MELEWAR INDUSTRIAL GROUP BERHAD

(8444-W)

ANNUAL REPORT 2012

Contents

Notice of Forty-Third Annual General Meeting

NOTICE IS HEREBY GIVEN that the Forty-Third (43rd) Annual General Meeting of the Company will be held at Dewan Perdana, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Thursday, 13 December 2012 at 12.00 noon for the following purposes:

AS ORDINARY BUSINESS		**Resolution**
1.	To receive the Audited Financial Statements for the year ended 30 June 2012 together with the Reports of the Directors and the Auditors thereon.	**Please refer to Explanatory Note A**
2.	To approve the payment of Directors' fees amounting to RM351,600 for the financial year ending 30 June 2013 to be payable quarterly in arrears.	(Resolution 1)
3.	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) Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	(Resolution 2)
	(ii) Datuk Lim Kim Chuan	(Resolution 3)
4.	To re-elect the following Directors of the Company who are retiring pursuant to Article 100 of the Company's Articles of Association and who, being eligible, offer themselves for re-election:	
	(i) Mr Uwe Ahrens	(Resolution 4)
	(ii) Dato' Abu Talib bin Mohamed	(Resolution 5)
	(iii) Mr Paul Chan Wan Siew	(Resolution 6)
5.	To reappoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.	(Resolution 7)

AS SPECIAL BUSINESS

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

(a) **Proposed Re-election of a Director pursuant to Section 129(6) of the Companies Act, 1965 ("the Act")** (Resolution 8)

"THAT the appointment of Major General Datuk Lai Chung Wah (Rtd) who is over 70 years of age as an Independent Non-Executive Director of the Company pursuant to Section 129(6) of the Act be confirmed and ratified and that he be re-elected and to hold office until the conclusion of the next Annual General Meeting ("AGM") to be held in 2013."

(b) **Proposed Renewal of Authority for the Company to purchase its own shares** (Resolution 9)

"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 Ordinary 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 RM78,640,420 and share premium account of RM241,447 as at 30 June 2012 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 AGM of the Company unless earlier revoked or varied by Ordinary Resolution of shareholders of the Company in a general meeting or upon the expiration of the period within which the next AGM is required by law to be held whichever is earlier but not so as to prejudice the completion of purchase(s) made by the Company before the aforesaid expiry date.

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."

(continued)

(c) **Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs")** (Resolution 10)

"THAT the mandate granted by the shareholders of the Company on 7 December 2011 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 RRPTs which are necessary for the MIG Group's day-to-day operations as set out in Section 3.3(A) and (B) of Part B of the Circular to Shareholders dated 21 November 2012 ("the Circular") with the related parties mentioned therein, be and is hereby renewed, AND THAT mandate be and is hereby granted by the shareholders of the Company to apply to the new RRPTs as set out in Section 3.3(C) of Part B of the Circular with the related party mentioned therein, provided that:

(a) the transactions are in the ordinary course of business and are on terms which are not more favourable to the related parties than those generally available to the public and on terms not to the detriment of the minority shareholders of the Company; and

(b) disclosure will be made in the Annual Report providing the breakdown of the aggregate value of the transactions conducted pursuant to the mandate during the financial year, amongst others, based on the following information:

(i) the type of the RRPTs made; and
(ii) the names of the related parties involved in each type of the RRPTs made and their relationship with the Company.

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

(i) the conclusion of the next AGM of the Company following the forthcoming AGM at which time it will lapse, unless by a resolution passed at that meeting or Extraordinary General Meeting whereby the authority is renewed; or

(ii) the expiration of the period within which the next AGM after the date it is required to be held pursuant to Section 143(1) of the Act (but shall not extend to such extension as may be allowed pursuant to Section 143(2) of the Act); or

(iii) revoked or varied by a resolution passed by the shareholders in a 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."

SPECIAL RESOLUTION 1

(d) **Proposed Amendments to the Articles of Association of the Company** (Resolution 11)

"THAT, the proposed new Articles of Association of the Company as set out in Section 1.0 of Part C of the Circular to Shareholders dated 21 November 2012, be and are hereby approved and adopted as the new Articles of Association of the Company AND THAT the Directors of the Company and Company Secretary be and are hereby authorised to take all such steps and carry out all the necessary formalities to give full effect to the proposed adoption of the Company's new Articles of Association."

By Order of the Board

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

Kuala Lumpur
21 November 2012

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 12.03, 12th Floor, No. 566, Jalan Ipoh, 51200 Kuala Lumpur, not less than forty eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

7. Any alteration in the Form of Proxy must be initialled.

8. Form of Proxy sent through facsimile transmission shall not be accepted.

9. For the purpose of determining a member who shall be entitled to attend this Forty-Third (43^{rd}) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 10 December 2012 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 10 December 2012 shall be entitled to attend the said meeting or appoint proxies to attend and/or vote on his/her behalf.

10. (i) Explanatory note to Ordinary Business of Agenda 1 (Explanatory Note A):

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

    (ii) Explanatory notes to Special Business of Agenda 6:

    (a) **Proposed Re-election of a Director pursuant to Section 129(6) of the Act**
    The reappointment of Major General Datuk Lai Chung Wah (Rtd), a person over the age of seventy (70) years as Director of the Company to hold office until the conclusion of the next AGM of the Company shall take effect if the Proposed Resolution 8 has been passed by a majority of not less than three-fourth (3/4) of such members as being entitled to vote in person or, where proxies are allowed, by proxy, at a general meeting.

    (b) **Proposed Renewal of Authority for the Company to Purchase its Own Shares**
    The Proposed Resolution 9, 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.

    (c) **Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions**
    The Proposed Resolution 10, 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.

    (d) **Proposed Amendments to the Articles of Association of the Company**
    The Proposed Resolution 11, if passed, will give authority for the Company to amend its Articles of Association in line with the recent amendments prescribed under the Main Market Listing Requirements of Bursa Securities.

    The detailed information on Special Business of Agenda 6 except for Agenda 6(a) as mentioned above is set out in the Circular to Shareholders of the Company dated 21 November 2012 which is dispatched together with the Company's 2012 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 reappointment in Agenda 3, 4 and 6(a) of the Notice of the Forty-Third (43^{rd}) Annual General Meeting of the Company are set out in the Directors' Profile on pages 19 to 24 of this Annual Report. Their securities holdings in the Company are set out in the Directors' Shareholdings which appears on page 29 of this Annual Report.

Chairman's Statement

"the Group recorded total revenue of RM921 million, which was 22% higher than the previous year's RM755 million."

On behalf of the Board of Directors, I am pleased to present the Annual Report of Melewar Industrial Group Berhad and its group of companies ("the Group") for the financial year ended 30 June 2012.

FINANCIAL RESULTS

For the financial year ended 30 June 2012, the Group recorded total revenue of RM921.3 million, which was 22.1% higher than the previous year's RM754.8 million. The higher revenue for the steel operations, namely steel tube manufacturing as well as cold rolling operations, arose mainly from higher sales volume. In addition, the income from the power station in Thailand also contributed significantly to the higher revenue.

Despite the higher revenue, the Group registered an attributable Loss After Tax of RM134.7 million compared to an attributable Profit After Tax of RM5.9 million the previous year, which is attributed to the impairments made for the following assets of the Group:

- Intangible asset provision of RM40.6 million;
- Trade receivable provision of RM41.0 million;
- Other receivable provision of RM14.2 million and
- Property, plant and equipment provision of RM7.8 million.

DIVIDEND

Due to the weak performance for the period under review, the Directors do not recommend the payment of any Dividend for the financial year.

OPERATING REVIEW

For the period under review, the steel industry continued to remain sluggish amid soft market conditions. Customers continued to keep inventories at low levels and remained cautious, for most of the period under review, ever aware of the volatility of the steel market as well as the uncertainties of the global economy.

Domestically, the Malaysian steel industry also had to contend with cheap imported Cold Rolled Coil ("CRC"), in view of the weakening global demand for steel, especially in China, which was imported into the country, on a duty exempt basis. Whilst permitting CRC to be imported on a duty exempt basis, the Malaysian government imposed stricter restriction, for the import of Hot Rolled Coil ("HRC") steel sheets, on a duty exempt basis. HRC is used as the raw material for the manufacture of the Group's core products, namely Steel Tubes and CRC.

The government's restriction on the issuance of duty exemption for imported HRC, had forced local manufacturers to purchase HRC from the sole monopolistic domestic manufacturer, at exorbitantly high prices. The resultant higher cost of raw material, together with cheap imported finished goods, had caused a substantial profit margin squeeze, and had clearly adversely affected the performance of Malaysian flat steel companies.

OPERATING REVIEW (continued)

Amid such a challenging environment, the Group has taken numerous steps to improve its operations, which include, among others, the hedging of raw material purchases denominated in US Dollars to mitigate the potential loss of margin as a result of the foreign currency fluctuation, further improving the surface quality of CRC products, improving the production efficiency of the Group's facilities, as well as reducing inventory levels to near disruption levels.

On the power generation side, the operations of Siam Power was very challenging, as one customer was unable to meet its contractual obligation to purchase electrical power, thus forcing the power generation unit to operate at sub-efficient levels. That customer is currently undergoing a corporate restructuring exercise which, it is hoped, when completed, will see that customer resume the purchase of power as per the terms of the power purchase agreement.

DIVISIONAL PERFORMANCE

The Group's business activities can be analysed by its three 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 represented mainly by its interest in the following three companies:

- Melewar Steel Tube Sdn Bhd – Manufacturer of Steel Tubes
- Mycron Steel Berhad – Manufacturer of Cold Rolled Coil ("CRC") Sheets
- Melewar Steel Mills Sdn Bhd – Manufacturer and Trader of Steel Rebar, Billets and Scrap

1.1 Industry Overview (Iron and Steel Division)

The calendar year 2011 proved to be a challenging year for the domestic steel industry, following the withdrawal of several founding steel mill members from the Malaysian Iron & Steel Industry Federation ("MISIF"), to form the Malaysia Steel Association ("MSA"), which had inadvertently, fragmented the steel industry.

During the year, the government also launched the first ever safeguard investigation in the history of the Malaysian Iron and Steel Industry. The safeguard request was petitioned by the country's sole producer of HRC and the investigation was centred on the import of HRC into the country, with the sole producer asking for a further increase, of import duties for HRC, from the current 25% level, to 60%. Fortunately, good sense prevailed, and the government wisely decided to terminate the investigation in August 2011. The decision was widely lauded by the steel industry, and removed enormous anxieties, as well as uncertainties among all stakeholders.

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.

For the period under review, there was substantial price competition among the 28 domestic steel tube manufacturers. Fortunately, due to the quality of steel tubes made by the group, and the strong relationship enjoyed with distributors, the Group's revenue improved 3.9% to RM222.1 million, compared to RM213.7 million in the previous year. In terms of volume, sales attained 70,500 tonnes, an increase of 6.7%, over the previous year's 66,100 tonnes.

For the first half of the year, market conditions were weak, which saw a 50% drop in the pipe forming service orders for the group, reflecting the decline in the fortunes of the downstream electronic appliance market. This was further weighed down by various ongoing international financial problems, as well as severe climatic and environmental calamities.

The third quarter saw the market stage a slight recovery after Chinese New Year festivities, caused by an increase in orders, following the replenishment of stocks by downstream manufacturers, following the low orders made during the previous quarters. The fourth quarter finished stronger at 25.2% higher in terms of volume to 21,329 tonnes a quarter.

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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 2012, the CRC division had attained total sales revenue of RM414.1 million, compared to RM388.0 million the previous year, an increase of RM26.1 million or 6.7%. Similarly, sales volume increased to 167,000 tonnes compared to 156,000 tonnes in the previous year, an increase of 11,000 tonnes or 7.1%.

Although the CRC division experienced an increase in sales revenue and tonnage, the division recorded a Loss After Tax of RM1.1 million compared to a Profit After Tax of RM3.5 million in the previous year. This loss was mainly due to a profit margin squeeze, brought about by intense competition in the domestic CRC market.

With a production capacity of 260,000 tonnes a year, the division's sales volume represents a utilisation rate of only 64.2%. This low capacity utilisation was a result of the soft market conditions that prevailed for much of the period under review. Profit margins were also substantially squeezed, when cheap CRC was imported into the country with full duty exemptions, whilst the industry faced difficulties obtaining import duty exemptions, for its raw material supply of high quality Iron Ore Based HRC. With insufficient supply of high quality Iron Ore Based HRC, the industry was forced to operate in the low quality sector of the CRC industry, by using Scrap Based HRC supplied by the sole monopolistic HRC manufacturer in the country, at extremely high prices; approximately USD120 per tonne above international HRC prices.

Fortunately for the division, toward the end of the financial year, after much appeal by the industry, the government started to relax the issuance of import duty exemptions, for high quality Iron Ore Based HRC, which saw the division's capacity utilisation increasing to 90%.

The Group's CRC division is principally focused toward the high end sector of the CRC industry, manufacturing high quality CRC to meet the demanding standards expected by downstream manufacturers. The division will continue to concentrate its sales efforts on the import substitution of high quality CRC, and will require an uninterrupted supply of high quality Iron Ore Based HRC to manufacture such products. As such, the division will continue to be dependent on the government's approval, for the import of Iron Ore Based HRC, on a duty exempt basis, especially if the government were to continue to permit the import of high quality CRC, on a similar, duty exempt basis.

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.

For the period under review, the rebar operations of the Group continued to be mothballed, due to the present domestic rebar industry scenario, of narrow margins and weak demand. There are still no clear signs, when rebar prices may bottom out, as market confidence remain weak with dealers still unwilling to hold inventories.

Expectations are high, that the implementation of the much talked about Government's Economic Transformation Programme ("ETP"), and announced private investment initiatives, will bode well for the construction, and thus the rebar market, and be the catalyst for the Group's rebars operations to recommence.

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 total interest of 98.4% in the equity interest of Siam Power Generation 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.

(continued)

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

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. Apart from EGAT, the other electricity customer of the plant is the HRC steel sheet manufacturing facility of G Steel Public Company Limited ("G Steel"). The Power Purchase Agreements with both EGAT and G Steel for the supply of 90 MW and 70 MW respectively are for a period of 25 years from the Commercial Operation Date ("COD"). The plant achieved the COD for the power plant on 29 December 2010 and was officially launched on 11 January 2011.

In June 2012, Mperial increased its equity interest in Siam Power by 2.0% to 98.4% via further capitalisation of project equity advances for the plant.

For the period under review, total revenue generated was RM260.0 million, with an After Tax Loss of RM116.0 million compared to an After Tax Loss of RM17.3 million the previous year. The loss was primarily due to the temporary suspension of electricity supply to G Steel, which is currently undergoing a corporate restructuring exercise, resulting in impairment loss on its outstanding debts due to Siam Power.

In view of the challenges faced by the Siam Power, the Board has approved the divestment of the power division and the Group is currently in active discussions with potential buyers.

3.0 ENGINEERING DIVISION

The Engineering Division of the Group comprises its interest in two main companies, namely Melewar Integrated Engineering Sdn Bhd ("MIE") and Melewar Mycrosmelt Technology Ltd ("MITL").

3.1 Engineering (Melewar Integrated Engineering Sdn Bhd)

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

For the past year under review, MIE's main activities were in the area of:

- Power Plants – turnkey works for revamping of ash handling systems
- Iron Ore Mining – studies from preliminary feasibility to complex design studies for various clients
- Material Handling Systems – bidding for various domestic and foreign projects
- Fabrication – conveyor module fabrication for Peru and Jordan
- Steel Industry – plant concept development
- Project Management – PCM for a number of projects from concept to completion

Highlights of this financial year were the completion of the TNB Kapar Power Station bottom ash discharge and handling system, the FL Smidth conveyor system for Jordan Phosphate and the bankable feasibility study for Sinomines in China for the mining and processing of metallurgical iron ore powder.

3.2 Melewar Industrial Technology Ltd

Melewar Industrial Technology Ltd ("MITL") is 100% owned by the Group, and is involved in the installation of Rebar making equipment for the steel industry.

Branding the technology under the name Mycrostaal, the rebar making facility is built on a scale that is much smaller than most other steel plants; principally with a production capacity between 75,000 tonnes and 150,000 tonnes per year. Using scrap iron as its raw material, the system is ideal for prospective steel plants, which are located in large cities. Using its urban base proximity to sources of scrap iron as well as to construction sites, such city based steel plants will enjoy substantial logistical and cost advantage, compared to facilities located further away.

MITL's function is to market the technology in the international arena, looking for investors in niche market locations to invest in such facilities, whilst the engineering and installation function for such facilities, are undertaken by sister company, Melewar Integrated Engineering Sdn Bhd ("MIE").

During the period under review, MITL had secured a contract, to arrange for the installation of a Mycrostaal facility in Kazakhstan. The client is currently arranging financial close for the project, and it is hoped, that this first facility outside Malaysia will be operational by 2014.

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LONG-TERM BUSINESS OUTLOOK

The Group remains cautiously confident in the long-term growth potential of the various sectors in Malaysia, especially the manufacturing, electronics, construction, petroleum and palm oil industries. The performance of the local steel industry will also depend on the improvement of the U.S. economy, developments in the Euro zone debt crisis, and the easing of monetary policy by China's authorities to stimulate growth.

On the local front, a great deal will hinge on the speed of implementation, of the government's Economic Transformation Programmes, with any improvement in the construction sector, having a direct impact on the demand for Steel Tubes as well as Rebars.

The Group's CRC division will continue to pursue an import substitution strategy, especially in the galvanising, drum and automobile sectors, which are currently using imported CRC for their feed material. With 977,048 tonnes of CRC being imported into Malaysia each year, on a duty exempt basis, the prospects for the Group to penetrate new markets are good.

PROSPECTS FOR THE NEW FINANCIAL YEAR

For the new financial year, the Group expects the demand for CRC to be stable and healthy, although the performance of the Group will largely hinge on the ability to source Iron Ore Based HRC, on an import duty exempt basis, from the government.

Bank Negara Malaysia has projected that the Malaysian economy will experience a steady growth rate of between 4% and 5% in 2012. Domestic demand is expected to remain resilient, and will continue to be the anchor for growth.

For the steel industry, the following new developments will be of great interest:

- The Competition Act which was launched in January 2012;
- The June 2012 implementation of the Construction and Industrial Development Board ("CIDB") Amendment Act;
- Conclusion and further advancement of bilateral Free Trade Agreements ("FTA") negotiation with Australia, Turkey, the European Union and Trans Pacific Partnership ("TPP");
- Implementation phase of projects identified under the Economic Transformation Programme ("ETP") and
- The 13th General Election.

Although the long-term prospect for the Group remains positive, steel demand at present remains weak due to the concerns of the global economic environment. The steel industry historically, has always been cyclical and remains highly sensitive to global economic conditions as well as the volatility of raw material prices, such as iron-ore, scrap and coking coal. For the record, MISIF forecasts that the Malaysian Steel consumption will grow at a rate of between 2% and 4% in 2012.

In view of the above, the Group will continue to remain focused and closely monitor the global and domestic steel demand patterns, and continue to maintain a cautious stance on inventory management.

CORPORATE EXERCISE

The proposed Rights Issue announced earlier has been aborted due to the weak market pricing for the Group's shares at the moment.

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 these difficult times. The Group's long-term success will largely depend on the Melewar name being the premier name in the steel tube industry and the Mycron name representing the best in the CRC industry.

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

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

Corporate Social Responsibilty

Acknowledging the importance of Corporate Social Responsibility, the Group is committed to be mindful of its responsibilities to the community through the practice of good corporate citizenship as well as to actively pursue policies and actions that are in the best interests of the community.

To this end, the Group seeks to ensure that the interests of its key stakeholders from shareholders, investors, customers, employees and the community are cared for through our conscious endeavours by integrating corporate responsibility values in all our business plans and activities.

In this regard, we have undertaken the following with respect to various aspects of our business:

BUSINESS GOVERNANCE ETHICS

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

CUSTOMER SATISFACTION

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

We aspire towards full realisation of ISO standards throughout our operations and the application of established quality practices and policies. We are, at present, accredited with ISO 9001 : 2008 by SIRIM for cold rolled, hot rolled as well as aluminised pipes and tubes. With the accreditation, the Group is committed to continuously taking steps to comply with product requirements and improve the effectiveness of its Quality Management System.

WORKPLACE

The Group recognises the importance of employees as the most valuable asset. Towards this end, the Company constantly enhances employees' job-related skills, knowledge and experience via in-house and external training programmes. A structured internal training and development programme has been planned and implemented to improve the technical skills of the employees. This is also complemented by a clear and transparent approach that ensures all employees are fully aware of the Group's business objectives and goals.

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

The Company has also maintained the policy of rewarding the employees when the "Accident Frequency Rate" is kept at a minimal level under its safety campaign named "Keep It Safe and Sound" or in Bahasa Malaysia, *"Kerja Ingat Selamat dan Sempurna*".

ENVIRONMENT

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

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

COMMUNITY

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

To achieve this, the Group consciously makes the effort of employing physically disabled workers to perform daily factory operations and provide the necessary training to them to enable them to carry out their jobs effectively. There are currently 7 physically disabled employees who are placed in the pipe lines, threading lines and maintenance workshops according to their individual capabilities.

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* Mr Uwe Ahrens • *Executive Director* Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah • *Non-Independent Non-Executive Director* Datin Ezurin Yusnita binti Abdul Malik • *Non-Independent Non-Executive Director* Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah • *Independent Non-Executive Director* Dato' Abu Talib bin Mohamed • *Independent Non-Executive Director* Mr Paul Chan Wan Siew • *Independent Non-Executive Director* Major General Datuk Lai Chung Wah (Rtd) • *Independent Non-Executive Director* En Shazal Yusuf bin Mohamed Zain • *Independent Non-Executive Director*
Secretaries	:	Ms Lily Yin Kam May Ms Soon Leh Hong
Audit Committee	:	Dato' Abu Talib bin Mohamed • *Chairman* Major General Datuk Lai Chung Wah (Rtd) • *Member* Mr Paul Chan Wan Siew • *Member* En Shazal Yusuf bin Mohamed Zain • *Member*
Registrar & Transfer Office	:	Trace Management Services Sdn Bhd Suite 12.03, 12th Floor No. 566 Jalan Ipoh 51200 Kuala Lumpur Telephone No.: 03-6252 8880 Telefax No.: 03-6252 8080

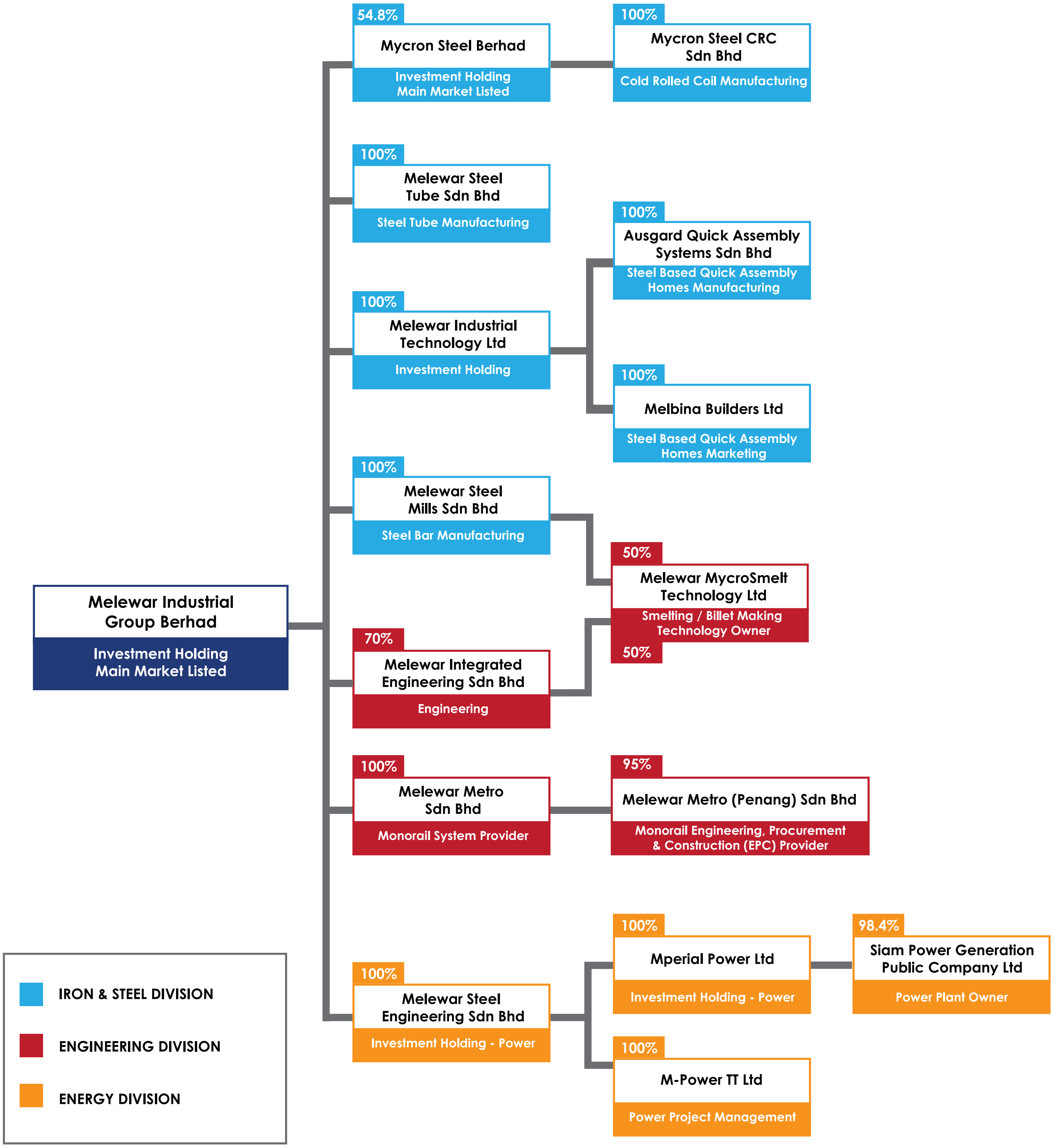
Corporate Information

(continued)

Registered Office	:	Suite 12.03, 12th Floor No. 566 Jalan Ipoh 51200 Kuala Lumpur Telephone No.: 03-6252 8880 Telefax No.: 03-6252 8080
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 Zurich 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 50706 Kuala Lumpur Telephone No.: 03-2173 1188 Telefax No.: 03-2173 1288
Principal Bankers (In alphabetical order)	:	• 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	:	www.melewar-mig.com
E-mail	:	enquiry@melewar-mig.com

(continued)

CORPORATE GROUP STRUCTURE
(AS AT 31 OCTOBER 2012)



Iron and Steel Division

Delivery Tension Reel

Finished Products (Coils)

Continuous Pickling Line (CPL)

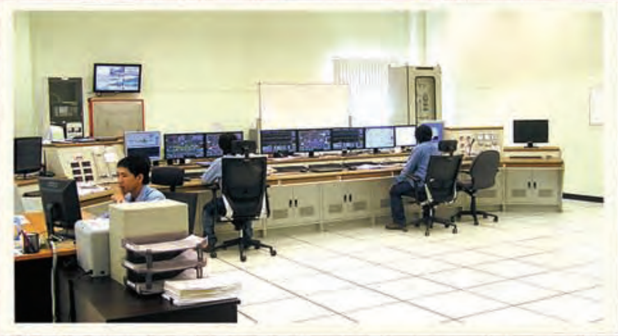
Batch Annealing Furnace (BAF)

Tube Production Mill

Tube End-Facing Machine

Finished Products (Tubes)

Fire Fighting System



Central Control Room

Siam Power's Substation

Gas Fuel System

Steam Turbine Generator Set

Raw Water Storage System

Power Plant at Rayong

Engineering Division

Bottom Ash System – Control Panel

Bottom Ash System – Chain Conveyor

Bottom Ash System – Hopper General View

Quenching Water System

Conveyor Modules for Peru

Conveyor Structure for Jordan

QUALITY MANAGEMENT SYSTEM (QMS)

Melewar Industrial Group Bhd (MIGB) strives to improve its operations and has always endeavoured to meet its customer's expectation. In 1997, MIGB achieved its ISO 9001 certification. Over the years, the effectiveness of the quality management system itself has been improved in order to adapt to the latest global challenges. In 2010, MIGB upgraded its Quality Management System to ISO 9001:2008 and this was accredited by SIRIM with IQNet certification.

SIRIM ISO 9001 : 2008

Quality Recognition

(continued)

PRODUCT CERTIFICATION

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

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

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

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

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

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

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

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

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

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

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

Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah
Aged 52, 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 ("MSB"), MAA Group Berhad ("MAAG"), MAAKL Mutual Berhad, Melewar Group Berhad, 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, was employed by the same firm in Kuala Lumpur from 1986 to 1987. He joined Malaysian Assurance Alliance Berhad (now known as Zurich Insurance Malaysia Berhad) in 1987 and has been heading MAAG Group of Companies since 1999. He currently holds the position of Executive Chairman of MAAG and Non-Executive Chairman of MSB.

Tunku Dato' Ya'acob is the Chairman of the Board of Trustees of MAA-Medicare Kidney Charity Fund and The Budimas Charitable Foundation. He also sits on the Executive Board of The Federation of Public Listed Companies Berhad as Vice President.

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, the substantial shareholder of the Company. His shareholding in the Company is disclosed on page 29 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.

Azlan bin Abdullah
Aged 54, Malaysian
Managing Director/Group Chief Executive Officer
Chairman of the Executive Committee

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 29 of the Annual Report.

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

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

Profile of Directors

(continued)

Datuk Lim Kim Chuan
Aged 53, 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 two (32) 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 29 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.

Uwe Ahrens
Aged 47, German
Executive Director

Mr Uwe Ahrens was appointed to the Board of Directors of the Company on 1 June 2012 as an Executive Director. He also sits on the Board of several other private limited companies.

Mr Ahrens holds Masters in both Mechanical Engineering and Business Administration from the Technical University Darmstadt, Germany.

Upon graduation, Mr Ahrens joined the international engineering and industrial plant supplier, KOCH Transporttechnik GmbH in Germany, now belonging to FLSmidth Group, where he held a senior management position for 12 years, working mainly in Germany, USA and South Africa. In 1997, he was based in Kuala Lumpur as General Manager of KOCH in South East Asia and became its Managing Director in 1999. He joined Melewar Group in 2002 and has since held senior management positions including Managing Director of Melewar Integrated Engineering Sdn Bhd ("MIE"), a 70% owned subsidiary of the Company.

Mr Ahrens is the Chief Technical Officer of the Company's Group of Companies being responsible for engineering, upgrading, modification and extension of machinery and plant as well as the overall maintenance.

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

Mr Ahrens does not have any personal interest in any business arrangements involving the Company except for those transactions with MIE in which he holds 30% equity interest.

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

(continued)

Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah
Aged 51, 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 several other 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, the substantial shareholder of the Company. His shareholding in the Company is disclosed on page 29 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 57, 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 Global Oriental Berhad (formerly known as Equine Capital Berhad), Wawasan TKH Holdings Berhad, DutaLand Berhad, Sime Darby Property Berhad and several other private limited companies.

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

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.

Profile of Directors

(continued)

Dato' Abu Talib bin Mohamed
Aged 64, Malaysian
Independent Non-Executive Director
Chairman of the Audit Committee

Dato' Abu Talib bin Mohamed was appointed to the Board of Directors of the Company on 4 September 2012 as an Independent Non-Executive Director.

Dato' Abu Talib is a Fellow Member of the Chartered Institute of Management Accountants of the United Kingdom and also member of the Malaysian Institute of Accountants. He has extensive knowledge of the steel industry as a Director of Perwaja Steel Sdn Bhd and he is presently the Executive Chairman of PFC Engineering Sdn Bhd.

Dato' Abu Talib is the Deputy Chairman of Ipmuda Berhad and sits on the Board of Ipmuda Berhad, Perwaja Holdings Berhad, Kinsteel Berhad and APP Industries Berhad.

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

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

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

Major General Datuk Lai Chung Wah (Rtd)
Aged 79, Malaysian
Independent Non-Executive Director
Member of the Audit Committee
Member of the Risk Management Committee

Major General Datuk Lai Chung Wah was appointed to the Board of Directors of the Company on 4 September 2012 as an Independent Non-Executive Director.

Presently, Major General Datuk Lai holds several directorships in other public companies namely, MAAKL Mutual Bhd and MAA Bancwell Trustee Berhad.

Major General Datuk Lai served the Malaysian Armed Forces in general and the Army in particular for 35 years (1952 – 1987) and retired with the rank of Major General. He is a graduate of the Royal Military Academy Sandhurst, United Kingdom in 1955 and the Command & Staff College, Quetta, Pakistan in 1963. He was awarded three Diplomas, one by the Armed Forces Defence College for Defence Strategy and Joint Operations Studies, The National Institute of Public Administration, Malaysia (INTAN) on Defence Resources Management in 1981 and Defence Resources Management Education Centre, Department of Defence, United States of America on Senior Defence Resources Management in 1983.

Major General Datuk Lai has no family ties with any of the directors and/or major shareholders of the Company nor any shareholding in the Company.

Major General Datuk Lai does not have any personal interest in any business arrangements involving the Company.

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

(continued)

Paul Chan Wan Siew
Aged 61, Malaysian
Senior 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

Mr Paul Chan Wan Siew was appointed to the Board of Directors of the Company on 4 September 2012 as an Independent Non-Executive Director ("INED"). He serves as a Senior INED on the Board of Luxchem Corporation Berhad and Integrax Berhad, and sits on the Board of Prestariang Berhad. He also serves on non-for-profit Boards of the Malaysian Alliance of Corporate Directors and Federation of Public Listed Companies Berhad.

Mr Chan is the President of Business Transitions Asia Sdn Bhd, an independent business advisory entity that serves the professionals and business-owners' community in business consolidation, continuity and succession planning. He has been in public accounting and corporate/financial advisory practice for over twenty five (25) years as a Chartered Accountant, Chartered Secretary and Certified Financial Planner. He is Board Governance Fellow of NACD (National Association of Corporate Directors, USA) and a Member of ICGN (International Corporate Governance Network).

Mr Chan is the Deputy President and Founding Board Member of MACD (Malaysian Alliance of Corporate Directors), Council Member of MIA (Malaysian Institute of Accountants), and an Exco Member of FPLC (Federation of Public Listed Companies). He had served as the President of MAICSA (Malaysian Institute of Chartered Secretaries and Administrators), the President of ACCA Malaysia (Association of Chartered Certified Accountants), an Exco Member of MIA (Malaysian Institute of Accountants) and had also served in the Global Advisory Council of the Financial Planning Association, USA.

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

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

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

Shazal Yusuf bin Mohamed Zain
Aged 41, 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

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.

Profile of Directors

(continued)

Datin Ezurin Yusnita binti Abdul Malik
Aged 40, Malaysian
Non-Independent Non-Executive Director

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, the substantial shareholder of the Company. Her shareholding in the Company is disclosed on page 29 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.

	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012
1. Results of Operations										
Revenue (RM mil)	390.8	462.3	598.7	566.9	810.2	703.3	599.5	707.1	754.8	921.3
Profit / (Loss) Before Tax (RM mil)	77.5	80.6	72.7	35.7	189.1	56.2	(246.7)	91.6	4.9	(148.9)
Profit / (Loss) After Tax (RM mil)	56.6	64.4	46.5*	46.9*	104.8*	45.5*	(156.0)*	67.6*	5.9*	(134.7)*
2. Balance Sheet										
Share Capital (RM mil)	158.1	158.3	161.0	169.9	226.2	226.7	226.7	226.8	226.8	226.8
Bonus Shares (RM mil)	79.0	-	-	-	56.3	-	-	-	-	-
Shareholders' Fund (RM mil)	630.3	359.1	351.4	475.5	581.1	616.4	454.9	521.2	542.1	413.5
Total Assets (RM mil)	685.5	484.8	621.2	828.1	1,181.9	1,582.6	1,279.5	1,755.3	1,628.3	1,578.2
3. Financial Ratio										
Return on Equity (%)	9.0	17.9	13.3	9.9	18.0	7.4	(34.3)	13.0	1.1	(32.6)
Debts / Equity (Times)	0.05	0.29	0.38	0.41	0.67	1.16	1.50	2.09	1.72	2.47
Current Assets / Current Liabilities (Times)	12.56	2.20	2.41	2.24	2.20	1.36	1.07	1.33	1.06	0.42
Pre-Tax Profit / (Loss) / Average Shareholders' Fund (%)	12.4	16.3	20.5	8.6	35.8	9.4	(46.1)	18.8	0.9	(31.2)
Pre-Tax Profit / (Loss) / Revenue (%)	19.8	17.4	12.1	6.3	23.3	8.0	(41.1)	13.0	0.7	(16.2)
4. Per Share										
Gross Earnings per share (sen) ***	36.8	38.2	34.0	16.3	59.2**	24.9	(109.4)	40.6	2.2	(66.0)
Net Earnings per share (sen) ***	26.7	30.6	21.8	21.4	32.9**	20.2	(69.1)	30.0	2.6	(59.7)
Net Assets per share (RM)	3.99	2.27	2.19	2.79	2.56	2.71	2.02	2.31	2.40	1.83
5. Dividends										
Tax Exempt Dividend (sen)	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.

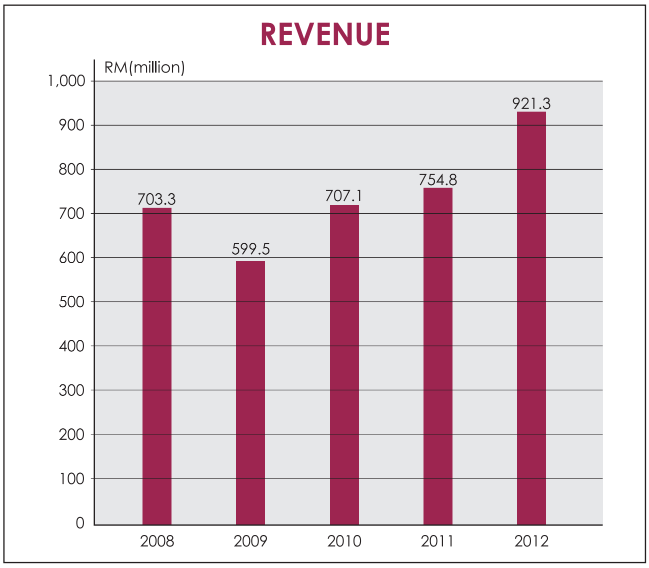
* Profit After Tax and After Minority Interests

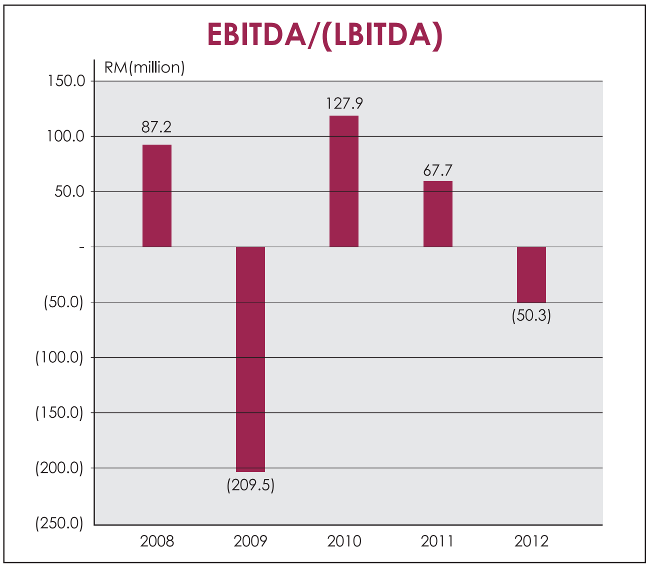
** Annualised

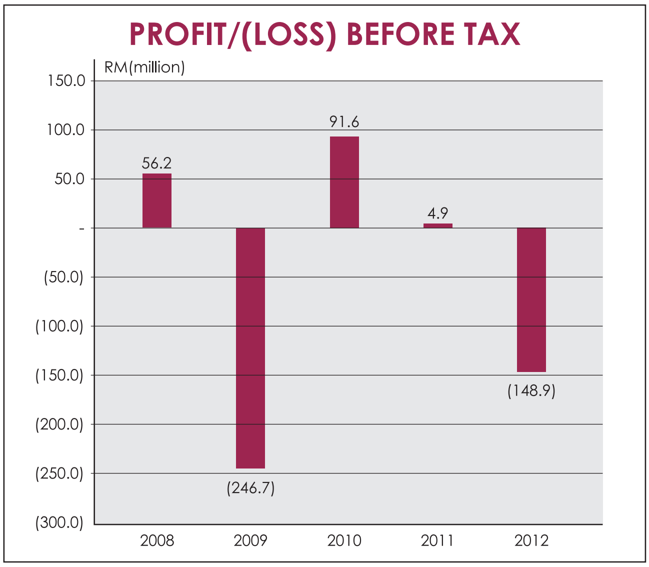
*** After adjusting for Bonus Issues

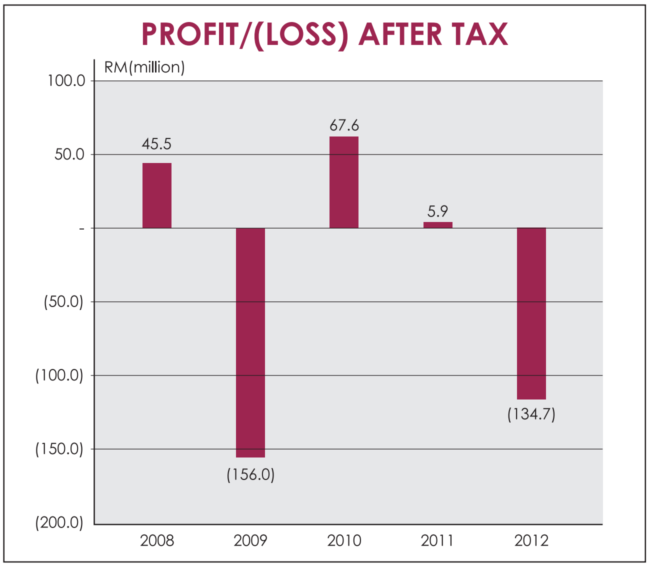
Group Financial Highlights

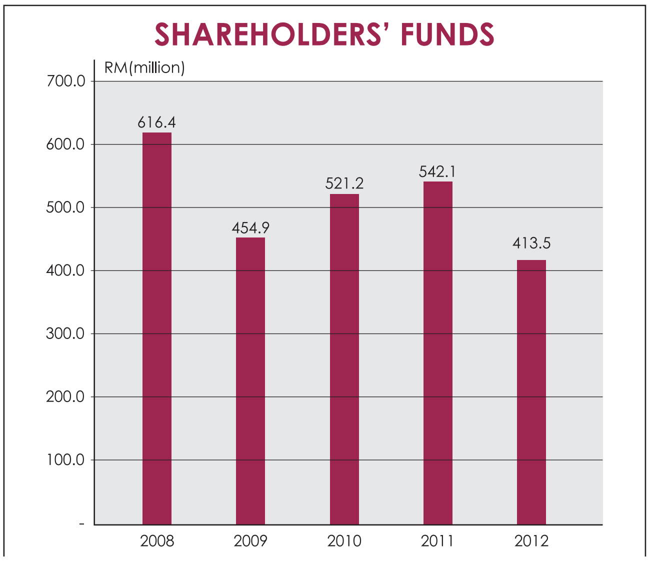
(continued)

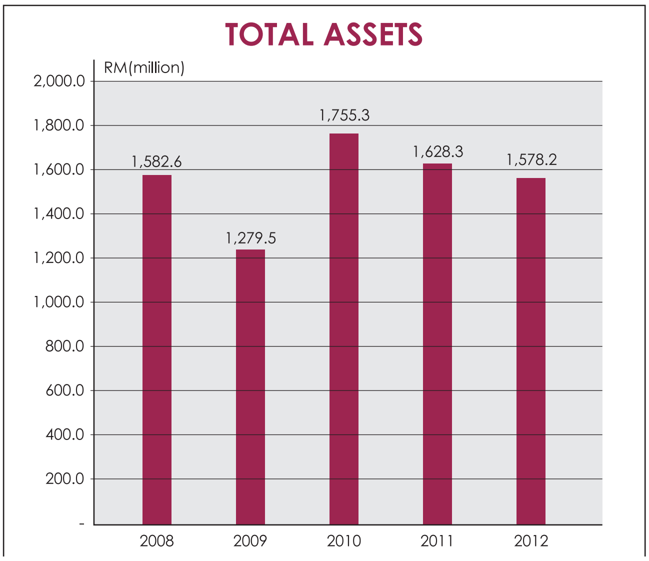












Authorised Share Capital	-	RM500,000,000
Issued and Paid-up Capital	-	RM226,755,408
Class of Shares	-	Ordinary Shares of RM1 each
Voting Rights	-	1 Vote Per Ordinary Share
No. of Shareholders	-	8,597

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
Less than 100	499	5.80	21,260	0.01
100 – 1,000	759	8.83	598,159	0.26
1,001 – 10,000	5,211	60.61	23,035,991	10.16
10,001 – 100,000	1,938	22.54	57,133,392	25.20
100,001 and below 5% of issued shares	188	2.19	63,585,374	28.04
5% and above of issued shares	2	0.02	82,381,232	36.33
TOTAL	8,597	100.0	226,755,408	100.0

THIRTY LARGEST SHAREHOLDERS AS AT 31 OCTOBER 2012

	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 Berhad (Beneficiary: Pledged securities account for Melewar Khyra Sdn Bhd)	22,001,499	9.76
3.	A. A. Anthony Nominees (Asing) Sdn Bhd (Beneficiary: UOB Kay Hian Pte Ltd for Bradford Securities Ltd)	3,000,000	1.33
4.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Wong Ai Nong)	2,835,000	1.26
5.	Yeoh Kean Hua	2,800,000	1.24
6.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Lim Gim Leong)	2,276,700	1.00
7.	Citigroup Nominees (Asing) Sdn Bhd (Beneficiary: Exempt An For Citigroup Global Markets Inc)	2,238,200	0.99
8.	Araneum Sdn Bhd	1,894,566	0.84
9.	Mohamed Nizam bin Mohamed Jakel	1,317,600	0.58
10.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Wong Choo Mok)	1,288,900	0.57
11.	Alliancegroup Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Neo Eng Hui)	1,194,500	0.53
12.	Lim Seng Qwee	1,056,500	0.47
13.	Mohamed Faroz bin Mohamed Jakel	1,048,500	0.46

(continued)

THIRTY LARGEST SHAREHOLDERS AS AT 31 OCTOBER 2012 (continued)

	Name	Ordinary Shares of RM1 each	[1] % of Issued Capital
14.	Er Hock Lai	900,000	0.40
15.	Mohamed Izani bin Mohamed Jakel	896,500	0.40
16.	HLIB Nominee (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Na Chaing Ching)	845,100	0.37
17.	Chia Beng Tat	800,000	0.35
18.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Wong Choo Mok)	732,300	0.32
19.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Zet Enterprise Sdn Bhd)	673,333	0.30
20.	Lim Seng Chee	664,100	0.29
21.	M & A Nominee (Tempatan) Sdn Bhd (Beneficiary: Titan Express Sdn Bhd)	656,700	0.29
22.	Ho Yoon Hoong	620,000	0.27
23.	Citigroup Nominees (Asing) Sdn Bhd (Beneficiary: Exempt An for UBS AG Hong Kong)	610,000	0.27
24.	Yeo Whee Kiak	589,600	0.26
25.	Citigroup Nominees (Asing) Sdn Bhd (Beneficiary: Exempt An for OCBC Securities Private Limited)	589,332	0.26
26.	Maybank Securities Nominees (Asing) Sdn Bhd (Beneficiary: Maybank Kim Eng Securities Pte Ltd for Hexacon Construction Pte Ltd)	587,733	0.26
27.	Ng Kim Huat	570,000	0.25
28.	Daiman bin Jamaluddin	560,000	0.25
29.	Maybank Nominees (Asing) Sdn Bhd (Beneficiary: Nomura Singapore Limited for Tay Ah Kou @ Tay Hwa Lang)	500,000	0.22
30.	Maybank Nominees (Tempatan) Sdn Bhd (Beneficiary: Lee Chee Kong)	477,400	0.21
	TOTAL	114,603,796	50.77

Note:

[1] The percentages of the Thirty Largest Shareholders are calculated based 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 31 OCTOBER 2012

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 31 OCTOBER 2012

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 based 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.

(a) Deemed interested by virtue of Section 6A(4) and Section 122A(1)(b) of the Companies Act, 1965 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.

Statement on Corporate Governance

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. In meeting this objective, the Board will continuously strive and be fully committed to upholding integrity and professionalism in its management of the affairs of the Company. 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 regularly reviews and evaluates the corporate governance practices and guide with a view to adopt and implement the best practices insofar as they are relevant to the Group, bearing in mind the nature of the Group's businesses and the size of its business operations.

Set out below is the statement which outlines the application of the Principles and the Best Practices in Corporate Governance as set out in the Malaysian Code of Corporate Governance ("the Code") for the financial year ended 30 June 2012.

The Board who had approved this Statement on 30 October 2012 believes that the Principles and the Best Practices set out in the Code have, in all material respects, been adhered to and complied with.

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 eleven (11) members comprising of the following:

- One (1) Executive Chairman;
- One (1) Managing Director/Group Chief Executive Officer;
- Two (2) Executive Directors;
- Two (2) Non-Independent Non-Executive Directors; and
- Five (5) 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 of 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 cognisant 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 Code. The profiles of the Directors which are set out on pages 19 to 24 illustrate an impressive spectrum of experiences vital to the direction and management of the Company.

As part of the Board's yearly appraisal and self-assessment, the Board is of the view that its size is adequate for the discharge of its functions and responsibilities.

(continued)

c) Division of Roles and Responsibilities

There is a clear division of responsibilities at the helm of the Company to ensure a balance of authority and power. The Board is led by Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah as the Executive Chairman, who guides and ensures the effectiveness of Board policies whilst the Managing Director/Group Chief Executive Officer and Executive Directors lead the Executive Management and are responsible for the day-to-day operations and implementation of Board policies and decisions. Decisions made by the Board are communicated through the Managing Director/Group Chief Executive Officer and Executive Directors to the Senior Management team.

The Executive Chairman's main responsibility is to ensure effective conduct of the Board and that all Directors, Executive and Non-Executive, have unrestricted and timely access to all relevant information necessary for informed decision-making. The Executive Chairman encourages participation and deliberation by Board members to tap the wisdom of all the Board members and to promote consensus building as much as possible.

The Managing Director/Group Chief Executive Officer supported by the Executive Directors and 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 composition of the Board is deemed fairly balanced to complement itself in providing the industry-specific knowledge, technical and commercial experience. This balance enables the Board to provide clear and effective leadership to the Company and to bring informed and independent judgement to various aspects of the Group's strategies and performance.

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.

d) 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 2012, eight (8) meetings were held. The following is the record of attendance of the Directors:

(continued)

Executive Directors	No. of Attendance	%
1. Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah (Chairman)	8/8	100
2. En Azlan bin Abdullah	8/8	100
3. Datuk Lim Kim Chuan	8/8	100
4. Mr Uwe Ahrens*	N/A	N/A
Non-Independent Non-Executive Directors	**No. of Attendance**	**%**
1. Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	8/8	100
2. Datin Ezurin Yusnita binti Abdul Malik	8/8	100
Independent Non-Executive Directors	**No. of Attendance**	**%**
1. Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah	8/8	100
2. Dato' Jaffar Indot#	8/8	100
3. Mr Onn Kien Hoe#	6/8	75
4. En Shazal Yusuf bin Mohamed Zain	8/8	100
5. Dato' Abu Talib bin Mohamed^	N/A	N/A
6. Major General Datuk Lai Chung Wah (Rtd)^	N/A	N/A
7. Mr Paul Chan Wan Siew^	N/A	N/A

Note:

* Appointed on 1 June 2012
\# Resigned on 4 September 2012
^ Appointed on 4 September 2012

e) Supply of Information

The Board members are given board papers with appropriate supporting 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. Additionally, the Board is furnished with ad hoc reports to ensure that it is apprised of key business, financial, operational, corporate, legal, regulatory and industry matters, as and when the need arises.

Further, the Board has unrestricted and immediate access to Senior Management and all information on the affairs of the Group. At the request of the Board, the Management is obliged to supply all relevant information relating to the business and operations of the Group and governance matters, including customer satisfaction and survey quality, market share and market reaction in a timely manner for the Board to discharge its duties effectively.

The Senior Management are also invited to join in Board meetings to provide explanation or engage in dialogue with Board members as they may require.

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.

(continued)

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.

f) Appointments to the Board

The Board has established a Nomination Committee whose main responsibility is to recommend board appointments and to assess Directors on an ongoing 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 the following members:

(i) Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah (Chairman);
(ii) Mr Paul Chan Wan Siew^;
(iii) En Shazal Yusuf bin Mohamed Zain; and
(iv) Dato' Jaffar Indot#

Note:

^ Appointed on 4 September 2012
# Resigned on 4 September 2012

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.

g) 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(6) 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 reappointed as he is a highly regarded personality in the business community. He has demonstrated to the Board that he exercises independent judgement 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.

h) 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. The Board will continue to evaluate and determine the training needs of its Directors on an ongoing basis, by determining areas that would best strengthen their contributions to the Board.

The Company Secretary facilitates the organisation of internal training programmes and keeps Directors informed of relevant external training programmes. Details of all internal and external training programmes attended by Directors are maintained by the Company Secretary.

(continued)

Details of the seminars and training programmes attended by the Board members during the financial year ended 30 June 2012 are as follows:

Members of the Board	Seminars/Training Programmes
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah	• In-House Directors' Training: "Economic & Capital Market Review".
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	• In-House Directors' Training: "Economic & Capital Market Review".
Datuk Lim Kim Chuan	• In-House Directors' Training: "Economic & Capital Market Review". • FTSE Bursa Malaysia Index Series Liquidity Rule Enhancement.
En Azlan Abdullah	• MACD Directors Workshop: The Malaysian Code on Corporate Governance 2012.
Dato' Jaffar Indot#	• Presentation at Taylor's Executive Leadership Series: Transformational Leadership. • 1st Professionalism in Directorship Programme • Presentation on the topic "It Is All About Balance" at SC-Bursa CG week. • 2nd Professionalism in Directorship Programme. • Breakfast Talk on "Nurturing Engagement for Board Effectiveness Principles" by Ernie Turner. • Presentation on "Women On Board" at Women in Leadership Forum in Asia 2012. • Breakfast Talk on "Scenario Planning & Sustainability" by Anthonie Versluis. • 3rd Professionalism in Directorship Programme. • Panelist "Boards in the Driver's Seat": Minda-Asli Directors' Summit 2012. • 4th Professionalism in Directorship Programme.
Mr Onn Kien Hoe#	• 2011 National Tax Conference. • Seminar Percukaian Kebangsaan 2011. • Audit Strategy. • Detecting Creative Accounting & Fraud. • IFRS 13: Fair Value Measurement. • Revenue & Construction Contracts–MFRS 118 & 111.
Datin Ezurin Yusnita binti Abdul Malik	• In-House Directors' Training: "Economic & Capital Market Review".
Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah	• Bursa Malaysia Advocacy Sessions on Disclosure for CEOs and CFOs.
En Shazal Yusuf bin Mohamed Zain	• Comprehensive Overview of Standards. • Bursa Malaysia's Half Day Governance Program: Corporate Governance Blueprint and Malaysian Code of Corporate Governance 2012.
Mr Uwe Ahrens*	• MACD Directors Workshop: The Malaysian Code on Corporate Governance 2012.
Dato' Abu Talib bin Mohamed^	• Blue Ocean Strategy.
Major General Datuk Lai Chung Wah (Rtd)^	• In-House Directors' Training: "Economic & Capital Market Review". • Bursa Malaysia's Half Day Governance Programme.
Mr Paul Chan Wan Siew^	• Bursa Malaysia: Advocacy Sessions on Disclosure for CEOs and CFOs. • MAICSA Annual Conference 2011. • Developing CSR Capacity. • CG Blueprint 2011. • SID Annual Conference 2011. • NACD Board Leadership Annual Conference 2011. • Malaysian Institute of Accountants-Asean Federation of Accountants Conference 2011. • SC-Bursa Corporate Governance Week 2011. • Accountants in Business Symposium 2012. • IOD, UK, Annual Conference 2012. • MINDA-ASLI Directors Summit 2012. • Malaysian Code on Corporate Governance 2012. • Audit Oversight Board-Industry Consultation.

Note:

* Appointed on 1 June 2012
\# Resigned on 4 September 2012
^ Appointed on 4 September 2012

(continued)

i) 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 the following members:

(i) Tengku Datuk Seri Ahmad Shah ibni Almarhum Sultan Salahuddin Abdul Aziz Shah (Chairman);
(ii) Mr Paul Chan Wan Siew^;
(iii) En Shazal Yusuf bin Mohamed Zain; and
(iv) Dato' Jaffar Indot#

Note:

^ Appointed on 4 September 2012
# Resigned on 4 September 2012

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 calibre needed to lead the Group successfully. In the case of Executive Directors, their remunerations are linked to the level of 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	2,238	-
Allowances	-	-
Bonuses	381	-
Fees	-	223
Benefits-In-Kind	78	-
Other Emoluments	491	77
TOTAL	3,188	300

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
Less than RM50,000	-	3
RM50,001 to RM100,000	-	3
RM650,001 to RM750,000	1	-
RM1,000,001 to RM1,100,000	1	-
RM1,350,001 to RM1,450,000	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.

The Board has identified Mr Paul Chan Wan Siew as the Senior Independent Director to whom queries or concerns regarding the Group may be conveyed.

(i) Mr Paul Chan Wan Siew can be contacted as follows:

Telephone number: +603-5519 2455 Facsimile number: +603-5510 8618
Email address: pwchan@melewar-mig.com

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

(ii) Mr Choo Kah Yean (Chief Financial Officer, for financial related matters)
Telephone number: +603-5519 2455 Facsimile number: +603-5510 8618

(iii) En Azlan bin Abdullah (Investor Relations, for investor relations matters)
Telephone number: +603-6250 7000 Facsimile number: +603-6257 1555
Email address: aazlan@melewar-mig.com

(iv) Ms Lily Yin Kam May (Company Secretary, for shareholders' enquiries)
Telephone number: +603-6252 8880 Facsimile number: +603-6252 8080

Whistle-Blowing

In light of the requirements stipulated in the Capital Markets and Services Act, 2007, the Bursa Securities Corporate Governance Guide and the Companies Act, 1965, the Board recognises the importance of whistle-blowing and is committed to maintaining the highest standards of ethical conduct within the Group.

As part of its commitment to uphold the highest standards of ethics, integrity and accountability, the Group also has in place a Whistle Blowing Policy. This is essentially a mechanism to enable the employees and members of the Board to disclose internally any serious malpractice or misconduct without fear of reprisal. This policy provides a safe and acceptable platform for employees and other members of the Group to channel their concerns about illegal, unethical or improper business conduct affecting the Group.

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.

(continued)

With all the members being independent, the composition of the Audit Committee is fully compliant with the Code and the MMLR, which requires 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 have 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 on Internal Control is set out on pages 45 to 47 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 control 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.

The members of the RMC are as follows:

(i) Mr Paul Chan Wan Siew (Chairman)^;
(ii) Major General Datuk Lai Chung Wah (Rtd)^;
(iii) Dato' Jaffar Indot#;
(iv) Mr Onn Kien Hoe#; and
(v) En Shazal Yusuf bin Mohamed Zain.

Note:

^ Appointed on 4 September 2012
# Resigned on 4 September 2012

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; and
- state whether applicable approved accounting standards have been followed.

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

There was no share buy-back during the financial year ended 30 June 2012. As at 30 June 2012, 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 2012.

6. NON-AUDIT FEES

The amount of non-audit fees incurred for services rendered to the Company and its subsidiaries by the Company's External Auditors for the financial year ended 30 June 2012 was RM10,000.

7. PROFIT ESTIMATION, FORECAST OR PROJECTION

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

8. PROFIT GUARANTEES

There were no profit guarantees given by the Group.

9. REVALUATION ON LANDED PROPERTIES

Revaluations are performed with sufficient regularity to ensure that the fair value of landed properties does not differ materially from that which would be determined using fair value at the reporting date. 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 2012.

(continued)

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 2012

On 7 December 2011, 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 15 November 2011) in their ordinary course of business with related parties ("Shareholders' Mandate") as defined in Chapter 10 of the MMLR.

The aggregate value of transactions conducted during the financial year ended 30 June 2012 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.	Trace Management Services Sdn Bhd ("Trace")	Provision of corporate secretarial services by Trace to Melewar Industrial Group Bhd ("MIG") and its subsidiaries ("MIG Group")	**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")	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)(d) of the Companies Act, 1965 ("the Act").	Nil	465,279

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

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")[a]	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"), Melewar Group Berhad ("MGB") and Khyra Legacy Berhad ("KLB").	TY was deemed interested in WSS by virtue of his substantial interest in KLB who is the ultimate major shareholder of MAAG. TYY and Datin Ezurin were therefore deemed interested by virtue of their relationship with TY based on Section 122A(1)(d) of the Act.	WSS was 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.	337,129

(continued)

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of Relationship with the Related Party		Value of Transaction (RM)
				Director	Major Shareholder	
2.	Malaysian Assurance Alliance Berhad (now known as Zurich Insurance Malaysia Berhad) ("MAAB")[(b)]	Provision of Insurance business by MAAB to MIG Group	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholders** MEBVI, MKSB, MESB, IMSB, MGB 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 were therefore deemed interested by virtue of their relationship with TY based on Section 122A(1)(d) of the Act.	MAAB was a wholly owned subsidiary of MAAG whose ultimate major shareholder is KLB.	2,131,938
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, MGB 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 were therefore deemed interested by virtue of their relationship with TY based on Section 122A(1)(d) of the Act.	MAAB was a wholly owned subsidiary of MAAG whose ultimate major shareholder is KLB.	457,188
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, MGB 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 relationship with TY based on Section 122A(1)(d) of the Act.	MAACA is a wholly owned subsidiary of MAA Corp who in turn is a wholly owned subsidiary of MAAG whose ultimate major shareholder is KLB.	Nil
5.	Chelsea Parking Services Sdn Bhd ("Chelsea")	Car parks rental charged by Chelsea to MIG Group payable on monthly basis	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholders** MEBVI, MKSB, MESB, IMSB, MGB 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 relationship with TY based on Section 122A(1)(d) of the Act.	Chelsea is a wholly owned subsidiary of MAA Corp who in turn is a wholly owned subsidiary of MAAG whose ultimate major shareholder is KLB.	35,795

(continued)

C. RRPTs with Mycron Steel Berhad ("MSB") and its subsidiaries, collectively

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, MGB 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 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, MGB 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 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, MGB 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 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, MGB 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 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.	23,726,918

(continued)

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of Relationship with the Related Party		Value of Transaction (RM)
				Director	Major Shareholder	
5.	MSCRC	Sale of pipes by MIG to MSCRC	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholders** MEBVI, MKSB, MESB, IMSB, MGB 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 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.	59,549
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, MGB 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 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, MGB 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 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.	5,204,200
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, MGB 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 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.	Nil

(continued)

D. RRPTs with Melewar Integrated Engineering Sdn Bhd ("MIE")

<table>
<tr><th rowspan="2">No.</th><th rowspan="2">Related Party</th><th rowspan="2">Nature of Transaction</th><th rowspan="2">Interested Related Parties</th><th colspan="2">Manner of Relationship with the Related Party</th><th rowspan="2">Value of Transaction (RM)</th></tr>
<tr><th>Director</th><th>Major Shareholder</th></tr>
<tr><td>1.</td><td>MIE</td><td>Provision of technical and consultancy services by MIE to MSM for expansion projects in induction mill</td><td>Interested Directors
TY, TYY and Datin Ezurin

Interested Major Shareholders
MEBVI, MKSB, MESB, IMSB, MGB and KLB</td><td>TY is deemed interested in MIG and MIE 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 relationship with TY based on Section 122A(1)(d) of the Act.</td><td>MIE is a 70% owned subsidiary of MIG.

MSM is a wholly owned subsidiary of MIG.</td><td>Nil</td></tr>
<tr><td>2.</td><td>MIE</td><td>Sales of steel bar by MSM to MIE</td><td>Interested Directors
TY, TYY and Datin Ezurin

Interested Major Shareholders
MEBVI, MKSB, MESB, IMSB, MGB and KLB</td><td>TY is deemed interested in MIG and MIE 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 relationship with TY based on Section 122A(1)(d) of the Act.</td><td>MIE is a 70% owned subsidiary of MIG.

MSM is a wholly owned subsidiary of MIG.</td><td>Nil</td></tr>
<tr><td>3.</td><td>MIE</td><td>Provision of professional services by MIE to MIG in relation to a joint development study on pellet plant</td><td>Interested Directors
TY, TYY and Datin Ezurin

Interested Major Shareholders
MEBVI, MKSB, MESB, IMSB, MGB and KLB</td><td>TY is deemed interested in MIE and MIG 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 relationship with TY based on Section 122A(1)(d) of the Act.</td><td>MIE is a 70% owned subsidiary of MIG.</td><td>Nil</td></tr>
</table>

(continued)

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, MGB and KLB	TY is deemed interested in MIE and MIG 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 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, MGB and KLB	TY is deemed interested in MIG Group 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 relationship with TY based on Section 122A(1)(d) of the Act.	Nil	27,298,962

Note:

(a) MAAG had disposed its entire equity interest held in the capital of WSS on 28 June 2012.

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, MGB and KLB will cease to be major shareholders with effect from 28 December 2012 in respect of the transaction with WSS and accordingly, this transaction will no longer be regarded as related party transaction.

(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, MGB and KLB had ceased to be major shareholders with effect from 1 April 2012 in respect of the transaction with MAAB and accordingly, this transaction is no longer regarded as related party transaction.

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 2012.

This statement was approved by the Board of Directors on 30 October 2012.

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 control of the listed issuer as a group". The Board of Melewar Industrial Group Berhad recognises the importance of sound internal control and has established an appropriate control environment and framework to assist, review and manage the risk issues identified for a good corporate governance.

In acknowledging the above statement, the Board is pleased to disclose that there is an ongoing process for identifying, documenting, evaluating, monitoring and managing significant risks faced by the Group that could affect its ability to achieve the business objectives. The process is present throughout the financial year and up to the date of approval of these financial statements. The internal control framework covers inter alia, financials organisational, operational, compliance controls and risk management procedures.

2. Board's Responsibility

The Board affirms its overall responsibility for the Group's system of internal control and is fully committed to ensure the existence of an effective system of internal control and risk management within the Group. The Board also continuously reviews and evaluates the adequacy and integrity of those systems. However, the Board recognises that such systems are designed to manage the Group's risks within an acceptable risk profile. As there are limitations that are inherent in any system of internal control, the Board is aware that the system is designed to manage rather than eliminate the risk of failure to achieve business objectives and can provide only reasonable and not absolute assurance against material misstatement or loss.

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

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

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. This process is working effectively during the financial year ended 30 June 2012 and up to the date of approval of the financial statements.

The roles of the Board of Directors, Risk Management Committee, Audit Committee and the respective Division Heads are well defined under the framework with clear lines of accountability. Management is responsible for the identification and evaluation of the key risks applicable to their areas of business units/segments on a continuous basis. Risks identified are reported in a timely manner and discussed thoroughly with corrective measures to be taken during the periodic management meetings to ensure implementation of corrective actions.

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

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

(continued)

The RMC will assist and coordinate the implementation of the risk management programme for the Group. The implementation of the risk management programme will provide a consistent approach and guidelines in managing the Group's significant risk exposures.

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

4. Internal Control Systems

The Board has engaged the services of BTMH to carry out the internal audit function. The principle duty and responsibility of BTMH is to examine and evaluate all major phases of operations of the Group and to assist the Board in the effective discharge of the Board's responsibilities. The fee incurred for the internal audit function in respect of the financial year ended 30 June 2012 was RM72,682. The internal audit function adopts a risk-based approach in developing its audit plan which addresses all the core auditable areas of the Group based on their risk profile.

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

a. The Internal Auditors prepare a 'risk-based' internal audit plan which considers all the critical and high impact areas within the business operations. During the financial year, the various audit areas as set out in the approved internal audit plan were carried out by the Internal Auditors. Any weaknesses identified during the reviews and improvement measures recommendations to strengthen these controls were reported to the Audit Committee. This provides an assurance regarding the adequacy and the integrity of the internal control system.

b. The Group's operations are accredited with the prestigious ISO 9001 : 2008 international quality system standard since October 2002 and such quality management system provides the Group with an improved control of key processes and a foundation for improving quality, customer service and customer satisfaction.

c. The Group has an appropriate organisational structure for planning, executing and controlling business operations which enables adequate monitoring of the activities and ensures effective flows of information across the Group.

d. Management is responsible in identifying and evaluating the key risks applicable to their areas of business on a continuous basis. Risks identified are reported in a timely manner during the periodic management meetings to enable corrective actions to be taken.

e. Lines of responsibility and delegations of authority are clearly defined such as the approval matrix for the capital expenditure and investment programmes.

f. The Board of Directors and Management monitor the Group's performance via key performance indicators, monthly management reports and periodic management meetings. Any significant variation identified will be duly investigated and reported accordingly.

g. Key processes of the Group are governed by the streamlined standard operating procedures across the Group.

h. The Group's Safety and Health Committee is responsible to review the occupational safety and health procedures.

i. The Audit Committee meets at least four (4) times a year and, within its limit, reviews the effectiveness of the Group's system of internal control. The Committee receives reports from the Internal Auditors and Management. Refer to Audit Committee Report set out on pages 48 to 51 of this Annual Report.

j. The Risk Management Unit undertakes to oversee the Group's risk management processes as set out in the risk management framework.

k. The internal policies and procedures guidelines detailed are set out in the standard operating policies and procedures manuals. These systems/manuals, such as those relating to safety, environment and insurance are subject to an annual review and updated as required to ensure the compliance with regulatory requirements and standards.

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

m. On a monthly basis, Executive Committee meeting will be held and attended by the respective Business Unit Heads together with the Managing Director/Group Chief Executive Officer. The objective of the meeting is held primarily to review the operational performance and progress of the tasks undertaken by the Group.

5. Controls Weaknesses

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

(continued)

Management continues to take measures to strengthen the control environment throughout the financial year. There were no major weaknesses of internal control which result in material losses, contingencies or uncertainties that would require disclosure in its financial statements.

Management has carried out the following to improvise its internal control:

a. Safety and Security Committee was formed to review the security and safety measures taken to reduce the risk factors, to assess the adequacy in its monitoring system and to evaluate and ensure that the system is operating effectively from time to time.

b. Internal Control Procedure for Internal Security has been adopted with the objective of establishing a documented and controlled system to ensure that all the Security and Safety matters are managed effectively.

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 control, compliance with regulations and the Group's policies and procedures by the subsidiary:

a. Property, Plant and Equipment Management and Maintenance Management of Melewar Steel Tube Sdn Bhd ("MST"), a wholly owned subsidiary of the Company.

b. Human Resources Management and Payroll Function; and Financial Management and General Accounting of both the Company and MST.

c. Sales and Deliveries, and Collection and Credit Control Function of the Company.

d. Purchasing and Incoming Control and Inventory Management of MST.

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

Other Internal Control Processes

The Group has established a defined limit of authority as set by the Board, to govern and manage the decision process in the Group. The formalised Authority Limits Matrix ("ALM") sets out the matters on the approvals and authorisation by the Board and the respective levels of Management. The ALM prescribes the system of delegation of the authority for the Group to ensure adequate checks and balances with the efficient use of the Group's resources.

The operating structure of the Group is aligned to the business requirements, with defined lines of responsibility and segregation of duties for the respective business units. In our effort to minimise risk of misstatement, the Group has identified tasks that has higher risk of error and fraud are handled by different and qualified individuals.

Documented standard operating procedures and policies to regulate the functional processes of the Group are continuously reviewed and updated to ensure the procedures remain relevant to the Group's operations and are in compliant with internal control and applicable rules and regulations.

The performances and results of the business units are reviewed and discussed at management meetings at least on a quarterly basis. The results are compared against their respective budgets with explanations and clarifications on the significant variances reported, and remedial actions, if any, recommended for follow-up.

6. Review of Effectiveness

The Board is of the opinion that the Group's internal control system is satisfactory and sufficient to support all types of business and operations within the Melewar Industrial Group of Companies.

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 2012. Their review was performed in accordance with Recommended Practise Guide 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 have 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 control of the Group.

Audit Committee Report

ESTABLISHMENT

The Audit Committee was established on 15 April 1994 as a subcommittee 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 the following Directors, all of whom are Independent Non-Executive Directors:

1.	Dato' Abu Talib bin Mohamed^	-	Independent Non-Executive Director *(Audit Committee Member who fulfills requirement under Paragraph 15.09(1)(c)(i) of the MMLR)*
2.	Mr Paul Chan Wan Siew^	-	Independent Non-Executive Director *(Audit Committee Member who fulfills requirement under Paragraph 15.09(1)(c)(i) of the MMLR)*
3.	Major General Datuk Lai Chung Wah (Rtd)^	-	Independent Non-Executive Director
4.	En Shazal Yusuf bin Mohamed Zain	-	Independent Non-Executive Director
5.	Mr Onn Kien Hoe#	-	Independent Non-Executive Director *(Audit Committee Member who fulfills requirement under Paragraph 15.09(1)(c)(i) of the MMLR)*
6.	Dato' Jaffar Indot#	-	Independent Non-Executive Director

Note:

^ Appointed on 4 September 2012
# Resigned on 4 September 2012

The Chairman of the Audit Committee is Dato' Abu Talib bin Mohamed. The Directors' profiles are set out on pages 19 to 24 in the Annual Report.

The Chairman of the Audit Committee engages on a continuous basis with the Senior Management, Head of Internal Audit and External Auditors, in order to keep abreast of matters and issues affecting the Group.

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 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.

(continued)

SUMMARY OF ACTIVITIES OF THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR ENDED 30 JUNE 2012

During the financial year ended 30 June 2012, six (6) 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#	6	5	83%
Dato' Jaffar Indot#	6	6	100%
En Shazal Yusuf bin Mohamed Zain	6	6	100%
Dato' Abu Talib bin Mohamed^	N/A	N/A	N/A
Mr Paul Chan Wan Siew^	N/A	N/A	N/A
Major General Datuk Lai Chung Wah (Rtd)^	N/A	N/A	N/A

Note:

^ Appointed on 4 September 2012
# Resigned on 4 September 2012

During the financial year ended 30 June 2012, the main activities undertaken by the Audit Committee were carried out in accordance with its terms of reference:

i. Reviewed and recommended to the Board the reappointment of the External Auditors and the audit fee;

ii. 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;

iii. 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;

iv. Reviewed with the appropriate officers of the Group, the quarterly financial results and year-end financial statements including the announcements pertaining thereto before recommending to the Board for approval and the release of the Group's results to Bursa Securities;

v. 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;

vi. Reviewed the financial statements, the audit report, the evaluation of system of internal control, issues and reservations arising from audits and the Management letter with the External Auditors and recommend the same to the Board;

vii. 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;

viii. Reviewed and recommended to the Board the reappointment of the external service provider for internal audit services and the audit fee;

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

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

xi. 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;

xii. Reviewed the disclosure statements on compliance of Malaysian Code on Corporate Governance, the 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

xiii. 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 Malaysia Securities Berhad ("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.

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;

(continued)

(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 coordination where more than one (1) 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 30 October 2012.

Directors' Report For The Financial Year Ended 30 June 2012

The Directors hereby submit their report together with the audited financial statements of the Group and the Company for the financial year ended 30 June 2012.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of trading of steel pipes and tubes, property investment and investment holding. The principal activities of the subsidiaries are as disclosed in Note 14 to the financial statements.

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

FINANCIAL RESULTS

	Group RM	Company RM
Loss for the financial year	144,076,337	14,836,820
Attributable to:		
- Equity holders of the Company	134,731,814	14,836,820
- Non-controlling interests	9,344,523	-
Loss for the financial year	144,076,337	14,836,820

DIVIDENDS

No dividend has been paid, declared or proposed by the Company since the end of the previous financial year. There were no dividends declared or paid by the Company since 30 June 2011.

The Directors do not recommend the payment of final dividend for the financial year ended 30 June 2012.

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
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah
Tengku Datuk Seri Ahmad Shah ibni Almarhum
  Sultan Salahuddin Abdul Aziz Shah
Datin Ezurin Yusnita binti Abdul Malik
Shazal Yusuf bin Mohamed Zain
Uwe Ahrens (appointed on 1 June 2012)
Dato' Abu Talib bin Mohamed (appointed on 4 September 2012)
Major General Datuk Lai Chung Wah (Rtd) (appointed on 4 September 2012
Paul Chan Wan Siew (appointed on 4 September 2012)
Dato' Jaffar Indot (resigned on 4 September 2012)
Onn Kien Hoe (resigned on 4 September 2012)

In accordance with Section 129(6) of the Companies Act, 1965, Major General Datuk Lai Chung Wah (Rtd) 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, Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah and Datuk Lim Kim Chuan retire by rotation from the Board at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

In accordance with Article 100 of the Company's Articles of Association, Uwe Ahrens, Dato' Abu Talib bin Mohamed and Paul Chan Wan Siew who were appointed to the Board subsequent to the date of the last Annual General Meeting, retire at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

(continued)

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1.00 each in the Company			
	At 01.07.2011	**Bought**	**Sold**	**At 30.06.2012**
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah - indirect interest	82,381,232	-	-	82,381,232
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah - indirect interest	82,381,232	-	-	82,381,232
Datin Ezurin Yusnita binti Abdul Malik - indirect interest	82,381,232	-	-	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 01.07.2011	**Bought**	**Sold**	**At 30.06.2012**
Tunku Dato' Ya'acob bin Tunku Tan Sri Abdullah - indirect interest	97,504,766	-	-	97,504,766
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah - indirect interest	97,504,766	-	-	97,504,766
Datin Ezurin Yusnita binti Abdul Malik - indirect interest	97,504,766	-	-	97,504,766
Azlan bin Abdullah - direct interest	247,000	-	-	247,000

By virtue of the above mentioned Directors' indirect interests in ordinary 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 31 to the financial statements.

(continued)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of comprehensive income and 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 34 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 income statements, Notes 2(a)-(i), 3 and 28 to the financial statements; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or 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 35 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 2012.

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 58 to 142 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 2012 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 2012.

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 58 to 142 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

Subscribed and solemnly declared by the abovenamed Azlan bin Abdullah, at Kuala Lumpur in Malaysia on 31 October 2012, before me.

COMMISSIONER FOR OATHS

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Melewar Industrial Group Berhad on pages 58 to 141, which comprise the statements of financial position as at 30 June 2012 of the Group and of the Company, and the statements of income, 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 2012 and of their financial performance and cash flows for the financial year then ended.

Emphasis of Matter

We draw attention to Note 2(a)-(i) to the financial statements which describes certain matters indicating the existence of a material uncertainty that may cast significant doubt about the ability of the Group and the Company to continue as going concerns. Our opinion is not qualified in respect of this matter.

REPORT ON OTHER LEGAL AND REGULATORY REQUIREMENTS

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

(a) in our opinion, the accounting and other records and the registers required by the Act to be kept by the Company and its subsidiaries 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 14 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.

(continued)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 39 on page 142 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. 1517/06/14 (J))
Chartered Accountant

Kuala Lumpur
31 October 2012

Income Statements
For The Financial Year Ended 30 June 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Revenue	5	921,324,101	754,837,621	212,562,664	282,086,508
Cost of sales		(874,410,562)	(699,182,617)	(205,855,296)	(192,518,586)
Gross profit		46,913,539	55,655,004	6,707,368	89,567,922
Other operating income	6	1,294,144	11,968,177	7,427,833	10,498,675
Fair value loss on financial asset at fair value through profit or loss	23	-	(773,845)	-	-
Gain on disposal of a subsidiary	14	-	10,483,452	-	-
Impairment losses on:					
- investment in a subsidiary	14	-	-	(11,921,541)	(8,293,267)
- amount owing by a subsidiary	24	-	-	(4,171,423)	(72,551,000)
- intangible assets	17	(40,624,746)	-	-	-
- property, plant and equipment	12	(7,815,919)	(890,224)	(80,595)	-
- trade receivables	4(c)	(40,965,635)	(7,236,459)	-	-
- other receivables	4(c)	(14,197,585)	(28,217)	-	-
Selling and distribution costs		(6,098,400)	(5,107,545)	(3,069,613)	(2,713,613)
Administrative and general expenses		(32,009,507)	(34,429,871)	(8,002,848)	(8,979,623)
		(93,504,109)	29,640,472	(13,110,819)	7,529,094
Finance income	8	2,355,756	(1,833,612)	389,499	275,312
Finance costs	8	(57,758,447)	(22,896,733)	(1,241,026)	(1,326,586)
(Loss) / profit before tax	7	(148,906,800)	4,910,127	(13,962,346)	6,477,820
Taxation	10	4,830,463	(1,644,220)	(874,474)	(2,512,036)
(Loss) / profit for the financial year		(144,076,337)	3,265,907	(14,836,820)	3,965,784
Attributable to:					
- Equity holders of the Company		(134,731,814)	5,924,960	(14,836,820)	3,965,784
- Non-controlling interests		(9,344,523)	(2,659,053)	-	-
(Loss) / profit for the financial year		(144,076,337)	3,265,907	(14,836,820)	3,965,784
(Loss) / earnings per share attributable to equity holders of the Company during the financial year:					
- basic and diluted (sen)	11	(59.74)	2.63		

Statements of Comprehensive Income
For The Financial Year Ended 30 June 2012

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
(Loss) / profit for the financial year	(144,076,337)	3,265,907	(14,836,820)	3,965,784
Other comprehensive income / (loss):				
Currency translation differences	2,339,783	(8,122,560)	-	-
Reclassification adjustment:				
- realisation on disposal of property, plant and equipment	138,338	-	-	-
Revaluation surplus / (deficit) on property, plant and equipment, net of tax	7,382,678	31,263,363	(1,091)	111,073
Other comprehensive income / (loss) for the financial year, net of tax	9,860,799	23,140,803	(1,091)	111,073
Total comprehensive (loss) / income for the financial year	(134,215,538)	26,406,710	(14,837,911)	4,076,857
Attributable to:				
- Equity holders of the Company	(125,816,986)	24,359,503	(14,837,911)	4,076,857
- Non-controlling interests	(8,398,552)	2,047,207	-	-
	(134,215,538)	26,406,710	(14,837,911)	4,076,857

Statements of Financial Position
As At 30 June 2012

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
NON-CURRENT ASSETS					
Property, plant and equipment	12	1,133,713,593	1,140,956,696	2,694,615	3,151,731
Investment properties	13	-	-	69,300,000	68,450,000
Investments in subsidiaries	14	-	-	156,351,678	168,273,219
Intangible assets	17	16,930,936	82,881,893	-	-
Deferred tax assets	18	3,754,293	357,993	-	-
Available-for-sale financial assets	19	15	15	-	-
Derivatives	20	-	3,365,076	-	-
Other receivables	22	17,132,203	31,279,772	-	-
		1,171,531,040	1,258,841,445	228,346,293	239,874,950
CURRENT ASSETS					
Inventories	21	110,570,811	117,273,860	-	-
Trade and other receivables	22	248,889,194	158,003,496	40,679,632	32,653,304
Financial asset at fair value through profit or loss	23	-	2,824,835	-	-
Derivatives	20	43,122	1,505,534	-	-
Amounts owing by subsidiaries	24	-	-	192,106,416	170,897,735
Tax recoverable		831,194	994,638	-	-
Deposits with licensed financial institutions	25	25,170,000	27,703,816	10,670,000	8,000,000
Cash and bank balances	25	21,186,449	58,338,173	4,517,158	5,349,943
		406,690,770	366,644,352	247,973,206	216,900,982
Assets classified as held-for-sale	26	-	2,768,541	-	-
		406,690,770	369,412,893	247,973,206	216,900,982

(continued)

	Note	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
LESS: CURRENT LIABILITIES					
Trade and other payables	27	171,211,356	102,094,105	12,931,554	3,028,963
Amounts owing to subsidiaries	24	-	-	45,402,069	28,738,002
Derivatives	20	1,312,432	-	-	-
Tax payable		220,103	704,360	95,059	668,764
Borrowings	28	803,350,594	247,033,200	75,760,000	67,682,644
		976,094,485	349,831,665	134,188,682	100,118,373
NET CURRENT (LIABILITIES) / ASSETS		(569,403,715)	19,581,228	113,784,524	116,782,609
LESS: NON-CURRENT LIABILITIES					
Deferred tax liabilities	18	28,674,284	31,214,700	15,115,612	14,804,443
Trade and other payables	27	25,893,911	21,982,800	-	-
Borrowings	28	18,003,652	561,453,771	-	-
		72,571,847	614,651,271	15,115,612	14,804,443
		529,555,478	663,771,402	327,015,205	341,853,116
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
Share capital	29	226,755,408	226,755,408	226,755,408	226,755,408
Share premium		241,447	241,447	241,447	241,447
Treasury shares		(2,042,193)	(2,042,193)	(2,042,193)	(2,042,193)
Retained earnings		78,640,420	215,516,497	101,950,561	116,787,381
Asset revaluation reserves		108,145,635	102,095,642	109,982	111,073
Foreign currency translation reserve		1,746,759	(509,334)	-	-
		413,487,476	542,057,467	327,015,205	341,853,116
Non-controlling interests		116,068,002	121,713,935	-	-
TOTAL EQUITY		529,555,478	663,771,402	327,015,205	341,853,116

Consolidated Statement of Changes In Equity
For The Financial Year Ended 30 June 2012

	Note	← Attributable to equity holders of the Company						→		
		Share capital	Treasury shares	Share premium	Foreign currency translation reserve	Assets revaluation reserve	Retained earnings	Total	Non-controlling interests	Total
		RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 July 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
Comprehensive loss:										
Loss for the financial year		-	-	-	-	-	(134,731,814)	(134,731,814)	(9,344,523)	(144,076,337)
Other comprehensive (loss) / income:										
Reclassification adjustment:										
- Realisation of asset revaluation surplus on disposal of property, plant and equipment		-	-	-	-	(470,404)	470,404	-	-	-
- Realisation of deferred tax liabilities on disposal of property, plant and equipment		-	-	-	-	-	138,338	138,338	-	138,338
Revaluation surplus on property, plant and equipment, net of tax		-	-	-	-	6,520,397	-	6,520,397	862,281	7,382,678
Currency translation differences		-	-	-	2,256,093	-	-	2,256,093	83,690	2,339,783
Total comprehensive income / (loss) for the financial year		-	-	-	2,256,093	6,049,993	(134,123,072)	(125,816,986)	(8,398,552)	(134,215,538)
Transactions with owners:										
Acquisition of additional interests in a subsidiary from non-controlling interests		-	-	-	-	-	(2,753,005)	(2,753,005)	2,753,005	-
Acquisition of a subsidiary		-	-	-	-	-	-	-	(386)	(386)
At 30 June 2012		226,755,408	(2,042,193)	241,447	1,746,759	108,145,635	78,640,420	413,487,476	116,068,002	529,555,478

	Note	← Attributable to equity holders of the Company						→		
		Share capital	Treasury shares	Share premium	Foreign currency translation reserve	Assets revaluation reserve	Retained earnings	Total	Non-controlling interests	Total
		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 / (loss):										
Profit / (loss) for the financial year		-	-	-	-	-	5,924,960	5,924,960	(2,659,053)	3,265,907
Other comprehensive income / (loss):										
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	30	-	-	-	-	-	(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

Company Statement of Changes In Equity
For The Financial Year Ended 30 June 2012

	← Non-distributable			→	Distributable	
	Share capital	Treasury shares	Share premium	Assets revaluation reserve	Retained earnings	Total
	RM	RM	RM	RM	RM	RM
At 1 July 2011	226,755,408	(2,042,193)	241,447	111,073	116,787,381	341,853,116
Comprehensive loss:						
Loss for the financial year	-	-	-	-	(14,836,820)	(14,836,820)
Other comprehensive loss:						
Revaluation deficit on property, plant and equipment, net of tax	-	-	-	(1,091)	-	(1,091)
Total comprehensive loss for the financial year	-	-	-	(1,091)	(14,836,820)	(14,837,911)
At 30 June 2012	226,755,408	(2,042,193)	241,447	109,982	101,950,561	327,015,205

		← Non-distributable			→	Distributable	
	Note	Share capital	Treasury shares	Share premium	Assets revaluation reserve	Retained earnings	Total
		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	30	-	-	-	-	(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

Statements of Cash Flows
For The Financial Year Ended 30 June 2012

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
CASH FLOWS FROM OPERATING ACTIVITIES				
(Loss) / profit before tax	(148,906,800)	4,910,127	(13,962,346)	6,477,820
Adjustments for:				
Property, plant and equipment:				
- depreciation	49,093,732	33,512,497	353,366	416,826
- net (gain) / loss on disposals	(63,251)	164,032	(26,800)	(16,039)
- impairment losses	7,815,919	890,224	80,595	-
- write-offs	1,064,359	43,261	23,189	-
Amortisation of:				
- intangible assets	3,134,748	1,584,114	-	-
- deferred financing fees	2,180,670	1,087,429	-	-
Impairment losses in:				
- intangible assets	40,624,746	-	-	-
- investments in subsidiaries	-	-	11,921,541	8,293,267
- inventories	305,949	-	-	-
- amount owing by a subsidiary	-	-	4,171,423	72,551,000
- available-for-sale financial assets	-	635,208	-	317,604
- trade receivables	40,965,635	7,236,459	-	-
- other receivables	14,197,585	28,217	-	-
Inventories written off	5,197	-	-	-
Investment properties:				
- fair value gain	-	-	(850,000)	(3,800,000)
Financial asset at fair value through profit or loss:				
- loss / (gain) on disposals	47,352	(7,773,693)	-	-
- loss on valuation	-	773,845	-	-
Gain on disposals of:				
- non-current asset held-for-sale	(112,372)	(1,842,877)	-	-
- a subsidiary	-	(10,483,452)	-	-
Net unrealised loss / (gain) on foreign exchange	163,583	392,584	(55,450)	(163,579)
Fair value (gain) / loss on:				
- forward foreign currency exchange contract	(43,122)	(286,878)	-	-
- interest rate swap	5,896,164	(610,864)	-	-
Net gain on a restructured liability	(690,362)	(2,013,050)	-	-
Fair value loss on restructuring of construction financing	506,004	-	-	-
Dividend income	-	-	-	(76,876,044)
Interest income	(1,006,832)	(666,925)	(389,499)	(275,312)
Interest expense	44,270,077	26,556,655	1,241,026	1,326,586
	59,448,981	54,136,913	2,507,045	8,252,129

(continued)

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Changes in working capital:				
- inventories	6,577,604	74,264,532	-	-
- trade and other receivables	(129,466,338)	(51,564,710)	(7,958,119)	1,487,591
- trade and other payables	66,727,520	(10,059,715)	9,898,581	(10,930,840)
Cash generated from / (used in) operations	3,287,767	66,777,020	4,447,507	(1,191,120)
Interest paid	(41,430,600)	(30,408,796)	(1,245,847)	(1,406,678)
Interest received	1,002,903	651,651	385,571	260,038
Tax paid	(1,544,754)	(3,761,216)	(1,136,647)	(3,409,054)
Net cash flows (used in) / generated from operating activities	(38,684,684)	33,258,659	2,450,584	(5,746,814)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of :				
- plant and equipment	(5,926,433)	(87,670,538)	(1,488)	(4,435)
- intangible assets	-	(1,697,060)	-	-
Proceeds from disposals of:				
- plant and equipment	355,575	5,435,813	26,800	95,640
- non-current asset held-for-sale	2,880,913	52,261,903	-	-
- financial asset at fair value through profit or loss	2,777,483	114,613,653	-	-
- a subsidiary	-	6	-	7
Proceeds from deemed disposal of financial asset at fair value through profit or loss	-	1,514,463	-	-
Dividends received	-	-	-	3,577,535
(Advances to) / repayment from subsidiaries	-	-	(8,716,037)	52,461,695
Shares issuance by a subsidiary	-	-	-	(3)
Net cash flows (used in) / generated from investing activities	87,538	84,458,240	(8,690,725)	56,130,439

Statements of Cash Flows
For The Financial Year Ended 30 June 2012

(continued)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	429,230,000	364,361,877	169,420,000	180,589,000
Repayment of borrowings	(428,400,445)	(481,537,168)	(161,239,000)	(219,156,000)
Repayment of hire purchase	(102,126)	(351,707)	(103,644)	(238,492)
Deposits with licensed financial institutions pledged as security	11,792	64,739,461	-	(8,000,000)
Dividends paid :				
- shareholders	-	(3,382,832)	-	(3,382,832)
- non-controlling interests	-	(2,815,922)	-	-
Net cash flow generated from / (used in) financing activities	739,221	(58,986,291)	8,077,356	(50,188,324)
NET CHANGE IN CASH AND CASH EQUIVALENTS	(37,857,925)	58,730,608	1,837,215	195,301
CURRENCY TRANSLATION DIFFERENCES	(1,815,823)	(4,748,232)	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	78,030,197	24,047,821	5,349,943	5,154,642
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR (Note 25)	38,356,449	78,030,197	7,187,158	5,349,943

Included in the purchase of plant and equipment is a purchase of motor vehicle via a hire purchase arrangement amounting to RM115,000 (2011: Nil)

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 14 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.

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

The registered office of the Company is:

Suite 12.03, 12th Floor
No. 566 Jalan Ipoh
51200 Kuala Lumpur

The principal place of business of the Company is:

Lot 53, Persiaran Selangor
40200 Shah Alam
Selangor Darul Ehsan

As at 30 June 2012, 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 2012.

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.

(i) Going concern

The preparation of financial statements in conformity with MASB Approved Accounting Standards in Malaysia for Entities Other than Private Entities and the 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 judgment in the process of applying the Group and the Company's accounting policies. Although these estimates and judgement are based on the Directors' best knowledge of current events and actions, actual results may differ.

The Group is in a net current liabilities position of RM569.4 million (2011: net current assets of RM19.6 million) as at 30 June 2012. The net current liabilities position is mainly attributable to the reclassification of a non-recourse long-term loan of a foreign subsidiary from non-current liability to current liability amounting to THB5.5 billion (approximately RM545.7 million). Refer to Note 4(b) for details.

This coupled with the operational losses of certain subsidiaries has resulted in cash flows constraint for working capital requirements and in meeting its financial obligations.

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(i) Going concern (continued)

The Company and a subsidiary had, prior to 30 June 2012, obtained indulgences for all credit facilities from all the banks on its compliance with the covenant clauses for the financial year ended 30 June 2012. However, based on the cash flows projections for the financial year ending 30 June 2013, the Group may not be able to meet the said covenant clauses and has obtained a further extension to 30 June 2013 from all the banks. However, this indulgence by one of the banks for both the Company and the subsidiary was approved with an inclusion of a paragraph matter on the said bank's contractual rights to demand immediate repayment at any time at its sole discretion with or without written notice to the Company and the subsidiary, irrespective of whether or not any event of default has occurred and notwithstanding any other terms and conditions stated in the trade facilities agreement. The trade facilities of the Company and the subsidiary amounting to RM23.5 million and RM127.0 million respectively are classified as current liability as at 30 June 2012. Refer to Note 4(b) and Note 28 for further details.

The subsidiary has sought support from its customers via obtaining advances for their sales orders. This measure will improve the subsidiary's credit enhancement and improve the availability of the subsidiary's cash flows.

The Group had, on 25 October 2012, successfully re-negotiated the restructuring of its term loan and revolving credits in a subsidiary amounting to USD6.2 million (approximately RM19.4 million) and RM35 million respectively to a longer repayment term. This is an indication of continued financial support from the banks.

A foreign subsidiary has a term loan amounting THB5.5 billion (approximately RM545.7 million) which was secured on a non-recourse project based financing for the construction of power plant in Thailand. Principal repayment instalments of the term loan amounting to THB174 million (approximately RM17.2 million) and THB196 million (approximately RM19.3 million) which were due on 31 March 2012 and 30 September 2012 respectively remained outstanding. During the financial year, the foreign subsidiary was granted an extension of time on a month to month basis by the bank for the principal repayment instalments. Both instalments will now become due and payable on 30 November 2012. However, the interest costs for the financial year amounting to THB230.9 million (approximately RM22.8 million) have been serviced in a timely manner.

As of the approval date of the financial statements, the foreign subsidiary has yet to obtain indulgence for one of the two covenant clauses from the bank for the current financial year whilst indulgence over other covenant clause has been obtained from the bank for the period ending 31 December 2012. The foreign subsidiary is also seeking for an extension to 30 June 2013 from the bank for both the covenant clauses. This condition has resulted the reclassification of the related long-term borrowing in the foreign subsidiary from non-current liabilities to current liabilities as at 30 June 2012. Being a non-recourse loan, the associated risks are ring-fenced within the foreign subsidiary.

The constraint in cash flows faced by the foreign subsidiary was mainly due to default in payment by one of its two customers. As a result of the default, the subsidiary took immediate steps and stopped the supply of electricity to the customer ("Affected Customer") in November 2011. The Affected Customer is currently undergoing a corporate restructuring exercise and has temporarily ceased operations since May 2012. As part of the corporate restructuring, the Affected Customer entered into compromise settlement agreement (debt-to-equity conversion) with all their unsecured creditors including the foreign subsidiary. On 29 June 2012, the foreign subsidiary executed the compromise agreement in respect of the settlement of outstanding receivables of capacity and energy charges due from the Affected Customer amounting THB654.6 million (approximately RM64.6 million). As a result of the settlement agreement, the Group has recognised an impairment loss amounting to THB57.9 million (approximately RM5.7 million).

Whilst awaiting for the resumption of the power offtake by the Affected Customer, management has actively been in negotiations with its other customer ("Other Customer") to purchase the excess of the power offtake. Management commenced negotiation with the Other Customer in June 2012, following the approval by the regulatory authority in Thailand, to allow sales of power offtake to the Other Customer which was previously subject to certain threshold.

Management believes that the agreement with the Other Customer will be concluded by the end of December 2012 and the sales of the excess power will commence immediately thereafter for a period until such time the Affected Customer resumes the power offtake upon completion of the restructuring process in Year 2014. Although, the energy sales price to the Other Customer would be at a lower rate, this would be compensated by an improvement in the power generation efficiency, thereby reducing the production costs for each megawatt of power generated.

Based on the key assumptions applied in the cash flows projections in the foreign subsidiary, the Group recognised an impairment amounting to RM40.6 million as the carrying amount of the intangible asset is lower than the value-in-use as at 30 June 2012. Refer to Note 12 for further details.

As at 30 June 2012, the Group has commenced discussions with potential buyers to dispose of the foreign subsidiary. The divestment plan was announced by the Chairman at the 42nd Annual General Meeting held on 7 December 2011 and the Board of Directors have highlighted the disposal plan in the announcement for the quarter ended 30 June 2012. However, at the reporting date, the Board has not concluded the disposal of the foreign subsidiary as the negotiations with the potential buyers are still in progress.

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

(i) Going concern (continued)

The Company had, on 27 October 2011, announced and proposed to undertake share capital reduction followed by a renounceable rights issue on the basis of two (2) rights shares for every three (3) existing shares held on an entitlement date to be determined later after the proposed capital reduction. On this basis, the proposed rights issue will involve an issuance of 150.3 million of rights share on the basis of two (2) rights share for every three (3) existing shares. Assuming an indicative price of RM0.40 with 100% subscription of the rights issue, the proposed rights issue is expected to bring in an additional capital of RM60.1 million to the Company. In addition, the substantial shareholders of the Company, namely, Melewar Equities (BVI) Ltd and Melewar Khyra Sdn Bhd, have provided irrevocable undertakings to subscribe in full for its entitlements. Accordingly, the Company will obtain a minimum subscription level of 36.5% amounting to RM22 million under this proposed rights issue. The proceeds from the proposed rights issue will be utilised mainly for working capital requirements. Further details are as disclosed in Note 35(ii) to the financial statements.

The Group's going concern is dependent on the following:

(a) continuous financial support from the banks for the Group; in particular the approval on the extension of time by the bank on the principal repayment instalments when they are due and payable by the foreign subsidiary;

(b) continuous financial support via advances from the customers of a subsidiary;

(c) purchase of excess power by the Other Customer in a foreign subsidiary;

(d) resumption of the power offtake by the Affected Customer in a foreign subsidiary;

(e) disposal of a foreign subsidiary;

(f) proposed renounceable rights issues of the Company.

If these events do not occur, this will give rise to the existence of material uncertainties that may cast significant doubt for the Group's and the Company's ability to continue as going concerns and, therefore may be unable to realise their assets and discharge their liabilities in the normal course of business.

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.

(ii) 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 beginning on or after 1 July 2011 are as follows:

- Amendments To FRS 1 "First-Time Adoption Of Financial Reporting Standards"
- Amendment To FRS 2 "Share-Based Payment - Group Cash-Settled Share Based Payment Transactions"
- Amendment To FRS 7 "Financial Instruments: Disclosures – Improving Disclosures About Financial Instruments"
- IC Interpretation 4 "Determining Whether An Arrangement Contains A Lease"
- IC Interpretation 18 "Transfers Of Assets From Customers"
- IC Interpretation 19 "Extinguishing Financial Liabilities With Equity Instruments"
- Amendment To IC 14 "Prepayment Of A Minimum Funding Requirement"
- Improvements To FRSs (2010)

The adoption of these new FRSs amendments and interpretations do not have any material impact on the financial performance or financial position of the Group and the Company.

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

In the next financial year, the Group and the Company will be adopting the new IFRS-compliant framework, Malaysian Financial Reporting Standards ("MFRS"). In adopting the new framework, the Group will be applying MFRS 1 "First-Time Adoption of MFRS".

The Group and the Company will apply the new standards, amendments to standards and interpretations in the following financial year:

- Financial year beginning on / after 1 July 2012

  Applicable to the Group and the Company

  - MFRS 139 "Financial Instruments: Recognition And Measurement"
  - The revised MFRS 124 "Related Party Disclosures"
  - Amendment to MFRS 112 "Income Taxes"
  - Amendment to MFRS 7 "Financial Instruments: Disclosures On Transfers Of Financial Assets"
  - Amendment to MFRS 101 "Presentation Of Items Of Other Comprehensive Income"

  The abovementioned MFRS is not expected to have any material impact on the financial performance or financial position of the Group and the Company.

  Not applicable to the Group and the Company

  - MFRS 141 "Agriculture"
  - IC Interpretation 15 "Agreements For Construction Of Real Estates"

- Financial year beginning on / after 1 July 2013

  Applicable to the Group and the Company

  - MFRS 10 "Consolidated Financial Statements"
  - MFRS 11 "Joint Arrangements"
  - MFRS 12 "Disclosures Of Interests In Other Entities"
  - MFRS 13 "Fair Value Measurement"
  - The revised MFRS 127 "Separate Financial Statements"
  - The revised MFRS 128 "Investments In Associates And Joint Ventures"
  - Amendment to MFRS 7 "Financial Instruments: Disclosures"

  The abovementioned MFRS is not expected to have any material impact on the financial performance or financial position of the Group and the Company.

  Not applicable to the Group and the Company

  - Amendment To MFRS 1 "First Time Adoption Of MFRSs: Government Loans"
  - Amendment to MFRS 119 "Employee Benefits"
  - IC Interpretation 20 "Stripping Costs In The Production Phase Of A Surface Mine"

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(a) Basis of preparation (continued)

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

The Group and the Company will apply the new standards, amendments to standards and interpretations in the following financial year: (continued)

- Financial year beginning on / after 1 July 2014

  Applicable to the Group and the Company

  - Amendment to MFRS 132 "Financial instruments: Presentation"

  The abovementioned MFRS is not expected to have any material impact on the financial performance or financial position of the Group and the Company.

- Financial year beginning on / after 1 July 2015

  Applicable to the Group and the Company

  - MFRS 9 "Financial Instruments – Classification and Measurement of Financial Assets and Financial Liabilities"

  The abovementioned MFRS is not expected to have any material impact on the financial performance or financial position of the Group and the Company.

(b) Basis of consolidation

(i) Investment in 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 deconsolidated 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 non-controlling 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 the profit or loss.

Non-controlling interests 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 the profit or loss attributable to the parent.

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(b) Basis of consolidation (continued)

(ii) Transactions with non-controlling interests

The Group applies a policy of treating transactions with non-controlling interests as transactions with equity owners of the Group. For purchases from non-controlling 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 non-controlling interests, differences between any proceeds received and the relevant share of non-controlling interests are also recognised in equity.

(iii) 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 the 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.

(iv) Investments in subsidiaries and jointly controlled entity

In the Company's separate financial statements, investments in subsidiaries, joint and controlled entity 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 the 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 off 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 2011 with non-controlling 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, with sufficient regularity 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.

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Property, plant and equipment (continued)

(i) Measurement basis (continued)

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 the profit or loss during the financial year in which they are incurred.

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

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

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

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

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

(ii) Depreciation

Freehold land is not depreciated as it has infinite life. Other property, plant and equipment, are depreciated on 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 its 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.

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) Investment properties (continued)

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 the 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 the 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 off 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 the 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 the 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 the 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.

(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.

<u>Accounting as lessee</u>

(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 the profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

Property, plant and equipment acquired under finance lease 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 the profit or loss over the lease term on the same basis as the lease expense.

(ii) Operating leases

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

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

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 the profit or loss unless it reverses a previous revaluation in which case it is charged to the revaluation surplus. In respect of other assets, any subsequent increase in recoverable amount is recognised in the profit or loss unless it reverses an impairment loss on a revalued asset in which case, it is taken to asset revaluation reserve.

(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.

(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

Classification

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

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial assets (continued)

Classification (continued)

(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 are as disclosed in Note 36 to the financial statements.

(iii) Available-for-sale financial assets

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

Recognition and initial measurement

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

Financial assets are initially recognised at fair value plus transaction costs for all financial assets not carried at fair value through profit or loss. Financial assets carried at fair value through profit or loss are initially recognised at fair value, and transaction costs are expense in the 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 the profit or loss in the financial year in which the changes arise.

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

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

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial assets (continued)

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 the profit or loss. If 'loans and receivables' has a variable interest rate, the discount rate for measuring any impairment loss is the current effective interest rate determined under the contract. As a practical expedient, the Group may measure impairment on the basis of an instrument's fair value using an observable market price.

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

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

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

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

In the case of equity securities classified as available-for-sale 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 the profit or loss. The amount of cumulative loss that is reclassified to the 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 the profit or loss. Impairment losses recognised in the profit or loss on equity instruments classified as available-for-sale are not reversed through profit or loss.

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Financial assets (continued)

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

Derecognition

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

When available-for-sale financial assets are sold, the accumulated fair value adjustments recognised in other comprehensive income are reclassified to the 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 remeasured 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 comprises of cash in hand, deposits held at call with financial institutions, other short term highly liquid investments with original maturities of 3 months or less, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities at the reporting date.

(o) Trade receivables

Trade receivables are amounts due from customers for goods sold or services performed in the ordinary course of business. If the collection is expected within 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 36 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 the 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 the profit or loss.

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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 the 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 the 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.

<u>Change in accounting policy</u>

The Group has changed its accounting policy for borrowing costs upon the adoption of FRS 123 "Borrowing Costs" on 1 July 2011. 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 drawdown 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.

(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 the amount has been reliably estimated. Provisions are not recognised for future operating losses.

(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.

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(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) 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.

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

(iii) Processing and engineering service income

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

(iv) Dividend income

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

(v) 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.

(vi) 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.

(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 the 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 the profit or loss in the financial year to which they relate.

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Current and deferred income tax

The income tax expense for the financial year comprises current and deferred tax. Tax is recognised in the profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of the reporting date in 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 date 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.

(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 the profit or loss.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the profit or loss within 'finance income or cost'. All other foreign exchange gains and losses are presented in the profit or loss.

For translation differences on non-monetary financial assets and liabilities held at fair value through profit or loss and available-for-sale financial assets are reported as part of the fair value gain or loss.

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(x) Foreign currencies (continued)

(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 and 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 the 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.

(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. Liabilities arising from financial guarantee contracts, including the Group's and the Company's guarantees for its subsidiaries through deeds of cross guarantee, are initially measured at fair value and subsequently at the higher of the amount determined in accordance with 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 Group or the Company for no compensation, the fair values are accounted for as contributions and recognised as part of the cost of investment in subsidiaries.

(continued)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

Estimates and judgements are continually evaluated by the Directors and are based on historical experience and other factors, including expectations of future events that the Directors believe to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, rarely equal the related actual results. To enhance the information content of the estimates, certain key variables that are anticipated to have material impact to the Group's results and financial position are tested for sensitivity to changes in the underlying parameters. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are outlined below.

(a) Preparation of the financial statements of the Group and the Company as going concerns

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

(b) Valuation of property, plant and equipment

The fair value of property, plant and equipment is individually determined periodically, with sufficient regularity to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting date. The 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.

(c) 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 (2011: nil) residual value at the reporting date.

(d) 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. Refer to Note 4(c)-(iii) for further details.

(e) 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.

(f) 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.

(continued)

3 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (continued)

(g) 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 contractual agreements. The projected future cash flows are prepared by management and approved by the Directors. While information may be available to support the key assumptions applied on the cash flows projections, 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)

(ii) Intangible assets and power plant (Notes 12 and 17)

(iii) Investments in subsidiaries (Note 14)

(iv) Amount owing by subsidiaries (Note 24)

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

Interest rate swap and forward foreign currency 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 RM0.6 million higher or lower should the interest rates used in the forward curve analysis differs by 0.01% 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.

The Group monitors the capital risk on the basis of a gearing ratio and shall maintain total borrowings to shareholders' funds ratio of not more than 1.25 times. The total borrowings to shareholders' funds 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 (approximately RM572 million) over shareholders' funds less all intangibles.

As adopted in the prior years, the Group's strategy in maintaining at a ratio of less than 1.25 times remained unchanged for the financial year ended 30 June 2012. The gearing ratio at 30 June 2012 was at 0.71 times (2011: 0.53 times).

(continued)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk

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

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 the reporting date, the Company and 2 main subsidiaries of the Group have not complied with a loan covenant ratio set out in the loan agreements and have obtained indulgences for financial year 30 June 2012 from the bank prior to the reporting date. As the Group may not be able to comply with the covenant clause for financial year ending 30 June 2013, the Group has obtained a further extension from the bank up to 30 June 2013, except for a foreign subsidiary in which the discussion with the bank is still in progress to obtain indulgence for covenant clauses as set out in the loan agreement.

As of the approval date of the financial statements, the foreign subsidiary has yet to obtain indulgence for one of the two covenant clauses from the bank for the current financial year whilst indulgence for the other covenant clause has been obtained from the bank for the period ending 31 December 2012. The foreign subsidiary is also seeking for an extension to 30 June 2013 for the indulgence obtained from the bank. The related trade facilities from the banks of the Group amounting to RM193.4 million are classified as current liabilities whilst the long-term borrowing in the foreign subsidiary amounting to THB5.6 billion (approximately RM555.3 million) is reclassified from non-current liabilities to current liabilities as at 30 June 2012.

Notwithstanding that the Group did not meet certain covenant clauses set out in the respective facilities agreements, the banks also did not request for an early repayment during the financial year. This condition was subsequently resolved when the Group successfully obtained indulgences from the respective banks.

As at 30 June 2012, the Company has acted as a corporate guarantor:

(i) to banks for banking facilities extended to its main operating subsidiary amounting to RM6.5 million (2011: RM8.1 million), and

(ii) to a bank for the loan agreement granted to a foreign subsidiary in the amount of THB100 million (approximately RM9.8 million) and the Company does not anticipate any outflows of benefits arising from this undertaking.

The Company does not anticipate any economic outflows arising from these guarantees.

<u>Maturity analysis</u>

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

Group	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Within 1 year RM	1 – 2 years RM	2 – 3 years RM	3 -4 years RM	4 – 5 years RM	> 5 years RM
2012									
Non-derivative financial liabilities									
Bankers' acceptance	185,020,000	4.53% - 6.22%	187,074,284	187,074,284	-	-	-	-	-
Revolving credits	45,105,254	3.77% - 5.25%	46,152,115	46,152,115	-	-	-	-	-
Revolving term loan	4,069,726	8.00%	4,466,474	337,785	4,128,689	-	-	-	-
Hire purchase creditors	696,993	2.58% - 2.80%	745,525	305,855	272,707	135,295	31,668	-	-
Term loan	586,462,273	BLR* + 2.00% 4.81% SIBOR^ + 2.50% Thai-fixed + 2.75%	788,022,688	773,703,592	8,479,541	5,270,105	569,450	-	-
Payables and accruals, excluding derivatives	169,404,359		170,749,073	143,510,448	27,238,625	-	-	-	-
Advances received from customers	27,700,908	9% - 10%	27,896,740	27,896,740	-	-	-	-	-
	1,018,459,513		1,225,106,899	1,178,980,819	40,119,562	5,405,400	601,118	-	-

** BLR – Base Lending Rate*
^ SIBOR - Singapore Interbank Offered Rate

(continued)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

Maturity analysis (continued)

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

Group	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Within 1 year RM	1 – 2 years RM	2 – 3 years RM	3 -4 years RM	4 – 5 years RM	> 5 years RM
2011									
Non-derivative financial liabilities									
Bankers' acceptance	134,419,000	4.34% - 5.97%	135,640,381	135,640,381	-	-	-	-	-
Revolving credits	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

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 2012	Carrying amount RM	Contractual interest rate %	Contractual cash flows RM	Within 1 year RM
Non-derivative financial liabilities				
Bankers' acceptance	65,760,000	4.75% - 6.22%	66,425,209	66,425,209
Revolving credits	10,000,000	5.25%	10,008,630	10,008,630
Payables and accruals	12,931,554		12,931,554	12,931,554
Amounts owing to subsidiaries	45,402,069		45,402,069	45,402,069
	134,093,623		134,767,462	134,767,462
Company				
As at 30 June 2011				
Non-derivative financial liabilities				
Bankers' acceptance	57,579,000	4.45% - 5.97%	58,167,180	58,167,180
Revolving credits	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 4 corporate debtors and 2 customers in a foreign subsidiary which represent 17.8% and 51.4% of the Group's total trade receivables, of which these balances are monitored closely. These trade receivables relate mainly to sales of steel pipe and cold rolled steel sheets in coils, and the two customers of power offtake in a foreign subsidiary.

The Company has no other significant concentration of credit risk except for amounts due from subsidiaries.

(continued)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

The maximum exposure to credit risk for each class of financial assets is the carrying amount of each class of financial assets presented in the statements of financial position. The Group's and the Company's major classes of financial assets are as disclosed in Note 36 to the financial statements. The main composition of the financial assets, (excluding cash and bank balances) is as follows:

(i) A subsidiary has made advance payments for purchases of raw materials to the suppliers amounting RM50,459,715 (2011: RM4,398,575) as at 30 June 2012. There is no concern arising from the recoverability of these advances as the suppliers are contractually bound to repay the subsidiary in the event of non-performance. In addition, the subsidiary has received all the purchases subsequent to the reporting date.

(ii) Nominal amounts of RM144.6 million (2011: RM101.7 million) relating to corporate guarantees provided by the Company to a bank for facilities granted to a subsidiary.

(iii) Construction financing amounting to RM16.7 million (2011: RM22.5 million). Details are disclosed in Note 22 to the financial statements.

The other 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.

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

Group	Total RM	Impaired RM	Neither past due nor impaired RM	Past due not impaired < 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 2012									
Trade receivables	222,567,018	41,412,219	132,017,036	40,299,665	4,817,480	1,274,406	672,487	2,073,725	49,137,763
Advances made for purchases of raw materials	50,459,712	-	50,459,712	-	-	-	-	-	-
Other receivables	20,516,266	8,447,585	12,068,681	-	-	-	-	-	-
Deposits	400,158	-	400,158	-	-	-	-	-	-
Construction financing	22,493,996	5,750,000	16,743,996	-	-	-	-	-	-
	316,437,150	55,609,804	211,689,583	40,299,665	4,817,480	1,274,406	672,487	2,073,725	49,137,763
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
Advances made for purchases of raw materials	4,398,575	-	4,398,575	-	-	-	-	-	-
Other receivables	27,476,935	1,648,671	25,828,264	-	-	-	-	-	-
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

(continued)

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: (continued)

Company	Total RM	Impaired RM	Neither past due nor impaired RM	Past due not impaired: < 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 2012									
Trade receivables	40,390,579	429,483	34,689,581	5,002,525	156,785	112,205	-	-	5,271,515
Other receivables	360,248	-	360,248	-	-	-	-	-	-
Deposits	80,856	-	80,856	-	-	-	-	-	-
Amounts owing by subsidiaries	268,828,839	76,722,423	192,106,416	-	-	-	-	-	-
	309,660,522	77,151,906	227,237,101	5,002,525	156,785	112,205	-	-	5,271,515
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 (2011: ranges from 15 days to 90 days).

None of the Group's and the Company's receivables that are neither past due nor impaired have been negotiated during the financial year, except for a construction financing amounting to RM23 million. Refer Note 22(a) for further details. Based on the management's assessment of the financial position of its subsidiaries, the amount due from subsidiaries which are non-trade in nature, except as disclosed in Note 4(c)-(iii), is recoverable as these entities have the ability to repay the amount outstanding upon demand by the company.

(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 43% of these balances relate to receivables on electricity sales amounting to RM20.9 million. Refer Note 4(c)-(iii) below for details. Other amounts are due mainly from customers that have been trading with the Group for more than three years and based on the past trends with these customers, these amounts are usually collectible in full with no allowance required albeit the slow payments from these customers. As of the approval date of the financial statements, the Group has received 95% on the outstanding sums from these customers subsequent to the reporting date.

(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 RM4.2 million is impaired as the subsidiary is anticipated not to have sufficient cash flows for repayment. The amount granted to the subsidiary comprise advances made for the construction and financing of the Group's power plant. Refer Note 12 for further details on the cash flows projections prepared for Group's power plant.

The foreign subsidiary had, on 29 June 2012 entered into a compromise agreement with a customer to settle the outstanding receivables amounting to THB654.6 million (approximately RM64.6 million) via debt to equity conversion. As a result of the agreement, the debt was converted into 1.05 billion quoted shares at THB0.50 sen per share, traded in Thailand Stock Exchange and this was approved by the customer's shareholders in the extraordinary general meeting held on 6 August 2012. As set out in the compromise agreement, the quoted shares were issued in September 2012 and 583.1 million shares shall be subject to 1.5 months lock-up period.

(continued)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

(iii) Financial assets that are impaired (continued)

Accordingly, the Group has recognised an allowance for impaired receivables amounting to THB136.1 million (approximately RM13.4 million) based on the market share price of THB0.37 sen per share as at 30 June 2012.

The foreign subsidiary has also impaired an amount receivable from a customer ("Sole Customer") arising from steam sales amounting to THB19.6 million (approximately RM1.9 million) due to financial difficulties experienced by the Sole Customer.

In addition, based on management's assessment on the Sole Customer's cash flows projections, a local subsidiary has impaired an amount of RM5.8 million arising from construction financing repayable in 25 years (Note 22(a)) as the Sole Customer may have insufficient funds to repay the construction financing. The financial state of the customer is anticipated to recover, albeit slowly once the Sole Customer's contracted buyer commences operations in January 2013.

Another local subsidiary has recognised an impairment amounting to RM9.1 million during the financial year arising from the doubtful recovery on the receivable amount due to the on-going litigation with an external party. As there is no significant development on the litigation arising from the shareholder's agreement entered into with a vendor, the Directors are of the view that this recoverability of this amount is not virtually certain. Accordingly, the amount is impaired in full during the financial year. Refer Note 22(b) for further details.

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	Construction financing RM	Total RM
Group				
At 30 June 2012				
At nominal amounts	41,412,219	10,096,256	5,750,000	57,258,475
Less: Allowance for impairment	(41,412,219)	(8,447,585)	(5,750,000)	(55,609,804)
	-	1,648,671	-	1,648,671
Allowance for impairment:				
At 1 July	7,520,824	1,648,671	-	9,169,495
Impairment charged for the financial year	40,965,635	8,447,585	5,750,000	55,163,220
Write back against provision	(7,074,240)	(1,648,671)	-	(8,722,911)
At 30 June	41,412,219	8,447,585	5,750,000	55,609,804
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

(continued)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

(iii) Financial assets that are impaired (continued)

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: (continued)

	Trade receivables	Amounts owing by subsidiaries	Total
	RM	RM	RM
Company			
At 30 June 2012			
At nominal amounts	429,483	76,722,423	77,151,906
Less: Allowance for impairment	(429,483)	(76,722,423)	(77,151,906)
	-	-	-
Allowance for impairment:			
At 1 July	429,483	72,151,906	72,980,483
Impairment charge for the financial year	-	4,171,423	4,171,423
At 30 June	429,483	76,722,423	77,151,906
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

(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 swap used by the Group to manage the Group's interest rate profile.

(continued)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Interest rate risk (continued)

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 are as follows:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Fixed rate borrowings:				
- unhedged	249,818,353	206,343,340	75,760,000	67,682,644
Floating rate borrowings:				
- hedged	545,657,742	562,907,920	-	-
- unhedged	25,878,151	39,235,711	-	-
Advances received from customers	27,700,908	-	-	-
	849,055,154	808,486,971	75,760,000	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:

2012	Group RM	Company RM
Impact to profit after tax:		
Borrowings denominated in RM	(48,458)	-
Borrowings denominated in USD	(145,628)	-

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 had an investment in the equity of an entity which is publicly traded on the Australian Stock Exchange ("ASX") in the prior year.

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:

	Group	
	2012 RM	2011 RM
Impact to profit after tax		
Listed in ASX	-	141,242

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

(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 and the borrowings granted to the Group are denominated in United States Dollar and European Dollar, as disclosed in Note 28 to the financial statements.

The Group 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 for the functional currency in RM are as follows:

Group

At 30 June 2012	**SGD**	**USD**	**EUR**	**AUD**	**Total**
Financial assets					
Trade and other receivables	4,792,418	50,945,029	150,758	-	55,888,205
Cash and bank balances	-	7,619,005	-	-	7,619,005
	4,792,418	58,564,034	150,758	-	63,507,210
Financial liabilities					
Trade and other payables	-	(34,982,636)	-	-	(34,982,636)
Borrowings	-	(19,417,082)	(14,926,379)	-	(34,343,461)
	-	(54,399,718)	(14,926,379)	-	(69,326,097)
Forward foreign currency exchange contract (gross settled)	-	-	3,295,069	-	3,295,069
Net currency exposure	4,792,418	4,164,316	(11,480,552)	-	(2,523,818)
Functional currency – THB					
Financial asset					
Cash and bank balances	-	-	-	-	-
Financial liability					
Trade and other payables	-	(7,055,068)	-	-	(7,055,068)
Net currency exposure	-	(7,055,068)	-	-	(7,055,068)

(continued)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(f) Foreign currency exchange risk (continued)

The Group's and the Company's exposures to foreign currencies in respect of its financial assets and financial liabilities for the functional currency in RM are as follows: (continued)

Group

At 30 June 2011	**SGD**	**USD**	**EUR**	**AUD**	**Total**
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 2012	**SGD**	**USD**	**Total**
Functional currency - RM			
Financial asset			
Trade receivables	4,792,418	-	4,792,418
At 30 June 2011			
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 Singapore Dollar ("SGD"), US Dollar ("USD"), Euro Dollar ("EURO") and Australia Dollar ("AUD") respectively against the RM or THB, with all other variables in particular interest rates held constant.

	Increase / (decrease)	
Group	**2012**	**2011**
Impact to profit after tax:		
RM against SGD	143,773	62,694
RM against USD	124,929	(1,675,790)
RM against EURO	(344,417)	(609,764)
THB against USD	(211,652)	201,500
THB against EURO	-	(1,995)
Company		
Impact to profit after tax:		
RM against SGD	143,773	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 22 and Note 28.

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

	Level 1 RM	**Level 2** RM	**Level 3** RM	**Total** RM
2012				
Asset				
Forward foreign currency exchange contract	-	43,122	-	43,122
Liability				
Interest rate swap	-	(1,312,432)	-	(1,312,432)
2011				
Assets				
Forward foreign currency exchange contract	-	286,878	-	286,878
Interest rate swap	-	4,583,732	-	4,583,732

(continued)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(g) Fair value (continued)

The fair value of financial instruments that are not traded in an active market (for example, forward foreign currency exchange contracts) is determined by using valuation technique. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in Level 2.

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

The Group does not hold any financial assets where the fair values are assessed at Level 2, except as set out below:

- the derivative financial assets arising from the Group's foreign currency exchange forward contract which was in a favourable position as at 30 June 2012 and were included in Level 2.
- the derivative financial liability arising from the Group's interest rate swap contract which was in an unfavourable position as at 30 June 2012 and were included in Level 2.

The Company does not hold any financial assets or liabilities that are fair valued at Level 1 and Level 3.

Fair value estimation

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

(a) quoted prices (unadjusted) in active markets for identical assets or liabilities (Level 1);

(b) inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly (Level 2); and

(c) inputs for the asset or liability that are not based on observable market data (unobservable inputs) (Level 3).

5 REVENUE

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Sale of goods	640,740,152	605,291,736	211,416,434	204,027,192
Sale of electricity and steam	260,010,219	129,936,674	-	-
Consultancy and project services	14,780,529	13,535,972	-	-
Processing service income	5,793,201	6,073,239	1,146,230	1,183,272
Dividend income	-	-	-	76,876,044
	921,324,101	754,837,621	212,562,664	282,086,508

(continued)

6 OTHER OPERATING INCOME

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Net (loss) / gain on disposals:				
- property, plant and equipment	63,251	(164,032)	26,800	16,039
- non-current asset held-for-sale	112,372	1,842,877	-	-
- financial assets at fair value through profit or loss	(47,352)	7,773,693	-	-
Rental income	-	-	3,924,000	3,924,000
Net realised foreign exchange (loss) / gain	(6,419)	15,210	(37,276)	107,517
Net unrealised foreign exchange (loss) / gain	964,986	(1,843,047)	55,450	163,579
Management fees	-	-	600,000	600,000
Marketing fees	-	-	2,007,000	1,887,540
Fair value gain on investment properties (Note 13)	-	-	850,000	3,800,000
Others	207,306	4,343,476	1,859	-
	1,294,144	11,968,177	7,427,833	10,498,675

7. (LOSS) / PROFIT BEFORE TAX

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
The following expenses have been charged in arriving at (loss) / profit before tax:				
Auditors' remuneration:				
- current financial year	328,900	301,975	66,500	50,000
- under accrual in the prior years	275,535	-	169,049	42,176
Property, plant and equipment (Note 12):				
- depreciation	49,093,732	33,512,497	353,366	416,826
- loss on disposals	127	230,050	-	-
- write-offs	1,064,359	43,261	23,189	-
- impairment losses	7,815,919	890,224	80,595	-
Amortisation of intangible assets (Note 17)	3,134,748	1,584,114	-	-
Staff costs	25,281,457	22,465,419	1,296,585	1,994,306
Rental of building	659,763	577,828	257,276	276,612
Realised foreign exchange loss	207,613	1,248,718	37,276	-
Unrealised foreign exchange loss	147,268	2,017,352	-	-
Impairment losses:				
- intangible assets	40,624,746	-	-	-
- inventories	305,949	-	-	-
- investment in a subsidiary (Note 14)	-	-	11,921,541	8,293,267
- available-for-sale financial assets (Note 19)	-	635,208	-	317,604
- trade receivables	40,965,635	7,236,459	-	-
- other receivables	9,147,117	28,217	-	-
- amount owing by a subsidiary (Note 24)	-	-	4,171,423	72,551,000
- construction financing	5,750,000	-	-	-
Loss on disposal of financial asset at fair value through profit or loss	47,352	-	-	-
Inventories written off	5,197	-	-	-

(continued)

7 (LOSS) / PROFIT BEFORE TAX (continued)

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
The following income have been credited in arriving at (loss) / profit before tax:				
Gain on disposal of:				
- property, plant and equipment	(63,378)	(66,018)	(26,800)	(16,039)
- non-current asset held-for-sale	(112,372)	(1,842,877)	-	-
- financial asset at fair value through profit or loss	-	(7,773,693)	-	-
Rental income:				
- investment properties	-	-	(3,924,000)	(3,924,000)
Realised foreign exchange gain	(201,194)	(1,263,928)	-	(107,517)
Unrealised foreign exchange gain	(1,112,254)	(174,305)	(55,450)	(163,579)
Write back of impairment losses on:				
- other receivables	(699,532)	-	-	-
Fair value gain on investment properties (Note 13)	-	-	(850,000)	(3,800,000)
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 RM2,439,572 (2011: RM2,353,303) and RM277,969 (2011: RM209,236) respectively.

Direct operating expenses arising from investment properties that generate rental income are nil (2011: nil) for the Group and RM662,968 (2011: RM602,488) for the Company.

(continued)

8 FINANCE INCOME AND COSTS

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Finance income:				
Interest on deposits with financial institutions	(1,006,832)	(666,925)	(389,499)	(275,312)
Gain on a restructured liability (Note 27)	(1,322,688)	(2,013,050)	-	-
Net foreign exchange (gain) / loss:				
- realised	(274,716)	4,366,233	-	-
- unrealised	248,480	147,354	-	-
Total finance (income) / costs	(2,355,756)	1,833,612	(389,499)	(275,312)
Finance costs:				
Interest on borrowings	42,541,259	37,828,101	1,239,511	1,312,646
Interest on hire purchase	39,435	39,438	1,515	13,940
Interest on advances received from customers	1,657,021	-	-	-
Interest on others	2,362	476,005	-	-
	44,240,077	38,343,544	1,241,026	1,326,586
Less: Interest waived[1]	-	(287,249)	-	-
Less: Interest capitalised into plant and equipment (Note 12)	-	(11,499,640)	-	-
Interest expense	44,240,077	26,556,655	1,241,026	1,326,586
Amortisation of deferred financing fees	2,180,670	1,087,429	-	-
Loss on a restructured construction financing (Note 22)	506,004	-	-	-
Unwinding of fair value arising from restructured liability (Note 27)	2,013,050	-	-	-
Fair value gain on derivatives:				
- interest rate swap	5,896,164	(610,864)	-	-
- forward foreign currency exchange contract	(43,122)	(286,878)	-	-
Net foreign exchange loss / (gain):				
- realised	2,085,515	(2,251,792)	-	-
- unrealised	880,089	(1,597,817)	-	-
Total finance costs	57,758,447	22,896,733	1,241,026	1,326,586
Net finance costs	55,402,691	24,730,345	851,527	1,051,274

[1] Interest on borrowings amounting to RM287,249 was waived by a lender in the prior year on good faith in anticipation of further borrowings required by the Group.

(continued)

9 DIRECTORS' REMUNERATION

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

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Non-Executive Directors:				
- fees	713,842	747,269	223,200	223,200
- allowances	116,000	128,532	77,000	78,032
Executive Directors:				
- salaries and bonuses	3,160,005	4,359,448	2,704,002	2,595,345
- estimated monetary value of benefits-in-kind	78,200	94,604	78,200	84,859
- defined contribution plan	424,013	552,189	405,613	372,781
	4,492,060	5,882,042	3,488,015	3,354,217

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

	Number of Directors	
	2012	2011
Executive Directors:		
RM600,000 – RM650,000	-	1
RM650,000 – RM700,000	1	1
RM1,000,000 – RM1,050,000	1	1
RM1,300,000 – RM1,350,000	-	1
RM1,350,000 – RM1,450,000	1	-
Non-Executive Directors:		
Less than RM50,000	3	3
RM50,001 – RM100,000	3	3

One (1) Executive Director was appointed on 1 June 2012 and did not receive any remuneration during the period for the financial year ended 30 June 2012.

10 TAXATION

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Current tax:				
- Malaysian income tax	1,052,568	2,408,824	560,358	1,929,585
- under / (over) accrual in the prior years	171,373	(469,141)	2,584	(438,312)
Deferred taxation (Note 18)	(6,054,404)	(295,463)	311,532	1,020,763
Tax (credit) / expense	(4,830,463)	1,644,220	874,474	2,512,036

(continued)

10 TAXATION (continued)

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

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Numerical reconciliation between tax expense and the product of accounting profit multiplied by the Malaysian tax rate				
(Loss) / profit before tax	(148,906,800)	4,910,127	(13,962,346)	6,477,820
Tax calculated at the Malaysian tax rate of 25% (2011: 25%)	(37,226,700)	1,227,532	(3,490,587)	1,619,455
Tax effects of:				
- expenses not deductible for tax purposes	15,378,711	1,557,620	4,367,400	20,607,129
- income not subject to tax	(575,288)	(6,944,279)	(4,923)	(19,276,236)
- tax incentive obtained for double deduction	(100,624)	(83,425)	-	-
- business losses not allowed for offset against future income	19,720,509	6,221,175	-	-
- current year losses not recognised	-	128,289	-	-
- deferred tax assets not recognised	2,180,391	6,449	-	-
- under / (over) accrual in the prior years	171,373	(469,141)	2,584	(438,312)
- temporary differences previously not recognised	(4,378,835)	-	-	-
Tax (credit) / expense	(4,830,463)	1,644,220	874,474	2,512,036

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 2008 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 2012, subject to agreement with the tax authorities, the Company has Section 108 credits and tax exempt income of RM38,052,741 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 2012 RM	Group 2011 RM
(Loss) / profit attributable to equity holders of the Company	(134,731,814)	5,924,960
Number of ordinary shares in issue at beginning of financial year after deducting treasury shares	225,522,808	225,522,808
Weighted average number of ordinary shares	225,522,808	225,522,808
Basic (loss) / earnings per share (sen)	(59.74)	2.63

(b) Diluted (loss) / 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.

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
2012								
Cost / valuation								
At 1 July 2011	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
Additions	-	-	494,807	4,771,220	107,586	870,071	(317,251)	5,926,433
Power plant decommissioning cost	-	-	-	-	1,567,602	-	-	1,567,602
Disposals	-	-	-	-	(172,241)	(1,423,099)	-	(1,595,340)
Write-offs	-	-	-	(1,066,708)	-	(25,178)	-	(1,091,886)
Reclassification of assets under work-in-progress, now completed	-	-	-	835,662	-	-	(835,662)	-
Revaluation during the financial year	3,700,000	116,443	5,939,097	(2,120,790)	-	3,953	-	7,638,703
Elimination of accumulated depreciation on revaluation	-	-	(1,776,255)	(12,018,190)	-	-	-	(13,794,445)
Currency translation differences	443,865	-	(150,485)	-	13,431,781	14,758	-	13,739,919
	59,920,636	49,097,768	100,757,468	254,886,211	744,373,223	11,962,585	112,668	1,221,110,559
At 30 June 2012								
Cost	-	-	-	-	-	11,962,585	112,668	12,075,253
Valuation	59,920,636	49,097,768	100,757,468	254,886,211	744,373,223	-	-	1,209,035,306
	59,920,636	49,097,768	100,757,468	254,886,211	744,373,223	11,962,585	112,668	1,221,110,559

(continued)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

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
2012								
Accumulated depreciation								
At 1 July 2011	-	-	60,080	10,706,297	15,428,220	7,502,897	-	33,697,494
Charge for the financial year	-	-	4,654,885	12,498,680	31,048,274	891,893	-	49,093,732
Disposals	-	-	-	-	-	(1,303,016)	-	(1,303,016)
Write-offs	-	-	-	(27,261)	-	(266)	-	(27,527)
Elimination of accumulated depreciation on revaluation	-	-	(1,776,255)	(12,018,190)	-	-	-	(13,794,445)
Currency translation differences	-	-	24,160	-	402,653	13,405	-	440,218
At 30 June 2012	-	-	2,962,870	11,159,526	46,879,147	7,104,913	-	68,106,456
Accumulated impairment loss								
At 1 July 2011	-	-	890,224	10,577,517	22,590,792	6,850	-	34,065,383
Charge for the financial year (Note 7)	-	-	-	7,710,075	-	105,844	-	7,815,919
Reclassification to intangible assets (Note 17)*	-	-	-	-	(22,590,792)	-	-	(22,590,792)
At 30 June 2012	-	-	890,224	18,287,592	-	112,694	-	19,290,510
Net book value at 30 June 2012								
Cost	-	-	-	-	-	4,744,978	112,668	4,857,646
Valuation	59,920,636	49,097,768	96,904,374	225,439,093	697,494,076	-	-	1,128,855,947
	59,920,636	49,097,768	96,904,374	225,439,093	697,494,076	4,744,978	112,668	1,133,713,593

**Reclassification of accumulated impairment loss amounting to RM22.6 million to intangible assets during the financial year.*

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	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 14(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 26)	-	-	(3,065,333)	-	-	(47,062)	-	(3,112,395)
Revaluation during the financial year	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 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								
Accumulated depreciation								
At 1 July 2010	-	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 26)	-	-	(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 14(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)

Company	Freehold land	Plant, machinery and electrical installation	Motor vehicles, furniture, fittings and equipment	Total
	RM	RM	RM	RM
2012				
Cost / valuation				
At 1 July 2011	111,322	1,254,000	4,305,243	5,670,565
Additions	-	-	1,488	1,488
Disposals	-	-	(738,254)	(738,254)
Write-off	-	-	(23,189)	(23,189)
Revaluation during the financial year	-	(1,454)	-	(1,454)
Elimination of accumulated depreciation on revaluation	-	(77,546)	-	(77,546)
	111,322	1,175,000	3,545,288	4,831,610
At 30 June 2012				
Cost	-	-	3,545,288	3,545,288
Valuation	111,322	1,175,000	-	1,286,322
	111,322	1,175,000	3,545,288	4,831,610
Accumulated depreciation				
At 1 July 2011	-	-	2,518,834	2,518,834
Charge for the financial year	-	77,546	275,820	353,366
Disposals	-	-	(738,254)	(738,254)
Elimination of accumulated depreciation on revaluation	-	(77,546)	-	(77,546)
At 30 June 2012	-	-	2,056,400	2,056,400
Accumulated impairment				
At 1 July 2011	-	-	-	-
Charge for the financial year	-	-	80,595	80,595
At 30 June 2012	-	-	80,595	80,595
Net book value at 30 June 2012				
Cost	-	-	1,408,293	1,408,293
Valuation	111,322	1,175,000	-	1,286,322
	111,322	1,175,000	1,408,293	2,694,615

(continued)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Freehold land	Plant, machinery and electrical installation	Motor vehicles, furniture, fittings and equipment	Total
	RM	RM	RM	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 during the financial year	-	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

(continued)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

(i) Valuation of property, plant and equipment

On certain land and buildings, plant, machinery and electrical installation were revalued in June 2012 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 RM7,382,678 was credited directly to asset revaluation reserve account and its related deferred taxation arising from the revaluation was provided accordingly (Note 18).

Other land and buildings, plant, machinery and electrical installation were revalued in the current year by an independent firm of professional valuers, Azmi & Co based on a scrap value basis. Refer Note 12(v) for further details.

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	
	2012 RM	**2011 RM**	**2012 RM**	**2011 RM**
Freehold land	14,189,742	14,189,742	-	-
Leasehold land	3,595,967	3,652,411	-	-
Buildings	57,093,401	58,835,219	-	-
Plant, machinery and electrical installation	171,742,809	179,573,820	39,088	98,951
	246,621,919	256,251,192	39,088	98,951

(ii) Assets acquired under hire purchase arrangements

During the financial year, certain motor vehicles in the Group amounting to RM255,000 were acquired by means of hire purchase. As at 30 June 2012, the net book value of the motor vehicles under hire purchase arrangements in the Group and the Company is RM795,015 (2011: RM861,214) and RM nil (2011: RM614,440) respectively.

(iii) Capitalisation of borrowing costs

Capital work-in-progress in the previous financial year includes interest capitalised on borrowings amounting to RM11,499,640 (Note 8) was reclassified to power plant following the completion of its construction.

(iv) Assets pledged as securities

Freehold land, buildings, plant, machinery, electrical installation of subsidiaries and power plant of a subsidiary with a net book value of RM1,013,592,783 (2011: RM1,021,166,157) are pledged as securities for certain banking facilities granted to the Group. Refer Note 28 to the financial statements for further details.

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

VIU is not applicable in determining the recoverable amount for plant and equipment for MSM as MSM has temporarily suspended its production. Accordingly, the scrap value of the plant and equipment in MSM is deemed to be its recoverable amount. Based on the valuation report, the scrap value for the plant and equipment is RM3.8 million and an impairment charge amounting to RM7.7 million is recognised in the profit or loss during the financial year

(vi) Power plant in a subsidiary, Siam Power Generation Public Company Ltd

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 flows projections on its sale of electricity and steam for the remaining 24 years (2011: 25 years) from Year 2012 to 2035 (2011: Year 2011 to 2035). Management believes that a period greater than 5 years is used for the cash flows projections as the income derived for the extended period is supported by its power purchase agreements ("PPA") and Steam Sales Agreement ("SSA"), both of which has a useful life of 25 years.

The cash flows projections took into consideration the current Gross Domestic Product and inflation growth rates for similar industry in Thailand.

(continued)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

(vi) Power plant in a subsidiary, Siam Power Generation Public Company Ltd (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:

	2012	**2011**
Useful lives of PPA and SSA	25 years	25 years
Contracted capacity	160MW	160MW
Average load factor	90%	90%
Capacity rate (RM / kW / month)*	30	33
Energy generation (per month)	97,382MWh	97,382MWh
Energy price (RM / kW / hour)*	0.25	0.16
Steam sales (ton / hour)		
1 – 3 years	16	16
3 years onwards	20	20
Steam price (RM / ton)*		
1 – 3 years	36	36
3 years onwards	48	48
Energy price for excess capacity (RM / kW / month)*	139	-

* denominated in Thai Baht and translated using the closing rate as at 30 June 2012 / 2011 respectively.

(a) One of the two customers ("Affected Customer") of a foreign subsidiary, Siam Power Generation Public Company Ltd, ("Siam Power"), with a contractual commitment to purchase 44% of Siam Power's power output, has difficulty to continue as a going concern and ceased operations in May 2012. During the financial year, the corporate restructuring exercise of the Affected Customer is still in progress and has restructured certain debt obligations. As announced on the Stock Exchange of Thailand on 9 August 2012, the Affected Customer has arrangement with a bank for new financing facilities of USD100 million (approximately RM300 million). The facilities will be used to purchase raw material and working capital requirements.

(b) The Energy regulation in Thailand allows small power plant producers ("SPP") to sell power to the Other Customer at not more than 90 MW. However, the regulatory authority of Thailand had, in June 2012, approved the Other Customer to purchase excess power above the present threshold from SPPs on a non-firm basis. As an interim measure, management is currently finalising with the Other Customer on the purchase of excess power on a non-firm basis until such time the Affected Customer resumes the power offtake upon completion of the restructuring exercise anticipated by Year 2014.

(c) The sole customer ("Sole Customer") of the steam offtake is experiencing financial difficulties and the financial position is anticipated to recover once its contracted buyer commenced operations in December 2012.

Cash flows projections

Management's judgement is involved in estimating the future cash flows 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 9.36% (2011: 9.30%) per annum was applied over the period of the cash flow projections.

(ii) Energy sales to the Affected Customer is at the minimum level of 85% (2011: 85%) of the contracted capacity of 70MW.

(iii) As the Affected Customer's corporate restructuring exercise is on-going and is expected to turnaround by year 2014, the following assumptions were made:

(a) 46% reduction on capacity charge from July 2012 to December 2012, and January 2013 to December 2013. The reduction was premised on:

(i) 20% reduction on the receivables outstanding arising from capacity by the Affected Customer, assumed based on the recent settlement via the debt-to-equity conversion for all the unsecured creditors as at 31 March 2012 which was approved by the Affected Customer's shareholders in the extraordinary meeting that was held on 4 August 2012.

(ii) A further 26% reduction assumed based on the variance of the market share price as at 30 June 2012 relative to the ordinary share issued at par value arising from the debt-to-equity conversion set out in a) i) above.

(b) 20% reduction on capacity charge from January 2014 to December 2014. The reduction was premised on (a)-(i) above.

(continued)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

(vi) Power plant in a subsidiary, Siam Power Generation Public Company Ltd (continued)

Cash flows projections (continued)

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

(iii) As the Affected Customer's corporate restructuring exercise is on-going and is expected to turnaround by year 2014, the following assumptions were made: (continued)

(c) The timing of payment on receivables from capacity charge by the Affected Customer with the following assumptions:

(i) 50% probability that the receivables for Year 2012 - Year 2013, and Year 2014 will be paid 365 days and 183 days respectively subsequent to the due date;

(ii) 50% probability that the receivables for Year 2012 and Year 2013 will be paid 365 days and 183 days respectively subsequent to the due date.

(iv) Sales of excess of power offtake to the Other Customer with the following assumptions applied, as follows:

(a) Management anticipates that the agreement with the Other Customer will be concluded by early December 2012. This is supported by the positive development on the discussions held between the foreign subsidiary with the Other Customer.

(b) The purchase of the excess power offtake from the Other Customer for the period December 2012 to December 2013.

(c) The Other Customer would only be charged using independent power producer ("IPP") rates, i.e. at a rate lower than the SPP current rates, with the corresponding IPP gas price from the gas supplier.

(d) The Other Customer would only be paying energy charge for purchase of the excess power from the foreign subsidiary, i.e. no capacity charge.

(v) The timing of payment on receivables from steam sale by the Sole Customer with the following assumptions applied, as follows:

(i) 50% probability that the receivables for Year 2012 - Year 2013, and Year 2014 will be paid 365 days and 183 days respectively subsequent to the due date;

(ii) 50% probability that the receivables for Year 2012 and Year 2013 will be paid 365 days and 183 days respectively subsequent to the due date.

Based on the above, an impairment loss of RM40.6 million of intangible assets (2011: nil) was recognised during the financial year.

(continued)

12 PROPERTY, PLANT AND EQUIPMENT (continued)

(vi) Power plant in a subsidiary, Siam Power Generation Public Company Ltd (continued)

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

- If the discount rate increases by 1% (10.36% per annum instead of 9.36% per annum), the intangible assets will be impaired by RM16.9 million and power plant will be impaired by RM51.3 million;

- Based on (ii) above, if the capacity sales to the Affected Customer reduce by 5% (80% instead of 85% of contracted capacity), the intangible assets will be impaired by RM16.9 million and power plant will be impaired by RM4.5 million;

- Based on (iii)-(a) above, if the reduction on the receivables from the Affected Customer increases by 4% (50% instead of 46%), the intangible assets will be impaired by RM12.5 million and there will be no impairment in power plant;

- Based on (iii)-(b) above, if the reduction on the receivables from the Affected Customer increases by 5% (25% instead of 20%), the intangible assets will be impaired by RM12.2 million and there will be no impairment in power plant;

- Based on (iii)-(c)-(i), if 50% probability that the receivables for Year 2012 - Year 2013, and Year 2014 will be paid 365 days and 365 days (instead of 365 days and 183 days subsequent to the due date, the intangible assets will be impaired by RM14.0 million and there will be no impairment in power plant;

- Based on (iii)-(c)-(ii), if 50% probability that the receivables for Year 2012 and Year 2013 will be paid 365 days and 365 days (instead of 365 days and 183 days) subsequent to the due date; the intangible assets will be impaired by RM11.4 million and there will be no impairment in power plant;

- Based on (iii)-(c)-(i), if 100% that the receivables for Year 2012 - Year 2013, and Year 2014 will be paid 365 days and 183 days, the intangible assets will be impaired by RM13.8 million and there will be no impairment in power plant;

- Based on (iii)-(c)-(ii), if 100% that receivables for Year 2012 and Year 2013 will be paid 365 days and 183 days, the intangible assets will be impaired by RM7.4 million and there will be no impairment in power plant;

- Based on (iv)-(a), if the agreement with the Other Customer will be concluded by January 2013 (instead of December 2012), the intangible assets will be impaired by RM10.0 million and there will be no impairment in power plant;

- Based on (iv)-(b) is for period January 2013 – December 2013, if the purchase of the excess power by the Other Customer did not materialise (instead of period December 2012 to December 2013), the intangible assets will be impaired by RM10.0 million and there will be no impairment in power plant;

- If the Other Customer would be charged using 5% lower than Independent Power Producer ("IPP") rates for the energy sales, the intangible assets will be impaired by RM11.5 million and there will be no impairment in power plant;

- Based on (v)-(i), if 50% probability that the receivables for Year 2012 - Year 2013, and Year 2014 will be paid 365 days and 365 days (instead of 365 days and 183 days subsequent to the due date, the intangible assets will be impaired by RM11.2 million and there will be no impairment in power plant;

- Based on (v)-(ii), if 50% probability that the receivables for Year 2012 and Year 2013 will be paid 365 days and 365 days (instead of 365 days and 183 days) subsequent to the due date; the intangible assets will be impaired by RM11.1 million and there will be no impairment in power plant;

- Based on (v)-(i), if 100% that the receivables for Year 2012 - Year 2013, and Year 2014 will be paid 365 days and 183 days, the intangible assets will be impaired by RM11.0 million and there will be no impairment in power plant;

- Based on (v)-(ii), if 100% that receivables for Year 2012 and Year 2013 will be paid 365 days and 183 days, the intangible assets will be impaired by RM11.1 million and there will be no impairment in power plant.

(continued)

13 INVESTMENT PROPERTIES

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
At 1 July	-	-	68,450,000	64,650,000
Fair value gain during the financial year (Notes 6 and 7)	-	-	850,000	3,800,000
At 30 June	-	-	69,300,000	68,450,000

The investment properties of the Company were revalued in June 2012 by an independent firm of professional valuers, C H Williams Talhar & Wong Sdn Bhd, based on open market value.

14 INVESTMENTS IN SUBSIDIARIES

	Company 2012 RM	Company 2011 RM
Cost		
Quoted shares	47,058,461	47,058,461
Unquoted shares	109,293,217	121,214,758
	156,351,678	168,273,219
Market value of quoted shares	30,226,477	57,040,288
The movements of investments in subsidiaries are as follows:		
At 1 July	168,273,219	120,844,284
Add: Acquisition during the financial year	-	3
Add: Contribution to subsidiaries (Note 14(iii)-(a))	-	55,722,206
	168,273,219	176,566,493
Less: Impairment losses (Note 7)	(11,921,541)	(8,293,267)
Less : Disposal (Note 14(iii)-(b))	-	(7)
At 30 June	156,351,678	168,273,219

(continued)

14 INVESTMENT IN SUBSIDIARIES (continued)

The details of the subsidiaries are as follows:

Name	Principal activities	Group's effective interest 2012 %	Group's effective interest 2011 %
Mycron Steel Berhad ("MSB")[6]	Investment holding and provision of management services to subsidiaries	54.8[1]	54.8
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[6]	Manufacturing of steel pipes and provision of engineering services	100.0	100.0
Melewar Steel Mills Sdn Bhd ("MSM") [2] [6]	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 Engineering Sdn Bhd ("MSE")	Investment holding	100.0	100.0
Melewar Industrial Technologies Ltd ("MITL") [4]	Investment holding	100.0	100.0
Melewar Metro Sdn Bhd ("MMSB")	Dormant	100.0	100.0
<u>Subsidiaries of MSB</u>			
Mycron Steel CRC Sdn Bhd[6]	Manufacturing and trading of cold rolled steel sheets in coils	54.8[1]	54.8
Silver Victory Sdn Bhd	Dormant	54.8[1]	54.8
<u>Subsidiary of MSM</u>			
Melewar Mycrosmelt Technology Ltd	Smelting / billet making technology owner	85.0	85.0
<u>Subsidiaries of MSE</u>			
M-Power TT Ltd	Project management	100.0	100.0
Mperial Power Ltd ("Mperial")[3]	Investment holding	100.0	100.0
<u>Subsidiary of Mperial</u>			
Siam Power Generation Public Company Ltd [3] [6] ("Siam Power")	Power generation	98.4	96.4
<u>Subsidiary of Siam Power</u>			
Siam Power Phase 2 Company Ltd ("SPP2") [5]	Developing, building, operating and owning power plant(s) in Thailand	99.9	-
<u>Subsidiary of MITL</u>			
Ausgard Quick Assembly Systems Sdn Bhd [4]	Manufacturing and supplying of quick assembly homes	100.0	100.0
<u>Subsidiary of MITL</u>			
Melbina Builders Ltd [4]	Marketing of quick assembly homes in overseas market	100.0	100.0
<u>Subsidiary of MMSB</u>			
Melewar Metro (Penang) Sdn Bhd	Dormant	95.0	95.0

(continued)

14 INVESTMENT IN SUBSIDIARIES (continued)

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 and Siam Power Phase 2 Company Ltd, which are incorporated in Thailand.

All subsidiaries are audited by PricewaterhouseCoopers, Malaysia except for Siam Power Generation Public Company Ltd and Siam Power Phase 2 Company Ltd which are 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 (2011: 1,040,300).

[2] Temporarily suspended production and engaged solely in trading of scrap metal.

[3] Shares of the investment in the subsidiary amounting to RM343,486,971 (2011: RM162,209,756) are pledged pursuant to the requirement of a sponsor support agreement entered between the Group and a consortium of lenders in Thailand.

[4] Remained dormant since incorporation.

[5] Remained dormant since incorporated on 29 June 2012.

[6] Financial statements for financial year ended 30 June 2012 - unmodified auditor's report with the inclusion of emphasis of matter on going concern.

(i) <u>Investment in Melewar Steel Mills Sdn Bhd ("MSM")</u>

In the 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 had 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"). The cost of investment amounting to RM21 million was impaired in full in the prior year. An impairment charge of RM8.3 million was recognised in the profit or loss in the prior year.

In the prior year, the Directors had incorporated the following assumptions in the VIU calculation, in which were applied consistently unless otherwise indicated:

(a) A 5-year cash flows projections that was 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 2011 to year 2015;

(c) Perpetual annuity cash flows with no growth from year 2017 onwards; and

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

(continued)

14 INVESTMENT IN SUBSIDIARIES (continued)

(ii) Investment in Mycron Steel Berhad ("MSB")

At the reporting date, the recoverable amount of the Company's investment in MSB is determined by the value-in-use ("VIU"). The cost of investment amounting to RM47.1 million is assessed for impairment as the market share price of MSB is lower than the carrying amount of the cost of investment in MSB.

The Directors had incorporated the following assumptions in the VIU calculation, in which are applied consistently unless otherwise indicated:

(a) A 5-year cash flows projections that was steel trading of cold rolled coils;

(b) Average growth rate of 1.50% per annum on turnover from year 2012 to year 2016 based on MSB's historical trend;

(c) Perpetual annuity cash flows with no growth from year 2017 onwards;

(d) Pre-tax discount rate of 11.61% per annum;

As the VIU derived from the cash flows projections above is higher than the cost of investment, there is no impairment loss recognised for the financial year.

The sensitivity of the key assumptions applied in the cash flows projections are as follows:

- Based on (ii)-(b), if the average growth rate is 0.5% (instead of 1.5%) per annum, the cost of investment will be not be impaired.

- Based on (ii)-(d), if the pre-tax discount rate is higher by 1% (12.61% instead of 11.61%) per annum, the cost of investment will be not be impaired.

(iii) Disposal of a subsidiary

(a) In the prior year, 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 had recorded the above disposal of receivables and investment in subsidiaries as dividend income from MSV in the prior year. Details were as follows:

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

(continued)

14 INVESTMENTS IN SUBSIDIARIES (continued)

(iii) Disposal of a subsidiary (continued)

(b) In the prior year, 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 was included in the profit or loss in 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 equivalents of subsidiary disposed off	(1)
Net cash inflows to the Group on disposal	6

15 ASSOCIATES

	Group 2012 RM	Group 2011 RM
Share of net assets of associates	-	-
Unquoted shares at cost	-	17,000,000
	-	17,000,000
Share of post-acquisition results and reserves	-	43,110
	-	17,043,110
Less: Accumulated impairment losses	-	(7,895,993)
	-	9,147,117
Less: Impairment during the financial year (Note 22)	-	(9,147,117)
	-	-

The Group had commenced a legal action to recover RM17.0 million from a vendor in Year 2009. The amount to be recovered amounting to RM17.0 million represents the Group's rights to receive from the vendor. In the prior year, the Directors were virtually certain that the Group was entitled to receive the amount claimed in accordance with the provisions of the share sale agreement and this was supported by a legal advice. Accordingly, the Directors had assumed that amount will be recovered upon settlement or conclusion of the litigation in 5 years time, and the fair value of the receivables was amounting to RM9.0 million as at 30 June 2011. The recoverable amount of RM9.1 million was recognised in the financial statements in the prior year. Refer Note 22 for further details.

(continued)

16 INTEREST IN A JOINTLY CONTROLLED ENTITY

	Group 2012 RM	Group 2011 RM
Unquoted shares at cost	-	-

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

	Group 2012 RM	Group 2011 RM
At 1 July	-	4
Less: Disposal during the financial year	-	(4)
At 30 June	-	-

In the prior year, 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 was 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 was deemed disposed when the Group disposed its entire equity interest that was in MSV on 24 June 2011. Refer Note 14(iii)-(b) to the financial statements for further details.

(continued)

17 INTANGIBLE ASSETS

Group	License rights to operate power plant RM	License rights to use power transmission line and gas interconnecting pipeline RM	Total RM
2012			
Cost			
At 1 July 2011	59,638,932	28,982,640	88,621,572
Currency translation differences	-	411,007	411,007
At 30 June 2012	59,638,932	29,393,647	89,032,579
Accumulated amortisation			
At 1 July 2011	1,118,577	455,102	1,573,679
Charge for the financial year	2,218,917	915,831	3,134,748
Currency translation differences	-	11,678	11,678
At 30 June 2012	3,337,494	1,382,611	4,720,105
Accumulated impairment losses			
At 1 July 2011	4,166,000	-	4,166,000
Reclassification from property, plant and equipment (Note 12)	22,590,792	-	22,590,792
Charge for the financial year	29,544,646	11,080,100	40,624,746
At 30 June 2012	56,301,438	11,080,100	67,381,538
Net book value at 30 June 2012	-	16,930,936	16,930,936

(continued)

17 INTANGIBLE ASSETS (continued)

Group	License rights to operate power plant	License rights to use power transmission line and gas interconnecting pipeline	Total
	RM	RM	RM
2011			
Cost			
At 1 July 2010	59,638,932	27,296,017	86,934,949
Additions	-	2,441,002	2,441,002
Currency translation differences	-	(754,379)	(754,379)
At 30 June 2011	59,638,932	28,982,640	88,621,572
Accumulated amortisation			
Charge for the financial year	1,118,577	465,537	1,584,114
Currency translation differences	-	(10,435)	(10,435)
At 30 June 2011	1,118,577	455,102	1,573,679
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

(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.

Refer Note 12 for further details on the impairment assessment.

(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.

Refer Note 12 for further details on the impairment assessment.

(continued)

18 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	
	2012 RM	2011 RM	2012 RM	2011 RM
Deferred tax assets	3,754,293	357,993	-	-
Deferred tax liabilities	(28,674,284)	(31,214,700)	(15,115,612)	(14,804,443)
	(24,919,991)	(30,856,707)	(15,115,612)	(14,804,443)
At 1 July	(30,856,707)	(21,676,199)	(14,804,443)	(13,746,656)
Credited / (charged) to profit or loss (Note 10):				
- property, plant and equipment	1,676,725	(4,344,582)	12,868	46,462
- investment properties	-	-	(324,400)	(1,067,225)
- unutilised reinvestment allowance	130,446	(68,497)	-	-
- unutilised tax losses	3,738,556	(795,014)	-	-
- unabsorbed capital allowances	576,929	5,513,894	-	-
- others	(68,252)	(10,338)	-	-
	6,054,404	295,463	(311,532)	(1,020,763)
(Debited) / credited to asset revaluation reserve:				
- property, plant and equipment	(117,688)	(9,475,971)	363	(37,024)
	5,936,716	(9,180,508)	(311,169)	(1,057,787)
At 30 June	(24,919,991)	(30,856,707)	(15,115,612)	(14,804,443)

(continued)

18 DEFERRED TAX (continued)

	Group 2012 RM	Group 2011 RM	Company 2012 RM	Company 2011 RM
Subject to income tax:				
Deferred tax assets (before offsetting):				
- unutilised reinvestment allowance	19,892,460	19,762,014	-	-
- unutilised tax losses	10,326,397	6,623,841	-	-
- unabsorbed capital allowances	20,788,376	20,211,447	-	-
- other payables and accruals	40,577	61,709	-	-
- impairment losses	357,993	405,113	-	-
	51,405,803	47,064,124	-	-
Offsetting	(47,651,510)	(46,706,131)	-	-
Deferred tax assets (after offsetting)	3,754,293	357,993	-	-
Deferred tax liabilities (before offsetting):				
- property, plant and equipment	(76,325,794)	(77,920,831)	(263,201)	(276,432)
- investment properties	-	-	(14,852,411)	(14,528,011)
	(76,325,794)	(77,920,831)	(15,115,612)	(14,804,443)
Offsetting	47,651,510	46,706,131	-	-
Deferred tax liabilities (after offsetting)	(28,674,284)	(31,214,700)	(15,115,612)	(14,804,443)

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 2012 RM	Group 2011 RM
Tax losses	-	17,515,340
Reinvestment allowance	1,897,344	1,897,344
Capital allowances	11,662,758	11,662,758

(continued)

19 AVAILABLE-FOR-SALE FINANCIAL ASSETS

Available-for-sale financial assets include the following:

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Investment in unquoted shares in Malaysia	15	15	-	-

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

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
At 1 July	15	635,223	-	317,604
Less: Impairment loss (Note 7)	-	(635,208)	-	(317,604)
At 30 June	15	15	-	-

Based on management's assessment in the prior year, one of the Group's available-for-sale financial assets did not have the ability to continue as a going concern. Accordingly, the Group and the Company had recognised an impairment loss of RM635,208 and RM317,604 respectively on the available-for-sale financial asset as at 30 June 2011.

20 DERIVATIVES

	Group	
	2012 RM	2011 RM
Non-current asset		
Interest rate swap	-	3,365,076
Current assets		
Forward foreign currency exchange contract	43,122	286,878
Interest rate swap	-	1,218,656
	43,122	1,505,534
Total	43,122	4,870,610
Current liability		
Interest rate swap	(1,312,432)	-

(continued)

20 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 forward 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 EUR0.8 million (approximately RM3.3 million). The fair value of the forward foreign currency exchange contract, amounting to RM43,122 is determined using mark-to-market rate for the same notional amount as at 30 June 2012. The method and assumptions applied in determining the fair value of the forward foreign currency exchange contract are disclosed in Note 3(h) 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 long-term borrowing of a foreign subsidiary. The IRS contract covers a 2 years and 9 months period from 31 December 2011 to 30 September 2013 (2011: 2 years and 9 months period from 31 December 2010 to 30 September 2012) for a notional amount of THB5.5 billion (2011: THB5.8 billion (approximately RM572 million)). As the reporting date, the fair value of the IRS contract is RM1.3 million (2011: derivative assets amounting to RM4.6 million) and it is presented in the financial statements based on the maturity profile of the borrowings. However, an amount of RM0.98 million was reclassified to current liability due to the reclassification of the long-term borrowing of a foreign subsidiary (Note 28) as at 30 June 2012.

The method and assumptions applied in determining the fair value of the IRS are disclosed in Note 3(h) 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 the profit or loss.

21 INVENTORIES

	Group	
	2012	**2011**
	RM	**RM**
Raw materials	60,733,608	60,611,513
Work-in-progress	7,986,354	7,022,336
Finished goods	26,788,761	36,800,156
Spare parts and supplies	12,499,299	10,197,342
Consumables	2,562,789	2,642,513
	110,570,811	117,273,860

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

(continued)

22 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Non-current				
Construction financing	22,493,996	22,075,488	-	-
Less: Accumulated impairment losses	(5,750,000)	-	-	-
	16,743,996	22,075,488	-	-
Other receivables (Note 15)	-	9,147,117	-	-
Others	388,207	57,167	-	-
	17,132,203	31,279,772	-	-
Current				
Trade receivables	222,567,018	139,221,479	40,390,579	32,291,683
Less: Accumulated impairment losses	(41,412,219)	(7,520,824)	(429,483)	(429,483)
	181,154,799	131,700,655	39,961,096	31,862,200
Other receivables	20,516,266	18,272,651	360,248	353,924
Less: Accumulated impairment losses	(8,447,585)	(1,648,671)	-	-
	12,068,681	16,623,980	360,248	353,924
Advances made for purchases of raw materials	50,459,712	4,398,575	-	-
Construction financing	-	450,520	-	-
Deposits	400,158	453,912	80,856	147,359
Prepayments	4,805,844	4,375,854	277,432	289,821
	248,889,194	158,003,496	40,679,632	32,653,304
Total trade and other receivables	266,021,397	189,283,268	40,679,632	32,653,304

(a) Construction financing

As at 30 June 2012, the construction financing, at gross, amounting to RM23,000,000 (2011: RM22,526,008) relates to an amount receivable from a project owner ("Sole Customer") for the construction of its cold room facility in Thailand pursuant to a project management service contract entered by the Group in Year 2009. The construction financing will be repaid in equal instalments for a period of 25 years, commencing January 2012, with effective interest rate at the reporting date of 8.10% per annum.

Based on the contractual terms of the agreement, total principal repayment instalments which are due and payable as at 30 June 2012 amounting to RM450,000 remained outstanding. However, due to the market condition and cash flows position of the Sole Customer, the Group had, on 29 June 2012, agreed to restructure the financing with a schedule repayment of RM50,000 per month for a period of one year commencing from October 2012 and thereafter to make good the differences due to the Group within the next three years. To this effect, a loss on fair value arising from the restructured financing receivable from the Sole Customer amounting to RM506,004 been recognised in the profit or loss during the financial year.

In addition, based on the Directors' assessment on the Sole Customer's cash flows projections, the Sole Customer would only have sufficient cash flows to meet both its working capital requirement and financing obligations in Year 2018. Accordingly, the related principal instalments due and payable for the same period amounting to RM5.75 million are impaired in the profit or loss for the financial year. Refer Note 4(c)-(i) and 4(c)-(iii) for further details.

(continued)

22 TRADE AND OTHER RECEIVABLES (continued)

(b) Non-current: Other receivables

As disclosed in Note 14 to the financial statements, the Group had commenced a legal action to recover RM17.0 million from a vendor in Year 2009. The amount to be recovered amounting to RM17.0 million represents the Group's rights to receive from the vendor. In the prior year, the Directors were virtually certain that the Group was entitled to receive the amount claimed in accordance with the provisions of the share sale agreement and this was supported by a legal advice. Accordingly, the Directors had assumed that amount will be recovered upon settlement or conclusion of the litigation in 5 years time, and the fair value of the receivables amounting to RM9.1 million was recognised as other receivables as at 30 June 2011.

As there is no significant development in the litigation with the vendor for the financial year, with the passage of time, the Directors are of the view that recoverability of this amount is probable. This is supported by a legal advice. Accordingly, the amount is impaired in full at the reporting date and the case, together with the status of the litigation to be disclosed as contingent asset (Note 37) in the financial statements.

(c) Fair value

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

	Group			
	2012		2011	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Construction financing	16,743,996	16,743,996	22,075,488	21,678,595

23 FINANCIAL ASSET AT FAIR VALUE THROUGH PROFIT OR LOSS

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

	Group	
	2012 RM	2011 RM
Equity securities:		
- quoted outside Malaysia	-	2,824,835

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

	Group	
	2012 RM	2011 RM
At 1 July	2,824,835	110,438,640
Fair value loss during the financial year	-	(773,845)
	2,824,835	109,664,795
Disposals	(2,824,835)	(106,839,960)
At 30 June	-	2,824,835

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

(continued)

24 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 (2011: 30 to 90 days) whilst, non-trade transactions are repayable upon demand.

	Company	
	2012	**2011**
	RM	**RM**
Amounts owing by subsidiaries:		
Trade	12,799	4,773
Non-trade	196,265,040	243,443,962
	196,277,839	243,448,735
Less : Impairment loss (Note 7)	(4,171,423)	(72,551,000)
	192,106,416	170,897,735
Amounts owing to subsidiaries:		
Trade	(38,414,178)	(22,915,715)
Non-trade	(6,987,891)	(5,822,287)
	(45,402,069)	(28,738,002)

During the financial year, the Company has recognised an impairment loss of RM4,171,423 (2011: RM72,551,000) (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 12(vi)). As at 30 June 2012, the amount owing by the subsidiary amounting to RM76.7 million has been impaired in full.

In the prior year, if the discount rate 9.30% per annum applied in the cash flows projections increased by 1%, the amount owing by the subsidiary will be fully impaired with an additional impairment of RM2.5 million.

25 CASH AND CASH EQUIVALENTS

	Group		Company	
	2012	**2011**	**2012**	**2011**
	RM	**RM**	**RM**	**RM**
Deposits with licensed financial institutions	25,170,000	27,703,816	10,670,000	8,000,000
Cash and bank balances	21,186,449	58,338,173	4,517,158	5,349,943
	46,356,449	86,041,989	15,187,158	13,349,943
Less: Restricted cash	(8,000,000)	(8,011,792)	(8,000,000)	(8,000,000)
	38,356,449	78,030,197	7,187,158	5,349,943

(continued)

25 CASH AND CASH EQUIVALENTS (continued)

At the reporting date, restricted cash comprises deposit placement with a financial institution that is pledged as security for a banking facility granted to the Company by a bank. This restricted cash will be used as a financial guarantee by the member firm of the bank in Thailand for the issuance of a performance bond or bank guarantee on behalf of a foreign subsidiary to the Other Customer for the foreign subsidiary's Phase II project.

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

	Group		Company	
	2012 % per annum	2011 % per annum	2012 % per annum	2011 % per annum
Deposits with licensed financial institutions	2.28	2.48	3.10	3.15
Cash at bank balances	1.97	0.34	-	-

Deposits with licensed financial institutions have an average maturity period of 132 days (2011: 102 days).

26 ASSETS CLASSIFIED AS HELD-FOR-SALE

	Group	
	2012 RM	2011 RM
Assets classified as held-for-sale		
At 1 July	2,768,541	50,419,026
Add: Reclassification from:		
- property, plant and equipment (Note 12)	-	2,768,541
Disposal	(2,768,541)	(50,419,026)
At 30 June	-	2,768,541

In the previous 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.

(continued)

27 TRADE AND OTHER PAYABLES

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Non-current				
Trade payables	269,510	306,915	-	-
Other payables	25,624,401	21,675,885	-	-
	25,893,911	21,982,800	-	-
Current				
Trade payables	110,514,442	66,595,878	10,069,628	-
Other payables	13,057,140	13,882,067	1,420,448	1,452,242
Accruals	19,638,866	18,804,329	623,978	759,221
Advances received from customers	27,700,908	-	-	-
Deposits received	300,000	2,811,831	817,500	817,500
	171,211,356	102,094,105	12,931,554	3,028,963
Total	197,105,267	124,076,905	12,931,554	3,028,963

Other payables classified as non-current liability amounting to USD7,741,482 amounting to RM23,992,113, net of gain on restructured liability, (2011: RM21,675,885) relates to the balance purchase consideration due to an external party for the acquisition of equity interest in a foreign subsidiary. The group had, on 30 June 2012, restructured the amount and the amount is repayable in a bullet repayment within 14 months from the reporting date. In the prior year, the same amount was previously restructured and was payable in 2 payments within 18 months from the reporting date. Accordingly, the Group has recognised a gain on restructured liability of RM1,322,688 (2011: RM2,013,050) (Note 8) to the profit or loss during the financial year.

During the financial year, the Group received advances from the customers for sales order and bearing an effective interest rate of 9% to 10% (2011: Nil) per annum. This is an interim measure prescribed by the Directors in managing the liquidity of the Group.

(continued)

28 BORROWINGS

	Group		Company	
	2012	2011	2012	2011
	RM	RM	RM	RM
Current				
Bankers' acceptance	185,020,000	134,419,000	65,760,000	57,579,000
Revolving credits	45,105,254	45,105,518	10,000,000	10,000,000
Hire purchase creditors	278,506	290,483	-	103,644
Term loans	572,946,834	67,218,199	-	-
	803,350,594	247,033,200	75,760,000	67,682,644
Non-current				
Hire purchase creditors	418,487	508,636	-	-
Term loans	17,585,165	560,945,135	-	-
	18,003,652	561,453,771	-	-
Total				
Bankers' acceptance	185,020,000	134,419,000	65,760,000	57,579,000
Revolving credits	45,105,254	45,105,518	10,000,000	10,000,000
Hire purchase creditors	696,993	799,119	-	103,644
Term loans	590,531,999	628,163,334	-	-
	821,354,246	808,486,971	75,760,000	67,682,644

(continued)

28 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 2012									
Unsecured									
- Bankers' acceptance	4.75% - 6.22%	RM	75,520,000	75,520,000	-	-	-	-	-
- Revolving credits	5.25%	RM	10,000,000	10,000,000	-	-	-	-	-
- Revolving term loan	8.00%	RM	4,069,726	-	4,069,726	-	-	-	-
Secured									
- Bankers'acceptance	4.53% - 5.00%	RM	109,500,000	109,500,000	-	-	-	-	-
- Revolving credits	3.77% - 3.80%	RM	35,105,254	35,105,254	-	-	-	-	-
- Hire purchase creditors	2.58% - 2.80%	RM	696,993	278,506	276,642	110,967	30,878	-	-
- Term loan (1)	BLR* + 2.00%; 4.81%;	RM; RM / EUR;	21,387,449	7,872,010	7,869,211	5,084,675	561,553	-	-
	SIBOR** + 2.50%	RM / USD	19,417,082	19,417,082	-	-	-	-	-
- Term loan (2)	Thai - fixed rate + 2.75%	RM / THB	545,657,742	545,657,742	-	-	-	-	-
			821,354,246	803,350,594	12,215,579	5,195,642	592,431	-	-
Group									
At 30 June 2011									
Unsecured									
- Bankers' acceptance	4.45% - 5.97%	RM	67,819,000	67,819,000	-	-	-	-	-
- Revolving credits	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 credits	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%;	RM; RM / EUR;							
	SIBOR** + 2.50%	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

(continued)

28 BORROWINGS (continued)

Contractual terms of borrowings (continued)

	2012		2011	
	Functional currency / currency exposure	**Total carrying amount RM**	**Functional currency / currency exposure**	**Total carrying amount RM**
Group				
Unsecured	RM	89,589,726	RM	80,888,726
Secured	RM	151,763,317	RM	110,627,534
	RM / USD	19,417,082	RM / USD	31,112,814
	RM / EUR	14,926,379	RM / EUR	22,949,977
	RM / THB	545,657,742	RM / THB	562,907,920
		821,354,246		808,486,971

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 power plant to the bank (Note 12).
* BLR stands for Base Lending Rate
** SIBOR stands for Singapore Interbank Offered Rate

Company	**Contractual interest rate at reporting date (per annum)**	**Functional currency / currency exposure**	**Total carrying amount RM**	**Maturity profile < 1 year RM**
At 30 June 2012				
Unsecured				
- Bankers' acceptance	4.75% - 6.22%	RM	65,760,000	65,760,000
- Revolving credits	5.25%	RM	10,000,000	10,000,000
		RM	75,760,000	75,760,000
At 30 June 2011				
Unsecured				
- Bankers' acceptance	4.45% - 5.97%	RM	57,579,000	57,579,000
- Revolving credits	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

28 BORROWINGS (continued)

Contractual terms of borrowings (continued)

The Company and a subsidiary had, prior to 30 June 2012, obtained indulgences for all credit facilities from all the banks on its compliance with the covenant clauses for the financial year ended 30 June 2012. However, based on the cash flows projections for the financial year ending 30 June 2013, the Group may not be able to meet the said covenant clauses and has obtained a further extension to 30 June 2013 from all the banks. However, this indulgence by one of the banks for both the Company and the subsidiary was approved with an inclusion of a paragraph matter on the said bank's contractual rights to demand immediate repayment at any time at its sole discretion with or without written notice to the Company and subsidiary, irrespective of whether or not any event of default has occurred and notwithstanding any other terms and conditions stated in the trade facilities agreement. The related trade facilities of the Company and the subsidiary by the said bank amounting to RM23.5 million and RM127.0 million respectively are classified as current liability as at 30 June 2012.

Notwithstanding that the Group did not met certain covenant clauses set out in the respective facilities agreements, the banks also did not request for an early repayment during the financial year. This condition was subsequently resolved when the Group, except for the foreign subsidiary as described below, has successfully obtained indulgences from all the banks.

The Group had, on 25 October 2012, successfully renegotiated the restructuring of its term loan and revolving credits in a subsidiary amounting to USD6.2 million (approximately RM19.4 million) and RM35 million respectively to a longer repayment term. This is an indication of continued financial support from the banks.

A foreign subsidiary has a term loan amounting THB5.6 billion (approximately RM555.3 million) which was secured on a non-recourse project based financing for the construction of power plant in Thailand. Principal repayment instalments of the term loan amounting to THB175 million (approximately RM17.3 million) and THB195 billion (approximately RM19.2 million) which were due on 31 March 2012 and 30 September 2012 respectively remained outstanding. During the financial year, the foreign subsidiary was granted an extension of time on a month-to-month basis by the bank for the principal repayment instalments, in which both instalments will now become due and payable on 30 November 2012. However, the interest costs amounting to THB230.9 million (approximately RM22.8 million) have been serviced in a timely manner.

As of the approval date of the financial statements, the foreign subsidiary has yet to obtain indulgence for one of the two covenant clauses from the bank for the current financial year whilst indulgence other covenant clause is obtained from the bank prior to 30 June 2012 for the period ending 31 December 2012. The foreign subsidiary is also seeking for an extension to 30 June 2012 for the indulgence obtained from the bank. This condition has resulted in the related long-term borrowing in the foreign subsidiary being reclassified from non-current liabilities to current liabilities as at 30 June 2012. Being a non-recourse loan, the associated risks are ring-fenced within the foreign subsidiary.

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			
	2012		2011	
	Carrying amount RM	Fair value RM	Carrying amount RM	Fair value RM
Revolving term loan	4,069,726	4,098,219	2,369,726	2,386,317
Term loan	8,861,113	8,746,070	16,221,617	16,011,014
Hire purchase creditors	418,487	395,879	508,636	512,205

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

(continued)

28 BORROWINGS (continued)

Fair value (continued)

	Group		Company	
	2012 % per annum	2011 % per annum	2012 % per annum	2011 % per annum
Bankers' acceptance	5.00	4.85	5.61	5.36
Revolving credits	4.11	4.21	5.25	5.20
Hire purchase creditors	2.63	2.75	-	3.25
Term loans	4.71	4.92	-	-

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

	Group		Company	
	2012 RM	2011 RM	2012 RM	2011 RM
Not later than 1 year	305,855	322,959	-	105,159
Later than 1 year and not later than 2 years	272,707	217,800	-	-
Later than 2 years	166,962	327,195	-	-
	745,524	867,954	-	105,159
Less: Future finance charge	(48,531)	(68,835)	-	(1,515)
Present value	696,993	799,119	-	103,644

29 SHARE CAPITAL

	Group / Company			
	2012		2011	
	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 / 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 7 December 2011, 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 (2011: 225,522,808).

(continued)

30 DIVIDENDS

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

	2012 RM	2011 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 2012.

31 SIGNIFICANT RELATED PARTY TRANSACTIONS

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

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 companies set out below and thus these Directors are deemed to be of the related parties to 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.

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

Entity	**Type of transaction**	**2012 RM**	**2011 RM**
Group			
Non-trade related – paid / payable			
Trace Management Services Sdn Bhd	Corporate secretarial services	457,970	451,919
Mitra Malaysia Sdn Bhd	Travel tickets	-	241,974
Malaysian Assurance Alliance Berhad	Insurance	2,131,938	2,099,959
	Rental and utilities	457,188	606,963
Wira Security Services Sdn Bhd	Security guard services	337,129	326,067
Maybach Logistics Sdn Bhd	Transportation charges	-	42,763

(continued)

31 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties during the financial year are as follows: (continued)

Entity	Type of transaction	2012 RM	2011 RM
Company			
Trade related – received / receivable			
Melewar Steel Tube Sdn Bhd	Purchases of pipes	205,855,296	192,518,586
	Rental income	3,924,000	3,924,000
	Marketing fee income	2,007,000	1,887,540
	Management fee income	600,000	600,000
Mycron Steel Berhad	Dividend income	-	3,412,667
Mycron Steel CRC Sdn Bhd	Sale of pipes	59,549	35,045
Melewar Steel Ventures Ltd	Dividend income	-	73,463,377
Trace Management Services Sdn Bhd	Corporate secretarial services	266,867	222,736
Mitra Malaysia Sdn Bhd	Travel tickets	35,408	111,772
Malaysian Assurance Alliance Berhad	Insurance	397,249	338,897
	Rental and utilities	196,209	276,012
Maybach Logistics Sdn Bhd	Transportation charges	-	41,400
Non-trade related			
Mycron Steel CRC Sdn Bhd	Advances given / (repaid)	118,883	(3,010,219)
	Staff cost	1,032,000	-
Melewar Steel Services Sdn Bhd	Advances given / (repaid)	397,600	(52,256,732)
Melewar Steel Assets Sdn Bhd	Advances given	2,880,000	339,204
Melewar Steel Ventures Ltd	Advances repaid	-	(5,062,092)
Melewar Steel Engineering Sdn Bhd	Advances (repaid) / given	(9,488,000)	11,800,000
Mperial Power Ltd	Advances given	1,042,763	1,402,085
M-Power TT Ltd	Advances given	10,108,433	14,563,834

The Directors of the Company are of the opinion that the above transactions were carried out on terms and conditions negotiated amongst the related parties.

The key management compensation is as disclosed in Note 9 to the financial statements.

32 INSURANCE LIABILITIES

(i) The Company has given guarantees amounting to RM6.5 million (2011: RM8.1 million) to the banks for facilities granted to a subsidiary and the Company does not anticipate any outflows of benefits arising from this undertaking.

(ii) The Company has acted as corporate guarantor to a bank for the loan agreement granted to a foreign subsidiary in the amount of THB100 million (approximately RM9.8 million) and the Company does not anticipate any outflows of benefits arising from this undertaking.

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 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.

(continued)

33 SEGMENTAL ANALYSIS (continued)

	Steel tube manufacturing RM	Cold rolling RM	Power generation RM	Investment holding RM	Others RM	Total RM
2012						
Revenue						
Total revenue	429,059,872	442,965,463	260,010,219	829,965	24,506,741	1,157,372,160
Inter segment	(206,963,489)	(28,607,670)	-	-	(477,000)	(236,048,155)
External revenue	222,096,383	414,357,793	260,010,219	829,965	24,029,741	921,324,101
Segment results						
Profit / (loss) from operations	1,370,295	4,346,279	(75,345,307)	(19,280,976)	(4,594,400)	(93,504,109)
Finance income	393,179	434,120	(185,493)	1,704,635	9,315	2,355,756
Finance costs	(3,718,112)	(7,668,591)	(42,487,029)	(3,168,815)	(702,738)	(57,758,447)
Loss before tax / segment results	(1,954,638)	(2,888,192)	(116,017,941)	(18,732,106)	(5,287,823)	(148,906,800)
Tax	184,596	1,774,603	-	(220,176)	3,091,440	4,830,463
Loss after tax	(1,770,042)	(1,113,589)	(116,017,941)	(18,511,930)	(2,196,383)	(144,076,337)
Segment assets	231,485,088	459,238,348	845,409,745	30,489,378	6,970,642	1,573,593,201
Other information						
Amortisation of intangible assets	-	-	3,134,748	-	-	3,134,748
Depreciation of property, plant and equipment	5,916,472	10,521,284	31,219,363	457,334	979,279	49,093,732
Impairment losses:						
- property, plant and equipment	137,543	-	-	-	7,678,376	7,815,919
- intangible assets	-	-	40,624,746	-	-	40,624,746
- inventories	-	-	-	-	305,949	305,949
- trade receivables	-	-	39,753,430	1,094,105	118,100	40,965,635
- other receivables	-	-	-	8,447,585	-	8,447,585
- construction financing	-	-	-	5,750,000	-	5,750,000

(continued)

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
- other receivables	-	-	-	-	28,217	28,217
- available-for-sale financial assets	317,604	-	-	317,604	-	635,208

(continued)

33 SEGMENTAL ANALYSIS (continued)

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

	2012 RM	2011 RM
Segment assets	1,573,593,201	1,619,262,556
Derivatives	43,122	4,870,610
Deferred tax assets	3,754,293	357,993
Tax recoverable	831,194	994,638
Assets classified as held-for-sale	-	2,768,541
	1,578,221,810	1,628,254,338

Geographical information

The geographical segment information is set out as below:

	Malaysia RM	Thailand RM	Total RM
2012			
Segment revenue	661,313,882	260,010,219	921,324,101
Segment results	(32,888,859)	(116,017,941)	(148,906,800)
Segment assets	728,183,456	845,409,745	1,573,593,201
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

Information about major customers

Revenue from two customers amounting to RM255 million (27.7% of total revenue) arising from the sale of electricity by the power generation segment in Thailand.

Revenue from one major customer amounting to RM22.8 million (2.5% of total revenue) arising from sale of cold rolled steel sheets in coils by the cold rolling segment in Malaysia.

34 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 2012, 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.

(continued)

35 SIGNIFICANT EVENTS DURING THE FINANCIAL YEAR

(i) Memorandum of Understanding entered into by Melewar Industrial Engineering Sdn Bhd

Melewar Integrated Engineering Sdn Bhd ("MIE"), a 70% owned subsidiary, had, on 8 December 2011, entered into a Memorandum of Understanding ("MoU") with an external party, Kazmy Steel Company ("Kazmy"), a company incorporated under the laws of Kazakhstan, for MIE to develop and build a steel plant to manufacture steel rebars using the Mycrosmelt Technology for the local market in the Almaty region of Kazakhstan.

MIE has accepted the appointment as the Turnkey Design and Built Contractor based on the following:

(a) Kazmy and MIE (collectively referred to as "the Parties") to enter into a detailed turnkey contract based on or guided by international terms as per the Federation of International Consulting Engineers turnkey design and built contract edition 10 within 90 days from the date of the MoU;

(b) The Turnkey Design and Build is ready to operate rebar plant on the principle that any and all works deemed necessary are included whether expressly stated in the MoU or the Detail Contract with full responsibility resting with MIE except for permits and electrical power provision and connection; and

(c) The Parties shall co-operate in good faith to enter into the Turnkey Contract consisting of detailed technical specification and commercial terms within the agreed time frame. The projected construction period is 18 months.

The lump sum contract price is estimated at USD57.3 million (approximately RM177.6 million) and is inclusive of equipment, electrical systems, billet melt shop, rebar shop, factory building and infrastructure.

As announced on 30 August 2012, there is no update and / or new development arising from the MoU and the project.

(ii) Proposed Rights Issues by the Company

The Company had, on 21 October 2011, announced and proposed to undertake the following:

(a) A renounceable two-call rights issue of up to 151,170,272 Rights 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 on an entitlement date to be determined later; and

(b) An exemption under Paragraph 16.1 of Practice Note 9 of the Code to Melewar Equities (BVI) and the PACs from the obligation to undertake a mandatory take-over offer for all the remaining MIG Shares not already owned by them pursuant to the Proposed Rights Issue.

The Company, had on 27 March 2012, announced and proposed to vary the terms of the Proposed Right Issues, as follows:

(a) Proposed share capital reduction via the cancellation of RM0.75 of the par value of every existing ordinary share of RM1.00 each in the issued and paid-up share capital of MIG pursuant to section 64 of the Companies Act, 1965 ("Act") ("Proposed Share Capital Reduction");

(b) Proposed renounceable rights issue of up to 150,348,539 new ordinary shares of RM0.25 each in MIG ("MIG share(s)") ("rights share(s)") at an indicative issue price of RM0.40 per rights share on the basis of two (2) rights shares for every three (3) existing MIG shares held on an entitlement date to be determined later after the Proposed Share Capital Reduction ("Proposed Rights Issue");

(c) Proposed exemption under paragraph 16.1 of Practice Note 9 of the Malaysian Code on Take-Overs and Mergers, 2010 ("Code") to Melewar Equities (BVI) Ltd and Melewar Khyra Sdn Bhd, and the persons acting in concert with them ("PAC") from the obligation to undertake a mandatory take-over offer for all the remaining MIG shares not already owned by them pursuant to the Proposed Rights Issue ("Proposed Exemption"); and

(d) Proposed amendments to the Memorandum and Articles of Association of MIG ("Proposed Amendments")

(collectively referred to as the "Proposals")

The Company has submitted the listing application in relation to the Proposed Rights Issue to Bursa Malaysia Securities Berhad on the same date.

(continued)

36 FINANCIAL INSTRUMENTS BY CATEGORY

Group	Loans and receivables RM	Available-for-sale RM	Derivatives RM	Total RM
30 June 2012				
Financial assets per statement of financial position:				
Non-current				
Available-for-sale financial assets	-	15	-	15
Other receivables	17,132,203	-	-	17,132,203
Current				
Trade and other receivables (excluding prepayments)	244,083,350	-	-	244,083,350
Derivative financial instruments	-	-	43,122	43,122
Deposits with licensed financial institutions	25,170,000	-	-	25,170,000
	286,385,553	15	43,122	286,428,690

	Derivatives RM	Other financial liabilities at amortised cost RM	Total RM
Financial liabilities per statement of financial position:			
Non-current			
Trade and other payables	-	25,893,911	25,893,911
Borrowings	-	18,003,652	18,003,652
Current			
Trade and other payables	-	171,211,356	171,211,356
Borrowings	-	803,350,594	803,350,594
Derivative financial instruments	1,312,432	-	1,312,432
	1,312,432	1,018,459,513	1,019,771,945

(continued)

36 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

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					
Financial 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

	Other financial liabilities at amortised cost RM
Financial liabilities per statement of financial position:	
Non-current	
Trade and other payables	21,982,800
Borrowings	561,453,771
Current	
Trade and other payables	102,094,105
Borrowings	247,033,200
	932,563,876

(continued)

36 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company	2012 RM	2011 RM
Financial assets per statement of financial position:		
Loans and receivables		
Current		
Trade and other receivables (excluding prepayments)	40,402,200	32,363,483
Deposits with licensed financial institutions	10,670,000	8,000,000
Amounts owing by subsidiaries	192,106,416	170,897,735
	243,178,616	211,261,218
Financial liabilities per statement of financial position:		
Other financial liabilities at amortised cost		
Current		
Trade and other payables	12,931,554	3,028,963
Amounts owing to subsidiaries	45,402,069	28,738,002
Borrowings	75,760,000	67,682,644
	134,093,623	99,449,609

37 CONTINGENT ASSET

The Group had, in year 2005, made a claim amounting to RM17,000,000 against a vendor as a result of non-compliance of certain conditions set out in the shareholders' agreement entered into with an external party. The Directors are of the view that the Group has a strong case as the Group is entitled to receive the monies and recover the investment of RM17,000,000 from the vendor. As the Directors is not virtually certain on the recoverability of this amount, accordingly, this will be disclosed as contingent asset in the financial statements (Refer Note 15). The case has been fixed for hearing in November 2012.

38 CAPITAL COMMITMENTS

Capital expenditure approved but not contracted for at the reporting date is as follows:

	Group	
	2012 RM	2011 RM
Plant and equipment		
- Capital enhancement for plant's productivity	22,312,901	-

(continued)

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 RM	Company RM
2012		
Total retained earnings of the Company and its subsidiaries:		
- realised	16,623,879	86,851,562
- unrealised	(17,449,504)	15,098,999
	(825,625)	101,950,561
Consolidation adjustments	79,466,045	-
Total retained earnings per the financial statements	78,640,420	101,950,561
2011		
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 building (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)	22	20,500,000
Lot 49, Jalan Utas 40200 Shah Alam, Selangor	13.4.2072	Factory building	316,300 sq. ft. (7.26 acres)	38	28,800,000
Lot 10, Persiaran Selangor 40200 Shah Alam, Selangor	11.5.2085	Factory building	220,437 sq. ft. (5.06 acres)	32	20,000,000
Lot 16, Jalan Pengapit 15/19 40200 Shah Alam, Selangor	8.4.2078	Factory building	94,000 sq. ft. (2.16 acres)	34	8,800,000
Lot 717, Jalan Sungai Rasau Seksyen 16, 40200 Shah Alam, Selangor	Freehold	Factory cum office building	781,423 sq. ft. (17.94 acres)	23	96,000,000
Lot 2953, Mukim Kelemak Daerah Alor Gajah, Melaka	27.9.2082	Factory cum office building	66,022 sq. ft. (1.52 acres)	26	1,320,000
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.	-	27,491,000
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.	18	2,900,000

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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 ____
(Name of proxy, NRIC No.) (Full Address)
____or failing him/her

____ of ____
(Name of proxy, NRIC No.) (Full Address)
____as *my/our proxy

to vote for ***me/us and on ***my/our behalf at the Forty-Third (43rd) Annual General Meeting ("AGM") of the Company to be held at **Dewan Perdana, Bukit Kiara Equestrian & Country Resort, Jalan Bukit Kiara, Off Jalan Damansara, 60000 Kuala Lumpur on Thursday, 13 December 2012, at 12.00 noon** or at any adjournment thereof on the following resolutions referred to in the Notice of the Forty-Third (43rd) AGM. My/Our proxy is to vote as indicated below:

		FIRST PROXY		SECOND PROXY	
		For	Against	For	Against
RESOLUTION 1	TO APPROVE THE PAYMENT OF DIRECTORS' FEES FOR THE FINANCIAL YEAR ENDING 30 JUNE 2013 TO BE PAYABLE QUARTERLY IN ARREARS.				
RESOLUTION 2	TO RE-ELECT TUNKU DATO' YA'ACOB BIN TUNKU TAN SRI ABDULLAH WHO IS RETIRING PURSUANT TO ARTICLE 95.				
RESOLUTION 3	TO RE-ELECT DATUK LIM KIM CHUAN WHO IS RETIRING PURSUANT TO ARTICLE 95.				
RESOLUTION 4	TO RE-ELECT MR UWE AHRENS WHO IS RETIRING PURSUANT TO ARTICLE 100.				
RESOLUTION 5	TO RE-ELECT DATO' ABU TALIB BIN MOHAMED WHO IS RETIRING PURSUANT TO ARTICLE 100.				
RESOLUTION 6	TO RE-ELECT MR PAUL CHAN WAN SIEW WHO IS RETIRING PURSUANT TO ARTICLE 100.				
RESOLUTION 7	TO REAPPOINT MESSRS PRICEWATERHOUSECOOPERS AS AUDITORS OF THE COMPANY.				
RESOLUTION 8	TO RE-ELECT MAJOR GENERAL DATUK LAI CHUNG WAH (RTD), WHO IS RETIRING PURSUANT TO SECTION 129(6) OF THE COMPANIES ACT, 1965.				
RESOLUTION 9	TO AUTHORISE THE RENEWAL OF AUTHORITY FOR THE COMPANY TO PURCHASE ITS OWN SHARES.				
RESOLUTION 10	TO APPROVE THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE AND PROPOSED NEW SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS.				
RESOLUTION 11	TO APPROVE THE PROPOSED AMENDMENTS TO THE ARTICLES OF ASSOCIATION OF THE COMPANY.				

(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 ____________________ 2012

____
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 12.03, 12th Floor, No. 566, Jalan Ipoh, 51200 Kuala Lumpur, not less than forty eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.*
7. *Any alteration in the Form of Proxy must be initialled.*
8. *Form of Proxy sent through facsimile transmission shall not be accepted.*
9. *For the purpose of determining a member who shall be entitled to attend this Forty-Third (43rd) AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd to issue a General Meeting Record of Depositors as at 10 December 2012 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 10 December 2012 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 Re-election of a Director pursuant to Section 129(6) of the Companies Act, 1965***
      The reappointment of Major General Datuk Lai Chung Wah (Rtd), a person over the age of seventy (70) years as Director of the Company to hold office until the conclusion of the next AGM of the Company shall take effect if the Proposed Resolution 8 has been passed by a majority of not less than three-fourth (3/4) of such members as being entitled to vote in person or, where proxies are allowed, by proxy, at a general meeting.
    - ***(b) Proposed Renewal of Authority for the Company to Purchase its Own Shares***
      The Proposed Resolution 9, 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.
    - ***(c) Proposed Renewal of Shareholders' Mandate and Proposed New Shareholders' Mandate for Recurrent Related Party Transactions***
      The Proposed Resolution 10, 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.
    - ***(d) Proposed Amendments to the Articles of Association of the Company***
      The Proposed Resolution 11, if passed, will give authority for the Company to amend its Articles of Association in line with the recent amendments prescribed under the Main Market Listing Requirements of Bursa Malaysia Securities Berhad.

    The detailed information on Special Business of Agenda 6 except for Agenda 6(a) as mentioned above is set out in the Circular to Shareholders of the Company dated 21 November 2012 which is dispatched together with the Company's 2012 Annual Report.

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

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STAMP

The Secretary
MELEWAR INDUSTRIAL GROUP BERHAD
Suite 12.03, 12th Floor
No. 566, Jalan Ipoh
51200 Kuala Lumpur

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NOTICE

There will be no distribution of door gifts.

MELEWAR INDUSTRIAL GROUP BERHAD
(8444-W)

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51200 Kuala Lumpur, Malaysia
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