

René Wasmer
President of IQNet

Khalidah Mustafa
Managing Director
SIRIM QAS International Sdn. Bhd.

IQNet Certificate

(continued)

PRODUCT CERTIFICATION

Our quality products meet with the requirements of many international standards. Among them are as follows:

American Standard
- ASTM A500-01A for Cold Formed Welded Carbon Steel Structural Tubing

American Standard
- ASTM A252-98: 2007 for Welded Steel Pipe Piles

British Standard
- BS 1387: 1985 for Welded Steel Pipes (Black & Galvanised)

Japanese Standard
- JIS G3452: 2010 for Carbon Steel Pipes for Ordinary Piping (Black & Galvanised)

Lloyds Register

EC Factory Production Control Certificate
- EN 10219-1: 2006 for Cold Formed Welded Structural Hollow Sections of Non-Alloy Steel

Japanese Standard
- JIS G3445: 1988 for Carbon Steel Tube for Machine Structural Purposes Grade STKM 11A

Japanese Standard
- JIS G3350: 1987 for Light Gauge Steel for General Structural Class SSC 400

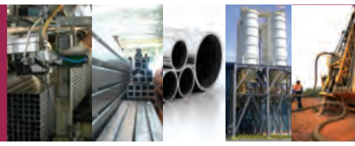
British Standard
- BS4568 Part 1: 1970 for Steel Conduits with Metric Threads of ISO Form for Electrical Installation

British Standard
- BS 31: 1940 for Steel Conduits for Electrical Wiring

To meet local demands, many of our quality products are certified under Malaysian Standards as follows:

MS 863: 1983
for Welded Steel Pipes
(Black & Galvanised)

MS 1968: 2007
for Non-Alloy Steel Tubes



Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah

Aged 51, Malaysian
Executive Chairman

Member of the Executive Committee

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah is the Non-Independent Executive Chairman of the Company and was appointed to the Board of Directors of the Company on 7 October 2002. He was the Group Managing Director/Chief Executive Officer of the Company since 11 October 2002 before being redesignated as the Executive Chairman on 26 August 2008. He sits on the Boards of Khyra Legacy Berhad, Mycron Steel Berhad, MAA Group Berhad [formerly known as MAA Holdings Berhad] ("MAAG"), MAAKL Mutual Berhad, Melewar Group Berhad, Maveric Ltd (listed on the Singapore Stock Exchange), Ithmaar Bank B.S.C. (listed on the Bahrain Stock Exchange) and several other private limited companies.

Tunku Dato' Ya'acob 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. He started his career as an Auditor with Price Waterhouse, London from 1982 to 1985 and subsequently joined Price Waterhouse Kuala Lumpur from 1986 to 1987. He joined Malaysian Assurance Alliance Berhad in 1987 and retired as its Chief Executive Officer in 1999. He currently holds the position of Non-Executive Chairman of Mycron Steel Berhad and Executive Chairman of MAAG.

Tunku Dato' Ya'acob sits on the executive board of several trade associations, specifically, the Federation of Public Listed Companies (FPLC) as Vice President and the Federation of Malaysia Investment Managers (FIMM) as President.

He is also the Chairman of the Board of Trustees for MAA Medicare Kidney Charity Fund and The Budimas Charitable Foundation.

Tunku Dato' Ya'acob is the brother to Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah and the husband to Datin Ezurin Yusnita binti Abdul Malik. Tunku Dato' Ya'acob is deemed to be interested in the Company by virtue of him being the ultimate beneficial owner of Melewar Equities (BVI) Ltd and Melewar Khyra Sdn Bhd, the substantial shareholder of the Company. His shareholding in the Company is disclosed on page 28 of the Annual Report.

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

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

Datuk Lim Kim Chuan

Aged 52, Malaysian
Executive Director

Member of the Executive Committee

Datuk Lim Kim Chuan was appointed to the Board of Directors of the Company on 1 October 2003 as the Chief Operating Officer of the Company. He was redesignated to Chief Executive Officer of the Company on 26 August 2008. On 1 March 2010, he stepped down as the Chief Executive Officer but remained as an Executive Director in charge of the Group Investments. He currently sits on the Board of Mycron Steel Berhad. He also sits on the Boards of the Group's subsidiaries and several other private limited companies.

Datuk Lim has over thirty one (31) years of experience in the finance and manufacturing industries. He started his career with OCBC Finance Berhad in 1979. He left in 1983 to join MUI Finance Berhad. He joined the Melewar Group in 1985 and was appointed as the General Manager and Director of its equipment leasing division. In 1991, he started a new credit and leasing company under the Group and was its Chief Executive Officer until 2003. He is currently the Chief Principal Officer of Khyra Legacy Berhad which is the ultimate holding company of the Company.

Datuk Lim 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 28 of the Annual Report.

Datuk Lim does not have any personal interest in any business arrangements involving the Company.

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

En Azlan bin Abdullah was appointed to the Board of Directors of the Company on 23 September 2002 as an Independent Non-Executive Director of the Company. Subsequently, he was appointed Executive Director of the Company on 10 June 2003. On 1 June 2011, he was redesignated to Managing Director/ Group Chief Executive Officer of the Company.

En Azlan is presently an Executive Director/Chief Executive Officer for both Mycron Steel Berhad and Mycron Steel CRC Sdn Bhd. He sits on the Board of the Company's subsidiaries and several other private limited companies. Besides the Company, he also sits on the Board of Bandar Raya Developments Berhad, 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 28 of the Annual Report.

Azlan bin Abdullah

Aged 53, Malaysian

Managing Director/Group Chief Executive Officer
Member of the Executive Committee

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 has had no conviction for any offences within the past ten (10) years.

Dato' Jaffar Indot was appointed to the Board of Directors of the Company on 1 October 2003 as an Independent Non-Executive Director. He currently sits on the Boards of Cygal Berhad, SYCAL Ventures Berhad, F3 Strategies Berhad, Malaysian Alliance of Corporate Directors and Prestariang Berhad.

Dato' Jaffar attended the Harvard Business School International Senior Managers' Programme, Vevey, Switzerland in 1983. After serving three (3) years with the Rural Industrial Development Authority, he joined Shell in 1956 and retired in 1989 after thirty three (33) years of service.

During this time, he worked for Shell in Japan and London, where he served in various capacities in international oil trading, business development and public affairs. In 1980, he returned to Malaysia as the Executive Director and Director of Public Affairs for Shell Malaysia and in 1983 was appointed Managing Director of Shell Malaysia Trading Sdn Bhd and Shell Timur Sdn Bhd. He was the Chairman of Shell Timur Sdn Bhd from August 1989 to December 1997. He continued to serve Shell in Malaysia as an Independent Non-Executive Director in Shell Refining Company (FoM) Berhad for twenty one (21) years until his retirement from the Board in May 2010.

Dato' Jaffar has no family ties with any of the directors and/or major shareholders of the Company nor any shareholding in the Company.

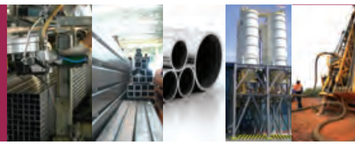
Dato' Jaffar does not have any personal interest in any business arrangements involving the Company.

Dato' Jaffar Indot

Aged 77, Malaysian
Independent Non-Executive Director

Chairman of the Risk Management Committee
Member of the Audit Committee
Member of the Nomination Committee
Member of the Remuneration Committee

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



Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah

Aged 50, Malaysian
Non-Independent Non-Executive Director

Member of the Executive Committee

Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah was appointed to the Board of Directors of the Company on 18 December 2003 as a Non-Independent Non-Executive Director. He currently sits on the Boards of Mithril Berhad, MAA Group Berhad, Khyra Legacy Berhad, Melewar Group Berhad, The Melewar Corporation Berhad, Jat Acres Berhad and other several private limited companies.

Tunku Yahaya graduated in 1983 with a Bachelor of Science (Hons) Degree in Economics and Accountancy from City University, London. That year in London, he joined Peat Marwick Mitchell & Co. In 1986, he obtained his Masters of Science in Economics from Birkbeck College, University of London.

Upon returning to Malaysia in 1986, he joined the advertising company, MZC-Saatchi & Saatchi. In 1988, he joined the management of the refurbished Central Market (KL) as Executive Director. In 1994, he was appointed to put into operation and manage the television station, Metro Vision as Managing Director. In 1997, he started the music recording label, Melewar Parallax Sdn Bhd.

Tunku Yahaya is the brother to Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah, the Executive Chairman of the Company. He is therefore deemed to be interested in the Company by virtue of his relationship with Tunku Dato' Ya'acob who is the ultimate beneficial owner of Melewar Equities (BVI) Ltd and Melewar Khyra Sdn Bhd, the substantial shareholder of the Company. His shareholding in the Company is disclosed on page 28 of the Annual Report.

Tunku Yahaya does not have any personal interest in any business arrangements involving the Company.

Tunku Yahaya does not have any conflict of interest with the Company and 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 56, Malaysian
Independent Non-Executive Director

Chairman of the Nomination Committee
Chairman of the 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 3 May 2005 as an Independent Non-Executive Director. He currently sits on the Boards of Equine Capital Berhad, Wawasan TKH Holdings Berhad, DutaLand Berhad and Sime Darby Property Berhad.

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.

In 1987, he was appointed as the Chairman of Sime Darby Medical Centre Subang Jaya Sdn Bhd, a position which he is still holding till today. He currently sits on the Board of Directors of several private limited companies involved in property development.

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.

Mr Onn Kien Hoe was appointed as an Independent Non-Executive Director and a member of the Audit Committee of the Company on 1 November 2007. Subsequently, he was redesignated to Chairman of the Audit Committee on 29 February 2008. He currently sits on the Boards of Mithril Berhad, Nova MSC Berhad, Kian Joo Can Factory Berhad and several other private limited companies.

Mr Onn completed his professional qualification with the Chartered Association of Certified Accountants in 1988 and has been in the accounting profession since then. He is also a member of the Malaysian Institute of Accountants and Malaysian Institute of Certified Public Accountants.

Mr Onn joined Crowe Horwath (Kuala Lumpur Office), an international accounting firm, in 1994. He is currently the Co-head of Crowe Horwath's corporate advisory department. Mr Onn has served as an examiner for the Malaysian Institute of Certified Public Accountants and as a member of the Interpretation Committee of the Malaysian Accounting Standards Board.

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

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

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

Onn Kien Hoe

Aged 46, Malaysian
Independent Non-Executive Director

Chairman of the Audit Committee
Member of the Risk Management Committee

En Shazal was appointed to the Board of Directors of the Company on 31 May 2010 as an Independent Non-Executive Director.

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.

En Shazal Yusuf bin Mohamed Zain

Aged 40, Malaysian
Independent Non-Executive Director

Member of the Audit Committee
Member of the Risk Management Committee
Member of the Nomination Committee
Member of the Remuneration Committee

Datin Ezurin Yusnita binti Abdul Malik was appointed to the Board of Directors of the Company on 13 December 2005 as a Non-Independent Non-Executive Director. She vacated her position on 9 September 2009 and subsequently was reappointed to the Board on 11 January 2010. She has been a member of the Board of Trustees of The Budimas Charitable Foundation since 30 October 2001. She is actively involved in the said Foundation and has played a major role in the success of the Foundation. She also sits on the Board of Khyra Legacy Berhad.

Datin Ezurin is the wife of Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah, the Executive Chairman of the Company. She is therefore deemed to be interested in the Company by virtue of her relationship with Tunku Dato' Ya'acob who is the ultimate beneficial owner of Melewar Equities (BVI) Ltd and Melewar Khyra Sdn Bhd, the substantial shareholder of the Company. Her shareholding in the Company is disclosed on page 28 of the Annual Report.

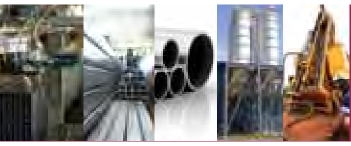
Datin Ezurin does not have any personal interest in any business arrangements involving the Company.

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

Datin Ezurin Yusnita binti Abdul Malik

Aged 39, Malaysian

Non-Independent Non-Executive Director



Group Financial Highlights

	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
1. Result of Operations										
Revenue (RM mil)	352.3	390.8	462.3	598.7	566.9	810.2	703.3	599.5	707.1	754.8
Profit/(Loss) Before Tax (RM mil)	42.8	77.5	80.6	72.7	35.7	189.1	56.2	(246.7)	91.6	4.9
Profit/(Loss) After Tax (RM mil)	53.9	56.6	64.4	46.5*	46.9*	104.8*	45.5*	(156.0)*	67.6*	5.9*
2. Balance Sheet										
Share Capital (RM mil)	79.0	158.1	158.3	161.0	169.9	226.2	226.7	226.7	226.8	226.8
Bonus Shares (RM mil)	0	79.0	0	0	0	56.3	0	0	0	0
Shareholders' Fund (RM mil)	623.6	630.3	359.1	351.4	475.5	581.1	616.4	454.9	521.2	542.1
Total Assets (RM mil)	658.0	685.5	484.8	621.2	828.1	1,181.9	1,582.6	1,279.5	1,755.3	1,628.3
3. Financial Ratio										
Return on Equity (%)	8.7	9.0	17.9	13.3	9.9	18.0	7.4	(34.3)	13.0	1.1
Total Liabilities***/Equity (Times)	0.05	0.05	0.29	0.38	0.41	0.67	1.16	1.50	2.09	1.72
Current Assets/Current Liabilities (Times)	12.00	12.56	2.20	2.41	2.24	2.20	1.36	1.07	1.33	1.06
Pre-Tax Profit/(Loss)/Average Shareholders' Fund (%)	7.1	12.4	16.3	20.5	8.6	35.8	9.4	(46.1)	18.8	0.9
Pre-Tax Profit/(Loss)/Revenue (%)	12.2	19.8	17.4	12.1	6.3	23.3	8.0	(41.1)	13.0	0.7
4. Per Share										
Gross Earnings/(Loss) per share (sen)****	20.3	36.8	38.2	34.0	16.3	59.2**	24.9	(109.4)	40.6	2.2
Net Earnings/(Loss) per share (sen)****	25.6	26.7	30.6	21.8	21.4	32.9**	20.2	(69.1)	30.0	2.6
Net Assets per share (RM)	7.89	3.99	2.27	2.19	2.79	2.56	2.71	2.02	2.31	2.40
5. Dividends										
Tax Exempt Dividend (sen)	20.0	10.0	80.0	-	3.0	6.0	-	-	-	-
Ordinary Dividend (sen)	-	-	180.0	13.0	-	-	4.0	-	2.0	-

The figures for 2007 are for 17-month financial period while the figures for other years are for full 12-month financial period.

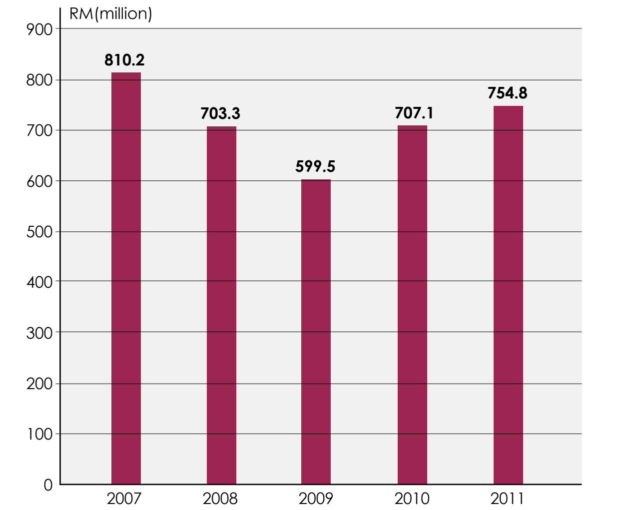
* Profit/(Loss) After Tax and After Minority Interests

** Annualised

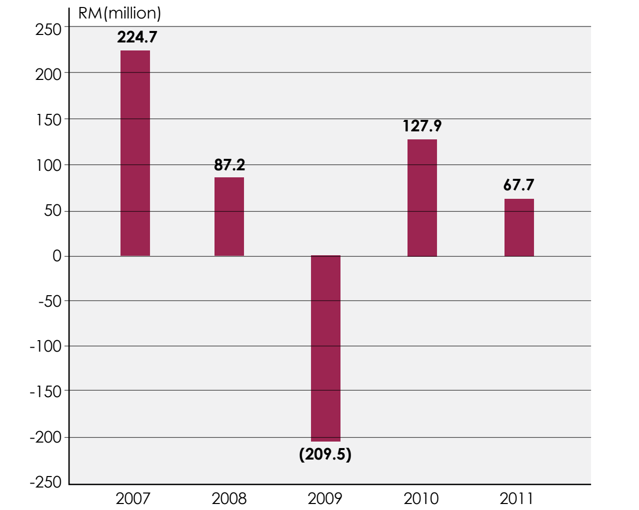
*** Total Liabilities exclude Deferred Tax Liabilities

**** After Adjusting for Bonus Issues

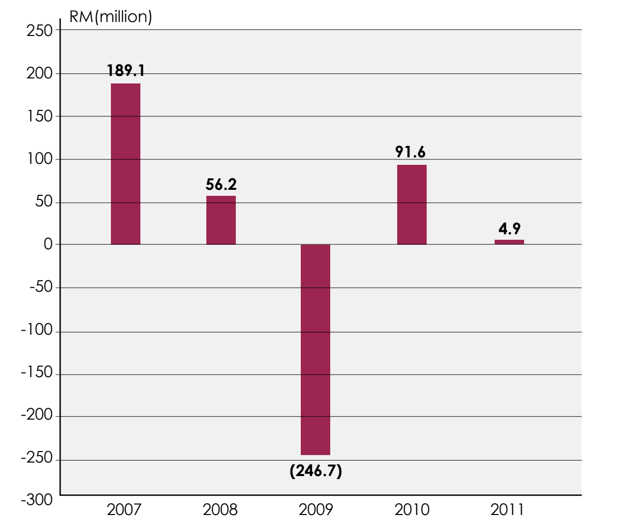
REVENUE



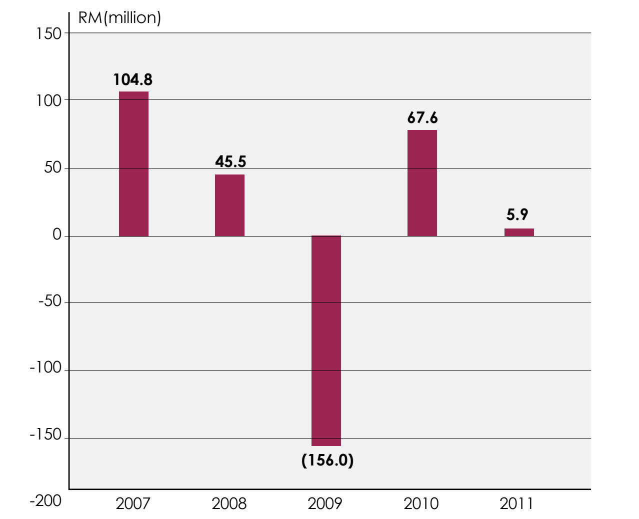
EBITDA/(LBITDA)



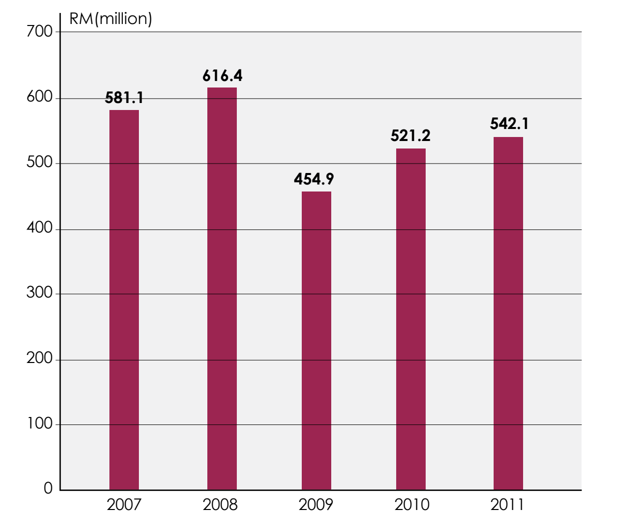
PROFIT/(LOSS) BEFORE TAX



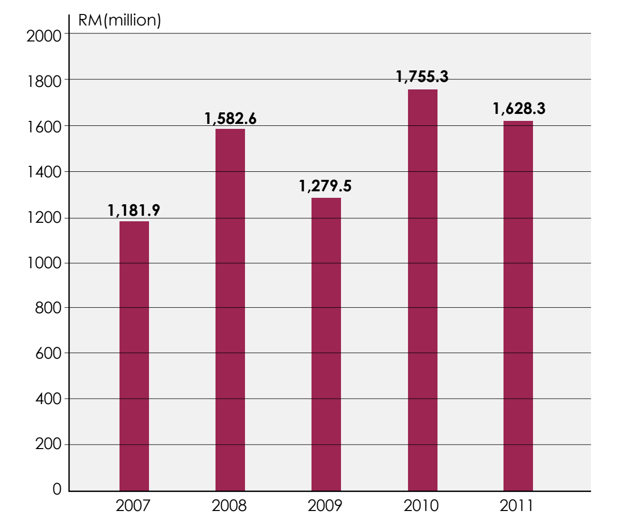
PROFIT/(LOSS) AFTER TAX



SHAREHOLDERS' FUNDS



TOTAL ASSETS



Authorised Share Capital	-	RM500,000,000
Issued and Paid-up Capital	-	RM226,755,408
Class of Shares	-	Ordinary Shares of RM1 each
Voting Rights	-	1 Vote Per Ordinary Share
No. of Shareholders	-	9,125

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
Less than 100	475	5.21	20,492	0.01
100 – 1,000	806	8.83	648,490	0.29
1,001 – 10,000	5,752	63.04	25,378,638	11.19
10,001 – 100,000	1,906	20.89	53,882,005	23.76
100,001 and below 5% of issued shares	185	2.03	86,446,050	38.12
5% and above of issued shares	1	0.01	60,379,733	26.63
TOTAL	9,125	100.00	226,755,408	100.00

THIRTY LARGEST SHAREHOLDERS AS AT 17 OCTOBER 2011

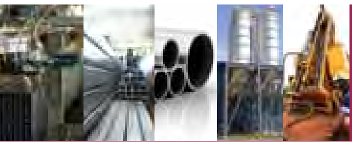
	Name	Ordinary Shares of RM1 each	[(1)] % of Issued Capital
1.	Melewar Equities (BVI) Ltd	60,379,733	26.77
2.	OSK Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Melewar Khyra Sdn Bhd)	8,102,433	3.59
3.	Melewar Khyra Sdn Bhd	7,600,000	3.37
4.	OSK Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Melewar Khyra Sdn Bhd)	6,299,066	2.79
5.	Citigroup Nominees (Asing) Sdn Bhd (Beneficiary: Exempt An for Citigroup Global Markets Inc)	5,837,300	2.59
6.	Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Lim Gim Leong)	3,726,900	1.65
7.	A.A. Anthony Nominees (Asing) Sdn Bhd (Beneficiary: UOB Kay Hian Pte Ltd for Bradford Securities Ltd)	3,000,000	1.33
8.	Yeoh Kean Hua	2,800,000	1.24
9.	Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Wong Ai Nong)	1,898,000	0.84
10.	Araneum Sdn Bhd	1,894,566	0.84
11.	HLB Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Ng Kim Huat)	1,862,000	0.83
12.	Mohamed Nizam bin Mohamed Jakel	1,317,600	0.58
13.	Lim Seng Qwee	1,056,500	0.47
14.	Tan Poh Hock	1,014,000	0.45
15.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Ng Kim Huat)	971,200	0.43
16.	Er Hock Lai	900,000	0.40

THIRTY LARGEST SHAREHOLDERS AS AT 17 OCTOBER 2011 (continued)

	Name	Ordinary Shares of RM1 each	[1] % of Issued Capital
17.	Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary: Wong Ai Nong)	831,000	0.37
18.	HLG Nominee (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Na Chaing Ching)	830,100	0.37
19.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Zet Enterprise Sdn Bhd)	673,333	0.30
20.	M & A Nominee (Tempatan) Sdn Bhd (Beneficiary: Titan Express Sdn Bhd)	656,700	0.29
21.	Citigroup Nominees (Asing) Sdn Bhd (Beneficiary: Exempt An for UBS AG Hong Kong (Foreign))	610,000	0.27
22.	Citigroup Nominees (Asing) Sdn Bhd (Beneficiary: Exempt An for OCBC Securities Private Limited)	589,332	0.26
23.	Inter-Pacific Equity Nominees (Asing) Sdn Bhd (Beneficiary: Kim Eng Securities Pte Ltd for Hexacon Construction Pte Ltd)	587,733	0.26
24.	Ng Kim Huat	570,000	0.25
25.	Daiman bin Jamaluddin	560,000	0.25
26.	Yeo Whee Kiak	551,000	0.24
27.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Wong Choo Mok)	522,000	0.23
28.	Alliancegroup Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Neo Eng Hui)	518,000	0.23
29.	Mayban Nominees (Asing) Sdn Bhd (Beneficiary: Nomura Singapore Limited for Tay Ah Kou @ Tay Hwa Lang)	500,000	0.22
30.	Mayban Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Lee Chee Kong)	477,400	0.21
	TOTAL	117,135,896	51.94

Note:

[1] The percentages of the Thirty Largest Shareholders are calculated on the total issued and paid up capital of the Company excluding a total of 1,232,600 Melewar Industrial Group Berhad shares bought back by the Company and retained as treasury shares.



(continued)

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 17 OCTOBER 2011

Name	Number of Shares Held			
	Direct	%[1]	Indirect	%[1]
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	-	-	82,381,232	36.53[a]
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	-	-	82,381,232	36.53[b]
Datin Ezurin Yusnita binti Abdul Malik	-	-	82,381,232	36.53[b]
Khyra Legacy Berhad	-	-	82,381,232	36.53[c]
Iternum Melewar Sdn Bhd	-	-	60,379,733	26.77[d]
Melewar Equities Sdn Bhd	-	-	60,379,733	26.77[e]
Melewar Equities (BVI) Ltd	60,379,733	26.77	-	-
Melewar Khyra Sdn Bhd	22,001,499	9.76	-	-

DIRECTORS' SHAREHOLDINGS AS AT 17 OCTOBER 2011

Name	Number of Shares Held			
	Direct	%[1]	Indirect	%[1]
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	-	-	82,381,232	36.53[a]
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	-	-	82,381,232	36.53[b]
Datin Ezurin Yusnita binti Abdul Malik	-	-	82,381,232	36.53[b]
Datuk Lim Kim Chuan	186,666	0.08	-	-
Azlan bin Abdullah	133,333	0.06	-	-

Notes:

[1] The percentages of the substantial 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 1,232,600 treasury shares held by the Company.

[a] Deemed interested by virtue of Section 6A(4) and Section 122A(1)(b) of the Act via Melewar Equities (BVI) Ltd and Melewar Khyra Sdn Bhd.

[b] Deemed interested by virtue of their family relationship with Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah, who is the ultimate substantial shareholder of Melewar Equities (BVI) Ltd and Melewar Khyra Sdn Bhd.

[c] Deemed interested by virtue of it being the holding company of Iternum Melewar Sdn Bhd and Melewar Khyra Sdn Bhd. Iternum Melewar Sdn Bhd is a substantial shareholder of Melewar Equities Sdn Bhd who in turn is the holding company of Melewar Equities (BVI) Ltd, a substantial shareholder of the Company.

[d] Deemed interested by virtue of it being a substantial shareholder of Melewar Equities Sdn Bhd, who in turn is the holding company of Melewar Equities (BVI) Ltd, a substantial shareholder of the Company.

[e] Deemed interested by virtue of it being the holding company of Melewar Equities (BVI) Ltd, a substantial shareholder of the Company.

The Board of Directors ("the Board") of Melewar Industrial Group Berhad fully appreciates the importance of adopting high standards of corporate governance within the Group. The Board recognises that its primary responsibility is to safeguard and promote the interests of the shareholders and to enhance the long-term value of the Company. The Board continuously strives and is fully committed to maintaining high standards of corporate governance throughout the organisation. The general framework of corporate governance that the Board upholds is one which aims to encourage positive entrepreneurial behaviour while ensuring that the appropriate checks and balances are in place so that decisions are made wisely in the long term interests of the Company and its shareholders.

The Board is pleased to provide the following statement, which outlines the main corporate governance practices that were in place throughout the financial year under review unless otherwise stated.

BOARD OF DIRECTORS

a) Board Responsibilities

The Group acknowledges the pivotal role played by the Board in the stewardship of its direction and operations, and ultimately the enhancement of long-term shareholder value. The Board is generally entrusted with the responsibility to exercise reasonable and proper care of the Company's resources for the best interests of its shareholders and safeguard the Company's assets.

The Board is accountable under the law for the Company's activities, strategies and financial performance. The Board supervises the management of the business and affairs and discharges its duties and obligations by reviewing the adequacy and the integrity of the Company's internal control systems, including systems for compliance with applicable laws, regulations, rules, directives and statutory requirements.

While the Board is responsible for creating the framework and policies within which the Group should be operating, Management is accountable for the execution of the expressed policies and the attainment of the Group's expressed corporate objectives. This demarcation complements and reinforces the supervisory role of the Board.

To facilitate effective discharge of responsibilities, dedicated Board Committees were established guided by clear terms of reference with Directors who have committed time and effort as members. The Board Committees are chaired by Independent Non-Executive Directors who exercise skillful leadership with in-depth knowledge of the relevant industry. Standing committees of the Board include the Executive, Audit, Risk Management, Nomination and Remuneration Committees. These Committees 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.

b) Board Balance and Composition

The Board currently has nine (9) members comprising of the following:

- One (1) Executive Chairman;
- One (1) Managing Director/Group Chief Executive Officer;
- One (1) Executive Director;
- Two (2) Non-Independent Non-Executive Directors; and
- Four (4) Independent Non-Executive Directors

Premised on the above Board balance, the Board has complied with Paragraph 15.02 of the Main Market Listing Requirements of Bursa Securities ("MMLR") to have at least one-third (1/3) of the Board comprising Independent Directors. The composition of the Board reflects a balance of Executive, Non-Executive and Independent Directors from diverse professional backgrounds with vast experience of a mixture of technical, entrepreneurial and financial skills. The Directors are cognizant of the key role they play in charting the strategic direction, development and control of the Group and have adopted the six (6) primary responsibilities as listed in the Malaysian Code on Corporate Governance ("the Code"). The profiles of the Directors which are set out on pages 19 to 23 illustrate an impressive spectrum of experiences vital to the direction and management of the Company.

There is a clear division of responsibilities between the Executive Chairman and the Managing Director/Group Chief Executive Officer to ensure that there is a balance of power and authority. The Executive Chairman is primarily responsible for the Group's corporate affairs and development and he is also tasked with ensuring the effectiveness and conduct of the Board in carrying out its duties and responsibilities and participation of the members at Board Meetings. The Executive Chairman steers the direction of the Group and is assisted by the Managing Director/Group Chief Executive Officer.

The Managing Director/Group Chief Executive Officer supported by his management team is responsible for the day-to-day management of the Group's businesses, which include implementing the policies and decisions of the Board, overseeing the operations to ensure organisational effectiveness and managing the development and implementation of the Company's business and corporate strategies as well as to explain, clarify and inform the Board on matters pertaining to the Group. The Managing Director/Group Chief Executive Officer sets the Board agenda for approval of the Executive Chairman.

b) Board Balance and Composition (continued)

The Non-Executive Directors support the skills and experience of the Executive Directors, contributing to the formulation of policy and decision making through their knowledge and experience of other business sectors and provide the necessary balance of power and authority to the Board. They ensure that all policies and strategies formulated and proposed by Management are fully deliberated and examined and take into account not only against the best long term interests of shareholders, but also to ensure that they take proper account of the interests of employees, customers, suppliers and the communities within which it is represented. They contribute to the formulation of policies and decision making using their expertise and experience.

The Independent Non-Executive Directors are independent of management and free from any business relationship which could materially interfere with the exercise of their independent judgement. Together, they play an important role in ensuring that the strategies proposed by Management are fully deliberated and examined, taking into account the long term interest of the shareholders, employees, customers, suppliers and the many communities in which the Group conducts its business. The concept of independence adopted by the Board is in accordance with the definition of an Independent Director under Paragraph 1.01 of the MMLR. Any new Director is given a comprehensive understanding of the operations of the Company through regular briefings. In addition, plant visits are arranged to provide understanding of the Company's operations.

Any concerns or queries concerning the Group may be referred to Dato' Jaffar Indot who is the Senior Independent Non-Executive Director.

c) Board Meetings

The Board meets at least four (4) times a year to review business performance, strategies, business plans and significant policies as well as to consider business and other proposals which require the Board's approval. Ad-hoc Board meetings are held to deliberate on corporate proposals or urgent issues which require the Board's consideration between scheduled meetings. The annual Board meeting calendar is prepared and circulated to the Directors at the beginning of each year to enable the Directors to plan accordingly and fit the year's meetings into their respective schedule. The calendar provides the scheduled dates for meetings of the Board, Board Committees and shareholders as well as the closed period for dealings in the Company's shares by Directors and principal officers.

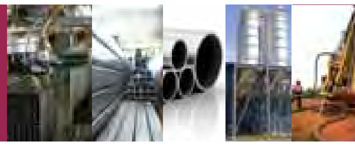
Senior management staff may be invited to attend Board meetings to provide the Board with their views and explanations on certain agenda items tabled to the Board and to furnish their clarification on issues that may be raised by the Board.

During the financial year ended 30 June 2011, six (6) meetings were held. The following is the record of attendance of the Directors:

Executive Directors	**No. of Attendance**	**%**
1. Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah (Chairman)	6/6	100
2. En Azlan bin Abdullah	5/6	83
3. Datuk Lim Kim Chuan	5/6	83
4. En Suhaimi bin Kamaralzaman[(1)]	5/5	100
Non-Independent Non-Executive Directors	**No. of Attendance**	**%**
1. Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	5/6	83
2. Datin Ezurin Yusnita binti Abdul Malik	5/6	83
Independent Non-Executive Directors	**No. of Attendance**	**%**
1. Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah	5/6	83
2. Dato' Jaffar Indot	6/6	100
3. Mr Onn Kien Hoe	4/6	67
4. En Shazal Yusuf bin Mohamed Zain	6/6	100

Note:

[(1)] Resigned on 9 May 2011



d) Supply of Information

The Board members are given board papers with appropriate support documentation in a timely manner prior to each Board Meeting to enable them to function effectively and allow Directors to discharge their responsibilities accordingly. These include quantitative information and other related performance factors which will enable the Directors to have a good assessment of the subject in hand prior to arriving to the decision.

The Managing Director/Group Chief Executive Officer will lead the presentation of board papers and provide comprehensive explanation of pertinent issues. All Directors are entitled to call for additional clarification and information to assist them in matters that require their decision.

The Directors are regularly updated by the Company Secretary on new statutory as well as regulatory requirements relating to the duties and responsibilities of Directors. All Directors have access to the advice and services of the Company Secretary, who is responsible for ensuring that Board procedures are followed. In addition, the Directors may obtain independent professional advice at the Company's expense, where necessary, in the furtherance of their duties.

The proceedings and resolutions reached at each Board Meeting are recorded in the minutes of the meetings, which are kept in the Minute Book at the registered office. Besides Board Meetings, the Board also exercises control on matters that require the Board's approval through circulation of Directors' Resolutions.

e) Appointments to the Board

The Board had established a Nomination Committee whose main responsibility is to recommend board appointments and to assess Directors on an on-going basis. All decisions on appointments are made by the Board after considering the recommendations of the Nomination Committee.

The members of the Nomination Committee currently comprises of the following members:

(i) Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah (Chairman);
(ii) Dato' Jaffar Indot; and
(iii) En Shazal Yusuf bin Mohamed Zain

The principle duties and functions of the Nomination Committee based on the Terms of Reference approved by the Board, are to recommend technically competent persons of integrity with a strong sense of professionalism, assisting the Board in assessing its overall effectiveness as well as to review the performance of members of the Board, the Managing Director/Group Chief Executive Officer and members of Board Committees as a whole and the contribution of each individual Director. The Nomination Committee has established procedures and processes towards an annual assessment of the effectiveness of the Board as a whole, the committees of the Board and for assessing the contribution of each Director.

The Nomination Committee will hold a meeting at least once a year. Additional meetings can be scheduled if considered necessary by the Chairman of the Committee. The Company Secretary is the Secretary to the Nomination Committee.

The Nomination Committee met once during the year under review and was generally satisfied with the performance and effectiveness of the Board and Board Committees. The assessment of the Board was based on specific criteria covering areas such as overall business performance, Board governance, development of management and succession plan and Board composition and structure. The specific criteria for assessment of an individual Director covers expertise, judgement, approach to conflict, commitment of time and effort in discharging duties and responsibilities. The Nomination Committee is satisfied that all the members of the Board are suitably qualified to hold their positions as Directors of the Company in view of their respective academic and professional qualifications, experience and qualities.

f) Re-election

Every Director is required by the Company's Articles of Association to retire from office at least once every three (3) years except for those who retire every year in accordance with Section 129 of the Companies Act, 1965 and to seek re-election by the shareholders at the Annual General Meeting.

Any Director appointed by the Board during the year to fill as a casual vacancy or as an addition shall hold office only until the next Annual General Meeting and shall also be eligible for re-election.

The Director who attained the age of 70 years has thus far been re-elected and re-appointed as he is a highly regarded personality in the business community. He has demonstrated to the Board that he exercises independent judgment and has acted in the best interest of the Company and ensured that the varied competing interests of all stakeholders are respected without compromising financial performance and accountability of the Company.

g) Directors' Training

In compliance with the MMLR, the Directors are mindful that they shall receive appropriate training which may be required from time to time to keep them abreast with the current developments of the industry as well as the new statutory and regulatory requirements.

g) Directors' Training (continued)

During the financial year, the members of the Board have attended relevant development and training programmes, either attended by the Directors according to their individual needs or as arranged by the Company Secretary to enhance their ability in discharging their duties and responsibilities more effectively.

Details of the seminars and training programmes attended by the Board members during the financial year ended 30 June 2011 are as follows:

Members of the Board	Seminars/Training Programmes
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	• Economic and Capital Market Review • FIMM Annual Consultants Congress 2010 • Thailand Director Accreditation Program (Class 88/2011) • Half Day Governance Program on "Assessing the Risk and Control Environment" by Bursa Malaysia Securities Berhad • Sustainability Programme for Corporate Malaysia by Bursa Malaysia Securities Berhad • MAA National Sales Congress 2011 • In-House Directors' Training: Update on Financial Reporting Standards • The Competition Act and Personal Data Protection Act 2010
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	• In-House Directors' Training: Update on Financial Reporting Standards • The Competition Act and Personal Data Protection Act 2010
Datuk Lim Kim Chuan	• Economic and Capital Market Review • Thailand Director Accreditation Program (Class 88/2011) • In-House Directors' Training: Update on Financial Reporting Standards
En Azlan Abdullah	• Economic and Capital Market Review • Education Seminar: Understanding ESG Indices and their Relevance in Today's Investment Practices by Bursa Malaysia Securities Berhad • The Competition Act and Personal Data Protection Act 2010
Dato' Jaffar Indot	• MACD Corporate Directors Conference 2011 • Sustainability Programme for Corporate Malaysia - ½ Day Directors' Session on Industrial Products by Bursa Malaysia Securities Berhad
Mr Onn Kien Hoe	• National Tax Conference 2010 • Inland Revenue Officers Union – National Taxation Seminar • Half Day Governance Program on "Assessing the Risk and Control Environment" by Bursa Malaysia Securities Berhad • MACD Corporate Directors Conference 2011 • In-House Directors' Training: Update on Financial Reporting Standards • Driving Audit Quality: Enhancing The Role of Stakeholders • Accounting for Agriculture
Datin Ezurin Yusnita Binti Abdul Malik	• Economic and Capital Market Review • Sustainability Programme for Corporate Malaysia - ½ Day Directors' Session on Industrial Products by Bursa Malaysia Securities Berhad • Half Day Governance Program on "Assessing the Risk and Control Environment" by Bursa Malaysia Securities Berhad • In-House Directors' Training: Update on Financial Reporting Standards
Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah	• In-House Directors' Training: Update on Financial Reporting Standards
En Shazal Yusuf bin Mohamed Zain	• Sustainability Programme for Corporate Malaysia - ½ Day Directors' Session on Industrial Products by Bursa Malaysia Securities Berhad • Half Day Governance Program on "Assessing the Risk and Control Environment" by Bursa Malaysia Securities Berhad
En Suhaimi bin Kamaralzaman*	• Economic and Capital Market Review • Thailand Director Accreditation Program (Class 88/2011) • Sustainability Programme for Corporate Malaysia - ½ Day Directors' Session on Industrial Products by Bursa Malaysia Securities Berhad

Note:

* Resigned on 9 May 2011

h) Directors' Remuneration

The Company has adopted the principle recommended in the Code whereby the level of remuneration of the Directors is sufficient to attract and retain the Directors needed to manage the Group successfully.

The Board had also set up a Remuneration Committee whose main responsibility is to determine and recommend to the Board the framework or broad policy for the remuneration of the Directors, Managing Director/Group Chief Executive Officer and other senior management members of the staff.

The members of the Remuneration Committee comprises of the following members:

(i) Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah (Chairman);
(ii) Dato' Jaffar Indot; and
(iii) En Shazal Yusuf bin Mohamed Zain

Non-Executive Directors are paid annual Directors' fees and sitting allowances for attendance to Board/Committee meetings. The members of Board Committees are also paid annual fees for additional responsibilities undertaken.

The Company recognises the need to have a competitive remuneration package to attract and retain the Directors of the calibre needed to lead the Group successfully. In the case of the Executive Directors, their remunerations are linked to level of the responsibilities, experience, contributions and individual as well as Group performance. For the Non-Executive Directors, the level of remuneration reflects the experience and level of responsibility undertaken by them. The Company reimburses expenses incurred by the Directors in the course of their duties as Directors.

The Directors have the benefit of the Directors and Officers ("D&O") insurance in respect of liabilities arising from their acts committed in their capacity as D&O of the Company. However, the said insurance policy does not indemnify a Director or Officer if he is proven to have acted fraudulently, dishonestly, maliciously or in willful breach of any statute or regulation. The premium of the D&O policy is borne by the Company.

The remuneration of Directors, in aggregation and analysed into bands of RM50,000 is as follows:

Type of Remuneration	Executive Directors RM'000	Non-Executive Directors RM'000
Salaries	2,535	-
Allowances	-	-
Bonuses	518	-
Fees	-	223
Benefits-In-Kind	103	-
Other Emoluments	547	78
TOTAL	3,703	301

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Less than RM50,000	-	3
RM50,001 to RM100,000	-	3
RM600,001 to RM650,000	1	-
RM650,001 to RM700,000	1	-
RM1,000,001 to RM1,050,000	1	-
RM1,300,001 to RM1,350,000	1	-

The Remuneration Committee will hold a meeting at least once a year. Additional meetings can be scheduled if considered necessary by the Chairman of the Committee. The Company Secretary is the Secretary to the Remuneration Committee.

RELATIONS WITH SHAREHOLDERS AND INVESTORS

The Board recognises the need to communicate with shareholders and investors on all material business matters of the Group. The results of the Company and the Group are published quarterly via the Bursa Securities website. In addition to various announcements made during the year, information on the Company is available on the Company's website at www.melewar-mig.com. Any general enquiries and comments can be addressed to enquiry@melewar-mig.com.

The Company also encourages shareholders to attend its Annual General Meeting as this is the principal forum for dialogue and interaction with shareholders. At each Annual General Meeting, the Directors usually provide adequate time to attend to questions and comments of shareholders. The external auditors are also present to provide their professional and independent clarification on issues and concerns raised by the shareholders. The status of all resolutions proposed at the Annual General Meeting is submitted to Bursa Securities at the end of the meeting day. Notices of each meeting are issued on a timely manner to all the shareholders. The Board has ensured that where there is a special business included in the notice of the Annual or Extraordinary General Meeting, each item of the Special Business is accompanied by a full explanation of the effects of the proposed resolution.

The Executive Directors and Senior Management have periodical dialogues with existing and prospective investors and the analysts to enhance understanding of the Group's objectives and provide insight on the latest developments in the Group.

Presentations based on permissible disclosures are made to explain the Group's performance and major development programs. Price-sensitive information that may be regarded as undisclosed material information about the Group is, however, not disclosed in these sessions until after the prescribed announcement to Bursa Securities has been made.

ACCOUNTABILITY AND AUDIT

a) Audit Committee

The Company has in place an Audit Committee which comprises of three (3) Independent Directors. The Audit Committee holds quarterly meetings to review matters including the Group's financial reporting, the audit plans for the year as well as to deliberate the findings of the internal and external auditors.

With all the members being independent, the composition of the Audit Committee is fully compliant with the Code and the Main Market Listing Requirements of Bursa Securities, which require the majority of Directors on the Audit Committee to be independent and that one (1) member who has the financial background that meets the requirement set out under Paragraph 7.0 of Practice Note 13.

Full details of the composition, complete terms of reference and the activities of the Audit Committee during the financial year are set out in the Audit Committee Report included in this Annual Report.

b) Financial Reporting

The Board aims to present a balanced, clear and understandable assessment of the Group's financial positions and prospects in the annual financial statements and quarterly announcements to the shareholders, investors and regulatory authorities.

The Audit Committee deliberates and reviews the quarterly financial results to ensure accuracy, adequacy and completeness before the results are reviewed and approved by the Board of Directors. The details of the Company's and the Group's financial positions are included in the Financial Statements section of this Annual Report.

In the preparation of the financial statements, the Directors had considered the appropriate accounting policies to be used and consistently applied and supported by reasonable and prudent judgements and estimates.

c) Internal Control

The Board recognises that it has overall responsibility for maintaining a sound system of internal control for the Group in order to safeguard shareholders' interest of the Group's assets. The system of internal control not only covers financial controls but also operational and compliance controls as well as risk management.

The Group's Statement of Internal Control is set out on pages 41 to 43 of this Annual Report.

The system of internal control involves each key business unit and its management, including the Board, and is designed to meet the business units' particular needs, and to manage the risks to which they are exposed. The system, by its nature, can only provide reasonable and not absolute assurance against material misstatement, loss or fraud. The concept of reasonable assurance recognises the costing aspect, whereby the cost of control procedures is not to exceed the expected benefits.

The Board further recognises that risks cannot be fully eliminated. As such, the systems, processes and procedures being put in place are aimed at minimising and managing them. Ongoing reviews are continuously carried out to ensure the effectiveness, adequacy and integrity of the system of internal controls in safeguarding the Group's assets.

The main task of the Risk Management Committee ("RMC") is to look into the risk management of the Group. The RMC comprises of three (3) Independent Non-Executive Directors.

c) Internal Control (continued)

The members of the RMC are as follows:

i) Dato' Jaffar Indot (Chairman);
ii) En Shazal Yusuf bin Mohamed Zain;
iii) Mr Onn Kien Hoe; and
iv) En Suhaimi bin Kamaralzaman (Resigned on 9 May 2011)

The RMC is to meet regularly, at least once every quarter in a financial year to review risk management report of the Company and its subsidiary companies. The Company Secretary is the Secretary to the Risk Management Committee.

d) Relationship with the External Auditors

The Board through the Audit Committee has established a transparent and appropriate relationship with the Company's External Auditors, Messrs PricewaterhouseCoopers ("PwC"). PwC will report to members of the Audit Committee on their findings which are included as part of the Company's financial reports with respect to each year's audit on the statutory financial statements. The Audit Committee meets with the External Auditors twice during a financial year without the presence of any Executive Director of the Board nor any Management of the Company to enable a free and honest exchange of views on issues which the external auditors may wish to discuss in relation to their audit and findings.

The relationship between the Board and the External Auditors is also formalised through the Audit Committee's Terms of Reference.

DIRECTORS' RESPONSIBILITY STATEMENT IN RESPECT OF FINANCIAL STATEMENT

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 Companies Act, 1965 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 judgements and estimates that are reasonable and prudent;
- 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 Companies Act, 1965.

OTHER BURSA SECURITIES COMPLIANCE INFORMATION

1. MATERIAL CONTRACTS

There were no material contracts entered into by the Company and/or its subsidiary companies involving the Company's Directors and/or major shareholders' interests either still subsisting at the end of financial year, or which were entered into since the end of the previous financial year.

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 BUYBACKS

There was no share buyback during the financial year ended 30 June 2011. As at 30 June 2011, the Company had repurchased in total 1,232,600 ordinary shares of MIG from the open market at an average price of RM1.62 per share. All the shares repurchased are being held as treasury shares.

4. OPTIONS, WARRANTS OF 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 2011.

6. NON-AUDIT FEES

There were no non-audit fees paid by the Group to the External Auditors during the financial year.

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.

OTHER BURSA SECURITIES COMPLIANCE INFORMATION (continued)

8. PROFIT GUARANTEES

There were no profit guarantees given by the Group.

9. REVALUATION POLICY ON LANDED PROPERTIES

The Group revalued its properties comprising land and buildings at least once in every five (5) years. 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 in June 2011.

10. IMPOSITION OF SANCTIONS AND/OR PENALTIES

There were no sanctions and/or penalties imposed on the Group, Directors or Management arising from any significant breach of rules/guidelines/legislations by any of the regulatory authorities.

11. VARIATION IN RESULTS

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

12. RECURRENT RELATED PARTY TRANSACTIONS ("RRPTS") ENTERED INTO DURING THE FINANCIAL YEAR ENDED 30 JUNE 2011

On 30 November 2010, the Company sought approval for a shareholders' mandate for the MIG Group to enter into Recurrent Transactions (as defined in the Circular to Shareholders dated 8 November 2010) in their ordinary course of business with related parties ("Shareholders' Mandate") as defined in Chapter 10 of the Main Market Listing Requirements of Bursa Securities.

The aggregate value of transactions conducted during the financial year ended 30 June 2011 in accordance with the Shareholders' Mandate obtained in the last Annual General Meeting 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 Party		Value of Transaction (RM)
				Director	Major Shareholder	
1.	Mitra Malaysia Sdn Bhd ("Mitra")[a]	Purchase of air tickets, tour and travel package by Melewar Industrial Group Bhd ("MIG") and its subsidiaries ("MIG Group") from Mitra	**Interested Directors** Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah ("TY"), Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah ("TYY") and Datin Ezurin Yusnita binti Abdul Malik ("Datin Ezurin")	Tunku Dato' Seri Iskandar bin Tunku Tan Sri Abdullah ("TI") is deemed interested in Mitra by virtue of his substantial shareholdings in Melewar Leisure Sdn Bhd who is the holding company of Mitra. TY, TYY and Datin Ezurin are deemed interested in Mitra by virtue of their family relationship with TI based on Section 122A(1)(d) of the Companies Act, 1965 ("the Act").	Nil	241,974
2.	Trace Management Services Sdn Bhd ("Trace")	Corporate secretarial services by Trace to MIG Group	**Interested Directors** TY, TYY and Datin Ezurin	TY and TYY are deemed interested in Trace by virtue of their major shareholdings in The Melewar Corporation Berhad, the substantial shareholder of Trace. Datin Ezurin is therefore deemed interested by virtue of her family relationship with TY based on Section 122A(1)(a) of the Act.	Nil	451,919

B. RRPTs with MAA Group Berhad [formerly known as MAA Holdings Berhad] ("MAAG")

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Party		Value of Transaction (RM)
				Director	Major Shareholder	
1.	Wira Security Services Sdn Bhd ("WSS")	Provision of security guard services by WSS to MIG Group	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholders** Melewar Equities (BVI) Ltd ("MEBVI"), Melewar Khyra Sdn Bhd ("MKSB"), Melewar Equities Sdn Bhd ("MESB"), Iternum Melewar Sdn Bhd ("IMSB") and Khyra Legacy Berhad ("KLB")	TY is deemed interested in WSS by virtue of his substantial interest in KLB who is the ultimate major shareholder of MAA Group Berhad ("MAAG"). TYY and Datin Ezurin are therefore deemed interested by virtue of their family relationship with TY based on Section 122A(1)(a) of the Act.	WSS is a wholly owned subsidiary of MAA Corporation Sdn Bhd ("MAA Corp") who in turn is a wholly owned subsidiary of MAAG whose ultimate major shareholder is KLB.	326,067
2.	Malaysian Assurance Alliance Berhad[(b)] ("MAAB")	Provision of insurance business by MAAB to MIG Group	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholders** MEBVI, MKSB, MESB, IMSB and KLB	TY was deemed interested in MAAB by virtue of his substantial interest in KLB who is the ultimate major shareholder of MAAG. TYY and Datin Ezurin are therefore deemed interested by virtue of their family relationship with TY based on Section 122A(1)(a) of the Act.	MAAB was a wholly owned subsidiary of MAAG whose ultimate major shareholder is KLB.	2,099,959
3.	MAAB[(b)]	Office rental, deposits and utilities charged by MAAB to MIG Group	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholders** MEBVI, MKSB, MESB, IMSB and KLB	TY was deemed interested in MAAB by virtue of his substantial interest in KLB who is the ultimate major shareholder of MAAG. TYY and Datin Ezurin are therefore deemed interested by virtue of their family relationship with TY based on Section 122A(1)(a) of the Act.	MAAB was a wholly owned subsidiary of MAAG whose ultimate major shareholder is KLB.	606,963
4.	MAA Corporate Advisory Sdn Bhd ("MAACA")	Provision of corporate consultancy services by MAACA to MIG Group	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholders** MEBVI, MKSB, MESB, IMSB and KLB	TY is deemed interested in MAACA by virtue of his substantial interest in KLB who is the ultimate major shareholder of MAAG. TYY and Datin Ezurin are therefore deemed interested by virtue of their family relationship with TY based on Section 122A(1)(a) of the Act.	MAACA is a wholly owned subsidiary of MAAG whose ultimate major shareholder is KLB.	Nil
5.	Chelsea Parking Services Sdn Bhd ("Chelsea")	Car park rental charged by Chelsea to MIG Group	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholders** MEBVI, MKSB, MESB, IMSB and KLB	TY is deemed interested in Chelsea by virtue of his substantial interest in KLB who is the ultimate major shareholder of MAAG. TYY and Datin Ezurin are therefore deemed interested by virtue of their family relationship with TY based on Section 122A(1)(a) of the Act.	Chelsea is a wholly owned subsidiary of MAA Corp who in turn is a wholly owned subsidiary of MAAG. KLB is the ultimate major shareholder of MAAG.	35,572
6.	Maybach Logistics Sdn Bhd ("Maybach")	Provision of transportation services by Maybach to MIG Group	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholders** MEBVI, MKSB, MESB, IMSB and KLB	TY is deemed interested in Maybach by virtue of his deemed substantial interest in MAAG, MIG and Mycron Steel Berhad ("MSB"), who are the shareholders of Maybach. TYY and Datin Ezurin are therefore deemed interested by virtue of their family relationship with TY based on Section 122A(1)(a) of the Act.	Maybach is a company in which TY is deemed interested by virtue of his substantial interest in MAAG, MIG and Mycron, who are the shareholders of Maybach.	42,763

C. RRPTs with MSB Group of Companies

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Party		Value of Transaction (RM)
				Director	Major Shareholder	
1.	Mycron Steel CRC Sdn Bhd ("MSCRC")	Provision of treasury services by MIG to MSCRC	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholders** MEBVI, MKSB, MESB, IMSB and KLB	TY is deemed interested in MIG and MSB by virtue of his indirect substantial interests in MEBVI and MKSB, who collectively are the substantial shareholders of MIG. TYY and Datin Ezurin are therefore deemed interested by virtue of their family relationship with TY based on Section 122A(1)(d) of the Act.	MSCRC is a wholly owned subsidiary of MSB. MIG is the substantial shareholder of MSB by virtue of its 54.8% shareholding in MSB.	Nil
2.	MSCRC	Provision of finance, payroll and information technology services by Melewar Steel Tube Sdn Bhd ("MST") to MSCRC	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholders** MEBVI, MKSB, MESB, IMSB and KLB	TY is deemed interested in MIG and MSB by virtue of his indirect substantial interests in MEBVI and MKSB, who collectively are the substantial shareholders of MIG. TYY and Datin Ezurin are therefore deemed interested by virtue of their family relationship with TY based on Section 122A(1)(d) of the Act.	MSCRC is a wholly owned subsidiary of MSB. MST is a wholly owned subsidiary of MIG. MIG is the substantial shareholder of MSB by virtue of its 54.8% shareholding in MSB.	72,000
3.	MSCRC	Rental charged by MSCRC to Melewar Steel Mills Sdn Bhd ("MSM") for using land belonging to MSCRC	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholders** MEBVI, MKSB, MESB, IMSB and KLB	TY is deemed interested in MIG and MSB by virtue of his indirect substantial interests in MEBVI and MKSB, who collectively are the substantial shareholders of MIG. TYY and Datin Ezurin are therefore deemed interested by virtue of their family relationship with TY based on Section 122A(1)(d) of the Act.	MSCRC is a wholly owned subsidiary of MSB. MSM is a wholly owned subsidiary of MIG. MIG is the substantial shareholder of MSB by virtue of its 54.8% shareholding in MSB	Nil
4.	MSCRC	Purchase of cold rolled coils by MST from MSCRC	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholders** MEBVI, MKSB, MESB, IMSB and KLB	TY is deemed interested in MIG and MSB by virtue of his indirect substantial interests in MEBVI and MKSB, who collectively are the substantial shareholders of MIG. TYY and Datin Ezurin are therefore deemed interested by virtue of their family relationship with TY based on Section 122A(1)(d) of the Act.	MSCRC is a wholly owned subsidiary of MSB. MST is a wholly owned subsidiary of MIG. MIG is the substantial shareholder of MSB by virtue of its 54.8% shareholding in MSB.	21,418,636
5.	MSCRC	Sale of pipes by MIG to MSCRC	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholders** MEBVI, MKSB, MESB, IMSB and KLB	TY is deemed interested in MIG and MSB by virtue of his indirect substantial interests in MEBVI and MKSB, who collectively are the substantial shareholders of MIG. TYY and Datin Ezurin are therefore deemed interested by virtue of their family relationship with TY based on Section 122A(1)(d) of the Act.	MSCRC is a wholly owned subsidiary of MSB. MIG is the substantial shareholder of MSB by virtue of its 54.8% shareholding in MSB.	35,045

C. RRPTs with MSB Group of Companies (continued)

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Party		Value of Transaction (RM)
				Director	Major Shareholder	
6.	MSCRC	Sale of second grade pipes and provision of slitting services by MST to MSCRC	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholders** MEBVI, MKSB, MESB, IMSB and KLB	TY is deemed interested in MIG and MSB by virtue of his indirect substantial interests in MEBVI and MKSB, who collectively are the substantial shareholders of MIG. TYY and Datin Ezurin are therefore deemed interested by virtue of their family relationship with TY based on Section 122A(1)(d) of the Act.	MSCRC is a wholly owned subsidiary of MSB. MST is a wholly owned subsidiary of MIG. MIG is the substantial shareholder of MSB by virtue of its 54.8% shareholding in MSB.	Nil
7.	MSCRC	Sale of scrap by MSCRC to MSM	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholders** MEBVI, MKSB, MESB, IMSB and KLB	TY is deemed interested in MIG and MSB by virtue of his indirect substantial interests in MEBVI and MKSB, who collectively are the substantial shareholders of MIG. . TYY and Datin Ezurin are therefore deemed interested by virtue of their family relationship with TY based on Section 122A(1)(d) of the Act.	MSCRC is a wholly owned subsidiary of MSB. MSM is a wholly owned subsidiary of MIG. MIG is the substantial shareholder of MSB by virtue of its 54.8% shareholding in MSB.	4,963,843
8.	MSCRC	Provision of technical and consultancy services by Melewar Integrated Engineering Sdn Bhd ("MIE") to MSCRC for the expansion projects in cold roll mill	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholders** MEBVI, MKSB, MESB, IMSB and KLB	TY is deemed interested in MIG and MSB by virtue of his indirect substantial interests in MEBVI and MKSB, who collectively are the substantial shareholders of MIG. TYY and Datin Ezurin are therefore deemed interested by virtue of their family relationship with TY based on Section 122A(1)(d) of the Act.	MSCRC is a wholly owned subsidiary of MSB. MIE is a 70% owned subsidiary of MIG. MIG is the substantial shareholder of MSB by virtue of its 54.8% shareholding in MSB.	397,500

D. RRPTs with MIE

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Party		Value of Transaction (RM)
				Director	Major Shareholder	
1.	MIE	Provision of technical and consultancy services by MIE to MSM for expansion projects in induction mill	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholders** MEBVI, MKSB, MESB, IMSB and KLB	TY is deemed interested in MIG and MSB by virtue of his indirect substantial interests in MEBVI and MKSB, who collectively are the substantial shareholders of MIG. TYY and Datin Ezurin are therefore deemed interested by virtue of their family relationship with TY based on Section 122A(1)(d) of the Act.	MIE is a 70% owned subsidiary of MIG. MSM is a wholly owned subsidiary of MIG.	Nil
2.	MIE	Sales of steel bar by MSM to MIE	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholders** MEBVI, MKSB, MESB, IMSB and KLB	TY is deemed interested in MIG and MSB by virtue of his indirect substantial interests in MEBVI and MKSB, who collectively are the substantial shareholders of MIG. TYY and Datin Ezurin are therefore deemed interested by virtue of their family relationship with TY based on Section 122A(1)(d) of the Act.	MIE is a 70% owned subsidiary of MIG. MSM is a wholly owned subsidiary of MIG.	Nil

D. RRPTs with MIE (continued)

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Party		Value of Transaction (RM)
				Director	Major Shareholder	
3.	MIE	Provision of professional services by the Related Party to MIG in relation to a joint development study on pellet plant	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholders** MEBVI, MKSB, MESB, IMSB and KLB	TY is deemed interested in MIG and MSB by virtue of his indirect substantial interests in MEBVI and MESB, who collectively are the substantial shareholders of MIG. TYY and Datin Ezurin are therefore deemed interested by virtue of their family relationship with TY based on Section 122A(1)(d) of the Act.	MIE is a 70% owned subsidiary of MIG.	Nil

E. Financial assistance between MIG Group and the classes of related parties

Type of Financial Assistance	Related Party	Interested Related Parties	Manner of relationship with the Related Party		Value of Transaction (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 the MIG Group.	MIE	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholders** MEBVI, MKSB, MESB, IMSB and KLB	TY is deemed interested in MIG and MSB by virtue of his indirect substantial interests in MEBVI and MKSB, who collectively are the substantial shareholders of MIG. TYY and Datin Ezurin are therefore deemed interested by virtue of their family relationship with TY based on Section 122A(1)(d) of the Act.	MIE is a 70% owned subsidiary of MIG.	Nil
Provision of financial assistance to the Group by the pooling of funds via a centralised treasury management function within the MIG Group on a short or medium term basis i.e. for a duration not exceeding three (3) years.	MIG Group	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholders** MEBVI, MKSB, MESB, IMSB and KLB	TY is deemed interested in MIG and MSB by virtue of his indirect substantial interests in MEBVI and MKSB, who collectively are the substantial shareholders of MIG. TYY and Datin Ezurin are therefore deemed interested by virtue of their family relationship with TY based on Section 122A(1)(d) of the Act.	Nil	78,152,862

Note:

[a] As Mitra has ceased to be a related party to the Company, there would be no requirement to seek shareholders' mandate for RRPT with Mitra at the forthcoming AGM of the Company.

[b] Further to the approval of MAAG's shareholders on 22 September 2011, the disposal of the entire equity interest held in the capital of MAAB by MAAG to Zurich Insurance Company Ltd was completed on 30 September 2011. In addition, MAAB had disposed its entire shareholdings in MIG in April 2011.

Under paragraph 10.02 (f) of the MMLR, a major shareholder includes any person who is or was within the preceding six (6) months of the date on which the terms of the transaction were agreed upon. Thus, TY, TYY, Datin Ezurin, MEBVI, MKSB, MESB, IMSB and KLB will cease to be major shareholders with effect from 1 April 2012 in respect of the transactions with MAAB and accordingly, these transactions will no longer be regarded as related party transactions.

COMPLIANCE STATEMENT

The Board is satisfied that the Company has, in all material aspects, complied with the best practices of the Code for the financial year ended 30 June 2011.

This statement was approved by the Board of Directors on 27 October 2011.

1. **Introduction**

Pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements of Bursa Securities, the Board of Directors of listed companies is required to include in their annual report a "statement about the state of their internal controls of the listed issuer as a group". The Board of Melewar Industrial Group Berhad recognises the importance of a sound internal control and has established an appropriate control environment and framework to assist, review and manage the principle risk identified for good corporate governance.

In acknowledging the above statement, the Board is pleased to provide the following statement which outlines the state of internal control of the Group for the financial year under review.

2. **Board's Responsibility**

The Board affirms its overall responsibility for the Group's system of internal controls and for reviewing its effectiveness, adequacy and integrity. The system of internal controls is designed to manage the Group's risks within an acceptable risk profile. As there are limitations that are inherent in any system of internal controls, the Board is aware that such system is designed to manage rather than to eliminate the risk of failure to achieve business objectives, and can provide only reasonable and not absolute assurance against material misstatement or loss.

The Group has in place an on-going risk management process which is regularly reviewed by the Board, to identify, document, evaluate, monitor and manage significant business risks that may impede the Group from attaining its corporate objectives throughout the year.

The role of Management is to implement the Board's 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 controls to manage these risks. The Board has extended the responsibilities of the Risk Management Committee ("RMC") to include the role of monitoring all internal controls on behalf of the Board, including identifying risk areas and communicating to the Board critical risk areas faced by the Group. Besides the RMC, the Audit Committee is also being assigned the task of reviewing and assessing the internal audit reports presented at the Audit Committee Meetings on a quarterly basis. The Internal Auditors have performed their duties with impartiality, proficiency and due professional care.

3. **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. During the year under review, this process was carried out through periodic management meetings held to communicate and deliberate key issues and risks amongst management team members and where appropriate, controls devised and implemented. Significant risks identified are escalated to the Board for their attention by the Risk Manager or Chief Risk Officer at their scheduled meetings.

The roles of the Board of Directors, Risk Management Committee, Risks Committee and Division Heads are well defined under the framework with clear lines of accountability. Management is responsible for the identification and evaluation of 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.

Each business or functional unit is required to document the management's mitigating and control actions following the identification of risks associated to the achievement of their strategic, financial, operational and other business objectives. As the business risk profile changes, new areas are then introduced for assessment.

The main duties and functions of the RMC based on the Terms of Reference 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 recommending risk management strategies, policies and risk tolerance for the Board's approval;
c. Reviewing and assessing the adequacy of risk management policies and framework for identifying, measuring, monitoring and controlling risks as well as the extent to which these are operating effectively;
d. Ensuring adequate infrastructure, resources and systems are in place for an effective risk management that is ensuring that the staff is responsible for implementing risk management systems, performs those duties independently; and
e. Reviewing the management's periodic reports on risk exposure, risk portfolio composition and risk management activities.

The RMC will coordinate the implementation of the risk management programme for the Group. The implementation of the risk management programme will ensure a more coordinated and consistent approach in managing the Group's significant risk exposures.

As the economic, industrial, regulatory and operation conditions continue to change, the mechanisms adopted by the Company is dynamic in nature to identify and deal with changing risks. In addition, the RMC is proactive and seeks to meet challenges arising from such changes.

3. Risk Management Framework (continued)

The abovementioned practices/initiatives by Management serves as the monitoring control in identifying, assessing and managing key business, operation and financial risks faced by the Company.

4. Internal Control System

The Board had engaged the services of Messrs Baker Tilly Monteiro Heng Governance Sdn Bhd ("BTMH") to carry out the internal audit function of the Group. 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. BTMH reports directly to the Audit Committee and internal audit plans are tabled to the Audit Committee for review and approval to ensure adequate coverage. The costs incurred by the internal audit function in respect of the financial year ended 30 June 2011 was RM71,277. 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.

In addition, the status of the remediation actions to address control weaknesses is monitored by BTMH to ensure that these actions have been satisfactorily implemented.

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

a. The Internal Auditors will prepare a 'risk-based' internal audit plan which considers all the critical and high impact areas based on the prioritisation of the business risks. During the financial year, internal audits on various audit areas per the approved internal audit plan were carried out by the Internal Auditors. Any weaknesses identified during the reviews were reported to the Audit Committee and improvement measures were recommended to strengthen controls. This provides assurance regarding the adequacy and the integrity of the internal controls system.

b. The Group's operations are accredited with ISO 9001 international quality system standard and such quality management system provides the Group with improved control of key processes and a foundation for improving quality 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 for the identification and evaluation of 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 which include amongst others approval of capital expenditure and investment programmes.

f. The Board of Directors and Management monitor the Group's performance via key performance indicators, monthly management report and periodic management meetings. Any exceptions noted will be duly investigated and reported.

g. Key processes of the Group are governed by policies and procedures.

h. The Group has in place a Safety and Health Committee to review the occupational safety and health procedures.

i. The Audit Committee meets at least four (4) times a year and, within its limit, reviews the effectiveness of the Group's system of internal controls. The Committee receives reports from the Internal Auditors and Management.

j. The Risk Management Unit undertakes to oversee the whole risk management processes as described under the risk management framework.

k. Documentation of internal policies and procedures are as set out through standard operating policies and procedures manuals. These systems/manuals, such as those relating to safety, environment and insurance are the subject of regular annual review and improvement audits which helped identify gaps arising as well as ensuring updates and compliance with regulatory requirements and standards.

l. Plant visits by members of the Board on a regular basis.

m. A monthly Executive Committee meeting attended by the respective Business Unit Heads and chaired by the Managing Director/Group Chief Executive Officer to review operational performance and progress of tasks undertaken.

5. Controls Weaknesses

The Board of Directors reviewed the adequacy and integrity of the system of internal controls that provide reasonable assurance to the Group in achieving the business objectives.

5. Controls Weaknesses (continued)

The Management continues to take measures to ensure that appropriate actions are taken to enhance and strengthen the internal controls environment and during the current financial year, there were no major weaknesses of internal controls which result in material losses, contingencies or uncertainties that would require disclosure in the Company's Annual Report.

During the financial year under review, the Internal Auditors carried out reviews on the following core areas to assess the adequacy and effectiveness of internal controls, compliance with regulations and the Group's policies and procedures by the subsidiaries:

a. Purchasing and Incoming Control and Inventory Management of Melewar Steel Tube Sdn Bhd ("MST"), a wholly owned subsidiary of the Company.

b. Production Operation of Factory 2 and Galvanising Plant of MST and Electronic Data Processing Support Function of the Group.

c. Project Management and Revenue Cycle, Finance Management and General Accounting and Purchasing and Incoming Control of Melewar Integrated Engineering Sdn Bhd ("MIE"), a 70% owned subsidiary of the Company.

d. Production Operation of Factory 1, 3 and Factory 4 of MST.

e. Sales and Deliveries, Collections and Credit Control, Purchasing and Incoming Control, Finance Management and General Accounting and Property, Plant and Equipment Management of Melewar Steel Mills Sdn Bhd ("MSM"), a wholly owned subsidiary of the Company.

Based on the Internal Auditors' report, there is a reasonable assurance that the Group's systems of internal control are generally adequate and appear to be working satisfactorily.

6. Review of Effectiveness

The Board is of the view that the aforementioned monitoring, review and reporting arrangements provide reasonable assurance that the system of internal controls in place is effective to ensure that the level of business risk to which the Group is exposed to is being appropriately managed. The Board recognises that the Group operates in a dynamic business environment in which the internal control system must be responsive in order to be able to support its business objectives. Cognisant of this fact, the Board is committed to ensuring that the appropriate measures be put in place, when necessary, to further enhance the Group's system of internal control.

7. Review of the Statement by External Auditors

As required by Paragraph 15.23 of the Main Market Listing Requirements of Bursa Securities, the external auditors have reviewed this Statement on Internal Control for the inclusion in the Annual Report for the financial year ended 30 June 2011. Their review was performed in accordance with Recommended Practise Guide ("RPG") 5: Guidance for Auditors on the Review of Directors' Statement on Internal Control issued by the Malaysian Institute of Accountants. Based on their review, the external auditors have reported to the Board that nothing has come to their attention that causes them to believe that this Statement is inconsistent with their understanding of the process the Board has adopted in the review of the adequacy and integrity of internal controls of the Group.

This statement was approved by the Board of Directors on 27 October 2011.

ESTABLISHMENT

The Audit Committee was established on 15 April 1994 as a sub committee of the Board of Directors with specific terms of reference that have been approved by the Board. Its principle objectives are to assist the Board in discharging its statutory duties and responsibilities relating to accounting and reporting practices of the holding company and each of its subsidiaries. In addition, the Audit Committee shall:

- evaluate the quality of the audits performed by the internal and external auditors;
- provide assurance that the financial information presented by Management is relevant, reliable and timely;
- oversee compliance with relevant laws and regulations and observance of a proper code of conduct; and
- determine the quality, adequacy and effectiveness of the Group's internal control environment.

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

1. Mr Onn Kien Hoe - Independent Non-Executive Director
   (Audit Committee Member who fulfills requirement under Paragraph 15.09(1)(c)(i) of the Main Market Listing Requirements of Bursa Securities)
2. Dato' Jaffar Indot - Independent Non-Executive Director
3. En Shazal Yusuf bin Mohamed Zain - Independent Non-Executive Director

The Chairman of the Audit Committee is Mr Onn Kien Hoe. The Directors' profiles are set out on pages 19 to 23 in the Annual Report.

The Audit Committee has also met up with the External Auditors without the presence of all the Executive Board members and Management in line with the Malaysian Code on Corporate Governance (Revised 2007) twice during the financial year to encourage a greater exchange of free and honest views between both parties. Furthermore, the Audit Committee meets regularly with senior management, internal audit management and the external auditors to review the Company's and the Group's financial reporting, the nature and scope of audit reviews and the effectiveness of the systems of internal control and compliance.

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR ENDED 30 JUNE 2011

During the financial year ended 30 June 2011, seven (7) Audit Committee meetings were held. The details of attendance of each Committee member are as follows:

Name	No. of Meetings Held	Attended	Percentage of Attendance
Mr Onn Kien Hoe	7	6	86%
Dato' Jaffar Indot	7	7	100%
En Shazal Yusuf bin Mohamed Zain	7	7	100%

During the financial year ended 30 June 2011, the main activities undertaken by the Audit Committee were carried out in accordance with its terms of reference:

i. Reviewed the adequacy and the relevance of the scope, functions, resources, internal audit plan and results of internal audit processes with the internal audit consultants;

ii. Monitored the implementation of programmes recommended by the internal audit consultants arising from its audits in order to obtain assurance that all key risks and controls have been properly dealt with;

iii. Reviewed the quarterly financial reports and year end financial statements with Management and recommend the same to the Board for approval before release to Bursa Securities;

iv. 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;

v. Reviewed the financial statements, the audit report, the evaluation of system of internal controls, issues and reservations arising from audits and the Management letter with the external auditors and recommend the same to the Board;

vi. 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;

vii. Reviewed the disclosure of related party transactions and any conflict of interest situation and questionable transactions;

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR ENDED 30 JUNE 2011 (continued)

viii. Considered the adoption of Whistleblowing Policy in response to maintaining the highest standards of openness and accountability;

ix. Prepared the Audit Committee Report for inclusion in the Company's Annual Report;

x. 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;

xi. 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; and

xii. Followed up on corrective actions taken by Management on the audit issues raised by the external auditors and internal auditors.

TERMS OF REFERENCE

The Terms of Reference of the Committee are as follows:

1. Composition

1.1 The members of the Audit Committee shall be appointed from among the Directors of the Company and composed of no fewer than three (3) Directors of whom all must be Non-Executive Directors, with majority of them being Independent Directors.

1.2 All members of the Audit Committee should be financially literate and at least one (1) member of the Audit Committee:

(a) must be a member of the Malaysian Institute of Accountants; or

(b) if he is not a member of the Malaysian Institute of Accountants, he must have at least three (3) years of experience and:

i. he must have passed the examinations specified in Part 1 of the 1st Schedule of the Accountants Act 1967; or

ii. he must be a member of one of the associations of accountants specified in Part II of the 1st Schedule of the Accountants Act 1967; or

(c) fulfills such other requirements as prescribed or approved by Bursa Securities.

1.3 If a member of the Audit Committee ceases to be a member with the result that the number of members is reduced below three (3), the Board shall, within three (3) months, appoint such number of new member(s) as may be required to make up the minimum number of three (3) members, the majority of whom must be Independent Directors.

1.4 The members of the Audit Committee shall elect a Chairman from among their numbers who shall be an Independent Non-Executive Director.

1.5 No Alternate Director is to be appointed as a member of the Audit Committee.

1.6 The term of office and performance of the Audit Committee and each of its members shall be reviewed by the Board at least once every three (3) years to determine whether the Audit Committee and its members have carried out their duties in accordance with their terms of reference.

2. Quorum and Procedure

2.1 The Audit Committee meetings shall be conducted at least four (4) times annually, or more frequently as circumstances dictate. The Managing Director/Group 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.

2.2 The quorum for any meeting of the Audit Committee shall consist of not less than two (2) members; the majority of the members present shall be Independent Directors.

2.3 In the absence of the Chairman, the Audit Committee shall appoint one (1) of the independent members present to chair the meeting.

2.4 The Secretary of the Company shall also be the Secretary of the Audit Committee. The Secretary shall be responsible for drawing up the agenda in consultation with the Chairperson and shall be responsible for keeping the minutes of the meeting of the Audit Committee, circulating them to Committee members and ensuring compliance with regulatory requirements. The agenda together with relevant explanatory papers and documents are circulated to the Committee members.

2.5 The Chairman of the Audit Committee shall report on each meeting to the Board.

2.6 Minutes of each meeting shall be kept and distributed to each member of the Audit Committee and the Board.

(continued)

3. Authority

3.1 The Audit Committee shall, in accordance with a procedure to be determined by the Board of Directors and at the expense of the Company:

(a) have explicit authority to investigate any matters within its terms of reference. All employees shall be directed to cooperate as requested by members of the Audit Committee;
(b) have full and unrestricted access to any information and resources which are required to perform its duties;
(c) be able to obtain, if it considers necessary, external independent professional advice;
(d) be able to invite outsiders with relevant experience to attend meeting(s) if necessary;
(e) be able to convene meetings with the External Auditors, Internal Auditors or both, excluding the attendance of other Directors and employees, whenever deemed necessary;
(f) have direct communication channels with the External Auditors and Internal Auditors; and
(g) be able to make prompt reports to Bursa Securities when the Audit Committee is of the view that a matter reported by it to the Board of Directors has not been satisfactorily resolved resulting in a breach of listing requirements.

3.2 The Terms and Reference of the Audit Committee shall not limit in any way the responsibilities and authorities of the Managing Director/Group Chief Executive Officer to institute or instruct internal audits and reviews to be undertaken from time to time. Full report must be made to the Audit Committee upon completion of such reviews.

4. Duties and Responsibilities

4.1 The Chairman of the Audit Committee should engage on a continuous basis with Senior Management, such as the Executive Chairman, Managing Director/Group Chief Executive Officer, Chief Financial Officer and the External Auditors in order to be kept informed of matters affecting the Company.

4.2 In discharging its duties and responsibilities, the Audit Committee shall perform and where appropriate, report to the Board of Directors on the following:

(a) Financial reporting

i. To review the quarterly and year end financial statements of the Board, focusing particularly on:
- Any change in accounting policies and practices;
- Significant adjustments arising from the audit;
- The going concern assumption; and
- Compliance with accounting standards and other legal requirements.

(b) External audit

i. To consider the appointment of the External Auditor, the audit fee and any question of resignation or dismissal;
ii. To discuss with the External Auditor before the audit commences, the nature and scope of audit, and ensure co-ordination where more than one audit firm is involved;
iii. To monitor provision of non-audit services by External Auditors;
iv. To review the External Auditors' management letter and management's response; and
v. To discuss problems and reservations arising from the interim and final audits, and any matter the External Auditor may wish to discuss (in the absence of Management where necessary).

(c) Internal audit

i. To do the following, in relation to Internal Audit Function:
- Review the adequacy of the scope, functions competency and resources, and that it has the necessary authority to carry out its work;
- Review the internal audit program and results of the internal audit process and, where necessary, ensure that appropriate actions are taken on the recommendations;
- Review any appraisal of the performance and compensation of staff members;
- Approve any appointment or termination of senior staff members; and
- Take cognisance of resignations of staff members and provide the resigning staff members an opportunity to submit their reasons for resigning.

(d) Related Party Transaction

i. To consider any related party transactions that may arise within the Company or Group.

(e) Other Functions

i. To consider the major findings of internal investigations and Management's response; and
ii. To consider other topics as defined by the Board.

This report was approved by the Board of Directors on 27 October 2011.

Directors' Report For The Financial Year Ended 30 June 2011

The Directors have pleasure in submitting their annual report together with the audited financial statements of the Group and the Company for the financial year ended 30 June 2011.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of trading of steel pipes and tubes, property investment and investment holdings. The principal activities of the subsidiaries are as disclosed in Note 15 to the financial statements.

There have been no significant changes in the nature of these activities of the Group and the Company during the financial year, except for the commencement of power and steam generation operations by a subsidiary.

FINANCIAL RESULTS

	Group RM	Company RM
Profit for the financial year	3,265,907	3,965,784
Attributable to:		
- Equity holders of the Company	5,924,960	3,965,784
- Minority interests	(2,659,053)	-
Profit for the financial year	3,265,907	3,965,784

DIVIDENDS

Dividends on ordinary shares paid or declared by the Company since the end of the previous financial year were as follows:

	RM
In respect of the financial year ended 30 June 2010:	
- Final gross dividend of 2 sen per share, less income tax of 25%, paid on 30 December 2010	3,382,832

The Directors do not recommend the payment of final dividend for the financial year ended 30 June 2011.

RESERVES AND PROVISIONS

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

DIRECTORS

The Directors who have held office during the period since the date of the last report are as follows:

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah
Datuk Lim Kim Chuan
Azlan bin Abdullah
Dato' Jaffar Indot
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah
Tengku Datuk Seri Ahmad Shah ibni Almarhum
Sultan Salahuddin Abdul Aziz Shah
Onn Kien Hoe
Datin Ezurin Yusnita binti Abdul Malik
Shazal Yusuf bin Mohamed Zain
Suhaimi bin Kamaralzaman (Resigned on 9 May 2011)

DIRECTORS (continued)

In accordance with Section 129(6) of the Companies Act, 1965, Dato' Jaffar Indot retires at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 95 of the Company's Articles of Association, Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah, Azlan bin Abdullah and Onn Kien Hoe retire by rotation from the Board at the forthcoming Annual General Meeting and being eligible, offer themselves for re-election.

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 corporation (other than wholly-owned subsidiaries) are as follows:

	Number of ordinary shares of RM1 each in the Company			
	At 01.07.2010	**Bought**	**Sold**	**At 30.06.2011**
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah - indirect interest	88,107,132	-	(5,725,900)	82,381,232
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah - indirect interest	88,107,132	-	(5,725,900)	82,381,232
Datin Ezurin Yusnita binti Abdul Malik - indirect interest	88,107,132	-	(5,725,900)	82,381,232
Datuk Lim Kim Chuan - direct interest	186,666	-	-	186,666
Azlan bin Abdullah - direct interest	133,333	-	-	133,333

Mycron Steel Berhad (Related corporation)	Number of ordinary shares of RM1 each			
	At 01.07.2010	**Bought**	**Sold**	**At 30.06.2011**
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah - indirect interest	110,560,766	-	(13,056,000)	97,504,766
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah - indirect interest	110,560,766	-	(13,056,000)	97,504,766
Datin Ezurin Yusnita binti Abdul Malik - indirect interest	110,560,766	-	(13,056,000)	97,504,766
Datuk Lim Kim Chuan - direct interest	385,000	-	(385,000)	-
Azlan bin Abdullah - direct interest	25,000	222,000	-	247,000

DIRECTORS' INTERESTS (continued)

By virtue of the above mentioned Directors' indirect interests in shares of the Company, they are deemed to have an interest in the shares of all the subsidiaries to the extent the 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, except as disclosed in Note 32 to the financial statements.

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of comprehensive income and of financial position 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 in respect of 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 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 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 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 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 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 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 the Company which has arisen since the end of the financial year other than those disclosed in Note 35 to the financial statements.

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 misleading.

In the opinion of the Directors,

(a) the results of the operations of the Group and the Company during the financial year were not substantially affected by any item, transaction or event of a material and unusual nature except as disclosed in 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 the Company for the financial year in which this report is made.

SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

Significant events during the financial year are as disclosed in Note 36 to the financial statements.

AUDITORS

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

Signed on behalf of the Board of Directors in accordance to their resolution dated 31 October 2011.

TUNKU DATO' YA'ACOB BIN TUNKU TAN SRI ABDULLAH
EXECUTIVE CHAIRMAN

AZLAN BIN ABDULLAH
MANAGING DIRECTOR

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

We, Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah and Azlan bin Abdullah, two of the Directors of Melewar Industrial Group Berhad, state that, in the opinion of the Directors, the financial statements set out on pages 53 to 132 are drawn up so as to give a true and fair view of the state of affairs of the Group and the Company as at 30 June 2011 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 Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965.

The information set out in Note 39 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 to their resolution dated 31 October 2011.

TUNKU DATO' YA'ACOB BIN TUNKU TAN SRI ABDULLAH
EXECUTIVE CHAIRMAN

AZLAN BIN ABDULLAH
MANAGING DIRECTOR

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

I, Azlan bin Abdullah, the Director primarily responsible for the financial management of Melewar Industrial Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 53 to 132 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.

AZLAN BIN ABDULLAH
MANAGING DIRECTOR

Subscribed and solemnly declared by the abovenamed Azlan bin Abdullah, at Kuala Lumpur in Malaysia on 31 October 2011, before me.

COMMISSIONER FOR OATHS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Melewar Industrial Group Berhad on pages 53 to 132, which comprise the statements of financial position as at 30 June 2011 of the Group and of the Company, and the statements of comprehensive income, changes in equity and cash flows of the Group and of the Company for the financial year then ended, and a summary of significant accounting policies and other explanatory notes, as set out on Notes 1 to 38.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements that give a true and fair view in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965 in Malaysia, and for such internal control as the Directors determine are 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 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 Company'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 Company'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 have been properly drawn up in accordance with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the provisions of the Companies Act, 1965 so as to give a true and fair view of the financial position of the Group and of the Company as of 30 June 2011 and of their financial performance and cash flows for the financial year then ended.

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 of which we have acted as auditors have been properly kept in accordance with the provisions of the Act;

(b) we have considered the financial statements and the auditors' reports of all subsidiaries of which we have not acted as auditors, which are indicated in Note 15 to the financial statements;

(c) we are satisfied that the accounts 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; and

(d) the auditors' reports on the accounts of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 39 on page 132 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

ERIC OOI LIP AUN
(No. 1517/06/12 (J))
Chartered Accountant

Kuala Lumpur
31 October 2011

	Note	Group 2011 RM	Group Restated 2010 RM	Company 2011 RM	Company 2010 RM
Revenue	5	754,837,621	707,147,466	282,086,508	240,959,596
Cost of sales		(699,182,617)	(618,127,461)	(192,518,586)	(217,260,479)
Gross profit		55,655,004	89,020,005	89,567,922	23,699,117
Other operating income	6	11,968,177	11,540,459	10,498,675	14,887,803
Fair value (loss)/gain on financial asset at fair value through profit or loss	24	(773,845)	30,463,955	-	-
Gain on disposal of a subsidiary	15	10,483,452	-	-	-
Impairment losses on investment in a subsidiary	15	-	-	(8,293,267)	(12,687,000)
Impairment loss on amount owing by a subsidiary	25	-	-	(72,551,000)	-
Selling and distribution costs		(5,107,545)	(6,585,325)	(2,713,613)	(3,222,921)
Administrative and general expenses		(42,584,771)	(25,343,313)	(8,979,623)	(9,339,338)
Profit from operations	7	29,640,472	99,095,781	7,529,094	13,337,661
Finance income	8	(1,833,612)	(6,126,201)	275,312	98,134
Finance costs	8	(22,896,733)	(3,295,151)	(1,326,586)	(1,438,738)
Share of results of associates		-	1,947,799	-	-
Profit before tax		4,910,127	91,622,228	6,477,820	11,997,057
Tax expense	10	(1,644,220)	(12,606,492)	(2,512,036)	(6,429,547)
Profit for the financial year		3,265,907	79,015,736	3,965,784	5,567,510
Attributable to:					
- Equity holders of the Company		5,924,960	67,629,062	3,965,784	5,567,510
- Minority interests		(2,659,053)	11,386,674	-	-
Profit for the financial year		3,265,907	79,015,736	3,965,784	5,567,510
Earnings per share attributable to equity holders of the Company during the financial year:					
- basic and diluted (sen)	11	2.63	29.99		

Statements of Comprehensive Income

For The Financial Year Ended 30 June 2011

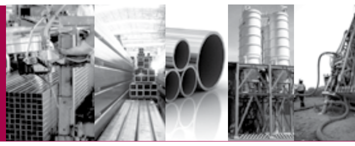
	Group		Company	
		Restated		
	2011	2010	2011	2010
	RM	RM	RM	RM
Profit for the financial year	3,265,907	79,015,736	3,965,784	5,567,510
Other comprehensive (loss)/income:				
Currency translation differences	(8,122,560)	(893,210)	-	-
Asset revaluation reserve:				
- realisation on disposal of property, plant and equipment	-	(344,820)	-	(157,290)
- revaluation surplus on property, plant and equipment, net of tax	31,263,363	265,265	111,073	-
Retained earnings:				
- realisation on disposal:				
- deferred tax of property, plant and equipment and investment property	-	747,436	-	633,283
- revaluation reserve of property, plant and equipment	-	344,820	-	157,290
- share of other comprehensive loss of an associate	-	(1,535,212)	-	-
Other comprehensive income/(loss) for the financial year, net of tax	23,140,803	(1,415,721)	111,073	633,283
Total comprehensive income for the financial year	26,406,710	77,600,015	4,076,857	6,200,793
Attributable to:				
- Equity holders of the Company	24,359,503	66,257,733	4,076,857	6,200,793
- Minority interests	2,047,207	11,342,282	-	-
	26,406,710	77,600,015	4,076,857	6,200,793

		Group			Company	
	Note	2011 RM	Restated 30 June 2010 RM	Restated 1 July 2009 RM	2011 RM	2010 RM
NON-CURRENT ASSETS						
Property, plant and equipment	12	1,140,956,696	1,071,700,182	645,781,971	3,151,731	3,495,626
Investment properties	13	-	-	2,630,489	68,450,000	64,650,000
Subsidiaries	15	-	-	-	168,273,219	120,844,284
Associates	16	-	9,147,117	70,156,968	-	-
Interest in a jointly controlled entity	17	-	4	4	-	-
Intangible assets	18	82,881,893	82,768,949	76,202,451	-	-
Deferred tax assets	19	357,993	367,032	5,189,770	-	-
Available-for-sale financial assets	20	15	635,223	1,869,077	-	317,604
Derivatives	21	3,365,076	-	-	-	-
Other receivables	23	31,279,772	-	-	-	-
		1,258,841,445	1,164,618,507	801,830,730	239,874,950	189,307,514
CURRENT ASSETS						
Inventories	22	117,273,860	191,799,997	70,077,289	-	-
Trade and other receivables	23	158,003,496	140,133,737	118,228,599	32,653,304	33,875,319
Financial asset at fair value through profit or loss	24	2,824,835	110,438,640	159,674,544	-	-
Derivatives	21	1,505,534	-	-	-	-
Amounts owing by subsidiaries	25	-	-	-	170,897,735	308,375,656
Amount owing by an associate		-	-	248,301	-	-
Tax recoverable		994,638	1,112,191	516,107	-	-
Deposits with licensed financial institutions	26	27,703,816	250,000	22,886,299	8,000,000	-
Cash and bank balances	26	58,338,173	96,549,074	106,068,396	5,349,943	5,154,642
		366,644,352	540,283,639	477,699,535	216,900,982	347,405,617
Non-current asset held-for-sale	27	2,768,541	50,419,026	-	-	-
		369,412,893	590,702,665	477,699,535	216,900,982	347,405,617

(continued)

	Note	Group 2011 RM	Group Restated 30 June 2010 RM	Group Restated 1 July 2009 RM	Company 2011 RM	Company 2010 RM
LESS: CURRENT LIABILITIES						
Trade and other payables	28	102,094,105	136,449,032	149,688,648	3,028,963	13,953,172
Derivatives	21	-	-	7,069,955	-	-
Amounts owing to subsidiaries	25	-	-	-	28,738,002	58,779,531
Tax payable		704,360	13,716,982	265,239	668,764	2,586,545
Borrowings	29	247,033,200	292,768,125	291,011,794	67,682,644	106,384,492
		349,831,665	442,934,139	448,035,636	100,118,373	181,703,740
NET CURRENT ASSETS		19,581,228	147,768,526	29,663,899	116,782,609	165,701,877
LESS: NON-CURRENT LIABILITIES						
Deferred tax liabilities	19	31,214,700	22,043,231	31,371,915	14,804,443	13,746,656
Trade and other payables	28	21,982,800	-	-	-	-
Borrowings	29	561,453,771	646,780,356	234,118,535	-	103,644
		614,651,271	668,823,587	265,490,450	14,804,443	13,850,300
		663,771,402	643,563,446	566,004,179	341,853,116	341,159,091
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY						
Share capital	30	226,755,408	226,755,408	226,745,011	226,755,408	226,755,408
Treasury shares		(2,042,193)	(2,042,193)	(2,042,193)	(2,042,193)	(2,042,193)
Retained earnings		215,516,497	213,090,140	141,697,257	116,787,381	116,204,429
Share premium		241,447	241,447	238,280	241,447	241,447
Warrants reserve		-	-	4,164,662	-	-
Asset revaluation reserve		102,095,642	75,820,655	75,900,210	111,073	-
Foreign currency translation reserve		(509,334)	7,331,110	8,179,928	-	-
		542,057,467	521,196,567	454,883,155	341,853,116	341,159,091
Minority interests		121,713,935	122,366,879	111,121,024	-	-
TOTAL EQUITY		663,771,402	643,563,446	566,004,179	341,853,116	341,159,091

Consolidated Statement of Changes in Equity



For The Financial Year Ended 30 June 2011

	Note	Attributable to equity holders of the Company									
		Share capital	Treasury shares	Share premium	Warrants reserve	Foreign currency translation reserve	Asset revaluation reserve	Retained earnings	Total	Minority interests	Total
		RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 July 2010		226,755,408	(2,042,193)	241,447	-	7,331,110	75,820,655	213,090,140	521,196,567	122,366,879	643,563,446
Comprehensive income:											
Profit for the financial year		-	-	-	-	-	-	5,924,960	5,924,960	(2,659,053)	3,265,907
Other comprehensive income:											
Revaluation surplus on property, plant and equipment, net of tax		-	-	-	-	-	26,274,987	-	26,274,987	4,988,376	31,263,363
Currency translation differences		-	-	-	-	(7,840,444)	-	-	(7,840,444)	(282,116)	(8,122,560)
Total comprehensive (loss)/income for the financial year		-	-	-	-	(7,840,444)	26,274,987	5,924,960	24,359,503	2,047,207	26,406,710
Transactions with owners:											
Effects of subscription of new shares in a subsidiary		-	-	-	-	-	-	(115,771)	(115,771)	115,771	-
Dividends paid	31	-	-	-	-	-	-	(3,382,832)	(3,382,832)	(2,815,922)	(6,198,754)
At 30 June 2011		226,755,408	(2,042,193)	241,447	-	(509,334)	102,095,642	215,516,497	542,057,467	121,713,935	663,771,402

	Note	Attributable to equity holders of the Company									
		Share capital	Treasury shares	Share premium	Warrants reserve	Foreign currency translation reserve	Asset revaluation reserve	Retained earnings	Total	Minority interests	Total
		RM	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 July 2009		226,745,011	(2,042,193)	238,280	4,164,662	8,179,928	75,900,210	141,697,257	454,883,155	111,121,024	566,004,179
Comprehensive income:											
Profit for the financial year		-	-	-	-	-	-	67,629,062	67,629,062	11,386,674	79,015,736
Other comprehensive income:											
Realisation of asset revaluation surplus on disposal of property, plant and equipment		-	-	-	-	-	(344,820)	344,820	-	-	-
Realisation of deferred tax liabilities on disposal of property, plant and equipment and investment property		-	-	-	-	-	-	747,436	747,436	-	747,436
Revaluation surplus on property, plant and equipment, net of tax		-	-	-	-	-	265,265	-	265,265	-	265,265
Currency translation differences		-	-	-	-	(848,818)	-	-	(848,818)	(44,392)	(893,210)
Share of other comprehensive loss of an associate		-	-	-	-	-	-	(1,535,212)	(1,535,212)	-	(1,535,212)
Total comprehensive (loss)/ income for the financial year		-	-	-	-	(848,818)	(79,555)	67,186,106	66,257,733	11,342,282	77,600,015
Transactions with owners:											
Warrants converted to shares	30	10,397	-	3,167	(1,868)	-	-	-	11,696	-	11,696
Issuance of shares by a subsidiary		-	-	-	-	-	-	-	-	(444)	(444)
Realisation of warrants reserve upon expiry of unexercised warrants		-	-	-	(4,162,794)	-	-	4,162,794	-	-	-
Shares repurchased		-	-	-	-	-	-	43,983	43,983	(95,983)	(52,000)
At 30 June 2010		226,755,408	(2,042,193)	241,447	-	7,331,110	75,820,655	213,090,140	521,196,567	122,366,879	643,563,446

Company Statement of Changes in Equity

For The Financial Year Ended 30 June 2011

	Note	← Non-distributable				→	Distributable	
	Note	Share capital	Treasury shares	Share premium	Warrants reserve	Asset revaluation reserve	Retained earnings	Total
		RM	RM	RM	RM	RM	RM	RM
At 1 July 2010		226,755,408	(2,042,193)	241,447	-	-	116,204,429	341,159,091
Comprehensive income:								
Profit for the financial year		-	-	-	-	-	3,965,784	3,965,784
Other comprehensive income:								
Revaluation surplus on property, plant and equipment, net of tax		-	-	-	-	111,073	-	111,073
Total comprehensive income for the financial year		-	-	-	-	111,073	3,965,784	4,076,857
Transaction with owners:								
Dividends paid	31	-	-	-	-	-	(3,382,832)	(3,382,832)
At 30 June 2011		226,755,408	(2,042,193)	241,447	-	111,073	116,787,381	341,853,116

	Note	← Non-distributable				→	Distributable	
	Note	Share capital	Treasury shares	Share premium	Warrants reserve	Asset revaluation reserve	Retained earnings	Total
		RM	RM	RM	RM	RM	RM	RM
At 1 July 2009		226,745,011	(2,042,193)	238,280	4,164,662	157,290	105,683,552	334,946,602
Comprehensive income:								
Profit for the financial year		-	-	-	-	-	5,567,510	5,567,510
Other comprehensive income:								
Realisation of asset revaluation surplus on disposal of property, plant and equipment		-	-	-	-	(157,290)	157,290	-
Realisation of deferred tax liabilities on disposal of property, plant and equipment and investment property		-	-	-	-	-	633,283	633,283
Total comprehensive (loss)/income for the financial year		-	-	-	-	(157,290)	6,358,083	6,200,793
Transactions with owners:								
Warrants converted to shares	30	10,397	-	3,167	(1,868)	-	-	11,696
Realisation of warrants reserve upon expiry of unexercised warrants		-	-	-	(4,162,794)	-	4,162,794	-
At 30 June 2010		226,755,408	(2,042,193)	241,447	-	-	116,204,429	341,159,091

	Group		Company	
		Restated		
	2011	2010	2011	2010
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit before tax	4,910,127	91,622,228	6,477,820	11,997,057
Adjustments for:				
Property, plant and equipment:				
- depreciation	33,512,497	17,618,402	416,826	446,930
- net loss/(gain) on disposal	164,032	(269,145)	(16,039)	(238,690)
- impairment losses	890,224	10,584,367	-	-
- write-offs	43,261	126,628	-	-
Amortisation of:				
- intangible assets	1,584,114	-	-	-
- deferred financing fees	1,087,429	-	-	-
Impairment losses in:				
- subsidiary	-	-	8,293,267	12,687,000
- associates	-	3,940,993	-	-
- amount owing by a subsidiary	-	-	72,551,000	-
- amount owing by an associate	-	248,301	-	-
- available-for-sale financial assets	635,208	1,233,854	317,604	616,927
- trade receivables	7,236,459	-	-	-
- other receivables	28,217	585,024	-	-
Inventories written off	-	2,387	-	-
Investment properties:				
- fair value gain	-	-	(3,800,000)	(6,038,265)
- gain on disposal	-	(1,738,368)	-	(1,738,368)
Financial asset at fair value through profit or loss:				
- gain on disposal	(7,773,693)	(798,932)	-	-
- fair value loss/(gain)	773,845	(30,463,955)	-	-
Write back of provision for onerous contracts	-	(403,406)	-	-
Gain on disposal of:				
- non-current asset held-for-sale	(1,842,877)	-	-	-
- a subsidiary	(10,483,452)	-	-	-
Net unrealised loss/(gain) on foreign exchange	392,584	(6,404,763)	(163,579)	64,250
Fair value gain on:				
- forward foreign currency exchange contract	(286,878)	-	-	-
- interest rate swap	(610,864)	-	-	-
Gain on a restructured liability	(2,013,050)	-	-	-
Dividend income	-	-	(76,876,044)	-
Interest income	(666,925)	(344,195)	(275,312)	(98,134)
Interest expense	26,556,655	18,670,014	1,326,586	1,438,738
Share of results of associates	-	(1,947,799)	-	-
	54,136,913	102,261,635	8,252,129	19,137,445

(continued)

	Group		Company	
		Restated		
	2011	2010	2011	2010
	RM	RM	RM	RM
Changes in working capital:				
- inventories	74,264,532	(121,725,095)	-	-
- trade and other receivables	(51,564,710)	(21,051,493)	1,487,591	(7,796,610)
- trade and other payables	(10,059,715)	(2,062,303)	(10,930,840)	8,323,826
Cash generated from/(used in) operations	66,777,020	(42,577,256)	(1,191,120)	19,664,661
Interest paid	(30,408,796)	(18,966,471)	(1,406,678)	(1,343,039)
Interest received	651,651	348,639	260,038	95,372
Tax paid	(3,761,216)	(3,664,614)	(3,409,054)	(2,415,000)
Net cash flow generated from/ (used in) operating activities	33,258,659	(64,859,702)	(5,746,814)	16,001,994
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of property, plant and equipment	(87,670,538)	(458,420,319)	(4,435)	(495,241)
Purchase of intangible assets	(1,697,060)	(6,566,498)	-	-
Proceeds from disposal of:				
- property, plant and equipment	5,435,813	658,938	95,640	339,540
- investment property	-	4,368,857	-	4,368,857
- non-current asset held-for-sale	52,261,903	-	-	-
- financial asset at fair value through profit or loss	114,613,653	11,531,431	-	-
Proceeds from deemed disposal of financial asset at fair value through profit or loss	1,514,463	48,441,572	-	-
Proceeds from issuance of shares	-	50	-	-
Dividends received	-	-	3,577,535	-
Dividends received from an associate	-	7,062,419	-	-
Repayment from/(advances to) subsidiaries	-	-	52,461,695	(15,526,629)
Proceeds from disposal of a subsidiary	6	-	7	-
Purchase of shares issued by a subsidiary	-	-	(3)	(3)
Net cash flow generated from/ (used in) investing activities	84,458,240	(392,923,550)	56,130,439	(11,313,476)

(continued)

	Group		Company	
		Restated		
	2011	2010	2011	2010
	RM	RM	RM	RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	364,361,877	886,152,108	180,589,000	182,016,000
Repayment of borrowings	(481,537,168)	(453,574,221)	(219,156,000)	(186,490,000)
Repayment of hire purchase	(351,707)	(408,224)	(238,492)	(399,493)
Deposits with licensed financial institutions pledged as security	64,739,461	19,358,177	(8,000,000)	-
Dividends paid - shareholders	(3,382,832)	-	(3,382,832)	-
Dividends paid - minority interests	(2,815,922)	-	-	-
Repurchase of own shares	-	(52,000)	-	-
Proceeds from warrants converted to shares	-	11,696	-	11,696
Net cash flow (used in)/generated from financing activities	(58,986,291)	451,487,536	(50,188,324)	(4,861,797)
NET CHANGE IN CASH AND CASH EQUIVALENTS	58,730,608	(6,295,716)	195,301	(173,279)
CURRENCY TRANSLATION DIFFERENCES	(4,748,232)	(6,501,728)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	24,047,821	36,845,265	5,154,642	5,327,921
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR (Note 26)	78,030,197	24,047,821	5,349,943	5,154,642

1 GENERAL INFORMATION

The principal activities of the Company are that of trading of steel pipes and tubes, property investment and investment holdings. The principal activities of the subsidiaries are as disclosed in Note 15 to the financial statements.

There have been no significant changes in the nature of these activities of the Group and the Company during the financial year, except for the commencement of power generation operations by a subsidiary.

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 20.03, 20th Floor
Menara MAA
No. 12 Jalan Dewan Bahasa
50460 Kuala Lumpur

The principal place of business of the Company is:

Lot 53, Persiaran Selangor
40200 Shah Alam
Selangor Darul Ehsan

As at 30 June 2011, 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 31 October 2011.

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 provisions of the Companies Act, 1965 and the Malaysian Accounting Standards Board ("MASB") Approved Accounting Standards in Malaysia for Entities Other than Private Entities.

The financial statements have been prepared under the historical cost convention, unless otherwise indicated in this summary of significant accounting policies.

The preparation of financial statements in conformity with the MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and provisions of the Companies Act, 1965 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 year. It also requires Directors to exercise their judgement in the process of applying the Group's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ from those estimates.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are as disclosed in Note 3 to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(i) Standards, amendments and improvements to published standards and interpretations that are effective and applicable to the Group and the Company

The new accounting standards, amendments and improvements to published standards and interpretations that are applicable to the Group and the Company and are effective for the financial year ended 30 June 2011, are as set out below:

- FRS 3 (revised) "Business Combinations"
- FRS 7 "Financial Instruments: Disclosures"
- FRS 101 (revised) "Presentation of Financial Statements"
- FRS 123 (revised) "Borrowing Costs"
- FRS 127 (revised) "Consolidated and Separate Financial Statements"
- IC Interpretation 9 "Reassessment of Embedded Derivatives" and the related Amendment
- IC Interpretation 10 "Interim Financial Reporting and Impairment"
- IC Interpretation 11 "FRS 2 Group and Treasury Share Transactions"
- IC Interpretation 12 "Service Concession Arrangements"
- IC Interpretation 14 "FRS 119 The Limit on a Defined Benefit Asset, Minimum Funding Requirements and Their Interaction"
- Improvements to FRSs (2009 and 2010)
  - Amendment to FRS 1 "First-time Adoption of Financial Reporting Standards"
  - FRS 127 "Consolidated and Separate Financial Statements: Cost of an Investment in a Subsidiary, Jointly Controlled Entity or Associate"
  - Amendment to FRS 5 "Non-current Assets Held-for-Sale and Discontinued Operations"
  - Amendment to FRS 107 "Statement of Cash Flows"
  - Amendment to FRS 108 "Accounting Policies, Changes in Accounting Estimates and Errors"
  - Amendment to FRS 110 "Events After the Balance Sheet Date"
  - Amendment to FRS 116 "Property, Plant and Equipment"
  - Amendment to FRS 117 "Leases"
  - Amendment to FRS 118 "Revenue"
  - Amendment to FRS 119 "Employee Benefits"
  - Amendment to FRS 127 "Consolidated and Separate Financial Statements"
  - Amendment to FRS 128 "Investments in Associates"
  - Amendment to FRS 131 "Interests in Joint Ventures"
  - Amendment to FRS 132 "Financial Instruments: Presentation"
  - Amendment to FRS 134 "Interim Financial Reporting"
  - Amendment to FRS 136 "Impairment of Assets"
  - Amendment to FRS 138 "Intangible Assets"
  - Amendment to FRS 139 "Eligible Hedged Items"
  - Amendment to FRS 139 "Reclassification of Financial Assets"
  - Amendment to FRS 140 "Investment Property"

All changes in accounting policies have been made in accordance with the transition provisions in the respective standards, amendments and improvements to published standards and interpretations.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(i) Standards, amendments and improvements to published standards and interpretations that are effective and applicable to the Group and the Company (continued)

The adoption of the above accounting standards, amendments and improvements to published standards and interpretations have resulted in changes of certain accounting policies and classification adopted by the Group and the Company as well as presentation in the financial statements as follows:

- FRS 101 (revised) "Presentation of Financial Statements"

  The revised standard requires changes in the format of the financial statements including the amounts directly attributable to shareholders in the primary statements, but does not affect the measurement of reported profit or equity.

  The revised standard prohibits the presentation of items of income and expense (that is 'non-owner changes in equity') in the statement of changes in equity, requiring 'non-owner changes in equity' to be presented separately from 'owner changes in equity'. All 'non-owner changes in equity' are required to be shown in a statement of comprehensive income which can be presented as a single statement or two statements (comprising the income statement and statement of comprehensive income). The Group and the Company have applied this standard retrospectively and have elected to present the statements of comprehensive income in two statements. In addition, the adoption of this standard has resulted in the balance sheet and cash flow statement now being renamed as statements of financial position and cash flows respectively.

  Where entities restate or reclassify comparative information, they will be required to present a restated statement of financial position as at the beginning of the comparative financial year in addition to the current requirement to present statements of financial position at the end of the current financial year and comparative financial year.

- FRS 7 "Financial Instruments: Disclosures"

  FRS 7 "Financial Instruments: Disclosures" provides information to users of financial statements about an entity's exposure to risks and how the entity manages those risks. The improved FRS 7 clarifies that entities must not present total interest income and expense as a net amount within finance costs on the face of the statement of comprehensive income. FRS 7 does not require comparative disclosures when the standard is first applied.

  Except for additional disclosure in the notes to the financial statements, the adoption of FRS 7 has no significant impact on the financial statements of the Group and of the Company in the current financial year.

- Amendment to FRS 117 "Leases"

  FRS 117 "Leases" (effective from 1 January 2010) clarifies that the default classification of the land element in a land and building lease is no longer an operating lease. As a result, leases of land should be classified as either finance or operating, using the general principles of FRS 117.

  The adoption requires the Group and the Company to reassess the classification of land as finance or operating lease. The Group and the Company have reclassified certain prepaid lease rental to property, plant and equipment following this reassessment. FRS 1 (revised) requires an additional presentation of statement of financial position at the beginning of the earliest comparative financial year following the reclassification of balances from leases to property, plant and equipment.

  The effects of adoption of FRS 117 on the financial statements of the Group and the Company are as disclosed in Note 37 to the financial statements.

(ii) Standards, amendments and improvements to published standards and interpretations that are effective and applicable, which are early adopted by the Group and the Company

- FRS 139 "Financial Instruments: Recognition and Measurement" and the related Amendments (effective from 1 January 2011)

  The standard establishes principles for recognising and measuring financial assets, financial liabilities and some contracts to buy and sell non-financial items. Hedge accounting is permitted only under strict circumstances. The Group and the Company have applied this standard since the financial year ended 31 January 2006.

  The accounting policies relating to the measurement of the financial instruments are as disclosed in Note 2(j) to the financial statements.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(ii) Standards, amendments and improvements to published standards and interpretations that are effective and applicable, which are early adopted by the Group and the Company (continued)

The Group and the Company have applied the transitional provision in the respective standards which exempts entities from disclosing the possible impact arising from the initial application of the following standards and interpretations on the financial statements of the Group and the Company.

- Amendments to FRS 139 on eligible hedged items and Improvement to FRS 139

Unless otherwise disclosed, the above standards, amendments and improvements to published standards and interpretations do not have any material impact on the financial statements of the Group and the Company in the year of initial application.

(iii) Interpretation that is not effective but applicable to the Group

- IC Interpretation 4 "Determining Whether An Arrangement Contains A Lease"

The Group is assessing the possible impact arising from the initial application of the interpretation on the financial statements of the Group.

(b) Basis of consolidation

(i) Subsidiaries

Subsidiaries are those corporations, partnerships or other entities (including special purpose entities) in which the Group has power to exercise control over the financial and operating policies so as to obtain benefits from their activities, generally accompanying a shareholding of more than one half of the voting rights. The existence and effect of potential voting rights that are currently exercisable or convertible are considered when assessing whether the Group controls another entity.

Under the acquisition method of accounting, subsidiaries are fully consolidated from the date on which control is transferred to the Group and are de-consolidated from the date that control ceases. The cost of an acquisition is measured as fair value of the assets given, equity instruments issued and liabilities incurred or assumed at the date of exchange, plus costs directly attributable to the acquisition.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are measured initially at their fair values at the acquisition date, irrespective of the extent of any minority interests. The excess of the cost of acquisition over the fair value of the Group's share of the identifiable net assets acquired at the date of acquisition is reflected as goodwill. If the cost of acquisition is less than the fair value of the identifiable net assets of the subsidiary acquired, the gain is recognised directly in profit or loss.

Minority interest represents that portion of profit or loss and net assets of a subsidiary attributable to equity interests that are not owned, directly or indirectly through subsidiaries, by the parent. It is measured at the minorities' share of the fair value of the subsidiaries' identifiable assets and liabilities at the acquisition date and the minorities' share of changes in the subsidiaries' equity since that date.

When a business combination involves more than one exchange transaction, any adjustment to the fair values of the subsidiary's identifiable assets, liabilities and contingent liabilities relating to previously held interests of the Group is accounted for as a revaluation.

Intercompany transactions, balances and unrealised gains on transactions between group companies are eliminated. Unrealised losses are also eliminated. This may indicate an impairment of the asset transferred. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

The gain or loss on disposal of a subsidiary is the difference between net disposal proceeds and the Group's share of its net assets as of the date of disposal including the cumulative amount of any exchange differences that relate to the subsidiary is recognised in profit or loss attributable to the parent.

(ii) Transactions with minority interests

The Group applies a policy of treating transactions with minority interests as transactions with equity owners of the Group. For purchases from minority interests, the difference between any consideration paid and the relevant share of the carrying value of net assets of the subsidiary acquired is deducted from equity. For disposals to minority interests, differences between any proceeds received and the relevant share of minority interests are also recognised in equity.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

(iii) Associates

Associates are those corporations, partnerships or other entities in which the Group exercises significant influence, but which it does not control, generally accompanying a shareholding of between 20% and 50% of voting rights. Significant influence is the power to participate in the financial and operating policy decisions of the associates but not the power to exercise control over those policies.

Investment in associate is accounted for using the equity method of accounting and is initially recognised at cost.

The Group's share of its associates' post-acquisition profits or losses is recognised in profit or loss, and its share of post-acquisition movements in reserves is recognised in other comprehensive income. The cumulative post-acquisition movements are adjusted against the carrying amount of the investment. If the Group's share of losses of an associate equals or exceeds its interest in the associate, the Group discontinues recognising its share of further losses. The interest in an associate is the carrying amount of the investment in the associate under the equity method together with any long-term interests that, in substance, form part of the Group's net investment in the associate. After the Group's interest is reduced to zero, additional losses are provided for, and a liability is recognised, only to the extent that the investor has incurred legal or constructive obligations or made payments on behalf of the associate. If the associate subsequently reports profits, the Group resumes recognising its share of those profits only after its share of the profits equals the share of losses not recognised.

Unrealised gains on transactions between the Group and its associates are eliminated to the extent of the Group's interest in the associates; unrealised losses are also eliminated unless the transaction provides evidence of impairment of the asset transferred. Where necessary, in applying the equity method, adjustments are made to the financial statements of associates to ensure consistency of accounting policies with those of the Group.

Cost of acquiring additional stake is added to the carrying amount of associate and equity accounted. Goodwill arising on the purchase of additional stake is computed using fair value information at the date the additional interest is purchased. The previously held interest is not re-measured.

Dilution gains and losses in associates are recognised in profit or loss.

For incremental interest in an associate, the date of acquisition is the purchase date at each stage and goodwill is calculated at each purchase date based on the fair value of assets and liabilities identified. There is no "step up to fair value" of net assets of previously acquired stake and the share of profits and equity movements for the previously acquired stake is recorded directly through equity.

(iv) Jointly controlled entity

Jointly controlled entities are corporations, partnerships, or other entities over which there is contractually agreed sharing of control by the Group with one or more parties where the strategic financial and operating decisions relating to the entities require unanimous consent of the parties sharing control.

The Group's interest in a jointly controlled entity is accounted for in the consolidated financial statements using the equity method of accounting. Equity accounting involves recognising the Group's share of the post-acquisition results of a jointly controlled entity in profit or loss and its share of post-acquisition movements of reserves in other comprehensive income. The cumulative post-acquisition movements are adjusted against the cost of the investment and include goodwill on acquisition (net of accumulated impairment).

Unrealised gains on transactions between the Group and its jointly controlled entity is eliminated to the extent of the Group's interest in the jointly controlled entity; unrealised losses are also eliminated unless the transaction provides evidence on impairment of the assets transferred.

The Group recognises the portion of gains or losses on the sale of assets by the Group to the joint venture that is attributable to the other venturers. The Group does not recognise its share of profits or losses from the joint venture that result from the purchase of assets by the Group from the joint venture until it resells the assets to an independent party. However, a loss on the transaction is recognised immediately if the loss provides evidence of a reduction in the net realisable value of current assets or an impairment.

Where necessary, adjustments are made to the financial statements of jointly controlled entities to ensure consistency of accounting policies with the Group.

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

(v) Investments in subsidiaries, jointly controlled entity and associates

In the Company's separate financial statements, investments in subsidiaries, jointly controlled entity and associates are carried at cost less accumulated impairment losses. On disposal of investments in subsidiaries, joint ventures and associates, the difference between disposal proceeds and the carrying amounts of the investments are recognised in profit or loss.

(c) Changes in ownership interests

When the Group ceases to have control, joint control or significant influence over an entity, the carrying amount of the investment at the date control, joint control or significant influence ceases becomes its cost on initial measurement as a financial asset in accordance with FRS 139 "Financial Instruments: Recognition and Measurement". 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.

Change in accounting policy

The Group has changed its accounting policy prospectively for transactions occurring on or after 1 July 2010 with minority interests and transactions involving the loss of control, joint control or significant influence when it early adopted the revised FRS 127 "Consolidated and Separate Financial Statements". The revisions made to FRS 127 contained consequential amendments to FRS 128 "Investments in Associates" and FRS 131 "Interests in Joint Ventures".

(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 value, based on periodic valuation by external valuers, less subsequent depreciation and impairment losses, at least once in every 5 years or when the fair value of the revalued assets differ materially from its carrying value. 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. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Refer accounting policy Note 2(r) on borrowings and borrowing costs.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of the replaced part is derecognised. All other repairs and maintenance are recognised as expenses in 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 profit or loss.

Gains and losses on disposals are determined by comparing proceeds with carrying amounts and are included in 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 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(h) on impairment of non-financial assets.

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

(d) Property, plant and equipment (continued)

(ii) Depreciation

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

Leasehold land (leasehold period)	99 years
Buildings	20 – 50 years
Plant, machinery and electrical installation	10 – 40 years
Power plant	25 years
Motor vehicles, furniture, fittings and equipment	5 – 10 years

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

(e) Investment properties

Investment properties are held for long-term rental yields or for capital appreciation or both, and are not occupied by the Group. Investment properties are measured initially at its cost, including related transaction costs and borrowing costs if the investment property meets the definition of qualifying asset.

After initial recognition, investment properties are carried at fair value. Fair value is based on active market prices, adjusted, if necessary, for any difference in the nature, location or condition of the specific asset. If this information is not available, the Group uses alternative valuation methods, such as recent prices on less active markets or discounted cash flow projections. Valuations are performed as of the reporting date by professional valuers who hold recognised and relevant professional qualifications and have recent experience in the location and category of the investment property being valued.

The fair value of investment property does not reflect future capital expenditure that will improve or enhance the property and does not reflect the related future benefits from this future expenditure other than those a rational market participant would take into account when determining the value of the property.

Subsequent expenditure is capitalised to the asset's carrying amount only when it is probable that future economic benefits associated with the expenditure will flow to the Group and the cost of the item can be measured reliably. All other repairs and maintenance costs are charged to profit or loss when incurred. When part of an investment property is replaced, the carrying amount of the replaced part is derecognised.

Changes in fair values are recognised in profit or loss. Investment properties are derecognised either when they have been disposed of or when the investment property is permanently withdrawn from use and no future economic benefit is expected from its disposal.

Where the Group disposes of a property at fair value in an arm's length transaction, the carrying value immediately prior to the sale is adjusted to the transaction price, and the adjustment is recorded in profit or loss as a net gain/loss from fair value adjustment on investment property.

If an investment property becomes owner-occupied, it is reclassified as property, plant and equipment. Its fair value at the date of reclassification becomes its cost for subsequent accounting purposes.

If an item of owner-occupied property becomes an investment property because its use has changed, any difference resulting between the carrying amount and the fair value of such a property at the date of transfer is treated in the same way as a revaluation under FRS 116 "Property, Plant and Equipment". Any resulting increase in the carrying amount of the property is recognised in profit or loss to the extent that it reverses a previous impairment loss, with any remaining increase credited directly to other comprehensive income in asset revaluation reserve. Any resulting decrease in the carrying amount of the property is initially charged in other comprehensive income against any previously recognised revaluation surplus, with any remaining decrease charged to profit or loss.

(f) Non-current assets held-for-sale

Non-current assets (or disposal groups) are classified as assets held-for-sale when their carrying amount is to be recovered principally through a sale transaction and a sale is considered highly probable. They are stated at the lower of carrying amount and fair value less costs to sell.

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

(g) 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 as 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 finance balance outstanding. The corresponding rental obligations, net of finance charges, are included in other long-term payables. The interest element of the finance charge is charged to 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 is depreciated over the shorter of the estimated useful life of the asset or 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 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 profit or loss on a straight-line basis over the lease period.

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

Change in accounting policy

Following the adoption of the improvement to FRS 117 "Leases", leasehold land in which the Group has substantially all the risks and rewards incidental to ownership has been reclassified retrospectively from operating lease to finance lease. Previously, leasehold land was classified as an operating lease unless title is expected to pass to the lessee at the end of the lease term. The impact of this change in accounting policy is disclosed in Note 37 to the financial statements.

(h) 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 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 profit or loss unless it reverses an impairment loss on a revalued asset in which case, it is taken to asset revaluation reserve.

(i) Intangible assets

Intangible assets of the Group comprise the license rights to operate a power plant, the license rights to use power transmission line under a power purchase agreement and the license rights to use gas interconnecting pipeline under a gas supply agreement. These license rights have a finite useful life and are stated at cost less accumulated amortisation. Amortisation is calculated using straight line method over the estimated useful lives of 25 years and amortisation commences once the power plant is commissioned.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Financial instruments

(i) Description

A financial instrument is any contract that gives rise to both a financial asset of one enterprise and a financial liability or equity instrument of another enterprise.

A financial asset is any asset that is cash, a contractual right to receive cash or another financial asset from another enterprise, a contractual right to exchange financial instruments with another enterprise under conditions that are potentially favourable, or an equity instrument of another enterprise.

A financial liability is any liability that is a contractual obligation to deliver cash or another financial asset to another enterprise, or to exchange financial instruments with another enterprise under conditions that are potentially unfavourable.

(ii) Financial assets and liabilities recognised on the statement of financial position

The particular recognition method adopted for financial instruments recognised on the statement of financial position is disclosed in the individual accounting policy notes associated with each item.

(iii) Fair value estimation

The face values of financial assets (less any estimated credit adjustments) and financial liabilities with a maturity period of less than one year are assumed to approximate their fair values.

The fair values for financial assets and financial liabilities with a maturity of more than one year are estimated using a variety of methods, including estimated discounted value of future cash flows, quoted market prices or dealer quotes, and assumptions that are based on market conditions existing at each reporting date.

(k) Financial assets

<u>Classification</u>

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 and re-evaluates this at each reporting date.

(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 as 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; or
- Its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

(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 comprise 'trade and other receivables' and 'cash and bank balances' in the statement of financial position (Note 23 and Note 26).

(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 of the investment within 12 months of the end of the reporting period.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial assets (continued)

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 are initially recognised at fair value, and transaction costs are expensed in profit or loss.

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 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 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 profit or loss. Dividend income on available-for-sale equity instruments is recognised in 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.

The criteria that the Group uses to determine that there is objective evidence of an impairment loss include:

- Significant financial difficulty of the issuer or obligor;
- A breach of contract, such as a default or delinquency in interest or principal payments;
- The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting to the borrower a concession that the lender would not otherwise consider;
- It becomes probable that the borrower will enter bankruptcy or other financial reorganisation;
- Disappearance of an active market for that financial asset because of financial difficulties; or
- Observable data indicating that there is a measurable decrease in the estimated future cash flows from a portfolio of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the portfolio, including:
  - adverse changes in the payment status of borrowers in the portfolio; and
  - national or local economic conditions that correlate with defaults on the assets in the portfolio.

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 carrying amount of the asset is reduced and the amount of the loss is recognised in profit or loss. If 'loans and receivables' or 'held-to-maturity investment' 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial assets (continued)

Subsequent measurement - impairment of financial assets (continued)

(i) Assets carried at amortised cost (continued)

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 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 period 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 financial assets, 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 profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

Derecognition

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.

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to profit or loss.

Offsetting financial instruments

Financial assets and liabilities are offset and the net amount is presented in the statement 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.

(l) Derivative financial instruments

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.

Derivative financial instruments 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 accounting policy set out in Note 2(k) on financial assets.

(m) 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 capacities).

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

(n) Cash and cash equivalents

Cash and cash equivalents consist 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, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities at the reporting date.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(o) Trade receivables

Trade receivables are amount due from customers for merchandise sold or services performed in the ordinary course of business. If the collection is expected in one year or less, they are classified as current assets. If not, they are presented as non-current assets. Trade receivables are classified as loan and receivables as disclosed in Note 38 to the financial statements. Refer accounting policy Note 2(k) on financial assets.

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. A provision for impairment of trade receivables is established when there is objective evidence that the Group will not be able to collect all amounts due according to the original terms of the receivables. Significant financial difficulties of the debtor, probability that the debtor will enter bankruptcy or financial reorganisation, and default or delinquency in payments (more than 120 days overdue) are considered indicators that the trade receivable is impaired. The amount of the provision is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the original effective interest rate. The carrying amount of the asset is reduced through the use of an allowance account, and the amount of the loss is recognised in profit or loss within administrative and general expenses. When a trade receivable is uncollectible, it is written off against the allowance account for trade receivables. Subsequent recoveries of amounts previously written off are credited against administrative and general expenses in profit or loss.

(p) Trade payables

Trade payables are obligations to pay for goods or services that have been acquired in the ordinary course of business from suppliers.

Trade payables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Accounts payable are classified as current liabilities if payment is due within one year or less (or in the normal operating cycle of the business if longer). If not, they are presented as non-current liabilities.

(q) Assets acquired under hire purchase arrangements

The cost of property, plant and equipment acquired under hire purchase arrangements which transfer substantially all the risks and rewards of ownership to the Group are capitalised. The depreciation policy on these property, plant and equipment is similar to that of the Group. Outstanding obligations due under hire purchase arrangements after deducting finance expenses are included as liabilities in the financial statements. Finance charges on hire purchase arrangements are allocated to profit or loss over the period of the respective agreements, so as to produce a constant rate of interest on the remaining balance of the liability.

(r) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, 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 profit or loss over the period of the borrowings using the effective interest method, except for borrowing costs incurred for the construction of any qualifying assets.

Borrowing costs incurred for the construction of any qualifying assets are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

Change in accounting policy

The Group has changed its accounting policy for borrowing costs upon the adoption of FRS 123 "Borrowing Costs" on 1 July 2010. The Group has applied the new policy according to the transitional provision.

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.

The adoption of the change in accounting policy has no material impact to the Group and the Company.

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.

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

(s) Provisions

Provisions are recognised when the Group and the Company have 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 when a reliable estimate of the amount can be made.

(t) Share capital

Ordinary shares are recorded at the nominal value and proceeds in excess of the nominal value of shares issued, if any, are accounted for as share premium. Both ordinary shares and share premium are classified as equity. Incremental cost incurred directly attributable to the issue of new ordinary shares are deducted against share premium account.

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.

Interim dividends on ordinary shares are recognised as liabilities when declared before the reporting date. Proposed final dividends are accrued as liabilities only after it had been approved by the Company's shareholders.

Where 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 controlling equity holders as treasury shares until they are cancelled, reissued or disposed of. Where such shares are subsequently sold or reissued, any consideration received, net of any directly attributable incremental transaction costs and the related tax effects, is included in equity attributable to the controlling equity holders.

(u) Revenue recognition

Revenue comprises the fair value of the 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 sales taxes, 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 entity 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 measurable 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 and engineering service income

Processing and engineering service income is recognised on an accrual basis when services are rendered.

(iii) Dividend income

Dividend income is recognised when the shareholders' 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.

(v) Rental income

Rental income is recognised on a time proportion basis over the lease term, unless collectability is in doubt, in which case the recognition of such income is suspended.

(vi) Consultancy and project service income

Consultancy and project service income is recognised based on percentage of completion basis.

(vii) Revenue from power plant

Sales of electricity and steam

Revenue from sales of electricity and steam are recognised when electricity and steam are delivered or provided to the customers based on contractual terms stipulated in the agreements respectively.

(continued)

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

(u) Revenue recognition (continued)

(vii) Revenue from power plant (continued)

Deferred income under Take-or-Pay agreements

The Group has an obligation to supply minimum quantities of electricity and steam to its customers in each contractual year as set out in the power purchase agreements and steam sales agreement. When the consumption by the customers are below their minimum obligation, the customers are still required to make payment for their minimum obligation as stipulated in the respective agreements (Take-or-Pay). Payments received from customers in advance for future performance under the Take-or-Pay mechanism are only recognised as revenue when the redemption by customers occurs within the period as stipulated in the agreements or until the possibility of redemption becomes remote or expires.

(v) 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 Employee Provident Fund, which is a defined contribution plan, regulated and managed by the government. The contributions are charged to profit or loss in the financial year to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

The Group may from time to time at its sole discretion make cash contribution into a fund established under the Melewar Industrial Group Key Executive Retirement ("MIGKER") Scheme, a defined contribution plan, for the benefit of eligible employees. The amount of cash contributed depends on the performance of the individual employees and the profitability of the Group. The contributions are charged to profit or loss in the financial year to which they relate.

(w) Current and deferred income tax

The income tax expense for the financial year comprises current and deferred tax. Tax is recognised in 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 the countries where the Group's subsidiaries and associates operate and generate taxable income.

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 transaction 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 by the end of the reporting period and are expected to apply when the related deferred tax asset is realised or the deferred tax liability is settled.

Deferred tax assets (including tax benefit from reinvestment allowance) are recognised to the extent that it is probable that taxable profit 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, associates and joint ventures except where the timing of the reversal of the temporary difference can be controlled by the Group 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.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Foreign currencies

(i) Functional and presentation currency

The management has determined that the currency of the primary economic environment in which the Group operates, i.e. functional currency, to be Ringgit Malaysia. The financial statements are presented in Ringgit Malaysia, which is the Group's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates prevailing at the dates of the transactions or valuation where items are remeasured. 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 profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in profit or loss.

For translation differences on non-monetary financial assets and liabilities such as equities 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.

(iii) Group companies

The results and financial position of all the group entities (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the reporting date;
- income and expenses for each statement of comprehensive income are presented are translated at average exchange rates (unless this average is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the rate on the dates of the transactions); and
- all resulting exchange differences are recognised as a separate component of other comprehensive income.

On consolidation, exchange differences arising from the translation of the net investment in foreign operations are recognised in other comprehensive income. When a foreign operation is sold, a proportionate share of such exchange differences is reclassified to profit or loss as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign entity are treated as assets and liabilities of the foreign entity and translated at the closing rate.

(y) 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.

(z) Contingent liabilities and contingent assets

The Group does not recognise contingent assets and liabilities but discloses its existence in the financial statements.

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 or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability also arises in the extremely rare case where there is a liability that cannot be recognised because it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

A contingent asset is a possible asset that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group. The Group does not recognise a contingent asset but discloses its existence where inflows of economic benefits are probable, but not virtually certain.

(continued)

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

(aa) Financial guarantee contracts

Financial guarantee contracts are contracts that require the Group or 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.

Financial guarantee contracts are recognised as a financial liability at the time the guarantee is issued. The liability is initially measured at fair value and subsequently at the higher of the amount determined in accordance with FRS 137 "Provisions, Contingent Liabilities and Contingent Assets" and the amount initially recognised less cumulative amortisation, where appropriate.

The fair value of financial guarantees 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 obligations.

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.

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 are believed 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) 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 period. The valuers have relied on the following methodologies:

(i) Freehold land, leasehold land and properties - open market basis by reference to observable prices in an active market or recent market transactions on arm's length terms.

(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.

(b) Useful lives and residual values of power plant

The Group charges depreciation on power plant based on the useful lives and residual values of the assets. Estimating the useful lives and residual values of power plant involves significant judgement, selection of variety of methods and assumptions that are normally based on market conditions existing at the reporting date. The actual useful lives and residual values of the assets however, may be different from expected. The cost of power plant is depreciated on straight line basis over the assets estimated economic useful lives. Based on management's assessment of the power plant industry in Thailand, management applies the estimates of the useful lives of power plant as set out in Note 2(d)(ii) to the financial statements with nil residual value at the reporting date.

(c) Impairment of receivables

The Group assesses at each reporting date whether there is any objective evidence that a financial asset is impaired. To determine whether there is objective evidence of impairment, the Group considers factors such as the probability of insolvency, significant financial difficulties of the debtor and default or significant delay in payments. When there is an objective evidence of impairment, the amount of loss is measured as the difference between the receivables' carrying amount and the recoverable amount. The carrying amount of the Group's loan and receivables at reporting date is as disclosed in Note 23 to the financial statements.

Management has made critical estimates and judgements for the following impairment assessments:

(i) Amount owing by a subsidiary (Note 25)
(ii) Receivables (Note 4(c)(iii))

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(d) Income taxes

Significant judgement is required in determining the provision for income taxes. There are transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. The Group and the Company recognise liabilities for tax based on estimates of assessment of the tax liability due. When the final tax outcome is different from the amounts that were initially recorded, such differences will result in changes to the income tax and deferred tax provisions, where applicable, in the financial year in which such determination is made.

(e) Deferred tax assets

Deferred tax assets are recognised to the extent that it is probable that future taxable profit will be available against which the temporary differences can be utilised. This involves Directors' judgement and assessment of future financial performance of the particular entity, the likely timing and level of future taxable profits together with future tax planning strategies to support the basis of recognition of deferred tax assets.

(f) Impairment of assets

Value-in-use ("VIU") calculations or fair value less cost to sell ("FVCTS") for the purpose of impairment assessment, where assumptions and estimates have been used, are based on future events which Directors expect to take place and actions which management expects to take.

VIU is the net present value of the projected future cash flows derived from the asset discounted at an appropriate discount rate. The projected future cash flows are prepared based on management's knowledge of the current operating environment and expectations for the future covering a 5 year period and any period longer than 5 years is supported by an agreement. The projected future cash flows are prepared by management and approved by the Directors. While information may be available to support the assumptions on which the VIU calculations have been prepared, such information is generally future oriented and therefore uncertain and subject to changes. Accordingly, actual results may differ from the budgets.

FVCTS is the amount obtainable from the sale of an asset or cash generating unit in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Management has made critical estimates and judgements for the following impairment assessments:

(i) Plant and equipment in Melewar Steel Mills Sdn Bhd (Note 12) - FVCTS
(ii) Intangible assets and power plant (Note 18) - VIU

(g) Fair value of derivatives relating to interest rate swap and forward foreign currency exchange contract

Interest rate swap and forward foreign exchange contract are valued using valuation techniques, which include forward pricing and swap model, using present value calculations, with market observable inputs. The models incorporate various inputs including the foreign exchange spot and forward rates and interest rate curves.

The fair value of the interest rate swap is estimated to be RM11.3 million higher or lower should the interest rates used in the forward curve analysis differs by 1% from management's estimates.

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 minimise the Group's exposure to risks and/or costs associated with financing, investing and operating activities of the Group. Financial risk management is carried out through business risk reviews, monitoring by internal control systems, benchmarking the industry's best practices and adherence to the Group's financial risk management policies.

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 to ensure the Group has the ability to continue as a going concern and maximise shareholders' value. The Group is committed towards optimising its capital structure, to ensure competitive cost of capital. Implementation of optimal capital structure includes balancing between debt and equity by putting in place appropriate dividend and financing policies which influence the level of debt and equity.

(continued)

4 **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)

(a) Capital risk (continued)

The Group monitors the capital risk on the basis of a gearing ratio and shall maintain total borrowings to shareholders' fund ratio of not more than 1.25 times. The total borrowings to shareholders' fund ratio is defined as the aggregate of all interest bearing borrowings which includes finance lease and excludes project financing facility granted to a subsidiary amounting to THB5.8 billion (RM562 million) over shareholders' fund less all intangibles.

For the financial year 2011, the Group's strategy, which was unchanged from prior year, was to maintain a ratio less than 1.25 times. The gearing ratio at 30 June 2011 was at 0.53 times.

(b) Liquidity risk

Liquidity risk is the risk the Group will encounter difficulty in meeting financial obligations due to shortage of funds. The Group's and the Company's exposure in liquidity risk arise primarily from mismatches of the maturities of financial assets and liabilities. The Group's and the Company's objective is to maintain a balance between continuity and flexibility through the use of stand-by credit facilities.

The Group will continue to monitor its liquidity requirement to ensure it has sufficient cash to meet operational needs at all times so that the Group does not breach borrowing limits or covenants on its borrowing facilities.

At reporting date, a subsidiary has not complied with a loan covenant ratio set out in the loan agreements, and has obtained indulgences from two banks prior to reporting date, whilst the indulgence from a third bank was obtained subsequent to reporting date. Accordingly, the long-term borrowing from the third bank amounting to RM7.5 million was reclassified to current liability as at 30 June 2011. The banks are contractually entitled to request for immediate repayment of the outstanding loan amount in the event of non compliance. However, all the banks did not request for an early repayment from the subsidiary for not having met the said loan covenant ratio during the financial year. The subsidiary has also obtained indulgences from the banks as the subsidiary has also assessed that it may still not be able to meet the said loan covenant ratio for the financial year ending 30 June 2012. In addition, the subsidiary is in discussions with a bank to restructure its borrowings.

The Directors have reviewed the subsidiary's operating and financing cash flows requirements and are of the view that based on the cash flows projections for the twelve months ending 30 June 2012; the subsidiary has no material uncertainties and would have sufficient cash flows in the twelve months from the reporting date to meet its working capital requirements and to repay its existing borrowings based on normal terms of the borrowings.

As at 30 June 2011, the Company has acted as a corporate guarantor to a bank for banking facility granted to a subsidiary amounting to RM8,122,896 (2010: RM9,653,754). The Company does not anticipate any outflows of economic benefits arising from the guarantee.

Maturity analysis

The table below summarises the maturity profile of the Group's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Group As at 30 June 2011	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM	1 – 2 years RM	2 – 3 years RM	3 – 4 years RM	4 – 5 years RM	> 5 years RM
Non-derivative financial liabilities									
Bankers' acceptance	134,419,000	4.34% - 5.97%	135,640,381	135,640,381	-	-	-	-	-
Revolving credit	45,105,518	3.91% - 5.20%	45,358,099	45,358,099	-	-	-	-	-
Revolving term loan	3,069,726	8.00%	3,317,187	922,010	2,395,177	-	-	-	-
Hire purchase creditors	799,119	2.58% - 3.25%	867,955	322,959	217,800	184,651	110,879	31,666	-
Term loan	625,093,608	BLR + 2.00% 4.81% SIBOR + 2.50% Thai-Fixed + 2.75%	834,523,937	109,572,885	79,065,268	71,927,069	66,439,542	59,535,451	447,983,722
Payables and accruals, excluding derivatives	124,076,905		124,076,905	102,094,105	21,982,800	-	-	-	-
	932,563,876		1,143,784,464	393,910,439	103,661,045	72,111,720	66,550,421	59,567,117	447,983,722

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

Maturity analysis (continued)

The table below summarises the maturity profile of the Company's financial liabilities as at the end of the reporting period based on undiscounted contractual payments:

Company As at 30 June 2011	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Under 1 year RM
Non-derivative financial liabilities				
Bankers' acceptance	57,579,000	4.45% - 5.97%	58,167,180	58,167,180
Revolving credit	10,000,000	5.20%	10,011,397	10,011,397
Hire purchase creditors	103,644	3.25%	105,159	105,159
Payables and accruals	3,028,963		3,028,963	3,028,963
Amounts owing to subsidiaries	28,738,002		28,738,002	28,738,002
	99,449,609		100,050,701	100,050,701

(c) Credit risk

The Group's and the Company's exposure to credit risk arises primarily from trade receivables. For other financial assets (including investment securities, cash and bank balances and derivatives), the Group and the Company minimise credit risk by dealing with high credit rating counterparties. The Group and the Company trades with recognised and creditworthy customers and the exposure to credit risk is monitored on an on-going basis through periodic review of the ageing of its receivables. Credit evaluations are performed on all customers. Write-offs of uncollectible accounts have historically not been significant; however, the Group closely monitors its customers' financial strength to reduce the risk of loss.

At the reporting date, the Group has no significant concentration of credit risk other than debts totaling RM55.6 million due from 2 power off-takers which represents 42% of the Group's total trade receivables, and construction financing made to a project owner amounting to RM22.5 million. The recoverability of these balances is monitored closely by management. The Company has no significant concentration of credit risk except for amounts due from subsidiaries.

The majority of the financial assets are deposits receivable and short-term money market instruments that are not concentrated to any particular group but widely dispersed across various licensed financial institutions. The Directors are of the view that the possibility of non-performance by these financial institutions is remote on the basis of their financial strength.

Exposure to credit risk

At the reporting date, the Group's and the Company's maximum exposure to credit risk is represented by:

(i) The carrying amount of each class of financial assets presented in the statements of financial position, including deposits placed with licensed banks, cash and bank balances, trade and other receivables, related party balances and derivatives; and

(ii) A nominal amount of RM8,122,896 (2010: RM9,653,754) relating to a corporate guarantee provided by the Company to a bank on a subsidiary's bank loan.

4 **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)

(c) Credit risk (continued)

Details of the financial assets before impairment (excluding cash and bank balances) are as follows:

				Past due not impaired					
Group	**Total RM**	**Impaired RM**	**Neither past due nor impaired RM**	**< 30 days RM**	**31 – 60 days RM**	**61 – 90 days RM**	**91 – 180 days RM**	**> 181 days RM**	**Total past due not impaired RM**
At 30 June 2011									
Trade receivables	139,221,479	14,595,065	95,751,010	15,872,712	7,662,047	4,628,679	577,281	134,685	28,875,404
Other receivables	27,476,935	1,648,671	25,828,264	-	-	-	-	-	-
Advances made for purchases of raw materials	4,398,575	-	4,398,575	-	-	-	-	-	-
Deposits	453,912	-	453,912	-	-	-	-	-	-
Construction financing	22,526,008	-	22,526,008	-	-	-	-	-	-
	194,076,909	16,243,736	148,957,769	15,872,712	7,662,047	4,628,679	577,281	134,685	28,875,404
Company									
At 30 June 2011									
Trade receivables	32,291,683	429,483	26,111,817	5,536,105	195,736	18,542	-	-	5,750,383
Other receivables	353,924	-	353,924	-	-	-	-	-	-
Deposits	147,359	-	147,359	-	-	-	-	-	-
Amounts owing by subsidiaries	243,448,735	75,079,660	168,369,075	-	-	-	-	-	-
	276,241,701	75,509,143	194,982,175	5,536,105	195,736	18,542	-	-	5,750,383

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

Trade and other receivables that are neither past due nor impaired are substantially companies with a good collection track record with the Group and the Company. The Group's and the Company's trade receivables credit term ranges from 15 days to 90 days (2010: ranges from 15 days to 90 days).

Although the construction financing spans over a period of 25 years, management has reviewed the cash flow projections of the project owner and conclude that the project owner has the ability and sufficient cash flows to repay the construction financing when due.

None of the Group's and the Company's receivables that are neither past due nor impaired have been negotiated during the financial year.

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

No impairment has been made on certain amounts which are past due but not impaired as the Group is certain of the recoverability of these receivables.

No impairment has been made on amounts which are past due as more than 51% of these balances relate to sales other than capacity sales to a customer (Note18(c)). Other amounts are due mainly from customers that have been dealing with the Group for more than three years and based on past trends of these customers, although the payments are slow; it is always collectible in full with no allowance required.

(iii) Financial assets that are impaired

Trade and other receivables that are individually determined to be impaired at the reporting date relate to debtors that are in significant financial difficulties and have defaulted on payments.

Based on management's assessment, the amount owing by a subsidiary of the Company amounting to RM72.6 million is impaired as the subsidiary is anticipated not to have sufficient cash flows for repayment. The amount owing by the subsidiary relates to part of the advances made for the construction and financing of the Group's power plant.

4 **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)

(c) **Credit risk** (continued)

(iii) Financial assets that are impaired (continued)

The Group's financial assets that are impaired, relates to a customer (Note 18(c)) who is experiencing financial difficulties and is undergoing a corporate restructuring exercise. The Group has agreed with the customer to formulate a schedule of payment for the arrears once the restructuring exercise is completed by December 2011. The Group has applied a 50% probability on trade receivable from a customer pertaining to capacity sales based on management's assessment for the expected timing of receipt. Accordingly, the Group has recorded an impairment of RM7.2 million (Refer Note 7).

Details of the financial assets that are impaired and of the allowance for impairment of receivables at the reporting date are as set out below:

	Trade receivables RM	Other receivables RM	Total RM
Group			
At 30 June 2011			
At nominal amounts	14,595,065	1,648,671	16,243,736
Less: Allowance for impairment	(7,520,824)	(1,648,671)	(9,169,495)
	7,074,241	-	7,074,241
Allowance for impairment:			
At 1 July	446,584	1,620,454	2,067,038
Impairment charged for the financial year	7,236,459	28,217	7,264,676
Foreign currency translation	(162,219)	-	(162,219)
At 30 June	7,520,824	1,648,671	9,169,495

	Trade receivables RM	Amounts owing by subsidiaries RM	Total RM
Company			
At 30 June 2011			
At nominal amounts	429,483	75,079,660	75,509,143
Less: Allowance for impairment	(429,483)	(72,551,000)	(72,980,483)
	-	2,528,660	2,528,660
Allowance for impairment:			
At 1 July	429,483	-	429,483
Impairment charged for the financial year	-	72,551,000	72,551,000
At 30 June	429,483	72,551,000	72,980,483

4 **FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES** (continued)

(d) Interest rate risk

Interest rate risk is the risk that the future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

As the Group and the Company have no significant interest-bearing assets, the Group's and the Company's income and operating cash flows are substantially independent of changes in market interest rates. The Group and the Company are exposed to interest rate risk on deposits placed with financial institutions and borrowings at variable interest rates. The Group and the Company are certain that the effects of the changes in interest rate on deposits with short-term maturity of less than 4 months are limited and insignificant to the financial statements.

The Group is exposed to interest rate risk mainly arising from borrowings which are secured to finance the Group's power related project activities. Net settled derivatives comprise interest rate swaps used by the Group to manage the Group's interest rate profile.

The Group and the Company also monitor the interest rates fluctuations closely to ensure that the borrowings and deposit placements with financial institutions are maintained at favourable rates.

Details of the borrowings as follows:

2011	**Group RM**	**Company RM**
Fixed rate loans	206,343,340	67,682,644
Floating rate loans		
- hedged	562,907,920	-
- unhedged	39,235,711	-
	808,486,971	67,682,644

The Group's borrowings as at reporting date at variable rates on which are not hedged are denominated mainly in Ringgit Malaysia and United States Dollar. At the reporting date, if interest rate on borrowings for all currencies had been 1% higher, with all other variables held constant, the impact on profit after tax for the financial year is set out below:

2011	**Group RM**	**Company RM**
Impact to profit after tax		
Borrowings denominated in RM	(60,922)	-
Borrowings denominated in USD	(233,346)	-

A 1% lower of the interest rate on borrowings would have the equal but opposite effect to the amount shown above, on the basis that all other variables remain constant.

(e) Equity price risk

Equity price risk is the risk that the value of an equity instrument will fluctuate as a result of changes in market prices.

The Group has an investment in the equity of an entity which is publicly traded on the Australian Stock Exchange ("ASX").

The table below summarises the impact on profit after tax for the financial year if the equity price had increased by 5% with all other variables held constant:

2011	**Group RM**
Impact to profit after tax	
Listed in ASX	141,242

A 5% decrease of the investment's equity price would have the equal but opposite effect to the amount shown above, on the basis that all other variables remain constant.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Foreign currency exchange risk

The Group and the Company are exposed to foreign currency exchange risk as a result of transactions denominated in foreign currencies entered into by the Group and the Company.

The Group and the Company are also exposed to foreign currency exchange risk as its borrowings are denominated in United States Dollar and European Dollar, as disclosed in Note 29 to the financial statements.

The Group and the Company entered into forward foreign currency exchange contracts to limit its exposure on cash flows from repayment of borrowings.

The Group does not practice hedge accounting.

The Group's and the Company's exposures to foreign currencies in respect of its financial assets and financial liabilities are as follows:

Group **At 30 June 2011**	**SGD**	**USD**	**EUR**	**AUD**	**Total**
Functional currency - RM					
Financial assets					
Trade and other receivables	2,089,816	4,760,172	530,255	288,292	7,668,535
Financial assets at fair value through profit or loss	-	-	-	2,824,835	2,824,835
Cash and bank balances	-	8,964,788	-	-	8,964,788
	2,089,816	13,724,960	530,255	3,113,127	19,458,158
Financial liabilities					
Trade and other payables	-	(38,471,801)	(1,421,863)	-	(39,893,664)
Borrowings	-	(31,112,814)	(22,949,977)	-	(54,062,791)
	-	(69,584,615)	(24,371,840)	-	(93,956,455)
Forward foreign currency exchange contract (gross settled)	-	-	3,516,105	-	3,516,105
Net currency exposure	2,089,816	(55,859,655)	(20,325,480)	3,113,127	(70,982,192)
Functional currency - THB					
Financial asset					
Cash and bank balances	-	10,328,908	-	-	10,328,908
Financial liability					
Trade and other payables	-	(3,612,250)	(66,501)	-	(3,678,751)
Net currency exposure	-	6,716,658	(66,501)	-	6,650,157

Company **At 30 June 2011**	**SGD**	**USD**	**Total**
Functional currency - RM			
Financial asset			
Trade receivables	2,089,816	85,642	2,175,458

(continued)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Foreign currency exchange risk (continued)

The following table demonstrates the sensitivity of the Group's profit after tax to 3% strengthening of the SGD, USD, EUR and AUD respectively against the RM or THB, with all other variables in particular interest rates held constant.

Group 2011	**Increase/(decrease) Profit after tax**
RM against SGD	62,694
RM against USD	(1,675,790)
RM against EUR	(609,764)
RM against AUD	93,394
THB against USD	201,500
THB against EUR	(1,995)

Company 2011	**Increase/(decrease) Profit after tax**
RM against SGD	62,694
RM against USD	2,569

A 3% weakening of the above currencies against the RM or THB would have the equal but opposite effect to the amount shown above, on the basis that all other variables remain constant.

(g) 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 amounts due to/from group companies) except as disclosed in Note 29 and Note 23.

5 REVENUE

	Group		**Company**	
	2011 RM	**2010 RM**	**2011 RM**	**2010 RM**
Sale of goods	605,291,736	689,896,330	204,027,192	239,724,029
Sale of electricity and steam	129,936,674	-	-	-
Consultancy and project services	13,535,972	11,947,527	-	-
Processing service income	6,073,239	5,303,609	1,183,272	1,235,567
Dividend income	-	-	76,876,044	-
	754,837,621	707,147,466	282,086,508	240,959,596

6 OTHER OPERATING INCOME

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Net (loss)/gain on disposal:				
- property, plant and equipment	(164,032)	269,145	16,039	238,690
- investment property	-	1,738,368	-	1,738,368
- non-current asset held-for-sale	1,842,877	-	-	-
- financial assets at fair value through profit or loss	7,773,693	798,932	-	-
Rental income	-	105,000	3,924,000	4,009,000
Net realised foreign exchange gain	15,210	8,943,117	107,517	89,349
Net unrealised foreign exchange (loss)/gain	(1,843,047)	(1,583,214)	163,579	(64,250)
Management fees	-	-	600,000	600,000
Marketing fees	-	-	1,887,540	2,203,380
Fair value gain on investment properties (Note 13)	-	-	3,800,000	6,038,265
Others	4,343,476	1,269,111	-	35,001
	11,968,177	11,540,459	10,498,675	14,887,803

7 PROFIT FROM OPERATIONS

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
The following expenses have been charged in arriving at profit from operations:				
Auditors' remuneration:				
- current financial year	301,975	445,450	50,000	85,280
- under accrual in prior years	-	17,388	42,176	1,100
Property, plant and equipment (Note 12):				
- depreciation	33,512,497	17,618,402	416,826	446,930
- loss on disposal	230,050	77,732	-	-
- write-offs	43,261	126,628	-	-
- impairment losses	890,224	10,584,367	-	-
Amortisation of intangible assets (Note 18)	1,584,114	-	-	-
Staff costs	22,465,419	23,019,855	1,994,306	2,337,851
Rental of building	577,828	670,576	276,612	289,632
Realised foreign exchange loss	1,248,718	144,742	-	-
Unrealised foreign exchange loss	2,017,352	2,284,099	-	64,250
Impairment losses:				
- subsidiary (Note 15)	-	-	8,293,267	12,687,000
- associates	-	3,940,993	-	-
- available-for-sale financial assets (Note 20)	635,208	1,233,854	317,604	616,927
- trade receivables	7,236,459	-	-	-
- other receivables	28,217	585,024	-	-
- amount owing by a subsidiary (Note 25)	-	-	72,551,000	-
- amount owing by an associate	-	248,301	-	-
Inventories written off	-	2,387	-	-

7 PROFIT FROM OPERATIONS (continued)

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
The following income have been credited in arriving at profit from operations:				
Gain on disposal of:				
- property, plant and equipment	(66,018)	(346,877)	(16,039)	(238,690)
- investment property	-	(1,738,368)	-	(1,738,368)
- non-current asset held-for-sale	(1,842,877)	-	-	-
- financial asset at fair value through profit or loss	(7,773,693)	(798,932)	-	-
Rental income:				
- investment properties	-	(75,000)	(3,924,000)	(3,999,000)
- others	-	(30,000)	-	(10,000)
Realised foreign exchange gain	(1,263,928)	(9,087,859)	(107,517)	(89,349)
Unrealised foreign exchange gain	(174,305)	(700,885)	(163,579)	-
Write back of provision for legal fees	-	(5,005,514)	-	-
Fair value gain on investment properties (Note 13)	-	-	(3,800,000)	(6,038,265)
Gross dividend income:				
- subsidiary	-	-	(73,463,377)	-
- investment quoted in Malaysia	-	-	(3,412,667)	-

Staff costs of the Group and of the Company include contributions to Employee Provident Fund of RM2,353,303 (2010: RM2,313,294) and RM209,236 (2010: RM274,355) respectively.

Direct operating expenses arising from investment properties that generate rental income are nil (2010: RM9,927) for the Group and RM602,488 (2010: RM614,255) for the Company.

(continued)

8 FINANCE INCOME AND COSTS

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Finance income:				
Interest on deposits with financial institutions	(666,925)	(344,195)	(275,312)	(98,134)
Gain on a restructured liability (Note 28)	(2,013,050)	-	-	-
Net foreign exchange loss:				
- realised	4,366,233	-	-	-
- unrealised	147,354	6,470,396	-	-
Total finance income	1,833,612	6,126,201	(275,312)	(98,134)
Finance costs:				
Interest on borrowings	37,828,101	35,207,664	1,312,646	1,407,686
Interest on hire purchase	39,438	33,683	13,940	31,052
Interest on others	476,005	47,707	-	-
	38,343,544	35,289,054	1,326,586	1,438,738
Less: Interest waived[1]	(287,249)	-	-	-
Less: Interest capitalised into plant and equipment (Note 12)	(11,499,640)	(16,619,040)	-	-
Interest expense	26,556,655	18,670,014	1,326,586	1,438,738
Amortisation of deferred financing fees	1,087,429	-	-	-
Fair value gain on derivatives:				
- interest rate swap	(610,864)	-	-	-
- forward foreign currency exchange contract	(286,878)	-	-	-
Net foreign exchange gain:				
- realised	(2,251,792)	(916,490)	-	-
- unrealised	(1,597,817)	(14,458,373)	-	-
Total finance costs	22,896,733	3,295,151	1,326,586	1,438,738
Net finance costs	24,730,345	9,421,352	1,051,274	1,340,604

[1] Interest on borrowings amounting to RM287,249 was waived by a lender during the financial year on good faith in anticipation of further borrowings required by the Group (Note 36(c)).

9 DIRECTORS' REMUNERATION

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

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Non-executive Directors:				
- fees	747,269	628,672	223,200	165,024
- allowances	128,532	92,516	78,032	58,516
Executive Directors:				
- salaries and bonuses	4,359,448	3,828,349	2,595,345	1,958,944
- estimated monetary value of benefits-in-kind	94,604	120,855	84,859	80,494
- defined contribution plan	552,189	504,010	372,781	289,045
	5,882,042	5,174,402	3,354,217	2,552,023

Numbers of Directors of the Company whose total remuneration during the financial year fall within the following bands are as follows:

	Number of Directors	
	2011	2010
Executive Directors:		
RM200,000 – RM250,000	-	1
RM550,000 – RM600,000	-	1
RM600,000 – RM650,000	1	-
RM650,000 – RM700,000	1	-
RM900,000 – RM950,000	-	1
RM1,000,000 – RM1,050,000	1	-
RM1,150,000 – RM1,200,000	-	1
RM1,300,000 – RM1,350,000	1	-
Non-executive Directors:		
Less than RM50,000	3	6
RM50,001 – RM100,000	3	1

10 TAX EXPENSE

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Current tax:				
- Malaysian income tax	2,408,824	5,057,915	1,929,585	4,714,293
- foreign tax	-	11,006,687	-	-
- (over)/under accrual in prior years	(469,141)	388,821	(438,312)	102,354
Deferred taxation (Note 19)	(295,463)	(3,846,931)	1,020,763	1,612,900
Tax expense	1,644,220	12,606,492	2,512,036	6,429,547

10 TAX EXPENSE (continued)

The explanation of the relationship between tax expense and profit before tax is as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Numerical reconciliation between tax expense and the product of accounting profit multiplied by the Malaysian tax rate				
Profit before tax	4,910,127	91,622,228	6,477,820	11,997,057
Tax calculated at the Malaysian tax rate of 25% (2010: 25%)	1,227,532	22,905,557	1,619,455	2,999,264
Tax effects of:				
- share of results of associates	-	(486,950)	-	-
- expenses not deductible for tax purposes	1,557,620	10,529,916	20,607,129	3,822,194
- income not subject to tax	(6,944,279)	(20,502,839)	(19,276,236)	(494,265)
- tax incentive obtained for double deduction	(83,425)	(63,550)	-	-
- reinvestment allowance tax credit	-	(218,729)	-	-
- business losses not allowed for offset against future income	6,221,175	-	-	-
- current year losses not recognised	128,289	43,250	-	-
- deferred tax assets not recognised	6,449	11,016	-	-
(Over)/under accrual in prior years	(469,141)	388,821	(438,312)	102,354
Tax expense	1,644,220	12,606,492	2,512,036	6,429,547

Under the single-tier tax system which came into effect from the year of assessment 2008, companies are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Dividends paid under this system are tax exempt in the hands of shareholders.

Companies with Section 108 credits as at 31 December 2007 may continue to pay franked dividends until the Section 108 credits are exhausted or 31 December 2013, whichever is earlier unless they opt to disregard the Section 108 credits to pay single-tier dividends under the special transitional provisions of the Finance Act, 2007. As at 30 June 2011, subject to agreement with the tax authorities, the Company has Section 108 credits and tax exempt income of RM39,180,351 and RM22,721,413 respectively. Hence, the Company has sufficient Section 108 credits and tax exempt income to pay in full all of its retained earnings as franked and exempt dividends respectively.

(continued)

11 EARNINGS PER SHARE

(a) Basic earnings per share

	Group 2011 RM	Group 2010 RM
Profit attributable to equity holders of the Company	5,924,960	67,629,062
Number of ordinary shares in issue at beginning of financial year after deducting treasury shares	225,522,808	225,512,411
Effect of exercise of warrants	-	933
Weighted average number of ordinary shares	225,522,808	225,513,344
Basic earnings per share (sen)	2.63	29.99

(b) Diluted earnings per share

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

(continued)

12 PROPERTY, PLANT AND EQUIPMENT

Group	Freehold land RM	Leasehold land RM	Buildings RM	Plant, machinery and electrical installation RM	Power plant RM	Motor vehicles, furniture, fittings and equipment RM	Capital work-in-progress RM	Total RM
2011								
Cost/valuation								
At 1 July 2010 as previously reported	53,653,619	-	111,244,009	304,120,823	-	11,655,761	666,296,352	1,146,970,564
Effects of adoption of Amendments to FRS 117 (Note 37)	-	36,223,373	-	-	-	-	-	36,223,373
At 1 July 2010 - as restated	53,653,619	36,223,373	111,244,009	304,120,823	-	11,655,761	666,296,352	1,183,193,937
Additions	-	-	350,373	3,338,705	-	1,418,547	84,627,903	89,735,528
Disposals	-	-	(5,984,140)	(844,945)	-	(447,280)	-	(7,276,365)
Disposal of a subsidiary (Note 15(b))	-	-	-	-	-	-	(1,895,438)	(1,895,438)
Write-offs	-	-	-	(88,244)	-	(44,299)	(13,582)	(146,125)
Reclassification of assets under work-in-progress, now completed	-	-	-	274,860	729,438,495	8,850	(729,722,205)	-
Reclassification to non-current asset held-for-sale (Note 27)	-	-	(3,065,333)	-	-	(47,062)	-	(3,112,395)
Revaluation	2,835,450	15,500,897	10,820,927	11,582,060	-	-	-	40,739,334
Elimination of accumulated depreciation on revaluation	-	(2,742,945)	(17,056,931)	(53,898,242)	-	-	-	(73,698,118)
Currency translation differences	(712,298)	-	(58,601)	-	-	(22,437)	(18,027,449)	(18,820,785)
	55,776,771	48,981,325	96,250,304	264,485,017	729,438,495	12,522,080	1,265,581	1,208,719,573
At 30 June 2011								
Cost	-	-	-	-	729,438,495	12,522,080	1,265,581	743,226,156
Valuation	55,776,771	48,981,325	96,250,304	264,485,017	-	-	-	465,493,417
	55,776,771	48,981,325	96,250,304	264,485,017	729,438,495	12,522,080	1,265,581	1,208,719,573

(continued)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land	Leasehold land	Buildings	Plant, machinery and electrical installation	Power plant	Motor vehicles, furniture, fittings and equipment	Capital work-in-progress	Total
	RM	RM	RM	RM	RM	RM	RM	RM
2011								
Accumulated depreciation								
At 1 July 2010 as previously reported	-	-	14,247,259	52,992,812	-	6,946,533	-	74,186,604
Effects of adoption of Amendments to FRS 117 (Note 37)	-	2,236,554	-	-	-	-	-	2,236,554
At 1 July 2010 - as restated	-	2,236,554	14,247,259	52,992,812	-	6,946,533	-	76,423,158
Charge for the financial year	-	506,391	3,846,798	12,438,788	15,788,058	932,462	-	33,512,497
Disposals	-	-	(618,361)	(762,520)	-	(295,639)	-	(1,676,520)
Write-offs	-	-	-	(64,541)	-	(38,323)	-	(102,864)
Reclassification to non-current asset held-for-sale (Note 27)	-	-	(324,048)	-	-	(19,806)	-	(343,854)
Elimination of accumulated depreciation on revaluation	-	(2,742,945)	(17,056,931)	(53,898,242)	-	-	-	(73,698,118)
Currency translation differences	-	-	(34,637)	-	(359,838)	(22,330)	-	(416,805)
At 30 June 2011	-	-	60,080	10,706,297	15,428,220	7,502,897	-	33,697,494
Accumulated impairment loss								
At 1 July 2010	-	-	-	10,577,517	-	6,850	24,486,230	35,070,597
Charge for the financial year (Note 7)	-	-	890,224	-	-	-	-	890,224
Reclassification of assets under work-in-progress, now completed	-	-	-	-	22,590,792	-	(22,590,792)	-
Disposal of a subsidiary (Note 15(b))	-	-	-	-	-	-	(1,895,438)	(1,895,438)
At 30 June 2011	-	-	890,224	10,577,517	22,590,792	6,850	-	34,065,383
Net book value at 30 June 2011								
Cost	-	-	-	-	691,419,483	5,012,333	1,265,581	697,697,397
Valuation	55,776,771	48,981,325	95,300,000	243,201,203	-	-	-	443,259,299
	55,776,771	48,981,325	95,300,000	243,201,203	691,419,483	5,012,333	1,265,581	1,140,956,696

(continued)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land RM	Leasehold land RM	Buildings RM	Plant, machinery and electrical installation RM	Motor vehicles, furniture, fittings and equipment RM	Capital work-in-progress RM	Total RM
2010							
Cost/valuation							
At 1 July 2009 as previously reported	53,808,712	-	111,107,448	301,237,326	12,771,342	217,507,403	696,432,231
Effects of adoption of Amendments to FRS 117 (Note 37)	-	36,220,000	-	-	-	-	36,220,000
At 1 July 2009 - as restated	53,808,712	36,220,000	111,107,448	301,237,326	12,771,342	217,507,403	732,652,231
Additions	-	-	-	4,243,675	1,181,957	450,353,776	455,779,408
Disposals	-	-	-	(1,801,654)	(2,259,794)	-	(4,061,448)
Write-offs	-	-	-	(43,754)	(31,860)	(88,774)	(164,388)
Reclassification of assets under work-in-progress, now completed	-	-	-	284,237	-	(284,237)	-
Revaluation	-	3,373	149,320	200,993	-	-	353,686
Currency translation differences	(155,093)	-	(12,759)	-	(5,884)	(1,191,816)	(1,365,552)
	53,653,619	36,223,373	111,244,009	304,120,823	11,655,761	666,296,352	1,183,193,937
At 30 June 2010							
Cost	-	-	-	25,120,594	11,655,761	666,296,352	703,072,707
Valuation	53,653,619	36,223,373	111,244,009	279,000,229	-	-	480,121,230
	53,653,619	36,223,373	111,244,009	304,120,823	11,655,761	666,296,352	1,183,193,937

(continued)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land RM	Leasehold land RM	Buildings RM	Plant, machinery and electrical installation RM	Motor vehicles, furniture, fittings and equipment RM	Capital work-in-progress RM	Total RM
2010							
Accumulated depreciation							
At 1 July 2009 as previously reported	-	-	10,696,152	42,059,258	7,898,457	-	60,653,867
Effects of adoption of Amendments to FRS 117 (Note 37)	-	1,730,163	-	-	-	-	1,730,163
At 1 July 2009 - as restated	-	1,730,163	10,696,152	42,059,258	7,898,457	-	62,384,030
Charge for the financial year	-	506,391	3,555,267	12,632,885	923,859	-	17,618,402
Disposals	-	-	-	(1,667,411)	(1,864,245)	-	(3,531,656)
Write-offs	-	-	-	(31,920)	(5,840)	-	(37,760)
Currency translation differences	-	-	(4,160)	-	(5,698)	-	(9,858)
At 30 June 2010	-	2,236,554	14,247,259	52,992,812	6,946,533	-	76,423,158
Accumulated impairment loss							
At 1 July 2009	-	-	-	-	-	24,486,230	24,486,230
Charge for the financial year (Note 7)	-	-	-	10,577,517	6,850	-	10,584,367
At 30 June 2010	-	-	-	10,577,517	6,850	24,486,230	35,070,597
Net book value at 30 June 2010							
Cost	-	-	-	11,511,730	4,702,378	641,810,122	658,024,230
Valuation	53,653,619	33,986,819	96,996,750	229,038,764	-	-	413,675,952
	53,653,619	33,986,819	96,996,750	240,550,494	4,702,378	641,810,122	1,071,700,182

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Freehold land RM	Plant, machinery and electrical installation RM	Motor vehicles, furniture, fittings and equipment RM	Total RM
2011				
Cost/valuation				
At 1 July 2010	111,322	1,463,020	4,646,964	6,221,306
Additions	-	-	4,435	4,435
Disposals	-	-	(345,922)	(345,922)
Write-off	-	-	(234)	(234)
Revaluation	-	148,097	-	148,097
Elimination of accumulated depreciation on revaluation	-	(357,117)	-	(357,117)
	111,322	1,254,000	4,305,243	5,670,565
At 30 June 2011				
Cost	-	-	4,305,243	4,305,243
Valuation	111,322	1,254,000	-	1,365,322
	111,322	1,254,000	4,305,243	5,670,565
Accumulated depreciation				
At 1 July 2010	-	291,127	2,434,553	2,725,680
Charge for the financial year	-	65,990	350,836	416,826
Disposals	-	-	(266,321)	(266,321)
Write-off	-	-	(234)	(234)
Elimination of accumulated depreciation on revaluation	-	(357,117)	-	(357,117)
At 30 June 2011	-	-	2,518,834	2,518,834
Net book value at 30 June 2011				
Cost	-	-	1,786,409	1,786,409
Valuation	111,322	1,254,000	-	1,365,322
	111,322	1,254,000	1,786,409	3,151,731

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Freehold land RM	Plant, machinery and electrical installation RM	Motor vehicles, furniture, fittings and equipment RM	Total RM
2010				
Cost/valuation				
At 1 July 2009	111,322	1,534,506	5,691,675	7,337,503
Additions	-	-	267,141	267,141
Transfer of asset from a subsidiary	-	-	228,100	228,100
Disposals	-	(71,486)	(1,539,952)	(1,611,438)
	111,322	1,463,020	4,646,964	6,221,306
At 30 June 2010				
Cost	-	-	4,646,964	4,646,964
Valuation	111,322	1,463,020	-	1,574,342
	111,322	1,463,020	4,646,964	6,221,306
Accumulated depreciation				
At 1 July 2009	-	245,490	3,543,848	3,789,338
Charge for the financial year	-	66,984	379,946	446,930
Disposals	-	(21,347)	(1,489,241)	(1,510,588)
At 30 June 2010	-	291,127	2,434,553	2,725,680
Net book value at 30 June 2010				
Cost	-	-	2,212,411	2,212,411
Valuation	111,322	1,171,893	-	1,283,215
	111,322	1,171,893	2,212,411	3,495,626

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Valuation of property, plant and equipment

On certain land and buildings, plant, machinery and electrical installation were revalued in June 2011 by independent firm of professional valuers, C H Williams Talhar & Wong Sdn Bhd and Advanced Appraisal Co. Ltd., based on an open market value basis. The revaluation surplus amounting to RM40,739,334 was credited directly to asset revaluation reserve account and its related deferred taxation arising from the revaluation was provided accordingly (Note 19).

Other land and buildings, plant, machinery and electrical installation were revalued in the prior year by an independent firm of professional valuers, Azmi & Co based on an open market value basis. An updated revaluation was carried out on these assets by the said valuer in June 2011 and the carrying amounts do not differ materially from its fair values as at 30 June 2011.

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 cost less accumulated depreciation are as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Freehold land	14,189,742	14,189,742	-	-
Leasehold land	3,652,411	3,753,372	-	-
Buildings	58,835,219	47,814,101	-	-
Plant, machinery and electrical installation	179,573,820	58,280,056	98,951	158,813
	256,251,192	124,037,271	98,951	158,813

Assets acquired under hire purchase arrangements

During the financial year, certain motor vehicles in the Group amounting to RM617,421 were acquired by means of hire purchase. As at 30 June 2011, the net book value of the motor vehicles under hire purchase arrangements in the Group and the Company is RM861,214 (2010: RM936,601) and RM614,440 (2010: RM697,286) respectively.

Capitalisation of borrowing costs

Capital work-in-progress during the financial year includes interest capitalised on borrowings amounting to RM11,499,640 (2010: RM16,619,040) (Note 8). Capital work-in-progress amounting to RM706,847,703 was reclassified to power plant during the financial year following the completion of its construction.

Assets pledged as securities

Land, buildings, plant, machinery, electrical installation of subsidiaries and power plant of a subsidiary with a net book value of RM1,021,166,157 (2010: RM966,163,543) are pledged as securities for certain banking facilities granted to the Group. Refer Note 29 and Note 36(c) to the financial statements for further details.

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Disposal of properties

On 17 June 2011, the Group entered into a sale and purchase agreement to dispose a leasehold apartment with furniture and fittings in London. The net book value of the leasehold apartment with furniture and fittings amounting to RM2.8 million is reclassified to non-current asset held-for-sale (Note 27) as certain condition precedent set out in the agreement has yet to be completed as at 30 June 2011.

Impairment of plant, equipment and power plant

(i) Plant and equipment in a subsidiary, Melewar Steel Mills Sdn Bhd ("MSM")

The market value of the plant and equipment in MSM is deemed to be its recoverable amount. VIU is not applicable as MSM has temporarily suspended its production. Market value refers to the selling price less the direct incremental costs to dispose the asset. Accordingly, the recoverable amount of the plant and equipment in MSM is assessed based on fair value less cost to sell. The carrying amount of the plant and machinery at reporting date is RM11,427,230 (2010: RM12,190,700).

The fair value less cost to sell is determined via the following valuation method:

- As the assets are not traded in an active market, management has obtained recent sales transactions of similar assets in the same industry outside Malaysia and adjusted as appropriate for size and geographical risks.

On this basis, no impairment loss (2010: impairment loss of RM10,584,367) is recognised during the financial year.

(ii) Power plant in a subsidiary, Siam Power Generation Public Company Ltd (Refer to Note 18)

13 INVESTMENT PROPERTIES

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
At 1 July	-	2,630,489	64,650,000	61,242,224
Fair value gain during the financial year (Note 6 and Note 7)	-	-	3,800,000	6,038,265
Disposal	-	(2,630,489)	-	(2,630,489)
At 30 June	-	-	68,450,000	64,650,000

The investment properties of the Company were revalued in June 2011 by an independent firm of professional valuers, C H Williams Talhar & Wong Sdn Bhd, based on open market value.

14 PREPAID LEASE RENTAL

	Group	
	2011 RM	2010 RM
At 1 July as previously reported	-	34,489,837
Effects of adoption of Amendments to FRS 117 (Note 37)	-	(34,489,837)
At 30 June	-	-

The Group has adopted the Amendments to FRS117 "Leases". The Group has reassessed and determined that all leasehold land are in substance finance lease and has reclassified the leasehold land to property, plant and equipment. The adoption of these amendments will result in a change in accounting policy which will be applied retrospectively in accordance with the transitional provisions of the Amendments to FRS117 "Leases".

15 SUBSIDIARIES

	Company	
	2011 RM	2010 RM
Cost		
Quoted shares	47,058,461	47,058,463
Unquoted shares	121,214,758	73,785,821
	168,273,219	120,844,284
Market value of quoted shares	57,040,288	49,239,907

The movements of investments in subsidiaries are as follows:

	Company	
	2011 RM	2010 RM
At 1 July	120,844,284	133,531,281
Add: Acquisition during the financial year	3	3
Add: Contribution to subsidiaries (Note 15(a))	55,722,206	-
	176,566,493	133,531,284
Less: Impairment losses (Note 7)	(8,293,267)	(12,687,000)
Less: Disposal (Note 15(b))	(7)	-
At 30 June	168,273,219	120,844,284

15 SUBSIDIARIES (continued)

Investment in Melewar Steel Mills Sdn Bhd ("MSM")

In prior year, MSM, a wholly-owned subsidiary had temporarily suspended its production of billets and reinforcement bars due to escalating raw material price and depressed price of finished goods. Since then, MSM has engaged solely in trading of scrap metal and steel related products. During the financial year, MSM did not resume production due to the continued weak market conditions in the steel industry.

The recoverable amount of the Company's investment in MSM is determined by the value-in-use calculation ('VIU"). An impairment loss amounting to RM8,293,267 (2010: RM12,687,000) was recognised during the financial year and as a result, the Company's investment in MSM is fully impaired as at 30 June 2011.

The VIU calculation derived by the Directors has incorporated the following assumptions which are consistently applied unless otherwise indicated:

(a) A 5-year cash flow projections that is primarily generated from trading of scrap metal.

(b) Average growth rate of 2.77% (2010: 2.66%) per annum on turnover for the first 5 years from year 2012 to year 2016.

(c) Perpetual annuity cash flow with no growth from year 2017 onwards.

(d) Pre-tax discount rate of 14.07% (2010: 9.26%) per annum.

The details of the subsidiaries are as follows:

Name	Principal activities	Group's effective interest 2011 %	2010 %
Mycron Steel Berhad ("MSB")	Investment holding and provision of management services to subsidiaries	54.8[1]	54.8[1]
Subsidiary of MSB			
Mycron Steel CRC Sdn Bhd	Manufacturing and trading of cold rolled steel sheets in coils	54.8[1]	54.8[1]
Subsidiary of MSB			
Silver Victory Sdn Bhd	Dormant	54.8[1]	54.8[1]
Melewar Steel Services Sdn Bhd	Investment holding	100.0	100.0
Melewar Steel Assets Sdn Bhd	Property investment	100.0	100.0
Melewar Steel Tube Sdn Bhd	Manufacturing of steel pipes and provision of engineering services	100.0	100.0
Melewar Steel Mills Sdn Bhd [8]	Manufacturing, distributing and trading of steel and iron products	100.0	100.0
Melewar Integrated Engineering Sdn Bhd	Provision of engineering and technical consultancy services	70.0	70.0
Melewar Steel Ventures Ltd ("MSV") (Note 15(b)) [2]	Investment holding	-	100.0
Melewar Steel Engineering Sdn Bhd	Investment holding	100.0	100.0
M-Power TT Ltd	Project management	100.0	100.0
Mperial Power Ltd	Investment holding	100.0	100.0
Siam Power Generation Public Company Ltd [3] [4]	Power generation	96.4	95.0

15 SUBSIDIARIES (continued)

The details of the subsidiaries are as follows: (continued)

Name	Principal activities	Group's effective interest 2011 %	Group's effective interest 2010 %
Melewar MycroSmelt Technology Ltd	Dormant	85.0	85.0
Melewar Metro Sdn Bhd	Dormant	100.0	100.0
Melewar Metro (Penang) Sdn Bhd	Dormant	95.0	95.0
Subsidiary of MITL/MSV (Note 15(a))			
Ausgard Quick Assembly Systems Sdn Bhd [5]	Manufacturing and supplying of quick assembly homes	100.0	100.0
Subsidiary of MITL/MSV (Note 15(a))			
Melbina Builders Ltd [6]	Marketing of quick assembly homes in overseas market	100.0	100.0
Melewar Industrial Technologies Ltd ("MITL") [7]	Investment holding	100.0	-

All subsidiaries are incorporated in Malaysia except:
- Melewar MycroSmelt Technology Ltd and Melewar Industrial Technologies Ltd, which are incorporated in the British Virgin Islands; and
- Siam Power Generation Public Company Ltd, which is incorporated in Thailand.

All subsidiaries are audited by PricewaterhouseCoopers, Malaysia except for Siam Power Generation Public Company Ltd which is audited by a member firm of PricewaterhouseCoopers International Limited.

(1) The percentage is calculated based on the total issued and paid-up capital of Mycron Steel Berhad, excluding treasury shares amounting to 1,040,300 (2010: 1,040,300).

(2) Disposed on 24 June 2011.

(3) Shares of the investment in the subsidiary amounting to RM162,209,756 (2010: RM119,664,525) are pledged pursuant to the requirement of a sponsor support agreement entered between the Group and a consortium of lenders in Thailand.

(4) Commenced operations on 29 December 2010.

(5) Remained dormant since incorporated on 5 May 2010.

(6) Remained dormant since incorporated on 29 April 2010.

(7) Incorporated on 13 December 2010.

(8) Temporarily suspended production and engaged solely in trading of scrap metal.

15 SUBSIDIARIES (continued)

Disposal of a subsidiary

(a) As part of the Group's internal rationalisation and restructuring programme, a wholly-owned subsidiary of the Company, Melewar Steel Ventures Ltd ("MSV") had, on 30 May 2011 disposed its receivables and investment in subsidiaries to Melewar Industrial Technologies Ltd, another wholly-owned subsidiary of the Company for a purchase consideration of RM9. Accordingly, the Company has recorded the above disposal of receivables and investment in subsidiaries as dividend income from MSV. Details are as follows:

	At the date of disposal RM
Purchase consideration	9
Receivables - amounts owing from fellow subsidiaries	(55,722,207)
Investment in subsidiaries	(8)
Dividend income from MSV	(55,722,206)

(b) The disposal was completed on 24 June 2011 for a consideration of RM7 and resulted in a gain of RM10,483,452. The gain on disposal is included in the statement of comprehensive income for the financial year as set out below.

	At the date of disposal RM
Interest in a jointly controlled entity	4
Trade and other receivables	2,387,178
Bank balances	1
Tax payable	(12,870,628)
Net liabilities	(10,483,445)
Proceeds from disposal	(7)
Gain on disposal to the Group	(10,483,452)
Total proceeds from disposal	7
Less: Cash and cash equivalent of subsidiary disposed off	(1)
Net cash inflows to the Group on disposal	6

16 ASSOCIATES

	Group 2011 RM	Group 2010 RM
Share of net assets of associates	-	9,147,117
Quoted shares at cost	-	54,629,401
Unquoted shares at cost	17,000,000	17,000,000
	17,000,000	71,629,401
Share of post-acquisition results and reserves	43,110	35,007,735
	17,043,110	106,637,136
Less: Accumulated impairment losses	(7,895,993)	(47,070,993)
	9,147,117	59,566,143
Less: Reclassification to non-current asset held-for-sale (Note 27)	-	(50,419,026)
Less: Impairment during the financial year (Note 23)	(9,147,117)	-
	-	9,147,117

The Group's share of revenue, profit, assets and liabilities of associates are as follows:

	Group 2011 RM	Group 2010 RM
Revenue	-	59,683,585
Profit after tax	-	1,947,799
Non-current assets	-	9,509,558
Current assets	-	1,696,371
Current liabilities	-	(1,348,749)
Non-current liabilities	-	(710,063)
Net assets	-	9,147,117

The Group had commenced a legal action to recover RM17.0 million from a vendor in financial year 2009. The amount to be recovered amounting to RM17.0 million represents the Group's equity rights in its investment in PMP Galvanizers Sdn Bhd ("PMPG"), and its rights in PMPG remained unchanged despite legal proceedings.

During the financial year, the legal proceedings were moved to the High Court of Sarawak and the case has been fixed for hearing in March 2012. The Directors are virtually certain that the Group is entitled to receive the amount claimed in accordance with the provisions of the share sale agreement and this is supported by a legal advice.

Based on the conditions set out above, the amount claimed is recognised as other receivables (Note 23) as at 30 June 2011 and the key assumptions applied are as follows:

(a) The expected recovery period is 5 years based on historical trend of court proceedings in Malaysia; and

(b) The discount rate applied is 8.71% based on the weighted average cost of borrowings of companies in similar industry.

(continued)

17 INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group	
	2011 RM	2010 RM
Unquoted shares at cost	-	4

The movement of interest in a jointly controlled entity is as follow:

	Group	
	2011 RM	2010 RM
At 1 July	4	4
Less: Disposal during the financial year	(4)	-
At 30 June	-	4

MSL Enterprise Inc ("MSL"), a company incorporated in the British Virgin Islands on 6 May 2010, is a 50:50 joint venture between Melewar Steel Ventures Ltd ("MSV"), a wholly-owned subsidiary of the Company and Ferum Ltd. MSL is in the business of trading of granite, minerals, iron ore, iron and steel products, and has yet to commence operations since its incorporation.

By virtue of the Group's interest in MSL is held through MSV, MSL is deemed disposed when the Group disposed its entire equity interest in MSV on 24 June 2011. Refer Note 15(b) to the financial statements for further details.

18 INTANGIBLE ASSETS

Group	License rights to operate power plant RM	License rights to use power transmission line and gas interconnecting pipeline RM	Total RM
2011			
Cost			
At 1 July 2010	59,638,932	27,296,017	86,934,949
Additions	-	2,451,437	2,451,437
Currency translation differences	-	(754,379)	(754,379)
At 30 June 2011	59,638,932	28,993,075	88,632,007
Accumulated amortisation			
Charge for the financial year	(1,118,577)	(465,537)	(1,584,114)
At 30 June 2011	(1,118,577)	(465,537)	(1,584,114)
Accumulated impairment losses			
At 1 July 2010/30 June 2011	(4,166,000)	-	(4,166,000)
Net book value at 30 June 2011	54,354,355	28,527,538	82,881,893
2010			
Cost			
At 1 July 2009	59,638,932	20,729,519	80,368,451
Additions	-	6,566,498	6,566,498
At 30 June 2010	59,638,932	27,296,017	86,934,949
Accumulated impairment losses			
At 1 July 2009/30 June 2010	(4,166,000)	-	(4,166,000)
Net book value at 30 June 2010	55,472,932	27,296,017	82,768,949

* The amortisation of the intangible assets commenced when the power plant is commissioned during the financial year.

(continued)

18 INTANGIBLE ASSETS (continued)

(a) License rights to operate the power plant

The future revenue of Siam Power Generation Public Company Ltd ("Siam Power"), will be substantially derived from the generation and sale of electricity and generating capacity, which is governed by the license rights to operate the power plant ("license rights") and power purchase agreements ("PPA").

The Group identified the cash flow generated from the license rights and PPA as an intangible asset. The Group notes that the license rights and PPA are recognised as a single asset, in view that both are required for the generation and sale of electricity and generating capacity.

The license rights to operate the power plant is the underlying strength of the Group's cash flow from the generation and sale of electricity and generating capacity, which provide for, inter alia, the electricity tariff, supply, operations and maintenance and all other terms to be met by the Group.

(b) License rights to use power transmission line and gas interconnecting pipeline

The license right to use a power transmission line under the PPA, and the license right to use a gas interconnecting pipeline and metering station under the gas supply agreement ("GSA") comply with the recognition criterion of an intangible asset.

(c) Recoverable amounts of intangible assets and power plant

The recoverable amounts of the intangible assets and power plant with identifiable assets and liabilities relating to the power generating business ("cash-generating unit" or "CGU") are determined by value-in-use ("VIU") calculations. The VIU was determined by discounting the future cash flows to be generated from the continuing use of the power plant, after taking into account the power plant construction cost, based on management's cash flow projections on its sale of electricity and steam for 25 years from 2011 to 2035. The cash flow projections took into consideration the current Gross Domestic Product and inflation growth rates for similar industry in Thailand. Management believes that a period greater than 5 years is used for the cash flow projections as the income derived for the extended period is supported by its PPA and Steam Sales Agreement ("SSA"), both of which has a useful life of 25 years.

In prior year, one of the two customers (the "Customer") of a subsidiary, Siam Power Generation Public Company Ltd, ("Siam Power"), with commitment to purchase 44% of Siam Power's power output, had difficulty to continue as a going concern and has undertaken a corporate restructuring exercise. During the financial year, the Customer has restructured certain debt obligations and has obtained capital injection and financial commitments from a new investor. This has been announced on the Stock Exchange of Thailand on 15 August 2011.

18 INTANGIBLE ASSETS (continued)

(c) Recoverable amounts of intangible assets and power plant (continued)

Management has applied the following key contractual items in deriving the present value of the cash flows attributable to the intangible assets and power plant:

	2011	**2010**
Useful life of PPA and SSA	25 years	25 years
Contracted capacity	160MW	160MW
Average load factor	90%	90%
Capacity rate (RM/kW/month)*	33	36
Energy generation (per month)	97,382MWh	97,382MWh
Energy price (RM/kW/hour)*	0.16	0.17
Steam sales (ton/hour)		
1 – 3 years	16	20
3 years onwards	20	20
Steam price (RM/ton)*		
1 – 3 years	36	50
3 years onwards	48	50
Additional capacity arising from steam not sold	-	5MW
Energy price for additional capacity (RM/kW hour)*	-	0.09

* denominated in Thai Baht and translated using the closing rate as at 30 June 2011/2010 respectively.

Management's judgement is involved in estimating the future cash flow of the CGU. The VIU is sensitive to, amongst others, the following key assumptions which are consistently applied unless otherwise indicated:

(i) A pre-tax discount rate of 9.30% (2010: 9.30%) per annum was applied over the period of the cash flow projections.

(ii) Energy sales to the Customer is at the minimum level of 85% of the contracted capacity of 70MW.

(iii) As the Customer's corporate restructuring exercise is on-going and is expected to turnaround by 2012, the following assumptions were made on the timing of payment by the Customer:

- 50% probability on capacity sales from July 2011 to December 2011 and the amount receivable will be paid 1 year subsequent to due date;
- energy sales from July 2011 to December 2011 will be paid 1 year subsequent to due date; and
- 50% energy and capacity sales for calendar years 2012 and 2013 will be paid 1 year subsequent to due date whilst the outstanding 50% is to be paid within agreed credit terms.

As at 30 June 2011, no impairment loss (2010:nil) was recorded during the financial year for intangible assets and power plant.

The sensitivity of the key assumptions above is set out below:

- If the discount rate increases by 1% (10.30% per annum instead of 9.30% per annum), the intangible assets will be impaired by RM4.2 million and power plant will be impaired by RM39.6 million.
- If the energy sales to the Customer reduce by 5% (80% instead of 85% of contracted capacity), there will be no impairment on the intangible assets and power plant.
- If probability for the capacity sales from July 2011 to December 2011 increases by 50% (100% instead of 50%), there will be no impairment on the intangible assets and power plant.
- If 100% of the energy sales and capacity sales to the Customer in calendar years 2012 and 2013 (instead of 50%) are paid 1 year subsequent to due date, there will be no impairment on the intangible assets and power plant.
- If 50% of the energy sales and capacity sales to the Customer in calendar year 2014 is paid 1 year subsequent to due date whilst the outstanding 50% is to be paid within agreed credit terms, there will be no impairment on the intangible assets and power plant.

(continued)

19 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	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Deferred tax assets	357,993	367,032	-	-
Deferred tax liabilities	(31,214,700)	(22,043,231)	(14,804,443)	(13,746,656)
	(30,856,707)	(21,676,199)	(14,804,443)	(13,746,656)
At 1 July	(21,676,199)	(26,182,145)	(13,746,656)	(12,767,039)
Credited/(charged) to profit or loss (Note 10):				
- property, plant and equipment	(4,344,582)	(4,108,071)	46,462	(8,887)
- investment properties	-	-	(1,067,225)	(1,604,013)
- unutilised reinvestment allowance	(68,497)	552,691	-	-
- unutilised tax losses	(795,014)	(1,848,825)	-	-
- unabsorbed capital allowances	5,513,894	(1,855,753)	-	-
- financial asset at fair value through profit or loss	-	11,006,687	-	-
- others	(10,338)	100,202	-	-
	295,463	3,846,931	(1,020,763)	(1,612,900)
Debited to asset revaluation reserve:				
- property, plant and equipment	(9,475,971)	(88,421)	(37,024)	-
	(9,475,971)	(88,421)	(37,024)	-
Credited to retained earnings:				
- property, plant and equipment	-	125,252	-	11,099
- investment property	-	622,184	-	622,184
	-	747,436	-	633,283
	(9,180,508)	4,505,946	(1,057,787)	(979,617)
At 30 June	(30,856,707)	(21,676,199)	(14,804,443)	(13,746,656)

19 DEFERRED TAX (continued)

	Group		Company	
	2011	**2010**	**2011**	**2010**
	RM	**RM**	**RM**	**RM**
Subject to income tax:				
Deferred tax assets (before offsetting):				
- property, plant and equipment	-	6,961	-	-
- unutilised reinvestment allowance	19,762,014	19,830,511	-	-
- unutilised tax losses	6,623,841	7,418,855	-	-
- unabsorbed capital allowances	20,211,447	14,697,553	-	-
- other payables and accruals	61,709	72,047	-	-
- impairment loss	405,113	405,113	-	-
	47,064,124	42,431,040	-	-
Offsetting	(46,706,131)	(42,064,008)	-	-
Deferred tax assets (after offsetting)	357,993	367,032	-	-
Deferred tax liabilities (before offsetting):				
- property, plant and equipment	(77,920,831)	(64,107,239)	(276,432)	(285,870)
- investment properties	-	-	(14,528,011)	(13,460,786)
	(77,920,831)	(64,107,239)	(14,804,443)	(13,746,656)
Offsetting	46,706,131	42,064,008	-	-
Deferred tax liabilities (after offsetting)	(31,214,700)	(22,043,231)	(14,804,443)	(13,746,656)

The amount of unutilised tax losses, unutilised reinvestment allowance and unabsorbed capital allowances (all of which have no expiry dates) for which no deferred tax assets is recognised in the statements of financial position are as follows:

	Group	
	2011	**2010**
	RM	**RM**
Tax losses	19,119,100	19,119,100
Reinvestment allowance	1,897,344	1,897,344
Capital allowances	11,662,758	14,921,339

20 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Investment in unquoted shares in Malaysia	15	635,223	-	317,604

The movements of available-for-sale financial assets are as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
At 1 July	635,223	1,869,077	317,604	934,531
Less: Impairment loss (Note 7)	(635,208)	(1,233,854)	(317,604)	(616,927)
At 30 June	15	635,223	-	317,604

Based on management's assessment, one of the Group's available-for-sale financial assets does not have the ability to continue as a going concern. Accordingly, the Group and the Company have recognised an impairment loss of RM635,208 and RM317,604 (2010: RM1,233,854 and RM616,927) respectively on the available-for-sale financial asset as at 30 June 2011.

In prior year, the recoverable amount of the available-for-sale financial asset was determined by adjusting the net assets of the company as at 30 June 2010, with full allowance made on a trade receivable and the fair value less cost to sell of a main asset.

21 DERIVATIVES

	Group	
	2011 RM	2010 RM
Non-current asset		
Interest rate swap	3,365,076	-
Current assets		
Forward foreign currency exchange contract	286,878	-
Interest rate swap	1,218,656	-
	1,505,534	-
Total	4,870,610	-

(continued)

21 DERIVATIVES (continued)

(a) Forward foreign currency exchange contract

During the financial year, the Group entered into a forward foreign currency exchange contract to manage its foreign currency exchange exposure arising from future repayment of borrowings denominated in EURO. The notional principal amount of the forward foreign currency exchange contract was EUR0.9 million (approximately RM3.5 million). The fair value of the forward foreign currency exchange contract, amounting to RM0.3 million is determined using mark-to-market rate for the same notional amount as at 30 June 2011. The method and assumptions applied in determining the fair value of the forward foreign currency exchange contract are disclosed in Note 3(g) to the financial statements.

(b) Interest rate swap

During the financial year, the Group entered into an Interest Rate Swap ("IRS") contract to manage the interest rate exposure arising from the borrowings of a subsidiary. The IRS contract covers a 2 years and 9 months period from 31 December 2010 to 30 September 2013 for a notional amount of THB5.8 billion (approximately RM562 million). As at 30 June 2011, the fair value of the IRS contract is RM4.6 million and it is presented in the financial statements based on the maturity profile of the borrowings. The method and assumptions applied in determining the fair value of the IRS are disclosed in Note 3(g) to the financial statements.

As the Group has not adopted hedge accounting, the changes in the fair value of the derivatives are recognised immediately in profit or loss.

22 INVENTORIES

	Group	
	2011	**2010**
	RM	**RM**
Raw materials	60,611,513	113,482,111
Work-in-progress	7,022,336	11,552,475
Finished goods	36,800,156	54,603,463
Spare parts and supplies	10,197,342	9,465,782
Consumables	2,642,513	2,696,166
	117,273,860	191,799,997

Inventories are stated at lower of cost and net realisable value (net of selling cost).

(continued)

23 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Non-current				
Construction financing	22,075,488	-	-	-
Other receivables (Note 16)	9,147,117	-	-	-
Others	57,167	-	-	-
	31,279,772	-	-	-
Current				
Trade receivables	139,221,479	92,778,012	32,291,683	33,897,523
Less: Accumulated impairment losses	(7,520,824)	(446,584)	(429,483)	(429,483)
	131,700,655	92,331,428	31,862,200	33,468,040
Other receivables	18,272,651	21,861,214	353,924	61,727
Less: Accumulated impairment losses	(1,648,671)	(1,620,454)	-	-
	16,623,980	20,240,760	353,924	61,727
Advances made for purchases of raw materials	4,398,575	12,459,521	-	-
Advances to third parties for power plant under construction	-	5,102,472	-	-
Construction financing	450,520	5,073,984	-	-
Deposits	453,912	430,079	147,359	152,359
Prepayments	4,375,854	4,495,493	289,821	193,193
	158,003,496	140,133,737	32,653,304	33,875,319
Total trade and other receivables	189,283,268	140,133,737	32,653,304	33,875,319

As at 30 June 2011, the construction financing amounting to RM22,526,008 (2010: RM5,073,984) relates to an amount receivable from a project owner for the construction of its cold room facility in Thailand pursuant to a project management service contract entered by the Group in 2009. The construction financing will be repaid in equal instalments for a period of 25 years with effective interest rate at reporting date of 7.00% per annum.

Included in other receivables classified as non-current asset is an amount claimed relating to a legal suit. Refer Note 16 to the financial statements for further details.

Trade and other receivables are not secured by any collateral or credit enhancements.

(continued)

23 TRADE AND OTHER RECEIVABLES (continued)

Fair value

The fair value of the construction financing with fixed interest rate receivable after 1 year is as follow:

	Group			
	2011		2010	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Construction financing	22,075,488	21,678,595	-	-

24 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

Financial asset at fair value through profit or loss comprises the following:

	Group	
	2011 RM	2010 RM
Equity securities:		
- quoted outside Malaysia	2,824,835	110,438,640

The table below illustrates the movements of financial asset at fair value through profit or loss.

	Group	
	2011 RM	2010 RM
At 1 July	110,438,640	159,674,544
Fair value (loss)/gain during the financial year	(773,845)	30,463,955
	109,664,795	190,138,499
Disposals	(106,839,960)	(79,699,859)
At 30 June	2,824,835	110,438,640

Financial asset at fair value through profit or loss is classified as current asset at reporting date as it is expected to be realised in or is intended for sale in the short term.

The financial asset at fair value through profit or loss comprises shares held in Gindalbie Metals Ltd ("Gindalbie"), a company listed on the Australian Stock Exchange and is denominated in Australian Dollar.

During the financial year, 37,939,487 ordinary shares in Gindalbie amounting to RM106,839,960 were disposed, the details are as disclosed in Note 36(a) to the financial statements. As at 30 June 2011, the Group's shareholding in Gindalbie decreased from 39,000,000 shares to 1,060,513 shares.

In prior year, Gindalbie shares amounting to RM110,438,640 were pledged as security for borrowings granted to the Group (Note 29).

(continued)

25 AMOUNT OWING BY/(TO) SUBSIDIARIES

The amount owing by/(to) subsidiaries are unsecured and interest free. Inter-companies which are trade in nature are subject to credit terms between 30 to 90 days (2010: 30 to 90 days) whilst, non-trade transactions have no fixed terms of repayment.

	Company	
	2011 RM	2010 RM
Amounts owing by subsidiaries:		
Trade	4,773	17,007
Non-trade	243,443,962	308,358,649
	243,448,735	308,375,656
Less: Impairment loss (Note 7)	(72,551,000)	-
	170,897,735	308,375,656
Amounts owing to subsidiaries:		
Trade	22,915,715	57,971,092
Non-trade	5,822,287	808,439
	28,738,002	58,779,531

As at 30 June 2011, the Company has recognised an impairment loss of RM72,551,000 (2010: nil) (Note 4(c)(iii)) on an amount owing by a subsidiary as the amount may not be recoverable based on management's assessment on the cash flows projections of the subsidiary (Note 18(c)).

If the discount rate of 9.30% applied in the cash flows projections increases by 1%, the amount owing by the subsidiary will be impaired in full with an additional impairment loss of RM2.5 million.

26 CASH AND CASH EQUIVALENTS

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Deposits with licensed financial institutions	27,703,816	250,000	8,000,000	-
Cash and bank balances	58,338,173	96,549,074	5,349,943	5,154,642
	86,041,989	96,799,074	13,349,943	5,154,642
Less: Restricted cash	(8,011,792)	(72,751,253)	(8,000,000)	-
	78,030,197	24,047,821	5,349,943	5,154,642

26 CASH AND CASH EQUIVALENTS (continued)

At the reporting date, restricted cash comprises deposit with a financial institution that is pledged as security for a banking facility granted to the Company (Note 36(c));

In prior year, restricted cash includes:

- deposit with a financial institution that is pledged as security for bank guarantee facilities granted to the Group in respect of the application and proposal to sell electricity to Electricity Government Authority of Thailand; and
- placement with a lender pursuant to the requirement of a sponsor support agreement entered into between the Group and a consortium of lenders in Thailand.

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

	Group		Company	
	2011	**2010**	**2011**	**2010**
	% per annum	**% per annum**	**% per annum**	**% per annum**
Deposits with licensed financial institutions	2.48	1.70	3.15	-
Cash at bank balances	0.34	0.05	-	-

Deposits with licensed financial institutions have an average maturity period of 102 days (2010: 33 days).

27 NON-CURRENT ASSET HELD-FOR-SALE

	Group	
	2011	**2010**
	RM	**RM**
At 1 July	50,419,026	-
Add: Reclassification from property, plant and equipment (Note 12)	2,768,541	-
Add: Reclassification from associates (Note 16)	-	50,419,026
Disposal	(50,419,026)	-
At 30 June	2,768,541	50,419,026

During the financial year, the Group has entered into a sale and purchase agreement to dispose a leasehold apartment with furniture and fittings. The disposal was subsequently completed on 1 July 2011 and resulted in a net gain on disposal of RM0.1 million.

In prior year, the non-current asset held-for-sale relates to the investment in an associate which was disposed on 3 August 2010. This non-current asset held-for-sale was pledged as collateral for certain borrowings granted to the Group in prior year. Refer to Note 29 to the financial statements.

(continued)

28 TRADE AND OTHER PAYABLES

	Group		Company	
	2011	2010	2011	2010
	RM	RM	RM	RM
Non-current				
Trade payables	306,915	-	-	-
Other payables	21,675,885	-	-	-
	21,982,800	-	-	-
Current				
Trade payables	66,595,878	80,807,023	-	9,781,012
Other payables	13,882,067	38,406,366	1,452,242	2,850,500
Accruals	18,804,329	14,624,934	759,221	504,160
Deposits received	2,811,831	2,610,709	817,500	817,500
	102,094,105	136,449,032	3,028,963	13,953,172
Total trade and other payables	124,076,905	136,449,032	3,028,963	13,953,172

Other payables classified as non-current liability amounting to RM21,675,885 relates to the balance purchase consideration due to an external party for the acquisition of equity interest in Siam Power. This amount was restructured during the financial year, and the amount is repayable in 2 payments within 18 months from the reporting date. Accordingly, the Group has recognised a gain on a restructured liability of RM2.0 million (Note 8).

(continued)

29 BORROWINGS

	Group 2011 RM	Group 2010 RM	Company 2011 RM	Company 2010 RM
Current				
Bankers' acceptance	134,419,000	158,400,000	57,579,000	59,410,000
Revolving credit	45,105,518	76,098,163	10,000,000	41,000,000
Hire purchase creditors	290,483	274,750	103,644	238,492
Term loans	67,218,199	52,259,212	-	-
Bank overdraft	-	5,736,000	-	5,736,000
	247,033,200	292,768,125	67,682,644	106,384,492
Non-current				
Hire purchase creditors	508,636	258,655	-	103,644
Term loans	560,945,135	646,521,701	-	-
	561,453,771	646,780,356	-	103,644
Total				
Bankers' acceptance	134,419,000	158,400,000	57,579,000	59,410,000
Revolving credit	45,105,518	76,098,163	10,000,000	41,000,000
Hire purchase creditors	799,119	533,405	103,644	342,136
Term loans	628,163,334	698,780,913	-	-
Bank overdraft	-	5,736,000	-	5,736,000
	808,486,971	939,548,481	67,682,644	106,488,136

29 BORROWINGS (continued)

Contractual terms of borrowings

	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	>5 years RM
Group									
At 30 June 2011									
Unsecured									
- Bankers' acceptance	4.45% - 5.97%	RM	67,819,000	67,819,000	-	-	-	-	-
- Revolving credit	5.20%	RM	10,000,000	10,000,000	-	-	-	-	-
- Revolving term loan	8.00%	RM	3,069,726	700,000	2,369,726	-	-	-	-
Secured									
- Bankers' acceptance	4.34% - 4.44%	RM	66,600,000	66,600,000	-	-	-	-	-
- Revolving credit	3.91% - 3.95%	RM	35,105,518	35,105,518	-	-	-	-	-
- Hire purchase creditors	2.58% - 3.25%	RM	799,119	290,483	197,022	173,648	107,088	30,878	-
- Term loan (1)	BLR* + 2.00%; 4.81%; SIBOR** + 2.50%	RM; RM/EUR; RM/USD	62,185,688	39,503,001	8,295,391	8,450,449	5,375,294	561,553	-
- Term loan (2)	Thai - fixed rate + 2.75%	RM/THB	562,907,920	27,015,198	43,167,163	38,426,909	38,426,909	38,426,909	377,444,832
			808,486,971	247,033,200	54,029,302	47,051,006	43,909,291	39,019,340	377,444,832
Group									
At 30 June 2010									
Unsecured									
- Bankers' acceptance	3.71% - 5.66%	RM	70,900,000	70,900,000	-	-	-	-	-
- Revolving credit	4.85% - 4.99%	RM	41,000,000	41,000,000	-	-	-	-	-
- Revolving term loan	8.00%	RM	6,369,726	-	6,369,726	-	-	-	-
- Bank overdraft	7.05%	RM	5,736,000	5,736,000	-	-	-	-	-
Secured									
- Bankers' acceptance	3.60% - 3.95%	RM	87,500,000	87,500,000	-	-	-	-	-
- Revolving credit	2.62% - 3.30%	RM	35,098,163	35,098,163	-	-	-	-	-
- Hire purchase creditors	2.72% - 3.25%	RM	533,405	274,750	142,043	40,539	42,679	33,394	-
- Term loan (1)	BLR* + 2.00%; 4.81%; SIBOR** + 2.50%	RM; RM/EUR; RM/USD	83,943,146	21,491,560	33,063,106	15,872,617	7,868,402	5,082,479	564,982
- Term loan (2)	Thai - fixed rate + 3.00%	RM/THB	573,582,105	-	39,453,483	43,790,126	40,475,336	40,475,336	409,387,824
- Term loan (3)	12.00%; 5.28%	RM/USD	34,885,936	30,767,652	4,118,284	-	-	-	-
			939,548,481	292,768,125	83,146,642	59,703,282	48,386,417	45,591,209	409,952,806

29 BORROWINGS (continued)

Contractual terms of borrowings (continued)

	2011		2010	
	Functional currency/ currency exposure	**Total carrying amount RM**	**Functional currency/ currency exposure**	**Total carrying amount RM**
Group				
Unsecured	RM	80,888,726	RM	124,005,726
Secured	RM	110,627,534	RM	132,785,322
	RM/USD	31,112,814	RM/USD	82,309,378
	RM/EUR	22,949,977	RM/EUR	26,865,950
	RM/THB	562,907,920	RM/THB	573,582,105
		808,486,971		939,548,481

Term Loan [1] is secured by a fixed charge/ debenture over the fixed charge on the plant and machinery financed by the bank (Note 12) and a debenture over the fixed and floating assets of the subsidiary.

Term Loan [2] is secured by assigning major project documents, land together with project plant and equipment to project lenders (Note 12).

Term Loan [3] is secured against the financial asset at fair value through profit or loss (Note 24) and/or non-current asset held-for-sale (Note 27) in prior year.

* BLR stands for Base Lending Rate

** SIBOR stands for Singapore Interbank Offered Rate

(continued)

29 **BORROWINGS** (continued)

Contractual terms of borrowings (continued)

Company	**Contractual interest rate at reporting date (per annum)**	**Functional currency/ currency exposure**	**Total carrying amount RM**	**Maturity profile < 1 year RM**	**Maturity profile 1 – 2 years RM**
At 30 June 2011					
Unsecured					
- Bankers' acceptance	4.45% - 5.97%	RM	57,579,000	57,579,000	-
- Revolving credit	5.20%	RM	10,000,000	10,000,000	-
Secured					
- Hire purchase creditors	3.25%	RM	103,644	103,644	-
			67,682,644	67,682,644	-
At 30 June 2010					
Unsecured					
- Bankers' acceptance	3.71% - 5.66%	RM	59,410,000	59,410,000	-
- Revolving credit	4.29% - 4.85%	RM	41,000,000	41,000,000	-
- Bank overdraft	7.05%	RM	5,736,000	5,736,000	-
Secured					
- Hire purchase creditors	3.25%	RM	342,136	238,492	103,644
			106,488,136	106,384,492	103,644

29 BORROWINGS (continued)

As at 30 June 2011, Mycron Steel CRC Sdn Bhd, a subsidiary, did not meet one of the financial covenant ratios as set out in the loan agreements. The subsidiary has obtained indulgences on the financial covenant ratio from two banks prior to the reporting date whilst the indulgence from the third bank was obtained subsequent to the reporting date. Accordingly, as at 30 June 2011, the related long-term borrowing from the third bank amounting to RM7,541,495 was reclassified to current liabilities.

Fair value

The carrying amounts of the borrowings due within 1 year and those with floating rates approximated their fair values at reporting date. The fair values of the borrowings with fixed interest rates due after 1 year are as follows:

	Group			
	2011		2010	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Revolving term loan	2,369,726	2,386,317	6,369,726	6,414,322
Term loan [1]	16,221,617	16,011,014	20,677,482	19,713,061
Hire purchase creditors	508,636	512,205	258,655	259,001

Term loan [1] is secured by a fixed charge/debenture over the fixed charge on the plant and machinery financed by the bank (Note 12).

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

	Group		Company	
	2011 % per annum	2010 % per annum	2011 % per annum	2010 % per annum
Bankers' acceptance	4.85	4.77	5.36	5.00
Revolving credit	4.21	4.01	5.20	4.43
Hire purchase creditors	2.75	3.06	3.25	3.25
Term loans	4.92	3.77	-	-
Bank overdraft	-	7.05	-	7.05

The hire purchase creditors at the reporting date are due as follows:

	Group		Company	
	2011 RM	2010 RM	2011 RM	2010 RM
Not later than 1 year	322,959	297,876	105,159	252,432
Later than 1 year and not later than 2 years	217,800	150,603	-	105,159
Later than 2 years	327,195	124,950	-	-
	867,954	573,429	105,159	357,591
Less: Future finance charge	(68,835)	(40,024)	(1,515)	(15,455)
Present value	799,119	533,405	103,644	342,136

(continued)

30 SHARE CAPITAL

	Group/Company			
	2011		2010	
	Number of shares	Nominal value RM	Number of shares	Nominal value RM
Authorised				
Ordinary shares of RM1 each				
At 1 July/30 June	500,000,000	500,000,000	500,000,000	500,000,000
Issued and fully paid				
Ordinary shares of RM1 each				
At 1 July	226,755,408	226,755,408	226,745,011	226,745,011
Exercise of warrants	-	-	10,397	10,397
At 30 June	226,755,408	226,755,408	226,755,408	226,755,408

Treasury shares

The shareholders of the Company, by an ordinary resolution passed in an Annual General Meeting held on 30 November 2010, approved to renew the authorisation to enable the Company to repurchase its own shares. The Directors of the Company are committed to enhance the value of the Company for the benefit of its shareholders and believe that the proposed share-buy back can be applied in the best interests of the Company and its shareholders.

At the reporting date, the number of outstanding shares in issue after setting off the treasury shares against equity is 225,522,808 (2010: 225,522,808).

31 DIVIDENDS

Dividends on ordinary shares paid by the Company during the financial year are as set out below:

	2011 RM	2010 RM
In respect of the financial year ended 30 June 2010:		
- Final gross dividend of 2 sen per share, less income tax of 25%, paid on 30 December 2010	3,382,832	-

The Directors do not recommend the payment of final dividend for the financial year ended 30 June 2011.

(continued)

32 SIGNIFICANT RELATED PARTY TRANSACTIONS

In addition to related party disclosures mentioned elsewhere in the financial statements, set out below are other significant related party transactions.

The Group has a controlling related party relationship with its subsidiaries.

The Directors of the Company, Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah, Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah and Datin Ezurin Yusnita binti Abdul Malik have or deemed to have financial interests in the following companies and thus they are deemed to be the related parties of the Group:

- Trace Management Services Sdn Bhd
- Mitra Malaysia Sdn Bhd
- Malaysian Assurance Alliance Berhad
- Wira Security Services Sdn Bhd
- Maybach Logistics Sdn Bhd

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. The key management personnel of the Company include all the Directors of the Company.

Transactions with related parties during the financial year are as follows:

Group

Entity	Type of transaction	2011 RM	2010 RM
Trace Management Services Sdn Bhd	Corporate secretarial services	451,919	359,034
Mitra Malaysia Sdn Bhd	Travel tickets	241,974	314,257
Malaysian Assurance Alliance Berhad	Insurance	2,099,959	1,898,675
	Rental and utilities	606,963	860,248
Wira Security Services Sdn Bhd	Security guard services	326,067	281,412
Maybach Logistics Sdn Bhd	Transportation charges	42,763	38,369

Company

Entity	Type of transaction	2011 RM	2010 RM
Trade			
Melewar Steel Tube Sdn Bhd	Purchase of pipes	192,518,586	217,221,758
	Rental income	3,924,000	3,924,000
	Marketing fee income	1,887,540	2,203,380
	Management fee income	600,000	600,000
Mycron Steel Berhad	Dividend income	3,412,667	-
Mycron Steel CRC Sdn Bhd	Sale of pipes	35,045	55,240
Melewar Steel Ventures Ltd	Dividend income	73,463,377	-
Trace Management Services Sdn Bhd	Corporate secretarial services	222,736	180,628
Mitra Malaysia Sdn Bhd	Travel tickets	111,772	83,311
Malaysian Assurance Alliance Berhad	Insurance	338,897	323,677
	Rental and utilities	276,012	336,721
Maybach Logistics Sdn Bhd	Transportation charges	41,400	24,209

32 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

Transactions with related parties during the financial year are as follows: (continued)

Company

Entity	Type of transaction	2011 RM	2010 RM
Non-trade			
Mycron Steel CRC Sdn Bhd	Advances (repaid)/given	(3,010,219)	3,015,207
Melewar Steel Services Sdn Bhd	Advances repaid	(52,256,732)	(7,383,813)
Melewar Steel Ventures Ltd	Advances (repaid)/given	(5,062,092)	864,426
Melewar Steel Engineering Sdn Bhd	Advances given/(repaid)	11,800,000	(3,689,935)
Mperial Power Ltd	Advances given	1,402,085	2,207,927
M-Power TT Ltd	Advances given	14,563,834	38,204,666

The Directors of the Company are of the opinion that the above transactions have been entered into in the normal course of business as agreed between the respective parties.

The key management compensation is as disclosed in Note 9 to the financial statements.

33 SEGMENTAL ANALYSIS

The Group has four reportable operating segments, which are the Group's strategic business units as follows:

(a) The steel tube manufacturing segment is in the business of manufacturing and trading of steel pipes and tubes, and provision of engineering services.

(b) The cold rolling segment is in the business of manufacturing and trading of cold rolled steel sheets in coils.

(c) The power generation segment commenced operations on 29 December 2010 and it is in the business of power generation and steam sales.

(d) The investment holding segment refers to companies with investments in subsidiaries and associates, and companies with investments in quoted and unquoted equity securities.

Others segment comprise companies providing engineering and technical consultancy services, manufacturing, distributing and trading steel and iron products, and dormant companies.

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 segment information as disclosed below for the purpose of making decisions about resource allocation and performance assessment.

The Directors and the CODM 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 that are not materially different from those obtainable in transactions with unrelated parties.

33 SEGMENTAL ANALYSIS (continued)

2011	Steel tube manufacturing RM	Cold rolling RM	Power generation RM	Investment holding RM	Others RM	Total RM
Revenue						
Total revenue	214,654,490	413,631,911	129,936,674	6,074,696	23,433,158	787,730,929
Inter segment	(988,793)	(25,637,515)	-	(5,892,000)	(375,000)	(32,893,308)
External revenue	213,665,697	387,994,396	129,936,674	182,696	23,058,158	754,837,621
Segment results						
Profit/(loss) from operations	11,946,768	9,081,729	(3,382,945)	10,003,057	1,991,863	29,640,472
Finance income	276,266	229,247	(525,831)	(1,825,086)	11,792	(1,833,612)
Finance costs	(4,346,387)	(6,319,583)	(13,355,411)	1,914,813	(790,165)	(22,896,733)
Profit/(loss) before tax/ segment results	7,876,647	2,991,393	(17,264,187)	10,092,784	1,213,490	4,910,127
Tax	(1,684,218)	507,647	-	(380,805)	(86,844)	(1,644,220)
Profit/(loss) after tax	6,192,429	3,499,040	(17,264,187)	9,711,979	1,126,646	3,265,907
Segment assets	223,052,583	421,383,773	903,285,589	50,635,174	20,905,437	1,619,262,556
Other information						
Amortisation of intangible assets	-	-	1,584,114	-	-	1,584,114
Capital expenditure	1,673,542	3,492,736	83,771,998	-	797,252	89,735,528
Depreciation of property, plant and equipment	5,091,356	10,729,103	16,223,562	402,294	1,066,182	33,512,497
Gain on disposal of a subsidiary	-	-	-	(10,483,452)	-	(10,483,452)
Impairment losses:						
- property, plant and equipment	-	-	890,224	-	-	890,224
- trade receivables	-	-	7,236,459	-	-	7,236,459
- available-for-sale financial assets	317,604	-	-	317,604	-	635,208

(continued)

33 SEGMENTAL ANALYSIS (continued)

	Steel tube manufacturing RM	Cold rolling RM	Power generation RM	Investment holding RM	Others RM	Total RM
2010						
Revenue						
Total revenue	250,571,831	464,563,788	-	64,780	30,245,372	745,445,771
Inter segment	(1,244,980)	(35,225,925)	-	-	(1,827,400)	(38,298,305)
External revenue	249,326,851	429,337,863	-	64,780	28,417,972	707,147,466
Segment results						
Profit/(loss) from operations	26,218,316	33,219,612	19,131,818	32,012,792	(11,486,757)	99,095,781
Finance income	98,777	152,687	(192,846)	(6,191,311)	6,492	(6,126,201)
Finance costs	(5,095,932)	2,921,163	-	(259,685)	(860,697)	(3,295,151)
Segment results	21,221,161	36,293,462	18,938,972	25,561,796	(12,340,962)	89,674,429
Share of results of associates	-	-	-	1,947,799	-	1,947,799
Profit/(loss) before tax	21,221,161	36,293,462	18,938,972	27,509,595	(12,340,962)	91,622,228
Tax	(5,821,091)	(6,299,793)	-	(540,348)	54,740	(12,606,492)
Profit/(loss) after tax	15,400,070	29,993,669	18,938,972	26,969,247	(12,286,222)	79,015,736
Segment assets	201,902,423	468,838,597	788,200,311	201,874,659	33,459,812	1,694,275,802
Other information						
Capital expenditure	1,685,867	4,189,495	449,773,552	1,700	128,794	455,779,408
Depreciation of property, plant and equipment	5,280,167	10,513,110	113,584	455,650	1,255,891	17,618,402
Impairment losses:						
- property, plant and equipment	-	-	-	-	10,584,367	10,584,367
- associates	-	-	-	3,940,993	-	3,940,993
- available-for-sale financial assets	616,927	-	-	616,927	-	1,233,854

(continued)

33 SEGMENTAL ANALYSIS (continued)

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

	2011 RM	2010 RM
Segment assets	1,619,262,556	1,694,275,802
Associates	-	9,147,117
Derivatives	4,870,610	-
Deferred tax assets	357,993	367,032
Tax recoverable	994,638	1,112,191
Interest in a jointly controlled entity	-	4
Non-current asset held-for-sale	2,768,541	50,419,026
	1,628,254,338	1,755,321,172

Geographical information

The geographical segment information set out below:

	Malaysia RM	Thailand RM	Total RM
2011			
Segment revenue	624,900,947	129,936,674	754,837,621
Segment results	22,174,314	(17,264,187)	4,910,127
Segment assets	715,976,967	903,285,589	1,619,262,556
2010			
Segment revenue	707,147,466	-	707,147,466
Segment results	70,735,457	18,938,972	89,674,429
Segment assets	906,075,491	788,200,311	1,694,275,802

Information about major customers

Revenue from two customers amounting to RM128.5 million (17% of total revenue) arising from the sale of electricity by the power generation segment in Thailand.

Revenue from one major customer amounting to RM70.7 million (9% of total revenue) arising from sale of cold rolled steel sheets in coils by the cold rolling segment in Malaysia.

(continued)

34 CAPITAL COMMITMENTS

Capital expenditure approved and contracted for at the reporting date is as follows:

	Group	
	2011 RM	2010 RM
Property, plant and equipment	-	384,486,915

The capital commitments in prior year relate to the construction of a power plant of a subsidiary.

35 COMMITMENT AND CONTINGENT LIABILITIES

In 2006, Siam Power Generation Public Company Ltd ("Siam Power"), a subsidiary of the Company, entered into a contract with a gas supplier, PTT Power Company Ltd in Thailand ("PTT") where PTT will supply natural gas to Siam Power. This contract was subsequently amended on 30 September 2010, whereby Siam Power has agreed to:

(a) make a payment of THB90.0 million or approximately RM9.0 million to PTT. As at 30 June 2011, THB70.0 million has been paid and the remaining balance of THB20 million has been recognised as liability; and

(b) take or pay the value of gas not less than THB15.8 billion or RM1.6 billion, from PTT within 10 years from the date Siam Power commences its commercial operations.

36 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(a) Disposal of 37,939,487 ordinary shares in Gindalbie Metals Ltd ("Gindalbie")

During the financial year, the Group has disposed 37,939,487 ordinary shares in Gindalbie for a total cash consideration of AUD39.2 million (approximately RM114.6 million) or at an average price of AUD1.03 per share, and recorded a gain on disposal of RM7.8 million.

The proceeds from the disposal were utilised to repay certain bank borrowings and to provide working capital to the Group.

(b) Subscription of additional equity interest in Siam Power Generation Public Company Ltd ("Siam Power")

On 23 September 2010, Mperial Power Ltd ("Mperial"), a wholly-owned subsidiary of the Company, subscribed for an additional 29,712,681 ordinary shares of THB10 each in Siam Power for a cash consideration of THB 297.1 million (approximately RM29.8 million).

On 24 November 2010, Mperial further subscribed 12,397,068 ordinary shares of THB 10 each in Siam Power for a cash consideration of THB 124.0 million (approximately RM12.8 million).

With the above share subscriptions, Mperial's total equity interest in Siam Power was increased from 95.03% to 96.42%.

(c) Acceptance of a Standby Letters of Credit Facility amounting to THB400.0 million

On 6 June 2011, the Company accepted a Standby Letters of Credit ("SBLC") facility amounting to THB400.0 million from a local bank to be used as a financial guarantee to a bank in Thailand for the onward issuance of a performance bond or banker's guarantee on behalf of Siam Power to EGAT for Siam Power's Phase II project ("Phase II Project"). The maximum tenor of the SBLC facility is 12 months or up to the financial close of the Phase II Project, whichever is earlier.

Certain land and buildings of the Company (Note 12) and cash deposit (Note 26) were pledged as securities for the SBLC facility.

(d) Disposal of a wholly-owned subsidiary, Melewar Steel Ventures Ltd

On 24 June 2011, the Company disposed 2 ordinary shares of USD1 each, representing 100% equity interest in Melewar Steel Ventures Ltd for a total cash consideration of RM7 and recorded a gain on disposal of RM10.5 million (Note 15(b)).

(continued)

37 CHANGES IN ACCOUNTING POLICIES

The following tables disclose the adjustments that have been made in accordance with the adoption of the new/amended FRSs in the Group and the Company:

(i) Impact on the Group's statements of financial position:

At 30 June 2011	Increase/(decrease) RM
Property, plant and equipment	48,981,325
Prepaid lease rental	(48,981,325)

The following comparatives have been restated:

	As previously reported RM	Effects of adoption of Amendments to FRS 117 RM	As restated RM
At 30 June 2010			
Property, plant and equipment	1,037,713,363	33,986,819	1,071,700,182
Prepaid lease rental	33,986,819	(33,986,819)	-
At 1 July 2009			
Property, plant and equipment	611,292,134	34,489,837	645,781,971
Prepaid lease rental	34,489,837	(34,489,837)	-

(ii) Impact on the Group's statements of comprehensive income:

For the financial year ended 30 June 2011:

	Increase/(decrease) RM
Depreciation of property, plant and equipment	506,391
Amortisation of prepaid lease rental	(506,391)

For the financial year ended 30 June 2010:

	As previously reported RM	Effects of adoption of Amendments to FRS 117 RM	As restated RM
Depreciation of property, plant and equipment	17,112,011	506,391	17,618,402
Amortisation of prepaid lease rental	506,391	(506,391)	-

(continued)

38 FINANCIAL INSTRUMENTS BY CATEGORY

Group	Loans and receivables RM	Financial asset at fair value through profit or loss RM	Available-for-sale RM	Derivatives RM	Total RM
30 June 2011					
Assets per statement of financial position:					
Non-current					
Available-for-sale financial assets	-	-	15	-	15
Derivative financial instruments	-	-	-	3,365,076	3,365,076
Other receivables	31,279,772	-	-	-	31,279,772
Current					
Derivative financial instruments	-	-	-	1,505,534	1,505,534
Trade and other receivables (excluding prepayments)	153,627,642	-	-	-	153,627,642
Financial assets at fair value through profit or loss	-	2,824,835	-	-	2,824,835
Deposits with licensed financial institutions	27,703,816	-	-	-	27,703,816
	212,611,230	2,824,835	15	4,870,610	220,306,690

Group	Other financial liabilities at amortised cost RM	Total RM
30 June 2011		
Liabilities per statement of financial position:		
Non-current		
Trade and other payables	21,982,800	21,982,800
Borrowings	561,453,771	561,453,771
Current		
Trade and other payables	102,094,105	102,094,105
Borrowings	247,033,200	247,033,200
	932,563,876	932,563,876

(continued)

38 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company 30 June 2011	Loans and receivables RM	Total RM
Assets per statement of financial position:		
<u>Current</u>		
Trade and other receivables (excluding prepayments)	32,363,483	32,363,483
Deposits with licensed financial institutions	8,000,000	8,000,000
Amounts owing by subsidiaries	170,897,735	170,897,735
	211,261,218	211,261,218

Company 30 June 2011	Other financial liabilities at amortised cost RM	Total RM
Liabilities per statement of financial position:		
<u>Current</u>		
Trade and other payables	3,028,963	3,028,963
Amounts owing to subsidiaries	28,738,002	28,738,002
Borrowings	67,682,644	67,682,644
	99,449,609	99,449,609

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

The following analysis of realised and unrealised retained earnings at the legal entity 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 2011 RM	Company 2011 RM
Total retained earnings of the Company and its subsidiaries:		
- realised	139,338,275	131,561,438
- unrealised	(14,321,187)	(14,774,057)
	125,017,088	116,787,381
Consolidation adjustments	90,499,409	-
Total retained earnings per the financial statements	215,516,497	116,787,381

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 53, Persiaran Selangor 40200 Shah Alam, Selangor	22.5.2078	Factory cum office building	196,144 sq.ft. (4.50 acres)	21	20,500,000
Lot 49, Jalan Utas 40200 Shah Alam, Selangor	13.4.2072	Factory building	316,300 sq.ft. (7.26 acres)	37	28,300,000
Lot 10, Persiaran Selangor 40200 Shah Alam, Selangor	11.5.2085	Factory building	220,437 sq.ft. (5.06 acres)	31	19,650,000
Lot 16, Jalan Pengapit 15/19 40200 Shah Alam, Selangor	8.4.2078	Factory building	94,000 sq.ft. (2.16 acres)	33	8,400,000
Lot 717, Jalan Sungai Rasau Seksyen 16, 40200 Shah Alam Selangor	Freehold	Factory cum office building	781,423 sq.ft. (17.94 acres)	22	94,300,000
Lot 2953, Mukim Kelemak Daerah Alor Gajah, Melaka	27.9.2082	Factory cum office building	66,022 sq.ft. (1.52 acres)	25	1,101,000
Flat 28, Consort House, 26 Queensway, Paddington London W2 3RX	23.3.2066	Apartment for corporate use	Approximately 900 sq.ft.	41	2,853,000
Land No. 170, 181, 213, 215, 219 Tambol Nong La Lok Amphoe Bankai Rayong Province Thailand	Freehold	Industrial land for power plant project	1,882,754 sq.ft.	-	24,477,000
555, SSP Tower 18th Floor, Sukhumvit 63 Road Klongton-nua Wattana Bangkok, Thailand	Freehold	4 office units in an office building tower	9,084 sq.ft.	17	3,219,000

Note: The above properties were revalued in 2011.

THIS PAGE HAS BEEN INTENTIONALLY LEFT BLANK

MELEWAR INDUSTRIAL GROUP BERHAD
(8444 - W)

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 **MELEWAR INDUSTRIAL GROUP BERHAD** hereby appoint ***Chairman of the meeting or**

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

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

to vote for ***me/us and on *my/our behalf at the Forty-Second (42nd) Annual General Meeting of the Company to be held at the **Auditorium, Podium 1, Menara MAA, No. 12 Jalan Dewan Bahasa, 50460 Kuala Lumpur on Wednesday, 7 December 2011, at 12.00 noon** and at any adjournment thereof on the following resolutions referred to in the Notice of the Forty-Second (42nd) Annual General Meeting in the manner 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 2012 TO BE PAYABALE QUARTERLY IN ARREARS.				
RESOLUTION 2	TO RE-ELECT DATO' JAFFAR INDOT, WHO IS OVER 70 YEARS OF AGE, AS DIRECTOR TO HOLD OFFICE UNTIL THE NEXT ANNUAL GENERAL MEETING OF THE COMPANY.				
RESOLUTION 3	TO RE-ELECT TENGKU DATUK SERI AHMAD SHAH IBNI ALMARHUM SULTAN SALAHUDDIN ABDUL AZIZ SHAH AS DIRECTOR RETIRING UNDER ARTICLE 95.				
RESOLUTION 4	TO RE-ELECT EN AZLAN BIN ABDULLAH AS DIRECTOR RETIRING UNDER ARTICLE 95.				
RESOLUTION 5	TO RE-ELECT MR ONN KIEN HOE AS DIRECTOR RETIRING UNDER ARTICLE 95.				
RESOLUTION 6	TO RE-APPOINT MESSRS PRICEWATERHOUSECOOPERS AS AUDITORS OF THE COMPANY.				
RESOLUTION 7	TO AUTHORISE THE RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES.				
RESOLUTION 8	TO APPROVE THE SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS.				

(Please indicate with a "✔" or "✗" 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%**

In case of a vote taken by a show of hands, the First Proxy shall vote on *my/our behalf. *Strike out whichever is not desired.

Dated this ______________ day of ______________ 2011

____
Signature of Shareholder(s) / Common Seal

NOTES :

1. *Applicable to shares held through a nominee account.*
2. *A member entitled to attend and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend 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)(b) of the Companies Act, 1965 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. *A member of the Company who is an authorised nominee as defined under the Securities Industry (Central Depositories) Act 1991, may appoint one (1) proxy in respect of each securities account.*
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 20.03, 20th Floor, Menara MAA, No.12, Jalan Dewan Bahasa, 50460 Kuala Lumpur, not less than 48 hours before the time appointed for holding the meeting or any adjournment thereof.*
7. *Any alteration in the form of proxy must be initialed.*
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 Forty-Second (42nd) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 2 December 2011 in accordance with Article 56(2.1), 56(2.2) and 56(2.3) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991. Only a depositor whose name appears on the Record of Depositors as at 2 December 2011 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.*
10. *Explanatory notes to Special Business of Agenda 6:*
    - ***(a) Proposed Renewal of authority for the Company to purchase its own shares***
      The Proposed Resolution 7, 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. The details of the Proposed Resolution 7 are given under Part A of the Circular to Shareholders dated 15 November 2011 which is dispatched together with the Company's 2011 Annual Report.
    - ***(b) Proposed Shareholders' Mandate for Recurrent Related Party Transactions***
      The Proposed Resolution 8, 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. The detailed information on Recurrent Related Party Transactions is set out in Part B of the Circular to Shareholders of the Company dated 15 November 2011 which is dispatched together with the Company's 2011 Annual Report.

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

Fold here

STAMP

The Secretary
MELEWAR INDUSTRIAL GROUP BERHAD
Suite 20.03, 20th Floor, Menara MAA
No. 12 Jalan Dewan Bahasa
50460 Kuala Lumpur

Fold here

NOTICE
There will be no distribution of door gifts.

MELEWAR INDUSTRIAL GROUP BERHAD
(8444 - W)

H.Q. Address:
Suite 17.05, 17th Floor, Menara MAA, 12, Jalan Dewan Bahasa,
50460 Kuala Lumpur, Malaysia

Tel: 603 2148 1333 Fax: 603 2144 8380

enquiry@melewar-mig.com
www.melewar-mig.com