MELEWAR INDUSTRIAL GROUP BERHAD

(8444-W)

ANNUAL REPORT

2016

Contents

Notice of Forty-Seventh Annual General Meeting

NOTICE IS HEREBY GIVEN that the **47TH ANNUAL GENERAL MEETING** of the Company will be held at **Crystal Function Room, 4th Floor, Mutiara Complex, 3 ½ Miles, Jalan Ipoh, 51200 Kuala Lumpur** on **Thursday, 8 December 2016** at **1.00 p.m.** for the following purposes:

AGENDA	
AS ORDINARY BUSINESS	**Resolution**
1. To receive the Audited Financial Statements for the year ended 30 June 2016 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 RM541,800.00 for the period from 1 July 2016 to 31 December 2017 to be payable quarterly in arrears.	**1**
3. To re-elect Major General Datuk Lai Chung Wah (Rtd) who is retiring pursuant to Section 129(6) of the Companies Act, 1965 ("the Act") and to hold office until the conclusion of the next Annual General Meeting ("AGM").	**2**
4. To re-elect the following Directors of the Company who are retiring pursuant to Article 113(1) of the Company's Articles of Association and who, being eligible, offer themselves for re-election:	
(i) Datin Ezurin Yusnita binti Abdul Malik	**3**
(ii) Shazal Yusuf bin Mohamed Zain	**4**
(iii) Muk Sai Tat	**5**
5. To re-elect Naresh Mohan who is retiring pursuant to Article 120 of the Company's Articles of Association and who, being eligible, offers himself for re-election.	**6**
6. To re-appoint Messrs PricewaterhouseCoopers as Auditors of the Company and to authorise the Directors to fix their remuneration.	**7**
AS SPECIAL BUSINESS	
7. To consider and, if thought fit, to pass the following resolutions as Ordinary Resolutions:-	
(a) **Proposed Renewal of Share Buy-Back Authority**	**8**
"THAT subject to compliance with Section 67A of the Act, the Main Market Listing Requirements ("Listing Requirements") of Bursa Malaysia Securities Berhad ("Bursa Securities") and any prevailing laws, rules, regulations, orders, guidelines and requirements issued by any relevant authority, the Company be and is hereby unconditionally and generally authorised to purchase and hold such number of ordinary shares of RM1.00 each in the Company ("Proposed Renewal of Share Buy-Back Authority") as may be determined by the Directors of the Company from time-to-time through the Bursa Securities upon such terms and conditions as the Directors may deem fit in the interest of the Company provided that the aggregate number of shares to be purchased pursuant to this resolution does not exceed ten percent (10%) of the issued and paid-up share capital of the Company and that an amount not exceeding the Company's share premium account of RM241,447 as at 30 June 2016 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."	

Notice of Forty-Seventh Annual General Meeting
(continued)

(b) **Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs")** **9**

"THAT the mandate granted by the shareholders of the Company on 30 November 2015 pursuant to Paragraph 10.09 of the 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 Sections 3.3(A) and (B) of Part B of the Circular to Shareholders dated 31 October 2016 ("the Circular") with the related parties mentioned therein, be and is hereby renewed, provided that:

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

(b) the transactions are made at arm's length and on normal commercial terms.

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

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

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

(iii) revoked or varied by resolution passed by the shareholders in general meeting;

whichever is earlier.

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

(c) **Authority to Issue and Allot Shares Pursuant to Section 132D of the Act** **10**

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

By Order of the Board

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

Kuala Lumpur
31 October 2016

Notice of Forty-Seventh Annual General Meeting
(continued)

NOTES:

1. Applicable to shares held through a nominee account.

2. A member entitled to attend, speak and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. A proxy may but need not be a member of the Company, and the provision of Section 149(1)(a) & (b) of the Act shall not apply to the Company.

3. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.

4. Where a member is an Exempt Authorised Nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.

5. The instrument appointing a proxy, shall be in writing under the hand of the appointer or his attorney duly authorised in writing, and in the case of a corporation, either under seal or under hand of an officer or attorney duly authorised.

6. The instrument appointing a proxy must be deposited at the Company's Registered Office, Suite 12.03, 12th Floor, No. 566, Jalan Ipoh, 51200 Kuala Lumpur, not less than forty eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.

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

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

9. For the purpose of determining a member who shall be entitled to attend this 47th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 79(a), 79(b) and 79(c) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 2 December 2016. Only a depositor whose name appears on the Record of Depositors as at 2 December 2016 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and/or vote on his/her behalf.

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

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

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

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

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

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

Notice of Forty-Seventh Annual General Meeting
(continued)

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

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the 46th AGM held on 30 November 2015 and which will lapse at the conclusion of the 47th AGM to be held on 8 December 2016.

(iii) Poll Voting

All the Resolutions will be put to vote by Poll.

The detailed information on Special Business of Agenda 7 except for Ordinary Resolution 10 as mentioned above is set out in the Circular to Shareholders of the Company dated 31 October 2016 which is dispatched together with the Company's 2016 Annual Report.

PERSONAL DATA POLICY

By submitting an instrument appointing a proxy(ies) and/or representative(s) to attend, speak and vote at the Annual General Meeting and/or any adjournment thereof, a member of the Company (i) consents to the collection, use and disclosure of the member's personal data by the Company (or its agents) for the purpose of the processing and administration by the Company (or its agents) of proxies and representatives appointed for the Annual General Meeting (including any adjournment thereof) and the preparation and compilation of the attendance lists, minutes and other documents relating to the Annual General Meeting (including any adjournment thereof) and in order for the Company (or its agents) to comply with any applicable laws, listing rules, regulations and/or guidelines (collectively, the "Purposes"). (ii) warrants that where the member discloses the personal data of the member's proxy(ies) and/or representative(s) to the Company (or its agents), the member has obtained the prior consent of such proxy(ies) and/or representative(s) for the Purposes, and (iii) agrees that the member will indemnify the Company in respect of any penalties, liabilities, claims, demands, losses and damages as a result of the member's breach of warranty.

STATEMENT ACCOMPANYING NOTICE OF ANNUAL GENERAL MEETING

Pursuant to Paragraph 8.27(2) of the Main Market Listing Requirements of Bursa Securities, the details of the Directors who are seeking for re-election or re-appointment in Agenda 3, 4 and 5 of the Notice of the 47th Annual General Meeting of the Company are set out in the Directors' Profile on pages 22 to 25 of this Annual Report. Their securities holdings in the Company are set out in the Directors' Shareholdings which appears on page 31 of this Annual Report.

The detailed information relating to general mandate for issue of securities pursuant to Paragraph 6.03(3) of the Listing Requirements of Bursa Securities are set out under Note 10 (ii)(c) of the Notice of the 47th AGM of the Company.

Chairman's Statement

> 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" or "Melewar") for the financial year ended 30 June 2016.

TUNKU DATO' YAACOB KHYRA
Executive Chairman

FINANCIAL RESULTS

The Group is principally involved in the mid-stream sector of the steel industry, with the manufacture of Cold Rolled Coil ("CRC") steel sheets and Steel Tubes.

The Steel Division is operated through its 71.5% effectively held public listed subsidiary, Mycron Steel Berhad.

In March 2015, the Group sold its 100% subsidiary, Melewar Steel Tube Sdn Bhd ("MST"), a manufacturer of Steel Tubes and Pipes, to Mycron Steel Berhad, through a share swap exercise. The rationale for the disposal was to concentrate Melewar's steel activities under one company, giving the enlarged operations a stronger bargaining position when negotiating for the purchase of the Group's core raw material, Hot Rolled Coils ("HRC").

The Group is also involved in Engineering Services through its 100% subsidiary, Melewar Integrated Engineering Sdn Bhd ("MIE").

For the year under review, the Group recorded total revenue of RM607 million, which was 9.2% lower than the preceding financial year's revenue of RM668 million. In terms of Profit After Tax, the Group achieved RM14.9 million profit, compared to a loss of RM34.2 million in the previous year. It should be noted that the bulk of the loss of the previous year was due to the Group's associate company, Siam Power Generation Public Company Ltd ("Siam Power"), of RM21.2 million. The Group's interest in Siam Power had subsequently been disposed after the close of the current financial year.

DIVIDEND

Although the Group turned in a profitable performance for the year under review, the cash flow position of the Group is still not considered stable enough, especially in an environment of limited banking facilities. Therefore, the Directors do not recommend the payment of any dividend for the financial year ended 30 June 2016.

Chairman's Statement
(continued)

DIVISIONAL PERFORMANCE

The Group's business activities can be analysed under its two core business divisions, namely:-

1. Steel Division, and
2. Engineering Division

1.0 STEEL DIVISION

The Group's Steel Division is mainly represented by its 71.5% effective interest in the public listed company, Mycron Steel Berhad, which manufactures Cold Rolled Coil ("CRC") steel sheets and Steel Tubes.

For the period under review, the steel industry continued to operate in a depressed market, with cheap imports from China being a bane to the domestic and global sector.

For the financial year ended 30 June 2016, the CRC Division chalked up sales revenue of RM384 million, compared to RM467 million, a drop of 17.9% compared to the preceding year. Despite this drop, the CRC Division managed to register a Profit Before Tax of RM23.1 million, compared to a Loss Before Tax of RM8.4 million previously, an increase of RM31.5 million. This creditable performance was made possible by the Group's continuous effort in controlling costs, improving efficiencies, and an improved sales margin as a result of better sales price and stabilised Hot Rolled Coil ("HRC") steel sheet raw material.

The improved sales price was principally reflected in the later part of the financial year following the Government's imposition of anti-dumping duties on CRC imports from selected companies from China, South Korea and Vietnam in May 2016.

The Steel Tube Division experienced a drop in revenue of 5.8% to RM206 million, compared to RM219 million in the preceding year. The Division, however, managed to generate a Profit Before Tax of RM9.4 million, compared to a pre-tax loss before impairment of RM0.79 million in the preceding year, principally due to a more stabilised cost environment of its core raw material, HRC.

2.0 ENGINEERING DIVISION

The Group's Engineering Division is mainly represented by its 100% interest in Melewar Integrated Engineering Sdn Bhd ("MIE") together with other smaller subsidiaries.

MIE serves as the technical development engineer and turnkey project manager for the Group, whilst also undertaking third party engineering, consultancy and construction works.

MIE besides being a Class A contractor, has recently received a license from the Ministry of Finance, as an approved waste management company, for the operations and maintenance of small and medium sized incinerators in Malaysia. MIE continues to successfully operate and maintain the Tioman incinerator, and is seeking the Government's approval to take over other such plants.

MIE further has become a fully licensed telecom tower and fibre optic cable laying contractor, and is now ramping up this still relatively small business. MIE has also secured consultancy and engineering services contracts, in particular, in the bulk material handling sector of the industry.

At present, the Engineering Division of the Group is relatively small, but with concentrated efforts and focused strategies, the division is expected to play a larger role in the Group's future activities.

LONG-TERM OUTLOOK

The Malaysian government's current import duty for flat steel material of 15% is considered reasonable enough, to shield the industry from dumping practices of steel manufacturers that enjoying export subsidies from their respective governments (e.g. China). As CRC is an important component for the manufacture of many downstream products such as automobiles, white goods (e.g. television, computers, handphones, rice cookers, refrigerators, air-conditioners, etc.), drums for petroleum and palm oil export, furniture, and roofing sheets, protecting the supply of CRC is key to securing the country's long-term position as a major trading and manufacturing base for the world.

China's total steel export recorded an all-time high of 112 million tonnes in 2015, up 20% year-on-year, while its exports to ASEAN countries was even higher, at 28% year-on-year, at 31.9 million tonnes. It was therefore of no surprise that between 2013 and 2015, a total of 65 unfair trade complaints were made by countries all over the world against China's steel trade practices.

It is the Group's long-term view that the Malaysian government will continue to practice sound judgement in its flat steel policy, which bodes well for the Group's activities. The ability to keep Malaysia as a competitive manufacturer, whilst protecting its industries from unfair trade practices, takes great skill, and can only be achieved with open dialogue between regulators and industry.

Chairman's Statement
(continued)

Although the steel industry is highly competitive and is subject to significant global supply and demand anomalies, the prospects for the business are still positive as global demand grows. To this end, the Group is currently exploring the opportunities for the export of its CRC and Steel Tube products, to take advantage of recently signed free trade agreements.

The ability to turn a profit from this mid-stream steel activity, is paramount for the Group's ability to survive in this industry. Maintaining strict control on operating costs with the consistent monitoring of production efficiencies is the key for success. The Group has been successful in these activities, which has allowed it to generate profits, as the results of this financial year illustrates.

With regard to the Engineering Division, it is envisaged that this sector will play a larger role towards the Group's performance going forward.

Subject to unforeseen circumstances, the long-term prospects for the Group's activities is positive.

PROSPECTS FOR THE NEW FINANCIAL YEAR

Even though the Group has performed well for the period under review, there is no guarantee that the same performance will be attained in the coming year. There are both internal and external factors that can affect the performance of the domestic steel industry, including the direction of the local and global economies, the strength/weakness of the Ringgit, the China export factor, and how the Government reacts to dumping practices.

A plus point for local CRC manufacturers was the recent anti-dumping action taken against CRC imported from South Korea, Vietnam and China in May 2016.

Going forward, domestic demand will continue to be the main driver of growth, supported primarily by private sector spending. Private consumption is expected to expand further, underpinned by continued growth in wages and employment, as well as additional disposable income following government stimulus measures. Projects under the newly launched 11th Malaysia Plan should also augur well for the steel industry as a whole.

ACKNOWLEDGEMENT

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

It is during these hard times that we differentiate ourselves by focusing our efforts in making quality products, backed by excellent after sales services. The Group will continue to be a force in the domestic mid-stream steel industry for many years to come. Success does not always come easy and usually start from humble origins.

TUNKU DATO' YAACOB KHYRA
Executive Chairman

Management Discussion & Analysis Statement

This Statement provides the management's analytical overview of the group's operations and financial performance for the Financial Year ended 30 June 2016 in supplement of other statements contained in this annual report such as the Chairman's statement, the Statement on Risk Management and Internal Controls, and the audited Financial Statements. Analytical disclosures made herein are based on available management information which may not have been specifically audited, and are made to the extent that these do not compromise competitively sensitive information. This section may also contain opinions and forward-looking views, and as such users' discretion is advised.

OVERVIEW

The Group's net profits and total comprehensive income for the current financial year at RM14.9 million and RM27 million respectively is a significant turnaround compared to the preceding financial year's net loss at RM34.2 million (total comprehensive loss RM20.5 million). The Group's turnaround performance can be attributed to the following factors:

- The Group no longer shares the Power Associate's losses in the current financial year
- The Group's indirectly held cold rolled and the steel tube subsidiaries recorded strong profit performance with gross margins at entity level of 14.1% and 11.8% respectively (compared to 5.0% and 6.3% respectively in the preceding financial year)

The Group's turnaround performance for the current financial year would have been materially higher if not for the net loss contribution of RM10 million from its wholly owned Engineering subsidiary.

Bottom-line profitability aside, it is pertinent to note that the Group's 'operating cash-flow before changes in working capital' has recorded more than three folds increase from RM20 million in financial year 2015 to around RM70 million in financial year 2016 – mainly from the steel subsidiaries. The surplus operating cash-flows went mainly towards supplementing working capital requirements of the steel subsidiaries and the paring down of bank-trade credits utilization which resulted in significantly lower bank gearing at 0.21 (2015: 0.46). The steel subsidiaries however stepped up utilization of interest-bearing suppliers' trade credits during the current financial year to bring the absolute gearing of the Group to 0.43 (2015: 0.66). The loss-making Engineering subsidiary does not have any bank gearing.

Outlined below are key financial ratios of the Group for the current financial year and the preceding financing year for comparison – which recorded significant improvement in all the key measures on profitability, liquidity, gearing, and valuation.

Group Ratios	FYE2016	FYE2015
Profitability		
Operational Return on Asset (EBIT/Average Assets)	6.21%	(2.81%)
Return on Equity (Net Earnings/Equity)	2.38%	(9.20%)
Liquidity		
Current Ratio (Currest Asset/Current Liabilities)	1.22	1.07
Interest Cover (EBITDA/Net Interest Expense)	5.4	(0.1)
Gearing		
Debt to Equity ratio	0.43	0.66
Valuation		
Net Asset per share (RM/share)	1.79	1.67
Enterprise value/Total comprehensive Income (Loss)	8	(13)

Unlike the preceding financial year's auditors' report which carried an "Emphasis of Matter" on the existence of material uncertainty on going-concern due to its Net Loss position of RM34.2 million (2016: Net Profit of RM 14.9 million), the auditors' report for the current financial year does not carry similar emphasis.

SEGMENT'S PERFORMANCE

Segments' contribution from the steel and the engineering businesses to the Group's performance is disclosed in Note 28 to the financial statements. An analysis of these are summarised below.

2016	Cold-Rolled	Steel Tube	Engineering
Segment's Revenue/Asset Employed : Ringgit on Ringgit	0.91	1.59	1.49
Segment's EBIT/Full Time Employee : Ringgit per person	176,444	115,440	(125,371)
Segment's Net Earnings/Asset Employed : Sens on Ringgit	5.77	11.11	(38.40)
Segment's Asset/Total Assets	59.5%	19.6%	3.99%

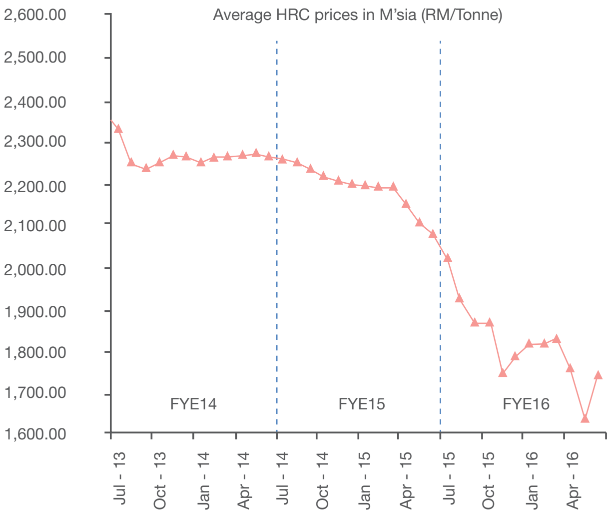
The Cold Rolled segment has a lower "revenue to asset employed" as its factory land and building are fair value accounted with a significant revaluation gain of RM5.5 million in the current financial year. (2015: RM6.8 million). The Steel Tube segment has a higher "revenue to asset employed" ratio due to its lower asset base-as its factories' land and buildings are rented from the Group's ultimate holding parent company. The investment holding as a segment does not have any external revenue and as such is not included in the analysis. The Engineering segment's "revenue to asset employed" ratio is also higher given that it is in a service industry with low fixed asset base.

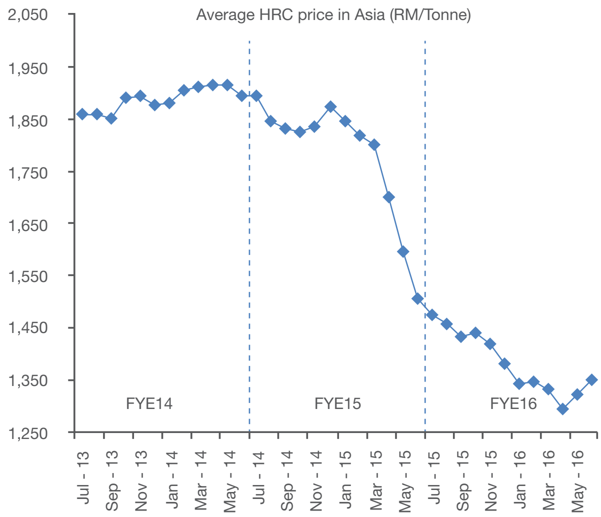
Management Discussion & Analysis Statement
(continued)

The negative performance of the Engineering segment for the current financial year is a major set-back for the Group as it has pinned high hopes when the wholly owned engineering subsidiary clinched a RM83 million EPC (Engineering, Procurement & Construction) contract back in January 2016; of-which, the Company has given its corporate guarantee for due performance. The Engineering subsidiary has to make a full loss provision of RM7 million for this EPC contract after discovering the cost to completion for the project has been under budgeted. Further details of this are disclosed in Notes 15(a)(ii), 17, and 29(b)(iii) to the financial statements.

POSITIVE OUTLOOK ON THE STEEL UNITS

Unlike the up-stream steel industries in ore mining and/or raw steel processing, the Group's mid-stream steel segments' performance is less susceptible to the vagaries of iron ore or raw steel prices than compared to unfair competition and market distortion. In the last 36 months from the current financial year end, the prices of hot rolled coil (which is the main raw material for the Group's steel processing) has declined by as much 30% at the lowest point – as shown in the charts below. The Group's steel businesses better performance for the current financial year can be attributed to improved spreads between finished goods' selling prices and raw material costs arising from a more levelled competitive landscape.





Source : Various

Domestic HRC prices typically have been higher than foreign HRC prices and are less elastic in respond to international price movement. This is due to the market protection regulations which domestic HRC producers have enjoyed in the past at the detriment of mid-stream manufacturers who are compelled by law to procure from domestic sources at higher prices. Despite the market protection, the two domestic HRC producers have halted production due to legacy problems in the 1st half of 2016. This coupled with the anti-dumping actions levied on Cold Rolled Coil imports from China, Korea and Vietnam would promote a more levelled competitive landscape which should augur well for the Group's mid-stream cold rolled and down-stream steel tube manufacturing.

NEAR TERM CHALLENGES

As disclosed in Notes 4 (a) to (e) to the financial statements, the main financial risks of the Group are generally low and are not expected to post any material issues.

The Group's power associate has subsequent to the close of the current financial year concluded an agreement to dispose the existing power operation, and the Group would be expecting some settlement of book receivables by the associate in the near term.The Group's power associate is also expected to resolve the divestiture of the power development rights under SIPCO 2 that will uplift security pledges in the near term. (See Note 30 to the financial statements). All these should augur well for the Group.

The Group's mid-stream steel businesses continue to bear the brunt of the Banking industries' continuing negative bias on the Steel Industry as a whole due to the non-performing loans experience with the upstream players – especially with the high profile cessation of business by the dominant domestic hot-rolled manufacturer. In this regard, the Group joined hands with the Malaysian Iron & Steel Industry Federation to address the matter with Bank Negara Malaysia on 29 October 2015. Whilst the Group's steel businesses' trade financing requirement is not at risk, the Banking Industries' negative bias on the Steel Industry as a whole makes it difficult for the Group to seek longer maturity debts and may impede effort to seek higher gearing for an optimal weighted average cost of capital.

The main challenge in the near-term would be for the Group's engineering subsidiary to meet their contractual obligations within budgeted costs and loss provisions where applicable. It is also imminent that the Group has to recapitalize the engineering subsidiary in the near term in view of the subsidiary's deficit shareholders' fund amounting to RM9.4 million as result of its current financial year's losses. The mid-term challenge would be to turnaround the financial contribution of the engineering business to the Group.

Corporate Social Responsibility Statement

MIG – CORPORATE SOCIAL RESPONSIBILITY

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

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

BUSINESS GOVERNANCE ETHICS

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

CUSTOMER SATISFACTION

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

We are, at present, accredited with ISO 9001 : 2008 by SIRIM. With the accreditation, the Group is committed to improving compliance with product requirements and the effectiveness of its Quality Management System on a continuing basis.

WORKPLACE

The employees are recognised as the key asset of the Group. The Group is committed to ensure the Safety and Health of its employees, customers, partners and members of the public with the objective to achieve zero injuries for its works and services.

The Group ensures that the Safety and Health program individually developed for each project shall ensure and promote:

- self-responsibility of employees to ensure the safety and health of themselves and others;
- active participation in safety meetings, risk assessment and inspections;
- sufficient implementation of safety signs, rules, practices and regulations;
- use of required personal protective clothing and equipment at all times;
- proper use of tools and equipment solely for their intended purpose;
- clean work area;
- proper record and report of all safety hazards, incidents, near misses, illnesses, injuries and work environment issues.

Corporate Social Responsibility Statement
(continued)

ENVIRONMENT

The Group ensures that all business activities are conducted in compliance with the environment regulations and laws at all times.

The Group is always committed to:

- recycle paper and plastic in office and factories;
- reduce energy consumption by putting an effective maintenance programme for all equipment used;
- upgrade projects to improve the efficiency of the machines;
- improve the heating process to reduce the heat loss;
- recycle rain water in our production operations to reduce the treated water consumption from Syabas;
- reduce production waste throughout the operations by proper production planning;
- undertake measures to reduce pollution and harmful emissions by installing filter system;
- practice a paperless environment and reduce usage of plastic across all the factories and offices of the Group;
- encourage employees to attend internal training programme on the importance of energy saving by switching off non-essential electrical machinery, equipment and appliance when not in use;
- encourage our engineers client's and partners to utilise and implement state of the art technologies and processes so as to achieve maximum environment protection;
- promote energy conservation by efficient use, careful planning and design with due consideration to improve energy utilisation;
- minimise waste during construction of our projects and their subsequent operation and ensure full compliance to all legislation and regulations in terms of waste storage, transport and responsible disposal;
- take appropriate action and preventive measures so as to ensure compliance of our work with all legal regulations and environmental acts;
- adopt design and engineering which take into account the visual effect of our projects;
- consider the socio economic impact of our business and services by giving due consideration to third party opinion, wherever possible;
- sustainability and promote clean air, clean water and low noise emission for our projects.

COMMUNITY

The Company 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 5 physically disabled employees who are placed in the pipe lines, threading lines and maintenance workshops according to their individual capabilities.

The Group also provides internship training for graduates to have their practical training.

The Group has embarked in a joint effort to develop and fabricate a Modular Building System with, and designed by its subsidiary, Ausgard Quick Assembly Systems Sdn Bhd ("Ausgard"). Its initial project is a community library for underprivileged children living along the fringes of our robust developments.

Aligning itself with the Government's Transformation Agenda, through its involvement with Ausgard in this project, the Group plans to continuously support literacy as a foundation to a knowledgeable community with hope to eventually eradicate illiteracy amongst the Orang Asli community.

Corporate Information

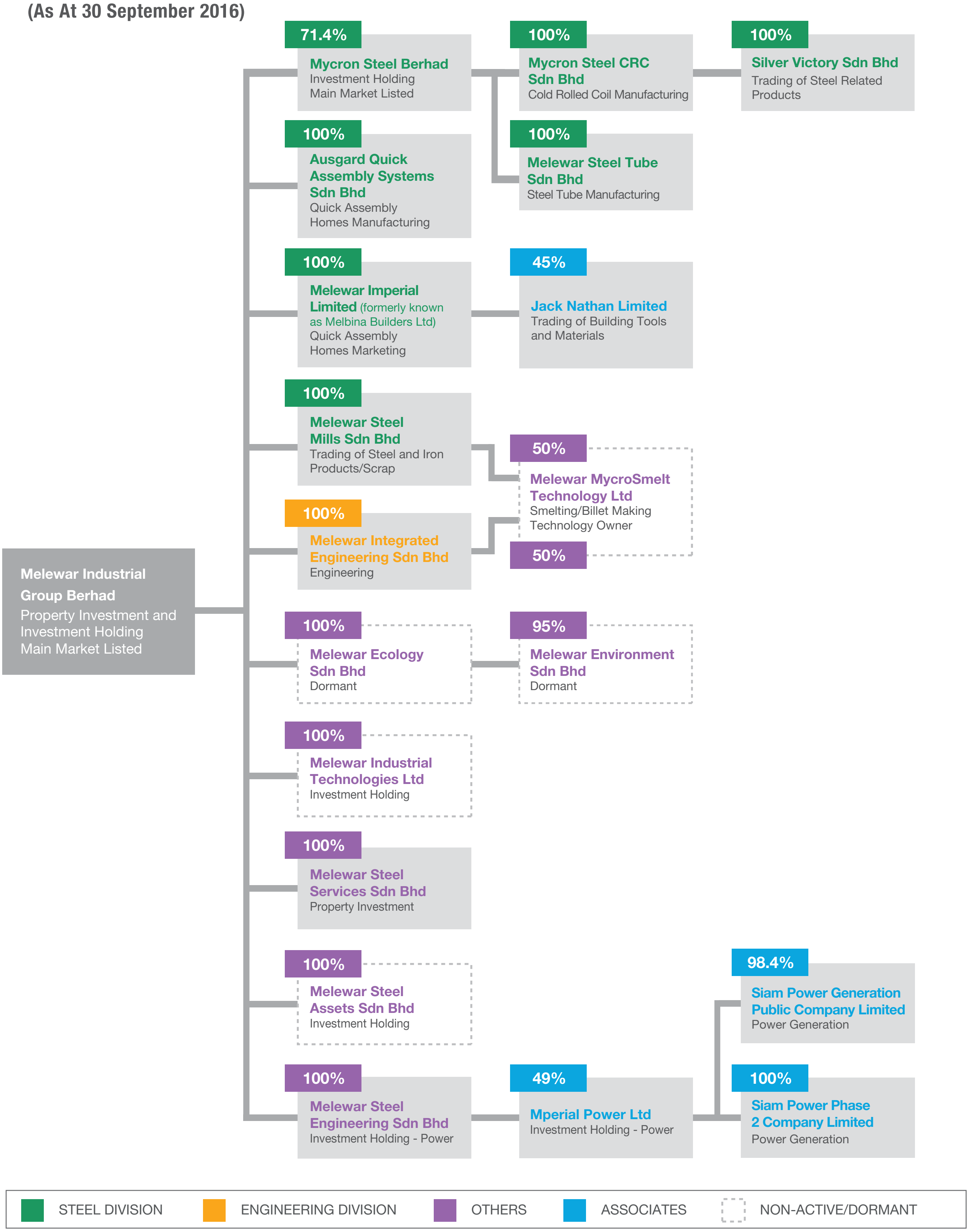
Domicile	:	Malaysia
Legal Form & Place of Incorporation	:	A public listed company incorporated in Malaysia under the Companies Act, 1965 and limited by shares
Directors	:	Tunku Dato' Yaacob Khyra ▪ *Executive Chairman* En Azlan bin Abdullah ▪ *Managing Director/Group Chief Executive Officer* Datuk Uwe Ahrens ▪ *Executive Director* Datin Ezurin Yusnita binti Abdul Malik ▪ *Non-Independent Non-Executive Director* Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah ▪ *Non-Independent Non-Executive Director* En Shazal Yusuf bin Mohamed Zain ▪ *Independent Non-Executive Director* Major General Datuk Lai Chung Wah (Rtd) ▪ *Independent Non-Executive Director* Mr Muk Sai Tat ▪ *Independent Non-Executive Director* General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) ▪ *Independent Non-Executive Director* Mr Naresh Mohan ▪ *Independent Non-Executive Director*
Secretaries	:	Ms Lily Yin Kam May Ms Soon Leh Hong
Audit Committee	:	Mr Muk Sai Tat ▪ *Chairman* Major General Datuk Lai Chung Wah (Rtd) ▪ *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
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

Corporate Information
(continued)

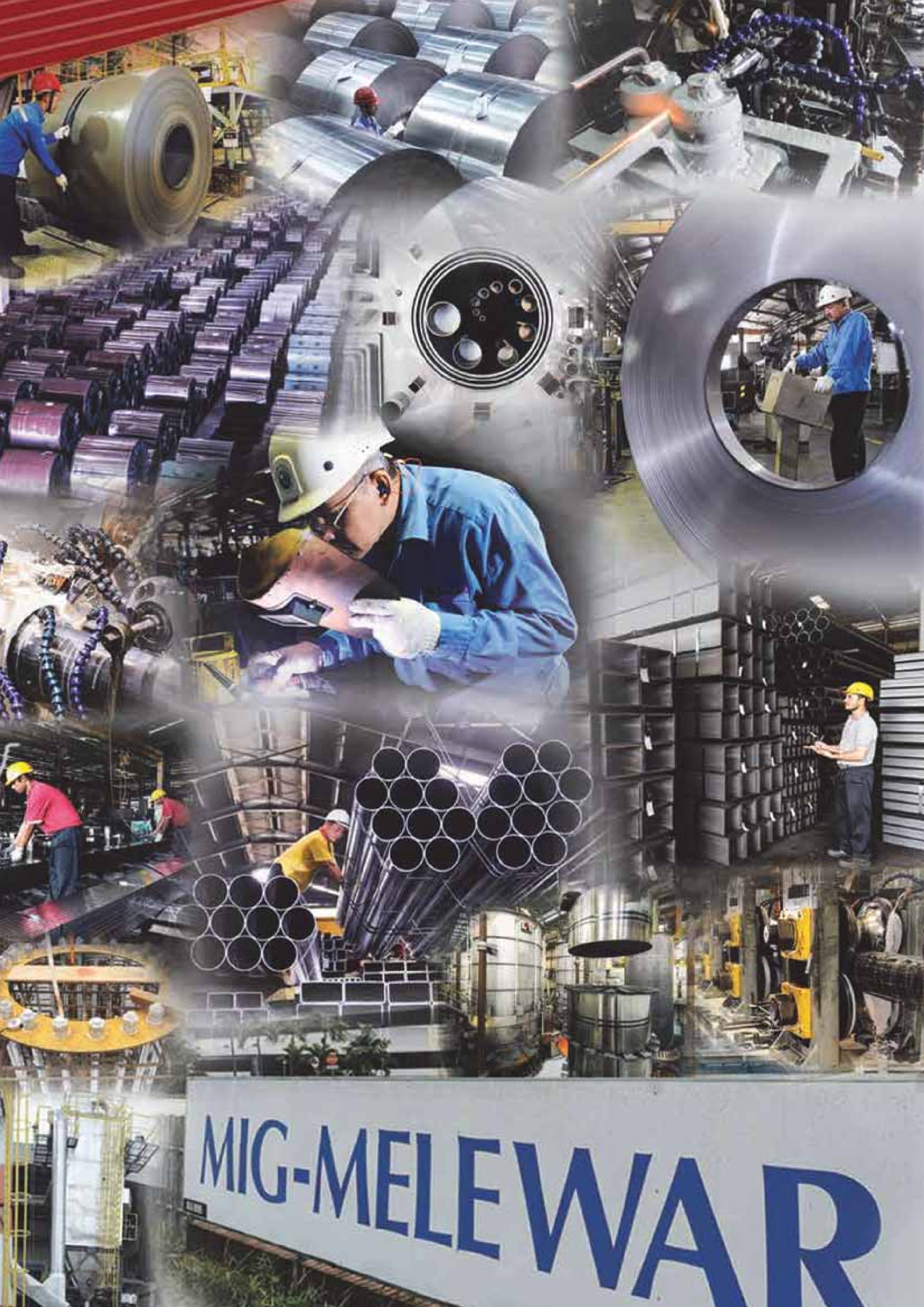
Solicitors	:	Deol & Gill Suite 19-03-03 3rd Floor, PNB Damansara No.19, Lorong Dungun Damansara Heights 50490 Kuala Lumpur Telephone No.: 03-2095 9980 Telefax No.: 03-2095 9881 Cheang & Ariff 39, Court @ Loke Mansion No. 273A, Jalan Medan Tuanku 50300 Kuala Lumpur Telephone No.: 03-2691 0803 Telefax No.: 03-2692 8533
Auditors	:	Messrs PricewaterhouseCoopers (AF 1146) Level 8 - 15, 1 Sentral Jalan Rakyat Kuala Lumpur Sentral 50706 Kuala Lumpur Telephone No.: 03-2173 1188 Telefax No.: 03-2173 1288
Principal Bankers **(In alphabetical order)**	:	▪ 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
Email	:	enquiry@melewar-mig.com

Corporate Information
(continued)

Corporate Group Structure (As At 30 September 2016)



Melewar Industrial Group Berhad


MIG-MELEWAR

Quality Recognition

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 EN 10255 : 2004
  for Welded Steel Tube

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

American Standard
- ASTM A 500/A 500M : 2013
  for Cold Formed Welded Carbon Steel Structural Tubing in Round and Shape

Japanese Standard
- JIS G 3350 : 2009
  for Light Gauge Steel for General Structure

Japanese Standard
- JIS G 3445 : 1988
  for Carbon Steel Tube for Machine Structural Purpose

Japanese Standard
- JIS G 3452 : 2010
  for Carbon Steel Pipe for Ordinary Piping

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

MS 863 : 1983
for Welded Steel Pipe

MS 61386-21 : 2010
for Rigid Steel Conduit for Cable Management

SPAN TS 21827 : Part 2 : 2013
for Non Alloy Steel Tube for Water and Sewerage

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

Quality Recognition
(continued)

PERAKUAN PEMATUHAN STANDARD (BAHAN BINAAN) FROM CIDB MALAYSIA


CIDB MALAYSIA
PERAKUAN PEMATUHAN STANDARD
(BAHAN BINAAN)

IRON AND STEEL PRODUCTS
- Rigid Steel Conduit For Cable Management
- Steel Conduit for Electrical Wiring
- Steel Pipes For Water And Sewerage
- Welded Steel Pipes
- Welded Steel Tube


CIDB MALAYSIA
PERAKUAN PEMATUHAN STANDARD
(BAHAN BINAAN)

IRON AND STEEL PRODUCTS
- Carbon Steel Pipes For Ordinary Piping
- Cold Formed Structural Steel Hollow Section


CIDB MALAYSIA
PERAKUAN PEMATUHAN STANDARD
(BAHAN BINAAN)

IRON AND STEEL PRODUCTS
- Light Gauge Steel For General Purpose

Profile of Directors

Tunku Dato' Yaacob Khyra
Malaysian, Aged 56, Male
Executive Chairman
Member of the Executive Committee

Azlan bin Abdullah
Malaysian, Aged 58, Male
Managing Director/ Group Chief Executive Officer
Chairman of the Executive Committee

Tunku Dato' Yaacob Khyra is the 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 currently holds the position of Executive Chairman of MAA Group Berhad ("MAAG") and Executive Chairman of Mycron Steel Berhad ("MSB").

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

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

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

Tunku Dato' Yaacob is the Chairman of the Board of Trustees for MAA-Medicare Charitable Foundation and The Budimas Charitable Foundation. He also sits on the Board of Altech Chemicals Limited which is listed in Australia as Non-Executive Director.

Tunku Dato' Yaacob is the brother to Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah and the husband to Datin Ezurin Yusnita binti Abdul Malik. Tunku Dato' Yaacob is deemed to be interested in the Company by virtue of him being the founder and ultimate beneficial owner of Khyra Legacy Berhad, being the holding company of Melewar Equities (BVI) Ltd and Melewar Khyra Sdn Bhd who are the Major/Substantial Shareholders of the Company. His shareholding in the Company is disclosed on page 31 of the Annual Report.

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

Tunku Dato' Yaacob does not have any conflict of interest with the Company and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

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 the Executive Director/Chief Executive Officer for both Mycron Steel Berhad and Mycron Steel CRC Sdn Bhd. He also sits on the Boards of the Company's subsidiaries, 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 31 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 five (5) years, other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Profile of Directors
(continued)

Datuk Uwe Ahrens
German, Aged 51, Male
Executive Director
Member of the Executive Committee

Datin Ezurin Yusnita binti Abdul Malik
Malaysian, Aged 44, Female
Non-Independent Non-Executive Director

Datuk Uwe Ahrens was appointed to the Board of Directors of the Company on 1 June 2012 as an Executive Director. He currently sits on the Boards of Altech Chemicals Limited which is listed in Australia as an Alternate Director to Tunku Dato' Yaacob Khyra and several other private limited companies.

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

Upon graduation, Datuk 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 Chief Executive Officer of Melewar Integrated Engineering Sdn Bhd, a wholly owned subsidiary of the Company.

Datuk Ahrens is the Chief Technical Officer of the Group and is therefore responsible for engineering, upgrading, modification and extension of machinery and plant as well as the overall maintenance.

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

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

Datuk Ahrens does not have any conflict of interest with the Company and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

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 re-appointed 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' Yaacob Khyra, the Executive Chairman of the Company. She is therefore deemed to be interested in the Company by virtue of her relationship with Tunku Dato' Yaacob who is the founder and ultimate beneficial owner of Khyra Legacy Berhad, being the holding company of Melewar Equities (BVI) Ltd and Melewar Khyra Sdn Bhd who are the Major/Substantial Shareholders of the Company. Her shareholding in the Company is disclosed on page 31 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 five (5) years, other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Profile of Directors
(continued)

Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah
Malaysian, Aged 55, Male
Non-Independent Non-Executive Director

Member of the Executive Committee

Shazal Yusuf bin Mohamed Zain
Malaysian, Aged 45, Male
Independent Non-Executive Director

Chairman of the Risk Management Committee

Member of the Audit Committee

Member of the Nomination and Remuneration 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, MAA Credit Berhad, MAA Bancwell Trustee 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' Yaacob Khyra, the Executive Chairman of the Company. He is therefore deemed to be interested in the Company by virtue of his relationship with Tunku Dato' Yaacob who is the founder and ultimate beneficial owner of Khyra Legacy Berhad, being the holding company of Melewar Equities (BVI) Ltd and Melewar Khyra Sdn Bhd who are the Major/Substantial Shareholders of the Company. His shareholding in the Company is disclosed on page 31 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 five (5) years, other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

En Shazal Yusuf bin Mohamed Zain was appointed to the Board of Directors of the Company on 31 May 2010 as an Independent Non-Executive Director. He currently sits on the Board of Mycron Steel Berhad and several other private limited companies.

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

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

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

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

En Shazal does not have any conflict of interest with the Company and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Profile of Directors
(continued)

Major General
Datuk Lai Chung Wah (Rtd)
Malaysian, Aged 83, Male
Senior Independent Non-Executive Director

Member of the Audit Committee

Member of the Nomination and Remuneration Committee

Muk Sai Tat
Malaysian, Aged 53, Male
Independent Non-Executive Director

Chairman of the Audit Committee

Member of the Risk Management Committee

Major General Datuk Lai Chung Wah (Rtd) was appointed to the Board of Directors of the Company on 4 September 2012 as an Independent Non-Executive Director. He currently sits on the Board of 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 five (5) years, other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Mr Muk Sai Tat was appointed to the Board of Directors of the Company on 27 February 2013 as an Independent Non-Executive Director. He currently sits on the Boards of Mycron Steel Berhad and Gabungan AQRS Berhad.

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

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

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

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

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

Mr Muk does not have any conflict of interest with the Company and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Profile of Directors
(continued)

General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)
Malaysian, Aged 69, Male
Independent Non-Executive Director

Member of the Risk Management Committee

Chairman of the Nomination and Remuneration Committee

Naresh Mohan
Singaporean / Malaysian Permanent Resident,
Aged 51, Male
Independent Non-Executive Director

Member of the Risk Management Committee

General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) was appointed to the Board of Directors of the Company on 2 January 2015 as an Independent Non-Executive Director. He currently sits on the Boards of MLABS Systems Berhad and several other private limited companies.

General Tan Sri Dato' Sri Hj Suleiman is a graduate of the Royal New Zealand Air Force Command and Staff College and the United States Air Force, Air War College. He holds a Master of Science Degree in Operational Research and Systems Analysis, and a Post Graduate Diploma in Business Administration, both from the University of Aston, United Kingdom. He has been appointed as an Honorary Fellow of the Malaysian Institute of Logistics.

General Tan Sri Dato' Sri Hj Suleiman retired from the Royal Malaysian Air Force in March 2003 after serving more than 38 years. Besides being a pilot, he had held several command positions at various levels in the Air Force. He had also served in several positions in the Department of the Air Force and the Armed Forces Headquarters. He then rose to become the Chief of Air Force before his retirement.

General Tan Sri Dato' Sri Hj Suleiman has no family ties with any of the Directors and/or major shareholders of the Company nor any shareholding in the Company.

General Tan Sri Dato' Sri Hj Suleiman does not have any personal interest in any business arrangements involving the Company.

General Tan Sri Dato' Sri Hj Suleiman does not have any conflict of interest with the Company and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Mr Naresh Mohan was appointed to the Board of Directors of the Company on 1 March 2016 as an Independent Non-Executive Director. Mr Naresh is also a Board of Trustee of Yayasan Tunku Naquiyuddin and MAA-Medicare Charitable Foundation.

Mr Naresh started his career in the family business representing textile mills in Europe for South East Asian markets in year 1986. In 1994, Mr Naresh formed a partnership to create a diversified trading company called Glorient Trading Sdn Bhd and the group was sold in 2001. Mr Naresh currently holds the position of Managing Director of Trinidad Holdings Sdn Bhd.

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

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

Mr Naresh does not have any conflict of interest with the Company and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Profile of Key Senior Management

Tunku Dato' Yaacob Khyra
Malaysian, Aged 56, Male
Executive Chairman

Tunku Dato' Yaacob Khyra is the 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. His personal profile is listed in the Profile of Directors on page 21 of this Annual Report.

Azlan bin Abdullah
Malaysian, Aged 58, Male
Managing Director/Group Chief Executive Officer

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. His personal profile is listed in the Profile of Directors on page 21 of this Annual Report.

Datuk Uwe Ahrens
German, Aged 51, Male
Executive Director

Datuk Uwe Ahrens was appointed to the Board of Directors of the Company on 1 June 2012 as an Executive Director. His personal profile is listed in the Profile of Directors on page 22 of this Annual Report.

Soon Leh Hong
Malaysian, Aged 56, Female
Group Chief Treasury Officer

Ms Soon Leh Hong joined the Company on 9 October 2006 as a Group Chief Financial Officer. She was also appointed as Joint Secretary of the Company on 27 February 2007. On 1 November 2008, she was redesignated to Group Chief Treasury Officer of the Company.

Ms Soon completed her professional qualification with the Malaysian Institute of Certified Public Accountants in June 1984. She is also a member of the Malaysian Institute of Accountants and Financial Planning Association of Malaysia.

Ms Soon started her career with PriceWaterhouse Kuala Lumpur as an Auditor in 1980 and left in 1986 to gain experiences in internal auditing and consulting. In 1993, Ms Soon joined Hong Leong Bank as the Group Financial Controller and was involved in several corporate exercises including listing of the bank on the KL Stock Exchange in 1994. She was then redesignated as General Manager of Marketing Strategy of Consumer Banking covering alternative channels of banking from call centre to electronic banking and data warehouse management. After serving more than 10 years with Hong Leong Bank, she was appointed as the Intermediate Group Financial Controller of the banking and financial services division of Hong Leong Group. She then joined a private company with business interests ranging from property development, entertainment to steel industry including an iron ore mining company listed on the Australian Stock Exchange, as the Group Chief Executive Officer in 2005.

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

Ms Soon does not have any personal interest in any business arrangements involving the Company.

Ms Soon does not have any conflict of interest with the Company and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

Choo Kah Yean
Malaysian, Aged 51, Male
Chief Financial Officer

Mr Choo Kah Yean has been the Chief Financial Officer at Melewar Industrial Group Berhad since 1 November 2012.

Mr Choo has more than 28 years of work experience in finance functions that started in 1987 with the public accounting firm HRM Touche Ross which subsequently evolved into Arthur Anderson & Co. During those initial nine years of professional services he worked in a wide array of finance functions in various industries covering audit, corporate finance and recovery services, and business consulting. Moving on to the commercial sector, Mr Choo joined IOI Group in its corporate planning and finance function which helmed and oversaw the group's growth in its plantation, property, and downstream edible oil businesses during its formation years. Mr Choo's last engagement was with KNM Group heading the group's finance functions of its domestic and global operations involving process equipment manufacturing and engineering construction contracts.

Mr Choo holds Bachelor of Business Administration in Finance from Iowa State University, USA and Masters in Business Administration in Finance from University of Hull. UK. He is also Chartered Management Accountant of ICMA and is Chartered Accountant member of MIA.

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

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

Mr Choo does not have any conflict of interest with the Company and has had no conviction for any offences within the past five (5) years, other than traffic offences, if any and no public sanction or penalty imposed by the relevant regulatory bodies during the financial year.

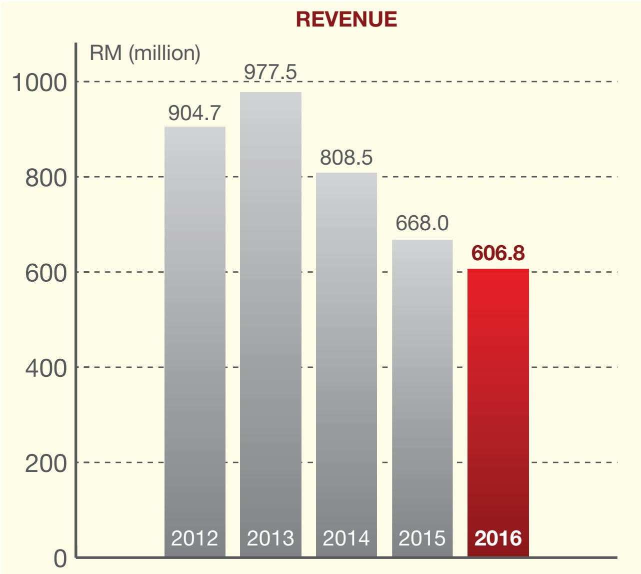
Group Financial Highlights

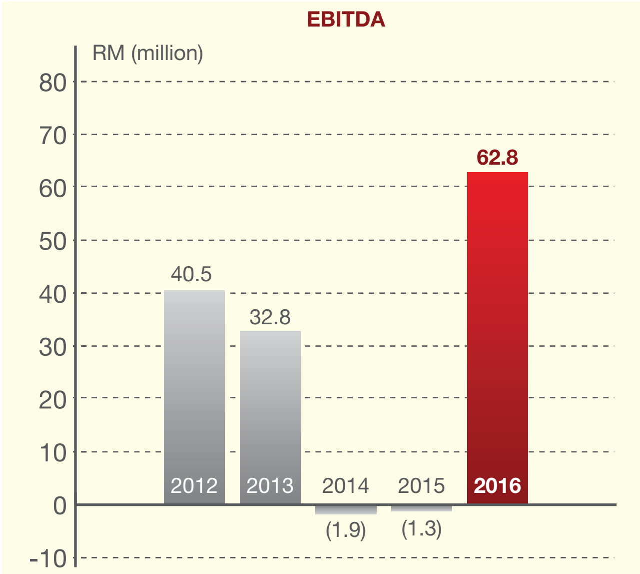
		2006	2007	2008	2009	2010	2011 R	2012 R	2013	2014	2015	2016
1.	**Results of Operations**											
	Revenue (RM mil)	566.9	810.2	703.3	599.5	707.1	754.8	904.7	977.5	808.5^	668.0	606.8
	Profit/(Loss) Before Tax (RM mil)	35.7	189.1	56.2	(246.7)	91.6	4.9	(152.1)	(208.4)	62.9^	(35.9)	23.1
	Profit/(Loss) After Tax (RM mil)	46.9*	104.8*	45.5*	(156.0)*	67.6*	5.9*	(138.1)*	(215.0)*	74.6*^	(29.5)*	8.2*
2.	**Balance Sheet**											
	Share Capital (RM mil)	169.9	226.2	226.7	226.7	226.8	226.8	226.8	226.8	226.8	226.8	226.8
	Bonus Shares (RM mil)	-	56.3	-	-	-	-	-	-	-	-	-
	Shareholders' Fund (RM mil)	475.5	581.1	616.4	454.9	521.2	542.1	411.5	205.4	283.4	292.9	311.5
	Total Assets (RM mil)	828.1	1,181.9	1,582.6	1,279.5	1,755.3	1,628.3	1,578.2	1,424.3	690.2	699.6	695.3
3.	**Financial Ratio**											
	Return on Equity (%)	9.9	18.0	7.4	(34.3)	13.0	1.1	(33.6)	(104.6)	26.3^	(10.1)	2.6
	Debts#/Equity (Times)	0.38	0.58	0.77	1.15	1.80	1.49	2.00	4.06	0.85	0.91	0.61
	Current Assets/Current Liabilities (Times)	2.24	2.20	1.36	1.07	1.33	1.06	0.42	0.36	1.04	1.1	1.2
	Pre-Tax Profit/(Loss)/Average Shareholders' Fund (%)	8.6	35.8	9.4	(46.1)	18.8	0.9	(31.9)	(67.6)	25.7^	(12.5)	7.6
	Pre-Tax Profit/(Loss)/Revenue (%)	6.3	23.3	8.0	(41.1)	13.0	0.7	(16.8)	(21.3)	7.8^	(5.4)	3.8
4.	**Per Share**											
	Gross Earnings/(Loss) per share (sen) ***	16.3	59.2**	24.9	(109.4)	40.6	2.2	(67.5)	(92.4)	27.9^	(15.9)	10.2
	Net Earnings/(Loss) per share (sen) ***	21.4	32.9**	20.2	(69.1)	30.0	2.6	(61.2)	(95.3)	33.1^	(13.1)	3.7
	Net Assets per share (RM)	2.81	2.58	2.73	2.02	2.31	2.40	1.82	0.91	1.26	1.3	1.4
5.	**Dividends**											
	Tax Exempt Dividend (sen)	3.0	6.0	-	-	-	-	-	-	-	-	-
	Ordinary Dividend (sen)	-	-	4.0	-	2.0	-	-	-	-	-	-

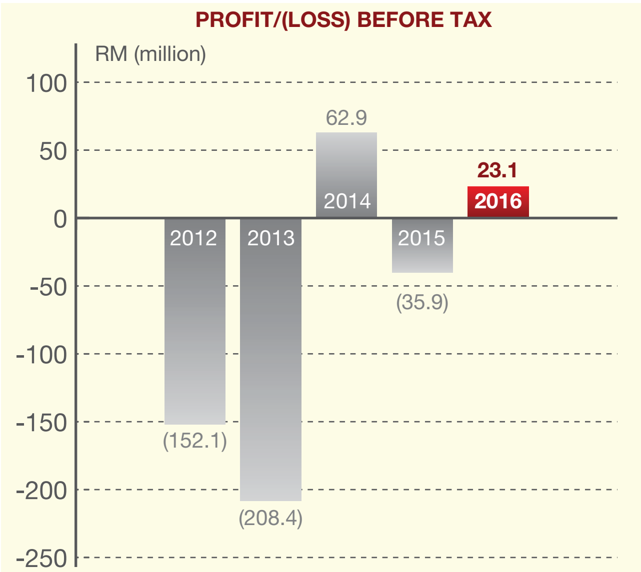
The figures for 2007 are for 17-month financial period while the figures for other years are for full 12-month financial period.

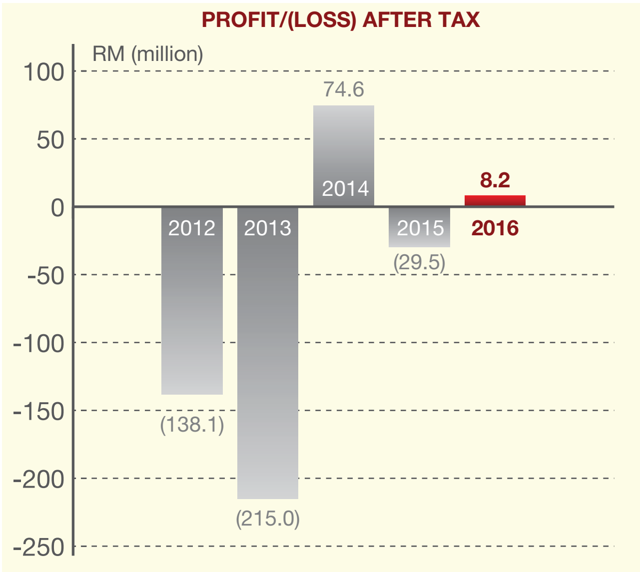
* Profit After Tax and After Non-Controlling Interests
** Annualised
*** After adjusting for bonus issues
^ Include both continuing and discontinued operations
\# Debts include interest bearing trade payables

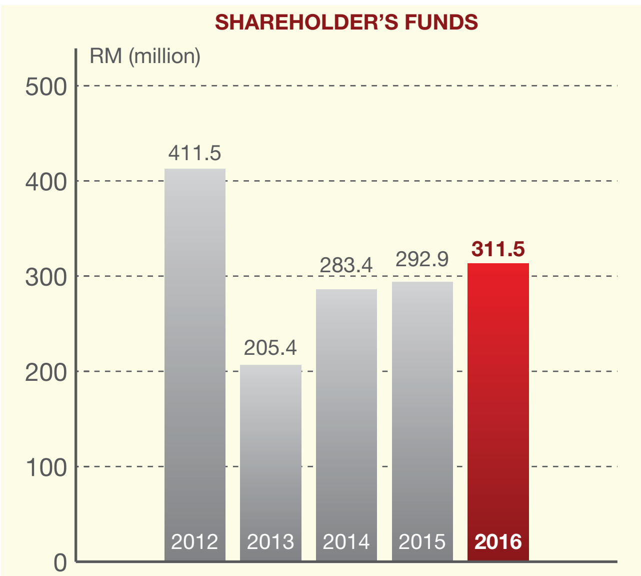
Group Financial Highlights
(continued)

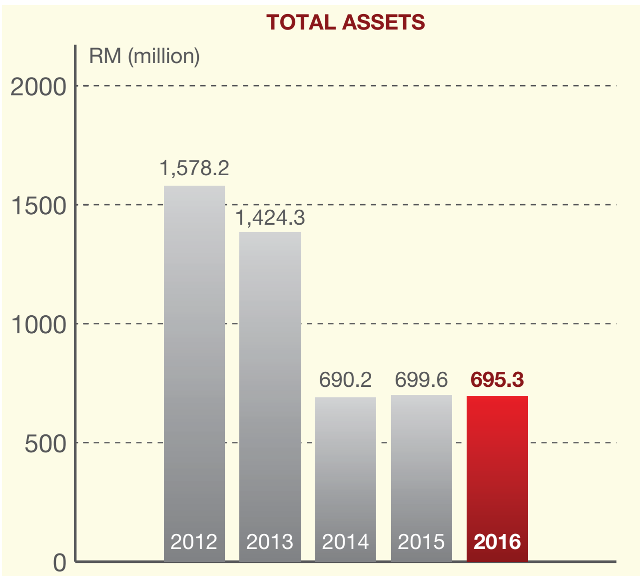












Analysis of Shareholdings
As At 30 September 2016

Authorised Share Capital	-	RM500,000,000
Issued and Paid-up Capital	-	RM225,522,808 [(1)]
Class of Shares	-	Ordinary Shares of RM1 each
Voting Rights	-	1 Vote Per Ordinary Share
No. of Shareholders	-	7,609

Size of Shareholdings	No. of Shareholders	% of Shareholders	No. of Shares	% of Issued Capital
Less than 100	709	9.32	26,967	0.01
100 - 1,000	726	9.54	519,415	0.23
1,001 - 10,000	4,334	56.96	19,587,477	8.69
10,001 - 100,000	1,647	21.64	49,079,599	21.76
100,001 and below 5% of issued shares	191	2.51	73,928,118	32.78
5% and above of issued shares	2	0.03	82,381,232	36.53
TOTAL	**7,609**	**100.00**	**225,522,808**	**100.00**

Note:

(1) On 30 September 2016, the Company had cancelled all its 1,232,600 ordinary shares so purchased since 7 June 2004 until 5 December 2008 which were kept as treasury shares in accordance with Section 67A of the Companies Act, 1965. Accordingly, the Company's issued share capital as at 30 September 2016 has reduced to 225,522,808.

THIRTY LARGEST SHAREHOLDERS AS AT 30 SEPTEMBER 2016

	Name	Ordinary Shares of RM1 each	% of Issued Capital
1.	Melewar Equities (BVI) Ltd	60,379,733	26.77
2.	Melewar Khyra Sdn Bhd	22,001,499	9.76
3.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Wong Choo Mok)	7,307,400	3.24
4.	Araneum Sdn Bhd	5,457,866	2.42
5.	Amsec Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Avenue Serimas Sdn Bhd)	3,710,300	1.65
6.	UOB Kay Hian Nominees (Asing) Sdn Bhd (Beneficiary: UOB Kay Hian Pte Ltd for Bradford Securities Ltd)	3,300,000	1.46
7.	Paragash A/L C.R.Suberamaniam	3,000,000	1.33
8.	Yeoh Phek Leng	2,960,000	1.31
9.	Mohamed Nizam bin Mohamed Jakel	1,317,600	0.58
10.	Koay Wan Fing @ Koay Gian Peng	1,300,000	0.58
11.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Wong Choo Mok)	1,205,900	0.54
12.	Chew Chi Hong	1,000,000	0.44

Analysis of Shareholdings

As At 30 September 2016
(continued)

THIRTY LARGEST SHAREHOLDERS AS AT 30 SEPTEMBER 2016 (continued)

	Name	Ordinary Shares of RM1 each	% of Issued Capital
13.	Wong Ah Kum	1,000,000	0.44
14.	Cheng Hon Sang	718,700	0.32
15.	Chia Beng Tat	700,000	0.31
16.	Yong Seng Huat	700,000	0.31
17.	Public Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Zet Enterprise Sdn Bhd)	673,333	0.30
18.	M & A Nominee (Tempatan) Sdn Bhd (Beneficiary: Titan Express Sdn Bhd)	656,700	0.29
19.	TA Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Chong Yoke Ching)	650,000	0.29
20.	Ng Chee Kuan	640,000	0.28
21.	Citigroup Nominees (Asing) Sdn Bhd (Beneficiary: Exempt An for OCBC Securities Private Limited)	639,332	0.28
22.	Chong Chien Sheng	600,000	0.27
23.	Maybank Securities Nominees (Asing) Sdn Bhd (Beneficiary: Maybank Kim Eng Securities Pte Ltd for Hexacon Construction Pte Ltd)	587,733	0.26
24.	Lim Seng Qwee	580,000	0.26
25.	Daiman bin Jamaluddin	560,000	0.25
26.	Maybank Securities Nominees (Asing) Sdn Bhd (Beneficiary: Maybank Kim Eng Securities Pte Ltd for CTO Ltd)	555,100	0.25
27.	HLIB Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Na Chaing Ching)	515,100	0.23
28.	Ho Yoon Hoong	500,000	0.22
29.	MIDF Amanah Investment Nominees (Tempatan) Sdn Bhd (Beneficiary: Pledged securities account for Ahmad Zaini bin A Jamil)	500,000	0.22
30.	Tay Ah Kou @ Tay Hwa Lang	500,000	0.22
	TOTAL	**124,216,296**	**55.08**

Analysis of Shareholdings
As At 30 September 2016
(continued)

LIST OF SUBSTANTIAL SHAREHOLDERS AS AT 30 SEPTEMBER 2016

Name	Number of Shares Held			
	Direct	%	Indirect	%
Tunku Dato' Yaacob Khyra	-	-	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[a]
Melewar Equities (BVI) Ltd	60,379,733	26.77	-	-
Melewar Khyra Sdn Bhd	22,001,499	9.76	-	-

DIRECTORS' SHAREHOLDINGS AS AT 30 SEPTEMBER 2016

Name	Number of Shares Held			
	Direct	%	Indirect	%
Tunku Dato' Yaacob Khyra	-	-	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]
Azlan bin Abdullah	133,333	0.06	-	-

Notes:

[a] Deemed interested by virtue of Tunku Dato' Yaacob Khyra being the founder and ultimate beneficial owner of Khyra Legacy Berhad, being the holding company of Melewar Equities (BVI) Ltd and Melewar Khyra Sdn Bhd who are the Major/Substantial Shareholders of the Company.

[b] Deemed interested by virtue of their family relationship with Tunku Dato' Yaacob Khyra, who is the founder and ultimate beneficial owner of Khyra Legacy Berhad, being the holding company of Melewar Equities (BVI) Ltd and Melewar Khyra Sdn Bhd who are the Major/Substantial Shareholders of the Company.

Statement on Corporate Governance

The Board of Directors ("the Board") of Melewar Industrial Group Berhad ("the Company" or "MIG") acknowledges its responsibility and commitment to ensure that high standards of corporate governance are being practised in the Group (Company and its subsidiary companies) with prudent management, thereby safeguarding the assets of the Group and its shareholders' investments. The Board believes that it has substantially complied with the recommendations set out in the Malaysian Code on Corporate Governance 2012 ("MCCG" or "the Code").

The following sections explain how the Group has applied the key principles of the Code and the extent of its compliance with the recommendations throughout the financial year ended 30 June 2016.

1.0 ESTABLISH CLEAR ROLES AND RESPONSIBILITIES

1.1 Clear Functions Reserved for the Board and Delegated to Management

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

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

Day-to-day management of the Company is delegated to the executive director(s) or officer in charge of the Company's businesses and functions, who reports back to the Board.

To assist the Board in the discharge of its oversight function, four (4) board committees have been constituted with written terms of reference. All board committees are actively engaged and play an important role in ensuring good corporate governance in the Company:

- Audit Committee;
- Risk Management Committee;
- Nomination and Remuneration Committee; and
- Executive Committee ("EXCO")

These Board Committees are chaired by Independent Non-Executive Directors, except for the EXCO, who exercise skillful leadership with in-depth knowledge of the relevant industry and who have committed time and effort as members.

The EXCO comprises executive and non-executive directors who are non-independent of which the Managing Director/ Group Chief Executive Officer ("MD/GCEO") is the Chairman of the EXCO with the primary objective to review and approve subject to thresholds as provided in the LOA, operational and capital expenditure, execution of contracts, procurement, litigation and human resources matters such as key management appointments and their contributions to the Company and compensation besides determining whether changes, improvements or other actions are needed to ensure that the Company's strategies and practises are aligned with shareholders' interests.

The Chairman of the respective Committees report on a quarterly basis to the Board on the key findings of their review and/or make recommendations to the Board. The ultimate responsibility for the final decision making, however, lies with the Board.

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

Statement on Corporate Governance
(continued)

1.2 Clear Roles and Responsibilities

There is a clear division of responsibility between the Executive Chairman and the MD/GCEO to ensure there is a balance of power and authority. The Board has a collective responsibility for the management of the Group. While, the Non-Executive Directors are responsible for bringing independent judgment and scrutiny to decisions taken by the Board and providing objective challenges to the Management team. All Independent, Non-Executive Directors do not participate in the day-to-day management of the Group and do not engage in any business dealing or other relationship with the Group.

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

(i) Reviewing and adopting a strategic plan for the Group.

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

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

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

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

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

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

The risk management team reviews and presents the identified risks to the RMC on a quarterly basis prior to submission to the Board. Salient features of the risk management methodologies are set out in the section on "Directors' Statement on Risk Management and Internal Control" from pages 51 to 53 of the Annual Report 2016.

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

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

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

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

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

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

Statement on Corporate Governance
(continued)

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

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

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

1.3 Formalised Ethical Standards through Code of Conduct

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

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

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

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

There were no dealings in shares of the Company by a Director of the Company during the financial year ended 30 June 2016.

1.4 Strategies Promoting Sustainability

The Board is mindful of the importance of business sustainability in conducting the Group's business, the impact of the Group's business on the environmental, social and governance ("ESG") aspects is taken into consideration.

Whilst the Group embraces sustainability in its operations and supply chain, the Board is in the midst of formalising a Sustainability Policy, to address the ESG aspects to be incorporated in the Group's strategy.

The Group's activities on corporate social responsibilities for the financial year under review are disclosed on page 11 to 12 of this Annual Report.

1.5 Access to Information and Advice

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

All Directors have full unrestricted access to information pertaining to the Group. The agenda for every Board and Board Committees meeting, together with a set of Board and Board Committees papers are furnished to all Directors for their perusal prior to the Board and Board Committees meetings. This is to ensure sufficient time is given to enable the Directors to review and consider the agenda items to be deliberated at the Board and Board Committees meetings. The Board and Board Committees papers include, amongst others, quarterly financial reports, year-end financial statements of the Group and annual budget.

The Directors have full unrestricted access to advice and services of the Company Secretary, senior management and independent professional advisers including the Internal and External Auditors, at the Company's expense.

Statement on Corporate Governance
(continued)

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

1.6 Qualified and Competent Company Secretary

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

The Board is regularly updated by the Company Secretary on new changes to the legislations and Listing Requirements and the resultant implications to the Company and the Board in discharging their duties and responsibilities.

The Company Secretary also serves notices to the Directors and Principal Officers on the closed periods for trading in MIG's shares pursuant to Chapter 14 of the Listing Requirements.

1.7 Board Charter

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

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

2.0 STRENGTHEN COMPOSITION

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

The Company is managed through the Board which currently comprises three (3) Executive Directors (including the Chairman), two (2) Non-Independent Non-Executive Directors and five (5) Independent Non-Executive Directors. The size and composition of the Board are reviewed from time to time, taking into account the scope and nature of operations of the Company, to ensure that the size of the Board is adequate to provide for a diversity of views, facilitate effective decision-making and that the Board has an appropriate balance of executive, independent and non-independent Directors. The Board is cognizant that the composition of the Board at any one time, has to have at least two (2) or one-third (1/3) of the Board, whichever is higher, to be independent. A brief profile of each Director is presented on pages 21 to 25 of the Annual Report.

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

The Board has also appointed a Senior Independent Director, who serves as the point of contact between the Independent Directors and the Board Chairman on sensitive issues and acts as a designated contact to whom shareholders' concerns or queries may be raised. Major General Datuk Lai Chung Wah (Rtd) has been appointed the Senior Independent Non-Executive Director.

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

Statement on Corporate Governance
(continued)

2.1 Nomination and Remuneration Committee ("NRC")

The Board has merged the Nomination Committee and Remuneration Committee and renamed as the Nomination and Remuneration Committee since 27 February 2013. The NRC comprises the following members, which comprises exclusively Independent Non-Executive Directors:

Chairman : General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)
- Independent Non-Executive Director

Members : En Shazal Yusuf bin Mohamed Zain
- Independent Non-Executive Director

Major General Datuk Lai Chung Wah (Rtd)
- Independent Non-Executive Director

The main activities undertaken by the NRC during the financial year ended 30 June 2016 were as follows:

(a) Reviewed the remuneration policies applicable to Directors, MD/GCEO and Senior Management;
(b) Reviewed the performance bonuses for the Executive Directors/Senior Management;
(c) Reviewed the size, structure and composition of Board and Board Committees in terms of the mix of skills, experience, independence, diversity and other qualities of the Board;
(d) Assessed the effectiveness and efficiency of the Board as a whole, the Board Committees and contribution of each Director;
(e) Performed annual assessment of Independent Directors to confirm their state of independence; and
(f) Reviewed attendance of Directors at Board/Board Committees, to ensure compliance to minimum attendance requirement of Board meetings of not less than fifty percent (50%) of the total meetings held during the financial year.

In August 2016, the NRC conducted an annual review on the terms of office and performance of the Audit Committee and its members. The NRC was satisfied that the Audit Committee and its members have carried out their duties in accordance with the Terms of Reference of the Audit Committee. The outcome of the review on the terms of office and performance of the Audit Committee and its members were deliberated and adopted by the Board based on the recommendation by the NRC.

The NRC had also reviewed and revised the Terms of Reference of the NRC to be aligned with the latest amendments to the Main Market Listing Requirements ("MMLR"), which were formally approved by the Board.

2.2 (a) Appointments to the Board

The NRC is guided by the Procedure for the Appointment and Removal of Directors which has been approved by the Board. The NRC shall develop, maintain and review the criteria for recruitment process and annual assessment of Directors. The NRC will assess and recommend candidates to Board and Board committees based on their character, integrity, competence, professionalism and time to effectively discharge his/her role as a Director of the Company before recommending their appointment to the Board.

In its review of the candidates, the NRC would also consider the overall composition of the Board and the combination of skills of existing Directors to ensure the selected candidate would help close any possible gaps in the Board.

The recommendation of the NRC will be submitted to the Board for its consideration and approval.

The Company Secretary will ensure that all appointments are properly made and that legal and regulatory requirements are complied with.

(b) Re-election of Directors and Re-Appointment of Directors who are over the age of 70

In accordance with the Company's Articles of Association, all Directors who are appointed by the Board are subject to re-election by shareholders at the Company's next Annual General Meeting ("AGM") after their appointment. The Articles of Association also provide that one-third of the Directors for the time being shall, retire from office and provided always that all Directors shall retire from office at least once in every three (3) years. A retiring Director shall retain office until the close of the meeting at which he retires and shall be eligible for re-election. This provides an opportunity for shareholders to renew their mandates. The re-election of each Director is voted on separately.

Statement on Corporate Governance
(continued)

Pursuant to Section 129 of the Companies Act 1965, the office of a director over the age of 70 years becomes vacant at every AGM unless he is re-elected by a resolution passed at such an AGM of which no shorter notice than that required for the AGM has been given and such resolution is passed by a majority of not less than three-fourths of all members present and voting at such AGM.

(c) Directors' Assessment/Board Evaluation

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

The Board is satisfied with the overall performance of the individual Directors, Board and Board Committees for the financial year under review.

(d) Gender Diversity

The Board is of the view that membership of the Board should be dependent on each candidate's skills, experience, core competencies and other qualities regardless of gender. In this respect, the Board has formalised the gender diversity policy on 25 October 2013.

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

2.3 Remuneration Policies and Procedures

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

Remuneration packages for Senior Management/Executive Directors are structured so as to link rewards to corporate and individual performance. The remuneration of Senior Management/Executive Directors includes salary, bonus, allowance and benefits-in-kind.

The Board, as a whole, determines the remuneration of each Director and the Directors do not participate in decisions regarding their own remuneration packages. Currently, the Non-Executive Directors are paid Directors' fees and attendance allowance for each Board/Committee meeting they attended. The annual fees payable to the Directors are approved by the shareholders at the AGM based on the recommendation of the Board.

The NRC shall meet at least once a year. The NRC held two (2) meetings during the financial year ended 30 June 2016.

The attendance of the NRC members is as follows:-

Name of Directors	No. of Meetings Attended
General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) (Chairman)	2/2
En Shazal Yusuf bin Mohamed Zain	2/2
Major General Datuk Lai Chung Wah (Rtd)	2/2

Statement on Corporate Governance
(continued)

Details of the Directors' remuneration during the financial year ended 30 June 2016 in aggregate, with categorisation into appropriate components, distinguishing between Executive and Non-Executive Directors, are as follows:

Received from Company

Type of Remuneration	Executive Directors RM'000	Non-Executive Directors RM'000
Salaries	1,686	-
Allowances	-	-
Bonuses	223	-
Fees	-	236
Benefits-In-Kind	45	-
Other Emoluments	399	79
TOTAL	2,353	315

Received on Group Basis

Type of Remuneration	Executive Directors RM'000	Non-Executive Directors RM'000
Salaries	1,020	-
Allowances	-	-
Bonuses	50	-
Fees	-	74
Benefits-In-Kind	38	-
Other Emoluments	56	38
TOTAL	1,164	112

The number of Directors of the Company whose fees and remuneration for the financial year ended 30 June 2016 falls within the following bands are:-

Received from Company

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
RM0	1	-
Less than RM50,000	-	4
RM50,001 to RM100,000	-	3
RM900,001 to RM950,000	1	-
RM1,450,001 to RM1,500,000	1	-

Received on Group Basis

Range of Remuneration	Number of Directors	
	Executive	Non-Executive
RM50,001 to RM100,000	-	2
RM400,001 to RM450,000	1	-
RM700,001 to RM750,000	1	-

Statement on Corporate Governance
(continued)

3.0 REINFORCE INDEPENDENCE

3.1 Annual Assessment of Independence

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

The Board shall assess the independence of the Independent Directors prior to their appointment and annually thereafter or when any new interest or relationship develops in light of interests disclosed to the Board. During the financial year, the Board, through the NRC, assessed the independence of its Independent Non-Executive Directors based on criteria set out in the MMLR of Bursa Securities. All the Independent Directors provided the NRC with written confirmation on their independence during the annual assessment exercise conducted for the financial year ended 30 June 2016.

A Director who has no relationship with the Company, its related corporation, its major shareholders or its officers that could interfere, or be reasonably perceived to interfere, with the exercise of the Director's independent business judgement, is considered to be independent.

3.2 Tenure of Independent Directors

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

In view thereof, the Board shall provide justifications and seek shareholders' approval in the event it proposes to retain an Independent Director who has served the Board in that capacity for more than nine (9) years, upon the prior review and relevant recommendation from the NRC.

The Board noted there are no Independent Directors whose tenure exceeds a cumulative term of nine (9) years in the Company during the period under review. Therefore, there is no such need for the Company to seek shareholders' approval on the said matter at the forthcoming Forty-Seventh AGM of the Company.

3.3 Separation of Position of the Board Chairman and MD/GCEO

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

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

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

The Board is chaired by an Executive Chairman. Whilst the Company supports the recommendations made under the Code, the Company maintains that the Chairmanship of the Board shall continue to be held by a Non-Independent Executive Director. At the moment, the Board is of the view that the Executive Chairman will remain objective in expressing his views and will allow all Board members the opportunity to participate and express their views in deliberations and decision making in the Board without fear or favour. In addition, any decisions arrived by the Board are made on consensus. The Board was also of the view that the Chairman has continued to discharge his duties effectively and has shown tremendous commitment and has played an integral role in the stewardship of MIG Group.

Despite this, the Board will endeavor that the composition of the independent directors comprise of more than one-third (1/3) of the Board to ensure balance of power and authority on the Board.

Statement on Corporate Governance
(continued)

4.0 FOSTER COMMITMENT

4.1 Time Commitment

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

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

The Board is satisfied with the time commitment given by the Directors of the Company in discharging their duties for the financial year ended 30 June 2016.

The Board held five (5) meetings during the financial year ended 30 June 2016. The attendance of the Board members is as follows:-

Executive Directors	**No. of Attendance**	**%**
1. Tunku Dato' Yaacob Khyra (Chairman)	5/5	100
2. En Azlan bin Abdullah	5/5	100
3. Datuk Uwe Ahrens	5/5	100
Non-Independent Non-Executive Directors	**No. of Attendance**	**%**
1. Datin Ezurin Yusnita binti Abdul Malik	4/5	80
2. Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	5/5	100
Independent Non-Executive Directors	**No. of Attendance**	**%**
1. En Shazal Yusuf bin Mohamed Zain	5/5	100
2. Major General Datuk Lai Chung Wah (Rtd)	5/5	100
3. Mr Muk Sai Tat	5/5	100
4. General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)	5/5	100
5. Mr Naresh Mohan (Appointed on 1 March 2016)	1/1	100

All Directors complied with the minimum attendance requirement of more than 50% of the total Board meetings held during the financial year under review.

To fulfil directors' roles and responsibilities, each director should hold no more than five (5) directorships in listed corporations pursuant to Paragraph 15.06 of the Listing Requirements. All Directors of the Company currently adhere to this requirement. All Directors are also required to provide immediate notification when accepting any new external board appointments and seek guidance from the Board Chairman on any potential conflicts of interest if necessary. Any changes to their directorships will be tabled at the quarterly Board meetings.

The Board is satisfied that the present directorships in external organisations held by the Directors do not give rise to any conflicts of interests nor impair their ability to discharge their responsibilities to the Group.

The Board will also meet on an ad-hoc basis to deliberate on urgent issues and matters that require expeditious Board direction or approval. In the intervals between Board meetings, any matters requiring urgent Board decisions and/or approval can be sought via circular resolutions which are supported with all the relevant information and explanations required for an informed decision to be made.

The Board encourages constructive and healthy debate at all meetings. The Directors are given the chance to freely express their opinions or share information with their peers in the course of deliberation as a participative Board. Any Director/Board Committees' member who has a direct or deemed interest in the subject matter to be deliberated shall abstain from deliberation and voting on the same during the meeting.

Statement on Corporate Governance
(continued)

The Company Secretary would ensure a quorum is present for all meetings and that such meetings are convened in accordance with the articles of association of the Company or relevant Board Committee's terms of reference. The Company Secretary record the proceedings of all meetings including pertinent issues, the substance of inquiries (if any) and responses thereto, members' suggestions and the decisions made, as well as the rationale for those decisions. By doing so, the Company Secretary keep the Board updated on the follow-up actions arising from the Board's decisions and/or requests at subsequent meetings. The Board is therefore able to perform its fiduciary duties and fulfil its oversight role towards instituting a culture of transparency and accountability in the Company.

4.2 Training

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

Directors also have the opportunity to visit the Group's operational facilities and meet with Management to gain a better understanding of the business operations. The Company has set up a formal procedure for the issue of the appointment letter setting out the Directors' duties and obligations. Newly appointed Directors shall also be briefed on the business and organisational structure of the Group and its strategic directions.

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

The training programmes attended by the Directors during the financial year ended 30 June 2016 include, inter alia, the following:-

Members of the Board	List of Training Programmes/Seminars/Conferences Attended
Tunku Dato' Yaacob Khyra	➢ Board Chairman Series Part 2: Leadership Excellence from the Chair ➢ New Companies Bill 2015
En Azlan bin Abdullah	➢ HSBC Forum: RMB and China's Global Future ➢ Governance, Director Duties and Listing Requirement Updates for Directors of PLCs 2015 ➢ Malaysia's Economic Update 2015 ➢ Amanah Mortgage Portfolio Updates ➢ Fraud: Crook, Line and Sinker (Detect, Prevent & Recover) ➢ 4th AISC-KOSA Dialogue ➢ Non-Executive Director Retail Risk Training ➢ Non-Executive Director Financial Crime Awareness Training ➢ New Anti-Bribery and Corruption Policy ➢ Enterprise Risk Management ➢ New Companies Bill 2015
Datuk Uwe Ahrens	➢ The Role of Boards in Fraud Risk Management
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah	➢ New Companies Bill 2015

Statement on Corporate Governance
(continued)

Members of the Board	List of Training Programmes/Seminars/Conferences Attended
En Shazal Yusuf bin Mohamed Zain	➢ Bursa Malaysia CG Breakfast Series with Directors – "Future of Auditor Reporting - The Game Changer for Boardroom" ➢ Risk Oversight Practices ➢ Corporate Culture and ERM ➢ Risk Appetite, Tolerance and Board Oversight ➢ Strategic ERM: A Primer for Director ➢ Evolving Expectations for Boards in ERM ➢ Role of Boards in Fraud Risk Management ➢ Enterprise Risk Management
Mr Muk Sai Tat	➢ Bursa Malaysia CG Breakfast Series with Directors – "Bringing The Best Out In Boardrooms" ➢ MIA International Accountants Conference 2015 ➢ 11th Tricor Tax & Corporate Seminar ➢ The 20th Malaysian Capital Market Summit "Coping with Headwinds, Restoring Market Confidence" ➢ Embracing The Board's Role In Corporate Transformation For Sustainable Results ➢ Enterprise Risk Management ➢ Risk Awareness Program ➢ Building a Modern Finance Organisation
General Tan Sri Dato' Sri Hj. Suleiman Bin Mahmud RMAF (Rtd)	➢ Bursa Malaysia CG Breakfast Series with Directors - "Bringing the Best out in Boardrooms" ➢ Members' Breakfast Talk "Corporate Governance & Business Sustainability" ➢ Bursa Malaysia CG Breakfast Series with Directors – "Future of Auditor Reporting - The Game Changer for Boardroom"
Mr Naresh Mohan (Appointed on 1 March 2016)	➢ Mandatory Accreditation Programme for Directors of Public Listed Companies

Datin Ezurin Yusnita binti Abdul Malik has not attended any training during the financial year under review due to her heavy family commitments requiring her to constantly travel.

Major General Datuk Lai Chung Wah (Rtd) has been a director of Public Listed Company for the last 17 years and as such has attended trainings and seminars covering identical topics over the years.

Statement on Corporate Governance
(continued)

5.0 UPHOLD INTEGRITY IN FINANCIAL REPORTING

5.1 Compliance with Applicable Financial Reporting Standards

The Directors are responsible to ensure that the financial statements have been properly drawn up in accordance with the Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia so as to give a true and fair view of the financial position of the Group and of their financial performance and cash flows for the financial year under review. The Audit Committee assist the Board to oversee the Group's financial reporting process and the quality of its financial reporting by reviewing the information to be disclosed, to ensure completeness, accuracy and adequacy prior to endorsing the same to the Board for release to Bursa Securities and Securities Commission respectively.

The Chief Financial Officer ("CFO") also updates the Audit Committee regularly on the Group's financial performance and highlights key issues in connection with the preparation of the financial results, including adoption of new accounting standard/policies.

5.2 Assessment of Suitability and Independence of External Auditors

The Company has established and maintained an appropriate and transparent relationship with the Company's External Auditors, Messrs PricewaterhouseCoopers ("PwC"), in seeking professional advice and ensuring compliance with the accounting standards in Malaysia.

The external auditors are invited to attend the meetings of the Audit Committee ("AC") and the Board whenever necessary to discuss the Group's Financial Statements.

On annual basis and prior to the commencement of the audit engagement, external auditors present the Audit Plan and provide written assurance to the AC on their independence in relation to the audit works to be performed and their commitment to communicate to the AC on their independence status throughout the conduct of the audit engagement with the Company in accordance with the independence criteria set out by the International Federation of Accountants and the Malaysian Institute of Accountants.

The AC noted for the financial year ended 30 June 2016, PwC, the external auditors of the Company confirmed that the engagement and members of the engagement team in the course of their audits were and had been independent for the purpose of the audit in accordance with the terms of relevant professional and regulatory requirements.

The roles of the AC in relation to the internal audit and external audit are set out in the Report of the Audit Committee of this annual report.

The Statement of Responsibility by Directors in respect of the preparation of the annual audited financial statements of the Company is set out on page 45 of the Annual Report 2016.

6.0 RECOGNISE AND MANAGE RISKS

6.1 Sound Framework to Manage Risks

The Risk Management Committee comprises of four (4) Directors, all of whom are Independent Non-Executive Directors. The Risk Management Committee is responsible to identify the principal risks affecting the Company and the Group and ensures the implementation of a sound risk management framework and appropriate systems to manage these risks.

The Group's Statement on Risk Management and Internal Control is set out on pages 51 to 53 of this Annual Report.

6.2 Internal Audit Function

The internal audit function of the Company and the Group has been outsourced to an independent party, Messrs Baker Tilly Monteiro Heng Governance Sdn Bhd ("BTMH") who reports to the AC. The internal audit function is expected to meet the standard set by internationally recognized professional bodies including the Standards for the Professional Practise of Internal Auditing set by The Institute of Internal Auditors.

Details of the Company and the Group's internal control system and framework are set out in the Directors' Statement on Risk Management and Internal Control and Audit Committee Report of this Annual Report respectively.

Statement on Corporate Governance
(continued)

7.0 ENSURE TIMELY AND HIGH QUALITY DISCLOSURE

7.1 Corporate Disclosure Policies and Procedures

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

7.2 Leverage of Information Technology for Effective Dissemination of Information

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

8.0 STRENGTHEN RELATIONSHIP BETWEEN COMPANY AND ITS SHAREHOLDERS

8.1 Shareholders Participation at General Meetings

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

The Board encourages full participation of shareholders at every AGM and Extraordinary General Meeting of the Company and opportunity is given to the shareholders to make relevant enquiries and seek clarification on the Group's business activities and financial performance. The Notice of the Forty-Seventh AGM is circulated more than thirty (30) days before the date of the meeting to enable shareholders to go through the Annual Report, fulfilling the 21-day requirement under the Companies Act, 1965 and the Listing Requirements.

The results of all the resolutions set out in the Notice of the Forty-Seventh AGM will be announced on the same day to the Bursa Securities, which is accessible on the Bursa Securities' website.

The Board ensures that full information of the Directors who are retiring at the AGM and willing to serve if re-elected are disclosed in the Notice of the AGM. The explanatory notes facilitating full understanding and evaluation of issues involved in the proposed resolutions accompanying each item of special business is included in the Notice of the AGM.

To further promote participation of members through proxy(ies), which is in line with the insertion of Paragraph 7.21 of the Listing Requirements, the Company had amended its Articles of Association to include explicitly the right of proxies to speak at general meetings, to allow a member who is an exempt authorised nominee to appoint multiple proxies for each omnibus account it holds and expressly disallow any restriction on proxy's qualification.

8.2 Poll Voting

In line with the recent amendments to the MMLR, the Company will implement poll voting for all the resolutions set out in the Notice of Annual General Meeting at the AGM. In addition, the Company will appoint at least 1 scrutineer to validate the votes cast at the AGM.

In accordance with Article 91 of the Articles of Association of the Company, the Chairman of the meeting has a right to demand a poll with respect to all resolutions which are put to vote at the AGM as set out in the Notice of Annual General Meeting.

The poll voting process at the general meeting will be conducted in accordance with the provisions of the Articles of Association of the Company.

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

Statement on Corporate Governance
(continued)

8.3 Effective Communication and Proactive Engagement

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

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

The Board has identified Major General Datuk Lai Chung Wah (Rtd) as the Senior Independent Director to whom queries or concerns regarding the Group may be conveyed.

(i) Major General Datuk Lai Chung Wah (Rtd) can be contacted as follows:
Telephone number: +603-5519 2455 Facsimile number: +603-5510 8618
Email address: cwlai@melewar-mig.com

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

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

(ii) En Azlan bin Abdullah (Investor Relations, for investor relations matters)
Telephone number: +603-6250 6000 Facsimile number: +603-6257 1555
Email address: aazlan@melewar-mig.com

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

COMPLIANCE STATEMENT

The Board has deliberated, reviewed and approved this Statement on Corporate Governance. The Board considers that the Statement on Corporate Governance provides the information necessary to enable shareholders to evaluate how the Code has been applied. The Board has considered and is satisfied that the Company has fulfilled its obligation under the Code, the Listing Requirements of Bursa Securities and all applicable laws and regulations throughout the financial year ended 30 June 2016.

This Statement was made in accordance with the approval of the Board of Directors on **30 August 2016.**

STATEMENT OF DIRECTORS' RESPONSIBILITY IN RELATION TO THE FINANCIAL STATEMENTS

In respect of the preparation of the audited financial statements, the Directors are required by the Companies Act, 1965 to prepare financial statements for each financial year which have been made out in accordance with applicable approved accounting standards and which give a true and fair view of the state of affairs of the Group and the Company at the financial year end and of the results and cash flow of the Group and Company for the financial year.

The Board has received assurance from the Executive Director and the Financial Controller that the financial records have been properly maintained and the financial statements for the financial year ended 30 June 2016 give a true and fair view of the Company's operations and finances; and of the effectiveness of the Company's risk management and internal control systems.

In preparing the financial statements, the Directors have:

(i) adopted appropriate accounting policies and applied them consistently;

(ii) made judgments and estimates that are reasonable and prudent;

(iii) ensured that all applicable accounting standards have been complied with; and

(iv) prepared financial statements on a going concern basis, after having made enquiries that the Group and Company have adequate resources to continue in operational existence for the foreseeable future.

The Directors had also ensured the Company maintains appropriate accounting policies that disclose with reasonable accuracy of the financial position of the Company and Group which enable them to ensure that the financial statements comply with the Companies Act, 1965. The Directors also had taken steps that are reasonably available to them to safeguard the assets of the Group and to prevent and detect fraud and other irregularities.

Statement on Corporate Governance
(continued)

OTHER BURSA SECURITIES COMPLIANCE INFORMATION

1. MATERIAL CONTRACTS

Other than those disclosed in the financial statements, there were no material contracts including contracts for any loans entered into by the Company and/or its subsidiaries involving the interests of the directors, chief executive who is not a director and major shareholders.

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. AUDIT FEES

The amount of audit fees charged for services rendered to the Group and the Company by the External Auditors for the financial year ended 30 June 2016 amounted to RM612,399.00 and RM204,826.00 respectively.

4. NON-AUDIT FEES

There were no non-audit fees charged for services rendered to the Group and the Company by the External Auditors for the financial year ended 30 June 2016.

5. RECURRENT RELATED PARTY TRANSACTIONS ("RRPTs") ENTERED INTO DURING THE FINANCIAL YEAR ENDED 30 JUNE 2016

On 30 November 2015, the Company sought approval for a shareholders' mandate for MIG Group to enter into Recurrent Transactions (as defined in the Circular to Shareholders dated 6 November 2015) 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 2016 in accordance with the Shareholders' Mandate obtained at the last AGM were as follows:

A. RRPT with Melewar Group of Companies

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Parties		Value of Transaction (1/07/2015 – 30/06/2016 (RM)
				Director	Major Shareholder	
1.	Trace Management Services Sdn Bhd ("Trace")	Provision of corporate secretarial services by Trace to Melewar Industrial Group Berhad ("MIG") and its subsidiaries ("MIG Group")	**Interested Directors** Tunku Dato' Yaacob Khyra ("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 interests in The Melewar Corporation Berhad, who in turn is the Major Shareholder of Trace. Datin Ezurin is therefore deemed interested by virtue of her family relationship with TY based on Section 122A(1)(a) of the Companies Act, 1965 ("the Act").	Nil	440,419

Statement on Corporate Governance
(continued)

B. RRPTs with MAA Group Berhad ("MAAG") Group of Companies

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Parties: Director	Manner of relationship with the Related Parties: Major Shareholder	Value of Transaction (1/07/2015 – 30/06/2016 (RM)
1.	MAA Corporation Sdn Bhd ("MAA Corp")	Office rental charged by MAA Corp to MIG Group	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholders** Melewar Equities (BVI) Ltd ("MEBVI"), Melewar Khyra Sdn Bhd ("MKSB") and Khyra Legacy Berhad ("KLB")	TY is deemed interested in MAA Corp. TY is the founder and ultimate beneficial owner of KLB. TYY and Datin Ezurin are therefore deemed interested by virtue of their family relationship with TY based on Section 122A(1)(a) of the Act.	MAA Corp is a wholly owned subsidiary of MAAG whose ultimate Major Shareholder is KLB.	85,142
2.	MAA Corp	Office service charged by MAA Corp to MIG Group	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholders** MEBVI, MKSB and KLB	TY is deemed interested in MAA Corp. TY is the founder and ultimate beneficial owner of KLB. TYY and Datin Ezurin are therefore deemed interested by virtue of their family relationship with TY based on Section 122A(1)(a) of the Act.	MAA Corp is a wholly owned subsidiary of MAAG whose ultimate major shareholder is KLB.	19,512
3.	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 and KLB	TY is deemed interested in MAACA. TY is the founder and ultimate beneficial owner of KLB. TYY and Datin Ezurin are therefore deemed interested by virtue of their family relationship with TY based on Section 122A(1)(a) of the Act.	MAACA is a wholly owned subsidiary of MAA Corp who in turn is a wholly owned subsidiary of MAAG whose ultimate major shareholder is KLB.	-

Statement on Corporate Governance
(continued)

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Parties – Director	Manner of relationship with the Related Parties – Major Shareholder	Value of Transaction (1/07/2015 – 30/06/2016 (RM)
4.	MAA Takaful Berhad (“MAAT”)* (now known as Zurich Takaful Malaysia Berhad)	Provision of insurance business by MAAT to MIG Group	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholders** MEBVI, MKSB and KLB	TY is deemed interested in MAAT. TY is the founder and ultimate beneficial owner of KLB. TYY and Datin Ezurin are therefore deemed interested by virtue of their family relationship with TY based on Section 122A(1)(a) of the Act.	MAAT was a 75% owned subsidiary of MAAG whose ultimate major shareholder is KLB.	1,570,181

* Effective from 1 July 2016, MAAT ceased to be a 75% owned subsidiary of MAAG. All disclosures on related party transactions between MAAT and MIG Group will no longer be relevant effective from 1 July 2016.

C. RRPTs with Melewar Integrated Engineering (“MIE”) which are no longer applicable effective from 4 February 2016

Effective from 4 February 2016, MIE became a wholly owned subsidiary of MIG. All disclosures on related party transactions between MIE and MIG will no longer be applicable effective from 4 February 2016. As such, the actual value transacted was from 1 July 2015 up to 3 February 2016.

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Parties – Director	Manner of relationship with the Related Parties – Major Shareholder	Value of Transaction (1/07/2015 – 3/02/2016 (RM)
1.	MIE	Rental charged by MIE to MIG	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholders** MEBVI, MKSB and KLB	TY is deemed interested in MIE and MIG by virtue of him being the founder and ultimate beneficial owner of KLB, being the holding company of MEBVI and MKSB who are the Major/Substantial Shareholders of MIG. TYY and Datin Ezurin are therefore deemed interested by virtue of their family relationship with TY based on Section 122A(1)(a) of the Act.	MIE was a 70% owned subsidiary of MIG and subsequently became a wholly owned subsidiary of MIG effective from 4 February 2016.	18,662

Statement on Corporate Governance
(continued)

No.	Related Party	Nature of Transaction	Interested Related Parties	Manner of relationship with the Related Parties: Director	Manner of relationship with the Related Parties: Major Shareholder	Value of Transaction (1/07/2015 – 3/02/2016 (RM)
2.	MIE	Management fees for the provision of management services/advice charged by MIG to MIE	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholders** MEBVI, MKSB and KLB	TY is deemed interested in MIE and MIG by virtue of him being the founder and ultimate beneficial owner of KLB, being the holding company of MEBVI and MKSB who are the Major/Substantial Shareholders of MIG. TYY and Datin Ezurin are therefore deemed interested by virtue of their family relationship with TY based on Section 122A(1)(a) of the Act.	MIE was a 70% owned subsidiary of MIG and subsequently became a wholly owned subsidiary of MIG effective from 4 February 2016.	175,000

D. 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 Parties: Director	Manner of relationship with the Related Parties: Major Shareholder	Value of Transaction (1/07/2015 – 30/06/2016) (RM)
Provision of financial assistance to the Group by the pooling of funds via a centralized 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 and KLB	TY is deemed interested in MIG by virtue of him being the founder and ultimate beneficial owner of KLB, being the holding company of MEBVI and MKSB who are the Major/Substantial Shareholders of MIG. TYY and Datin Ezurin are therefore deemed interested by virtue of their family relationship with TY based on Section 122A(1)(a) of the Act.	Nil	4,842,011

Statement on Corporate Governance
(continued)

Type of Financial Assistance	Related Party	Interested Related Parties	Manner of relationship with the Related Parties		Value of Transaction (1/07/2015 – 30/06/2016) (RM)
			Director	Major Shareholder	
Provision of corporate guarantee to financial institutions, as and when required, to secure the continuing trade facilities extended to direct and indirect subsidiaries.	MIG Group	**Interested Directors** TY, TYY and Datin Ezurin **Interested Major Shareholders** MEBVI, MKSB and KLB	TY is deemed interested in MIG by virtue of him being the founder and ultimate beneficial owner of KLB, being the holding company of MEBVI and MKSB who are the Major/Substantial Shareholders of MIG. TYY and Datin Ezurin are therefore deemed interested by virtue of their family relationship with TY based on Section 122A(1)(a) of the Act.	Nil	-

Type of Financial Assistance	Related Party	Interested Related Parties	Manner of relationship with the Related Parties		Value of Transaction (1/07/2015 – 3/02/2016) (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 and KLB	TY is deemed interested in MIE and MIG by virtue of him being the founder and ultimate beneficial owner of KLB, being the holding company of MEBVI and MKSB who are the Major/Substantial Shareholders of MIG. TYY and Datin Ezurin are therefore deemed interested by virtue of their family relationship with TY based on Section 122A(1)(a) of the Act.	MIE was a 70% owned subsidiary of MIG and subsequently became a wholly owned subsidiary of MIG effective from 4 February 2016.	-

** Effective from 4 February 2016, MIE became a wholly owned subsidiary of MIG. All disclosures on related party transactions between MIE and MIG will no longer be applicable effective from 4 February 2016. As such, the actual value transacted was from 1 July 2015 up to 3 February 2016.

Directors' Statement on Risk Management and Internal Control

This Statement is prepared pursuant to Paragraph 15.26(b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Malaysia") and is guided by the principles and best practices relating to internal controls as stipulated in the Malaysian Code on Corporate Governance 2012 ("the Code").

As the Group operates in a dynamic and cyclical business environment in which risk management and internal control system must be responsive in order to be able to support its business objectives, the Board and the Management uphold their ongoing commitment to maintain and continuously improve the Group's risk management and internal controls system to safeguard the shareholders' investments and the Group's assets.

The Board of Directors hereby issue the following Statement based on both MMLR and the Code.

BOARD RESPONSIBILITIES

The Board acknowledges its overall responsibility and accountability for a sound system of risk management framework to be established supported by internal controls that ensures the reliability and integrity of the financial and operational information, effectiveness and efficiency of operations. As there are limitations inherent in any systems of internal control, therefore, it shall be noted that the controls are designed and positioned to mitigate risks but not eliminate the present and future risks. In this connection, it shall be noted that systems of internal control can only provide reasonable but not absolute assurance against material misstatements, frauds and losses.

The Board has delegated the implementation of these internal control systems to the Executive Directors and Senior 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 primarily responsible for strategic risks management while the responsibility to address all risks associated with the business operations rests with the top senior management.

The Board has delegated the responsibilities to the Risk Management Committee ("RMC") to include the role of monitoring of all internal controls on behalf of the Board and to report 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").

RISK MANAGEMENT COMMITTEE

The RMC was established by the Board on 18 December 2003. The RMC had met four (4) times during the financial year. The RMC as at the date of this Annual Report are as follows:

Chairman : En Shazal Yusuf bin Mohamed Zain

Members : Mr Muk Sai Tat

: General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)

: Mr Naresh Mohan
(Appointed as a member on 1 March 2016)

The RMC Meetings held during the financial year ended 30 June 2016 were as follows:

Name of Committee Members	Total Meetings Attended
En Shazal Yusuf bin Mohamed Zain *(Chairman, Independent Non-Executive Director)*	4/4
Mr Muk Sai Tat *(Independent Non-Executive Director)*	4/4
General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd) *(Independent Non-Executive Director)*	3/4
Mr Naresh Mohan *(Independent Non-Executive Director)* *(Appointed on 1 March 2016)*	1/1

Directors' Statement on Risk Management and Internal Control

(continued)

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 operating subsidiaries and business divisions to the holding company in a timely manner.

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

The RMC will assist and coordinate the implementation of the risk management programme for the Group. The implementation of the risk management programme will provide a consistent approach and guidelines in managing the Group's significant risk exposures. It has been a practice for the RMC to invite their relevant Heads of Division/Department to attend the RMC Meetings, where appropriate. During the year 2016, RMC invited the Managing Director/Group Chief Executive Officer ("MD/GCEO"), Chief Financial Officer ("CFO"), Group Chief Treasury Officer, Compliance and Cost Control Manager, Chief Operating Officer of Tube Operations, Assistant Vice President Commercial and Chief Executive Officer of Melewar Integrated Engineering Sdn Bhd to attend the RMC Meetings to brief and clarify on the risk issues identified and to explain in detail the steps to be taken to effectively address the issues of concern.

INTERNAL CONTROL PROCESS

The key elements of the Group's system of internal controls that the Board has established in reviewing the adequacy and effectiveness of the risk management and internal control system during the financial year ended 30 June 2016 are as follows:

1. Organisation structure and delegation of authority

   The Group has an appropriate organizational structure for planning, executing, controlling and monitoring business operations in order to achieve the Group's business objectives. Lines of responsibility and delegations of authority are clearly defined.

2. Internal Control Procedures

   To ensure the uniformity and consistency of practices and controls within the Group, Internal Control Procedures (ICPs) have been formalized and documented which were endorsed by both the Management and the Board. These include:-

   - Internal Control System
   - Petty Cash Procedure
   - Motor Vehicle Expenses Reimbursement Procedure
   - Company Car Maintenance Procedure
   - Outstation Travel Requisition & Reimbursement Procedure
   - Entertainment Reimbursement Procedure
   - Hand Phone Expenses Reimbursement Procedure
   - Capital Asset Acquisition Procedure
   - Capital Asset Disposal Procedure
   - Investment Procedure
   - Credit Control Procedure
   - Raw Material Purchase Procedure
   - Sub-raw Materials, Tooling, Hardware, Consumable, Equipment, Fuel, Lubricants and Miscellaneous Items Purchase Procedure
   - Sales Procedure
   - Whistle-Blowing Policy
   - Internal Security Procedure
   - Intercompany Transactions/Loans/Advances
   - FX Risk Management
   - Manual Journal Transaction Procedure
   - Employee Advance Control Procedure

   The ICPs are subject to review on a regular basis along with the internal audit review of the selected area of operations.

3. Policies and Procedures

   Operational policies and procedures are formalised to serve as a guiding principle to all employees within the Group for their day-day activities. It shall be periodically reviewed and updated to cater for the changing business environment.

Directors' Statement on Risk Management and Internal Control

(continued)

4. Internal audit function

   The Group outsourced its internal audit function to Baker Tilly Monteiro Heng Governance Sdn Bhd. The Group's internal auditor reports directly to the Audit Committee after conducting reviews on the systems of internal control and the effectiveness of processes that are in place to identify, manage and report risks. The internal audit function adopts a risk-based approach and prepares its audit plan based on the risk profiles of the key business units of the Group after taking into consideration input of Management and the Audit Committee.

5. Managers Meeting ("MANCO")

   The Managers of each business division meets on a monthly basis to review, deliberate and resolve various operational issues, financial and key management issues.

   EXCO will also meet the MANCO on monthly basis to deliberate on similar matters mentioned above. The minutes of EXCO's meetings are included in the papers for quarterly Board meetings.

6. 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.

CONCLUSION

For the financial year under review and up to the date of the issuance of this Statement, the Management continues to monitor all major risks affecting the Group and the necessary measures to mitigate or minimise them as well as continue to enhance the adequacy and effectiveness of the risk management and internal control system of the Group mainly focusing on strategic, financial, operational and compliance aspect. In this regard, the MD/GCEO and the CFO have given assurance to the Board that the Group's risk management and internal control system is operating adequately and effectively, in all material aspects, based on the risk management model adopted by the Group and the declarations made by the respective Heads of each Division. To the best of knowledge, nothing has come to the attention of the MD/GCEO, CFO and the Management which may render the financial results presented and the information provided to be misleading in any material respect.

The Board is of the view that the risk management and internal control system of the Group is adequate and effective to safeguard the shareholders' investments, Group's assets and the interests of other stakeholders. However there were some specific shortcomings in the project management of a particular engagement by Melewar Integrated Engineering Sdn Bhd ("MIE"), a wholly owned subsidiary of the Company. These shortcomings have led to some cost overruns of the projects undertaken by MIE which are currently being validated by the management of MIE as well as their consultants and Management of the Company. This would involve a granular analysis of the causes for the cost overruns. The Company and the Group continue to take the necessary measures to strengthen its internal control structure and the management of risks.

REVIEW OF THE STATEMENT BY EXTERNAL AUDITORS

As required by Paragraph 15.23 of the Bursa Malaysia Securities Berhad Main Market Listing Requirements, the external auditors have reviewed this Statement on Risk Management and Internal Control. Their limited assurance review was performed in accordance with Recommended Practice Guide ("RPG") 5 (Revised 2015) issued by the Malaysian Institute of Accountants. RPG 5 (Revised 2015) does not require the external auditors to form an opinion on the adequacy and effectiveness of the risk management and internal control systems of the Group.

Audit Committee Report

ESTABLISHMENT

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

COMPOSITION

The Audit Committee comprises of three (3) members, all of who are Independent and Non-Executive Directors in compliance with the requirements of paragraph 15.09(1)(a) and (b) of the Main Market Listing Requirements ("MMLR") of Bursa Malaysia Securities Berhad ("Bursa Securities") as follows :

Name	Designation	Directorship
Mr Muk Sai Tat	Chairman	Independent Non-Executive Director
En Shazal Yusuf bin Mohamed Zain	Member	Independent Non-Executive Director
Major General Datuk Lai Chung Wah (Rtd)	Member	Senior Independent Non-Executive Director

The Chairman of the Audit Committee, Mr Muk Sai Tat is a member of the Malaysian Institute of Accountants. The Directors' profiles are set out on pages 23 to 24 in the Annual Report.

MEETINGS AND MINUTES

The Audit Committee shall meet 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.

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

During the financial year ended 30 June 2016, five (5) Audit Committee meetings were held. The details of attendance of each Committee member are as follows:

Members	No. of Meetings Attended	%
Mr Muk Sai Tat (Chairman)	5/5	100
En Shazal Yusuf bin Mohamed Zain	5/5	100
Major General Datuk Lai Chung Wah (Rtd)	5/5	100

In August 2016, the Nomination and Remuneration Committee ("NRC") reviewed the term of office and performance of the Audit Committee and its members through an annual evaluation focusing on the adequacy and effectiveness of the Audit Committee based on the self-assessed evaluations carried out by the Audit Committee members as well as the NRC assessment on the performance and the effectiveness of the Audit Committee. Based on the NRC's assessment and recommendation, the Board was satisfied that the Audit Committee and its members have carried out their functions, duties and responsibilities in accordance with its Terms of Reference.

Audit Committee Report
(continued)

SUMMARY OF WORK CARRIED OUT BY THE AUDIT COMMITTEE DURING THE FINANCIAL YEAR ENDED 30 JUNE 2016

The Audit Committee had performed the following during the financial year ended 30 June 2016:

Financial Reporting	(i) Reviewed the unaudited quarterly and annual financial results of the Group for financial year ended 30 June 2016. This also included the announcements pertaining to the release of financial results to Bursa Securities prior to recommending to the Board for approval. The review also focused on • significant accounting policies and methods adopted for the period under review which were consistent with those adopted for the audited financial statements for the financial year ended 30 June 2015; • going concern assumption and compliance with financial reporting standards and other regulatory requirements. (ii) Sought clarification from Management especially from the Chief Financial Officer of the Group on the following information for better understanding of the overall state of the financial position of the Company: • Performance of the key divisions of the Company including the variations and contributing factors to the performance; • Foreign exchange exposure; • Cash flow position of the Group with specific details on the compliance to the financial covenants with the various financial institutions who had granted facilities to the Group; • Position of the Gearing ratio.
External audit and interim review	(i) Discussed with the external auditor on their annual audit plan, nature and scope of audit focus on key risk areas as well as audit procedures, prior to the commencement of audit. (ii) Reviewed the external auditors' annual audit report and accompanying reports to management, reports of their other examinations and management letters on internal control matters, including management's response and the level of co-operation given by employees to the external auditors. (iii) Evaluated the external auditors' independence, objectivity and terms of engagement before recommending their re-appointment and remuneration. (iv) Discussed problems and reservations arising from the interim and final external audits, and any matters the External Auditors may wish to discuss in the absence of Management. (v) Reviewed with the external auditors the Statement on Risk Management and Internal Control of the Group for inclusion in the Annual Report. (vi) Conducted three (3) private sessions with external auditors, without the presence of Executive Directors and Management.

Audit Committee Report
(continued)

Internal control and internal audit	(i) Reviewed and approved the Internal Audit Consultants' Annual Internal Audit Plan and ensured principal risks, key entities, scope and functions were adequately identified and covered in the plan. (ii) Reviewed and evaluated the overall adequacy and effectiveness of the risk management and Group's internal control system on a quarterly basis through review of results of work performed by internal and external auditors and discussions with the Management. (iii) Reviewed the internal audit reports presented by the Internal Audit Consultants at each Audit Committee meeting and their activities with respect to: ➢ Status of audit activities as compared to the approved Annual Audit Plan. ➢ Monitored the outcome of the audits, follow-up, investigative and special audits conducted to ascertain all action plans were adequately implemented to address the key risks. ➢ Adequacy of Management's responsiveness to the audit findings and recommendations. ➢ Adequacy of audit resources of the Internal Audit Consultants. ➢ Reviewed and recommended to the Board the re-appointment of the external service provider for internal audit services and their audit fee. (iv) Considered the views of management and both internal and external auditors on the following issues: <u>Melewar Industrial Group Berhad</u> ➢ Production Operation; ➢ Security Management and Administration Control; ➢ Finance Management and General Accounting Control; ➢ Human Resource Management; ➢ Electronic Data Processing Support Function; ➢ Group Information Technology Support. <u>Melewar Integrated Engineering Sdn Bhd</u> ➢ Contract & Project Management and Revenue Cycle; ➢ Purchasing and Incoming Control; ➢ Finance Management and General Accounting. <u>Mycron Steel Berhad</u> ➢ Corporate Governance Review ➢ Personal Claim Procedures and Processing <u>Melewar Steel Tube Sdn Bhd</u> ➢ Production Operation; ➢ Security Management and Administration Control; ➢ Finance Management and General Accounting Control; ➢ Human Resource Management; ➢ Electronic Data Processing Support Function; ➢ Property, Plant & Equipment Management; ➢ Maintenance Management; ➢ Sales & Delivery Controls; ➢ Sales of Scraps & Reconciliation to Yield Loss; ➢ Collection & Credit Control. <u>Mycron Steel CRC Sdn Bhd</u> ➢ Quality Control & Assurance; ➢ Production Operations; ➢ Supply Chain Management; ➢ Human Resource Management; ➢ Sales Ordering & Billing; ➢ Collection and Credit Control; ➢ Procurement Management; ➢ Security, Safety, Health and Environmental Control.

Audit Committee Report
(continued)

	(v) Reviewed and debated on the recommendations made by the Internal Audit Consultants on the areas where further improvements are required in respect of the abovementioned scopes covered with subsequent recommendation to the Board the steps to improve the system of internal control derived from the findings of the internal and external auditors.
Corporate Governance requirements	(i) Reviewed and monitored the disclosure of related party transactions and any conflict of interest situation and questionable transactions to ensure compliance with the Listing Requirements and that they were not favourable to the related parties than those generally available to the public and were not detrimental to minority shareholders. (ii) Reviewed the disclosure statements on compliance of Malaysian Code on Corporate Governance, Board's responsibility on the annual audited financial statements and the state of internal control and other relevant documents for publication in the Company's Annual Report. (iii) Reviewed the following draft Circular to Shareholders and recommended the same to the Board for approval: (a) Proposed share buy-back of up to ten percent (10%) of the issued and paid-up share capital of the Company; and (b) Proposed renewal of shareholders' mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature and Provision of Financial Assistance.

INTERNAL AUDIT FUNCTIONS

The Internal Audit function of the Company and the Group has been outsourced to an independent party, Messrs Baker Tilly Monteiro Heng Governance Sdn Bhd ("BTMH"). BTMH assists the Audit Committee in discharging its duties and responsibilities, and is independent of the activities they audit.

The 2016 Annual Internal Audit Plan which was developed based on a risk based approach was approved by the Audit Committee at its meetings held on 26 November 2015 and 24 February 2016. The Internal Audit reports, which highlight internal control weaknesses were deliberated by the Audit Committee and the recommendations were duly acted upon by the Management.

During the year under review, BTMH had carried out and completed twenty nine (29) audits including follow up audit assignments according to the internal audit plan which had been approved by the Audit Committee. Internal audits were carried out to provide assurance that internal controls are established and operating as intended to achieve effective and efficient operations and adherence to applicable policies, guidelines and procedures. BTMH had conducted independent reviews and risk exposures evaluation relating to the operations, related party transactions and management information system. In performing such reviews, recommendations for improvements and enhancements to the existing internal control system and work processes were made.

Mr Kuan Yew Choong was invited to attend the Audit Committee Meetings to explain and clarify to the Audit Committee on the actions taken to rectify the audit issues highlighted in the Internal Audit Reports.

Internal audit reports, incorporating audit recommendations and management's responses were issued to the Audit Committee and the management of the respective operations. Management is responsible for ensuring that corrective actions are taken within the required timeframe. All findings identified by BTMH are tracked and followed up on a quarterly basis and the status of the implementation is reported to the Audit Committee accordingly.

Following the completion of the external audit by Messrs PricewaterhouseCoopers, several issues were noted in respect of cost overruns of a project undertaken by Melewar Integrated Engineering Sdn Bhd ("MIE"), a wholly owned subsidiary of the Company. Management of the Company is currently taking steps to identify, evaluate, assess and substantiate with the assistance of management of MIE together with their consultants and advisors to validate and mitigate the cost overruns. Provisions for this cost overruns have been made in the financial statements which could give rise to potential losses faced by the Group.

The Internal Audit Department's role with regards to the Group's risk management framework is explained in the Statement on Risk Management and Internal Control as set out on pages 51 to 53 of the Annual Report.

The total cost incurred by the Group in relation to the conduct of the internal audit function of the Group during the financial year ended 30 June 2016 was approximately RM128,000.00.

Based on the internal controls established and maintained by the Group, works performed by the internal and external auditors and reviews performed, the Board with concurrence of the AC was of the opinion that the Group's internal controls, addressing financial, operational, compliance and information technology controls and risk management systems were adequate and effective as at 30 June 2016.

This Report on Audit Committee was made in accordance with the approval of the Board on 30 August 2016.

Directors' Report
For The Financial Year Ended 30 June 2016

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 2016.

PRINCIPAL ACTIVITIES

The principal activities of the Company are that of property investment and investment holding. The principal activities of its subsidiaries are in mid-stream steel cold rolled coil and steel tube manufacturing, coupled with engineering services as disclosed in Note 15 to the financial statements. The power generation business has been held as an Associate since the financial year ended 30 June 2014.

FINANCIAL RESULTS

	Group	Company
	RM	RM
Net profit for the financial year	14,859,432	3,993,379
Attributable to:		
- Equity holders of the Company	8,234,231	3,993,379
- Non-controlling interests	6,625,201	-
Net profit for the financial year	14,859,432	3,993,379

DIVIDEND

No dividend has been paid, declared or proposed by the Company since the end of the previous financial year ended 30 June 2015.

The Directors do not recommend the payment of any dividend for the financial year ended 30 June 2016.

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' Yaacob Khyra
Azlan bin Abdullah
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah
Datin Ezurin Yusnita binti Abdul Malik
Shazal Yusuf bin Mohamed Zain
Datuk Uwe Ahrens
Major General Datuk Lai Chung Wah (Rtd)
Muk Sai Tat
General Tan Sri Dato' Sri Hj Suleiman bin Mahmud RMAF (Rtd)
Naresh Mohan *(appointed on 1 March 2016)*

In accordance with Section 129(6) of the Companies Act, 1965, Major General Datuk Lai Chung Wah (Rtd) is to retire at the forthcoming Annual General Meeting and, being eligible, offers himself for re-election.

In accordance with Article 113(1) of the Company's Articles of Association,Datin Ezurin Yusnita binti Abdul Malik, Shazal Yusuf bin Mohamed Zain and Muk Sai Tat are to retire by rotation from the Board at the forthcoming Annual General Meeting, and being eligible, offer themselves for re-election.

In accordance with Article 120 of the Company's Articles of Association, Naresh Mohan who was appointed to the Board subsequent to the date of the last Annual General Meeting, is to retire at the forthcoming Annual General Meeting, and being eligible, offers himself for re-election.

Directors' Report
For The Financial Year Ended 30 June 2016
(continued)

DIRECTORS' INTERESTS

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

	Number of ordinary shares of RM1.00 each in the Company			
	At 01.07.2015	**Bought**	**Sold**	**At 30.06.2016**
Tunku Dato' Yaacob Khyra - 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
Azlan bin Abdullah - direct interest	133,333	-	-	133,333

	Number of ordinary shares of RM0.25 each			
Mycron Steel Berhad (Related corporation)	**At 01.07.2015**	**Bought**	**Sold**	**At 30.06.2016**
Tunku Dato' Yaacob Khyra - indirect interest	202,102,521	-	-	202,102,521
Tunku Yahaya @ Yahya bin Tunku Tan Sri Abdullah - indirect interest	202,102,521	-	-	202,102,521
Datin Ezurin Yusnita binti Abdul Malik - indirect interest	202,102,521	-	-	202,102,521
Azlan bin Abdullah - direct interest	247,000	-	-	247,000

	Number of ordinary shares of RM1.00 each			
Melewar Integrated Engineering Sdn Bhd (Related corporation)	**At 01.07.2015**	**Bought**	**Sold**	**At 30.06.2016**
Datuk Uwe Ahrens	360,000	-	(360,000)	-

By virtue of the above mentioned Directors' direct and 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 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 10 to the financial statements.

Directors' Report

For The Financial Year Ended 30 June 2016
(continued)

STATUTORY INFORMATION ON THE FINANCIAL STATEMENTS

Before the statements of profit or loss, the statements of comprehensive income and the statements of financial position were made out, the Directors took reasonable steps:

(a) to ascertain that proper action had been taken in relation to the writing off of bad debts and the making of allowance for doubtful debts and satisfied themselves that all known bad debts had been written-off and that adequate allowance had been made for doubtful debts; and

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

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

(a) which would render the amounts written-off for bad debts or the amount of the impairment allowance for doubtful debts in the financial statements of the Group and of the Company inadequate to any substantial extent; or

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

(c) which have arisen which render adherence to the existing method of valuation of assets or liabilities of the Group and of the Company misleading or inappropriate.

No contingent or other liability has become enforceable or is likely to become enforceable within the period of twelve months after the end of the financial year which, in the opinion of the Directors, will or may affect the ability of the Group or of the Company to meet their obligations when they fall due.

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

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

(b) any contingent liability of the Group or of the Company which has arisen since the end of the financial year.

At the date of this report, the Directors are not aware of any circumstances not otherwise dealt with in this report or the financial statements which would render any amount stated in the financial statements misleading.

In the opinion of the Directors,

(a) the results of the operations of the Group and of 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 Notes 13 and 17 to the financial statements; and

(b) there has not arisen in the interval between the end of the financial year and the date of this report any item, transaction or event of a material and unusual nature likely to affect substantially the results of the operations of the Group or of the Company for the financial year in which this report is made, other than as disclosed in Note 30 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 28 October 2016.

TUNKU YAHAYA @ YAHYA BIN TUNKU TAN SRI ABDULLAH
NON-EXECUTIVE DIRECTOR

AZLAN BIN ABDULLAH
MANAGING DIRECTOR

Statement by Directors

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

We, Tunku Yahaya @ Yahya 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 64 to 136 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 2016 and of the results and cash flows of the Group and the Company for the financial year ended on that date in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

The information set out in Note 32 on page 137 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 28 October 2016.

TUNKU YAHAYA @ YAHYA BIN TUNKU TAN SRI ABDULLAH
NON-EXECUTIVE DIRECTOR

AZLAN BIN ABDULLAH
MANAGING DIRECTOR

Statutory Declaration

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

I, Choo Kah Yean, the person primarily responsible for the financial management of Melewar Industrial Group Berhad, do solemnly and sincerely declare that the financial statements set out on pages 64 to 136 are, in my opinion, correct, and I make this solemn declaration conscientiously believing the same to be true, and by virtue of the provisions of the Statutory Declarations Act, 1960.

CHOO KAH YEAN
CHIEF FINANCIAL OFFICER

Subscribed and solemnly declared by the abovenamed Choo Kah Yean, at Kuala Lumpur in Malaysia on 28 October 2016, before me.

COMMISSIONER FOR OATHS

Independent Auditors' Report

To the Members of Melewar Industrial Group Berhad

REPORT ON THE FINANCIAL STATEMENTS

We have audited the financial statements of Melewar Industrial Group Berhad on pages 64 to 136, which comprise the statements of financial position as at 30 June 2016 of the Group and of the Company, and the statements of profit or loss, statements of comprehensive income, statements of changes in equity and statements of 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 31.

Directors' Responsibility for the Financial Statements

The Directors of the Company are responsible for the preparation of financial statements so as to give a true and fair view in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia. The Directors are also responsible for such internal control as the Directors determine 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 judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, we consider internal control relevant to the entity's preparation of financial statements that give a true and fair view in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by the Directors, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the financial statements give a true and fair view of the financial position of the Group and of the Company as of 30 June 2016 and of their financial performance and cash flows for the financial year then ended in accordance with Malaysian Financial Reporting Standards, International Financial Reporting Standards and the requirements of the Companies Act, 1965 in Malaysia.

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 are satisfied that the financial statements of the subsidiaries that have been consolidated with the Company's financial statements are in form and content appropriate and proper for the purposes of the preparation of the financial statements of the Group and we have received satisfactory information and explanations required by us for those purposes.

(c) The audit reports on the financial statements of the subsidiaries did not contain any qualification or any adverse comment made under Section 174(3) of the Act.

Independent Auditors' Report

To the Members of Melewar Industrial Group Berhad
(continued)

OTHER REPORTING RESPONSIBILITIES

The supplementary information set out in Note 32 on page 137 is disclosed to meet the requirement of Bursa Malaysia Securities Berhad and is not part of the financial statements. The Directors are responsible for the preparation of the supplementary information in accordance with Guidance on Special Matter No. 1, Determination of Realised and Unrealised Profits or Losses in the Context of Disclosure Pursuant to Bursa Malaysia Securities Berhad Listing Requirements, as issued by the Malaysian Institute of Accountants ("MIA Guidance") and the directive of Bursa Malaysia Securities Berhad. In our opinion, the supplementary information is prepared, in all material respects, in accordance with the MIA Guidance and the directive of Bursa Malaysia Securities Berhad.

OTHER MATTERS

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

PRICEWATERHOUSECOOPERS
(No. AF: 1146)
Chartered Accountants

LEE YOKE KHAI
(No. 1589/08/17 (J))
Chartered Accountant

Kuala Lumpur
28 October 2016

Statements of Profit or Loss

For the Financial Year Ended 30 June 2016

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
Revenue	6	606,810,262	668,048,097	8,703,860	12,472,428
Cost of sales/services provided		(526,775,703)	(624,666,226)	(2,990,208)	(4,164,179)
Gross profit		80,034,559	43,381,871	5,713,652	8,308,249
Other operating income	7	298,119	254,973	88,416	86,530
Loss on disposal of a subsidiary	15	-	(10,477)	-	(20,681,818)
(Loss)/Gain on waiver of debt		-	-	(65,729)	1,284,100
Net foreign currency loss		(779,232)	(5,338,420)	-	-
Fair value gain on investment properties	14	-	-	4,502,944	7,150,000
Impairment (losses)/writeback on:					
- investment in subsidiaries	15	-	-	(1,922,526)	(982,547)
- amount owing by subsidiaries	4(c)	-	-	260,000	23,233
- amount owing by an associate	4(c)	870,557	-	-	-
- property, plant and equipment	13	(8,025,982)	(4,387,744)	1,918	(3,510)
- inventories		(47,929)	(75,044)	-	-
- other receivables/construction financing	4(c)	(1,254,865)	-	-	-
Selling and distribution costs		(4,969,523)	(5,414,815)	-	-
Administrative and general expenses		(31,431,019)	(31,076,220)	(3,099,817)	(3,381,349)
		34,694,685	(2,665,876)	5,478,858	(8,197,112)
Finance income	9	785,112	3,146,479	301,239	275,200
Finance costs	9	(12,413,678)	(15,194,882)	-	(12,508)
Share of associate's results	16	(264)	(21,253,127)	-	-
Profit/(Loss) before tax	8	23,065,855	(35,967,406)	5,780,097	(7,934,420)
Taxation	11	(8,206,423)	1,782,701	(1,786,718)	(1,114,064)
Net profit/(loss) for the financial year		14,859,432	(34,184,705)	3,993,379	(9,048,484)
Attributable to:					
- Equity holders of the Company		8,234,231	(29,549,255)	3,993,379	(9,048,484)
- Non-controlling interests		6,625,201	(4,635,450)	-	-
		14,859,432	(34,184,705)	3,993,379	(9,048,484)
Earnings/(Loss) per share attributable to equity holders of the Company during the financial year:					
- Basic and diluted (sen)	12	3.65	(13.10)		

Statements of Comprehensive Income

For the Financial Year Ended 30 June 2016

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Net profit/(loss) for the financial year	14,859,432	(34,184,705)	3,993,379	(9,048,484)
Other comprehensive income/(loss):				
Item that may be reclassified subsequently to profit or loss:				
Currency translation differences	-	(1,287,942)	-	-
Item that will not be reclassified to profit or loss:				
Asset revaluation reserve:				
- revaluation surplus on property, plant and equipment, net of tax	12,253,910	14,994,628	14,310	18,913
Total other comprehensive income for the financial year, net of tax	12,253,910	13,706,686	14,310	18,913
Total comprehensive income/(loss) for the financial year	27,113,342	(20,478,019)	4,007,689	(9,029,571)
Attributable to:				
- Equity holders of the Company	18,956,894	(17,539,717)	4,007,689	(9,029,571)
- Non-controlling interests	8,156,448	(2,938,302)	-	-
	27,113,342	(20,478,019)	4,007,689	(9,029,571)

Statements of Financial Position

As At 30 June 2016

		Group		Company	
		2016	2015	2016	2015
	Note	RM	RM	RM	RM
NON-CURRENT ASSETS					
Property, plant and equipment	13	395,795,950	405,244,795	1,571,101	1,942,710
Investment properties	14	-	-	85,500,000	80,950,000
Investments in subsidiaries	15	-	-	78,046,648	79,969,170
Investment in associates	16(a)	-	-	-	-
Deferred tax assets	18	2,721,294	2,795,371	-	-
		398,517,244	408,040,166	165,117,749	162,861,880
CURRENT ASSETS					
Inventories	19	98,075,404	89,259,617	-	-
Trade and other receivables	20	112,734,228	111,670,753	1,038,971	1,144,804
Derivatives	21	704,614	2,071,229	-	-
Amounts owing by subsidiaries	22	-	-	515,427	506,730
Amounts owing by an associate	16(b)	33,450,000	33,417,071	7,333,706	2,824,893
Tax recoverable		226,100	1,026,202	-	271,458
Deposits with licensed financial institutions	23	39,475,026	24,397,197	9,329,916	9,035,459
Cash and bank balances	23	12,068,236	29,689,569	439,527	545,226
		296,733,608	291,531,638	18,657,547	14,328,570

Statements of Financial Position

As At 30 June 2016
(continued)

	Note	Group 2016 RM	Group 2015 RM	Company 2016 RM	Company 2015 RM
LESS: CURRENT LIABILITIES					
Trade and other payables	24	153,605,728	104,360,961	2,659,605	3,748,909
Amounts owing to subsidiaries	22	-	-	7,024,732	4,468,546
Derivatives	21	3,263,972	40,650	-	-
Tax payable		1,114,947	14,494	90,011	-
Borrowings	25	84,338,604	166,847,334	-	106,575
		242,323,251	271,263,439	9,774,348	8,324,030
NET CURRENT ASSETS		54,410,357	20,268,199	8,883,199	6,004,540
LESS: NON-CURRENT LIABILITIES					
Other payables	24	3,065,232	-	-	-
Deferred tax liabilities	18	37,901,581	30,878,276	18,741,342	17,588,728
Borrowings	25	7,241,264	19,847,300	-	25,775
		48,208,077	50,725,576	18,741,342	17,614,503
		404,719,524	377,582,789	155,259,606	151,251,917
CAPITAL AND RESERVES ATTRIBUTABLE TO EQUITY HOLDERS OF THE COMPANY					
Share capital	26	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/(Accumulated losses)		44,229,245	36,380,422	(69,777,744)	(73,771,123)
Asset revaluation reserve		42,336,477	31,613,814	82,688	68,378
Foreign currency translation reserve		(15,617)	(15,617)	-	-
		311,504,767	292,933,281	155,259,606	151,251,917
Non-controlling interests		93,214,757	84,649,508	-	-
TOTAL EQUITY		404,719,524	377,582,789	155,259,606	151,251,917

Consolidated Statement of Changes in Equity

For the Financial Year Ended 30 June 2016

		← Attributable to equity holders of the Company →								
		Share capital	Treasury shares	Share premium	Foreign currency translation reserve	Assets revaluation reserve	Retained earnings/ (Accumulated losses)	Total	Non-controlling interests	Total
	Note	RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 July 2015		226,755,408	(2,042,193)	241,447	(15,617)	31,613,814	36,380,422	292,933,281	84,649,508	377,582,789
Net profit for the financial year		-	-	-	-	-	8,234,231	8,234,231	6,625,201	14,859,432
Other comprehensive income:										
Revaluation surplus on property, plant and equipment, net of tax		-	-	-	-	10,722,663	-	10,722,663	1,531,247	12,253,910
Total comprehensive income for the financial year		-	-	-	-	10,722,663	8,234,231	18,956,894	8,156,448	27,113,342
Acquisition of additional interest in a subsidiary from non-controlling interest	15(a)(ii)	-	-	-	-	-	(402,137)	(402,137)	402,136	(1)
Change in effective interest - Non-controlling interest	15(b)	-	-	-	-	-	16,729	16,729	6,665	23,394
At 30 June 2016		226,755,408	(2,042,193)	241,447	(15,617)	42,336,477	44,229,245	311,504,767	93,214,757	404,719,524

Consolidated Statement of Changes in Equity

For the Financial Year Ended 30 June 2016

(continued)

	Note	← Attributable to equity holders of the Company						→		
		Share capital	Treasury shares	Share premium	Foreign currency translation reserve	Assets revaluation reserve	Retained earnings/ (Accumulated losses)	Total	Non-controlling interests	Total
		RM	RM	RM	RM	RM	RM	RM	RM	RM
At 1 July 2014		226,755,408	(2,042,193)	241,447	1,272,325	18,316,334	38,839,385	283,382,706	114,678,102	398,060,808
Net loss for the financial year		-	-	-	-	-	(29,549,255)	(29,549,255)	(4,635,450)	(34,184,705)
Other comprehensive income/(loss):										
Revaluation surplus on property, plant and equipment, net of tax		-	-	-	-	13,297,480	-	13,297,480	1,697,148	14,994,628
Currency translation differences: Associate		-	-	-	(1,287,942)	-	-	(1,287,942)	-	(1,287,942)
Total comprehensive (loss)/income for the financial year		-	-	-	(1,287,942)	13,297,480	(29,549,255)	(17,539,717)	(2,938,302)	(20,478,019)
Change in effective interest - Non-controlling interest		-	-	-	-	-	27,090,292	27,090,292	(27,090,292)	-
At 30 June 2015		226,755,408	(2,042,193)	241,447	(15,617)	31,613,814	36,380,422	292,933,281	84,649,508	377,582,789

Company Statement of Changes in Equity

For the Financial Year Ended 30 June 2016

	← Non-distributable			→	Distributable	
	Share capital	Treasury shares	Share premium	Assets revaluation reserve	Retained earnings/ (Accumulated losses)	Total
	RM	RM	RM	RM	RM	RM
At 1 July 2015	226,755,408	(2,042,193)	241,447	68,378	(73,771,123)	151,251,917
Net profit for the financial year	-	-	-	-	3,993,379	3,993,379
Other comprehensive income:						
Revaluation surplus on property, plant and equipment, net of tax	-	-	-	14,310	-	14,310
Total comprehensive income for the financial year	-	-	-	14,310	3,993,379	4,007,689
At 30 June 2016	226,755,408	(2,042,193)	241,447	82,688	(69,777,744)	155,259,606

	← Non-distributable			→	Distributable	
	Share capital	Treasury shares	Share premium	Assets revaluation reserve	Retained earnings/ (Accumulated losses)	Total
	RM	RM	RM	RM	RM	RM
At 1 July 2014	226,755,408	(2,042,193)	241,447	49,465	(64,722,639)	160,281,488
Net loss for the financial year	-	-	-	-	(9,048,484)	(9,048,484)
Other comprehensive income:						
Revaluation surplus on property, plant and equipment, net of tax	-	-	-	18,913	-	18,913
Total comprehensive income/(loss) for the financial year	-	-	-	18,913	(9,048,484)	(9,029,571)
At 30 June 2015	226,755,408	(2,042,193)	241,447	68,378	(73,771,123)	151,251,917

Statements of Cash Flows

For the Financial Year Ended 30 June 2016

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
CASH FLOWS FROM OPERATING ACTIVITIES				
Profit/(Loss) before tax	23,065,855	(35,967,406)	5,780,097	(7,934,420)
Adjustments for:				
Property, plant and equipment:				
- depreciation (Note 13)	19,653,372	18,149,377	303,072	376,312
- net loss/(gain) on disposals	861	(41,286)	-	(4,000)
- impairment losses/(write back)	8,025,982	4,387,744	(1,918)	3,510
- write-offs	695,709	71,230	104,988	2,488
Amortisation of construction financing	-	210,361	-	-
Impairment losses/(write back) on:				
- investments in subsidiaries	-	-	1,922,526	982,547
- inventories	47,929	75,044	-	-
- amount owing by subsidiaries	-	-	(260,000)	(23,233)
- amount owing by an associate	(870,557)	-	-	-
- other receivables	1,254,865	-	-	-
Loss/(gain) on waiver of debt	-	-	65,729	(1,284,100)
Provision for onerous contract	7,060,954	-	-	-
Fair value gain on investment properties	-	-	(4,502,944)	(7,150,000)
Loss on disposal of a subsidiary	-	10,477	-	20,681,818
Dividend income	-	-	(800,000)	(5,787,118)
Net unrealised (gain)/loss on foreign exchange	(233,124)	318,948	-	-
Interest income	(786,045)	(2,985,685)	(301,239)	(275,200)
Interest expense	12,413,678	14,984,521	-	12,508
Share of associate's results	264	21,253,127	-	-
	70,329,743	20,466,452	2,310,311	(398,888)
Changes in working capital:				
- inventories	(8,863,716)	18,013,768	-	-
- trade and other receivables	(6,370,715)	(26,825,898)	106,614	(864,619)
- trade and other payables	48,478,890	34,492,435	(1,089,301)	(5,938,470)
Cash generated from/(used in) operations	103,574,202	46,146,757	1,327,624	(7,201,977)
Interest paid	(11,421,128)	(13,638,717)	-	(12,508)
Interest received	785,262	833,873	300,456	274,035
Tax paid	(1,703,141)	(2,251,921)	(277,155)	(775,198)
Net cash generated from/(used in) operating activities	91,235,195	31,089,992	1,350,925	(7,715,648)

Statements of Cash Flows

For the Financial Year Ended 30 June 2016
(continued)

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchases of plant and equipment	(3,688,566)	(10,153,400)	(15,704)	(15,137)
Purchases of investment properties	-	-	(47,056)	-
Proceeds from disposals of:				
- plant and equipment	297,232	380,003	-	431,446
- a subsidiary	-	2	-	-
Dividend received	-	-	800,000	-
Investment in subsidiaries	-	-	(4)	-
Disposal of treasury shares in a subsidiary	23,394	-	-	-
Repayment from/(advances to) an associate company (net)	5,491,187	(1,949,850)	(4,508,813)	(1,949,850)
Net cash generated from/(used in) investing activities	2,123,247	(11,723,245)	(3,771,577)	(1,533,541)
CASH FLOWS FROM FINANCING ACTIVITIES				
Proceeds from borrowings	362,086,000	392,560,000	-	-
Repayment of borrowings	(457,464,937)	(399,972,680)	-	-
Repayment of hire-purchase financing	(523,009)	(627,140)	-	(146,343)
Advances from subsidiaries (net)	-	-	2,609,410	1,982,277
Deposits with licensed financial institutions pledged as security	(294,457)	(267,425)	(294,457)	(267,425)
Net cash (used in)/generated from financing activities	(96,196,403)	(8,307,245)	2,314,953	1,568,509
NET CHANGE IN CASH AND CASH EQUIVALENTS	(2,837,961)	11,059,502	(105,699)	(7,680,680)
CURRENCY TRANSLATION DIFFERENCES	-	2,221	-	-
CASH AND CASH EQUIVALENTS AT BEGINNING OF THE FINANCIAL YEAR	45,051,307	33,989,584	545,226	8,225,906
CASH AND CASH EQUIVALENTS AT END OF THE FINANCIAL YEAR (Note 23)	42,213,346	45,051,307	439,527	545,226

Notes To The
Financial Statements

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Notes To The Financial Statements
30 June 2016

1 GENERAL INFORMATION

The principal activities of the Company are that of property investment and investment holding. The principal activities of its subsidiaries are in mid-stream steel cold rolled coil and steel tube manufacturing, coupled with engineering services as disclosed in Note 15 to the financial statements. The power generation business as disclosed in Note 16 has been held as an Associate since the last financial ended 2014.

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 2016, 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 28 October 2016.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

(a) Basis of preparation

The financial statements of the Group and the Company have been prepared in accordance with the Malaysian Financial Reporting Standards ("MFRS"), International Financial Reporting Standards ("IFRS") and the requirements of the Companies Act, 1965 in Malaysia.

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

The preparation of financial statements in conformity with MFRS requires the use of certain critical accounting estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the financial year. It also requires Directors to exercise their judgment in the process of applying the Group's and the Company's accounting policies. Although these estimates and judgment are based on the Directors' best knowledge of current event and actions, actual results may differ. 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.

<u>Standards, amendments to published standards and interpretations that are effective</u>

There are no new accounting standards, amendments to published standards and interpretations that are effective for the first time for the financial year beginning on 1 July 2015.

<u>Standards and amendments that have been issued but not yet effective</u>

A number of new standards and amendments to standards and interpretations are effective for financial year beginning after 1 July 2016.

The Group and Company are assessing the impact of the below standards and amendments to the published standards on the financial statements of the Group and of the Company in the initial year of adoption.

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

(a) **Basis of preparation** (continued)

Standards and amendments that have been issued but not yet effective (continued)

The Group will apply these new standards and amendments to standards in the following period:

Financial year beginning on or after 1 July 2016

- Amendment to MFRS 11 'Joint arrangements' (effective from 1 January 2016) requires an investor to apply the principles of MFRS 3 'Business Combination' when it acquires an interest in a joint operation that constitutes a business. The amendments are applicable to both the acquisition of the initial interest in a joint operation and the acquisition of additional interest in the same joint operation. However, a previously held interest is not re-measured when the acquisition of an additional interest in the same joint operation results in retaining joint control.

- Amendments to MFRS 116 'Property, plant and equipment' and MFRS 138 'Intangible assets' (effective from 1 January 2016) clarify that the use of revenue-based methods to calculate the depreciation of an item of property, plant and equipment is not appropriate. This is because revenue generated by an activity that includes the use of an asset generally reflects factors other than the consumption of the economic benefits embodied in the asset.

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

Financial year beginning on or after 1 July 2017

- Amendments to MFRS 107 'Statement of Cash Flows – Disclosure Initiative' (effective from 1 January 2017) introduce an additional disclosure on changes in liabilities arising from financing activities.

- Amendments to MFRS 112 'Income Taxes - Recognition of Deferred Tax Assets for Unrealised Losses' (effective from 1 January 2017) clarify the requirements for recognising deferred tax assets on unrealised losses arising from deductible temporary difference on asset carried at fair value.

  In addition, in evaluating whether an entity will have sufficient taxable profits in future periods against which deductible temporary differences can be utilised, the amendments require an entity to compare the deductible temporary differences with future taxable profits that excludes tax deductions resulting from the reversal of those temporary differences.

  The amendments shall be applied retrospectively.

Financial year beginning on or after 1 July 2018

- MFRS 9 'Financial Instruments' (effective from 1 January 2018) will replace MFRS 139 "Financial Instruments: Recognition and Measurement".

  MFRS 9 retains but simplifies the mixed measurement model in MFRS 139 and establishes three primary measurement categories for financial assets: amortised cost, fair value through profit or loss and fair value through other comprehensive income ("OCI"). The basis of classification depends on the entity's business model and the cash flow characteristics of the financial asset. Investments in equity instruments are always measured at fair value through profit or loss with an irrevocable option at inception to present changes in fair value in OCI (provided the instrument is not held for trading). A debt instrument is measured at amortised cost only if the entity is holding it to collect contractual cash flows and the cash flows represent principal and interest.

  For liabilities, the standard retains most of the MFRS 139 requirements. These include amortised cost accounting for most financial liabilities, with bifurcation of embedded derivatives. The main change is that, in cases where the fair value option is taken for financial liabilities, the part of a fair value change due to an entity's own credit risk is recorded in other comprehensive income rather than the income statement, unless this creates an accounting mismatch.

  MFRS 9 introduces an expected credit loss model on impairment that replaces the incurred loss impairment model used in MFRS 139. The expected credit loss model is forward-looking and eliminates the need for a trigger event to have occurred before credit losses are recognised.

Notes To The Financial Statements

30 June 2016
(continued)

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

(a) Basis of preparation (continued)

Standards and amendments that have been issued but not yet effective (continued)

The Group will apply these new standards and amendments to standards in the following period: (continued)

Financial year beginning on or after 1 July 2018 (continued)

- MFRS 15 'Revenue from contracts with customers' (effective from 1 January 2018 replaces MFRS 118 'Revenue' and MFRS 111 'Construction contracts' and related interpretations. The core principle in MFRS 15 is that an entity recognises revenue to depict the transfer of promised goods or services to the customer in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services.

  Revenue is recognised when a customer obtains control of goods or services, i.e. when the customer has the ability to direct the use of and obtain the benefits from the goods or services.

  A new five-step process is applied before revenue can be recognised:

  (i) Identify contracts with customers;
  (ii) Identify the separate performance obligations;
  (iii) Determine the transaction price of the contract;
  (iv) Allocate the transaction price to each of the separate performance obligations; and
  (v) Recognise the revenue as each performance obligation is satisfied.

  Key provisions of the new standard are as follows:

  (i) Any bundled goods or services that are distinct must be separately recognised, and any discounts or rebates on the contract price must generally be allocated to the separate elements;
  (ii) If the consideration varies (such as for incentives, rebates, performance fees, royalties, success of an outcome etc), minimum amounts of revenue must be recognised if they are not at significant risk of reversal;
  (iii) The point at which revenue is able to be recognised may shift: some revenue which is currently recognised at a point in time at the end of a contract may have to be recognised over the contract term and vice versa;
  (iv) There are new specific rules on licenses, warranties, non-refundable upfront fees, and consignment arrangements, to name a few;
  (v) As with any new standard, there are also increased disclosures.

Financial year beginning on or after 1 July 2019

- MFRS 16 'Leases' (effective from 1 January 2019) supersedes MFRS 117 'Leases' and the related interpretations.

  Under MFRS 16, a lease is a contract (or part of a contract) that conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

  MFRS 16 eliminates the classification of leases by the lessee as either finance leases (on balance sheet) or operating leases (off balance sheet). MFRS 16 requires a lessee to recognise a "right-of-use" of the underlying asset and a lease liability reflecting future lease payments for most leases.

  The right-of-use asset is depreciated in accordance with the principle in MFRS 116 'Property, Plant and Equipment' and the lease liability is accredited over time with interest expense recognised in the income statement.

  For lessors, MFRS 16 retains most of the requirements in MFRS 117. Lessors continue to classify all leases as either operating leases or finance leases and account for them differently.

Notes To The Financial Statements

30 June 2016
(continued)

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

(b) Basis of consolidation

(i) Investment in subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the relevant activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

The Group applies the acquisition method to account for business combinations. The consideration transferred for the acquisition of a subsidiary is the fair values of the assets transferred, the liabilities incurred to the former owners of the acquiree and the equity interests issued by the Group. The consideration transferred includes the fair value of any asset or liability resulting from a contingent consideration arrangementand fair value of any pre-existing equity interest in the subsidiary. Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquiree on an acquisition-by-acquisition basis, either at fair value or at the non-controlling interest's proportionate share of the recognised amounts of acquiree's identifiable net assets.

The excess of the consideration and the amount of any non-controlling interest in the acquiree and the acquisition-date fair value of any previous equity interest in the acquiree over the fair value of the identifiable net assets acquired is recognised as goodwill. If the total of consideration transferred, non-controlling interest recognised and previously held interest measured is less than the fair value of the net assets of the subsidiary acquired in the case of a bargain purchase, the difference is recognised directly in the income statement.

Acquisition-related costs are expensed as incurred.

If the business combination is achieved in stages, the carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date, and any gains or losses arising from such remeasurement are recognised in profit or loss.

Any contingent consideration to be transferred by the Group is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration that is deemed to be an asset or liability is recognised in accordance with MFRS 139 in profit or loss. Contingent consideration that is classified as equity is not remeasured, and its subsequent settlement is accounted for within equity.

Inter-company transactions, balances, income and expenses on transactions between group companies are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, statement of comprehensive income, statement of changes in equity and statement of financial position respectively.

(ii) Changes in ownership interests in subsidiaries without change of control

Transactions with non-controlling interests that do not result in loss of control are accounted for as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in retained earnings.

(iii) Disposal of subsidiaries

When the Group ceases to consolidate because of a loss of control, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss.

Gains or losses on the disposal of subsidiaries include the carrying amount of goodwill relating to the subsidiaries sold.

Notes To The Financial Statements

30 June 2016
(continued)

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

(b) Basis of consolidation (continued)

(iv) Associates

Associates are all entities over which the Group has significant influence but not control or joint control, generally accompanying a shareholding of between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting.

Under the equity method, the investment in an associate is initially recognised at cost, and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the associate in profit or loss, and the Group's share of movements in other comprehensive income of the associate in other comprehensive income. When the Group's share of losses in an associate equals or exceeds its interests in the associate, including any long-term interests that, in substance, form part of the Group's net investment in the associate, the Group does not recognise further losses, unless it has incurred legal or constructive obligations or made payments on behalf of the associate. The Group's investment in associates includes goodwill identified on acquisition.

The Group determines at each reporting date whether there is any objective evidence that the investment in the associate is impaired. An impairment loss is recognised for the amount by which the carrying amount of the associate exceeds its recoverable amount. The Group presents the impairment loss adjacent to 'share of profit/(loss) of an associate' in the income statement.

Profits and losses resulting from upstream and downstream transactions between the Group and its associate are recognised in the Group's financial statements only to the extent of unrelated investor's interests in the associates. Unrealised losses are eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of associates have been changed where necessary to ensure consistency with the policies adopted by the Group.

If the ownership interest in an associate is reduced but significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

Dilution gains and losses arising in investments in associates are recognised in the income statement.

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

In the Company's separate financial statements, investments in subsidiaries, jointly 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.

The amounts due from subsidiaries of which the Company does not expect repayment in the foreseeable future are considered as part of the Company's net investments in the subsidiaries.

(c) Property, plant and equipment

(i) Measurement basis

Property, plant and equipment are initially stated at cost, net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of acquisition of the property, plant and equipment. Land and buildings, plant and machinery and electrical installation are subsequently shown at fair values, based on periodic valuation by external valuers, less subsequent depreciation and impairment losses, with sufficient regularity or when the fair value of the revalued assets differ materially from the carrying values. Any accumulated depreciation at the date of revaluation is eliminated against the gross carrying amount of the asset, and the net amount is restated to the revalued amount of the asset. All other property, plant and equipment are stated at cost less accumulated depreciation and impairment losses.

The cost of an item of property, plant and equipment initially recognised includes its purchase price and any cost that is directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Cost also includes borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying asset. Refer accounting policy Note 2(m) on borrowings and borrowing costs.

Notes To The Financial Statements

30 June 2016
(continued)

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

(c) Property, plant and equipment (continued)

(i) Measurement basis (continued)

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

Increases in the carrying amounts arising on revaluation of land and buildings are recognised, net of tax, in other comprehensive income and accumulated in reserves in shareholders' equity. To the extent that the increase reverses a decrease previously recognised in profit or loss, the increase is first recognised in profit or loss. Decreases that reverse previous increases of the same asset are first recognised in other comprehensive income to the extent of the remaining surplus attributable to the asset; all other decreases are charged to profit or loss. Each year, the difference between depreciation based on the revalued carrying amount of the asset charged to profit or loss and depreciation based on the asset's original cost, net of tax, is reclassified from the property, plant and equipment revaluation surplus to retained earnings.

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

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

The residual values and useful lives of property, plant and equipment are reviewed, and adjusted as appropriate, at each reporting date. The effects of any revision of the residual values and useful lives are included in the profit or loss for the period 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 th e carrying amount exceeds the recoverable amount. See accounting policy Note 2(g) on impairment of non-financial assets.

(ii) Depreciation

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

Leasehold land (leasehold period)	99 years
Buildings	50 years
Plant, machinery and electrical installation	4 – 40 years
Motor vehicles, furniture, fittings and equipment	5 – 10 years

Depreciation on assets under construction (capital work-in-progress) commences when the assets are ready for its intended use.

(d) Investment properties

Investment properties comprising principally land, factory and office buildings are held for long-term rental yields or for capital appreciation or both, and are not occupied by the Group. Investment property is measured initially at its cost, including related transaction costs, including related transaction costs and borrowing costs if the investment property meets the definition of qualifying asset. Costs of the investment property are net of the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of acquisition of the investment property.

After initial recognition, investment properties are carried at their fair values. 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.

Notes To The Financial Statements
30 June 2016
(continued)

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

(d) 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 de-recognised.

Changes in fair values are recognised in the profit or loss. Investment properties are de-recognised 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 will be adjusted to the lower of their carrying amounts and fair value less costs to sell, 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 MFRS 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.

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

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

(f) 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 lease's commencement 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 remainingbalance of the liability. The corresponding rental obligations, net of finance charges, are included in other short-term and 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 if there is no reasonable certainty that the Group will obtain ownership at the end of the lease term.

Initial direct costs incurred by the Group in negotiating and arranging finance leases are added to the carrying amount of the leased assets and recognised as an expense in the profit or loss over the lease term on the same basis as the lease expense.

Notes To The Financial Statements

30 June 2016
(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Leases (continued)

Accounting as lessee (continued)

(ii) Operating leases

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

(g) 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 costs of disposal 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 which are largely independent of the cash inflows from other assets or groups of assets (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.

(h) Financial assets

Classification

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

(i) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss are financial assets that are designated or held for trading. A financial asset is classified in this category if it is acquired principally for the purpose of selling or repurchasing it in the near term. Derivatives are classified as held for trading unless they are designated as hedges. Assets in this category are classified as current assets if expected to be sold 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;
- Its performance is evaluated on a fair value basis, in accordance with a documented risk management or investment strategy; or
- The item is a hybrid contract that contains one or more embedded derivatives.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. If collection of the amounts is expected in one year or less they are classified as current assets. If not, they are presented as non-current assets. The Group's loans and receivables are as disclosed in Note 31 to the financial statements.

Notes To The Financial Statements

30 June 2016
(continued)

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

(h) **Financial assets** (continued)

Classification (continued)

(iii) Available-for-sale financial assets

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

Subsequent measurement – gains and losses

Available-for-sale financial assets and financial assets at fair value through profit or loss are subsequently carried at fair value. Loans and receivables are subsequently carried at amortised cost using the effective interest method.

Changes in the fair values of financial assets at fair value through profit or loss, including the effects of currency translation, interest and dividend income are recognised in the profit or loss in the financial year in which the changes arise.

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

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

Subsequent measurement - impairment of financial assets

(i) Assets carried at amortised costs

The Group assesses at the end of each reporting date whether there is objective evidence that a financial asset or a group of financial assets is impaired. A financial asset or a group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or the group of financial assets that can be reliably estimated.

Evidence of impairment may include indications that the debtors or a group of debtors is experiencing significant financial difficulty, default or delinquency in interest or principal payments, the probability that they will enter bankruptcy or other financial reorganisation, and where observable data indicate that there is a measurable decrease in the estimated future cash flows, such as changes in arrears or economic conditions that correlate with defaults.

The amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The 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.

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

(h) Financial assets (continued)

Subsequent measurement - impairment of financial assets (continued)

(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 in subsequent periods.

De-recognition

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

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

(i) 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. The legally enforceable right must not be contingent on future events and must be enforceable in the normal course of business and in the event of default, insolvency or bankruptcy.

(j) Derivative financial instruments and hedging activities

Derivative financial instruments are initially recognised in the statement of financial position at fair value on the date on which derivative contracts are entered into and are subsequently re-measured at their fair values at each reporting date. Fair values are obtained from quoted market prices in active markets, including recent market transactions and valuation techniques, including discounted cash flow models, as appropriate. All derivatives are carried as assets when fair values are positive and as liabilities when fair values are negative.

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(h) on financial assets.

The Group documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Group also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions have been and will continue to be highly effective in offsetting changes in fair values of hedged items.

(i) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the profit or loss, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk.

The Group applies fair value hedge accounting on forward currency contracts incepted to hedge against purchase obligations in foreign currencies. The resulting fair value gain or loss relating to the hedging instrument and the corresponding hedge item is recognised in the profit or loss.

Notes To The Financial Statements

30 June 2016

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(k) Inventories

Inventories are stated at the lower of cost and net realisable value. Raw material 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 an appropriate proportion of variable and fixed overhead expenditure, the latter being allocated on the basis of normal operating capacity. It excludes borrowing costs. Costs of purchased inventory are determined after deducting rebates, discounts and the amount of goods and services tax (GST), except where the amount of GST incurred is not recoverable from the government. When the amount of GST incurred is not recoverable from the government, the GST is recognised as part of the cost of purchased inventory.

Net realisable value is the estimated selling price in the ordinary course of business, less the cost of completion and the estimated costs necessary to make the sale.

(l) Cash and cash equivalents

For the purpose of the statement of cash flows, cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes. 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,that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value, and bank overdrafts. Bank overdrafts are included within borrowings in current liabilities at the reporting date.

(m) Financial liabilities

The Group and the Company classifies its financial liabilities as other financial liabilities. The classification depends on the purpose for which the financial liabilities were issued. Management determines the classification at initial recognition.

Other financial liabilities of the Group and the Company comprise ‘trade and other payables’, ‘amount owing to subsidiaries’, ‘amount owing to a related company’ and ‘borrowings’.

When other financial liabilities are recognised initially, they are measured at fair value plus directly attributable transaction costs.

Subsequent to initial recognition, other financial liabilities are measured at amortised cost using the effective interest method. Gains and losses are recognised in the profit or loss when the other financial liabilities are de-recognised, and through the amortisation process.

Financial liabilities are de-recognised when the obligation specified in the contract is discharged or cancelled or expired.

Borrowings are recognised initially at 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.

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.

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.

Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all of the facility will be drawn down. In this case, the fee is deferred until the draw-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a pre-payment for liquidity services and amortised over the period of the facility to which it relates.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(n) 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.

Provisions are measured at the present value of management's best estimate of the expenditures expected to be required to settle the obligation using a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the obligation. The increase in the provision due to passage of time is recognised as finance cost expense.

(i) Onerous contracts

The Group recognises a provision for onerous contracts when the expected benefits to be derived from a contract are less than the unavoidable costs of meeting the obligations under the contract.

(o) Share capital

(i) Classification

Both ordinary shares and share premium are classified as equity.

(ii) Share issue costs

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

(iii) Dividend distribution

Liability is recognised for the amount of any dividend declared, being appropriately authorised and no longer at the discretion of the Group, on or before the end of the reporting date but not distributed at the end of the reporting period.

Distributions to holders of an equity instrument are debited directly to equity, net of any related income tax benefit.

(iv) Purchase of own shares

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

(p) Revenue recognition

Revenue is measured at 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 amounts collected on behalf of third parties after eliminating sales within the Group.

The Group recognises revenue when the amount of revenue can be reliably measured, it is probable that future economic benefits will flow to the entity and specific criteria have been met for each of the Group's activities as described below. The amount of revenue is not considered to be reliably measurable until all contingencies relating to the sale have been resolved. The Group bases its estimates on historical results, taking into consideration the type of customer, the type of transaction and the specifics of each arrangement.

(i) Sale of goods

Sale of goods is recognised upon delivery of products and customer acceptance, and performance of after-sales services, if any, net of sales taxes and discounts and after eliminating sales within the Group.

(ii) Processing service income

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

Notes To The Financial Statements

30 June 2016
(continued)

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

(p) Revenue recognition (continued)

(iii) Dividend income

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

(iv) Interest income

Interest income is recognised using the effective interest method. When a loan and receivable is impaired, the Group reduces the carrying amount to its recoverable amount, being the estimated future cash flow discounted at the original effective interest rate of the instrument, and continues unwinding the discount as interest income. Interest income on impaired loan and receivables are recognised using the original effective interest rate.

(v) Rental income

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

(vi) Management fee income

Management fee is recognised on the accrual basis when services are rendered.

(vii) Consultancy and project management revenue

Consultancy and project management is a fee based revenue and is recognised on accrual basis when services are rendered. This category exclude those accounted under construction contracts.

(viii) Construction contracts

Revenue from fixed price construction contracts is recognised based on the 'percentage of completion method' as measured by reference to the cumulative cost incurred to the budgeted total cost to complete the contract.

(q) Employees' benefits

(i) Short-term employee benefits

Wages, salaries, paid annual leave and sick leave, and bonuses that are expected to be settled wholly within 12 months after the end of the period in which the employees render the related service are recognised in respect of employees' services up to the end of the reporting period and are measured at the amounts expected to be paid when the liabilities are settled.

(ii) Defined contribution plan

The Group contributes under statutory obligation 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 period to which they relate. Once the contributions have been paid, the Group has no further payment obligations.

(r) Current and deferred income tax

Tax expense for the period comprises current and deferred income tax. The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses. 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.

Notes To The Financial Statements

30 June 2016
(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(r) Current and deferred income tax (continued)

Deferred tax is provided 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 liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred tax is also 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 profits will be available against which the deductible temporary differences, unused tax losses or unused tax credits can be utilised.

Deferred tax is recognised on temporary differences arising on investments in subsidiaries, 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.

(s) Foreign currencies

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The financial statements are presented in Ringgit Malaysia, which is the Company'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. For practical reasons, the average rate for the month is used as the approximate transaction-date-rate for all transactions in each foreign currency occurring during that period. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit or loss. If the foreign currency transaction was hedge accounted, the transaction would be translated at the original basis-rate of exchange on which it was hedge designated.

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.

(t) Segment reporting

Operating segments are reported in a manner consistent with the requirements of MFRS 8 and with the internal reporting provided to the chief operating decision-maker. The Group's Executive Committee comprising of unit heads and executive directors is responsible for allocating resources and assessing performance of the operating segments.

Notes To The Financial Statements

30 June 2016
(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(u) Contingent liabilities and contingent assets

A contingent liability is a possible obligation that arises from past events whose existence will be confirmed by the occurrence or non-occurrence of one or more uncertain future events beyond the control of the Group and Company or a present obligation that is not recognised because it is not probable that an outflow of resources will be required to settle the obligation. A contingent liability is not recognised when it cannot be measured reliably. However, contingent liabilities do not include financial guarantee contracts.

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

(v) 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.

A financial guarantee contract is recognised as a financial liability at the time the guarantee is issued. Liabilities arising from financial guarantee contracts, including the Group's and the Company's guarantees for its subsidiaries, are initially measured at fair value and subsequently at the higher of the amount determined in accordance with MFRS 137 "Provisions, Contingent Liabilities and Contingent Assets"and the amount initially recognised less cumulative amortisation where appropriate. However, the Group or Company has on-going businesses which provide more than adequate cash inflows to repay its debts as and when these fall due. As the event of default is unlikely, such a guarantee contract does not constitute a financial liability/asset for both the guarantor and guarantee.

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.

(w) Construction contracts

A construction contract is a contract specifically negotiated for the construction of an asset or a combination of assets that are closely interrelated or interdependent in terms of their design, technology and functions or their ultimate purpose or use.

When the outcome of a construction contract can be estimated reliably, contract revenue and contract costs associated with the construction contract is recognised as revenue and expenses respectively by reference to the stage of completion of the contract activity at the end of the reporting period. When it is probable that total contract costs will exceed total contract revenue, the expected loss is recognised as an expense immediately.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable.

Variations in contract work, claims and incentive payments are included in contract revenue to the extent that may have been agreed with the customer and are capable of being reliably measured.

The Group uses the 'percentage-of-completion method' to determine the appropriate amount to recognise in a given period. The stage of completion is measured by reference to the contract costs incurred up to the end of the reporting period as a percentage of total estimated costs for each contract. Costs incurred in the year in connection with future activity on a contract are excluded from contract costs in determining the stage of completion. They are presented as inventories, prepayments or other assets, depending on their nature.

When the outcome of a construction contract cannot be estimated reliably, contract revenue is recognised only to the extent of contract costs incurred that is probable will be recoverable.

The Group presents as an asset the gross amount due from customers for contract work for all contracts in progress for which costs incurred plus recognised profits (less recognised losses) exceed progress billings.

Notes To The Financial Statements

30 June 2016

(continued)

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

(w) Construction contracts (continued)

Progress billings not yet paid by customers and retention are included within 'trade and other receivables'. The Group presents as a liability the gross amount due to customers for contract work for all contracts in progress for which progress billings exceed costs incurred plus recognised profits (less recognised losses).

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) Impairment of Investment in Subsidiaries

Management has made critical estimates and judgements in the impairment assessment on its investment in subsidiaries, as disclosed in Note 15.

(b) Impairment of non-financial assets due to change in circumstances

The Group's Cold Rolled subsidiary has an imminent plan to upgrade a particular processing-line and to replace certain motors of another processing line, where the implementation thereof will result in the carrying revalued amount not being fully recoverable due to the displaced parts or components. The Directors have made certain assumptions in assessing the recoverable amount of those affected lines in-order to determine the appropriate provision for impairment.

(c) Revaluation of property, plant and equipment/fair value of investment properties

The Group appoints independent professional firms to determine the fair valuation of its property, plant and equipment which generally do not have quoted prices in active markets for identical assets. The Directors at the advice of the appointed professional-valuers exercised judgement and made assumptions in the selection and deployment of the most suitable valuation techniques in the ensuing fair value determination (Notes 13 and 14).

(d) Provision with regards to deferred tax assets and liabilities

Provisions made for deferred tax assets and liabilities involves judgement and assumptions. (Note 18)

(e) Amount owing by an associate

The recovery of the amount owing by an associate involves judgement and assumptions. (Note 16(b)(i))

(f) Fair value of financial guarantees

The Company has issued certain corporate guarantees for the benefit of its subsidiaries as disclosed in Note 29. The management has exercised judgment in establishing the view that the chances of these being called upon are remote, and that there is no fair value accreting to the guarantor or the beneficiaries.

(g) Construction contracts

The Group's engineering subsidiary accounts for its construction contracts based on stages of completion as percentage of cost method. Management makes critical estimates and judgement in ascertaining the expected outcome of the contracts; in calculating the stages of completion; and in determining the amounts to be recognised in the financial statements for the current period.

Notes To The Financial Statements

30 June 2016
(continued)

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 optimize value creation for shareholders whilst minimising potential adverse impact arising from its exposure to the various financial risks as discussed hereinafter. Financial risk management is carried out at both functional and operational levels, and is embedded into its policies, processes, and controls where appropriate. This is further reinforced with continuous assessment and improvement on the effectiveness and adequacy of its financial risk management practises by its Executive Committee, internal audit, and the Risk Management Committee which reports to the Board.

Various risk management policies that are made and approved by the Directors for application in day-to-day operations for controlling and managing financial risks are set out below.

(a) Capital risk

The Group's capital management objectives are (i) to ensure the economic deployment of its capital for sustainable returns which in the long run would exceed the cost of capital provision; and (ii) to ensure uninterrupted and adequate supply of capital to fulfil objective (i).

The Group views its equity (shareholders' fund) less intangibles plus interest bearing debts as capital resources, and has a policy to maintain the debt-to-equity ratio below 1.25. Capital deployment amongst the Group's subsidiaries and/or business units is at the purview of the Board, but each of its subsidiaries and/or business units is primarily responsible for the management of its allocated capital subject to the oversight by the group executive management and the Board.

The Group's external borrowings are mainly incepted at the indirectly held Cold Rolled Coil and the Steel Tube subsidiaries, with the Company itself being free from debt gearing since the financial year ended 2014. In that regard, the Group's indirect subsidiaries are subjected to specific financial covenants on minimum adjusted shareholders' funds and maximum allowable 'debt-to-equity' ratio computed at both the entity and at the consolidated levels under their respective debenture. For the reporting period, the Group's steel subsidiaries complied with all the aforementioned capital covenants, and have been capital-sufficient in meeting peak business needs.

The Group's engineering subsidiary however closed the financial year with significant capital risk exposure arising from its negative shareholders' fund of RM9.4 million and a net current liability position of RM10.3 million after making an onerous project loss provision of RM7 million. The Company has extended a financial guarantee (see Note 29(b)(iii)) to the project client of the aforementioned onerous project, and as such ultimately bears the capital risk. The Company has assessed the likelihood of a call on the financial guarantee to be remote, as the Company has the financial means to capitalise its engineering subsidiary to ensure the fulfilment of its contractual obligations whilst seeking variation order claims with its client.

Over the reporting period, equity capital deployed in the Group has increased by around RM34 million (or up 8.4%) whilst interest-bearing-debt capital has decreased by around RM75 million (or down 28%). The Group's debt-equity ratio closed at 0.43 times for the current reporting period compared to 0.66 times at the preceding close.

The Group's invested capital in the Power Associate has been fully depleted with its share of the associate's losses since the 2nd quarter of the preceding financial year. The Group is not liable to any capital replenishment for its Power Associate in the near term as the said associate works toward divesting its power business.

(b) Liquidity risk

Liquidity risk is the risk that the Group's and the Company's financial resources are insufficient to meet financial obligations as and when due or have to be met at excessive cost. The Group's liquidity risk management objective is to ensure that all its committed and foreseeable funding commitments can be met as and when due in a cost effective manner.

The Group's exposure to liquidity risk arises principally from its various payables and borrowings. The Group maintains a level of cash and cash equivalents, and adequate bank facilities to meet its financial liabilities when due. The Group's liquidity risk management is largely decentralised at the respective subsidiaries/business units for timely intervention as funding are raised at the respective subsidiaries' level. As such, each subsidiary has its own unique liquidity risk profile. Nevertheless, the Company's and subsidiaries' liquidity risk management are governed by a common set of Group's practices and policies:

- Maintain sufficient stand-by credit facilities and the continuing support from a diversified range of funding sources /credit providers
- Maintain a strict debt or financial liabilities servicing plan vis-à-vis its cash-flows generated from operations and from maturing financial assets
- Rolling cash-flow planning on weekly, monthly, and annual basis
- Manage the concentration and maturity profile of both financial and non-financial liabilities
- Manage cash conversion cycles and optimise working capital deployment

Notes To The Financial Statements

30 June 2016
(continued)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

The Group's financial obligations as shown in the tables below are mainly short-term (due within 12 months), largely attributed to the short-term nature of the rolling trade financing facilities deployed by its indirectly held Steel Tube and Cold Rolled subsidiaries where their short term bank debts to total bank debts ratio is 99.5% and 88.9% respectively. Their significant reliance on short-term bank trade facilities which are callable on demand poses a degree of liquidity risk. To diversify the risk, the Cold Rolled subsidiary and the Steel Tube subsidiary each has a total trade credit-line of USD38 and USD 12.5 million respectively from key suppliers.

The Group's steel subsidiaries are subjected to certain liquidity covenants such as minimum allowable 'EBITDA to Interest Expense' ratio and 'Debt Service Cover Ratio'. For the current reporting period, the steel subsidiaries complied with the aforementioned liquidity covenants imposed at group and entity levels.

The Group's engineering subsidiary does not have any bank borrowings. However as disclosed in Note 4(a), it ended the financial year with a negative shareholders' fund of RM9.4 million and a net current liability position of RM10.3 million after making an onerous project loss provision of RM7 million. The Company has extended a financial guarantee (see Note 29(b)(iii)) to the project client of the aforementioned onerous project, and as such ultimately bears its liquidity risk. The Company has assessed the likelihood of a call on the financial guarantee to be remote and that the Company has the financial means to fund the engineering subsidiary to ensure the fulfilment of its contractual obligations - whilst it seek variation order claims with its client.

Aside from the above, the Company has also provided a pledged security for its associate (see Note 29(b)(ii)) which it assessed not to post any liquidity risk. The Group and the Company are in net current assets position, and have assessed to be able to meet all their financial obligations when due.

Maturity analysis

The tables below summarise the maturity profile of the Group's financial liabilities as at the end of the reporting date (and the preceding reporting date as comparison) 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
30 June 2016									
Non-derivative financial liabilities									
Bankers' acceptance	68,960,000	5.25% - 7.45%	70,010,322	70,010,322	-	-	-	-	-
Revolving credits	9,600,000	5.45%	9,644,436	9,644,436	-	-	-	-	-
Revolving term loans	2,338,093	6.00%	2,405,159	2,405,159	-	-	-	-	-
Hire-purchase creditors	831,697	2.44% - 3.38%	926,252	374,162	258,356	111,386	48,648	48,648	85,052
Term loans	9,850,078	6.25%	11,421,834	3,805,841	3,517,482	3,326,982	771,529	-	-
Trade payables	99,474,756	2.50% - 5.50%	99,474,756	99,474,756	-	-	-	-	-
Payables and accruals, excluding derivatives	57,196,204		57,196,204	54,130,972	3,065,232	-	-	-	-
Derivative financial liabilities									
Forward contracts	3,263,972		3,263,972	3,263,972	-	-	-	-	-
	251,514,800		254,342,935	243,109,620	6,841,070	3,438,368	820,177	48,648	85,052

Notes To The Financial Statements
30 June 2016
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4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(b) Liquidity risk (continued)

Maturity analysis (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
30 June 2015									
Non-derivative financial liabilities									
Bankers' acceptance	152,921,451	5.24% - 7.44%	154,712,796	154,712,796	-	-	-	-	-
Revolving credits	10,000,000	5.75%	10,141,781	10,141,781	-	-	-	-	-
Revolving term loans	9,893,657	6.00% - 8.00%	10,784,938	-	10,784,938	-	-	-	-
Hire-purchase creditors	567,526	0.21% - 4.99%	610,921	394,531	168,886	47,504	-	-	-
Term loans	13,312,000	6.25% - 8.85%	14,986,557	4,266,822	3,509,332	3,321,832	3,134,332	754,239	-
Trade payables	79,368,887	4.00% - 5.50%	79,368,887	79,368,887	-	-	-	-	-
Payables and accruals, excluding derivatives	24,992,074		24,992,074	24,992,074	-	-	-	-	-
Derivative financial liabilities									
Forward contracts	40,650		40,650	40,650	-	-	-	-	-
	291,096,245		295,638,604	273,917,541	14,463,156	3,369,336	3,134,332	754,239	-

Company	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
30 June 2016								
Non-derivative financial liabilities								
Payables and accruals	2,659,605		2,659,605	2,659,605	-	-	-	-
Amounts owing to subsidiaries	7,024,732		7,024,732	7,024,732	-	-	-	-
	9,684,337		9,684,337	9,684,337	-	-	-	-
Financial guarantees	-		83,920,163	83,920,163	-	-	-	-
30 June 2015								
Non-derivative financial liabilities								
Hire-purchase creditors	132,350	2.98% - 3.05%	138,572	112,092	26,480	-	-	-
Payables and accruals	3,748,909		3,748,909	3,748,909	-	-	-	-
Amounts owing to subsidiaries	4,468,546		4,468,546	4,468,546	-	-	-	-
	8,349,805		8,356,027	8,329,547	26,480	-	-	-
Financial guarantees	-		562,000	562,000	-	-	-	-

Notes To The Financial Statements

30 June 2016
(continued)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk

Credit risk is the risk of financial loss resulting from counterparties' failure to discharge their contractual obligations. The Group's objectives on credit risk management are to minimise the probability of financial loss resulting from any counterparty's default.

The Group's credit risk exposure principally relates to trade receivables, prepayments, and monetary financial assets. At the Company level, credit risk exposure arises principally from amount owing by subsidiaries and an associate. The Group does not extend any loans or financial guarantees to external parties except for its own subsidiaries when permitted by lenders. Credit risk is managed at the respective segments or business entities' level, but Group-wide policies relating to credit control and monitoring such as the following are set centrally.

- Credit evaluations of counterparty and annual review where appropriate
- Establishing credit terms and limits based on financial strength
- Mitigate concentration of credit risk
- Periodic aging review and intervention
- Obtain credit enhancement such as guarantees and indemnities where appropriate
- Credit impairment based on objective evidence

The maximum exposure to credit risk for each class of financial assets is its respective carrying amount as presented in the Statement of Financial Position. Nevertheless, management obtains corporate guarantees and personal indemnities from trade debtors where possible in managing exposure to credit risk.

As at the reporting date, the Group has significant concentration of credit risk in its indirect subsidiaries' trade receivables and an amount owing by the power associate. The Group's and the Company's major classes of financial assets are as disclosed in Note 31 to the financial statements and the credit analysis of these are presented in the tables and notes below.

Details of the Group's financial assets (excluding cash and bank balances) as at the reporting date for the current financial year are set out as follows:

				Past due not impaired					
Group	Total RM	Impaired RM	Neither past due nor impaired RM	< 30 days RM	31 – 60 days RM	61 – 90 days RM	91 -180 days RM	> 181 days RM	Total past due not impaired RM
At 30 June 2016									
Trade receivables	103,329,620	366,401	87,944,711	14,013,125	875,294	110,372	-	19,717	15,018,508
Other receivables	11,796,292	10,401,982	1,394,310	-	-	-	-	-	-
Retention sums	1,875,985	-	1,875,985	-	-	-	-	-	-
Deposits	4,148,802	-	4,148,802	-	-	-	-	-	-
Amount owing by an associate	77,702,415	44,252,415	33,450,000	-	-	-	-	-	-
Derivative financial asset	704,614	-	704,614	-	-	-	-	-	-
	199,557,728	55,020,798	129,518,422	14,013,125	875,294	110,372	-	19,717	15,018,508

				Past due not impaired					
Group	Total RM	Impaired RM	Neither past due nor impaired RM	< 30 days RM	31 – 60 days RM	61 – 90 days RM	91 -180 days RM	> 181 days RM	Total past due not impaired RM
At 30 June 2015									
Trade receivables	100,326,695	411,024	86,322,611	11,086,673	2,080,580	141,603	284,204	-	13,593,060
Other receivables	34,950,938	26,115,867	4,181,512	-	-	-	-	4,653,559	4,653,559
Deposits	336,004	-	336,004	-	-	-	-	-	-
Amount owing by an associate	58,175,393	24,758,322	33,417,071	-	-	-	-	-	-
Derivative financial asset	2,071,229	-	2,071,229	-	-	-	-	-	-
	195,860,259	51,285,213	126,328,427	11,086,673	2,080,580	141,603	284,204	4,653,559	18,246,619

Notes To The Financial Statements

30 June 2016
(continued)

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

Details of the Company's financial assets (excluding cash and bank balances) as at the current financial year's reporting date are set out as follows:

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 2016									
Other receivables	788,593	-	788,593	-	-	-	-	-	-
Deposits	96,150	-	96,150	-	-	-	-	-	-
Amounts owing by subsidiaries	22,495,401	21,979,974	515,427	-	-	-	-	-	-
Amounts owing by an associate	7,333,706	-	7,333,706	-	-	-	-	-	-
	30,713,850	21,979,974	8,733,876	-	-	-	-	-	-
At 30 June 2015									
Other receivables	939,789	-	939,789	-	-	-	-	-	-
Deposits	103,478	-	103,478	-	-	-	-	-	-
Amounts owing by subsidiaries	23,026,741	22,520,011	506,730	-	-	-	-	-	-
Amounts owing by an associate	2,824,893	-	2,824,893	-	-	-	-	-	-
	26,894,901	22,520,011	4,374,890	-	-	-	-	-	-

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

Financial assets under this category generally involved counterparties with stronger credit standing and/or those whose debts are still within the approved credit period. Trade receivables represent the largest financial asset group in this category and are held under the following segments of the Group.

Trade Receivables	Past due but not impaired RM
Cold Rolled Coil	56,158,017
Steel Tube	25,891,947
Engineering	5,894,747
Total	87,944,711

The Group's trade receivables credit term ranges from 15 days to 90 days, similar to the preceding year. None of the Group's trade receivables in this category have been negotiated during the financial year.

Besides the above, there is a net amount of RM33.45 million owing by the Associate to the Group resulting from the divestiture of the Group's controlling stake in the power business back in financial year 2014. This amount is expected to be fully recoverable further to the Associate's divestiture plans of its power businesses/assets (Note 16 and Note 30).

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

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

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

The sole financial asset class necessitating overdue aging is the trade receivables. Trade receivables that are past due but not impaired are represented by the following segments:

Trade Receivables	**Past due but not impaired**
	RM
Cold Rolled Coil	9,337,763
Steel Tube	5,620,447
Engineering	60,298
Total	15,018,508

About 99.6% of the trade receivables in value reported in this category relate to the steel businesses. Of the total steel businesses' overdue outstanding of RM15 million, about RM5.6 million is backed by corporate guarantees and indemnities. Despite the stretched aging which reflects the norm of the industries, these amounts even at late aging are usually collected in full as about 88% of the counterparties have been with the Group for three years and above. As of the approval date of the financial statements, the Group has received 98% of the outstanding amounts from these customers subsequent to the reporting date.

(iii) Financial assets that are impaired

Specific credit impairment is made upon the presence of objective evidence that a counterparty will likely default. The quantum of impairment whether in full or in part would depend on specific circumstances underlying the credit risk.

During the current financial year, the Group's indirect Steel Tube subsidiary made a full impairment on credit rebate receivables amounting to RM475,000 due from a domestic hot rolled coil supplier (classified under other receivables) which abruptly ceased operation. At Company level, the Company made a full impairment on past advance extended to a wholly owned subsidiary amounting to RM1.9 million.

Details of the Group's financial assets that are impaired and the reconciliation of the impairment as at the reporting date (and the preceding date) are set out below:

	Trade receivables	**Other receivables**	**Amount owing by an associate**	**Total**
	RM	**RM**	**RM**	**RM**
Group				
At 30 June 2016				
At gross amounts	103,329,620	11,796,292	77,702,415	192,828,327
Less: Accumulated impairment	(366,401)	(10,401,982)	(44,252,415)	(55,020,798)
	102,963,219	1,394,310	33,450,000	137,807,529
Accumulated impairment:				
At 1 July	411,024	26,115,867	24,758,322	51,285,213
Impairment charge/(write back) for the financial year	-	1,254,865	(870,557)	384,308
Translation differences arising from impairment provision during the financial year	-	3,395,900	-	3,395,900
Assignment of a specific third party receivable to an associate investment of the Group (Note 20)	-	(20,364,650)	20,364,650	-
Written-off	(44,623)	-	-	(44,623)
At 30 June	366,401	10,401,982	44,252,415	55,020,798

Notes To The Financial Statements

30 June 2016
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4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(c) Credit risk (continued)

(iii) Financial assets that are impaired (continued)

	Trade receivables RM	Other receivables RM	Amount owing by an associate RM	Total RM
Group				
At 30 June 2015				
At gross amounts	100,326,695	34,950,938	58,175,393	193,453,026
Less: Accumulated impairment	(411,024)	(26,115,867)	(24,758,322)	(51,285,213)
	99,915,671	8,835,071	33,417,071	142,167,813
Accumulated impairment:				
At 1 July	3,846,067	27,568,864	24,758,322	56,173,253
Write back of impairment upon disposal of a subsidiary	(3,435,043)	(1,452,997)	-	(4,888,040)
At 30 June	411,024	26,115,867	24,758,322	51,285,213

Details of the Company's financial assets that are impaired and the reconciliation of the impairment at the reporting date (and the preceding reporting date) are as set out below:

	Company 2016 RM	Company 2015 RM
Amount owing by subsidiaries		
At gross amounts	22,495,401	23,026,741
Less: Accumulated impairment	(21,979,974)	(22,520,011)
	515,427	506,730
Accumulated impairment:		
At 1 July	22,520,011	136,112,662
Write back of impairment charge for the financial year	(260,000)	(23,233)
Written-off	(280,037)	(113,569,418)
At 30 June	21,979,974	22,520,011

During the current financial year, amounts owing by subsidiaries that were previously impaired amounting to RM280,037 were written-off.

(d) Interest rate risk

Interest rate risk is the risk that the future cash flows and/or fair valuations of the Group's and the Company's interest bearing financial instruments will be negatively impacted due to fluctuation in market interest rates. The Group's objective on interest rate risk management is to achieve a balance between re-pricing risks and minimising its weighted average borrowing cost.

The Group's interest bearing financial instruments are mainly its borrowings incepted at the subsidiaries. These are mainly fixed interest-rate debt instruments in the form of short-term trade facilities (utilised to finance raw coil material purchases and credit sales) which are subject to frequent re-pricing upon rollover every 3 to 4 months. Despite the frequent re-pricing coupled with the weak Ringgit amid threats of interest-rate rise in the United States of America, the domestic re-pricing rate has been relatively stable for the entire financial year 2016. Nevertheless, the concentration of short-term fixed-rate financial liabilities exposes the Group to interest rate re-pricing risk.

4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(d) Interest rate risk (continued)

As at the reporting date, the Group and the Company have immaterial interest bearing assets which comprised mainly of fixed interest bearing short-term deposits and money market placements subject to frequent and stable re-pricing. Neither the Group nor the Company holds any interest-rate derivative during and at the close of the current financial year.

The Group monitors the interest rate environment closely to ensure that borrowings and deposit placements are maintained at favourable rates.

Details of interest bearing liabilities are as follows:

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Fixed rate borrowings	91,579,868	186,132,634	-	132,350
Fixed rate credit from supplier, denominated in USD (Note 24)	82,236,184	63,870,508	-	-
Fixed rate credit from supplier, denominated in RM (Note 24)	17,238,572	15,498,518	-	-
Floating rate borrowings	-	562,000	-	-
	191,054,624	266,063,660	-	132,350

The Group's outstanding interest bearing financial instruments at the close of the current financial year is significantly reduced by around 28% compared to the preceding financial year.

No sensitivity analysis on profit/(loss) arising from floating interest rate movement is provided as the Group does not hold any floating rate financial instruments over the current financial year. On the re-pricing risk impact had the overall interest rates being 1% higher, the Group's loss after tax for financial year 2016 would have been higher by RM1.5 million (2015: RM1.9 million). A 1% lower interest rate would have the equal but opposite effect to the aforementioned amounts.

(e) Foreign currency exchange risk

Foreign currency risk is the risk that the fluctuation of foreign exchange (FX) rates may negatively impact fair value or future cash-flow of financial instruments in currencies other than its own functional currency. The Group's foreign currency risk management objective is to minimise foreign currency exposure on financial instruments that may give rise to fluctuation in fair value or future cash-flows.

The Group's revenue streams from both its subsidiaries are mainly denominated in Ringgit which are their functional currencies. The Cold Rolled subsidiary's raw material coil are however mostly imported from abroad and denominated in USD, whilst the Steel Tube subsidiary's raw material coils are mostly domestically sourced in Ringgit with occasional imports in USD. The Steel Tube operation derives a small portion of its revenue (around 10%) from export sales denominated mainly in SGD. In summary, the Group FX exposure is mainly in USD-short and to a lesser extent SGD-long. The Company is not exposed to any FX risk.

As a policy, the Group would seek natural hedge methods to mitigate its FX exposure before incepting any derivatives as hedging instrument. On this, the Group would hedge at least 50% of its net FX exposure with a matching FX forward contract (depending on the availability of its limited FX facilities with the counterparty banks, and on the length of the forward duration periods) to facilitate future payment in that foreign currency. In this regard, the Group designates qualifying FX hedges for fair value hedge accounting over the reporting period on effective FX forwards incepted to hedge the Group's USD exposure arising from its imported raw materials. These hedges are designated on inception after been tested for prospective effectiveness using the 'dollar-off-set' ratio method. On Steel Tube's affirmed export sales in foreign currencies, the Group would sell forward around 50% of its future foreign currency receivables. But these FX forwards are usually not hedge accounted as they do not fulfil all the criteria for hedge accounting, but are fair valued through profit or loss. Further disclosures are made in Note 21 on derivatives.

Over the financial year 2016, the Ringgit depreciated against the USD by another 6% on-top of the catastrophic decline of around 18% recorded over the preceding financial year 2015. The aforesaid lower FX decline coupled with higher FX hedge coverage for the current financial year averaging 85% (2015: averaging 60%), turned in a lower net foreign exchange loss of RM0.8 million (2015: net foreign exchange loss of RM 5.3 million).

Notes To The Financial Statements

30 June 2016
(continued)

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

(e) **Foreign currency exchange risk** (continued)

A summary of the realised and unrealised gain/(loss) from incepted hedging instruments (beingforeign exchange forwards) and the hedged items (being receivables or payables in foreign currencies) over the twelve months period for the current and the preceding financial year as comparison are outlined below.

	2016			2015		
FX Fair Value	**Unrealised RM'000**	**Realised RM'000**	**Total RM'000**	**Unrealised RM'000**	**Realised RM'000**	**Total RM'000**
FX Hedging Instrument						
Not hedge accounted	39	(41)	(2)	265	1,714	1,979
Hedge accounted	(2,598)	1,503	(1,095)	1,765	2,495	4,260
	(2,559)	1,462	(1,097)	2,030	4,209	6,239
FX Hedged Items						
Not hedge accounted	194	(971)	(777)	(262)	(7,056)	(7,318)
Hedge accounted	2,598	(1,503)	1,095	(1,765)	(2,495)	(4,260)
	2,792	(2,474)	318	(2,027)	(9,551)	(11,578)
Net FX Gain/(Loss)	233	(1,012)	(779)	3	(5,342)	(5,339)

Details of the Group's foreign currencies exposure in its Ringgit Malaysia functional currency as at the reporting date (and preceding financial year's reporting date) are set out in the respective tables below.

	From USD	**From EURO**	**From SGD**	**Total**
Group				
As at 30 June 2016				
Financial assets				
Trade and other receivables	140,681	24,597	2,976,227	3,141,505
Cash and bank balances	710,465	-	771,460	1,481,925
	851,146	24,597	3,747,687	4,623,430
Less: Financial liabilities				
Trade and other payables	(88,102,631)	(29,329)	-	(88,131,960)
Net financial (liabilities)/assets	(87,251,485)	(4,732)	3,747,687	(83,508,530)
Off balance sheet				
Contracted commitments	(78,680,731)	-	-	(78,680,731)
Less: Forward foreign currency contracts at notional value at closing rate	149,586,961	-	(1,625,890)	147,961,071
Net currency exposure	(16,345,255)	(4,732)	2,121,797	(14,228,190)

Notes To The Financial Statements
30 June 2016
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4 FINANCIAL RISK MANAGEMENT OBJECTIVES AND POLICIES (continued)

(e) Foreign currency exchange risk (continued)

Details of the Group's foreign currencies exposure in its Ringgit Malaysia functional currency as at the reporting date (and preceding financial year's reporting date) are set out in the respective tables below. (continued)

	From USD	From EURO	From SGD	From YEN	Total
Group					
As at 30 June 2015					
Financial assets					
Trade and other receivables	571,530	567,502	3,561,936	26,932	4,727,900
Cash and bank balances	351,988	-	1,169,320	-	1,521,308
	923,518	567,502	4,731,256	26,932	6,249,208
Less: Financial liabilities					
Trade and other payables	(63,870,368)	-	-	-	(63,870,368)
Net financial (liabilities)/assets	(62,946,850)	567,502	4,731,256	26,932	(57,621,160)
Off balance sheet					
Contracted commitments	(44,432,522)	-	-	-	(44,432,522)
Less: Forward foreign currency contracts at notional value at closing rate	96,097,780	-	(1,264,320)	-	94,833,460
Net currency exposure	(11,281,592)	567,502	3,466,936	26,932	(7,220,222)

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

The Company does not have any foreign currency exposure for the current financial year ended 30 June 2016.

The following table demonstrates the sensitivity of the Group's profit/(loss) after tax to a reasonably possible change in the US Dollar ("USD"), Euro Dollar ("EURO"), Singapore Dollar ("SGD") and Japanese Yen ("YEN") exchange rates against RM, with all other variables in particular interest rates held constant.

	Increase/(decrease)	
	2016	2015
	RM	RM
Group		
RM appreciates against USD by 3%	372,672	253,836
RM appreciates against EURO by 3%	108	(12,769)
RM appreciates against SGD by 3%	(48,377)	(78,006)
RM appreciates against YEN by 3%	-	(606)

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

Notes To The Financial Statements

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5 FAIR VALUE

The carrying amounts of the following financial assets and liabilities approximate their fair values due to the relatively short-term maturity of these financial instruments: deposits, cash and bank balances, receivables and payables (including non-trade intercompany balances) except for those disclosed below:

Fair value estimation

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

(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)

The following table presents the Group's financial assets/(liabilities) that are measured at fair value on reporting date:

	Level 1 RM	Level 2 RM	Level 3 RM	Total RM
2016				
Assets				
Foreign currency exchange forward contract	-	704,614	-	704,614
Liabilities				
Foreign currency exchange forward contract	-	(3,263,972)	-	(3,263,972)
2015				
Assets				
Foreign currency exchange forward contract	-	2,071,229	-	2,071,229
Liabilities				
Foreign currency exchange forward contract	-	(40,650)	-	(40,650)

The fair value of financial instruments that are not traded in an active market, such as those foreign currency exchange forward contracts held by the Group at the close of the financial year, is determined by way of marking-to-market the underlying variable using published market rates or as quoted by counterparty financial institutions and with the resulting value discounted back to present value if the maturity tenure is material. This valuation technique maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates, and is classified under Level 2. Those foreign currency exchange forward contracts with marked-to-market positive fair value is classified as derivative financial assets, whilst those with marked-to-market negative fair value is classified as derivative financial abilities.

Neither the Group nor the Company holds any financial assets where fair values are assessed at Level 1 and Level 3.

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30 June 2016
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6 REVENUE

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Sale of goods	563,872,212	662,243,003	-	-
Contract revenue [a]	39,394,803	2,477,516		
Consultancy and project services	44,117	943,344	-	-
Processing service income	3,499,130	2,384,234	-	-
Dividend income	-	-	800,000	5,787,118
Rental income	-	-	4,963,860	4,424,310
Management fee	-	-	2,940,000	2,261,000
	606,810,262	668,048,097	8,703,860	12,472,428

[a] Contract revenue from fixed price construction contracts is determined using the Percentage of Completion Method, where the latter is computed based on cost incurred to-date as a percentage of total budgeted cost to completion. Refer to Note 17 on further details on construction contracts in progress.

7 OTHER OPERATING INCOME

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Net (loss)/gain on disposals:				
- property, plant and equipment	(861)	41,286	-	4,000
Rental income	135,326	147,185	-	-
Others	163,654	66,502	88,416	82,530
	298,119	254,973	88,416	86,530

Notes To The Financial Statements

30 June 2016

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8 PROFIT/(LOSS) BEFORE TAX

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
The following expenses have been charged/(credited) in arriving at profit/(loss) before tax:				
Auditors' remuneration:				
- current financial year	612,399	602,102	204,826	198,860
- under accrual in the prior year	33,623	52,481	-	2,212
Non-audit fee	-	110,000	-	-
Property, plant and equipment (Note 13):				
- depreciation	19,653,372	18,149,377	303,072	376,312
- write-offs	695,709	71,230	104,988	2,488
- impairment losses/(write back of impairment losses)	8,025,982	4,387,744	(1,918)	3,510
- loss/(gain) on disposal	861	(41,286)	-	(4,000)
Fair value (gain) on investment properties	-	-	(4,502,944)	(7,150,000)
Staff costs - excluding Directors remuneration	30,331,266	29,957,556	1,247,602	1,206,227
Rental of building	413,976	477,382	130,723	119,754
Impairment losses/(write back of impairment losses):				
- inventories	47,929	75,044	-	-
- investments in subsidiaries (Note 15)	-	-	1,922,526	982,547
- other receivables	1,254,865	-	-	-
- amount owing by subsidiaries (Note 4(c)(iii))	-	-	(260,000)	(23,233)
- amount owing by an associate	(870,557)	-	-	-
Loss/(Gain) on waiver of debts	-	-	65,729	(1,284,100)
Net foreign exchange loss/(gain)				
- realised	1,012,356	5,017,251	-	-
- unrealised	(233,124)	321,169	-	-
Loss on disposal of a subsidiary	-	10,477	-	20,681,818
Provision for onerous contract	7,060,954	-	-	-

The significant item impacting the current financial year's profit before tax at the Group level is the impairment loss provision on property, plant and equipment (see Note 13) of RM8 million (2015: RM4.39 million) and provision for onerous contract of RM7 milion (2015: nil). Whilst at Company level, its current financial year's pre-tax profit is lifted by its fair value gain on investment properties of RM4.5 million (2015: RM7 million) but negated by its impairment of its investment in the engineering subsidiary of RM1.9 million (see Note 15).

Staff costs of the Group and of the Company include contributions to Employee Provident Fund of RM3,340,212 (2015: RM3,203,777) and RM144,764 (2015: RM136,502) respectively.

Notes To The Financial Statements

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9 FINANCE INCOME AND COSTS

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Finance income:				
Interest on deposits with financial institutions	(785,112)	(835,027)	(301,239)	(275,200)
Interest on receivables	-	(2,150,658)	-	-
Net foreign exchange gain[(a)]:				
- unrealised	-	(2,221)	-	-
- realised	-	(158,573)	-	-
Total finance income	(785,112)	(3,146,479)	(301,239)	(275,200)
Finance costs:				
Interest on borrowings	8,463,643	11,487,404	-	-
Interest on hire purchase	46,278	85,047	-	12,508
Interest on suppliers' credit	3,903,757	3,412,070	-	-
Interest expense	12,413,678	14,984,521	-	12,508
Amortisation of construction financing	-	210,361	-	-
Total finance costs	12,413,678	15,194,882	-	12,508
Net finance costs/(income)	11,628,566	12,048,403	(301,239)	(262,692)

(a) Foreign exchange gain/(loss) relating to foreign currency exposure with the banks or corresponding foreign exchange hedging instruments is classified as component of finance income or costs.

10 DIRECTORS' REMUNERATION

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

	Group		Company	
	2016	**2015**	**2016**	**2015**
	RM	**RM**	**RM**	**RM**
Non-executive Directors:				
- fees	430,900	744,146	235,600	221,000
- allowances	140,500	158,000	79,000	80,000
- estimated monetary value of benefits-in-kind	15,376	21,200	-	-
Executive Directors:				
- salaries and bonuses	3,413,636	4,021,401	1,970,861	2,936,013
- allowance	36,000	3,677	36,000	3,677
- estimated monetary value of benefits-in-kind	68,100	97,827	45,400	65,992
- defined contribution plan	413,082	493,755	301,032	440,955
	4,517,594	5,540,006	2,667,893	3,747,637

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10 DIRECTORS' REMUNERATION (continued)

The numbers of Directors of the Company whose total remuneration paid by the Company falling within certain bands are outlined below:

	Number of Directors	
	2016	**2015**
Executive Directors:		
RM 0	1	1
RM850,001 – RM900,000	-	1
RM900,001 – RM950,000	1	-
RM1,100,001 – RM1,150,000	-	1
RM1,450,001 – RM1,500,000	1	1
Non-executive Directors:		
Less than RM50,000	4	4
RM50,001 – RM100,000	3	3

11 TAXATION

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Current tax:				
- Malaysian income tax	3,670,584	474,941	561,187	7,906
- (over)/under accrual in the prior years	(66,889)	(1,800)	77,436	12,633
	3,603,695	473,141	638,623	20,539
Deferred taxation (Note 18):				
- origination and reversal of temporary differences	4,602,728	(2,255,842)	1,148,095	1,093,525
Tax expense/(credit)	8,206,423	(1,782,701)	1,786,718	1,114,064

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

	Group		Company	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Profit/(Loss) before tax	23,065,855	(35,967,406)	5,780,097	(7,934,420)
Tax calculated at the Malaysian tax rate of 24% (2015: 25%)	5,535,805	(8,991,851)	1,387,223	(1,983,605)
Tax effects of:				
- expenses not deductible for tax purposes	2,906,403	7,171,658	576,919	7,303,932
- income not subject to tax	(459,068)	(164,227)	(254,860)	(3,557,737)
- change in tax rate	-	(54,983)	-	(661,159)
- advance payment from a customer	124,800	-	-	-
- tax incentive obtained for double deduction	(75,307)	(201,977)	-	-
- deferred tax not recognised	249,750	460,479	-	-
- utilisation of previously unrecognised tax losses	(9,071)	-	-	-
- under provision in the prior years	(66,889)	(1,800)	77,436	12,633
Tax expense/(credit)	8,206,423	(1,782,701)	1,786,718	1,114,064

11 **TAXATION** (continued)

Under the single-tier tax system which came into effect from the year of assessment 2008, companies in Malaysia are not required to have tax credits under Section 108 of the Income Tax Act, 1967 for dividend payment purposes. Section 108 tax credits for franking of dividends have been disregarded with effect from 31 December 2013. Dividends paid under the current single-tier tax system are tax exempt in the hands of shareholders.

No dividend was declared or paid for the current financial year.

12 **EARNINGS/(LOSS) PER SHARE**

(a) **Basic earnings/(loss) per share**

	Group	
	2016	**2015**
	RM	**RM**
Profit/(Loss) attributable to owners of the Company	8,234,231	(29,549,255)
Weighted average number of ordinary shares in issue (net of treasury shares)	225,522,808	225,522,808
Basic earnings/(loss) per share (sen)	3.65	(13.10)

(b) **Diluted earnings/(loss) per share**

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

13 **PROPERTY, PLANT AND EQUIPMENT**

Group	**Freehold land**	**Leasehold land**	**Buildings**	**Plant, machinery and electrical installation**	**Motor vehicles, furniture, fittings and equipment**	**Capital work-in-progress**	**Total**
	RM	**RM**	**RM**	**RM**	**RM**	**RM**	**RM**
2016							
Cost/Valuation							
At 1 July 2015							
- Cost	-	-	-	-	13,365,335	1,201,480	14,566,815
- Valuation	47,500,000	67,460,000	82,495,765	234,012,521	-	-	431,468,286
	47,500,000	67,460,000	82,495,765	234,012,521	13,365,335	1,201,480	446,035,101
Additions	-	-	47,056	2,784,344	1,432,326	212,019	4,475,745
Disposals	-	-	-	(175,940)	(1,091,134)	-	(1,267,074)
Write-offs	-	-	-	(35,311)	(254,174)	(588,820)	(878,305)
Revaluation during the financial year	5,500,000	7,188,853	1,855,618	204,095	-	-	14,748,566
Effects of elimination of accumulated depreciation on revaluation	-	(1,088,853)	(4,581,541)	(13,009,017)	-	-	(18,679,411)
Transfer	-	-	-	196,000	-	(196,000)	-
At 30 June 2016	53,000,000	73,560,000	79,816,898	223,976,692	13,452,353	628,679	444,434,622

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30 June 2016
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13 PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land	Leasehold land	Buildings	Plant, machinery and electrical installation	Motor vehicles, furniture, fittings and equipment	Capital work-in-progress	Total
	RM	RM	RM	RM	RM	RM	RM
2016							
Accumulated depreciation							
At 1 July 2015	-	-	-	-	8,368,950	-	8,368,950
Charge for the financial year	-	1,088,853	4,581,541	13,055,433	927,545	-	19,653,372
Disposals	-	-	-	(12,172)	(944,389)	-	(956,561)
Write-offs	-	-	-	(34,244)	(148,352)	-	(182,596)
Effects of elimination of accumulated depreciation on revaluation	-	(1,088,853)	(4,581,541)	(13,009,017)	-	-	(18,679,411)
At 30 June 2016	-	-	-	-	8,203,754	-	8,203,754
Accumulated impairment loss							
At 1 July 2015	-	-	240,663	32,067,999	112,694	-	32,421,356
Charge for the financial year (Note 8)	-	-	(28,867)	8,054,849	-	-	8,025,982
Disposals	-	-	-	-	(12,420)	-	(12,420)
At 30 June 2016	-	-	211,796	40,122,848	100,274	-	40,434,918
Net book value							
At 30 June 2016	53,000,000	73,560,000	79,605,102	183,853,844	5,148,325	628,679	395,795,950
Representing							
- Cost	-	-	-	-	5,148,325	628,679	5,777,004
- Valuation	53,000,000	73,560,000	79,605,102	183,853,844	-	-	390,018,946
	53,000,000	73,560,000	79,605,102	183,853,844	5,148,325	628,679	395,795,950

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13 PROPERTY, PLANT AND EQUIPMENT (continued)

Group	Freehold land RM	Leasehold land RM	Buildings RM	Plant, machinery and electrical installation RM	Motor vehicles, furniture, fittings and equipment RM	Capital work-in-progress RM	Total RM
2015							
Cost/Valuation							
At 1 July 2014							
- Cost	-	-	-	-	13,687,992	2,205,109	15,893,101
- Valuation	41,500,000	58,410,000	84,466,897	235,334,376	-	-	419,711,273
	41,500,000	58,410,000	84,466,897	235,334,376	13,687,992	2,205,109	435,604,374
Additions	-	-	-	6,752,057	902,851	2,834,335	10,489,243
Disposals	-	-	-	(58,044)	(1,204,756)	-	(1,262,800)
Disposal of a subsidiary	-	-	-	-	(6,199)	-	(6,199)
Write-offs	-	-	-	(84,038)	(14,553)	-	(98,591)
Revaluation during the financial year	6,000,000	9,978,150	2,280,136	211,245	-	-	18,469,531
Effects of elimination of accumulated depreciation on revaluation	-	(928,150)	(4,251,268)	(11,981,039)	-	-	(17,160,457)
Transfer	-	-	-	3,837,964	-	(3,837,964)	-
At 30 June 2015	47,500,000	67,460,000	82,495,765	234,012,521	13,365,335	1,201,480	446,035,101
Accumulated depreciation							
At 1 July 2014	-	-	-	-	8,180,330	-	8,180,330
Charge for the financial year	-	928,150	4,251,268	12,047,488	922,471	-	18,149,377
Disposals	-	-	-	(51,153)	(715,587)	-	(766,740)
Disposal of a subsidiary	-	-	-	-	(6,199)	-	(6,199)
Write-offs	-	-	-	(15,296)	(12,065)	-	(27,361)
Effects of elimination of accumulated depreciation on revaluation	-	(928,150)	(4,251,268)	(11,981,039)	-	-	(17,160,457)
At 30 June 2015	-	-	-	-	8,368,950	-	8,368,950
Accumulated impairment loss							
At 1 July 2014	-	-	211,796	27,709,122	112,694	-	28,033,612
Charge for the financial year (Note 8)	-	-	28,867	4,358,877	-	-	4,387,744
At 30 June 2015	-	-	240,663	32,067,999	112,694	-	32,421,356
Net book value							
At 30 June 2015	47,500,000	67,460,000	82,255,102	201,944,522	4,883,691	1,201,480	405,244,795
Representing:							
- Cost	-	-	-	-	4,883,691	1,201,480	6,085,171
- Valuation	47,500,000	67,460,000	82,255,102	201,944,522	-	-	399,159,624
	47,500,000	67,460,000	82,255,102	201,944,522	4,883,691	1,201,480	405,244,795

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13 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Building	Plant, machinery and electrical installation	Motor vehicles, furniture, fittings and equipment	Total
	RM	RM	RM	RM
2016				
Cost/valuation				
At 1 July 2015				
- Cost	-	-	2,900,079	2,900,079
- Valuation	111,322	1,038,266	-	1,149,588
	111,322	1,038,266	2,900,079	4,049,667
Additions	-	-	15,704	15,704
Disposals	-	-	-	-
Revaluation during the financial Year	-	18,829	-	18,829
Elimination of accumulated depreciation on revaluation	-	(82,747)	-	(82,747)
Write-off	-	-	(286,376)	(286,376)
At 30 June 2016	111,322	974,348	2,629,407	3,715,077
Accumulated depreciation				
At 1 July 2015	-	-	1,988,096	1,988,096
Charge for the financial year	-	82,747	220,325	303,072
Disposals	-	-	-	-
Elimination of accumulated depreciation on revaluation	-	(82,747)	-	(82,747)
Write-off	-	-	(181,388)	(181,388)
At 30 June 2016	-	-	2,027,033	2,027,033
Accumulated impairment				
At 1 July 2015	-	38,266	80,595	118,861
Charge for the financial year	-	(1,918)	-	(1,918)
At 30 June 2016	-	36,348	80,595	116,943
Net book value				
At 30 June 2016	111,322	938,000	521,779	1,571,101
Representing				
- Cost	-	-	521,779	521,779
- Valuation	111,322	938,000	-	1,049,322
	111,322	938,000	521,779	1,571,101

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13 PROPERTY, PLANT AND EQUIPMENT (continued)

Company	Building	Plant, machinery and electrical installation	Motor vehicles, furniture, fittings and equipment	Total
	RM	RM	RM	RM
2015				
Cost/Valuation				
At 1 July 2014				
- Cost	-	-	3,965,396	3,965,396
- Valuation	111,322	1,086,756	-	1,198,078
	111,322	1,086,756	3,965,396	5,163,474
Additions	-	8,860	6,277	15,137
Disposals	-	-	(1,057,204)	(1,057,204)
Revaluation during the financial year	-	23,999	-	23,999
Elimination of accumulated depreciation on revaluation	-	(81,349)	-	(81,349)
Write-off	-	-	(14,390)	(14,390)
At 30 June 2015	111,322	1,038,266	2,900,079	4,049,667
Accumulated depreciation				
At 1 July 2014	-	-	2,334,793	2,334,793
Charge for the financial year	-	81,349	294,963	376,312
Disposals	-	-	(629,758)	(629,758)
Elimination of accumulated depreciation on revaluation	-	(81,349)	-	(81,349)
Write-off	-	-	(11,902)	(11,902)
At 30 June 2015	-	-	1,988,096	1,988,096
Accumulated impairment				
At 1 July 2014	-	34,756	80,595	115,351
Charge for the financial year	-	3,510	-	3,510
At 30 June 2015	-	38,266	80,595	118,861
Net book value				
At 30 June 2015	111,322	1,000,000	831,388	1,942,710
Representing				
- Cost	-	-	831,388	831,388
- Valuation	111,322	1,000,000	-	1,111,322
	111,322	1,000,000	831,388	1,942,710

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13 PROPERTY, PLANT AND EQUIPMENT (continued)

(i) Valuation of property, plant and equipment

Fair value of the Group's land and building at the end of the financial year as determined by the professional valuers are within level 2 of the fair value hierarchy.

Land and buildings of the Group were revalued in June 2016 by an independent firm of professional valuers, C H Williams Talhar & Wong Sdn Bhd based on an open market value basis.

Fair value of the Group's plant, machinery, and electrical installation at the end of the financial year as determined by the professional valuer is within level 3 of the fair value hierarchy. Please refer to Note 13(iv) for the details of fair value measurements using significant unobservable input (level 3).

Plant, machinery and electrical installation of Melewar Steel Mills Sdn Bhd ("MSM"), a wholly owned subsidiary of the Company, were revalued in the current year by an independent firm of professional valuers, Azmi & Co based on a scrap value as its recoverable amount given that MSM has suspended its production since 2009. Based on the valuation report dated 30 June 2016, the scrap value for the plant and equipment is RM1.2 million. As a result of the revaluation, the Group has recorded a negligible write back of impairment amounting to RM407 as at the reporting date.

The revaluation surplus amounting to RM14,748,566 was credited directly to asset revaluation reserve account and its related deferred taxation arising from the revaluation was provided accordingly (Note 18); whilst, the revaluation deficit amounting to RM1,025,982 was taken up as impairment loss in profit or loss.

At the close of the current financial year, the Group's Cold Rolled subsidiary has an imminent plan to upgrade a certain production line and to replace certain legacy motors of another production line which will affect the said assets' carrying revalued amount. In assessing the affected assets' fair value net disposal of the components to be displaced or its recoverable amount, there is an indication of material impairment which necessitate the recognition of an additional impairment charge of RM7 million, as summarised in the table below, in the statement of comprehensive income for the current financial year.

	All in RM' million		
	Existing Carrying Revalued Amount	**Estimated Fair Value Net Displacement**	**Impairment Provision**
Production Line A: up-grade	22.2	16.6	5.6
Production Line B: motor replacement	4	2.6	1.4
	26.2	19.2	7.0

The net book values of the revalued property, plant and equipment that would have been included in the financial statements had these assets been carried at deemed cost less accumulated depreciation are as follows:

	Group		**Company**	
	2016 RM	**2015 RM**	**2016 RM**	**2015 RM**
Freehold land	31,300,000	31,300,000	-	-
Leasehold land	45,367,369	46,111,895	-	-
Buildings	73,206,220	77,190,304	111,322	111,322
Plant, machinery and electrical installation	207,084,796	221,012,307	910,973	978,586
	356,958,385	375,614,506	1,022,295	1,089,908

13 PROPERTY, PLANT AND EQUIPMENT (continued)

(i) Valuation of property, plant and equipment (continued)

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:

- Freehold land, leasehold land and buildings - open market basis by reference to observable prices in an active market or recent market transactions on arm's length terms (Level 2).
- Plant and machinery - depreciated replacement cost method, which is based on the current cost of reproduction or replacement of an asset less deductions for physical deterioration and all relevant forms of obsolescence and optimisation (Level 3).

(ii) Assets acquired under hire-purchase arrangements

Additions to property, plant and equipment of the Group during the financial year amounting to RM4,475,745 (2015: RM10,489,243) includes those acquired by means of hire-purchase totalling RM885,092 (2015: RM366,421). As at 30 June 2016, the net book value of the assets under hire purchase arrangements in the Group is RM1,287,207 (2015: RM2,072,981)

(iii) Assets pledged as securities

Freehold land, buildings, plant, machinery, electrical installation of subsidiaries with a net book value of RM302.3 million (2015: RM320.4 million) are pledged as securities for certain banking facilities granted to the Group. Refer Note 25 to the financial statements for further details.

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

	Plant, machinery and electrical installation	
	2016	**2015**
	RM	**RM**
Opening balance	201,944,522	207,625,254
Additions	2,784,344	6,752,057
Disposals	(175,940)	(58,044)
Write-offs	(35,311)	(84,038)
Revaluation during the financial year	204,095	211,245
Impairment change for the financial year	(8,054,849)	(4,358,877)
Effects of elimination of accumulated depreciation on revaluation	(13,009,017)	(11,981,039)
Transfer from construction work-in-progress	196,000	3,837,964
Closing balance	183,853,844	201,944,522

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

Description	**Fair value as at 30 June 2016 RM**	**Valuation technique**	**Unobservable inputs**	**Range of unobservable inputs (probability-weighted average)**	**Relationship of unobservable inputs to fair value**
Plant, machinery and electrical installation	183,853,844	Depreciated replacement cost method	Useful life	10 years – 38 years (24)	The longer the useful life, the higher the fair value

Notes To The Financial Statements

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13 PROPERTY, PLANT AND EQUIPMENT (continued)

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

The external valuation of the Level 3 plant and machinery have been performed using depreciated replacement cost approach. The external valuer, in discussion with the Group's management, has determined the unobservable input based on the useful life of the plant and machinery.

If the unobservable input based on the useful life of the plant and machinery increase by one year, the fair value of the plant and machinery will increase by approximately RM13 million.

If the unobservable input based on the useful life of the plant and machinery decrease by one year, the fair value of the plant and machinery will decrease by approximately RM13 million.

14 INVESTMENT PROPERTIES

	Company	
	2016	**2015**
	RM	**RM**
Leasehold land and buildings		
At 1 July	80,950,000	73,800,000
Addition during the financial year	47,056	-
Fair value gain during the financial year (Note 8)	4,502,944	7,150,000
At 30 June	85,500,000	80,950,000

Fair values of the Company's investment property at the end of financial year as determined by the professional valuers are within level 2 of the fair value hierarchy.

Level 2 fair values of the Company's properties have been generally derived using the sales comparison approach. Sales prices of comparable properties in close proximity are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is selling price per square meter.

The Company engages external, independent, and qualified valuers to determine the fair value of the Company's properties at the end of the financial year. The fair values of the properties have been determined by C H Williams Talhar & Wong Sdn Bhd.

The Company has certain investment properties valued at RM60.4 million and a cash deposit of RM9.3 million (2015: RM57.2 million and RM9.0 million) pledged for a Standby Letter of Credit (SBLC) facility of THB384.8 million for the benefit of a former subsidiary (Siam Power) in relation to a performance guarantee (See Note 29).

Direct operating expenses attributable to the rental income generated from investment properties at Company level are RM665,875 (2015: RM756,194).

15 INVESTMENTS IN SUBSIDIARIES

	Company	
	2016	**2015**
	RM	**RM**
Investment in subsidiaries at cost:		
- Quoted shares	77,376,643	77,376,643
- Unquoted shares	82,195,029	82,195,025
	159,571,672	159,571,668
Less: Accumulated impairment losses	(81,525,024)	(79,602,498)
	78,046,648	79,969,170
Market value of quoted shares	95,973,855	57,584,313

Notes To The Financial Statements

30 June 2016
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15 INVESTMENTS IN SUBSIDIARIES (continued)

The movements of investments in subsidiaries are as follows:

	Company	
	2016	**2015**
	RM	**RM**
Carrying investment value as at 1 July	79,969,170	125,633,535
Add: Procurement of subsidiaries' shares pursuant to an internal re-organisation	4	-
Add: 104,545,455 new ordinary shares issued by the listed subsidiary and fair valued at 29 sen/share [a]	-	30,318,182
Less: De-recognition of carrying investment value of the unquoted steel tube subsidiary [b]	-	(75,000,000)
Less: Impairment losses [c] (also see Note 8)	(1,922,526)	(982,547)
Carrying investment value as at 30 June	78,046,648	79,969,170

[a] Increased investment in quoted shares by RM30.3 million arose from new shares issued to the Company by a quoted subsidiary as partial consideration for the injection of the unquoted steel tube subsidiary into the said quoted subsidiary in the preceding financial year

[b] Reduction of investment in the unquoted shares by RM90 million arose from the de-recognition of the net carrying investment value of the steel tube subsidiary of RM75 million (i.e. net of accumulated impairment loss of RM15 million) which was injected into the quoted subsidiary during the preceding financial year.

[c] For the current financial year, the carrying investment value in the unquoted engineering subsidiary (Melewar Integrated Engineering) of RM 1.9 million was fully impaired.

The details of the subsidiaries are as follows:

		Group's effective interest	
Name	**Principal activities**	**2016**	**2015**
		%	%
Mycron Steel Berhad ("MSB") [1]	Investment holding and provision of management services to subsidiaries	71.5	71.5
Melewar Steel Services Sdn Bhd [1]	Property investment	100.0	100.0
Melewar Steel Assets Sdn Bhd [1]	Investment holding	100.0	100.0
Melewar Steel Mills Sdn Bhd ("MSM") [1]	Manufacturing, distributing and trading of steel and iron products	100.0	100.0
Melewar Integrated Engineering Sdn Bhd [1] [3]	Provision of engineering and technical consultancy services	100.0	70.0
Melewar Steel Engineering Sdn Bhd ("MSE") [1]	Investment holding	100.0	100.0
Melewar Industrial Technologies Ltd ("MITL") [2]	Investment holding	100.0	100.0
Melewar Ecology Sdn Bhd ("MEco"]	Dormant	100.0	100.0
Ausgard Quick Assembly Systems Sdn Bhd ("Ausgard") [1] [4]	Manufacturing and supplying of quick assembly homes	100.0	n.a.
Melbina Builders Ltd ("Melbina") [1] [4]	Marketing of quick assembly homes in overseas market	100.0	n.a.

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30 June 2016
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15 INVESTMENTS IN SUBSIDIARIES (continued)

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

Name	Principal activities	Group's effective interest 2016 %	Group's effective interest 2015 %
Subsidiaries of MSB			
Mycron Steel CRC Sdn Bhd [1]	Manufacturing and trading of steel cold rolled coiled sheets	71.5	71.5
Melewar Steel Tube Sdn Bhd [1]	Manufacturing distribution and trading of steel pipes and tubes	71.5	71.5
Subsidiaries of MSCRC			
Silver Victory Sdn Bhd [1]	Trading of steel related products (starting from July 2016)	71.5	71.5
Subsidiary of MSM			
Melewar Mycrosmelt Technology Ltd [2]	Smelting/billet making technology owner	100.0	85.0
Subsidiaries of MITL			
Ausgard Quick Assembly Systems Sdn Bhd ("Ausgard") [1] [4]	Manufacturing and supplying of quick assembly homes	n.a.	100.0
Melbina Builders Ltd ("Melbina") [1] [4]	Marketing of quick assembly homes in overseas market	n.a.	100.0
Subsidiary of MEco			
Melewar Environment Sdn Bhd	Dormant	95.0	95.0

(1) The entity is incorporated in Malaysia and audited by PricewaterhouseCoopers Malaysia
(2) The entity is incorporated in British Virgin Islands and has no statutory audit requirement. The business license of MITL in the British Virgin Island would not be renewed in 2016, and its continuing incorporation would be struck-off
(3) During the current financial year 2016, the Company acquired the remaining 30% equity-stake in MIE for RM1
(4) During the current financial year 2016 in a restructuring exercise, MITL sold its entire equity-stake in Ausgard and Melbina to the Company for a nominal sum of RM2 and RM1 respectively

(a) The details of significant subsidiaries for which an impairment assessment was performed

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

The Company's carrying cost of investment of its 202,050,221 shares (or 71.5% effective holding) in MSB is around RM77.3 million, giving it an average carrying cost per share at 38.3 sens. For the current financial year ended 2016, MSB as a group recorded a net profit of RM24 million with a shareholders' fund of RM335 million, and a market share closing price of 48 sens/share (or 26% higher than the average carrying cost) on 30 June 2016. There is no indication of impairment necessitating further assessment at the close of the current financial year ended 30 June 2016.

(ii) Investment in Melewar Integrated Engineering SdnBhd ("MIE")

During the financial year, the Company acquired the remaining 30% shares not previously owned in MIE for RM1. At the close of the financial year, the Company's cost of investment in MIE amounting to RM1.9 million was assessed for impairment as MIE recorded a net loss of RM9.9 million with a deficit shareholders' fund of RM9.4 million due to loss provision of onerous contract for the current financial year. The Company is satisfied with the existence of objective evidence necessitating the full provision of impairment on its carrying investment amount in MIE and this is taken up in the Company's financial statements accordingly for the financial year ended 30 June 2016.

15 INVESTMENTS IN SUBSIDIARIES (continued)

(b) Information relating to subsidiary with a material non-controlling interest

The summarised consolidated financial information of Mycron Steel Bhd ("MSB") are as follows:

	MSB Group	
	2016	**2015**
	RM	**RM**
Statements of Financial Position		
Current assets	238,950,230	247,651,128
Non-current assets	324,738,504	339,889,851
Current liabilities	(205,143,919)	(259,463,416)
Non-current liabilities	(23,106,033)	(22,214,831)
Net assets	335,438,782	305,862,732
Statements of Comprehensive Income		
Revenue for the financial year	566,809,455	518,341,813
Net profit for the financial year	24,177,842	11,683,170
Total comprehensive income	29,552,656	17,642,446
Net profit for the financial year attributable to non-controlling interests of the Group	6,886,354	3,327,262
Total comprehensive income attributable to non-controlling interests of the Group	8,417,601	5,024,410
Statements of Cash Flows		
Net cash inflows from operating activities	80,706,943	11,574,934
Net cash (outflows)/inflows from investing activities	(5,523,719)	12,678,304
Net cash outflows from financing activities	(87,394,156)	(3,211,039)
Net change in cash and cash equivalents	(12,210,932)	21,042,199

MSB disposed 40,300 of its treasury shares in the open market in May 2016 leaving a balance of 1,000,000 shares held in treasury at the close of the current financial year. The said disposal has an immaterial impact on the Company's effective shareholding percentage on MSB, and on the non-controlling interest's share of the Group's results. If the MSB disposes all its treasury shares, the Company's effective interest in MSB will decline from current 71.5% to 71.26%.

16 INVESTMENT IN ASSOCIATE

(a) Details of Investments

The Group's investments in associate are generally immaterial as its' carrying investment amounts have been fully depleted with its share of the associates' losses. Set out below are details of these immaterial associates as at 30th June 2016:

Name of associate		Place of business/ Country of incorporation	% of ownership interest	Nature of relationship	Measurement method
(i)	Mperial Power Ltd	Labuan, Malaysia	49%	See below	Equity Accounting
(ii)	Jack Nathan Ltd	United Kingdom	45%	See below	Equity Accounting

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16 INVESTMENT IN ASSOCIATE (continued)

(a) Details of Investments (continued)

(i) Mperial Power Ltd ("Mperial")

- Mperial is held directly by Melewar Steel Engineering Sdn Bhd ("MSE"), a wholly owned subsidiary of the Company
- Mperial is a private company and there is no quoted market price available for its shares.
- Mperial was a subsidiary of the Group until 30 April 2014 (financial year ended 30 June 2014), and thereafter an associate.
- Mperial is the holding company for Siam Power Generation Public Company Ltd ("Siam Power"), Siam Power Phase 2 Company Ltd ("Siam Power 2"), Siam Power Phase 3 Company Ltd ("Siam Power 3"), and M-Power TT Ltd ("M-Power") - hereinafter referred to as the 'power associates' or 'Mperial Group' interchangeably.
- Siam Power is in the business of power generation and its owns a 160MW power plant in the Rayong Industrial Park, Ban Khai District, Rayong Province, Thailand.
- Siam Power 2 is currently a dormant company which has been awarded a contract to supply 90MW of power to the Electricity Generating Authority of Thailand (EGAT) commencing from 1 June 2018. Siam Power 2 is to undertake the development, construction, and operation of a new dedicated power plant – adjacent to the existing power plant ("Phase 2").
- Siam Power 3 is a dormant company.
- There are no contingent liabilities relating to the Group's interest in the power associate other than certain pledged assets pending upliftment as disclosed in Note 29(b)(ii).
- Since the Group's carrying investment in the power associate has been fully depleted in the preceding financial year, subsequent losses by the associate is not recognised but is recorded for future set-off against any arising share of gains. Details of the Group's unrecognised share of the power associate losses for the current financial year 2016 amounting to RM189.7 million are as follows:

  Investment in Mperial

	Group	
	2016	**2015**
	RM	**RM**
Unrecognised share of losses/carrying value at 1 July	(84,844)	22,541
Share of net loss	(100,767)	(92,953)
Share of other comprehensive loss	(4,096)	(14,432)
Unrecognised share of losses at 30 June	(189,707)	(84,844)

- The power associate's key asset is the 160MW steam power plant in Thailand held under Siam Power (with a deficit in equity or net liability position of THB5.45 billion (RM615 million) largely due to accumulated bank liabilities and operational losses); and the 'power development and supply rights' held by Siam Power 2. To address the loan defaults under Siam Power, the power associate is working towards divesting its power business/assets in-conjunction with a debt restructuring involving the affected banks.
- After the close of the current financial year, Mperial reported that it has in early September entered into a Sales & Purchase Agreement with a counter-party on the disposal of Siam Power coupled with a debt settlement agreement with the bankers. See Note 30.

16 INVESTMENT IN ASSOCIATE (continued)

(a) Details of Investments (continued)

(ii) Jack Nathan Limited ("JNL")

- JNL is a private limited company incorporated in the United Kingdom ("UK") based out of Amersham. JNL has a paid-up capital of GBP100 comprising of 100 shares.
- JNL has the same financial period end as the Group on 30 June.
- The Group's 45% equity interest in JNL was acquired in July 2015 and is held through its wholly owned subsidiary Melbina Builders Limited ("Melbina"), a company incorporated in Labuan, Malaysia. Melbina does not have control over JNL but exercises significant influence over it to account for its investment as an associate using the Equity method.
- JNL's scope of business is in the trading of building tools and materials, and has spent the most part of the current financial year getting its retail outlet in Amersham, UK readied for business. At the close of the current financial year, JNL has not commenced operation but has recorded a pre-operation loss of GBP100,000 (RM611,000) for the financial year. JNL is exempted from audit under the UK laws for small private limited companies.
- The Group's objective for its immaterial associate investment in JNL is to establish a foothold in the UK market to promote its' exports of steel tubes and pipes.
- As at the close of the current financial year, the Group's carrying investment in JNL is fully depleted with its share of the JNL's loss. Shared losses that cannot be supported by its carrying investment are not recognised by the Group but are recorded for future set-off against any arising share of future gains. Details of the Group's unrecognised share of JNL's losses for the current financial year 2016 amounting to RM243,000 are as follows:

Investment in JNL

	Group	
	2016	**2015**
	RM	**RM**
Carrying value at date of investment	264	-
Share of net loss	(275,112)	-
Share of other comprehensive income	31,826	-
Unrecognised share of losses at 30 June	(243,022)	-

(b) Amount owing by associates

(i) Mperial Power Ltd ("Mperial")

	2016	**2015**
	RM	**RM**
At gross amounts	77,702,415	58,175,393
Accumulated impairment losses	(44,252,415)	(24,758,322)
	33,450,000	33,417,071

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30 June 2016
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16 INVESTMENT IN ASSOCIATE (continued)

(b) Amount owing by associates (continued)

(i) Mperial Power Ltd ("Mperial") (continued)

Accumulated impairment losses:

	2016 RM	2015 RM
At 1 July	24,758,322	24,758,322
Assignment of receivable	20,364,650	-
Write back of impairment loss during the financial year	(870,557)	-
At 30 June	44,252,415	24,758,322

The Group's subsidiary had on 1 June 2016 accepted an assignment by a specific third party debtor (assignor) to the associate (assignee) with a gross receivable amount of RM24,818,209 less accumulated impairment losses of RM20,364,650, subject to the specific third party debtor's continuing guarantee of the said debt sum.

After the close of the current financial year, Mperial reported that it has in early September entered into a 'Transaction Agreement' with an external foreign party ("buyer") on the disposal of Siam Power coupled with a debt settlement agreement with bankers (see Note 30). A write back of impairment loss amounting to RM870,557 was made as the anticipated recovery of the aforementioned net impaired sum is expected to be around RM33.45 million. In this regard, Mperial has before the issuance date of this report repaid RM20 million of the said anticipated recovery sum to the Group.

(ii) Jack Nathan Limited ("JNL")

At the close of the current financial year, the UK associate does not owe the Group any monies, even-though its main source of pre-operation funding has been from private debts. JNL's unaudited statement of financial position for the financial year ended 30 June 2016 recorded debt borrowings amounting to GBP130,000 (RM701,000) under long-term liabilities.

17 CONSTRUCTION CONTRACTS-IN-PROGRESS

Status of those construction contracts undertaken by the Group's subsidiaries at the close of the current and preceding financial years are as follows:

	2016 RM	2015 RM
Contract costs incurred to-date	41,403,962	2,183,557
Provision for onerous contract	7,060,954	-
Attributable profit less recognised losses	(6,716,450)	183,959
Contract Revenue recognised	41,748,466	2,367,516
Less Progress billings to-date	(51,244,606)	(6,781,248)
Amount due to customers	(9,496,140)	(4,413,732)
Amount due from customers	1,376,965	-
Amount due (to) customers	(10,873,105)	(4,413,732)
Net amount due to customers	(9,496,140)	(4,413,732)
Comprising:		
Contract Revenue recognised	41,748,466	2,367,516
Less Contract costs recognised	(41,403,962)	(2,183,557)
Less Expected losses recognised [(a)]	(7,060,954)	-
Recognised profits	(6,716,450)	183,959

(a) For the financial year 2016, its Engineering subsidiary has made an expected loss recognition for an onerous contract amounting to RM7 million (See Note 8).

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	
	2016	2015	2016	2015
	RM	RM	RM	RM
Deferred tax assets	2,721,294	2,795,371	-	-
Deferred tax liabilities	(37,901,581)	(30,878,276)	(18,741,342)	(17,588,728)
	(35,180,287)	(28,082,905)	(18,741,342)	(17,588,728)
At 1 July	(28,082,905)	(26,863,844)	(17,588,728)	(16,490,117)
(Charged)/credited to the profit or loss (Note 11):				
- property, plant and equipment	(4,524,369)	3,630,275	23,613	64,959
- investment properties	-	-	(1,171,708)	(1,158,484)
- unutilised reinvestment allowance	-	(795,698)	-	-
- unutilised tax losses	(62,399)	(602,922)	-	-
- other payables and accruals	(15,960)	24,187	-	-
	(4,602,728)	2,255,842	(1,148,095)	(1,093,525)
Debited to asset revaluation reserve:				
- property, plant and equipment	(2,494,654)	(3,474,903)	(4,519)	(5,086)
	(2,494,654)	(3,474,903)	(4,519)	(5,086)
	(7,097,382)	(1,219,061)	(1,152,614)	(1,098,611)
At 30 June	(35,180,287)	(28,082,905)	(18,741,342)	(17,588,728)
Subject to income tax:				
Deferred tax assets (before offsetting):				
- unutilised reinvestment allowance	19,096,762	19,096,762	-	-
- unutilised tax losses	8,844,959	8,907,358	-	-
- other payables and accruals	16,877	32,837	-	-
	27,958,598	28,036,957	-	-
Offsetting	(25,237,304)	(25,241,586)	-	-
Deferred tax assets (after offsetting)	2,721,294	2,795,371	-	-
Deferred tax liabilities (before offsetting):				
- property, plant and equipment	(61,198,372)	(54,454,349)	(214,443)	(233,537)
- investment properties	-	-	(18,526,899)	(17,355,191)
	(61,198,372)	(54,454,349)	(18,741,342)	(17,588,728)
Offsetting	25,237,304	25,241,586	-	-
Subject to real property gains tax				
Deferred tax liabilities:				
- freehold land	(1,940,513)	(1,665,513)	-	-
Deferred tax liabilities (after offsetting)	(37,901,581)	(30,878,276)	(18,741,342)	(17,588,728)

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30 June 2016
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18 DEFERRED TAX (continued)

The amount of unutilised tax losses not recognised (with no expiry dates) for which no deferred tax assets is recognised in the statements of financial position are as follows:

	Group	
	2016	2015
	RM	RM
Deductible temporary differences	6,321,433	11,896
Unutilised tax losses	4,288,560	12,062,363
Unutilised capital allowances	12,120,590	11,656,921

19 INVENTORIES

	Group	
	2016	2015
	RM	RM
Raw materials	34,481,742	49,340,757
Goods-in-transit	25,486,898	-
Work-in-progress	2,180,812	2,827,370
Finished goods	33,800,442	34,971,627
Consumables	2,125,510	2,119,863
	98,075,404	89,259,617

20 TRADE AND OTHER RECEIVABLES

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Current				
Trade receivables [(a)]	103,329,620	100,326,695	-	-
Less: Accumulated impairment losses	(366,401)	(411,024)	-	-
	102,963,219	99,915,671	-	-
Other receivables [(b)]	11,796,292	34,950,938	788,593	939,789
Less: Accumulated impairment losses	(10,401,982)	(26,115,867)	-	-
	1,394,310	8,835,071	788,593	939,789
Retention sums	1,875,985	-	-	-
Deposits	4,148,802	336,004	96,150	103,478
Prepayments	2,351,912	2,584,007	154,228	101,537
	8,376,699	2,920,011	250,378	205,015
Total current trade and other receivables	112,734,228	111,670,753	1,038,971	1,144,804

(a) The trade receivables include the amount due from customers arising from construction contracts of RM1.4 million (2015: nil). See Note 17.

(b) On 1 June 2016, the Group consented to an assignment by a non-trade debtor of its impaired debt liability owing to the Group of RM4,453,599 to be owing from Mperial in a debt reorganisation exercise involving the said power associate. As a result, the carrying amount under 'other receivables' of THB215,258,325 or equivalent RM24,818,209 and the corresponding 'accumulated impairment losses' of RM20,364,650 are relinquished, with the net impaired sum added on to the debt owing by Mperial which is carried in the books of the Group under 'Amount Owing by an Associate' (see Note 16(b)) and denominated in Ringgit Malaysia at the close of the current financial year.

Notes To The Financial Statements

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21 DERIVATIVES

The Group's derivatives comprise solely of Currency Exchange Forward Contracts incepted to hedge its foreign currency exposures arising from forward purchases of raw materials in USD and to a lesser extent export sales in SGD. See Note 4(e). These Currency Exchange Forward Contracts generally have a maturity period of less than 6 months and their fair values are classified under current assets/(liabilities) by way of marking-to-market.

Foreign currency hedges which meet qualifying criteria under MFRS139 are designated on inception for fair value hedge accounting where the changes in fair value for both the hedge items and the hedge instruments are charged to the Statement of Comprehensive Income, and closing fair values are recognised in the Statement of Financial Position as either current financial assets or liabilities.

	Group			
	2016		2015	
	Assets RM	Liabilities RM	Assets RM	Liabilities RM
Forward foreign currency exchange contract – fair value through profit and loss	73,142	(34,265)	306,411	(40,650)
Forward foreign currency exchange contract – fair value hedge	631,472	(3,229,707)	1,764,818	-
	704,614	(3,263,972)	2,071,229	(40,650)

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

(i) Derivatives designated and fair value hedge accounted as at 30 June 2016

Forward foreign currency exchange contracts as hedge instrument					Contracted payment obligation and/or a/c payables as hedge item				
			Fair value					Fair value	
Maturity period of contract	Notional value long USD	Average contracted rate USD/RM	Financial assets RM	Financial liabilities RM	Maturity period of contract	Notional value short USD	Average basis rate USD/RM	Financial assets RM	Financial liabilities RM
July 2016	9,777,524	4.2108	45,300	(1,820,037)	July 2016	9,777,524	4.2108	1,820,037	(45,300)
August 2016	4,638,616	4.1159	-	(363,782)	August 2016	4,638,616	4.1159	363,782	-
September 2016	5,153,112	4.1239	109,528	(521,699)	September 2016	5,153,112	4.1239	521,699	(109,528)
October 2016	4,923,570	3.9634	476,644	-	October 2016	4,923,570	3.9634	-	(476,644)
November 2016	7,205,373	4.1113	-	(358,586)	November 2016	7,205,373	4.1113	358,586	-
December 2016	3,007,752	4.1206	-	(165,603)	December 2016	3,007,752	4.1206	165,603	-
Total	34,705,947		631,472	(3,229,707)	Total	34,705,947		3,229,707	(631,472)

Net fair value loss from the hedging instruments of RM2.6 million and the corresponding net fair value gain from the hedged item of RM2.6 million are taken-up in the statement of profit or loss.

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

Notes To The Financial Statements
30 June 2016
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21 DERIVATIVES (continued)

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

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

Forward foreign currency exchange contracts as hedge instrument					Contracted payment obligation and/or a/c payables as hedge item				
			Fair value					Fair value	
Maturity period of contract	Notional value long USD	Average contracted rate USD/RM	Financial assets RM	Financial liabilities RM	Maturity period of contract	Notional value short USD	Average basis rate USD/RM	Financial assets RM	Financial liabilities RM
July 2015	9,440,000	3.6977	809,080	-	July 2015	9,440,000	3.6977	-	(809,080)
August 2015	3,442,300	3.7401	212,063	-	August 2015	3,442,300	3.7401	-	(212,063)
September 2015	3,050,000	3.6921	330,570	-	September 2015	3,050,000	3.6921	-	(330,570)
October 2015	1,480,000	3.6760	193,880	-	October 2015	1,480,000	3.6760	-	(193,880)
November 2015	3,700,000	3.7554	219,225	-	November 2015	3,700,000	3.7554	-	(219,225)
Total	21,112,300		1,764,818	-	Total	21,112,300			(1,764,818)

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

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

(iii) Derivatives not designated and not hedge accounted

As at 30 June 2016

			Fair value	
Maturity period of contract	Notional value long USD	Average contracted rate USD/RM	Financial assets RM	Financial liabilities RM
July 2016	580,985	3.9875	24,725	(1,860)
August 2016	1,062,049	4.0245	31,130	(11,783)
September 2016	323,701	4.0898	9,271	(4,252)
November 2016	294,272	4.0652	882	-
Total	2,261,007		66,008	(17,895)

			Fair value	
Maturity period of contract	Notional value short SGD	Average contracted rate SGD/RM	Financial assets RM	Financial liabilities RM
July 2016	160,000	2.9874	3,850	(2,000)
August 2016	100,000	2.9639	1,763	(3,250)
September 2016	100,000	2.9286	38	(5,734)
October 2016	110,000	2.9826	1,483	(2,198)
November 2016	75,000	2.9512	-	(3,188)
Total	545,000		7,134	(16,370)

Notes To The Financial Statements

30 June 2016
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21 DERIVATIVES (continued)

(iii) Derivatives not designated and not hedge accounted (continued)

As at 30 June 2015

Forward foreign currency exchange contracts as hedge instrument

			Fair value	
Maturity period of contract	**Notional value long USD**	**Average contracted rate USD/RM**	**Financial assets RM**	**Financial liabilities RM**
July 2015	4,172,386	3.7112	300,279	-
August 2015	49,373	3.6850	5,184	-
September 2015	8,491	3.6835	948	-
Total	4,230,250		306,411	-

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

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

Besides the abovementioned unrealised marked-to-market position of the currency derivatives as at the close of the financial year, the Group has recorded a total realised net gain of around RM1.5 million from its FX Forward Contracts incepted for hedging purposes over the current financial year (2015: gain RM4.2 million).

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22 AMOUNT OWING BY/(TO) SUBSIDIARIES

The amount owing by/(to) subsidiaries are generally unsecured and interest free. Inter-company balances which are trade in nature are subject to credit terms between 30 to 90 days (2015: 30 to 90 days) whilst, non-trade transactions are repayable upon demand. For the current and the comparative preceding reporting period, there are no outstanding in-relation to trade.

	Company	
	2016 RM	2015 RM
Amounts owing by subsidiaries [a]:		
Non-trade	22,495,401	23,026,741
	22,495,401	23,026,741
Less: Accumulated impairment losses (Note 4(c)(iii))	(21,979,974)	(22,520,011)
	515,427	506,730
Amounts owing to subsidiaries [b]:		
Non-trade	(7,024,732)	(4,468,546)
	(7,024,732)	(4,468,546)

[a] The 'amounts owing by subsidiaries' for the current financial year comprises of various non-trade miscellaneous items including charge-back on payments the Company made on behalf of certain subsidiaries. The preceding financial year reflects the accumulated prior financial years' owing and the corresponding accumulated waiver or impairment losses made.

[b] The 'amounts owing to subsidiaries' for the current financial year comprises of various non-trade owing by the Company to the steel subsidiaries accumulated from the preceding financial year's balance.

23 CASH AND CASH EQUIVALENTS

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Deposits with licensed financial institutions	39,475,026	24,397,197	9,329,916	9,035,459
Cash and bank balances	12,068,236	29,689,569	439,527	545,226
	51,543,262	54,086,766	9,769,443	9,580,685
Less: Restricted cash	(9,329,916)	(9,035,459)	(9,329,916)	(9,035,459)
	42,213,346	45,051,307	439,527	545,226

At the reporting date, "restricted cash" comprises of a bank deposit placement pledged as security since financial year 2011 for the issuance of a performance bond or bank guarantee on behalf of an associate. See Note 16(a)(i) and Note 29.

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

	Group		Company	
	2016 % per annum	2015 % per annum	2016 % per annum	2015 % per annum
Deposits with licensed financial institutions	2.86	2.87	3.25	3.25
Cash and bank balances	2.59	1.96	1.85	1.75

Unrestricted deposits with licensed financial institutions have an average maturity period of 4 days (2015: 4 days).

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24 TRADE AND OTHER PAYABLES

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Non-current				
Other payables	3,065,232	-	-	-
Current				
Trade payables	109,782,032	80,174,919	-	-
Other payables	24,209,221	14,302,879	1,481,234	2,603,662
Provision and accruals	19,614,475	9,883,163	360,871	327,747
Deposits received	-	-	817,500	817,500
Total – Current	153,605,728	104,360,961	2,659,605	3,748,909
Total – Current and Non-current	**156,670,960**	**104,360,961**	**2,659,605**	**3,748,909**

Trade payables include interest bearing suppliers' credit relating to the steel businesses amounting to RM99.5 million (2015: RM79.4 million). These credit facilities have interest bearing credit periods ranging between 120 days to150 days (2015: 150 days). The other payables also include amount due to customers arising from construction contracts of RM10.9 million. (2015: RM4.4 million)

The remaining trade and other payables are generally interest free and within accorded interest free credit periods ranging between 7 to 90 days (2015: 7 to 90 days).

25 BORROWINGS

The Company does not have any borrowings from financial institutions. The Group's borrowings are mainly incepted by its Cold Rolled and the Steel Tube subsidiaries respectively under secured debentures.

	Group		Company	
	2016 RM	2015 RM	2016 RM	2015 RM
Current				
Bankers' acceptance	68,960,000	152,921,451	-	-
Revolving credits	9,600,000	10,000,000	-	-
Hire-purchase creditors	340,433	363,883	-	106,575
Term loans	5,438,171	3,562,000	-	-
	84,338,604	166,847,334	-	106,575
Non-current				
Hire-purchase creditors	491,264	203,643	-	25,775
Term loans	6,750,000	19,643,657	-	-
	7,241,264	19,847,300	-	25,775
Total				
Bankers' acceptance	68,960,000	152,921,451	-	-
Revolving credits	9,600,000	10,000,000	-	-
Hire-purchase creditors	831,697	567,526	-	132,350
Term loans	12,188,171	23,205,657	-	-
	91,579,868	186,694,634	-	132,350

The Group's total interest cost attributed to the above borrowings for the current financial year is RM8.5 million (2015: RM11.5 million).

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30 June 2016
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25 BORROWINGS (continued)

Contractual terms of borrowings

	Contractual interest rate at reporting date (per annum)	Functional currency/ currency exposure	Total carrying amount	Maturity profile					
				< 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	> 5 years
			RM	RM	RM	RM	RM	RM	RM
Group									
At 30 June 2016									
Unsecured									
- Term loan	6.00%	RM	2,338,093	2,338,093	-	-	-	-	-
Secured									
- Bankers' acceptance [(a)]	5.25% - 7.45%	RM	19,760,000	19,760,000	-	-	-	-	-
- Bankers' acceptance [(a)]	5.55% - 5.75%	RM	49,200,000	49,200,000	-	-	-	-	-
- Revolving credits [(a)]	5.45%	RM	9,600,000	9,600,000	-	-	-	-	-
- Hire-purchase creditors	2.44% - 3.38%	RM	831,697	340,433	237,888	100,200	40,869	40,869	71,438
- Term loan [(a)]	6.25%	RM	9,850,078	3,100,078	3,000,000	3,000,000	750,000	-	-
			91,579,868	84,338,604	3,237,888	3,100,200	790,869	40,869	71,438

(a) The securities provided under the Cold Rolled's debenture cover fixed charge over its land, building and equipment, and floating charge over most of its current assets. The securities provided under the Steel Tube's debenture cover fixed charge over its plant and equipment, and floating charge over most of its current assets (Note 13(iii)).

	Contractual interest rate at reporting date (per annum)	Functional currency/ currency exposure	Total carrying amount	Maturity profile					
				< 1 year	1 - 2 years	2 - 3 years	3 - 4 years	4 - 5 years	> 5 years
			RM	RM	RM	RM	RM	RM	RM
Group									
At 30 June 2015									
Unsecured									
- Revolving term loan	8.00%	RM	7,691,576	-	7,691,576	-	-	-	-
- Term loan	6.00%	RM	2,202,081	-	-	2,202,081	-	-	-
Secured									
- Bankers' acceptance [(i)]	5.45% - 5.60%	RM	103,100,000	103,100,000	-	-	-	-	-
- Bankers' acceptance [(i)]	5.24% - 7.44%	RM	49,821,451	49,821,451	-	-	-	-	-
- Revolving credits [(i)]	5.75%	RM	10,000,000	10,000,000	-	-	-	-	-
- Hire-purchase creditors	0.21% - 4.99%	RM	567,526	363,883	159,346	44,297	-	-	-
- Term loan [(i)]	6.25%	RM	12,750,000	3,000,000	3,000,000	3,000,000	3,000,000	750,000	-
- Term loan [(ii)]	8.80%	RM	562,000	562,000	-	-	-	-	-
			186,694,634	166,847,334	10,850,922	5,246,378	3,000,000	750,000	-

(i) The securities provided under the Cold Rolled's debenture cover fixed charge over its land, building and equipment, and floating charge over most of its current assets. The securities provided under the Steel Tube's debenture cover fixed charge over its plant and equipment, and floating charge over most of its current assets (Note 13(iii)).

(ii) Secured by way of a debenture with fixed charge on the billet plant and machinery.

Notes To The Financial Statements

30 June 2016
(continued)

25 BORROWINGS (continued)

Contractual terms of borrowings (continued)

	2016 RM	2015 RM
Group		
Total carrying amount		
Unsecured	2,338,093	9,893,657
Secured	89,241,775	176,800,977
	91,579,868	186,694,634

	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
Company						
At 30 June 2016						
Secured						
- Hire-purchase creditors	-	RM	-	-	-	-
			-	-	-	-
At 30 June 2015						
Secured						
- Hire-purchase creditors	2.98% - 3.05%	RM	132,350	106,575	25,775	-
			132,250	106,575	25,775	-

For the financial year 2016, all banks' covenants in relation to the borrowings are duly complied as detailed in Notes 4(a) and (b).

At Amortised Cost

The carrying amount 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			
	2016 Carrying amount RM	2016 Fair value RM	2015 Carrying amount RM	2015 Fair value RM
Revolving term loan	-	-	7,691,576	7,714,904
Term loan	-	-	2,202,081	2,019,730
Hire-purchase creditors	491,264	450,028	203,643	192,933

Notes To The Financial Statements

30 June 2016
(continued)

25 BORROWINGS (continued)

At Amortised Cost (continued)

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

	Group		Company	
	2016	2015	2016	2015
	% per annum	% per annum	% per annum	% per annum
Bankers' acceptance	5.85	5.89	-	-
Revolving credits	5.45	5.75	-	-
Hire-purchase creditors	2.84	3.21	-	3.00
Term loans	6.35	6.96	-	-

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

	Group		Company	
	2016	2015	2016	2015
	RM	RM	RM	RM
Not later than 1 year	374,162	394,531	-	112,092
Later than 1 year and not later than 2 years	258,356	168,886	-	26,480
Later than 2 years	293,734	47,504	-	-
	926,252	610,921	-	138,572
Less: Future finance charges	(94,555)	(43,395)	-	(6,222)
Present value	831,697	567,526	-	132,350
Analysed as:				
Current	340,433	363,883	-	106,575
Non-current	491,264	203,643	-	25,775
Present value	831,697	567,526	-	132,350

26 SHARE CAPITAL

	Group/Company			
	30 June 2016		30 June 2015	
	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

Notes To The Financial Statements

30 June 2016
(continued)

26 SHARE CAPITAL (continued)

Treasury shares of the Company

The shareholders of the Company, by an ordinary resolution passed in the last Annual General Meeting held on 30 November 2015, approved the renewal of authorisation for the Company to repurchase its own shares. Over the current financial year, the Company did not exercise any share buy back.

At the reporting date, the Company is holding 1,232,600 treasury shares at the carrying value of RM2,042,193. The number of outstanding shares in issue after setting off the treasury shares against equity is the same as the preceding financial year end at 225,522,808 shares.

27 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' Yaacob Khyra, 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 companies are deemed to be the related parties to the Group:

- Trace Management Services SdnBhd
- MAA Takaful Berhad
- MAA Corporation SdnBhd

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 based on agreed terms and prices are as follows:

Entity	Type of transaction	2016 RM	2015 RM
Group			
Non-trade related – paid/payable			
Trace Management Services Sdn Bhd	Corporate secretarial services	440,419	384,274
MAA Takaful Berhad	Insurance	1,570,181	1,904,375
MAA Corporation Sdn Bhd	Rental and utilities	104,654	93,239

Entity	Type of transaction	2016 RM	2015 RM
Company			
Trade related – received/receivable			
Melewar Steel Tube Sdn Bhd	Rental income	4,963,860	4,424,310
Management fee income	Management fee income	1,320,000	900,000
Mycron Steel CRC Sdn Bhd	Management fees income	1,320,000	1,236,000

Notes To The Financial Statements

30 June 2016
(continued)

27 SIGNIFICANT RELATED PARTY TRANSACTIONS (continued)

(a) Transactions with related parties during the financial year based on agreed terms and prices are as follows: (continued)

Entity	Type of transaction	2016 RM	2015 RM
Company			
Trade related – paid/payable			
Trace Management Services Sdn Bhd	Corporate secretarial services	231,821	192,644
MAA Takaful Berhad	Insurance	295,428	260,015
MAA Corporation Sdn Bhd	Rental and utilities	104,654	93,239
Non-trade related – received/receivable			
Mycron Steel CRC Sdn Bhd	Advances given/(repaid)	1,750,750	(148,170)
Melewar Steel Tube Sdn Bhd	Advances given	814,415	2,064,651
	Assumed debts	-	(24,000,000)
Melewar Steel Services Sdn Bhd	Advances (repaid)	-	(5,804,148)
Melewar Steel Assets Sdn Bhd	Advances (waived)	-	(1,299,329)
Melewar Integrated Engineering Sdn Bhd	Advances given/(repaid)	9,575	(59,468)
Melewar Steel Engineering Sdn Bhd	Advances (repaid)	(243,500)	-
Mperial Power Ltd	Advances given	4,508,813	1,949,850
Melewar Industrial Technologies Sdn Bhd	Advances (waived)	(19,691)	-
Melewar Environment Sdn Bhd	Advances (waived)	(46,038)	-

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

28 SEGMENTAL ANALYSIS

Current Reportable Segments

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

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

(c) The engineering segment is in the business of providing engineering services including projects that would be accounted as construction contracts.

(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 involved in metal scrap trading and dormant companies where individually they do not form a material segment that requires a separate disclosure.

The engineering business is reported as a segment for the first time for the current financial year given that its loss contribution to the Group exceeded minimum threshold requiring separate disclosure. Contribution from the engineering business to the Group in the preceding financial year 2015 was immaterial, and is disclosed as a segment for comparative purposes only.

Notes To The Financial Statements

30 June 2016
(continued)

28 SEGMENTAL ANALYSIS (continued)

The segments are strategic business units offering different products and services, and are managed separately. The Group's Executive Committee comprising of key functional heads and executive Directors monitors the operating results of the strategic business units as well as relying on the segmental information as disclosed below for purposes such as resource allocation and performance assessment.

The Directors are of the opinion that all inter segment transactions are entered into in the normal course of business and are established on terms and conditions agreed between the related parties.

	Steel tube	Cold rolled	Engineering	Investment holding	Others	Total
	RM	RM	RM	RM	RM	RM
2016						
Revenue						
Total revenue	206,096,735	383,453,327	39,150,073	11,493,589	5,991,800	646,185,524
Inter segment	(1,022,311)	(26,249,687)	-	(11,493,589)	(609,675)	(39,375,262)
Total revenue	205,074,424	357,203,640	39,150,073	-	5,382,125	606,810,262
Segment results						
Profit/(Loss) from operations	20,086,545	35,465,314	(9,904,335)	(11,115,213)	162,374	34,694,685
Finance income	233,790	212,396	17,278	310,885	10,763	785,112
Finance costs	(3,904,380)	(7,503,479)	-	(997,444)	(8,375)	(12,413,678)
Share of associate's results	-	-	-	(264)	-	(264)
Profit/(Loss) before tax	16,415,955	28,174,231	(9,887,057)	(11,802,036)	164,762	23,065,855
Taxation	(2,108,686)	(5,591,707)	(195,892)	(127,164)	(182,974)	(8,206,423)
Net profit/(loss) after tax	14,307,269	22,582,524	(10,082,949)	(11,929,200)	(18,212)	14,859,432
Segment assets	128,808,512	391,598,271	26,259,891	108,901,595	2,580,575	658,148,844
Other information						
Depreciation of property plant and equipment	2,979,098	12,344,629	147,001	4,138,978	43,666	19,653,372
Impairment losses/(write back):						
- property, plant and equipment	108,864	7,948,310	-	(30,785)	(407)	8,025,982
- other receivables	475,367	-	779,498	-	-	1,254,865
- amount owing by an associate	-	-	-	(870,557)	-	(870,557)
Additions of property, plant and equipment	857,528	2,823,889	403,081	389,997	1,250	4,475,745

Notes To The Financial Statements
30 June 2016
(continued)

28 SEGMENTAL ANALYSIS (continued)

	Steel tube RM	Cold rolled RM	Engineering RM	Investment holding RM	Others RM	Total RM
2015						
Revenue						
Total revenue	218,824,750	467,052,529	2,985,527	15,128,134	13,759,419	717,750,359
Inter segment	(1,357,769)	(33,082,055)	-	(15,128,134)	(134,304)	(49,702,262)
Total revenue	217,466,981	433,970,474	2,985,527	-	13,625,115	668,048,097
Segment results						
Profit/(Loss) from operations	8,777,842	4,836,986	(1,905,758)	(12,866,738)	(1,508,208)	(2,665,876)
Finance income	209,415	326,433	5,828	2,441,905	4,325	2,987,906
Finance Costs	(4,318,074)	(9,442,843)	-	(1,124,115)	(151,277)	(15,036,309)
Share of associate's results	-	-	-	(21,253,127)	-	(21,253,127)
Profit/(Loss) before tax	4,669,183	(4,279,424)	(1,899,930)	(32,802,075)	(1,655,160)	(35,967,406)
Taxation	414,279	1,241,035	(77,507)	419,419	(214,525)	1,782,701
Net profit/(loss) after tax	5,083,462	(3,038,389)	(1,977,437)	(32,382,656)	(1,869,685)	(34,184,705)
Segment assets	122,734,543	420,399,426	4,828,745	108,315,528	3,983,689	660,261,931
Other information						
Depreciation of property plant and equipment	2,975,848	11,039,509	154,117	3,747,584	232,319	18,149,377
Impairment losses/(write back):						
- property, plant and equipment	419,847	3,043,470	-	32,377	892,050	4,387,744
- inventories	-	-	-	-	75,044	75,044
Additions of property, plant and equipment	2,109,642	8,310,146	-	15,137	54,318	10,489,243

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

	2016 RM	2015 RM
Segment assets	658,148,844	660,261,931
Amount owing by an associate	33,450,000	33,417,071
Derivatives	704,614	2,071,229
Deferred tax assets	2,721,294	2,795,371
Tax recoverable	226,100	1,026,202
	695,250,852	699,571,804

Notes To The Financial Statements

30 June 2016
(continued)

28 SEGMENTAL ANALYSIS (continued)

Information about major customers

Revenue from two major customers totalling RM146.3 million contributed to more than 10% of the Group's revenue each. These two major customers are each from the cold rolled segment and the steel tube segment.

29 LITIGATION, COMMITMENTS AND CONTINGENT LIABILITIES

(a) At the Group level:

(i) A subsidiary had in 2005 acquired a 20% associate stake in a galvanised steel producer for RM17 million from the controlling stake vendor with specific performance guarantee. The associate company's performance failed to meet the guaranteed performance, and the Group initiated legal recovery from the vendor in February 2010. The investment has been fully impaired since financial year 2011.

The case was litigated from mid-2010 until the final appeal outcome on 12 February 2015 in favour of the subsidiary on the RM17million claimed together with interest (at 6% p.a.) and cost (RM70,000) against the Defendant/Respondent. The subsidiary has since sought to enforce the legal award but has been unsuccessful. The management has also dispatched a team to recover any physical assets of the subject investment under receivership but was also unsuccessful. The management do not see any likelihood of recovery for any reversal of the full impairment previously made. In this regard, the continuing disclosure of this case will cease from the next financial year.

(ii) There are no material capital expenditures approved but not contracted for at the close of the current financial year.

(iii) The Group is not aware of any circumstances or developments giving rise to contingent liabilities or assets warranting disclosure. The Group is not aware of any short-term operating leases susceptible to cancellation which may impact its respective business operations.

(b) At the Company level:

(i) The Company is not in any on-going litigation which may give rise to material contingent liabilities; or has any material contracted but outstanding capital commitments.

(ii) For the financial year ended 2016, the Company have certain investment properties valued at RM60.4 million and a cash deposit of RM9.3 million pledged for a Standby Letter of Credit (SBLC) facility of THB384.8 million for the benefit of a former subsidiary (Siam Power) in relation to a performance guarantee issued to the Electricity Generating Authority of Thailand (EGAT) for the due completion of the phase 2 development by 1 June 2018. This beneficiary ceased to be a subsidiary but is an associate since 1 May 2014. The Company has reviewed the position with its associate and is satisfied that the motion to uplift the said commitment is duly incorporated into its associate's terms of divestiture of its power subsidiaries, and that the associate is confident in getting the said delivery deadline extended if required. See Notes 16(a)(i) and 30.

(iii) The Company has in the current financial year issued a corporate guarantee for the due performance of its wholly owned engineering subsidiary to its client under an EPC (or Engineering, Procurement, and Construction) contract valued at RM83 million. This same contract was determined by the engineering subsidiary to be onerous with full loss provision made during the last quarter of the current financial year. (Refer to Note 17). Company has since reviewed the circumstances surrounding the onerous contract's loss provision and is of the opinion that the likelihood of any call on the said corporate guarantee giving rise to contingent liabilities remain remote and unlikely. Whilst the management of the engineering subsidiary has reported that it has the basis to seek variation order claim and shall seek the same to remedy the loss provision, such outcome remains uncertain.

Notes To The Financial Statements

30 June 2016
(continued)

30 SIGNIFICANT EVENTS AFTER REPORTING DATE

Disposal of the Power Business by an Associate

With reference to Note 16(a)(i), the power associate Mperial Power Ltd ("Mperial") informed that it has on 5 September 2016 entered into a 'Transaction Agreement' with an external foreign party to buy 78.4% equity-stake in Siam Power coupled with its aggrieved bank debts for a total net consideration of THB334 million (approximately 38.2 million). The counterparty is an investment arm of a global asset management company. An earnest deposit and partial payment totalling THB230 million (approximately RM26.2 million) has since been received by Mperial, and the transaction is expected to complete within a 12 months period. Mperial has since repaid RM20 million of the amount of owing to the Group as stated in Note 16(b)(i).

Mperial also informed that it is in an advance stage of discussion with a separate potential buyer for the disposal of Siam Power 2, and it hopes to clinch an agreement soon. At the issuance date of the current financial statements, a definitive agreement has not been concluded.

31 FINANCIAL INSTRUMENTS BY CATEGORY

Group	Loans and receivables RM	Derivative financial asset RM	Total RM
30 June 2016			
Financial assets per statement of financial position:			
Current			
Trade and other receivables (excluding prepayments)	110,382,316	-	110,382,316
Derivative financial instruments	-	704,614	704,614
Deposits with licensed financial institutions	39,475,026	-	39,475,026
Bank balances	12,068,236	-	12,068,236
Amount owing by an associate	33,450,000	-	33,450,000
	195,375,578	704,614	196,080,192

Group	Derivative financial liabilities RM	Other financial liabilities at amortised cost RM	Total RM
30 June 2016			
Financial liabilities per statement of financial position:			
Non-current			
Other payables	-	3,065,232	3,065,232
Borrowings	-	7,241,264	7,241,264
Current			
Trade and other payables (excluding prepayments received)	-	151,844,202	151,844,202
Borrowings	-	84,338,604	84,338,604
Derivative financial instruments	3,263,972	-	3,263,972
	3,263,972	246,489,302	249,753,274

Notes To The Financial Statements

30 June 2016
(continued)

31 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Group	Loans and receivables RM	Derivative financial asset RM	Total RM
30 June 2015			
Financial assets per statement of financial position:			
Current			
Trade and other receivables (excluding prepayments)	109,086,746	-	109,086,746
Derivative financial instruments	-	2,071,229	2,071,229
Deposits with licensed financial institutions	24,397,197	-	24,397,197
Bank balances	29,689,569	-	29,689,569
Amount owing by an associate	33,417,071	-	33,417,071
	196,590,583	2,071,229	198,661,812

Group	Derivative financial liabilities RM	Other financial liabilities at amortised cost RM	Total RM
30 June 2015			
Financial liabilities per statement of financial position:			
Non-current			
Borrowings	-	19,847,300	19,847,300
Current			
Trade and other payables (excluding prepayments received)	-	103,300,657	103,300,657
Borrowings	-	166,847,334	166,847,334
Derivative financial instruments	40,650	-	40,650
	40,650	289,995,291	290,035,941

Notes To The Financial Statements

30 June 2016
(continued)

31 FINANCIAL INSTRUMENTS BY CATEGORY (continued)

Company	**2016 RM**	**2015 RM**
Financial assets per statement of financial position:		
Loans and receivables		
Current		
Trade and other receivables (excluding prepayments)	884,743	1,043,267
Amounts owing by subsidiaries	515,427	506,730
Amount owing by an associate	7,333,706	2,824,893
Deposits with licensed financial institutions	9,329,916	9,035,459
Bank balances	439,527	545,226
	18,503,319	13,955,575
Financial liabilities per statement of financial position:		
Other financial liabilities at amortised cost		
Non-current		
Borrowings	-	25,775
Current		
Trade and other payables	2,659,605	3,748,909
Amounts owing to subsidiaries	7,024,732	4,468,546
Borrowings	-	106,575
	9,684,337	8,349,805

Supplementary Information

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

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

	Group	Company
	RM	RM
2016		
Total retained earnings/(accumulated losses) of the Company:		
- realised	(152,926,159)	(51,036,402)
- unrealised	(37,714,099)	(18,741,342)
	(190,640,258)	(69,777,744)
Consolidation adjustments	234,869,503	-
Total retained earnings/(accumulated losses) per the financial statements	44,229,245	(69,777,744)
2015		
Total (accumulated losses)/retained earnings of the Company:		
- realised	(207,846,940)	(56,182,395)
- unrealised	(25,880,176)	(17,588,728)
	(233,727,116)	(73,771,123)
Consolidation adjustments	270,107,538	-
Total retained earnings/(accumulated losses) per the financial statements	36,380,422	(73,771,123)

Properties Owned
By Melewar Industrial Group Berhad and Its Subsidiaries

No.	Address of property	Lease expiry date	Brief description and existing use	Land / Built-up area	Approximate age of building (years)	Net book value (RM)
1	Lot 53, Persiaran Selangor 40200 Shah Alam, Selangor	22.5.2078	Factory cum office building	196,144 sq. ft. (4.50 acres)	26	25,200,000
2	Lot 49, Jalan Utas 40200 Shah Alam, Selangor	13.4.2072	Factory building	316,300 sq. ft. (7.26 acres)	42	35,200,000
3	Lot 10, Persiaran Selangor 40200 Shah Alam, Selangor	11.5.2085	Factory building	220,437 sq. ft. (5.06 acres)	36	25,100,000
4	Lot 16, Jalan Pengapit 15/19 40200 Shah Alam, Selangor	8.4.2078	Factory building	94,000 sq. ft. (2.16 acres)	38	10,900,000
5	Lot 717, Jalan Sungai Rasau Seksyen 16,40200 Shah Alam, Selangor	Freehold	Factory cum office building	781,423 sq. ft. (17.94 acres)	27	108,700,000
6	Lot 2953, Mukim Kelemak Daerah Alor Gajah, Melaka	27.9.2082	Factory cum office building	66,022 sq. ft. (1.52 acres)	30	1,320,000

Note: The above property was revalued in 2016.

MELEWAR INDUSTRIAL GROUP BERHAD
(8444-W)

FORM OF PROXY
(please refer to the notes below)

No. of ordinary shares held

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

of ______________________________
(Full address)

____

being a member/members of **MELEWAR INDUSTRIAL GROUP BERHAD** hereby appoint *Chairman of the meeting or

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

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

to vote for *me/us and on *my/our behalf at the **47th Annual General Meeting ("AGM")** of the Company to be held at the **Crystal Function Room, 4th Floor, Mutiara Complex, 3 ½ Miles, Jalan Ipoh, 51200 Kuala Lumpur on Thursday, 8 December 2016 at 1.00 p.m.** or at any adjournment thereof on the following resolutions referred to in the Notice of the 47th 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 PERIOD FROM 1 JULY 2016 TO 31 DECEMBER 2017 TO BE PAYABLE QUARTERLY IN ARREARS.				
RESOLUTION 2	TO RE-ELECT MAJOR GENERAL DATUK LAI CHUNG WAH (RTD) WHO IS RETIRING PURSUANT TO SECTION 129(6) OF THE COMPANIES ACT, 1965.				
RESOLUTION 3	TO RE-ELECT DATIN EZURIN YUSNITA BINTI ABDUL MALIK WHO IS RETIRING PURSUANT TO ARTICLE 113(1).				
RESOLUTION 4	TO RE-ELECT SHAZAL YUSUF BIN MOHAMED ZAIN WHO IS RETIRING PURSUANT TO ARTICLE 113(1).				
RESOLUTION 5	TO RE-ELECT MUK SAI TAT WHO IS RETIRING PURSUANT TO ARTICLE 113(1).				
RESOLUTION 6	TO RE-ELECT NARESH MOHAN WHO IS RETIRING PURSUANT TO ARTICLE 120.				
RESOLUTION 7	TO RE-APPOINT MESSRS PRICEWATERHOUSECOOPERS AS AUDITORS OF THE COMPANY.				
RESOLUTION 8	TO APPROVE THE PROPOSED RENEWAL OF SHARE BUY-BACK AUTHORITY.				
RESOLUTION 9	TO APPROVE THE PROPOSED RENEWAL OF SHAREHOLDERS' MANDATE FOR RECURRENT RELATED PARTY TRANSACTIONS.				
RESOLUTION 10	AUTHORITY TO ISSUE AND ALLOT SHARES PURSUANT TO SECTION 132D OF THE COMPANIES ACT, 1965.				

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

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

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

Dated this ________ day of ______________ 2016

____
Signature of Shareholder(s) / Common Seal

NOTES:

1. Applicable to shares held through a nominee account.
2. A member entitled to attend, speak and vote at a meeting of the Company is entitled to appoint not more than two (2) proxies to attend, speak and vote in his/her stead. A proxy may but need not be a member of the Company, and the provision of Section 149(1)(a) & (b) of the Act shall not apply to the Company.
3. Where a member appoints two (2) proxies, the appointment shall be invalid unless he/she specifies the proportion of his/her shareholdings to be represented by each proxy.
4. Where a member is an Exempt Authorised Nominee which holds shares in the Company for multiple beneficial owners in one securities account ("omnibus account") as defined under the Securities Industry (Central Depositories) Act, 1991, there is no limit to the number of proxies which the Exempt Authorised Nominee may appoint in respect of each omnibus account it holds.
5. The instrument appointing a proxy, shall be in writing under the hand of the appointer or his attorney duly authorised in writing, and in the case of a corporation, either under seal or under hand of an officer or attorney duly authorised.
6. The instrument appointing a proxy must be deposited at the Company's Registered Office, Suite 12.03, 12th Floor, No. 566, Jalan Ipoh, 51200 Kuala Lumpur, not less than forty eight (48) hours before the time appointed for holding the meeting or any adjournment thereof.
7. Any alteration in the Form of Proxy must be initialled.
8. Form of Proxy sent through facsimile transmission shall not be accepted.
9. For the purpose of determining a member who shall be entitled to attend this 47th AGM, the Company shall be requesting Bursa Malaysia Depository Sdn Bhd in accordance with Articles 79(a), 79(b) and 79(c) of the Company's Articles of Association and Section 34(1) of the Securities Industry (Central Depositories) Act, 1991 to issue a General Meeting Record of Depositors as at 2 December 2016. Only a depositor whose name appears on the Record of Depositors as at 2 December 2016 shall be entitled to attend, speak and vote at the said meeting or appoint proxy(ies) to attend, speak and/or vote on his/her behalf.
10. (i) Explanatory Note to Ordinary Business of Agenda 1 (Explanatory Note A):
This Agenda item is meant for discussion only as the provision of Section 169(1) of the Act, does not require a formal approval of the shareholders and hence, is not put forward for voting.
(ii) Explanatory Notes to Special Business of Agenda 7:
(a) Proposed Renewal of Share Buy-Back Authority
The Proposed Resolution 8, if passed, would empower the Directors to exercise the power of the Company to purchase its own shares ("the Proposal") by utilising its financial resources not immediately required. The Proposal may have a positive impact on the market price of the Company's shares. This authority, unless revoked or varied at a general meeting, will expire at the conclusion of the next AGM of the Company.
(b) Proposed Renewal of Shareholders' Mandate for Recurrent Related Party Transactions of a Revenue or Trading Nature ("RRPTs")
The Proposed Resolution 9, if passed, will empower the Company to conduct recurrent related party transactions of a revenue or trading nature which are necessary for the Group's day-to-day operations, and will eliminate the need to convene separate general meetings from time to time to seek shareholders' approval. This will substantially reduce administrative time, inconvenience and expenses associated with the convening of such meetings, without compromising the corporate objectives of the Group or adversely affecting the business opportunities available to the Group.
(c) Authority to Issue and Allot Shares Pursuant to Section 132D of the Act
The Ordinary Resolution proposed under Resolution 10 of the Agenda is a renewal of the General Mandate for the Directors to issue and allot shares pursuant to Section 132D of the Act. This mandate will provide flexibility for the Company to undertake future possible fund raising activities, including but not limited to placement of shares for purpose of funding the Company's future investment projects, working capital and/or acquisition(s) without having to convene another general meeting.

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

As at the date of this Notice, no new shares in the Company were issued pursuant to the mandate granted to the Directors at the 46th AGM held on 30 November 2015 and which will lapse at the conclusion of the 47th AGM to be held on 8 December 2016.

The detailed information on Special Business of Agenda 7 except for Ordinary Resolution 10 as mentioned above is set out in the Circular to Shareholders of the Company dated 31 October 2016 which is dispatched together with the Company's 2016 Annual Report.

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

Fold This Flap For Sealing

Then Fold Here

STAMP

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

1st Fold Here

NOTICE

There will be no distribution of door gifts.

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(8444-W)

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